

Fertilizer

Consumption

8.45 The consumption of fertilizer (NPK) 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. Table 8.18 shows the fertilizer consumption in NPK terms during the period 1997-98 to 1999-2000.

TABLE 8.18				
Consumption of Fertilizers				
<i>('000 MT nutrients)</i>				
Fertilisers	1997-98	1998-99	1999-2000	2000-2001@
Nitrogenous Fertilizer	10901	11354	11593	12336
Phosphatic Fertilizer	3914	4112	4799	5114
Potassic Fertilizer	1373	1332	1678	1918
All Fertilizers (NPK)	16188	16798	18070	19368
Percentage Increase	13.14	3.77	7.57	7.19
@ Estimated.				

8.46 There has been a shift in consumption pattern of fertilizer over the years. Whereas nearly one third of the fertilizer consumption in the beginning of eighties was during the Kharif season, it now stands at around 50 per cent. This change in the consumption pattern is mainly due to shift in cropping pattern from food to cash crops during the past two decades caused by spread of irrigation facilities. Table 8.19 gives the season-wise consumption of fertilizers over the years.

TABLE 8.19					
Season-Wise Consumption of Fertilizers					
<i>(000 tonnes of nutrients)</i>					
Year	Kharif	Rabi	Total	Per cent share	
				Kharif	Rabi
1980-81	2138	3378	5516	38.8	61.2
1990-91	5741	6805	12546	45.8	54.2
1996-97	6920	7388	14308	48.4	51.6
1997-98	8092	8096	16188	50.0	50.0
1998-99	7834	8964	16798	46.6	53.4
1999-2000	8862	9208	18070	49.0	51.4
2000-01(E)	9329	10039	19368	48.2	51.8
E - Estimated					

8.47 At the national level, NPK use in the ratio of 4:2:1 has been referred to as being an optimum ratio for balanced use of chemical nutrients. This ratio is mainly for food crops and among food crops mainly for rice and wheat. For cash crops, plantation and horticultural crops, however, the optimum NPK ratio varies according to soil nutrient status and crop needs. The NPK ratio at the national level over the years is shown in Table 8.20.

TABLE 8.20			
Consumption Ratio : NPK			
Year	Nitrogen	Phosphate	Potash
1960-61	7.2	1.8	1
1970-71	6.5	2.0	1
1980-81	5.9	1.9	1
1990-91	6.0	2.4	1
1996-97	10.0	2.9	1
1997-98	7.9	2.8	1
1998-99	8.5	3.1	1
1999-2000	6.9	2.9	1
2000-01(E)	6.4	2.7	1
Ideal consumption ratio	4.0	2.0	1
E - Estimated			

8.48 To encourage balanced fertilizer use, the Central Government continues to provide subsidy on urea as well decontrolled P & K fertilisers such as DAP, MOP, SSP and complexes. The current selling prices of urea and P&K fertilizers as fixed by the Government are as under.

Fertilizers	Selling Price (Rs. Per Tonne)
Urea	4600
DAP	8900
MOP	4255
Complexes	6620-8520
SSP	Varies from State to State

Fertilizer Production

8.49 Fertilizer production of nearly 14.3 million tonnes of nitrogenous and phosphatic fertilisers (N&P) in 1999-2000, fell short of consumption by over 12.8 per cent. In 2000-01, the production of N&P is expected to increase to 15.25 million tonnes (11.21 million tonnes of nitrogen and 4.04 million tonnes of phosphate). Domestically produced nitrogenous fertilizer, urea, is still price controlled and involves heavy subsidy. The shortfall in production of Nitrogen and Phosphate (N&P) were met from imports which invariably involve subsidy since domestic selling prices are lower compared to the landed cost of imported fertilisers. In case of potash (K), the entire requirement is imported. Production, imports and subsidy are listed in Table 8.21.

TABLE 8.21							
Fertilizer Production, Imports and Subsidy							
Year	Production('000 tonnes)		Imports N+P+K ('000 tonnes)	Subsidy (Rs. crore)			Total
	Nitrogen	Phosphate		Imported Fertilizers	Domestic Fertilizers	Decontrolled Fertilizers	
1960-61	98	52	419	—	—	—	—
1970-71	830	229	629	—	—	—	—
1980-81	2164	841	2759	335	170	—	505
1990-91	6993	2052	2758	659	3730	—	4389
1996-97	8599	2556	1975	1163	4743	1672	7578
1997-98	10086	2976	3174	722	6600	2596	9918
1998-99	10480	3141	3145	124	7473	3790	11387
1999-2000	10890	3399	4075	74	8670	4500	13244
2000-01 (BE)	11209	4041	2203	500	8058	4093	12651

(BE) : Budget Estimate.

Fertilizer Subsidy

8.50 Urea is the most important and preferred fertilizer. Its domestic cost of production is much higher, even higher than the long run marginal cost of Rs. 6,500 per tonne. To make fertilizers available to farmers at affordable prices and to encourage balanced use of fertilizers, the Central Government continues to provide subsidy on urea and concession on de-controlled phosphatic and potassic fertilizers. At present, urea priced at Rs. 4600 per tonnes, is the only fertilizer, which is under price, distribution and movement control.

8.51 The main policy instrument for encouraging the production and use of fertilizers is the Retention Price-cum-Subsidy Scheme (RPS), which was introduced in 1977. The main objective of the scheme was to insulate the farmers from the rising trend in fertilizer prices and to ensure that fertilizer consumption should not suffer as its growth was an essential component of the green revolution strategy adopted for agricultural development in the country. The RPS scheme also aimed at assuring a reasonable return on investment to the indigenous manufacturers and to attract further investment in the fertilizer sector. The scheme proved its worth in terms of stimulating higher production and use of fertilizers and thereby contributing to increased agricultural production in the country. The difference between the retention price (normative cost of production of the urea as determined by the Government plus 12 per-cent post tax return on net worth) and the notified sale price minus the distribution margin is paid as subsidy to the individual manufacturing units. A freight subsidy is also paid to the individual units to cover the cost of transportation of fertilizers from the production points to the consumption centres. Since there is a uniform issue price both for indigenous and imported controlled fertilizers, the difference between the delivery cost of imported fertilizer and the issue price (reduced by distribution margin) is borne by the Government as subsidy.

8.52 The farm-gate price of urea, which is at present fixed at Rs. 4600 per tonne excluding local levies, is amongst the lowest in the region and is heavily subsidised by the Government. On an average, subsidy amounting to more

than Rs. 4000 per tonne is presently borne by the Government on every tonne of urea sold to the farmers. Subsidy on Nitrogenous fertilizer alone (mostly urea) in 2000-01(BE) is estimated at Rs. 8558 crore.

8.53 Phosphatic and potassic fertilizers were decontrolled on 25 August, 1992. The prices of these fertilizers increased sharply as a consequence leading to fall in their consumption. In order to cushion the impact of increase in the prices of these fertilizers and to arrest decline in their consumption and, to prevent adverse NPK ratio, the Government of India introduced a concession (subsidy) scheme from 1992-93. The scope and coverage of the concession scheme was significantly enhanced in the subsequent years. From 1.7.2000 to 30.9.2000, the level of concession (subsidy) was fixed at Rs. 3700 per tonne for indigenous DAP., Rs. 1350 per tonne for imported DAP and Rs. 3050 per tonne for MOP. The rate of concession on Single Super Phosphate (SSP) during 2000-01 applicable from 1.4.2000 is Rs. 700 per tonne. The level of concession has been proportionately fixed for various complex fertilizers taking into account the NPK content in these fertilizers. Under concession scheme, Maximum Retail Price (MRP) of DAP has been fixed as Rs. 8900 per tonne and for MOP Rs. 4255 per tonne w.e.f 29th February 2000. Total budgetary provision for subsidy in 2000-01 for decontrolled fertilizers was Rs.4093 crore.

8.54 In keeping with the policy of economic liberalisation and reforms, all varieties of fertilizers except urea were freed from price, movement and distribution control. Moving towards a deregulated regime in all the three types of fertilizers; nitrogen, phosphatic and potassic, is the long-term goal. For achieving this, a long-term policy for the fertilizer sector has been under review, which would take into account the recommendations made by the High Powered Fertilizer Policy Review Committee and Expenditure Reforms Commission (2000). The Pricing Policy for urea units, which is presently under formulation, will not only aim at introduction of a pricing policy bringing in uniformity and transparency in disbursement of subsidy to urea manufacturers but also encourage units to undertake cost reduction measures.