

Inaugural Session

INAUGURAL ADDRESS

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CHAIRMAN FAI, SHRI JHAJI, VICE Chairman, Shri Rajuji, Secretary (Fertilisers), Dr. Samaji, Director General, FAI, Sri Sahaji and all the Delegates present here.

I am glad to be present here once again this year in the FAI Seminar on "Fertilisers and the Revival of Agriculture." I feel the backbone of agriculture is fertiliser and to keep pace with the growth in GDP of 9-10%, as announced by the government, the growth in agriculture has to be 4%. If the growth in agriculture is to be enhanced, the growth in the consumption of fertiliser is to be augmented. As long as the farmer is there, agriculture will be there and as long as agriculture is there, the need for fertiliser will remain. Therefore, our main target is to enhance the production of fertilisers and will continue to remain so in future.

Currently, the consumption of urea is 243 lakh tonnes and as per our estimates, it is expected to be 287 lakh tonnes by the end of 2011-12. The consumption of DAP is

expected to increase from 75 lakh tonnes to 95 lakh tonnes, MOP from 28 lakh tonnes to 37 lakh tonnes, SSP from 29 lakh tonnes to 36 lakh tonnes and complex fertilisers from 73 lakh tonnes to 93 lakh tonnes by the end of the 11th Plan. Likewise, our agricultural production which is presently around 210 million tonnes of foodgrains is targeted to increase to 320 million tonnes by 2011-12. Now, how to fulfill this target? It is our greatest problem. Our officials are hopeful of talks of joint ventures abroad. My request to you is that you should also look forward for more and more joint ventures abroad. There has been some relief on account of supplies received from the joint venture OMIFCO. The supplies commenced as per the agreed time schedule from the 15th July 2005. So far, about 18 lakh tonnes of urea have been received from OMIFCO. But domestic production altogether is about 200 lakh tonnes. After including about 16 lakh tonnes of supplies of urea per annum from OMIFCO, the total supplies amount to about 216 lakh tonnes. But last year, the consumption of urea was about 223

lakh tonnes. The way demand is growing in the current year, the consumption of urea may touch about 250 lakh tonnes. I am glad to state that the members of the industry who met me yesterday indicated that they will make efforts to produce an additional quantity of 10 lakh tonnes of urea during the current year. Besides supplies from domestic production, the balance quantity is met through imported fertilisers whether it is urea, DAP or MOP.

We have to pay higher amount on imported urea compared to domestic urea. There are DAP plants within the country and we also import some quantities from abroad. We also import the intermediates/ raw materials for DAP, such as phosphoric acid, rock phosphate, etc. We have to run the domestic industry. So, we are running them despite higher cost of production. Muriate of potash is entirely imported. From the last year, we have made efforts to correct the prices of MOP to bring a parity with the pricing policy of DAP.

But as I mentioned earlier that while on the one hand, we have to enhance the domestic production of fertilisers for which the existing capacities have to be augmented, on the other hand, we have to explore the possibilities of joint ventures abroad. Therefore, we have decided not to sell the land of closed fertiliser plants in the country. About eight old plants under FCI and HFC are closed which include Sindri, Barauni, Durgapur, Gorakpur, etc. Almost all these plants are naphtha based which are not able to survive. We are preparing a cabinet note for the revival of the closed plants since the cabinet decided to close them. With the revival of these plants, there



Inaugural Session : (L-R) Mr. B.K. Saha, Mr. U. S. Jha, Mr. Ram Vilas Paswan, Dr. J. S. Sarma and Mr. K. S. Raju

will be extra production in the country. Apart from this, all the existing naphtha based or non-gas based plants will be converted to gas based units. There is shortage of gas in the country. We expect that our requirement of gas will be met by 2008-09.

Currently, 65% of the domestic capacity is based on gas. But surprisingly, 35% of the total subsidy is disbursed to the gas based units which account for 65% of the domestic production. The remaining 35% non-gas based units are given 65% of the total subsidy. We expect that if all the units are switched over to gas, there may be reduction in the total amount of subsidy and there will be higher availability of fertilisers in the country.

Even after 60 years of independence and despite the fact that two-thirds of the population are dependent on agriculture, the farmers are not fully aware of the correct use of fertilisers. Proper dose of the application of urea, DAP and MOP are not being properly assessed. Against the preferred ratio of 4:2:1, the application in some cases is in the ratio 9:2:1. For this purpose, we are organising Kisan Melas in every state. This is facilitating us to create awareness among the farmers about the

correct use of fertilisers. But the commonly used fertilisers, viz. urea, DAP and MOP are not the only fertilisers the soil needs. There are various other fertilisers, such as, SSP. Earlier, the concession given on SSP was a lumpsum rate of Rs. 650 per tonne. The Government raised the amount to Rs. 975 per tonne at a later stage. We feel that the fixation of subsidy on SSP should be on the lines of other phosphatic fertilisers. We are going to review the pricing of SSP to explore the possibilities of bringing it at par with the subsidies given to other phosphatic fertilisers. We need to develop other fertilisers. As human body needs various kinds of vitamins (A, B to protein) similarly the soil also needs nutrients other than the existing varieties of fertilisers.

The issue of subsidy has become a matter of concern for us. The subsidy is given to the industry but payments are delayed which brings down the confidence and morale of the industry. The fertilisers which are imported from abroad are paid for in advance to the manufacturers but if the subsidy is paid at a later stage, there is likely to be scarcity. Therefore, we are making efforts to clear almost all the dues of subsidy by the end of March '07. In this context, we have written a letter to the Prime Minister. We have also written to the Finance

Minister twice on this aspect. I will also personally take up this matter. The subsidy should be paid in time. Then there will not be shortage of supply to meet the demand.

Besides the problems of subsidy, there are complaints of shortage of fertilisers and black marketing. You go to any state and you will get complaints of shortage of fertilisers and black marketing. I am not able to understand why this happens. We try to convince the states by saying that while we are not able to meet their demands fully, but as per our records, the sales are lower than whatever supplies are made to the state. But this does not serve the purpose if people come to know that supply is lower than the demand. So, in such cases, there is an automatic tendency for hoarding. That is why, we have instructed the department to procure fertilisers from anywhere or import to ensure supplies as per demand in every state so that the fear of scarcity goes away. When the supply plan is made, the requirement of fertiliser is worked out. You have a dialogue with the state governments and with the representatives of the centre, in which it is decided when, which company will send how much quantity to which destination by which mode. Despite this, the



fertilisers are not delivered to the destinations where these are required to be sent. Sometimes, fertilisers are unloaded from the rakes. On this point, there are some financial issues also. Imported fertilisers are despatched to places close to the ports. The fertilisers do not reach the far flung places due to high transportation costs. Consequently, farmers face a lot of difficulties. The number of dealers is also inadequate and their numbers have to be increased further, not only in the public sector but also in the private sector. The dealers have tendencies to resort to monopolistic practices and each dealer has dealerships of a number of (5 to 7) companies. The dealers try to hoard the materials of all the companies and sell it at a premium when the demand increases. This should be investigated. In this context, we have decided to introduce an on-line monitoring system and will start monitoring districtwise supply from the month of December 2006. But you have the responsibility to appoint adequate number of dealers and ensure timely supplies to the required destinations. A little lapse in carrying out your duty may cause harm not only to the farmers but to the nation as a whole. It is a matter of shame for an agricultural country

like India that it has to depend on imports for meeting the deficits. That is why the government is continuing disbursement of subsidy every year despite its increasing volume. The government has also not been raising the prices of fertilisers sold to the farmers. Besides these measures, our distribution channel has to be strengthened.

There are complaints that the state governments are not issuing certificates in time which causes delay in payment of the balance subsidy. Accordingly, we suggested dismantling the system of state certification. Now, both the systems are operating. We are reviewing the system and, if needed, the state certification system would be discontinued. But then some system has to be introduced in order to ensure supplies of fertilisers to the farmers at the right time.

The New Pricing Scheme is going to be introduced soon. I have covered a few points. Mr. Jha has already covered exhaustively the issues concerning this sector. Moreover, all of you are related to this industry and are fully aware of the issues. However, my request to all of you, particularly the public sector undertakings, is to find ways and means to reduce the cost of production and energy

consumption. When I visited Namrup plant recently, I found that the level of production is one-fourth of the quantity needed to be produced at the current level of energy consumption. The private sector should also explore and adopt new technologies.

The national interest is above all interests. The interest of individuals and the industry comes next. The production of fertiliser is to be maximized in the interest of the nation as the consumer here is the farmer. The interests of the farmers have to be protected. To cater to the interests of the farmers, the distribution system has to be strengthened. With regard to the difficulties of the industry relating to subsidy, some of the units are on the verge of closure due to non-payment of subsidy as I was informed yesterday, is a matter of concern for the government. On behalf of the government, I would like to assure you that this problem has been highlighted earlier and it will be resolved soon. We will try to remove your difficulties and you should remove the difficulties of the farmers and the nation.

With these words, I thank all of you. ■