

ANNUAL REVIEW OF FERTILISER PRODUCTION AND CONSUMPTION 2018-19

EXECUTIVE SUMMARY

Overall rainfall was below normal during south-west monsoon 2018. However, area under different crops was close to normal during the year. The states which received normal rains mainly contributed to the growth in fertilizer consumption. Total fertilizer nutrient consumption recorded a modest growth during 2018-19 over the previous year. The supply from indigenous production (N+P₂O₅) fell marginally. The shortfall between consumption and production was fulfilled through imports. Imports of Urea, DAP and NP/NPKs increased and imports of MOP reduced in 2018-19 over the previous year.

SOUTH-WEST MONSOON

The south-west monsoon 2018 arrived 3 days before normal arrival date. Rains received during the season was below normal (-9%). Out of a total number of 36 meteorological sub-divisions, 24 received normal and 12 received deficient rainfall. Sixty-two percent of the total number of districts received normal to excess rains during the period.

Water level in major reservoirs was higher than the previous year as well as normal storage at the end of *kharif* season. Live storage in 91 major reservoirs at the end of *kharif* 2018 was higher at 120.92 billion cubic meters (BCM) as against 107.35 BCM on the corresponding date in the previous year. This was 113% of the last year's level and 104% of the normal storage.

FERTILIZER CONSUMPTION

Fertilizer consumption recorded a modest growth in 2018-19. Total estimated nutrient consumption (N+P₂O₅+K₂O) was 27.29 million MT in 2018-19 as against 26.59 million MT in the previous year showing a growth of 2.6%. The consumption of N, P₂O₅ and K₂O was 17.90 million MT, 6.86 million MT and 2.53 million MT representing growth of 5.6%, 0.03% and (-) 9%, respectively, over 2017-18.

All-India NPK use ratio widened from 6.1:2.5:1 during 2017-18 to 7.1:2.7:1 during 2018-19 due to fall in potash consumption. Per hectare use of total nutrients (N+P₂O₅+K₂O) increased from 133.9 kg in 2017-18 to 137.4 kg in 2018-19.

FERTILIZER INVENTORY

The year 2018-19 began with large opening inventory of fertilizers. Inventory of Urea at various points excluding stock at the dealers' point was about 1.6 million MT at the beginning of the year. Similarly, inventory of DAP and NP/NPKs together was about 1.1 million MT, SSP 0.64 million MT and MOP 0.63 million MT. The availability of fertilizers from opening stock, domestic production and imports was adequate to take care of the demand for 2018-19.

PRODUCTION OF FERTILIZERS

Indigenous production of fertilizer nutrients slipped marginally over the previous year. Fertilizer production at 17.93 million MT nutrients (N+P₂O₅) during 2018-19 was 1.2% lower than the previous year. Production of nitrogen (N) at 13.34 million MT in 2018-19 was 0.6% lower than the level of 2017-18. But phosphate (P₂O₅) production at 4.59 million MT declined by 2.8% over the previous year.

In terms of products, production of urea at 23.90 million MT in 2018-19 fell marginally by 0.5% over the previous year. Whereas, the production of DAP at 3.90 million MT registered a sharp decline of 16.2% during the period. In contrast, production of complex fertilizers at 8.98 million MT recorded a steep increase of 9%. Production of SSP at 4.08 million MT also showed an increase of 4.2% during the period.

GAS AVAILABILITY

Supply of gas from existing fields has been falling over last five years. Supply of domestic gas had declined from 31.5 MMSCMD (million standard cubic meters per day) in 2013 to 15.4 MMSCMD in 2018-19. The shortfall in availability of gas from domestic sources has been fulfilled through high cost imported LNG. Imported gas being more expensive than domestic gas, the cost of production of urea has been increasing. Farmers' price (MRP) remaining fixed, it increases the urea subsidy.

IMPORT OF FERTILIZERS

During 2018-19, import of Urea, DAP and NP/NPKs

increased significantly from the level of the previous year. Import of MOP, however, reduced during the period. Import of Urea, DAP, NP/NPKs and MOP was of the order of 7.45 million MT, 6.60 million MT, 0.55 million MT and 4.21 million MT, respectively, during 2018-19.

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.

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. A period of two months' extension from the date of notification of MRP of 45 kg bag of urea was given as lead time to implement the introduction of 45 kg bag of urea.

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 at 284.95 million MT in 2018-19 was almost close to the previous year's level of 285.01 million MT. Marginal fall in production of foodgrains is attributed to fall in production of coarse cereals and pulses although rice and wheat showed positive growth. The production of coarse cereals and pulses fell by 8.6% and 7.9%, respectively, during 2018-19 over 2017-18. The production of rice and wheat, however, increased by 3.2% and 2.3%, respectively, during the period. Production of oilseeds increased by 2.5% and sugarcane by 5.3% during the period. However, production of cotton and jute & mesta declined by 12.5% and 2.6%, respectively, during the period.

POLICY ISSUES

Fertilizer Industry continued to suffer due to inadequate budget allocation with large amount of unpaid subsidy dues carried forward from year to year. Unpaid subsidy at the end of 2018-19 was over Rs. 39,000 crore.

Indian urea sector continued to suffer due to non-payment of increased fixed cost, unreasonable reduction in energy consumption norms and unfavourable policy for production beyond 100% of re-assessed capacity. There were inordinate delays in payment of subsidy under DBT.

The government continued to mop up the energy efficiency achieved by the most efficient plants and implemented energy consumption norms prescribed for 2018-19 for 11 efficient gas based urea units w.e.f. 1st April, 2018. For the remaining 14 gas based urea units, the norms for 2015 were retained till 31st March, 2020 with a penalty of 2% for the first year and 5% for the second year.

NBS rates for P and S were raised for 2018-19. However, NBS rates for N and K were reduced. The NBS rates for N, P, K and S were fixed at Rs.18.901, Rs.15.216, Rs.11.124 and Rs.2.722 per kg for 2018-19.

Department of Fertilizers constituted a Committee to study the reasonableness of MRP of P&K fertilizers and give recommendations for developing reasonableness evaluation methodology.

There were a few pending issues of SSP manufacturers namely separate budget for SSP industry, freight subsidy, reduction in GST on sulphuric acid from 18 per cent to 5 per cent, payment of unpaid dues under DBT, flexibility in procurement of rock phosphate, etc. Department of Fertilizers constituted a Committee to consider and make recommendations on the issues of the requirement of pre-analysis of Egyptian rock phosphate (ERP) for production of SSP, the request of SSP industry to allow them freight subsidy at par with P&K industry.

Consequent to the representations made by the FAI and the industry, GST rates for various products including fertilizers and some of the fertilizer raw materials have been progressively brought down by the government at different points of time with the unfolding of GST. GST rates for phosphoric acid (fertilizer grade) reduced from 12% to 5% w.e.f.21st July, 2018. With this revision, GST rate is now 5% for rock phosphate, sulphur, phosphoric acid and also finished fertilizers. However, GST rate for ammonia and sulphuric acid continues at 18%.

The industry continued to face a number of issues under the current model of DBT of Fertilizer subsidy including software glitches, procedural issues, etc. Under DBT, requirement of working capital has increased manifold as there is change in the procedure for disbursement of subsidy from receipt in districts to sale through POS machines by retailers.

OUTLOOK FOR 2019-20

hectares at All-India level during 1st April to 16th August, 2019 as compared to 96.64 million hectares in the corresponding period of last year. This represents a fall of 4.2%.

POLICY ISSUES

NBS rates for N, P, K and S for 2019-20 remained unchanged until 6th August 2019. However, NBS rate for S has been increased w.e.f 7th August, 2019. The NBS rates for N, P, K and S have been fixed at Rs.18.901, Rs.15.216, Rs.11.124 and Rs.3.562 per kg for 2019-20 w.e.f 7th August, 2019.

SOUTH-WEST MONSOON

South-west monsoon 2019 was delayed by a week. There was heavy deficit in rainfall of about 36 per cent of LPA during June 2019. The situation improved significantly from mid-July 2019. Overall rainfall from 1st June to 14th August 2019, was 1 per cent above Long Period Average (LPA). 28 sub divisions received normal to excess rains and remaining 8 received deficient rains during the period.

Live storage in 107 reservoirs in the country as on 14th August, 2019 was 125% of last year's storage and nearly 122% of normal storage.

CROP SITUATION

About 87 per cent of the normal area of full *kharif* season has been sown upto 16th August, 2019. Total area sown under all *kharif* crops has been reported at 92.61 million

FERTILIZER AVAILABILITY AND SALE

Sale of major fertilizers during April-July 2019 was lower than the previous year. Sale of urea at 7.77 million MT, DAP at 2.08 million MT, NP/NPKs at 2.02 million MT and MOP (for direct application) at 0.63 million MT during April-July 2019 registered decline of 6.6%, 9.4%, 23.5% and 17.4%, respectively, over April/July 2018. The growth in fertilizer consumption is expected to turn around during the subsequent period of the current *kharif* due to heavy rains received in major part of the country since later part of July, 2019.

PROSPECTS OF FERTILIZER CONSUMPTION

Keeping in view good rains received since mid-July, 2019, prospects of adequate water storage in the reservoirs at the beginning of *rabi* 2019-20 and sufficient moisture availability in the soil, overall consumption of fertilizer nutrients during the full year 2019-20 is expected to show a modest growth over the previous year's level. ■