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## Urgent Need for Course Correction in Fertilizer Sector

due to reduction in availability of organic manure. Mechanization of agriculture specially in agriculture intensive areas of the country has resulted in reduction in animal population and hence problem of availability of sufficient quantity of organic manure. Further, application of organic manure and recycling of crop residue are not given enough incentive at farmers' level. This is in contrast to heavy subsidy on chemical fertilizers.

FAI Annual Seminar 2019 provided an opportunity for intense discussion on the serious issues faced by the fertilizer and agriculture sectors which are limiting farm productivity and farmers' income. Eminent economists, officials of national and international organizations, industry personnel, scientists and academicians participated and contributed to different issues of the two highly interlinked sectors. All the speakers underlined the negative effect of present policies of the sector on all stakeholders viz., farmers, industry, government and the public in general. The total use of farm nutrients of 157 kg/ha in India remains much below the levels in many agriculture intensive countries. For example, China uses 345 kg/ha of nutrients with yields of major crops being much higher than those in India.

But there is serious concern regarding use pattern of plant nutrients. There is imbalanced use of primary nutrients N, P and K and lack of use of sufficient micronutrients. The use pattern of primary nutrients is heavily skewed in favour of nitrogen due to huge subsidy of more than 75% of cost of urea. The subsidy on other fertilizers is in the range of 30-35% of their costs. Further, subsidy is limited only to selective commodity products. Another serious concern is low level of organic carbon content of Indian soils. This is due to lack of application of organic material like farm yard manure and compost and recycle of crop residue. Application of organics is suffering

There are two major conclusions from the above discussion. First, there is need for rationalization of farmers' prices of different fertilizers so as to promote balanced use of primary nutrients. Second, sufficient financial incentives need to be extended to micronutrients and organic fertilizers.

The other important point of discussion was that there is poor use efficiency of nitrogen in India. This results in leakage of unused nitrogen to environment both water and air. India took initiative for adoption of a resolution on 'Sustainable Nitrogen Management' in United Nations Environment Assembly. This is a laudable move on part of India. Use efficiency of nitrogen as nutrient in agriculture is the major part of nitrogen management. Unfortunately, the pricing and subsidy policies for fertilizers are not in sync with the objective of sustainable nitrogen management. This should be matter of concern to public at large. Therefore, even in the interest of environment, there is dire need for increase in use efficiency of nitrogen from the present level of 30-35% to at least 50%, as first step. This requires the policy support from all wings of the government.

Fertilizer industry is another stakeholder on whose shoulders lies the responsibility of supplying sufficient quantity of fertilizers in every nook and corner of this vast country. Industry has fulfilled this obligation during

green revolution and thereafter for last 40 years. Of course, conducive and supportive fertilizer policies have been of great help in achieving these objectives. Further, industry has also been performing onerous task of reaching fertilizer subsidy to 140 million farmers without any administrative cost to the government and without any leakages. If there has been any diversion of highly subsidized fertilizers to non-agriculture use, that has been due to pricing policy of the government. But industry is not able to bring new fertilizer products based on research throughout the world because of heavy subsidy being extended to specified products. This automatically prohibits commercialization of newer and innovative products which will give higher crop yields with lesser inputs.

Industry continues to operate in highly controlled and very difficult business environment. The prices of its output that is fertilizer products continue to be regulated directly or indirectly. Under subsidy policy, industry is not able to recover its genuine cost of production due to lack of updation of costs under cost reimbursement formula for urea. The delay in settlement of subsidy bills of several months or even years in some cost elements has given further setback to the viable operations. This has affected the financial health of the industry very badly. Industry needs to be

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freed from the task of functioning as conduit for payment of fertilizer subsidy to the farmers. It will increase the ease of doing business.

Central government remains a major stakeholder in policies for the fertilizer sector. It has huge fertilizer subsidy bill. The allocation in the Union Budget for the year 2019-20 is about Rs. 80,000 crore which is grossly inadequate. Government is finding it difficult year after year to allocate sufficient funds for fertilizer subsidy resulting in ever increasing accumulation of unpaid subsidy dues to the industry at the end of each financial year. Even more important issue is whether this huge sum of subsidy on fertilizers is meeting the objectives of increasing crop yields, ensuring soil health and improving farmers' income. Even from fiscal management point of view, government needs to review the present form of fertilizer subsidy policies.

The conclusion of all the

discussions was that present policies for the fertilizer sector are hurting the soil health, crop yields, farmers' income, environment and industry. The remedial measures are well defined. The fertilizer subsidy should be paid directly into the farmers' account. It can also take the form of income support. This will give farmers the choice to buy the inputs including fertilizers which are more suitable for their crops.

The fertilizer industry should be completely decontrolled so that it can operate in a competitive environment. This will encourage the introduction of new products and knowledge for the farmers. This in turn will bring a paradigm shift in the use of inputs and farm practices in Indian agriculture. As a first step, urea should be brought under Nutrient Based Subsidy (NBS) Policy. The subsidy under NBS on three different primary, secondary and micro-nutrients should be fixed in a manner so as to promote balanced use of these farm nutrients.

The need for immediate reforms in fertilizer related policies can hardly be over emphasized. Any delay may cause irreversible damage to soils, environment and financial health of both farmers and industry. We owe it to our future generations that we establish agriculture production system which is sustainable without hurting natural resources and the environment. ■