

Government caps the profit margin for makers of non-urea fertilizers

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The government has brought di-ammonium phosphate (DAP), muriate of potash (MOP) and all other such fertilisers that receive nutrient-based subsidy (NBS) support under “reasonable pricing” controls



[Ref: Indian Express]

Central Government's Recent Decision:

- They have set maximum profit margins: **8% for importers, 10% for manufacturers, and 12% for integrated manufacturers.**
- Companies must **refund profits exceeding these margins.**

Evaluation Process:

- Companies are required to **self-assess profits** based on cost auditor reports.
- They must submit these reports by **October 10 of the following year.**
- The Department of Fertilisers will review MRPs by February 28 each year.

Impact of New Guidelines:

- These guidelines indirectly control **MRPs for non-urea fertilizers.**
- They **extend cost monitoring and price control** from urea to other fertilizers.
- All cost aspects, including **production and overheads**, are considered in pricing.

About Nutrient-Based Subsidy (NBS) Scheme:

- It was introduced in **April 2010.**
- It aims to let companies set market-determined **MRPs for fertilizers.**
- The government provides a **fixed subsidy per tonne**, based on nutrient content.

Objectives:

- **Balanced Fertilization:** Encouraging balanced soil fertilization to improve **agricultural productivity** and farm returns.
- **Scope:** The scheme covers a wide range of fertilizers, including those enriched with **secondary**

and micronutrients such as boron and zinc.

- **Reducing Subsidy Burden:** Aims to foster the growth of the local fertilizer industry and reduce the government's subsidy burden.

Features:

- **Subsidy Determination:** Subsidies are fixed annually based on the **nutrient content** of fertilizers.
- **Price Flexibility:** Manufacturers and marketers of fertilizers have the freedom to set the **Maximum Retail Price (MRP)**.
- **Broad Coverage:** The scheme includes 22 deregulated fertilizer grades, including **DAP, MAP, TSP, MOP**, and others.

Challenges and Issues:

- **Imbalance in Fertilizer Use:** There's a significant reliance on urea, leading to an imbalance in fertilizer use.
- **Impact on Economy and Soil Health:** Concerns about the scheme's impact on the fiscal health of the economy and soil health.
- **Suggestions for Improvement:** Proposals include incorporating urea into the NBS scheme and adjusting pricing and subsidy rates.