

PLANNING FOR FERTILIZER AVAILABILITY

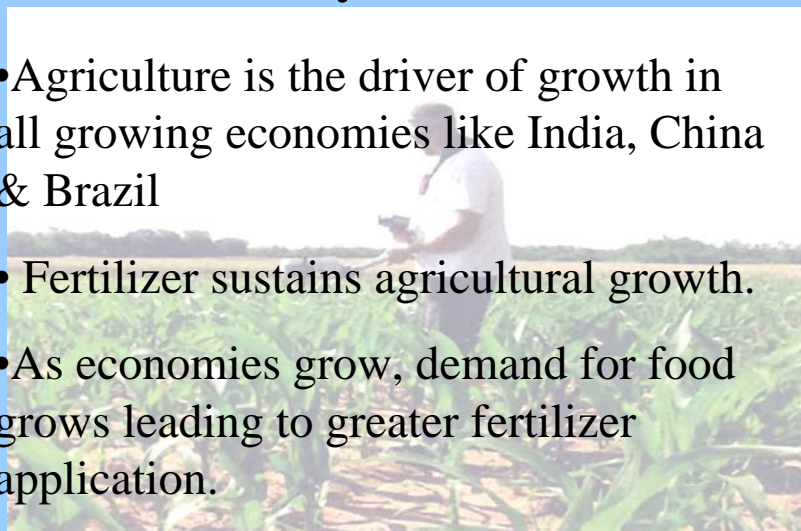


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Fertilizer Industry : Global Situation

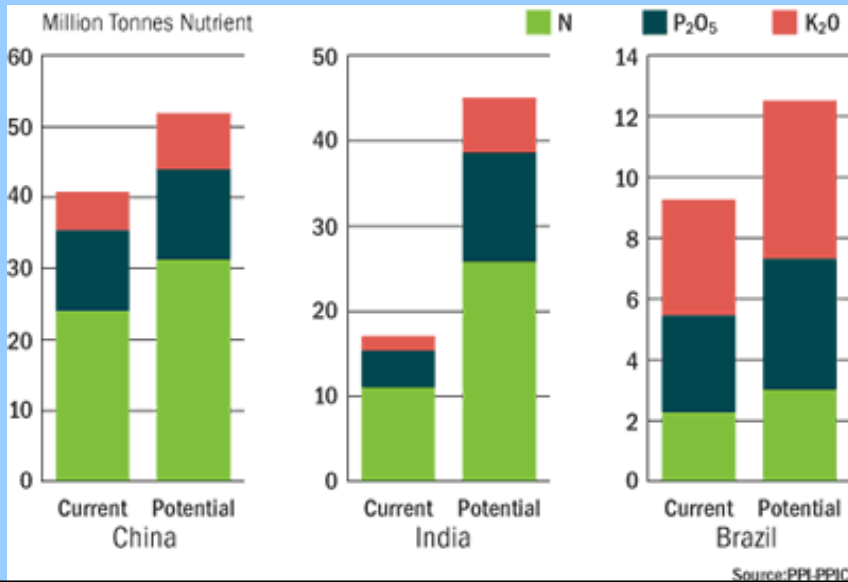
- Agriculture is the driver of growth in all growing economies like India, China & Brazil
- Fertilizer sustains agricultural growth.
- As economies grow, demand for food grows leading to greater fertilizer application.



Potential Fertilizer Growth



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Global Situation



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Following will affect the trade & fertilizer consumption globally in years to come.

- Natural gas situation.
- Global freight market for dry bulk
- Raw material/ Intermediate availability.



Local Situation



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- Fertilizer has played a vital role in success of country's green revolution
- Sustains food production – 210 Million MT.
- Consumption of total nutrients grew by 9.9% on year on year basis. It was 18.47 million MT in 2004-05.
- The production N & P type fertilizer increased by 7.1 % and 11.4 % respectively in 2004-05.

Local situation



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- Imports grew during 05-06 –
MOP – 4.2 Million MT, DAP- 2.5 Million MT, Urea- 0.7 Million MT.
- Govt. controls production, distribution & pricing.
- Uncertain policy of GOI on fertilizers & hydrocarbon.

Local situation



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- Dependence on International market for entire MOP and for raw materials for DAP production.
- No new investment and existing plants are old.
- Rising Energy prices.
- Projection of growth in food production - 4 % per annum.

Capacity, Production, and Plant Capacity Utilization in 2004-05



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	No of Plants	Capacity (Mn MT)	Production (Mn MT)	Capacity Utilization
N	55	12.276	11.304	92.1 %
P₂O₅	83	5.449	4.028	74.9 %
SSP	All India	5.83	2.395	47.2 %

Nutrient Wise Consumption / Production & gap in 2004-05

nutrient	Consumption (Mn MT)	Production (Mn MT)	Gap (Mn MT)
N	11.718	11.304	0.413
P₂O₅	4.6169	4.928	0.588
K₂O	2.1319	Nil	2.1319

Nature of Fertilizer Industry

- Consistent production vs. seasonality in demand.
- Working in nearly protected environment.
- Production vs. Storage capacity.
- Distribution is the major marketing cost.
- Long storage – quality issue.
- Movement constraints.

Planning for availability

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- Demand assessment is done in close co-ordination with State Govt. & Industry by DOF and Deptt. of Agriculture.
- The demand is matched with the production plan of manufacturing units through ECA allocation for Urea.

Planning for Availability: Influential Factors

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Demand

- Weather
- Cropping Pattern
- Soil Condition
- Irrigation
- Govt. Policy

Supply

- Availability of raw material
- Availability of Energy
- International Price
- Domestic Production
- Govt. Policy

Planning for availability



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- For decontrolled fertilizers the manufactures / marketers move the material based on demand/supply balance depending on net realization.
- The availability is monitored by DOF through monthly movement plan.
- Such a plan is co-coordinated/ monitored by DOF on a regular basis involving manufacturers, state govt., importers to provide the quantity in time.

Planning for availability



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- Such an availability plan presupposes optimum weather condition, no drought, no change in cropping pattern, consistent policy etc.
- Thus the total demand for the season plus pipeline requirement is arrived at.
- Supplies are accordingly matched through domestic production plus imports.

Production, consumption, gap and Import of Urea



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Year	Consumption (Mn MT)	Production (Mn MT)	Gap (Mn MT)	Import (Mn MT)
02-03	18.49	18.621	-0.128	0.119
03-04	19.767	19.038	0.729	0.143
04-05	20.543	20.239	0.304	0.641

Production, consumption, gap and Import of DAP



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Year	Consumption (Mn MT)	Production (Mn MT)	Gap (Mn MT)	Import (Mn MT)
02-03	5.473	5.235	0.237	0.383
03-04	5.624	4.708	0.916	0.734
04-05	6.0	5.172	0.827	0.643

Demand Estimates for N, P, & K.



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Year	N (in Mn MT)	P (in Mn MT)	K (in Mn MT)	NPK (in Mn MT)
2005-06	13.514	6.646	2.104	22.264
2006-07	13.923	7.027	2.183	23.133
2007-08	14.347	7.432	2.266	24.045

CONCLUSION



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- The planning for Fertilizer availability is a dynamic process involving Govt., State Agencies, manufacturers, importers, marketers.
- The growing demand for Fertilizers and constraints in availability is a challenge to Fertilizer Industry.
- There is a lot of uncertainty in this industry and it is to be intelligently handled.

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THANK YOU