

ANNUAL REVIEW OF FERTILISER PRODUCTION AND CONSUMPTION 2017-18

EXECUTIVE SUMMARY

Rainfall was normal at the country level during south-west monsoon. Despite the normal monsoon, distribution pattern of rainfall was uneven during the monsoon season. Total fertilizer nutrient consumption recorded a modest growth during 2017-18 over the previous year. The supply from indigenous production (N+P₂O₅) increased marginally. The shortfall between consumption and production was fulfilled through imports. Imports of urea and MOP increased. Conversely, imports of DAP and NP/NPKs reduced in 2017-18 over the previous year.

SOUTH-WEST MONSOON

Overall rainfall during south-west monsoon of 2017 (June/September) was normal. However, the pattern of distribution rainfall was found to be uneven across different regions of the country. Out of a total of 36 meteorological sub-divisions, 30 sub-divisions received excess/normal rainfall and remaining 6 sub-divisions received deficient rainfall. Total rainfall received during the period was 841 mm as against the normal rainfall of 888 mm, i.e., 5% below the long period average (LPA). About 66 per cent of total number of reported districts received normal to excess rains during the period.

Total live storage capacity of 91 major reservoirs in the country was 157.80 billion cubic meters (BCM) at full reservoir level (FRL). Water level

was 103.4 BCM as on 28th September, 2017 as against 116.6 BCM on the corresponding date in the previous year.

FERTILIZER CONSUMPTION

Total nutrient consumption (N+P₂O₅+K₂O) increased from a total of 25.95 million metric tonne (million MT) during 2016-17 to 26.79 million MT during 2017-18. N consumption at 17.17 million MT, P₂O₅ at 6.84 million MT and K₂O at 2.78 million MT recorded increase of 2.6%, 2.0% and 10.8%, respectively, during 2017-18 over the previous year.

Per hectare use of total nutrients increased from 130.8 kg in 2016-17 to 135 kg during 2017-18. All-India NPK use ratio changed from 6.7:2.7:1 during 2016-17 to 6.2:2.5:1 during 2017-18.

PRODUCTION OF FERTILIZERS

The production of total fertilizer nutrients (N+P₂O₅) showed a marginal increase of 1.2% in 2017-18 over 2016-17. While the production of N at 13.42 million MT during 2017-18 registered a nominal increase of 0.3% over 2016-17, production of P₂O₅ at 4.72 million MT recorded an increase of 3.8% during the period.

In terms of product, production of Urea at 24.03 million MT and SSP at 3.91 million MT declined by 0.7% and 9.1%, respectively, during 2017-18 over 2016-17. In contrast, production

of DAP at 4.65 million MT and NP/NPKs at 8.24 million MT increased by 7.4% and 4%, respectively, during the period.

GAS AVAILABILITY

Supply of domestic gas to fertilizer plants declined for fourth consecutive year. Domestic gas supply declined from an average of 20.7 MMSCMD in 2016-17 to 18.1 MMSCMD in 2017-18. Share of domestic gas in total gas supply to fertilizer plants declined from 49.0% in 2016-17 to 42.8% in 2017-18. The balance requirement was fulfilled by imported LNG. Increase in share of more expensive imported gas increased the pooled gas price for urea plants.

IMPORT OF FERTILIZERS

During 2017-18, import of urea and MOP increased significantly from the level of the previous year. Import of DAP and NP/NPKs, however, reduced during the period. Import of Urea, DAP, NP/NPKs and MOP was of the order of 5.98 million MT, 4.22 million MT, 0.50 million MT and 4.74 million MT, respectively, during 2017-18.

FERTILIZER INVENTORY

Availability of fertilizers from opening stock at the beginning of the year, domestic production and imports was adequate to take care of demand for the full year. All-India stock of urea at various points was more than 2 million MT at the beginning of the

year. Similarly, inventory of DAP and NP/NPKs together was about 1.5 million MT, SSP 0.56 million MT and MOP 0.54 million MT. In addition, large stocks were also lying with the dealers for which separate data are not available.

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 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.

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

During 2017-18, almost all the major crops recorded an increase in production except oilseeds, jute & mesta. Among principal crops, production of rice at 111.5 million MT, wheat at 98.6 million MT, coarse cereals at 44.9 million MT, pulses at 24.5 million MT recorded increase of 1.6%, 0.1%, 2.5% and 6.1%, respectively, during 2017-18 over 2016-17. Similarly, the production of sugarcane and cotton increased by 16% and 7.1% during the period. However, the production of oilseeds and jute & mesta declined by 2.2% and 3.6%, respectively, during the period.

POLICY ISSUES

Fertilizer Industry continued to suffer due to inadequate budget allocations with large amount of unpaid subsidy dues carried forward from one year to the other. Unpaid subsidy at the end of 2017-18 was Rs.32,053.21crore.

Indian urea sector continued to suffer due to non-payment of increased fixed cost, unreasonable reduction in energy consumption norms, unfavourable policy for production beyond 100% of re-assessed capacity and discriminatory policies for naphtha based plants.

NBS rates for N and S were increased for 2017-18. For P & K, it was reduced. The NBS rates for N, P, K and S was fixed at Rs.18.989, Rs.11.997, Rs.12.395 and Rs.2.240 per kg for 2017-18. Accordingly, NBS rate for DAP was fixed at Rs.8937 per tonne, SSP Rs.2166 per tonne, and MOP Rs. 7437 per tonne for 2017-18. The NBS rates for NP/NPK grades of fertilizers were in the range between Rs. 5729 per tonne and Rs. 8676 per tonne.

Some of the issues of P & K sector which need to be addressed include i) to dispense with furnishing of half yearly cost data, ii) to notify criteria for reasonable MRP and iii) higher import duty on raw materials compared to finished fertilizers.

The major issue of SSP industry which remains unaddressed is non-recognition of freight subsidy. There is need for either merging freight with product subsidy under NBS as per the approval of CCEA or make provision of freight subsidy for SSP industry as well.

GST on fertilizers and raw materials

was implemented from 1st July, 2017. GST rate on finished fertilizers was brought down at 5% from initially announced 12%. However, rates of GST on raw materials (ammonia, phosphoric acid, sulphur, naphtha, etc.) were kept higher than finished fertilizers. After several representations by the FAI and the industry and follow up, rates for phosphoric acid and sulphur have been reduced to 5%. Rates of GST for naphtha, ammonia and sulphuric acid still remain at 18%.

Rate of IGST on imported urea and MOP for manufacture of complex fertilizers was attracting 18%. GST council has clarified that the fertilizer supplied for use in the manufacturing of complex fertilizers for agricultural use will attract 5% IGST w.e.f 27th July, 2018.

Government of India rolled out the DBT scheme for fertilizers in all states between 1st September, 2017 and 1st March, 2018. But under the DBT scheme for fertilizer sector, subsidy is not transferred directly into the accounts of the beneficiaries as is done in case of LPG. Fertilizer subsidy continues to be routed through the industry. Entitlement of subsidy takes place after sales are made by the retailers through the POS machine. However, there are several policy and operational issues in regard to implementation of DBT for fertilizer sector which are delaying or even denying subsidy on products sold under new scheme. These need to be addressed urgently. Fertilizer industry has been fully cooperating with the government in implementation of DBT.

OUTLOOK FOR 2018-19

POLICY ISSUES

NBS rates for P and S have been raised by Rs. 3.219 per kg and 0.482 per kg, respectively, for 2018-19. Conversely, rates for N and K have been reduced by Rs.0.088 per kg and Rs.1.271 per kg, respectively. Accordingly, NBS rates for DAP has been fixed at Rs.10,402 per tonne, SSP Rs.2,734 per tonne, and MOP Rs. 6,674 per tonne for 2018-19. The NBS rates for NP/NPK grades of fertilizers have been in the range between Rs. 6,421 per tonne and Rs. 9,553 per tonne. Due to increase in international prices of fertilizers and raw materials and depreciation of Indian rupee, there has been increase in retail prices of decontrolled phosphatic and potassic fertilizers.

SOUTH-WEST MONSOON

Rainfall during 1st June to 8th

August 2018 was 10% below the long period average (LPA). Out of a total of 36 meteorological sub-divisions, 28 sub-divisions received excess/normal rainfall and remaining 8 sub-divisions received deficient rainfall. Total actual rainfall received during 1st June to 8th August, 2018 was 475 mm as against the normal rainfall of 527 mm during the period. About 61% of the total number of districts received normal to excess rains during the period. Rainfall situation is expected to improve during remaining period of south-west monsoon.

Live storage in 91 reservoirs as on 9th August, 2018 was 77.55 BCM as against 74.05 BCM on the corresponding date in the previous year. Current year's storage is 105% of the last year's level and also 98% of the normal storage.

CROP SITUATION

As per latest information available on sowing of *kharif* crops, around 81 per cent of the normal area of full *kharif* season has been sown

upto 10th August, 2018. Area sown under all *kharif* crops taken together has been reported to be 92.48 million ha at All-India level during 1st April to 10th August, 2018 as compared to 93.87 million ha in the corresponding period of last year.

PROSPECTS OF FERTILIZER CONSUMPTION

As per the latest sale reports available for the period April/July 2018, sale of urea, DAP, NP/NPKs and MOP increased by 3.2%, 6.7%, 23.4% and 0.03%, respectively, over April/July 2017. It is anticipated that there will be higher consumption of fertilizers in *kharif* 2018 compared to *kharif* 2017. It is expected that there will be adequate water storage in the reservoirs and sufficient moisture availability in the soil at the beginning of *rabi* 2018-19. These are all favourable factors for fertilizer consumption. It is expected that there will be modest increase in overall consumption of fertilizer nutrients during the full year 2018-19. ■