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Challenges in Fertilizer Marketing

but also depends on import of raw materials. All put together, India imported 18.9 MMT of fertilizers and 14.35 MMT of raw materials for manufacture of fertilizers in 2018-19.

Bagged fertilizers have to be transported from manufacturing units and ports to the consuming areas all over the country. State-wise monthly supply and movement plan is given by Government of India for each crop season. Further, state government also give district-wise supply and movement plan. There are constraints in logistics planning. Logistics is a complex operation involving a wide range of activities starting from loading, transportation, receipt in district/rail heads, warehousing and delivery to the wholesalers/retailers. All modes of transportation, *viz.*, rail, road, sea and waterways are used as part of the supply chain.

After implementation of nutrient based subsidy (NBS) policy for P&K fertilizers with effect from 1st April, 2010, the availability of these fertilizers has always been in excess of their demand. Therefore, there is shift from a sellers' market to a buyers' market.

Eighty per cent of the finished fertilizer products have to be transported by rail as per the freight reimbursement policy. However, there are issues in movement of fertilizers by rail including availability of rakes and lack of proper infrastructure at many rake points. Infrastructure problems include uncovered sheds at rail heads, *kutch* platforms, improper lighting arrangement, and inadequate and untrained labourers and truck drivers. Availability of rakes itself posed serious problem in 2018-19, resulting in the build-up of huge inventory at plants and ports. There is always a limited storage space at ports and plants. Movement of fertilizers by road is more economical for short distances. Challenges faced in road transportation are non-availability of trucks to operate at normative rates, frequent enhancement in diesel prices, and problems created by truck unions in the unorganized sector. Conditions of the roads will remain unsatisfactory particularly other than National Highways.

In view of seasonal demand of fertilizers, large inventory has to be carried out at various points of supply chain. The inventory carrying cost has two

Fertilizer is a vital input for enhancing productivity across the world and India is no exception. Application of fertilizers played a key role in realizing the potential of high yielding variety seeds resulting in green revolution in late 1960s. Fertilizer consumption increased from mere 65000 metric tonnes nutrients in 1951-52 to more than 27 million metric tonnes (MMT) in 2018-19. Food grain production witnessed an increase from 52 MMT to 285 MMT during the same period. There has been similar enhancement in production of oilseeds, cotton, sugarcane, fruits and vegetables. It would not be out of place to mention that fertilizers are plant food. Roots of the crops are highly selective and absorb nutrients from the soil in specific ionic forms. Roots do not distinguish whether a particular ion comes from chemical fertilizers or organic sources. Fertilizers are specifically designed to contain nutrients in plant-assimilable forms.

Fertilizer industry in India developed in sync with the increasing demand for fertilizers. It has played in the past and continues to play an important role in ensuring availability of fertilizers in every nook and corner of the country. India is a vast country with varying topography having a geographical area of 329 million hectare.

Supply points for the fertilizers are manufacturing units or ports handling imported fertilizers. Industry manufactured 41.6 MMT fertilizer products in 2018-19. Most of the urea units are located in the hinterland. However, almost all NP/NPK complex units and number of urea units are based in or near sea coast. India not only imports finished fertilizer products,

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components, *i.e.*, warehousing cost and interest on working capital. Many private warehousing firms have also come up in addition to the Central Warehousing Corporations (CWC) and State Warehousing Corporations (SWC). Non-availability of space in godowns of CWC and SWC is a common feature. These are not well maintained and service provided by them is also poor. The private warehouses are inaccessible and costly.

Retailers are important part of the supply chain between the fertilizer companies and the farmers. They provide last mile connectivity to the farmers. Their responsibility has increased further under the DBT scheme. Retailers have to sell fertilizers to the farmers now through point of sale (POS) machines on authentication of aadhaar number/voter ID cards/kisan credit cards of buyer. Recognizing the additional responsibility, Department of Fertilizers has increased the dealer margin of urea under urea pricing policy. Some of the retailers still sell fertilizers to farmers without POS machine. This creates mismatch between physical and system stocks. This also results in non-payment of subsidy to the industry. Though administrative instruction have been issued to the state governments to ensure sale through POS machine, it does not have the legal force. There is a need for amendment in Fertiliser Control Order to make the sale through POS machine. Similarly, state governments need to verify the actual stock with that reflected in the POS machines more vigorously. Marketing teams of the companies have to persuade wholesalers for acknowledgement of receipt and retailers for sale of fertilizer through POS machine.

With continuous efforts by government including NIC and industry, a lot of operational problems in operation of DBT scheme have been ironed out. However, there are still certain issues including internet connectivity in interior areas, frequent updating of software by NIC, hardware maintenance, etc. Earlier provision of requirement of certification of

quantity of fertilizers sold by state governments continues. Sale of fertilizer through POS machine in real time has rendered such requirement completely redundant.

Earlier, subsidy bills could be raised after receipt of material in a district. Under the new system, subsidy becomes receivable only after sale to the farmers. This has increased cycle of working capital. There is no provision for interest on working capital for longer period in urea pricing policy. Primary freight for movement of fertilizer by rail is fully reimbursed on railway receipt basis under uniform freight policy. However, there are under-recovery in road freight both for primary and secondary movement. There are also inordinate delays in reimbursement of freight cost.

Large number of restrictions in marketing of fertilizers inhibits innovation in transportation, storage and sale of fertilizers. This does not permit cost optimization. But even more important is that many a times these restrictions affect timely supply of fertilizers in certain parts of the country.

The way forward for mitigating the challenges is that procedures for reimbursement and revision of road transport should be simplified. Government should do away with monthly supply plan and rail: road ratio of movement to ease the pressure on logistics facilities. Speedy settlement of freight bills and recognition of increase in working capital requirement for urea units would help to reduce financial loss of the fertilizer companies.

Finally, there should be free movement of fertilizer and the government can monitor the availability of fertilizers more effectively in different parts of the country. The task of monitoring of the movement and supply of fertilizers has been made easy with the web based fertilizer monitoring system. In any case, government has power under the Essential Commodities Act to take measures to mitigate any shortfall in supply as and when required. The experience in fertilizer and other sectors shows that there will be enough supply in the entire country under free market conditions especially when there are large numbers of players. Freight can either be reimbursed on normative basis or be part of product subsidy. Direct payment of subsidy into farmers' accounts may do away with need for freight reimbursement except for inaccessible areas. ■