Decontrolling NBS Fertilizers

Why in news?

The Centre has introduced price capping formula for phosphatic and potassic (P&K) fertilizers under Nutrient Based Subsidy scheme with retrospective effect from April 1, 2023, through guidelines issued under the Essential Commodity Act.

Nutrient Based Subsidy (NBS) Scheme
• **Launch year**- 2010 • **Aim**- To encourage soil-balanced fertilization and increase agricultural productivity • It provides subsidies for non-urea-based fertilizers based on the nutrients (N, P, K, and S) they contain. • **Administration-** Department of Fertilizer, Ministry of Chemicals and Fertilizers. • **Coverage-** Phosphatic and Potassic (P&K) Fertilizers. • A fixed amount of subsidy is decided on annual basis, is provided on subsidised P&K fertilizers depending on their nutrient content. • MRP is fixed by fertilizer companies as per market dynamics at reasonable level which is monitored by the Government • **Objectives-** - To promote balanced use of fertilizers. - To reduce subsidy burden on the Government. - To improve availability of fertilizers to farmers. - To encourage competition among fertilizer companies • **Features-** It considers the domestic and international cost of fertilizers, the country's inventory levels, and the currency exchange rate. • It provides additional subsidies for fertilizers that are enriched with secondary and micronutrients like zinc and molybdenum (Mo). • **New guidelines-** The MRPs are supposed to be market-determined and set by the individual companies selling them. • The government merely pays a fixed per-tonne subsidy on each of these fertilisers, linked to their nutrient content or specific percentage of nitrogen (N), phosphorous (P), potassium (K) and sulphur (S). • But the Department of Fertilisers has issued detailed guidelines for the evaluation of "reasonableness" of the MRPs for all non-urea fertilisers covered under NBS.

What is the recent guidelines released by Department of Fertilizers?

> *Fertilizer subsidies in India currently account for the second-largest Government transfer, with a yearly estimated outlay of over Rs. 70,000 Crore.*

- The Centre has imposed indirect MRP controls on non-urea fertiliser by capping the profits that companies can earn from their sales.
- **Guidelines**- It is released for the evaluation of reasonableness of the MRPS for all

non-urea fertilizers, based on their cost of production/imports, overheads and interest charges.

- **Effective**- It will be launched retrospectively from April 1, 2023.
- **Category-** The rules are based on the category of the companies, whether they import, manufacture or produce both final fertilisers and the raw materials used to make them.
- **New rules aim-** To ensure that the MRPs of these fertilisers are reasonable and reflect the cost of production or import, overheads, and interest charges
- **Refund of unreasonable profits**- Companies earning unreasonable profit in a financial year will have to refund the amount to the Department of Fertilizers by October 10 of the fiscal year.
- **Penalty**- If they fail to refund the unreasonable profit within the stipulated time limit then they should pay 12% interest along with the refund amount.
- **Condition-**The unreasonable profits would also get adjusted against subsequent fertiliser subsidy payments by the government.
- **Calculation of profit margin-** It is calculated as a % of the MRP of the fertilizers, excluding the Goods and Services Tax (GST). The rules allow profit margin for non-urea fertilizers such as di-ammonium phosphate (DAP) and muriate of potash (MoP)

Category	Allowed profit margin
Importers	8%
Manufacturers	10%
Integrated manufacturers	12%

- **Self-assessment**- The fertilizer companies have to self-assess unreasonable profits based on the cost auditor's report and audited cost data approved by their board of directors.
- **Audit Committee-** It will be set by companies and cooperatives in NBS under Companies Act, 2013 to review the cost auditor's report, this will exempt single sugar phosphate and potash derived from molasses units.
- **Norms for auditor-** The auditor will ensure that the companies have not used any other subsidized fertilizers or earned any profit from self-made intermediaries in the production of P&K fertilizers1.
- The auditor will certify that the subsidy claims and production/import figures are consistent with the NBS policy and the Integrated Fertilizer Management System (IFMS) online system
- The audit report will include the details of the imported goods, any new or expanded plants, the plant capacity utilization, and the total consumption of raw materials and intermediates in the domestic production of P&K fertilizers.
- **Finalise report-** The Department of Fertilizer will then scrutinise and finalise a report on unreasonable profits earned, if any, to be recovered from the companies.
- In case of non-submission of the report and data within deadline, further subsidy payment to the company will be stopped and a penalty of 1,000 rupees per day would be charged from October 11 till it is submitted.

Quick facts

Integrated Fertilizer Management System
• **Launch year**-2016. • **About**- It is a comprehensive, all-inclusive system covering all functionalities in the fertilizer supply chain. • **Direct Benefit Transfer in Fertilizer**- It is launched for better monitoring of fertilizers sale transactions across the country by capturing the fertilizer sales from retailers to farmers through Aadhaar enabled PoS devices and online subsidy payment to companies on weekly basis and software solution was enhanced accordingly. • **Benefits**- - Real time status on fertilizer stock availability across the country at all stock points. - Effective monitoring of fertilizer movement in fertilizer supply chain to ensure receipt of subsidised fertilizers to the intended beneficiary. - Effective monitoring of fertilizer availability in accordance with the state-wise monthly fertilizer requirement. - Authentic Fertilizer Dealer database.

References

1. Indian Express- Non urea fertiliser under price control
2. Business Line- Government fixes maximum profit margin

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