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## DEPARTMENT OF AGRICULTURE & FARMERS' EMPOWERMENT

### NOTIFICATION

The 20th October, 2023

No.23535—DAFP-FERT-CF-0001-2023/A&FE.— The State Cabinet in their 65th meeting held on 19.10.2023 have approved the proposal for Enhancement in provision of Corpus Fund for Odisha State Cooperative Marketing Federation (OSCMF) Ltd. and drop off in provision of corpus fund for Odisha Agro Industries (OAIC) Ltd.

#### 1.Introduction:-

In Integrated Nutrient Management System, Chemical fertilizers play a vital role for higher agricultural production and its timely application in recommended quantity alone contributes to 10-15 % of the production. As per the allocation made by the Govt. of India, fertilizers are supplied to the State by different companies through their dealer network. However, timely supply of fertilizers to the farmers of the State is a challenge as it is mostly affected by different factors like availability of railway rakes, timely arrival of ships. production volume of the indigenous companies, price fluctuation in international market etc. Hence, prepositioning of fertilizers during the lean periods is the key to mitigate the demand and supply mismatch during the peak consumption period. Fertilizer business is seasonal and in Odisha, it is confined for a period of 06 months in irrigated areas and 4 months in rainfed areas in a year. Moreover, the margin in fertilizer business is also very meager i.e only 1 to 2%. This low margin and limited span of business dissuades the dealers to store the fertilizers for a long period especially during the lean season.

In view of the above, there was a provision of corpus fund as interest free loan for OSCMF Ltd. & OAIC Ltd. @ Rs. 90.00 Crores/year and Rs. 10.00 Crores/year respectively, which has been enabling these two institutional agencies for procurement & prepositioning of fertilizers during the lean periods and its timely availability to farmers of the State as per the demand. Considering the volume and mode of fertilizer business of the agencies, the provision of corpus fund **for OSCMF Ltd.** was **enhanced**

from **Rs. 90.00 Crores** to **Rs. 150.00 Crores** per year (excluding current year i.e. 2023-24) and the provision of corpus fund for **OAIC** Ltd. was **dropped off** from the year 2024-25.

## **2.Objectives:-**

Enabling the State Procurement Agencies (OSCMF/OAIC) for procurement and prepositioning of fertilizers in a sustainable manner with an objective of availability of fertilizers in all corners of the State at right time and right price to meet the requirement of the farmers.

## **3. Justification:-**

As per the present provision of the State, corpus fund of Rs. 90.00 crores per year as interest free loan is provided to the OSCMF Ltd. By utilizing this fund the agency procures fertilizers from different manufacturers during the lean periods and as per the demand, makes available to the farmers through its dealer network. Similarly there is also a provision of Rs. 10.00 crores for OAIC Ltd. By utilizing this interest free loan, the agencies supply fertilizers to their dealers on credit basis and at the end of the financial year replenish the entire loan amount to the Government. Now, the OAIC has changed its mode of business and has started supply of fertilizers through its dealers network on cash and carry basis instead of credit basis. As the agency is able to manage its business by utilizing its own fund so, there may be no need of interest free loan for OAIC. However, in case of OSCMF, there is a need for further enhancement in the corpus fund due to different reasons as under.

i In last five years. share of OSCMF in total fertilizer business of the State is about 23 to 25% with an emphasis on prepositioning of Urea only. But, from 2023-24 onwards. it is emphasized on procurement of all fertilizers like DAP, MOP, NPKS & SSP along with Urea in a proportionate manner to a tune of 50% of the total annual requirement of the State for which OSCMF will have to handle a financial implications of around Rs. 936.00 Crores/year towards cost of procurement.

ii. In last two years there is a significant hike in price of different fertilizers like about 12% increase in cost of DAP; about 70% increase in cost of MOP and about 50% in case of NPKS & SSP . This many fold hike in price have also increased the procurement cost on OSCMF. As fertilizer price is highly fluctuating in nature, its sudden hike during the season also reduces the procurement volume by the OSCMF.

iii. The companies supply fertilizers to OSCMF on cash carry basis but, OSCMF supplies fertilizers to the PACS/LAMPCS on credit basis. Prepositioning of fertilizers at PACS / LAMPCS starts around 2-3 months back of its actual requirement. Unless the sale of fertilizers starts, PACS/LAMPCS are not able to repay the fertilizers cost to the MARKFED, which makes the OSCMF unable to procure more quantities during peak demand period.

iv. Presently. for encouraging the farmers level prepositioning of fertilizers through 'B"-component of Crop Loan, it is emphasized to supply more fertilizers to PACS/LAMPCS through OSCMF which in turn ensure availability to

farmers at the time of need and not only restrict the monopoly of private traders as well as help in curbing black marketing of fertilizers.

#### 4. Organizations involved:-

##### 4.1. Odisha State Cooperative Marketing Federation Ltd.

Odisha State Co-operative Marketing Federation Ltd. (OSCMF), otherwise known as MARKFED is an Apex Cooperative Institution registered in the year 1949. In addition to other activities, the core business of OSCMF is distribution of fertilizers to the farmers through Cooperative societies and other authorized dealers across the State. In last five years, the share of MARKFED in total fertilizer business of the State is around 23% to 25%.

##### 4.2. Odisha Agro Industries Corporation Ltd.

Odisha Agro Industries Corporation Ltd. (OAIC) was incorporated on 13.02.1974 as a Government Company with equity participation from the Central Government and Government of Odisha. The Agro Input Division of OAIC is responsible for marketing of all kind of agro inputs including chemical fertilizers within the State since 1979 with the prime objective of making the inputs available in the remote areas of the State at reasonable price and also to balance the selling system of inputs by breaking the monopoly of the private traders. In last five years, the share of OAIC in total fertilizer business of the State is around 3 to 4%.

#### 5. Prepositioning of fertilizers:-

By utilizing the interest free loan, it is targeted to preposition different fertilizers like Urea, DAP, MOP, NPKS & SSP to a tune of 50% of the requirement of the State in every year. The corpus fund will be utilized for procurement of fertilizers from the manufacturers and its prepositioning. As per the demand, it will be supplied to the farmers mainly through the cooperative societies and other authorized dealers in the State.

#### 6. Financial Implications:-

The total financial outlay is **Rs. 700.00 Crores** for **05 years** from **2023-24 to 2027-28** towards "Corpus Fund for Odisha State Cooperative Marketing Federation Ltd." and "Corpus Fund for Odisha Agro Industries Corporation Ltd." under the state sector scheme "Agriculture Input Management". The financial outlay is as follows.

Financial Year	Corpus Fund for OSCMF Ltd. (in Rs. Crores)	Corpus Fund for OAIC Ltd. (in Rs. Crores)	Total
2023-24	90.00	10.00	100.00
2024-25	150.00	0.00	150.00
2025-26	150.00	0.00	150.00
2026-27	150.00	0.00	150.00
2027-28	150.00	0.00	150.00
<b>Total</b>	<b>690.00</b>	<b>10.00</b>	<b>700.00</b>

The total amount of interest-free loan released in a financial year shall be refunded to the Government Account by OSCMF/OAIC on or before **15th March** of the same financial year.

Ordered that the notification be published in the Extraordinary issue of *Odisha Gazette*.

By Order of the Governor  
ARABINDA KUMAR PADHEE  
Principal Secretary to Government