

No. 5-1/2007-Shipping II / MPR
Government of India
Ministry of Chemicals & Fertilizers
Department of Fertilizers

Shastri Bhawan, New Delhi, the 11th July 2008

To

1. Chief Secretaries/ All Agriculture Production Commissioners/ Secretaries (Agriculture)
2. Directors, Directorate of Agriculture of the State Governments/ U.Ts.

Subject: Continuation of Concession Scheme on decontrolled Phosphatic & Potassic (P&K) fertilizers with effect from 1st April 2008 – regarding,

Madam/Sir,

In continuation of this Department letter No. 5-1/2007-Shipping II-MPR dated 12th September 2007 conveying continuation of the Concession Scheme on decontrolled Phosphatic & Potassic (P&K) fertilizers for 2007-08, No. 12012/5/2008-FPP dated 17th June 2008 conveying revised MRPs of P & K Fertilizers, No. 22011/6/2008 - MPR dated 27th June 2008 announcing base rates of concession for P&K fertilizers and 30th June 2008 notifying MRPs and base rates of Ammonium Sulphate and Triple Super Phosphate, I am directed to convey the decision of the Government of India to continue the Concession Scheme on decontrolled P & K fertilizers with effect from 1st April 2008 till further orders with the following policy.

2) The Maximum Retail Prices (MRPs) of decontrolled P & K fertilizers covered under the Concession Scheme will be as per the details given below:

(Rs. per MT)

Products	MRP w.e.f. 1 st April 2008 up to 17 th June 2008	MRP w.e.f. 18 th June 2008
DAP	9350	9350
MAP	9350	9350
MOP	4455	4455
Grades of Complex Fertilizers – N: P: K: S		
16:20:00:13	7100	5875
20:20:0:13	7280	6295
20:20:00:00	7280	5343
23:23:00:00	8000	6145
28:28:00:00	9080	7481
10:26:26:00	8360	7197
12:32:16:00	8480	7637
14:28:14:00	8300	7050
14:35:14:00	8660	8185
15:15:15:00	6980	5121
17:17:17:00	8100	5804
19:19:19:00	8300	6487

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- 3) Final concession rates will be worked out on **monthly basis** w.e.f 1st April 2008 taking into account prices adopted as detailed below.
- 4) Monthly concession for imported MOP and imported and indigenously granulated MAP will be based on average of the low and the high C&F prices for the preceding month published in the Fertilizer Market Bulletin (FMB) – FSU fob plus Baltic freight for MOP and Baltic fob plus Baltic freight for MAP **or** the actual weighted average of the landed prices for the current month, whichever is lower.
- 5) Monthly concession for imported DAP will be based on the average of low and high prices of DAP published in FMB and Ferticon from US Gulf fob, plus Tampa-Mundra freight, for the previous month **or** the actual weighted average of the landed price for the current month, whichever is lower.
- 6) Monthly concession for indigenous DAP will be same as that given to imported DAP.
- 7) Per unit price of 'P' for monthly concession for complex fertilizers will be derived from the delivered cost of DAP and imported Ammonia under the Concession Scheme.
- 8) Per unit price of 'N' for monthly concession for complex fertilizers will be based on individual unit-wise cost of 'N' as considered by the Tariff Commission up to 31st March 2010. Thereafter, i.e., w.e.f. 1st April 2010, unit-wise or group-wise price of 'N' as recommended by the Tariff Commission (based on usage of feed stock, namely gas, naphtha, imported urea/ammonia and imported ammonia), whichever is lower, will be recognized.
- 9) Per unit price of 'K' for monthly concession for complex fertilizers will be based on the C&F cash price of MOP, as recognized for the concession scheme for MOP.
- 10) A separate cost of 'S' for sulphur containing complex fertilizers will be recognized based on the price of imported sulphur.
- 11) Group-wise 'Other costs' as recommended by Tariff Commission will be recognized for monthly concession for complex fertilizers. For IFFCO Paradeep, 'Other Cost' will also include separate cost of investment/revamping, as calculated by Tariff Commission.
- 12) Decision on cost of freight for distribution of all fertilizers including under Transport Subsidy Scheme for difficult areas will be conveyed separately.
- 13) Government of India has decided to include indigenous and imported TSP (0-46-0) under the Concession Scheme for decontrolled Phosphatic and Potassic Fertilizers w.e.f. 1st April 2008 with MRP of Rs. 7460 per MT and indigenous Ammonium Sulphate (20.6-0-0-23) w.e.f. 1st July 2008 with MRP of Rs. 10350 per MT.
- 14) Monthly concession for indigenous and imported TSP will be based on the average of low and high fob prices of TSP published in FMB plus freight for the previous month **or** the actual weighted average of the landed price for the current month, whichever is lower.
- 15) Monthly concession for indigenous AS will be computed in line with other complex fertilizers based on the individual unit-wise cost of 'N' of the respective units (GSFC, Baroda & FACT, Udyogmandel) up to 31st March 2010. Thereafter, i.e., w.e.f. 1st April 2010, unit-wise or group-wise price of 'N' (based on usage of feed stock, namely gas and naphtha), whichever is lower, will be recognized. Escalation/de-escalation in the cost of sulphur will be as applicable to sulphur containing complex fertilizers.
- 16) Concession payable for MAP (11-52-00) and TSP (0-46-0) will be capped to that payable for DAP. Further, import of MAP and TSP on Government account, if any, would be within the overall ceiling for imported DAP in a year as decided from time to time to the extent of shortfall in availability of DAP.



17) The average of the low and the high C&F prices of Ammonia (cfr India), Sulphur (cfr India) and Prilled Urea (Arabian Gulf fob) for the preceding month published in the Fertilizer Market Bulletin (FMB) or actual weighted average landed price for the current month purchased by the P&K manufacturers/ importers will be adopted for monthly concession for complex fertilizers. Price of naphtha purchased by the Fertilizers & Chemicals Travancore Limited (FACT) during the current month will be adopted for working out the cost of 'N' for naphtha based Complex fertilizers. Price of natural gas (APM) as per the current month will be adopted for working out the cost of 'N' for gas based Complex fertilizers.


18) The input / fertilizer prices for the Concession Scheme will be derived on the basis of an 'outlier' methodology. Accordingly, the weighted C&F price of various raw-materials/intermediates/finished fertilizers (landed at Indian ports in the relevant month) for computation of monthly concession will be adopted by excluding the outlier(s). Prices, which are less than 5% or US \$ 30 per MT of the 'industry average', whichever is lower, will be excluded while computing the 'industry average'. The 'outlier' will be provided a separate treatment whereby the difference between 'outlier' price and the 'industry average' will be shared in the ratio of 65:35 between the 'outlier' and the Government respectively. The 'outlier' methodology will also be applicable to all long-term contracts including all existing long-term contracts such as Ammonia Off-Take Agreement (AOTA) of IFFCO with OMIFCO w.e.f 1st April 2008.

19) The Buffer Stocking Scheme for 3.5 lakh MT of DAP and 1 lakh MT of MOP w.e.f 1st April 2008 will be continued.

20) State Governments / Union Territory Governments are requested to ensure that the manufacturers and importers of P & K fertilizers are not allowed to sell the decontrolled P & K fertilizers at rates more than the MRPs indicated above in paragraphs 2 & 13 above.

21) This issues with the concurrence of the Internal Finance Division of Department of Fertilizers vide their dairy no. 1328/08/AS&FA dated 7th July 2008.

Yours faithfully,



(H. Abbas)

Deputy Secretary to the Government of India
Tel No. + 11- 2338 3814

Copy forwarded to:

1. Secretary (Agriculture), Department of Agriculture & Cooperation, Krishi Bhawan, New Delhi.
2. Secretary (Expenditure), Department of Expenditure, North Block, New Delhi.
3. Joint Secretary (INM), Department of Agriculture & Cooperation, Krishi Bhawan, New Delhi.
4. Joint Secretary (PF II), Department of Expenditure, North Block, New Delhi.
5. Director (Cabinet), Cabinet Secretariat, Rashtrapati Bhawan, New Delhi.
6. Executive Director, FICC, Department of Fertilizers, New Delhi

7. Director of Accounts, Department of Fertilizers, Udyog Bhawan, New Delhi – to update MRP under the FMS and take necessary action for payment as per the policy.
8. Deputy Secretary (Finance), Department of Fertilizers, New Delhi
9. Director General, FAI, New Delhi
10. All the manufacturers & importers of P&K fertilizers.

H. Abbas

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Deputy Secretary to the Government of India

Copy also to:

PS to Minister (C, F & S)/ Sr. PPS to Secretary (Fertilizers)/ AS&FA/ JS (P&P)/ JS (F&P)/ JS (A&M)/ Economic Advisor/ Controller of Accounts, PAO/ US/ AD (Concession Wing)/ Sr. AD (Accounts) FA Wing/ AD (OL for translation in Hindi)/ Guard File/ Technical Director, NIC for uploading the same on the Department's website.

Copy also to: Ms. Vini Mahajan, Joint Secretary, Prime Minister's Office, South Block, New Delhi