

Valedictory Session

WELCOME ADDRESS

U. S. JHA, Chairman, The Fertiliser Association of India, New Delhi



MR. LUC MAENE, DIRECTOR GENERAL, IFA, Mr. B. K. Saha, Director General, FAI, Distinguished Guests, Fellow Delegates, Ladies and Gentlemen.

I am happy to state that the Seminar was attended by more than 1200 delegates including about 140 delegates from abroad representing more than 30 countries. The participation of such a large number of delegates, representing institutions of national and international repute in the field of fertiliser and agriculture, reflects the relevance of the Seminar theme and the quality of deliberations. Like every year, this year too, it has provided a forum to discuss important issues related to revival of agriculture in general and the role of fertilisers, in particular. We are extremely grateful to the distinguished speakers and the delegates for their active participation which indeed enriched the deliberations.

The Seminar was inaugurated on 28th November, 2006 by the Hon'ble Minister for Chemicals, Fertilizers and Steel, Shri Ram Vilas Paswan. In his

inaugural address, the Hon'ble Minister observed that the target of production of foodgrains by 2011-12 being talked about is around 320 million tonnes. The current production is only about 210 million tonnes. Such a steep increase in production of foodgrains can be achieved only through higher productivity by way of improved farming practices, expansion of irrigation, better seed, and more extensive and balanced use of fertilisers. This would call for a substantial increase in the availability of fertilisers. The availability of urea has to be increased from the existing level of 24.3 million tonnes to 28.7 million tonnes, DAP from 7.5 million tonnes to 9.5 million tonnes, MOP from 2.8 to 3.7 million tonnes, SSP from 2.9 to 3.6 million tonnes and NP, NPK complex fertilisers from 7.3 to 9.3 million tonnes.

This can be achieved only by a multi-pronged strategy which keeps self-sufficiency in view, encourages fresh investment to achieve additional capacity and technological up-gradation, reduces cost of production and

promotes investment in joint ventures abroad. He further added that Stage III of the New Pricing Scheme for urea aims at this by enabling the industry to take necessary investment decisions.

In fact, the Hon'ble Minister expressed the view that the need for fertilisers would continue to be crucial in India to meet the needs of a growing population. It is, therefore, imperative that the ways and means for increasing production of fertilisers are given due attention.

Referring to the fund problems being faced by the industry due to inadequate provision in the budget, the Hon'ble Minister assured that he will take up the issue at appropriate levels to ensure that dues of the industry are paid within the financial year.

Referring to the decontrolled fertiliser sector, the Minister mentioned that the normative basis will be adopted for determining the prices of raw materials/intermediates. In this direction normative basis for determining the price of phosphoric acid has been resolved.

Issues relating to un-remunerative marketing and distribution costs are also under active consideration and he was hopeful that this too would be resolved expeditiously. He acknowledged the problems being faced by the SSP industry and proposed to review the policy for SSP alongwith the overall policy for the phosphatic fertilisers before the end of this financial year.

While referring to the government initiative to augment fertiliser availability, the Minister informed that commissioning of the joint venture ammonia/urea plant OMIFCO in Oman, has provided

some relief. The availability of gas by 2008-09 will also provide some relief by reducing the subsidy on the one hand and improving the availability of fertilisers, especially urea, on the other. The Hon'ble Minister informed that he would approach the Cabinet with the proposal for restarting the closed units of FCI and HFC. This too would increase the availability of urea.

The session on 'Fertiliser Policies for Reviving Indian Agriculture', was chaired by Dr. J. S. Sarma, Secretary, Department of Fertilisers. In his concluding remarks he observed that reduction of cost of production of fertilisers in India is important and needs urgent attention both of the government and the industry. He expected that availability of gas in the next 2-3 years will play a significant role in reducing the cost of fertilisers, especially urea, in the country. Reacting to the industry's anxiety for the new policies on the anvil, he informed that Stage III of the NPS for urea is expected shortly. He further informed that the issue of non-reimbursement of a significant increase in freight on decontrolled fertilisers is likely to be resolved soon. Regarding the severe cash crunch due to pending payments of subsidy, Dr. Sarma informed that the matter is being actively pursued at various levels and expected that in a couple of weeks time the industry will get some relief although the problem may not be removed completely. Regarding balanced fertilisation and promotion of secondary and micronutrients, the Secretary informed that the issue of nutrient based pricing is being examined by the department and it may take some time to arrive at a decision. However, he expressed serious concern over the availability of fertilisers and appealed to the industry to ensure adequate availability even by stretching its production base, if necessary. Here, I would like to assure the Department of Fertilisers that the industry would do its best but I am afraid that the severe cash crunch may not allow the industry to muster enough funds to finance the extra-production,

unless the Government releases the pending payments urgently.

Although time does not permit me to go into the details of the technical sessions, it may be worthwhile to briefly recapitulate some of the important observations made by the speakers. Deliberating on the policy issues, it was suggested that a balance has to be struck between the farm gate prices of fertilisers and the quantum of subsidy the country can afford to pay for food security and the well being of the farmers. Dr. Vashishtha from the Institute of Human Development suggested a model showing that an increase of 5 per cent per annum in farm gate prices of fertilisers was feasible and could be achieved without affecting the profitability of the farmers through measures to improve fertiliser use efficiency, which would result in a saving of subsidy on the one hand and enhancement in foodgrain production on the other. It was further suggested that the current thrust of the fertiliser policy on micro-management, with the prime objective of containing subsidy outgo, has to be replaced with a longterm perspective to attract investment in this sector. The Government in the long run should aim at phased decontrol of the fertiliser industry and facilitate smooth transition of high cost units to achieve efficiency and competitiveness.

Shri J. N. L. Srivastava, former Secretary, Department of Agriculture and Cooperation emphasised the urgent need for enhancing soil health and agricultural productivity to improve farmers' profitability and sustain India's food security. In a presentation, it was observed that India would need about 36 million tonnes of primary nutrients namely N, P and K through chemical fertilisers in addition to another 8-10 million tonnes from the other sources by the year 2025 to meet the foodgrain requirement of about 1.4 billion population by that time. Concerted efforts are, therefore, needed to encourage agricultural research suitable to Indian

conditions and it should be supported by a policy back up to develop new, efficient and value added fertilisers including site specific, crop specific customised fertilisers fortified with secondary and micronutrients. Use of organic manures and other forms of fertilisers also needs emphasis to complement chemical fertilisers for soil health and to meet the total nutrient requirement of the soil. The need for proactive policies to promote balanced fertilisation was emphasised and it was suggested that a nutrient based pricing and concession scheme for all nutrients including secondary and micronutrients may facilitate balanced use of fertilisers.

While examining the reasons for stagnant production of fertilisers during the recent years, it was pointed out that the availability and prices of feedstock was one of the major factors inhibiting the expansion of production capacity in the country. In view of the fact that demand for gas would continue to outstrip supplies despite new gas finds, the need for an effective policy for allocation and pricing of gas/ING for the fertiliser sector was emphasised. In addition, various technological options for improving efficiency, capacity utilisation and reducing cost of production were also presented which included, improved steam system, new designs of stripper for urea plants, revamp measures with savings in energy consumption, improved reforming catalyst, etc.

Distribution is a key element of fertiliser marketing strategies. Deliberating on the marketing strategies for enhancing farm incomes, it was observed that the conventional system of agri-retail may no longer be adequate to meet the enlarged requirements of a changing market scenario and there was a need to expand, restructure and strengthen agro-retail system to cope up with the emerging scenario with a broad product range necessitating a product mix approach.

Thank you,