

## Fertilizers

### Consumption

8.41 Consumption of chemical fertilizers (in terms of nutrients) at 18.4 MT during 2004-05 was higher than that in 2003-04 by 9.5 per cent. Urea consumption in 2004-05 was higher by 4.5 per cent on year-to-year basis (Table 8.16).

8.42 Consumption of fertilizers varied significantly among the States. In the plains, per hectare consumption was high in Punjab, Haryana, Uttar Pradesh and Andhra Pradesh, but low in Rajasthan, Orissa and Madhya Pradesh, and the States in the north-east (Table 8.17). The all India average consumption of fertilizers per hectare increased from 88.2 kg. in 2003-04 to 96.6 kg. in 2004-05.

8.43 Domestic production of nitrogenous (N) and phosphatic (P) fertilizer showed an increasing trend over the years and was estimated to be 156.03 lakh tonnes in 2005-06 (Table 8.18). A joint venture project between IFFCO and KRIBHCO and Oman Oil Co. has been set up under the name of OMIFCO at Oman for production of 16.52 lakh tonnes of urea and 2.48 lakh tonnes of ammonia per annum. The Government has entered into a long-term contract with OMIFCO to buy this urea at fixed predetermined prices for a period of 15 years. The execution of the project commenced on August 15, 2002 and commercial production

**Table 8.17 : Per hectare consumption of N.P.K. fertilizers**  
(Based on 2001-02 provisional gross cropped area)

S.No.	State/U.T.	2004-05	2003-04
1	Uttar Pradesh+	125.5	125.7
2	Punjab	192.5	190.1
3	Haryana	166.2	161.7
4	Andhra Pradesh	155.8	145.3
5	Tamil Nadu	152.9	114.5
6	Bihar++	85.7	81.0
7	West Bengal	129.0	114.1
8	Karnataka	110.8	78.8
9	Gujarat	106.8	94.7
10	Manipur	94.4	126.3
11	Maharashtra	77.7	64.2
12	Jammu & Kashmir	68.0	72.0
13	Kerala	67.4	64.2
14	Chhatisgarh	64.8	44.2
15	Madhya Pradesh	56.0	51.6
16	Himachal Pradesh	48.4	49.0
17	Assam	41.6	47.5
18	Orissa	40.4	37.1
19	Tripura	39.8	37.1
20	Rajasthan	36.6	37.4
21	Meghalaya	20.4	19.5
22	Mizoram	16.3	16.9
23	Sikkim	4.7	3.4
24	Arunachal Pradesh	3.1	2.9
25	Nagaland	1.6	1.8
<b>All India</b>		<b>96.6</b>	<b>88.2</b>
+ includes Uttranchal ++ includes Jharkhand			
Source : Ministry of Chemicals and Fertilizers.			

**Table 8.16 : Consumption of major fertilizers**

(in lakh tonnes)

Fertiliser	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06 (Apr-Sep)*
Urea	191.9	199.2	184.9	197.7	206.6	112.8
DAP	58.8	61.8	54.7	56.2	62.6	33.1
MOP	18.3	19.9	19.1	18.4	24.1	13.8
N	109.2	113.1	104.7	110.8	117.1	64.4
P	42.2	43.8	40.2	41.2	46.2	25.1
K	15.7	16.7	16.0	16.0	20.6	11.5
<b>Total (N,P,K)</b>	<b>167.1</b>	<b>173.6</b>	<b>160.9</b>	<b>168.0</b>	<b>183.9</b>	<b>101.0</b>
* Estimated						
Source : Ministry of Chemicals & Fertilizers.						

**Table 8.18 : Fertilizer- production, imports and subsidies**

Year	Production		Imports	Subsidy			
	N	P	N+P+K	Imported Urea	Domestic Urea	Decontrolled P&K Fertilizers	Total
	('000 tonnes)			(Rs crore)			
1960-61	98	52	419	-	-	-	-
1970-71	830	229	629	-	-	-	-
1980-81	2164	842	2759	335	170	-	505
1990-91	6993	2052	2758	659	3730	-	4389
2000-01	11004	3748	2090	1	9480	4319	13800
2001-02	10771	3861	2398	47	8044	4504	12595
2002-03	10562	3906	1757	0	7790	3224	11014
2003-04	10634	3631	2019	0	8521	3326	11847
2004-05	11338	4067	2753	493.9	10243.2	5142.2	15879.2
2005-06	11480#	4123#	3718**	943.5*	10110.4*	5200*	16253.9*

# Estimated \* Budget estimate\*\* Up to Nov. 2005  
Source : Ministry of Chemicals & Fertilizers

started in July 2005. The urea is priced at US dollar 150 per tonne FOB against international prevailing price of US dollar 235 per tonne FOB. This has led to substantial savings in subsidy estimated to be around US\$ 88 million till December 2005. In addition to urea, the surplus ammonia will also be available under a long term ammonia offtake agreement with IFFCO.

#### *Pricing, Control and Subsidy*

8.44 To encourage balanced fertilizer use and make available fertilizers to farmers at affordable prices, the Central Government notifies the selling price of urea as well as decontrolled P&K fertilizers, such as the Diammonium phosphate (DAP), Muriate of potash (MOP) and eleven complex fertilizers, excluding single super phosphate (SSP) in respect of which the maximum retail price (MRP) is fixed by the State Governments. There has been no increase in selling prices of fertilizers since February 28, 2002 (Table 8.19). Since the selling prices of fertilizers are less than the cost of production, the difference as assessed by the Government is borne as subsidy. Subsidy on urea during 2005-06 was estimated at Rs. 11,053.90 crore and on decontrolled

phosphatic and potassic fertilizers at Rs. 5,200.00 crore. However, due to increased production/consumption during 2005-06 and steep increase in feedstock/raw material costs, this is likely to go up.

8.45 The erstwhile individual unit oriented Retention Price Scheme (RPS) in respect of urea had been replaced in stages by a group based pricing scheme under New Pricing Scheme (NPS) with effect from April 2003 and April 2004. For reviewing the effectiveness of Stage-I and II of the NPS and for formulating policy for urea units beyond Stage-II (April 1, 2006 onwards) including the milestones for conversion of existing Naptha and FO/LSHS based units to LNG/NG and method of determination and payment of concessions to urea units, the Department of Fertilizers constituted a Working Group under the Chairmanship of Dr. Y.K. Alagh on December 10, 2004.

8.46 Fluctuations in the prices of phosphoric acid have, in the last one or two years, led to difficulties in its procurement and resultant bottlenecks in production of DAP. The Department of Fertilizers had also constituted an Expert Group under the Chairmanship of

Prof. Abhijit Sen, Member, Planning Commission, for benchmarking phosphoric acid price with international price of DAP for purposes of determining the concession on DAP. The Expert Group has recommended that the domestic DAP subsidy should be benchmarked with international DAP prices in a transparent manner. The Department of Fertilizers is in the process of formulating a revised policy for DAP keeping in view the recommendations of the Expert Group.

8.47 SSP is referred to as poor man's fertilizer and is the most important source for providing sulphur to the soil. SSP helps correct the agronomic, imbalances which create a deficit of phosphates and sulphur in the soil. Due to increase in the price of inputs and no change in MRP and subsidy, the production of SSP became unviable and the

<b>Table 8.19 : Selling price of fertilizers</b> (February 2002)		
<b>S.No.</b>	<b>Name of the fertilizer</b>	<b>Maximum retail price (Rs. per tonne)</b>
1.	Urea	4830
2.	DAP	9350
3.	Complex fertilizers	6980-9080
4.	SSP	Varies from State to State
<b>Source : Ministry of Chemicals &amp; Fertilizers</b>		

capacity utilization in this industry came down sharply to 37 per cent. As a measure of relief, the Government has increased the adhoc concession rate in respect of all types of SSP from Rs. 650 per tonne to Rs. 975 per tonne with effect from September 1, 2005.