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## Challenges in Fertiliser Marketing

Fertiliser has played and would continue to play a vital role in ensuring food security of the country. India made a tremendous progress during 1970s and 1980s in increasing agricultural production and also in achieving self-sufficiency in food grains production. In the initial years, the farmers were reluctant to use fertilisers. The Government and fertiliser industry had put in considerable efforts in tandem to convince the farmers about the benefits of fertiliser use in crop production. The fertiliser industry ensured the availability of fertilisers at the farmers' door-step by strengthening its distribution and dealer network. In this noble mission, the fertiliser industry has all along worked closely with the Government and farmers to make the inputs available on time to nearly 138 million farm holdings in every corner of the country.

Fertiliser marketing, currently undergoing a sea change, is becoming more and more challenging. It is shifting from sellers to buyers market. Fertiliser products are abundantly available to meet the farmers' demand. Marketing of fertilisers also faces challenges in meeting compliances and responses to various Government directives. On the policy front, the issues such as inordinate delay in payment of subsidy, cumbersome and impractical payment procedures to comply with, monthly movement supply plan and allocation of urea under ECA, monthly movement plan of P&K fertilisers, Direct Benefit Transfer (DBT) under pilot project, release order (RO) module, etc., have made the task of manufacturers and trade very difficult.

Fertiliser production is a continuous process. However, sale of fertiliser is seasonal, restricted to 4-5 months. Silos at the plant and at the ports have the limitation to store the produced/imported material. The fertiliser products are to be moved either by rail or road for storing in the field warehouses. Therefore, one of the most important components of fertiliser marketing is the efficient logistic network. The Government direction is to maintain for the movement of ratio of 80:20 by rail and road. About 70% of the marketing cost is on account of transportation and carrying inventory. Primary freight for movement of fertilisers by rail is fully reimbursed under uniform freight policy. But there are many issues in movement of fertilisers by rail due to lack of adequate infrastructure. Improvement in infrastructure facilities at the rail head such as covered shed for protection of fertiliser products, pucca platform and providing basic facilities to the labourers and truck drivers are required. Availability of rakes is also a constraint many a times which also needs redressal. Deployment of two points or mini rakes can help economize the movement of lower volume fertilisers to more destinations. There is need for contingency plan in the event of disturbance or natural calamity to ensure fertiliser availability at all places. Movement of fertilisers by road is more economical for short distances and suppliers have better control and flexibility. But condition of roads need improvement in the interior of the country.

The share of inventory-carrying cost in total cost of marketing is about 25% which has two components – warehousing cost and interest on working capital. Fertilisers have to be stored in warehouses because of their seasonal demand. Apart from Central Warehousing Corporation and State Warehousing Corporations, many private warehousing firms have come up. Suitable placement strategy available with the channel partner at economical rates may help to minimizing warehousing cost.

The last mile delivery point is the retail outlet.

Retailers have to sell fertilisers now through point of sale (POS) machines and record all details of sale correctly. The additional responsibility of retailer includes authentication of aadhaar number of buyer. The trade margin of Rs. 180 per tonne to private trade and Rs. 200 per tonne to cooperative trade for urea is unrevised since 1999. Given the lapse of long time and additional responsibility of retailers, there is a need for substantial revision in the trade margin to ensure viability of retail business.

The payment of fertiliser subsidy to the industry over the years has changed from first on dispatch from plant to receipt of fertilisers in the district; then on confirmation of receipt by retailers and now on sale of fertilisers through POS machines by the retailers to buyers. This has increased the working capital requirement of fertiliser companies. There is no provision for reimbursement of additional interest cost on working capital under urea pricing policy.

The other issues, which are posing a big challenge for the marketing personnel, are the implementation of DBT and compliance with release order module. Fertiliser industry has for long been advocating for DBT of fertiliser subsidy to the farmers. As a pilot project, DBT is being implemented in 17 districts. The way DBT, for fertilisers is being implemented, is not DBT in the true sense as the benefit is not getting transferred to the bank

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accounts of the beneficiary farmers/cultivators. It will continue to be routed through the industry. Industry has extended full support to the implementation of DBT in the hope that ultimately subsidy will be paid to the farmers. Government should formulate a clear road map with time lines for implementation of true DBT for fertiliser sector. Implementation of DBT in pilot districts has faced large number of problems which have not been solved so far. Subsidy has not been paid to the fertiliser companies even after one year of sale of fertilisers under DBT in pilot districts.

Release order module has been brought in with purpose of tracking movement of fertilisers. But it requires submission of too many details which are difficult to provide. Some of the information asked is duplication of the same details filled in POS machines. Compliance with provision of release order module is not only time consuming but it is impractical to provide some of the detailed information.

There is no relevance to have the

ECA allocation for urea when there is already a monthly supply plan. For P&K fertilisers, there is already policy formulated but not implemented of doing away with supply plan.

There are number of issues even in marketing of city compost including inadequate market development assistance, payment procedure for the assistance of Rs. 1500 per tonne of city compost and lack of quality certification by the State Governments. This has hampered the growth in sale and use of city compost.

It is obvious from the above discussion that there are large number of problems in distribution, marketing and sale of fertilisers. Policies and procedures have made compliance a very difficult task. A large manpower needs to be deployed for compliance with some of the cumbersome and impractical procedures. There is a need to make the entire process of marketing and sale of fertiliser more simple and easy to comply with. This will free the manpower to do more constructive work of promoting more efficient fertiliser products and provide innovative extension services to the farmers. It will also improve viability of manufacturers, wholesalers and retailers.

The issue of Indian Journal of Fertilisers has been devoted to the activities and issues of marketing fertilisers in India. The special issue carries nine articles contributed by the experts in the field. We hope that readers find the issue useful. ■

