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Fertilizer and Agriculture during COVID-19

Appropriate use of plant nutrients needs utmost attention of the government. Highly distorted retail prices of various fertilizer nutrients at present are giving rise to inappropriate use of costly nutrients. This is resulting in low crop response to application of fertilizers, low yields and low profitability of farmers. In addition, low use efficiency of nutrients means that the part of nutrients not utilized by the plants escapes to the environment.

Nitrogen pollution is a matter of concern all over the world and agriculture contributes to it significantly. United Nations Environment Assembly adopted a resolution on 'Sustainable Nitrogen Management' in March 2019. It recognized role of nitrogen in agriculture and food security of the nations but emphasized on sustainable practices to minimize impact on environment. Hence, there is an immediate need for correction in prices of primary nutrients nitrogen, phosphorus and potash and more subsidy support to micronutrients and organic fertilizers. Farmers also need to be encouraged to adopt farm practices suitable to each agro-climatic zone which will increase nutrient use efficiency. Time is also ripe to transfer of subsidy directly to the accounts of farmers. This will drive the farmers to purchase most suitable products for their fields and crops.

Fertilizer industry has been suffering from its own set of problems which are threatening its financial viability both in short and medium terms. The sector is governed by a myriad of policies. Urea industry suffers from under recoveries under various heads of both fixed and variable costs. There has been some relief with revision of cost on-account of four elements of fixed cost through Modified NPS-III policy. However, there are other elements of fixed cost which remain to be updated. The fixed cost element of urea production should be linked to Whole Sale Price Index or some other similar index.

Energy accounts for more than 90% of variable cost of production of urea and is reimbursed on normative basis. Energy consumption norms have been revised downwards repeatedly in last fifteen years for each unit without recognizing the investment made in

We are passing through an unprecedented public health crisis. It has affected both lives and livelihood of population. Governments throughout the world are struggling to strike a balance between saving lives and livelihood of their population. India is no exception.

Food is the basic necessity of living being. Therefore, agriculture activities must not be affected. Government of India and state governments ensured that agriculture activities remained absolutely normal during various stages of lockdown. This is reflected in excellent *kharif* crops and very good prospects for *rabi* crops. Rain gods also helped in achieving decent growth in agriculture.

Fertilizers remain essential to agriculture productivity. Therefore, availability of sufficient fertilizers was absolutely essential for sowings of *kharif* crops during April-July and ongoing season for sowing of *rabi* crops. Government, again ensured that production, movement and sale for fertilizer continue even during complete lockdown in April-May period. Industry put its best foot forward to maintain production and dispatches. It was a challenging task given the disruption in movement of man and material. But, fertilizer companies rose to the occasion and ensured safety of its personnel including contract labour.

Agriculture and fertilizer sectors continue to face challenges which have increased due to COVID pandemic. Indian agriculture suffers from inappropriate use of resources, low profitability and some environmentally unsound practices.

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energy saving measures. It has resulted in half of urea units making net losses and others operating on borderline of profit and loss. It is obvious that there is every danger that some units may close operations in very near future.

Fertilizer segment producing phosphatic & potassic (P&K) fertilizers is operating under partially decontrolled environment. But the sector suffers from unfair competition from imports. Taxation regime including customs duty and GST are having adverse impact on viability of domestic production. It is reflected in low capacity utilization of plants manufacturing complex fertilizers.

The fertilizer subsidy has been rising for several years. One of the main reasons has been stagnant urea retail prices and increasing cost of production. Urea accounts for approximately 55% of fertilizer consumption, but 67% of total fertilizer subsidy is paid for urea. Government is finding it increasingly difficult to cope with higher and higher subsidy bill.

Subsidy continues to be routed through industry in spite of implementation of DBT in fertilizer sector in 2018. There are always huge arrears of tens of thousands of crores of unpaid subsidy dues to the industry at the end of each financial year. The allocated funds for fertilizer subsidy are exhausted by August/September each year and then industry has to wait till April when funds are available from next year's budget.

Situation was expected to become worse this year because budget allocation for fertilizer subsidy was reduced by almost Rs.10,000 crore in spite of arrears of almost Rs.48,000 crore carried forward from the year 2019-20. But government waived quarterly and monthly restriction on disbursement of allocated funds.

This helped to some extent but bills only up to April/May could be settled.

It is heartening to note that additional funds of Rs.65,000 crore have been allocated under AatmaNirbhar Bharat 3.0. This is unprecedented and this should help to alleviate the liquidity problem of the industry. We hope that funds are disbursed quickly as has been done so far during the year. This will also help in clearing all outstanding dues and pave the way for reforms in the sector.

There have been exhaustive discussions on need and type of reforms required in fertilizer sector. Government recently set up five high level Working Groups under 'Chintan Shivir'. These Groups deliberated on all aspects of fertilizer sector including, production, transport, quality, new products and fertilizer policies. There has been consensus on certain reform measures. One hopes that government follows through on the recommendations of the Working Groups rather quickly.

Thus, there is a need for forward movement on reforms in the sector in the interest of farm productivity, soil health, farmers' income, safe environment and viable domestic production. Government should also continue to provide sufficient funds for fertilizer subsidy to avoid accumulation of large unpaid arrears.

This year's FAI Annual Seminar is being held in hybrid mode *i.e.* physical and virtual during December 7-9, 2020. It will bring out the efforts made by the government and industry to maintain normal operations in agriculture and fertilizer sectors. Issues that are affecting agriculture productivity and viability of domestic fertilizer production will also be discussed. There will be inaugural function in physical form from which will be streamed live to all delegates and guests. The function will include distribution of Awards for excellent achievement in the areas of production, safety, environment, fertilizer use research and others. There will also be 13 presentations on a virtual platform on topics related to policies, fertilizer use efficiency, production technology and logistics of distribution and sale of fertilizers. ■