Indian Journal of Fertilisers **17** (5) : 426-427, May, 2021

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Availability of Fertilizers for *Kharif* 2021 and Beyond

Indian economy had started recovering from the shocks of 1st wave of COVID-19 pandemic which resulted in estimated negative growth of about 8% for the year 2020-21. But, the country again got affected by the sudden spurt of 2nd wave of COVID 19 in April 2021 with much higher intensity. This will impact the pace of recovery. Luckily, unlike the 1st wave in 2020 when the entire nation was locked down for about 70 days at a stretch, so far the COVID-related restrictions are being implemented selectively in different parts of the country. Hopefully, we may be over the peak soon. It is expected that economy may not get affected as badly as it did during the 1st wave.

Fertilizer and agriculture sectors provided much needed strength to Indian economy during the 1st wave of COVID 19. As per the second advance estimates of national income 2020-21, agriculture and allied sector registered a positive growth of 3% during 2020-21 over the previous year. Apart from normal monsoon for the second consecutive year, growth in agriculture was also supported by slew of measures by the central and state governments to facilitate uninterrupted agricultural activities throughout the country. These included exemption of agriculture related activities from COVID linked lockdown, enhanced credit availability, higher level of procurement and financial support through number of other programmes under Atma Nirbhar Bharat.

Fertilizer sector is intimately tied up with agriculture and witnessed positive growth in 2020-21. Government facilitated uninterrupted production, movement and sale of fertilizers throughout the crisis period. Fertilizer sector also got additional allocation of Rs. 65,000 crores as one-time package to clear the long pending subsidy dues of the fertilizer industry. This helped in improving the industry's liquidity position. This in turn enabled industry to maintain production of fertilizers. The sale of total fertilizers at 67.6 million tonnes during 2020-21 registered a robust growth of 9.6% over 2019-20.

Apart from providing fertilizers, the domestic fertilizer industry also extended all possible help and support to the country in fighting COVID crisis including contribution to PM Care Fund, providing direct help to the citizens affected by COVID and lockdown. And now a number of fertilizer companies are setting up plants for medical grade oxygen to tide over the present oxygen crisis in the country. The industry is fully committed to work with the government in these difficult times.

As per the forecast of India Meteorological Department (IMD), monsoon is likely to be normal for the 3rd consecutive year. Demand for fertilizers during *kharif* 2021 season is also likely to remain good in view of the normal monsoon. With projected growth of over 5% compared to *kharif* 2020, the requirement of fertilizers is estimated at about 35 million tonnes during *kharif* 2021. This brings back the focus on our preparedness for meeting the fertilizer requirements of *kharif* 2021.

The country started with adequate stocks of fertilizers at the beginning of the year of about 15 Million Metric Tonnes (MMT) as against little over 12 MMT at the beginning of previous year. With expected production of fertilizers at about 25 MMT (including estimated production from 3 new urea plants during *kharif* 21) and likely import of about 10 MMT of total fertilizers,

Due to lack of natural resources, our import dependency for P&K fertilizers will continue. There is a need for long-term strategy to meet the requirement of P&K fertilizers and raw materials on sustainable basis.

availability of fertilizers is estimated at about 50 MMT for *kharif* 2021 against the requirement of about 35 MMT. Thus, there should be sufficient availability of fertilizers for *kharif* 2021.

While availability of fertilizers is likely to be adequate, the rising international prices of fertilizers and raw materials, and consequently significant increase in cost of fertilizers, will pose a challenge for minimizing impact on farmers. With 5 new urea plants coming into production, our dependence on import will be first reduced and then will be completely eliminated. The MRP of urea is controlled by the government. Hence, any increase in prices of natural gas may not reflect on MRP of urea. But, subsidy burden of the government may increase. However, due to lack of natural resources, our import dependence for P & K fertilizers will continue in foreseeable future. Under NBS policy, the subsidy for P & K fertilizers is fixed at uniform levels by the government and MRP is allowed to be fixed by industry at reasonable levels to ensure that the subsidy is passed on to the farmers. Hence, any significant increase in cost of P & K fertilizers will either need increase in subsidy by the government or increase in MRP for the farmers.

Unfortunately, there has been spurt in prices of raw materials and finished products this year. Average Cost and Freight (CFR) (India) price of phosphoric acid witnessed an increase from US$ 590 per Metric Tonne (MT) during March 2020 to US$ 795 per MT during March 2021, and this rising trend continues. Similarly, average CFR (India) prices of ammonia, sulphur and rock phosphate [71-75% BPL (bone phosphate of lime)] registered an increase from US$ 268, 68, and 117 per MT in March 2020 to US$ 426, 230, and 130 per MT, respectively during March 2021. CFR India price of DAP also increased from US$ 313 per MT in US$ 511 per MT in March 2021 and the trend continue to rise further crossing US$ 550 per MT. Government has already notified the subsidy rates for P & K fertilizers for 2021-22, which remain the same as for the year 2019-20. Hence, industry will be forced to recover the recent increases in international prices of fertilizers and raw materials through MRP to remain viable. Industry is striving hard to delay increase in MRP as far as possible. In any case old stocks are being sold at old prices. But, there is obvious need for increase in level of subsidy for P&K fertilizers under NBS to minimize the impact on MRP of these fertilizers.

Further, there is a need for maintaining at least 20% buffer stock of P & K fertilizers to enhance security of supplies and provide cushion from any sudden spurt in prices in international markets. The inventory-carrying cost of such buffer stocking should be an integral part of the NBS policy. Government of India should also consider exempting major raw materials and intermediates like phosphoric acid, ammonia, rock phosphate, sulphur and sulphuric acid from basic customs duty. This will help to reduce the cost of P&K fertilizers to some extent.

There is also a need for a long-term strategy to meet the requirement of P & K fertilizers and raw materials on sustained basis. The government and industry need to work together to enter into long-term purchase agreements to ensure the sustained supply of fertilizers and raw materials. A number of joint ventures are already operating for production of phosphoric acid. There is need to acquire mines for rock phosphate and potash minerals. But such acquisitions require huge capital and these projects have long gestation periods. In addition, there is always an issue of security of investment. This is where government needs to extend a helping hand. It can participate in equity or extend soft loans and loan guarantees through a dedicated corpus of funds. Government is spending huge amount by way of subsidy on fertilizers every year. It makes strong economic sense and is in the strategic interest of the country. ■