



RATIONALISATION OF FERTILISER DISTRIBUTION POLICY

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P.Gopala Krishna,
Sr.Vice President, Sales & Marketing-Fertilisers,
Coromandel Fertilisers Limited.



CONTENTS

- Background
- Recap of the past fertiliser distribution policies.
- Analysis of regionwise fertiliser consumption
- Analysis of the districts, based on consumption levels
- Review the extent of meeting the objectives of the distribution policy
- FMS – Challenges & Recommendations



BACKGROUND

- Fertiliser consumption increased by 2.4% per annum in the last 10 years
- Fert. Production growth rate is 1.63% per annum in 10 years
- Imports increased from 63 Lakh MT to 111 Lakh MT-Growth rate 5.8% in 10 years
- The quantity of fertilisers supplied is the key for the increase in consumption
- The question is whether the consumption growth is equally spread among high and low developed areas



Fertiliser Consumption during FYP period

(Lakh MT)

Fiver Year Plan	N	P	K	Total	% Growth during FYP period
FYP I (1951-56)	1.1	0.1	0.1	1.3	13.4
FYP II (1956-61)	2.1	0.5	0.3	2.9	17.6
FYP III (1961-66)	5.7	1.3	0.8	7.8	21.7
FYP IV (1969-74)	18.3	6.5	3.6	28.4	10.1
FYP V (1974-79)	34.2	11.1	5.9	51.2	12.5
FYP VI (1980-85)	54.9	18.9	8.4	82.1	9.3
FYP VII (1985-89)	73.9	30.1	11.7	115.7	7.1
FYP VIII(1992-97)	103	29.8	10.3	143.1	2.4
FYP IX (1997-02)	113.1	43.8	16.7	173.6	3.9
FYP X (2002-07)	140.5	56.6	23.3	220.5	4.9



HISTORY OF FERTILISER DISTRIBUTION POLICY

Year	Event
1944	Central Fertiliser Pool
1957	Fertiliser (control) Order under ECA to regulate sales
1966 & 69	Sivraman committee report - free market 50% & 100% volumes
1972	ECA reintroduced- seperately for Kharif and Rabi
1977 & 79	Retention Price Scheme (RPS) and Equated freight - Urea & Complexes
1980	Block Development Scheme introduced



HISTORY OF FERTILISER DISTRIBUTION POLICY

Year	Event
1992	JPC - Decontrol of distribution of P&K fertilisers. Pricing under concession scheme
2003	Revision in the MRPs of P&K fertilisers. Subsidy adjusted based on raw material cost.
2003	Stage I of the New Pricing Scheme (NPS) for Urea - Free vol. 25% & 50%
2004	Stage II of NPS for Urea - Free vol. 50%
2007	Additional amounts given to compensate the transportation costs for NP/NPK



Distribution Policies



- Government has been working on proper distribution policies for the last 63 years to ensure equitable availability
- Even the free movement was tried for about 4 years.
- Continued shortage in the production and imports is ensuring the continuity of the distribution problems.
- Often the situation has led to stifling and regulating environment.
- We need to find a way out from the present situation



OBJECTIVES OF THE DISTRIBUTION POLICIES



- Assessment of the requirements and the availability of fertilisers in India.
- Importing fertilisers to fill the gaps
- Ensuring the supply of fertilisers, even to the interior places.
- Increase fertiliser consumption and improve crop productivity.
- Maintaining adequate buffer stocks for exigencies.



All India Production and Consumption Of Fertilisers (Lac mt)



Year	Prod	Consumption			Total Fert (Incl MOP)
		Urea+DAP	NP/NPK& Others	Surplus/ Deficiet	
97-98	307	250	87	-30	353
98-99	318	262	88	-32	365
99-00	332	272	93	-33	385
00-01	329	251	87	-8	355
01-02	323	241	85	-2	365
02-03	320	240	81	-1	339
03-04	319	254	90	-27	354
04-05	340	269	89	-18	382
05-06	349	291	103	-44	421
06-07	361	320	107	-66	446
CAGR over 10 years (1997-2007) %	1.63	2.5	2.1	8.2	2.4
CAGR over 5 years (2001-07) %	2.2	5.8	4.7	101.2	4.1



Imports of Fertiliser Materials



(Lakh MT)

Year	Consumption	Imports	
	Surplus/ Deficiet	Urea+DAP	Total Fert
97-98	-30	39	63
98-99	-32	26	54
99-00	-33	39	69
00-01	-8	9	36
01-02	-2	13	41
02-03	-1	6	32
03-04	-27	9	35
04-05	-18	15	48
05-06	-44	45	92
06-07	-66	76	111
CAGR over 10 years (1997-2007) %	8.2	6.9	5.8
CAGR over 5 years (2001-07) %	101.2	42.3	25.2



Region-wise production, consumption and Gap of fertiliser materials in India

(Lakh MT)



Year	PRODUCTION							CONSUMPTION							GAP					
	01-02	02-03	03-04	04-05	05-06	06-07	% Gh	01-02	02-03	03-04	04-05	05-06	06-07	% Gh	01-02	02-03	03-04	04-05	05-06	06-07
							01-02							01-02						
East	27	29	25	28	29	29	9	52	54	53	56	61	65	24	-26	-25	-29	-28	-32	-36
West	160	158	159	166	172	172	8	98	97	98	105	117	125	28	62	61	61	61	54	47
North	77	75	74	78	78	79	3	121	119	125	134	132	9	-45	-44	-51	-47	-56	-53	
South	60	58	61	68	70	81	35	94	70	78	95	110	124	32	-34	-12	-17	-27	-40	-43
All India	323	320	319	340	349	361	12	365	339	354	382	421	446	22	-42	-20	-36	-42	-73	-85



All India Urea Consumption, Production and Imports

(Lakh MT)



Year	Prodn	Consp	Surplus/ Deficiet	Import
01-02	190	199	-9	2
02-03	186	185	1	1
03-04	190	198	-7	1
04-05	202	207	-4	6
05-06	201	223	-22	21
06-07	203	249	-44	47
Growth over 2001-02	7	24	388	2045

Region wise production, Consumption and Gap of Urea in India (Lakh MT)

Item	PRODUCTION							CONSUMPTION							GAP					
	01-02	02-03	03-04	04-05	05-06	06-07	%Gth 01-02	01-02	02-03	03-04	04-05	05-06	06-07	%Gth 01-02	01-02	02-03	03-04	04-05	05-06	06-07
East	2	2	2	2	2	2	0	29	29	30	31	32	32	10	-27	-27	-28	-29	-30	-30
West	91	87	91	96	95	96	5	48	41	50	53	57	71	48	43	46	41	43	38	25
North	72	72	72	75	76	76	6	86	83	86	87	90	101	17	-14	-11	-14	-12	-14	-25
South	25	25	25	29	28	29	16	36	32	32	36	44	45	25	-11	-7	-7	-7	-16	-16
All India	190	186	190	202	201	203	7	199	185	198	207	223	249	25	-9	1	-8	-5	-22	-46

All India DAP Consumption, Production and Imports (Lakh MT)

Year	Prodn	Consp	Gap	Import
01-02	51	62	-11	9
02-03	52	55	-2	4
03-04	47	56	-9	7
04-05	52	68	-16	6
05-06	46	63	-17	24
06-07	47	73	-26	29
% Growth Over 01-02	-7	17	132	210

Region Wise Production Consumption and GAP of DAP (Lakh MT)

Item	PRODUCTION							CONSUMPTION							GAP (Lac MT)						
	01-02	02-03	03-04	04-05	05-06	06-07	%Gth 01-02	01-02	02-03	03-04	04-05	05-06	06-07	%Gth 01-02	01-02	02-03	03-04	04-05	05-06	06-07	
East	19	18	13	16	13	16	-17	8	8	6	8	7	8	2	11	10	7	8	6	7	
West	22	26	23	24	21	21	-7	17	15	17	20	23	37	5	11	6	4	1	1	-2	
North	0	0	0	0	0	0	0	25	24	25	25	24	27	7	-25	-24	-25	-25	-24	-27	
South	10	9	12	12	12	11	9	12	8	9	15	12	15	29	-2	0	3	-3	0	-4	-4
All India	51	52	47	52	46	47	-8	62	55	56	63	73	18	18	-11	-3	-9	-16	-17	-26	

All India NP/NPK Consumption and Production (Lakh MT)

Year	Prod	Consp	Surplus/Deficient
01-02	49	50	-1
02-03	52	46	6
03-04	45	50	-5
04-05	53	67	-14
05-06	68	55	13
06-07	74	68	6
Growth over 01-02	50	37	-

Region Wise Production, Consumption and GAP of NP/NPK Fertilisers (Lakh MT)

Item	PRODUCTION							CONSUMPTION							GAP					
	01-02	02-03	03-04	04-05	05-06	06-07	%Gth 01-02	01-02	02-03	03-04	04-05	05-06	06-07	%Gth 01-02	01-02	02-03	03-04	04-05	05-06	06-07
East	1	4	5	6	10	13	843	6	6	6	9	8	10	86	-4	-2	-1	-3	2	3
West	24	26	21	25	33	34	41	13	13	13	17	15	16	26	11	13	8	8	18	18
North	0	0	0	0	0	0	0	4	6	7	9	8	11	155	-4	-6	-7	-9	-8	-11
South	24	22	19	22	25	27	13	27	22	24	31	25	30	12	-3	0	-5	-10	1	-3
All India	49	52	45	53	68	74	51	50	46	50	67	55	68	37	-1	6	-5	-14	13	6

Regionwise Per Ha Nutrient Consumption (Kg/Ha)

Region	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	CAGR over 96-97 (%)
EAST	61	66	73	84	77	77	78	73	79	86	3.5
WEST	50	61	59	62	50	57	53	57	63	67	3
NORTH	118	127	129	136	126	139	134	141	142	150	2.5
SOUTH	102	116	122	133	132	125	106	110	139	169	5.2
All India	77	87	89	96	87	92	86	88	97	107	3.3



General Observations on Regionwise Analysis of Consumption



- Fertilisers remained deficient most of the years in different regions differently
- Eastern region needs attention – possibly the fertiliser use efficiency will be higher
- The deficiency in Urea and DAP can be reduced with favorable environment for investments.
- Regional preference for production facilities would help in reducing imbalances.



No. of Districts with Fertiliser Consumption/ha



No. of Districts	High (>100 kg/ha)	Med (100-25 kg/ha)	Low (< 25 kg/ha)	Total No. Districts
96-97	129	227	81	437
97-98	155	226	86	467
98-99	175	207	86	468
99-00	202	221	77	500
00-01	200	225	75	500
01-02	200	244	70	514
02-03	181	242	91	514
03-04	191	245	82	518
04-05	215	241	62	518
05-06	229	222	70	521



No. of Districts with various Levels of Fertiliser Consumption as % to total



No. of Districts	High (>100 kg/ha)	Med (100-25 kg/ha)	Low (< 25 kg/ha)	Total No. Districts
96-97	30	52	19	437
97-98	33	48	18	467
98-99	37	44	18	468
99-00	40	44	15	500
00-01	40	45	15	500
01-02	39	47	14	514
02-03	35	47	18	514
03-04	37	47	16	518
04-05	42	47	12	518
05-06	44	43	13	521



Analysis of the Districts All India



- High consumption districts increased significantly by 77.5% in 10 yrs
- Marginal change in the no. of medium consumption districts – same as 1998-1999
- Low consuming districts same in No. as 2001-02. Marginal change
- This can be interpreted as a tendency to make Fert. available in high consuming areas - may be due to supplies and economics



Region Wise No. of Districts with High Fertiliser Consumption (> 100 Kg/Ha)





Region	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06
EAST	19	23	33	40	40	40	32	32	35	39
WEST	7	16	15	20	20	22	18	19	34	35
NORTH	63	72	76	88	88	90	85	94	91	95
SOUTH	40	44	51	54	52	48	46	46	55	60
All India	129	155	175	202	200	200	181	191	215	229



No. of Districts with High Fertiliser Consumption (> 100 Kg/Ha) as % to regional total





Region	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06
EAST	17	21	29	36	36	32	25	25	30	31
WEST	6	13	12	13	14	15	12	13	23	23
NORTH	51	49	53	60	60	62	58	64	65	65
SOUTH	51	54	61	59	34	53	51	51	66	66
All India	30	33	38	40	40	39	35	37	44	44



Region Wise No. of Districts with Low Fertiliser Consumption (<25 Kg/Ha)

Region	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06
EAST	33	28	33	27	23	28	36	35	22	26
WEST	26	18	21	28	30	22	36	27	24	28
NORTH	19	35	29	22	22	19	18	19	15	15
SOUTH	3	5	3	0	0	1	1	1	1	1
All India	81	86	86	77	75	70	91	82	62	70



No of Districts with Low Fertiliser Consumption (<25 Kg/Ha) as % to regional total

Region	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06
EAST	30	25	28	24	21	22	29	27	27	20
WEST	21	14	17	19	22	15	24	18	29	18
NORTH	15	23	20	15	15	13	12	13	18	10
SOUTH	3	4	1	0	0	1	1	2	1	1
All India	19	18	18	16	15	14	18	16	16	13



Region Wise No. of Districts with Medium Fertiliser Consumption (25-100 Kg/Ha)



Region	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06
East	59	60	48	45	46	58	58	63	76	65
West	91	91	88	103	104	107	97	106	93	91
North	40	41	39	36	37	37	43	33	40	36
South	37	34	32	37	38	42	44	43	32	30
All India	227	226	207	221	225	244	242	245	241	222

No. of Districts with Medium Fertiliser Consumption (25-100 Kg/Ha) as % to regional total

Region	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06
EAST	53	54	43	40	41	46	46	48	50	48
WEST	73	73	71	68	71	71	64	70	59	59
NORTH	33	28	27	25	25	25	29	23	25	25
SOUTH	47	43	38	41	25	46	48	47	33	33
All India	52	49	45	44	45	47	47	47	43	43

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- ### Regionwise analysis of the districts basing on consumption
- The high consuming dts increased except in East – may be supplies preference
 - South does not have low consumption districts – Is it possible to replicate in other regions?
 - Marginal changes in medium consuming districts in all the regions except in East
 - Regionwise analysis of the districts also show that even in high available regions, preference is given to high consuming areas.

FERTILISER MONITORING SYSTEM (FMS)



Objectives of FMS



- Monitoring the movement of subsidized chemical fertilisers at all stages.
- Provide comprehensive information in a dynamic time frame.
- Ensure fertilizers availability at block level across all the districts
- Ensure subsidy disbursal to manufacturers within the specified time limit



Requirements for FMS



1. Strict adherence to the district wise supply plans
2. Supply of fertilizers only through designated W/H
3. LFS of a state to maintain buffer stock of Urea - 10 buffers in a state
4. LFS of a state to consolidate district wise supply plans from all the Suppliers
5. State Govt. to arrive at the dist wise requirement for the month
6. LFS and State Govt. to jointly assess the availability position in each district to avoid supply gaps



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7. In case of shortfall in availability against requirement, State Govt. to request DOF for additional supplies .
8. In order to ensure district wise availability
 - Requirement of a district for a month (say for June 2007)
9. Monthly plan (at district level) to be uploaded before previous month end
10. Data uploading – time lags with locking system
 - Production: One day
 - Dispatches: One day
 - Sales: Five days
 - Stock adjustments – before 5th of next month
 - Supply plan- to be uploaded by 20th by LFS and can be corrected by state govt. by month end



Utility of FMS



- Sales quantity data will be available at district, block and dealer level over the years.
- Current data of Plant wise production helps in assessing the availability
- Quantity imported gives data on addl. availability of the fertilisers.
- Receipts at W/H gives the availability as per the plan, with a time gap of 5 days



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- Information about the availability at district level makes the policy decisions quicker & accurate.
- Provides clarity of information to the importers.
- Assists manufacturers to plan efficient marketing at micro level without any price war.
- Helps streamlining the subsidy payments to the fertiliser manufacturers.



Challenges of FMS



- FMS relies on the judgment /assessment of the Department of Agriculture at state level.
- No chance for mid-course correction for the supply plans when the climatic conditions change.
- Monitoring the completion of the supply plan with the receipts which is difficult compared to dispatches.
- Planning for imported fertilisers is difficult to put in place, as the arrivals are not certain.
- Limited time given i.e 24 hours, for uploading the quantity imported.



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- FMS system does not allow negative stocks which may be due to the cross movements within the bordering districts.
- Time gap for uploading sales is 5 days which is a short period.
- Sales of stocks on ex-railhead is not possible - costs and product damages will go up.
- There is a plan to deduct subsidy for excess supplies over given plan – Will lead to short supplies at times of the need (*being corrected*)
- The speed of the FMS system is very low - leading to long delays in data entry (*being corrected*)



FMS FOR NP/NPK Complexes



1. Effective from 1st Nov 2007
2. NP/NPK fertilisers are decontrolled
3. No subsidy reimbursement for the increase in the actual transport cost
4. One revision recently given for hike in transport cost in the last 8 years
5. Hence any restriction on the storage and movement will affect economics of selling severely.



SUGGESTIONS FOR NP/NPK SUBSIDY



1. The supply plan given in the FMS should be used for monitoring the movement of NP/NPK fert.
2. The arrivals can be verified on the following records
 - Railway receipts.
 - STN/Warehouse registers for road dispatches
 - WDO/Invoices for direct sales

The audited records of the above can be the basis for releasing the subsidy



SUGGESTIONS FOR NP/NPK SUBSIDY



3. The transit or standardization losses can be submitted with April claim. The recovery can be effected accordingly.
4. The manufactures NP/NPK can provide stock reconciliation at state level only
5. Inter-district movement/sales and inter warehouse movement can be allowed.
6. Direct delivery from the rake point to the dealers of the same state can be allowed.



Basic Questions To Be Answered Before We Judge the Success of the System



- When it gives good tool for information, will it provide scope for improving supplies to high fertiliser use efficient areas?
- For moving the material to interior places whether free market with incentives will help OR controls will work?
- Are we adding costs to the companies or subsidy burden to the Govt. by the additional movements and storage?
- Are there any plans to network all the field personnel and storage points to the level of monitoring on JIT basis?
- Will the restricted MRP coupled with additional costs act as disincentive to develop interior markets?



Conclusions and Recommendations



- Restrictive movements (inter district etc.), compulsory stockings, PSP operations etc. may be reviewed and relaxed.
- Data can be utilized to incentivize the movement to remote areas where the incremental crop response is higher.
- Allowing inter district movement will ensure quicker consumption of the stocks in the warehouses.



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- Time gap for uploading the data can be extended to avoid inaccuracies
- **The industry should automate the field team in order to gain the best advantage of the FMS.**
- we need to reorient our distribution policy more towards development of low consuming areas by using FMS as a tool.



THANK YOU