

## Fertilizer

### Fertilizer consumption

8.38 Fertilizer consumption increased by

more than three times from 5.5 million tonnes in 1980-81 to 18.07 million tonnes in 1999-2000. However, the growth of the fertilizer consumption has been erratic for the last three/

**Table 8.17 : Consumption of fertilizer in nutrient terms**

Fertilizers	('000 tonnes of nutrients)					
	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04*
Nitrogenous Fertilizers	11,354	11,592	10,920	11,310	10,474	11,324
Phosphatic Fertilizers	4,112	4,799	4,215	4,382	4,019	4,402
Potassic Fertilizers	1,332	1,678	1,567	1,667	1,601	1,748
All Fertilizers (NPK)	16,798	18,069	16,702	17,360	16,094	17,474
Percentage increase	3.77	7.57	-7.57	3.94	-7.29	8.57

\* Estimated  
Source: Ministry of Agriculture

**Table 8.18 : Per hectare consumption of N.P.K. fertilizers for cropped area in 2002-03**

S. No.	State / U.T.	2001-02	2002-03
1.	Andhra Pradesh	143.46	128.44
2.	Karnataka	101.48	90.91
3.	Kerala	60.72	68.17
4.	Tamil Nadu	141.55	114.00
5.	Gujarat	85.52	77.76
6.	Madhya Pradesh+	39.96	36.44
7.	Maharashtra	78.24	73.80
8.	Rajasthan	38.88	28.54
9.	Haryana	155.69	152.79
10.	Himachal Pradesh	41.40	41.50
11.	Jammu & Kashmir	64.55	60.12
12.	Punjab	173.38	174.99
13.	Uttar Pradesh++	130.44	126.51
14.	Bihar+++	87.39	87.15
15.	Orissa	40.91	34.09
16.	West Bengal	126.82	122.23
17.	Arunachal Pradesh	2.88	2.84
18.	Assam	38.81	42.73
19.	Tripura	30.45	22.02
20.	Manipur	104.94	135.18
21.	Meghalaya	17.16	16.77
22.	Nagaland	2.13	1.86
23.	Mizoram	13.72	20.55
24.	Sikkim	9.72	10.33
<b>All India</b>		<b>90.12</b>	<b>84.82</b>

+ Includes Chhatisgarh ++includes Uttaranchal  
+++Includes Jharkhand  
Source: Ministry of Agriculture

four years (Table 8.17). Due to poor monsoon, the consumption of fertilizer was lower in 2002-03 than in 1999-2000. The fertilizer consumption bounced back in 2003-04, a good monsoon year, although it still remained below the 1999-2000 level.

8.39 There was a fall in per capita consumption of fertilizer from 90.12 kg/hectare in 2001-02 to 84.82 kg/ hectare in 2002-03 (Table 8.18). There is a great deal of variability in per capita consumption of fertilizer; it varies from 174.99 kg/hectare in Punjab to 28.54 kg/hectare in Rajasthan.

### Fertilizer production

8.40 Domestic production of fertilizer (N & P) in 2003-04 was marginally less than that in 2002-03. However, with higher imports, the total availability of fertilizer in 2003-04 was of the same order (Table 8.19).

### Pricing, control and subsidy

8.41 To encourage balanced fertilizer use and make fertilizer available to farmers at affordable prices, the Central Government determines and notifies the selling price of urea and decontrolled P&K fertilizers such as the Di-ammonium Phosphate (DAP), Muriate of Potash (MOP), Single Super Phosphate (SSP) and complexes. The current selling prices of urea and P&K fertilizers are given in Table 8.20. Since the selling prices of fertilizers are less than the cost of production, the difference between the selling price and the cost of production as assessed by the Government is borne as subsidy. Subsidy on urea in

**Table 8.19 : Fertilizer production, imports and subsidies**

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	8,044	4,504	12,595
2002-03	10,562	3,904	1,757	0	7,790	3,224	11,014
2003-04	10,632	3,568	2,018	0	8,521	4,046	12,567

Source : Ministry of Chemical & Fertilizer.

**Table 8.20 : Current selling prices of fertilizers**

(Rs per tonne)

Type of fertilizer	Selling price
Urea	4,830
Di-ammonium Phosphate	9,350
Complex Fertilizers	6,980-9,080
Single Super Phosphate	Varies from State to State

Source : Ministry of Chemical & Fertilizer.

2003-04 is estimated to be at Rs.8,521 crore and that on decontrolled phosphatic and potassic fertilizers at Rs.4, 046 crore, resulting in the total subsidy burden order of Rs.12, 567 crore in 2003-04.

#### *Rationalization of fertilizer subsidy policies*

8.42 Given the importance of fertilizer pricing and subsidization for the growth and viability of the fertilizer industry and agriculture, the need for streamlining the subsidy to urea units has been on the agenda of the Government for a long time. A New Pricing Scheme (NPS) for urea units for replacing the existing Retention Pricing Scheme (RPS) came into effect from April 1, 2003. The NPS is being implemented in stages. Stage-I coincided with the fiscal year 2003-04 and Stage-II covers the two years of 2004-05 and 2005-06. In respect of complex fertilizers, a more rational pricing formula has been brought into implementation.

#### *Policy initiatives in hand*

8.43 For bridging the gap between the demand and supply of urea in the medium term, Government is in the process of formulating a policy for new units and expansion of existing urea units, de-bottlenecking leading to higher capacity, and conversion of existing costlier feedstock units to gas/LNG based units. The proposed policy for new units and expansion of existing urea projects will encourage private investment in urea plants. Equally important is the firming up of policy for conversion of existing non-gas based urea units to natural gas(NG)/Liquified Natural Gas (LNG), which are clean, efficient and cost-effective sources of energy. While at present natural gas based plants account for more than 60 per cent of urea capacity, balance capacity is based on naphtha, fuel oil and LSHS as feedstock. Switchover of non-gas based urea units to NG/LNG will result in substantial savings in the subsidy on account of reduced cost of feedstock and resultant energy savings.

8.44 Government is in the process of facilitating the switchover of the existing non-gas based urea units to NG/LNG. The exact time schedule for conversion of non-gas based urea units will depend on the additional availability of NG through new gas fields and imported LNG and the delivered price of NG/LNG. In the first instance, those naphtha-based plants, which are in the vicinity of the HBJ Pipeline, will convert to NG/LNG.