

## Fertilizer

### Fertilizer consumption

8.50 The consumption of fertilizers, Nitrogen (N), Phosphates (P), and Potash (K) has been steadily increasing over the years. In nutrient terms, the fertilizer consumption rose by more than three times from 5.5 million tonnes in 1980-81 to 18.07 million tonnes in 1999-2000. However, in 2000-01 the consumption declined to 16.7 million tonnes due to inadequate rainfall in many parts of the country but rose significantly in the next year to 17.36 million tonnes (Table 8.18), thereby increasing the per hectare fertilizer consumption to 90.12 kg in 2001-02 from 86.71 kg in 2000-01. Higher increase in consumption of phosphate (3.96 percent) and potassic fertilizers (5.96 percent) relative to nitrogenous fertilizers (3.57 percent) in

2001-02 was seen to be a welcome trend towards balanced use of nutrients.

8.51 A great deal of variability is observed in fertilizer consumption between the States. Amongst States in the plains per hectare consumption was highest in Punjab, Haryana, Andhra Pradesh and Tamil Nadu. It was lowest in Madhya Pradesh and Rajasthan. All India average was 90 kgs per hectare (Table 8.19)

8.52 During the 1980s, Kharif crops accounted for nearly one-third of the total fertilizer consumption, whereas the Rabi crops accounted for a much larger share. This has now changed. Consumption is more evenly spread between the two sowing seasons, reflecting perhaps more assured water availability in Kharif season at all India level. (Table 8.20)

**Table 8.18 : Consumption of fertilizer in nutrient terms**

(‘000 tonnes of nutrients)

Fertilizers	1997-98	1998-99	1999-2000	2000-01	2001-02
Nitrogenous Fertilizers	10,901	11,354	11,592	10,920	11,310
Phosphatic Fertilizers	3,914	4,112	4,799	4,215	4,382
Potassic Fertilizers	1,373	1,332	1,678	1,567	1,667
All Fertilizers (NPK)	16,188	16,798	18,069	16,702	17,360
Percentage increase	13.14	3.77	7.57	-7.56	3.90

Source : Ministry of Chemical & Fertilizer.

S. No.	State / U.T.	2001-02
1.	Andhra Pradesh	143.46
2.	Karnataka	101.48
3.	Kerala	60.72
4.	Tamil Nadu	141.55
5.	Gujarat	85.52
6.	Madhya Pradesh +	39.96
7.	Maharashtra	78.24
8.	Rajasthan	38.88
9.	Haryana	155.69
10.	Himachal Pradesh	41.40
11.	Jammu & Kashmir	64.55
12.	Punjab	173.38
13.	Uttar Pradesh ++	130.44
14.	Bihar	87.39
15.	Orissa	40.91
16.	West Bengal	126.82
17.	Arunachal Pradesh	2.88
18.	Assam	38.81
19.	Tripura	30.45
20.	Manipur	104.94
21.	Meghalaya	17.16
22.	Nagaland	2.13
23.	Mizoram	13.72
24.	Sikkim	9.72
<b>All India</b>		<b>90.12</b>
+ Includes Chhatisgarh ++ includes Uttaranchal		
Source : Ministry of Chemical & Fertilizer.		

#### Fertiliser production

8.53 In 2002-03, fertilizer production (N&P) is expected to rise to 15.23 million tonnes (11 million tonnes of nitrogen and 4.23 million tonnes of

Year	('000 Tonnes of nutrients)			Percent share	
	Kharif	Rabi	Total	Kharif	Rabi
1970-71	830	229	629	—	—
1980-81	2,138	3,378	5,516	38.8	61.2
1990-91	5,741	6,805	12,546	45.8	54.2
2000-01	8,034	8,668	16,702	48.1	51.9
2001-02	8,085	9,275	17,360	46.6	53.4
Source : Ministry of Chemical and Fertilizers.					

phosphate). In case of potash ( Murate of Potash,MOP), the entire requirement is imported, as the country has no known commercially exploitable sources of MOP (Table 8.21).

#### Pricing, control and subsidy

8.54 The farm-gate price of urea is at present fixed at Rs.4830 per tonne. On an average, a subsidy amounting to more than Rs.4100 per tonne is presently borne by the Government on every tonne of urea sold to the farmers. Subsidy on urea in 2002-03 (BE) is estimated at Rs.7004 crore.

8.55 Consequent to decontrol of phosphatic and potassic fertilizers on August 25, 1992, the prices of these fertilizers rose sharply resulting in a sharp fall in their consumption. A separate subsidy scheme (called Concession Scheme) was then introduced to stimulate the consumption of these fertilizers. The price concession (subsidy) on these fertilizers has been substantially increased in recent years. Government announces the indicative Maximum Retail Price (MRP) of DAP, MOP and complex fertilizers under the

Year	Production*		Imports*	Subsidy			Total
	Nitrogen	Phosphate	N+P+K	Imported Urea	Domestic Urea	Decontrolled P&K Fertilizer	
				('000 tonnes)			
				(Rs crore)			
1960-61	98	52	419	—	—	—	—
1970-71	830	229	629	—	—	—	—
1980-81	2,164	841	2,759	335	170	—	505
1990-91	6,993	2,052	2,758	659	3,730	—	4,389
2000-01	10,962	3,743	2,090	1	9,480	4,319	13,800
2001-02	10,768	3,860	2,398	47	8,257	4,504	12,808
2002-03(BE)	10,876	4,356	1,004*	505	6,499	4,224	11,228
(BE) Budget estimate * Upto 31.10.2002							
Source : Ministry of Chemical & Fertilizer.							

<b>Table 8.22 : Current selling prices of fertilizers</b>	
<i>(Rs per Tonne)</i>	
<b>Type of fertilizer</b>	<b>Selling price</b>
Urea	4,830
Di-ammonium Phosphate	9,350
Complex Fertilizers	6,980-9,080
Single Super Phosphate	Varies from State to State
<b>Source : Ministry of Chemical &amp; Fertilizer.</b>	

Concession Scheme. The MRP of SSP is fixed by the State Governments and hence varies from State to State (Table 22).

#### *Formulation of pricing policy for urea units*

8.56 The objective of providing fertilizers to farmers at affordable prices, while also ensuring adequate return on investment to the producing units, has been the corner stone of the fertilizer pricing policy of the Government. However, it is being increasingly felt that the individual retention price scheme (RPS) for urea producers has resulted in certain aberrations over the years. RPS has led to the adoption of a cost plus approach in reimbursing cost of production to the urea units. This approach generates no compulsion for producers to improve their efficiency.

8.57 Given the current emphasis on international competitiveness, global marketing, import liberalization, import price parity and free trade, RPS is out of tune with economic reality. It has, therefore, been decided that by the end of the 8<sup>th</sup> pricing period of the retention price scheme on 31.3.2003, a new Pricing Policy for Urea units, based upon the recommendations of the Expenditure Reforms Commission (September, 2000) will

be implemented from 1.4.2003. The key objective of the New Pricing Policy for Urea units is to gradually move in the direction of parity with international prices based on the use of the most efficient feedstock and state of the art technology. The new pricing policy will be in the form of a group based concession scheme. The urea units will be placed in 6 groups based on vintage and feedstock. The new scheme will be implemented in stages. Stage-I would be of one year duration from 1.4.2003 to 31.3.2004. Stage-II would be of two years duration from 1.4.2004 to 31.3.2006. The modalities of Stage-III would be decided by the Department of Fertilizers before 1.4.2006 after review of the implementation of Stage-I & II including the prospects of availability of gas and LNG to be supplied by public/private sector companies. The new scheme is expected to promote production efficiency through cost saving measures and efficient economic practices at par with international norms by the domestic urea producers.

8.58 Further, a beginning is being made in the realm of de-control and liberalization. Allocation of urea under the Essential Commodities Act, 1955 shall be restricted upto 75 percent and 50 percent of the installed capacity (as reassessed) of each unit in Kharif 2003 and Rabi 2003-04 respectively, thereafter the units will be free to sell the remaining urea at the designated MRP. During Stage-II commencing from 1.4.2004, urea distribution will be totally decontrolled after having evaluated the performance in Stage – I. This will be done in consultation with Ministry of Agriculture.