ANNUAL REVIEW OF

FERTILIZER PRODUCTION AND CONSUMPTION 2020-21

EXECUTIVE SUMMARY

Timely arrival of Southwest monsoon and overall good rainfall facilitated higher coverage under *kharif* and *rabi* crops during 2020-21. The high growth in fertilizer consumption was mainly due to exceedingly good monsoon, comfortable availability of water in the reservoirs, increase in area under cultivation and adequate availability of fertilizers from opening inventory, indigenous production and imports. It resulted in higher agricultural production during the year.

SOUTHWEST MONSOON

Southwest monsoon 2020 arrived in Kerala on time, i.e., 1st June, 2020. Overall rainfall from 1st June to 30th September, 2020 was 109% of long period average (LPA). Out of 36 meteorological sub-divisions, 31 sub-divisions received normal to excess rains and remaining 5 sub-divisions received deficient rains during the period.

Water storage position in major reservoirs was comfortable in 2020. Live storage in 123 reservoirs at the end of *kharif* 2020 was 148.25 BCM as against 151.07 BCM during the corresponding period in the previous year. This was 98% of the last year and 114% of the normal storage.

FERTILIZER CONSUMPTION

Fertilizer consumption recorded a robust growth in 2020-21. Total estimated nutrient consumption ($N+P_2O_5+K_2O$) was 32.54 million metric tonnes (million MT) as against 29.37 million MT in the previous year recording a growth of 10.8%. The consumption of N, P_2O_5 and K_2O at 20.40 million MT, 8.98 million MT and 3.15 million MT during 2020-21 represented growth of 6.8%, 17.2% and 21%, respectively, over 2019-20.

In terms of products, consumption of urea at 35.04 million MT, DAP at 11.91 million MT, MOP at 3.42 million MT, NP/NPK complex fertilizers at 11.81 million MT and SSP at 4.49 million MT during 2020-21 recorded increase of 4.5%, 18.1%, 19.5%, 22.4% and 20.3%, respectively, over 2019-20. Total consumption of fertilizer products increased from 60.60 million MT during 2019-20 to 67.61 million MT in 2020-21 representing increase of 11.6%.

All-India NPK use ratio improved from 7.3:2.9:1 during 2019-20 to 6.5:2.8:1 during 2020-21.

Per hectare use of total nutrients ($N+P_2O_5+K_2O$) increased from 145.6 kg in 2019-20 to 161.3 kg in 2020-21.

FERTILIZER INVENTORY

Adequate inventory at the beginning of the year facilitated positioning of fertilizers for sowing operations before the onset of cropping season. Inventory of urea at various points excluding stock at the dealers' point was more than 1.4 million MT at the beginning of the year. Similarly, inventory of DAP and NP/NPKs together was about 2.5 million MT, SSP 0.66 million MT and MOP 0.48 million MT.

PRODUCTION OF FERTILIZERS

Fertilizer production at 18.483 million MT ($N+P_2O_5$) during 2020-21 witnessed a marginal decline of 0.2% over 2019-20. While production of nitrogen (N) increased marginally by 0.2% to 13.745 million MT, phosphate (P_2O_5) declined by 1.1% to 4.737million MT in 2020-21.

In terms of products, production of urea at 24.603 million MT, NP/NPK complex fertilizers at 9.325 million MT and SSP at 4.916 million MT during 2020-21 marked increase of 0.6%, 7.6% and 15.8%, respectively, over 2019-20. However, production of DAP at 3.774 million MT witnessed a sharp decline of 17.1% during 2020-21.

GAS AVAILABILITY

Supply of domestic gas to fertilizer plants has dwindled gradually over the years. This has made fertilizer plants more and more dependent on imported LNG. Supply of domestic gas declined further from 12.8 MMSCMD in 2019-20 to 10.2 MMSCMD in 2020-21. Thus domestic gas constituted only 23.7% of total gas consumed during the year.

IMPORT OF FERTILIZERS

Import of urea at 9.83 million MT, DAP at 4.88 million MT, MOP at 4.23 million MT and NP/NPK complex fertilizers at 1.39 million MT during 2020-21 recorded increase of 7.7%, 0.2%, 15.2% and 86.3%, respectively, over 2019-20.

RETAIL PRICES OF FERTILIZERS

The basic retail price of urea remained unchanged at Rs.5360 per tonne since November 2012. *W.e.f.* 25th May, 2015, Government of India (GoI) made it mandatory for all indigenous urea manufacturers to produce 100% *neem* coated urea of their total urea production. The same policy is applied for imported urea at the port. GoI allowed the manufacturers / importers to charge 5% extra on the MRP of urea. Therefore, the retail price of *neem* coated urea (excluding tax) works out to Rs. 5628 per tonne.

Government has made it mandatory to resize urea bag from 50 kg to 45 kg. Department of Agriculture, Cooperation and Farmers Welfare notified price per bag of urea of 45 kg at Rs. 242/- *w.e.f.* 1st March 2018 from Rs. 268/- per bag of 50 kg earlier.

The retail prices of P & K fertilizers covered under NBS scheme are market driven and announced by the fertilizer companies from time to time.

PRODUCTION OF MAJOR CROPS

Total production of food grains increased from 297.50 million MT in 2019-20 to 308.65 million MT in 2020-21 representing an increase of 3.7%. Among food grain crops, production of rice increased by 2.9%, wheat by 1.5%, coarse cereals by 7.1% and pulses by 11.7% during 2020-21 over 2019-20. Similarly, production of oilseeds increased by 8.7% and sugarcane by 7.8% during the period. However, production of cotton and jute & mesta showed decline of 1.9% and 3.2%, respectively, during the period.

POLICY AND PAYMENT ISSUES

The need for additional budget allocation for 2020-21 in view of inadequacy of BE at Rs.71,309 crore only and the past dues of about Rs.48,000 crore engaged the attention of DoF, Finance Ministry and the PMO. DoF also recommended for additional allocation of funds for fertilizer subsidy. Accordingly, the Finance Minister announced additional allocation of Rs.65,000 crore for fertilizer subsidy as part of packages for Atmanirbhar Bharat. With additional allocation of Rs.65,000 crore, RE for 2020-21 became Rs.1,33,947.30 crore. This provided a great relief to the industry from perpetual liquidity problem, as most of the long pending dues were cleared by the government.

Government implemented the Modified NPS-III policy, as amended on 30th March, 2020, and payment of increased fixed cost for production upto reassessed capacity were made. Such payment for urea production beyond RAC remained to be made. Approval of minimum fixed cost remained under consideration of the Government. Government has implemented energy norms of 2018 under NUP 2015 for remaining 14 gas based urea units w.e.f. 1st October, 2020.

NBS rates for N, P, K and S reduced for 2020-21 compared to 2019-20. The NBS rates for N, P, K and S had been fixed at Rs.18.789, Rs.14.888, Rs.10.116 and Rs.2.374 per kg for 2020-21 *w.e.f* 1st April, 2020. A new grade of fertilizer 14-28-0-0 was included in the notification of NBS scheme for 2020-21.

Issue of equitable treatment of taxes like GST in cost and realization in determination of reasonableness of profit/ MRP remained under consideration of the Government. Customs duty on raw materials and intermediate products continued to impact competitiveness of domestic manufacturing of P&K fertilizers. Rate of subsidy on imported and domestic P&K fertilizers is same. The issue of delay in refund of accumulated input tax credit arising from inverted GST structure on inputs, non-refund of ITC on account of input services and IGST on ocean freight on imports on CIF basis remain to be addressed.■

OUTLOOK FOR 2021-22

POLICY AND PAYMENT ISSUES

Budget allocation for 2021-22 is Rs. 79,529.68 crore comprising Rs. 58,767.68 crore for urea and Rs. 20,762.00 crore for P&K fertilizers. Allocation for P&K fertilizers as per BE for 2021-22 has been reduced compared to BE of Rs. 23,504.00 crore in 2020-21.

In view of continuing increase in international prices of fertilizers and raw materials for P&K fertilizers and increase in prices of imported LNG for urea, the subsidy requirement for 2021-22 will increase compared to allocation.

On 9th April, 2021, DoF extended NBS rates for N, P, K and S of 2020-21 for 2021-22 till further order. In the meantime, there has been significant increase in international prices of finished fertilizers, raw materials and the intermediates used for manufacture of P & K fertilizers compared to the prices in 2020-21. In view of this, DoF, revised the NBS rates of P from Rs.14.888 per kg to Rs. 45.323 per kg w.e.f. 20th May, 2021. Increase in subsidy rates of P is applicable only upto 31st October, 2021. However, NBS rates per kg for N, K and S remained unchanged at the previous year's level.

Accordingly, NBS rate per tonne of DAP and SSP increased from Rs. 10231 and Rs.2643 for 2020-21 to Rs. 24231 and Rs. 7513 per tonne for 2021-22, respectively. NBS rates for NP/NPK grades of fertilizers are now in the range of Rs. 11134 per tonne to Rs. 19910 per tonne. However, NBS rates for MOP and ammonium sulphate remained unchanged at Rs. 6070 and Rs. 4398 per tonne, respectively for 2021-22. In addition, two new NPK complex fertilizers (8-21-21 and 9-24-24) have been included in the NBS policy.

Government has announced additional allocation of Rs. 14,775 crore to cover the increase in subsidy on P&K fertilizers due to increase in rate of subsidy notified on 20th May, 2021 which is applicable upto 31st October, 2021.

SOUTH-WEST MONSOON

The Southwest monsoon made onset over Kerala coast on 3rd June 2021 with a delay of two days. Actual rainfall during June 2021 was 10% above LPA but in July it was 7% below LPA. IMD predicted normal (94 to 106% of LPA) rainfall during August 2021. Overall rainfall performance from 1st June to 31st July, 2021 was 1% below LPA. Actual rainfall was 449 mm as against normal rains of 452.2 mm. Out of 36 meteorological sub-divisions, 29 sub-divisions received normal to excess rains and remaining 7 sub-divisions received deficient rains during the period. Out of 694 reported districts, 72% districts received normal to excess rains during the period.

Total live storage in 130 reservoirs was 85.36 BCM as on 29th July, 2021 as against 70.77 BCM on the same date in the previous year. Current year's storage is 121% of the last year storage.

CROP SITUATION

As the progress of monsoon got stalled over most parts of India after a timely start, there has been decline in sown area of major *kharif* crops. As per the available information, total area sown under all *kharif* crops was 84.82 million hectares (million ha) as on 30th July, 2021 as compared to 89.00 million ha during the corresponding period in the previous year. This was 4.7% lower than the corresponding period in the previous year.

FERTILIZER SALE

Delayed monsoon and decline in sown area affected fertilizer demand during April/July 2021 over April/July 2020. Sale of urea at 10.19 million MT, DAP at 2.72 million MT, NP/NPKs at 3.69 million MT and MOP (for direct application) at 0.91 million MT during April/July 2021 witnessed decline of 11.4%, 26.6%, 4.6% and 7.9%, respectively, over April/July 2020. However, sale of SSP at 1.90 million MT registered an increase of 5.8% during the period.

PROSPECTS OF FERTILIZER CONSUMPTION

Overall Southwest monsoon (June-September) 2021 is anticipated to be normal. This is likely to increase cropped area during the remaining period of *kharif* 2021. Normal Southwest monsoon is likely to leave good moisture contents in the soil for ensuing *rabi* crop season. Water availability in the reservoirs at the end of *kharif* season is also likely to be comfortable. Continuing increase in international prices of fertilizers and raw materials remains the challenge for timely availability of fertilizers. The total consumption of fertilizers during 2021-22 is likely to remain at the level of 2020-21. ■