

The Fertiliser Association of India

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Press Release

Introduction

- 1.1. In the current year also, the geopolitical developments continued to pose challenges to world economic growth. There has been cooling of commodity prices which provided relief to the agriculture and fertilizer sectors. However, there has been upward trends in prices of urea and DAP in recent months in the international market. There are challenges for sustainable agriculture in the country. Therefore, it calls for innovations in entire value chain of fertilizer and agriculture sectors.
- 1.2. With this backdrop, the Fertiliser Association of India (FAI) has kept the theme of its Annual Seminar for 2023 — 'Innovations in Fertilizer and Agriculture Sectors'. This event is poised to be a pivotal moment, bringing together thought leaders, researchers, and industry pioneers to delve into the latest strides in fertilizer and agriculture.
- 1.3. The Seminar will be inaugurated on the 6th of December, 2023 at Hotel Pullman at 2:30 PM by the Hon'ble Union Minister for Chemicals & Fertilizers and Health & Family Welfare, Dr. Mansukh Mandaviya Ji. Hon'ble Minister for State for Chemicals & Fertilizers and New & Renewable Energy, Shri Bhagwanth Khuba Ji will also grace the inaugural function as Guest of Honour. Secretary, Department of Fertilizers Shri Rajat Kumar Mishra will be the Special Guest. The Hon'ble Ministers will also distribute the awards of excellence in various fields during the inaugural function.
- 1.4. On the forthcoming day, namely December 7, 2023, an enlightening session has been designed to have an interaction with the media and the farmers on the topical subject of "Myths and Realities of Fertilizer Use." We expect fruitful discussion in the session. There will also be sessions covering policy interventions in fertilizer sector and innovations for sustainable agriculture. As the calendar transitions to December 8, 2023, the agenda seamlessly evolves to encompass sessions devoted to the metamorphosis of "Fertilizer Production" and ground-breaking "Fertilizer Marketing Innovations." During the technical session II to V on 7th and 8th December, 2023, there will be 18 presentations to be covered by distinguished speakers hailing from India and abroad.

2. Fertilizer Situation

2.1 Production import and DBT sales of major Fertilizers

- 2.1.1. **Production:** Except SSP, production of major fertilizers increased during April-October 2023. Production of urea, DAP and NP/NPK complex fertilizers recorded increase of 10.9%, 14.3% and 4.7%, respectively, during April/October 2023 over April/October 2022. However, production of SSP registered a decline of 11.2% during the period.
- 2.1.2. **Import:** Import of urea and MOP increased by 9.7% and 63.8%, respectively, during April/October 2023 over April/October 2022. However, import of DAP and NP/NPK complex fertilizers reduced by 8.8% and 18%, respectively, during the same period.
- 2.1.3. **Sale:** Sale of all major fertilizers registered positive growth during April/October 2023 over April/October 2022. Sale of urea at 20.76 million metric tonnes (million MT), DAP at 7.63 million MT, NP/NPK complex fertilizers at 7.06 million MT, SSP at 3.34 million MT and

MOP at 0.93 million MT during April-October 2023 recorded increase of 7.5%, 17.9%, 22.7%, 5.4% and 6%, respectively, during the period.

2.1.4. Ideal average NPK use ratio for the country is 4:2:1. This ratio was almost near to ideal at 4:3:2:1 in 2009-10 but got distorted to 8.2:3.2:1 in 2012-13. This got corrected to 6.5:2.8:1 during 2020-21. However, widened to 7.7:3.1:1 in 2021-22 and again in 2022-23 to 11.8:4.6:1. This ratio has been further distorted to 12.8:5.1:1 for Kharif 2022 and 10.9:4.9:1 during Kharif 2023 as compared to 6.8:2.7:1 during Kharif 2021 due to steep reduction in sales of K at 0.77 million tonnes in Kharif 2022 and 0.98 million tonnes in Kharif 2023.

3. International Prices

3.1 We have witnessed increase in domestic natural gas price for the period, i.e., April to October 2023 from US\$ 7.92 per MMBTU during April 2023 to US\$ 9.20 per MMBTU during October 2023. However, the gas price ceiling for Deepwater, high pressure-high temperature areas reduced from US\$ 12.12 per MMBTU to US\$ 9.96 per MMBTU during the period.

3.2. The global fertilizer market has witnessed noteworthy price fluctuations. The DAP price, at USD 924 per MT in CFR-India in April 2022, experienced a decline to USD 440 per MT by July 2023 but subsequently rebounded to USD 589 per MT in September 2023. Similarly, phosphoric acid prices decreased from USD 1530 per MT in April 2022 to USD 970 per MT by July 2023, eventually declined to USD 951 per MT in September 2023. Imported urea prices followed a downward trajectory, dropping from USD 631 per MT in April 2022 to USD 576 per MT by December 2022, and further declining to approximately USD 400 per MT by September 2023. International ammonia prices exhibited a decline from USD 1575 per MT in April 2022 to USD 436 per MT in September 2023. Given the inherent volatility in urea and DAP prices, a strategic shift towards indigenous solutions, exemplified by initiatives like the "Aatma Nirbhar Bharat" scheme, becomes imperative for market stability. The pool price of gas has also decreased steeply during the past one year and has reached Rs.1309.49 per MMBTU for November, 2023 on net Calorific Value (NCV) basis. At this price of gas, average energy cost for urea works out to more than Rs.31,00 per MT.

4. Issues of Fertilizer Industry

4.1. Downward correction in NBS rates for rabi 2023-24 is affecting the viability of NP/NPK grades and SSP constituting more than 50% of current rabi demand. The additional subsidy given on DAP should also be made applicable on NP/NPK/SSP. There has been continuous decline in consumption of MOP. Substantial reduction in subsidy on MOP will further be detrimental to the growth of K nutrition in crops and lead to widening N:P₂O₅:K₂O use ratio. It will have adverse effect on soil health. Use of K helps in mitigating adverse effect of weather aberrations.

4.2. In view of considerable disparities in MRPs of urea and P & K fertilizers, urea should also be brought under ambit of nutrient based subsidy.

4.3. The issue of revision of stagnant fixed cost since 2008-09 remains a serious concern for urea units. While fixed costs have gone up drastically, the reimbursement of such actually incurred costs has not taken place. The policy also does not take into account large investments made in recent years in energy reduction projects and plant reliability expenditure. The removal of the IPP cap and continuation of using pooled natural gas prices for RAC production can help in augmenting additional urea production and viability of domestic producers.

4.4. Both feed and fuel in case of ammonia-urea plants is energy (fossil fuels). All urea plants have converted to natural gas as feedstock. The urea sector is highly energy intensive. As a result

of concerted efforts, energy consumption has been reduced from 8.87 Gcal/MT in 1987-88 to 5.71 Gcal/MT ammonia in 2022-23. There is an equivalent carbon dioxide reduction from 3.61 tonnes CO₂/tonne ammonia to 1.96 tonne CO₂ / tonne ammonia which is about 46% over a period of 35 years. The energy is the major cost of production of urea. There are energy consumption norms for urea plants which are revised periodically. Every time there is tightening of energy consumption norms. The last revision, many plants were not able to meet the energy norms and deadline for meeting the norms were extended three times and every time with incremental penalty. The Government of India has constituted an Expert Group for Target Energy Norms for urea units in Niti Aayog beyond 01.04.2025.

5. Government Initiatives

- 5.1. Government has been very supportive especially during the period of crisis of past 3 years in ensuring smooth production, import and movement of fertilizers. It has arranged significantly higher allocation for fertilizer subsidy for the past three years and also for the current year. The amount of fertilizer subsidy has been increased from a level of about Rs.80,000 crore for pre-pandemic year 2019-20 to Rs.1.3 lakh crore for 2020-21, Rs.1.54 lakh crore for 2021-22 and Rs.2.25 lakh crore for 2022-23. The subsidy budget for the current year is Rs.1.75 lakh crore. The increase in subsidy helped insulate the farmers from impact of steep increase in cost of all fertilizers due to sharp rise in international prices of fertilizers and raw materials.
- 5.2. Out of 5 planned urea plants, four have already commenced production. One more may come in production in later part of 2024. India may become self-sufficient in urea production by 2025.
- 5.3. Government has also been helping the industry in entering long-term purchase agreements for fertilizers and raw materials to ensure sustained supply of fertilizers to Indian farmers at reasonable prices. Government is also encouraging production and use of SSP.
- 5.4. Amidst the volatile international market, characterized by fluctuations in fertilizer product and raw material prices due to demand-supply gaps, the fertilizer industry remains a cornerstone of Indian agriculture. Efforts to achieve self-sufficiency in fertilizer production persist, underscoring the industry's commitment. However, ongoing governmental support is crucial for sustaining the supply of fertilizers at reasonable prices for farmers. Timely announcements of subsidy rates under the Nutrient-Based Subsidy (NBS) policy, along with flexibility in determining Maximum Retail Prices (MRPs), are essential. These measures empower the industry to swiftly adapt to market dynamics, uphold production and import schedules, and secure reasonable returns.
- 5.5. The Government of India has launched the Green Hydrogen Mission in January 2023. Government of India will specify a minimum share of consumption of green hydrogen or its derivative products such as green ammonia, green methanol etc. by designated consumers as energy or feedstock. The mission document also mentioned that by 2034-35, it is targeted to substitute all ammonia based fertilizer imports with domestic Green Ammonia based fertilizers. Complex fertilizers plants are technically ready to switchover to green ammonia. However, at present cost of green ammonia is higher than grey ammonia, viability gap funding is needed for smooth transition.
- 5.6. MNRE in October 2023 has also issued a notification specifying minimum share of renewable energy for the designated consumers under Energy Conservation Act. The target for use of renewable energy to total share of energy has been kept at 29.91% for 2024-25 and every year there is an increase reaching to 43.33% for 2029-30.

5.7. The Government is actively promoting the adoption of sulphur-coated urea, an innovative product that enhances urea's nutrient use efficiency while supplying essential secondary nutrient sulphur. This initiative reflects a commitment to advancing agricultural practices for increased efficiency and environmental sustainability.

6. **Agenda Ahead for the Industry**

6.1. Side by side, efforts for increasing use of more efficient fertilizer products like liquid fertilizers, specialty fertilizers, etc. are continuing, which will improve use efficiency of fertilizers and reduce greenhouse gas emission. Nano-urea and Nano-DAP are already in the market. Increasing use of liquid fertilizers, water soluble fertilizers and application through drones will improve fertilizer use efficiency. Fertilizer units are also investing in energy saving projects, which will reduce overall energy consumption of the sector. Industry has already reduced its energy consumption by about 36% in the last 35 years and Indian urea industry is one of the most efficient urea industries of the world.

6.2. Addressing the issue of imbalanced use of major nutrients N, P and K by suitably adjusting the subsidy on N *vis-à-vis* P & K nutrients to encourage increased use of phosphate and potash will improve overall agricultural productivity and farmers' income. This will also improve nutrient use efficiency.

6.3. The issue of reasonable MRP of P & K fertilizers is yet to be resolved.

6.4. The issues of exemption of customs duty on major raw materials and non-refund of unutilized input tax credit due to subsidy on fertilizers are also expected to be resolved soon.

6.5. It is expected that the issue of minimum fixed cost and updation of fixed cost for urea industry will be addressed.

6.6. Redressal of the above issues will improve the industry's viability and enable it to generate funds for investment in energy reduction projects, development of innovative and more efficient fertilizer products. This will also enable them to invest in farmers' education and promotion of balanced use of fertilizer nutrients including secondary and micro nutrients.

6.7. The industry is working with the government to ensure adequate availability of fertilizer nutrients for Indian farmers.