

ANNUAL REVIEW OF FERTILIZER PRODUCTION AND CONSUMPTION 2019-20

EXECUTIVE SUMMARY

Rainfall during southwest monsoon 2019 was above normal. Water level in major reservoirs was higher than the previous year as well as normal storage at the end of *kharif* season. Adequate moisture availability in the soil and comfortable water availability in the reservoirs facilitated higher use of fertilizers during 2019-20. Adequate availability from opening inventory, indigenous production and imports helped in fulfilling the increased demand for fertilizers.

SOUTH-WEST MONSOON

The arrival of southwest monsoon 2019 (June-September) was delayed by a week from the normal arrival date of 1st June. It started with heavy deficit followed by incessant rains. Overall rainfall during the monsoon season was 10% above LPA. Out of a total number of 36 meteorological sub-divisions, 31 received normal to excess rains and remaining 5 received deficient rains.

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 120 major reservoirs at the end of *kharif* 2019 was higher at 151.09 billion cubic meter (BCM) as against 128.60 BCM during the corresponding period in the previous year. This was 117% of the previous year's level and 123% of the normal storage.

FERTILIZER CONSUMPTION

Fertilizer consumption recorded a robust growth in 2019-20. Total estimated nutrient consumption (N+P₂O₅+K₂O) was 29.04 million metric tonnes (million MT) as against 27.23 million MT in the previous year recording a growth of 6.7%. The consumption of N, P₂O₅ and K₂O was 18.80 million MT, 7.54 million MT and 2.70 million MT during 2019-20 represented growth of 6.6%, 9.2% and 0.7%, respectively, over 2018-19.

All-India NPK use ratio widened from 6.6:2.6:1 during 2018-19 to 7.0:2.8:1 during 2019-20.

Per hectare use of total nutrients (N+P₂O₅+K₂O)

increased from 135.9 kg in 2018-19 to 144.9 kg in 2019-20.

FERTILIZER INVENTORY

There was large opening inventory of fertilizers at the beginning of the year. Total inventory of fertilizers at various points excluding stock at the dealers' point was about 5.2 million MT, of which urea accounted for 1.13 million MT, DAP and NP/NPKs together was about 2.75 million MT, SSP 0.58 million MT, MOP 0.63 million MT and balance quantity comprised other fertilizers.

PRODUCTION OF FERTILIZERS

Fertilizer production at 18.512 million MT (N+P) witnessed a modest growth of 3.3% during 2019-20. Production of nitrogen (N) increased by 2.9% to 13.722 million MT and that of phosphate increased by 4.4% to 4.790 million MT in 2019-20.

In terms of products, production of urea at 24.455 million MT, DAP at 4.550 million MT and SSP at 4.244 million MT during 2019-20 marked increase of 2.3%, 16.7% and 4.1%, respectively, over 2018-19. Production of complex fertilizers witnessed a reverse trend with decline by 3.5% to 8.665 million MT during 2019-20.

GAS AVAILABILITY

Production of gas from existing fields has been dwindling for more than five years. Therefore, supply of domestic gas to fertilizer plants has been declining. This has made fertilizer plants more and more dependent on imported LNG. Supply of domestic gas declined further from 15.4 MMSCMD in 2018-19 to 12.8 MMSCMD in 2019-20. Thus domestic gas constituted only 29.8% of total of 43 MMSCMD gas consumed during the year. The balance of 70.2% was LNG.

IMPORT OF FERTILIZERS

During 2019-20, import of urea at 9.12 million MT during 2019-20 recorded sharp increase of 21.9% over

2018-19. Similarly, import of NP/NPKs at 0.75 million MT increased by 36.6% during the period. However, import of DAP at 4.87 million MT and MOP at 3.67 million MT declined by 26.2% and 12.9%, respectively, during the period.

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 basic 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 285.2 million MT in 2018-19 to 296.7 million MT in 2019-20 representing an increase of 4%. Among foodgrain crops, production of rice increased by 1.7%, wheat by 3.9%, coarse cereals by 10.3% and pulses by 4.8% in 2019-20 over 2018-19. Production of oilseeds increased by 6%, cotton by 26.6% and jute & mesta by 0.9% during the period. However, production of sugarcane declined by 12.3% during the period.

POLICY ISSUES

- ◆ The year started with outstanding dues of more than Rs.39,000 crore carried forward from the previous year. Allocation for the year at Rs.79,996 crore was grossly inadequate to meet the requirement of the year including backlog of previous year. The year ended with an unpaid subsidy due of Rs.47,949 crore inspite of a banking arrangement (loan) of Rs.10,000 crore at the end of the year.

- ◆ Urea sector continued to face policy related issues during the year. Modified NPS-III policy was notified finally on 30th March, 2020 with removal of the Clause 3.2 pertaining to minimum fixed cost. The removal of the Clause 3.2 impacted production of urea beyond reassessed capacity (RAC) for all plants. Moreover, three units suffered even upto RAC.

- ◆ Government has revised energy consumption norms 4 times during past one and half decade. Unreasonable reduction in energy consumption norms has been affecting the financial health of the industry. While capital investments for improvement in operations have not been recognized by the government but gains as a result of operational efficiency have been mopped up.

- ◆ NBS rates for N, P and K for 2019-20 remained unchanged 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.

- ◆ Issues relating to the interpretation of the formula for reasonableness of MRP affected the P & K industry.

- ◆ A Multi-Disciplinary Committee (MDC) has been constituted to study and submit report on feasibility of production of good quality beneficiated rock phosphate for manufacturing quality SSP.

- ◆ DoF notified policy for reimbursement of freight subsidy for distribution of subsidised fertilizers through Coastal shipping / Inland waterways on 17th June, 2019 and issued clarifications regarding secondary freight subsidy on 18th September, 2019.

- ◆ DoF had notified the interim procedure for sale of subsidized fertilizers to customized /mixture fertilizer manufacturing units under DBT system initially on 23rd May, 2018 for a period of six months. It was extended upto 22nd May, 2020 and further extended upto 22nd November 2020.

OUTLOOK FOR 2020-21

POLICY ISSUES

- ◆ NBS rates for N, P, K and S for 2020-21 have been reduced. The NBS rates for N, P, K and S have been fixed at Rs.18.789, Rs.14.888, Rs.10.116 and Rs.2.374 per kg, respectively, for 2020-21 *w.e.f.* 1st April, 2020. Accordingly, NBS rates per MT for DAP, SSP and MOP reduced to Rs. 10231, Rs.2643 and Rs.6070, respectively, for 2020-21. NBS rate for ammonium sulphate has been reduced to Rs.4,398 per MT. NBS rates for NP/NPK grades of fertilizers are in the range of Rs. 6,292 per tonne to Rs. 9,430 per tonne. A new grade 14-28-0-0 has been included in the NBS scheme.
- ◆ DBT : In view of outbreak of COVID-19 across the country, there was apprehension that farmers may be reluctant to provide biometric authentication on the PoS machines. Accordingly, new provision was created in the system. It was stated that the first option to sell fertilizers is biometric authentication. However, those farmers who are not willing to use Aadhaar biometric authentication can purchase fertilizers by providing Aadhaar number to retailer without biometric authentication as per the contactless option provided in the PoS machines.

SOUTH-WEST MONSOON

- ◆ The southwest monsoon arrived on time in Kerala on 1st June, 2020. Rainfall performance from 1st June to 21st September was 107% of LPA. Actual rainfall was 898.6 mm as against normal rains of 838.9 mm. Out of 36 meteorological sub-divisions, 32 sub-divisions received normal to excess rains and remaining 4 sub-divisions received deficient rains during the period. Out of 685 reported districts, 74% districts received normal to excess rains during the period.

Total live storage capacity in 123 reservoirs as on 17th September, 2020 was 100.3% of the last year and 116% of the normal storage.

CROP SITUATION

- ◆ Total area sown under all *kharif* crops was 111.4 million hectares (Mha) upto 18th September, 2020 as compared to 105.4 million ha during the corresponding period in the previous year. About 104.3 per cent of the normal area has been sown during the period. The coverage upto 18th September, 2020 was 5.7% higher than the corresponding period in the previous year.

FERTILIZER AVAILABILITY AND SALE

- ◆ Fertilizer demand grew exceptionally high during April/August 2020 over April/August 2019. Sale of urea at 15.52 million MT during April/August 2020 increased by 24.7% over April/August 2019. Similarly, sale of DAP at 4.63 million MT, increased by 57.6% and NP/NPKs at 5.10 million MT rose by 53.7% during the period. Sale of MOP (for direct application) at 1.29 million MT and SSP at 2.15 million MT increased by 42.8% and 13.1%, respectively, during the period.

PROSPECTS OF FERTILIZER CONSUMPTION

- ◆ Keeping in view higher anticipated consumption in *kharif* 2020 and adequate water storage in the reservoirs at the beginning of *rabi* 2020-21 with moisture availability in the soil, overall consumption of fertilizer nutrients during the full year 2020-21 is expected to show a fairly good increase over the previous year's level. ■