

Standing Committee Report Summary

Evaluation of Implementation of the Fertiliser (Movement Control) Order, 1973

- The Standing Committee on Chemicals and Fertilisers (Chair: Mr Azad Kirti Jha) presented its report on the 'Evaluation of Implementation of Fertiliser (Movement Control) Order, 1973' on August 6, 2026. The Fertiliser (Movement Control) Order, 1973 FC(M)O was issued under the Essential Commodities Act, 1955. It aims to: (i) prevent diversion of fertilisers from their designated destination states, (ii) prevent unauthorised inter-state movement, and (iii) ensure distribution remains aligned with the central government's allocation policy and seasonal supply chains. Key observations and recommendations of the Committee include:
- **Review of FCMO:** The Committee observed that the order was enacted in 1973, predating present digital ecosystem. It observed that FCMO needs updation to address emerging challenges in fertiliser regulation and enforcement. It observed that in several states, the monetary penalties imposed were disproportionately low compared to the apparent economic gains from illegal diversion. In some cases, they were not imposed at all. The Committee recommended the Department of Fertilisers to undertake a comprehensive, time bound review of the FCMO, 1973 to: (i) align with the current digital enforcement framework, (ii) strengthen penalty and enforcement provisions, (iii) ensure that monetary penalties are proportionate to the quantity diverted, and (iv) clearly demarcate the responsibilities of the central and state governments.
- **Standardising enforcement:** The Committee observed that there is no centralized standard operating procedure (SOP) prescribed for enforcement under FCMO, leading to disparity in enforcement across states. It recommended the Department to prescribe a SOP laying down uniform procedures for: (i) inspections, (ii) movement checks, (iii) verification through the Integrated Fertiliser Management System (iFMS), (iv) seizure, and (v) registration of cases and prosecution.
- **Vacancies:** The Committee observed that several high consumption states had high vacancies in positions for enforcement officials. For instance, in Madhya Pradesh, 64% of the Fertiliser Inspector posts were vacant. It observed that the Department has made no cognisable effort to address this shortage. The Committee recommended: (i) filling critical vacancies in fertiliser inspectorate in states where vacancy rates exceed 30% with time-bound target, (ii) linking annual state-wise fertiliser allocation review to an assessment of enforcement capacity.
- **Enforcement gaps:** The Committee observed that there was a large gap in convictions compared to inspections, violations and FIRs. It noted there was no identification of repeat offenders despite reports. It noted that criminal proceedings remained pending for years. The Committee recommended the Department: (i) repeat violator registry be integrated in iFMS (ii) examine measure to ensure expeditious disposal of cases under the Order. The Committee also noted reports of cross border smuggling of fertilisers to Nepal and Myanmar, leading to subsidy loss. It recommended establishment of formal information sharing and coordination mechanisms with neighbouring countries.
- **Contingency planning:** The Committee observed no formal buffer stock policy is maintained for fertilisers. It recommended the Department to formulate a fertiliser strategic reserve and contingency protocol to prepare for supply disruptions.
- **Diversion of fertilisers:** The Committee observed that neem-coated urea was being diverted at large scales for industrial use. It noted that neem coating to prevent industrial diversion has not proved an adequate safeguard. The Committee recommended establishment of a monitoring mechanism with real-time inputs to prevent industrial diversion. It recommended periodic analysis of iFMS data to identify abnormal urea offtake in districts of urea consuming industries. It also recommended mandatory registration of industrial users, with quantity limits verified on production requirements, to distinguish real industrial consumption from diversion.

DISCLAIMER: This document is being furnished to you for your information. You may choose to reproduce or redistribute this report for non-commercial purposes in part or in full to any other person with due acknowledgement of PRS Legislative Research ("PRS"). The opinions expressed herein are entirely those of the author(s). PRS makes every effort to use reliable and comprehensive information, but PRS does not represent that the contents of the report are accurate or complete. PRS is an independent, not-for-profit group. This document has been prepared without regard to the objectives or opinions of those who may receive it.