Fertilizer Consumption, Production and Subsidy

Fertilizer Consumption

8.39 There has been a steady increase in the consumption of fertilizer (NPK) over the years. From 0.29 million tonnes in 1960-61 fertilizer consumption in nutrient terms rose to 5.5 million tonnes in 1980-81 and further to 12.5 million tonnes in 1990-91. In 1998-99 it reached 16.8 million tonnes and in 1999-2000 it may touch 19.1 million tonnes.

8.40 During the past two decades, as irrigation facilities and coverage increased, farmers shifted their choice of crops, from food crops to cash crops. This has led to greater use of fertilizers in the kharif season (Table 8.18).

TABLE 8.18

Season-Wise Consumption of Fertilizers

(000 tonnes of nutrients)

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	9304	9841	19145	48.6	51.4

8.41 The ideal NPK consumption ratio for the country as a whole is 4 : 2 : 1. This ratio is mainly for food crops and, among food crops, mainly rice (major kharif crop) and wheat (major rabi crop). For cash crops, plantation and horticultural crops, the optimum NPK ratio varies according to crop needs and soil nutrient status. The NPK ratio at national level is shown in Table 8.19.

TABLE 8.19

Consumption Ratio of NPK in India

Year	Nitrogen (N)	Phosphate (P)	Potash (K)
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	2.9	1
1998-99	8.5	3.1	1
1999-2000*	7.1	2.8	1

*** Estimated**

Fertilizer Production

8.42 Domestic production during 1998-99 of nearly 13.6 million tonnes of nitrogenous and phosphatic fertilizers (NP) falls short of consumption by over 12 per cent. Domestically produced nitrogenous fertilizer-urea is still price controlled and involves a heavy subsidy. The shortfall in domestic production of N and P is met from imports which invariably involves a subsidy since domestic selling prices are kept low compared to the landed cost of imported fertilizers. In case of potash(K), the entire requirement is imported. In 1999-2000, the production of N and P is expected to increase to 14.41 million tonnes (11.07 million tonnes of nitrogen and 3.34 million tonnes of phosphate). Production, imports and subsidy are listed in Table 8.20.

TABLE 8.20

Fertilizer Production, Imports and Subsidies

Year	Production('000 tonnes)		Imports	Subsidy (Rs. crore)			
	N	P	N+P+K ('000 tonnes)	Imported Fertilizers	Domestic Fertilisers	Decontrolled Fertilizers	Total
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
1995-96	8777	2558	3955	1935	4300	500	6735
1996-97	8599	2556	1975	1163	4743	1672	7578
1997-98	10086	2976	3174	722	6600	2596	9918
1998-99	10480	3141	3145	333	7473	3790	11596
1999-2000(BE)	11067	3345	3094*	750	8000	4500	13250

(BE) : Budget Estimate. *** Upto October, 1999.**

Fertilizer Subsidy

8.43 To encourage balanced fertilizer use, the Central Government continues to provide subsidy on decontrolled fertilizers such as Di-ammonium Phosphate (DAP) and Muriate of Potash (MOP). The level of concession was raised on 1.4.1999 by Rs. 200 per tonne for DAP, both indigenous and imported, and Rs. 250 per tonne for MOP. At present, the level of concession has been fixed at Rs. 4600 per tonne for indigenous DAP, Rs. 3200 per tonne for imported DAP, Rs. 3250 per tonne for MOP and Rs. 900 per tonne for Single Super Phosphate (SSP). For various complex fertillizers, the level of concession ranges from Rs. 2588 to Rs. 4282 per tonne taking into account the NPK content of these fertilizers.

8.44 The average urea price based on domestic cost of production of urea was Rs 6720 per tonne in 1998 as against the current selling price of Rs. 4000 per tonne fixed on 29.1.1999. The Hanumantha Rao Committee (1998) had estimated the long run marginal cost of domestic urea at Rs. 6500 per tonne. Total fertilizer subsidy in 1999-2000 was estimated at Rs.13250 crore (BE) which includes Rs. 8000 crore for indigenously produced fertilizers, mostly urea, Rs. 4500 crore for decontrolled fertilizers mostly DAP and MOP, and Rs. 750 crore for imported urea. There has been no change in administered price of urea since 29.1.1999, which continues to be fixed at Rs. 4000 per tonne.