

## Ensuring Supply of Fertilizers

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Agriculture sector is the backbone of Indian economy, contributing 15.5 per cent to the Gross Value Added (GVA) at constant prices in 2021-22 as per the Second Advanced Estimates released by National Statistical Office. The sector has experienced buoyant growth even during the pandemic, growing at 3.3 per cent in 2020-21 and is estimated to grow at the same rate in 2021-22. With overflowing granaries, the country has managed to export agricultural products worth Rs. 3.09 lakh crores in 2020-21, which is about 14.30 per cent of India's total exports. According to latest estimates by the Ministry of Agriculture and Farmers Welfare, there will be a record production of food grains at 316.06 million tonnes (MT) during agriculture year (July-June) 2021-22, 1.71 per cent higher than 310.74 MT recorded in 2020-21. There has been a continuous rise in food grain production since 2015-16. The production during 2021-22 is larger by 25.35 MT than the average food grain production in the last five years (2016-17 to 2020-21).

Record high performance is expected in rice and wheat production in 2021-22. The estimated production of wheat and rice will increase by more than 11 MT and 7 MT, respectively during 2021-22 in comparison to the average production in last five years. The production of nutri/coarse cereals including small millets,

too is expected to grow by around 7 per cent more than the average of last five years. Further, production of pulses is estimated to touch a new record high level of 26.96 MT, a growth of around 6 per cent over 2020-21, with an exception of *tur*. The surge in production of rapeseed & mustard and soybean made up for the fall in the production of groundnut, castor and niger seed, increasing the total production in oilseeds by around 3 per cent during 2021-22 over 2020-21. Total output of oilseeds in the country in 2021-22 has been estimated to be at a record high level of 37.15 MT. Increase has been observed in all major crops except cotton.

The rising production of oilseeds is attributed to the Government's attempt to promote crop diversification and to reduce import dependence. Before the beginning of *rabi* sowing season in September 2021, the Government had announced the highest ever hike of 8.6 per cent in minimum support price (MSP) of rapeseed & mustard and lowest hike of 2 per cent in case of wheat. This resulted in the increase in the sown area of rapeseed & mustard by more than 17.5 per cent in 2021-22 over last year. Overall total oilseed crops saw about 14 per cent rise in sowing area during 2021-22 over 2020-21 as per the Second Advanced Estimates released by the Ministry of Agriculture and Farmers Welfare. This has also resulted in higher demand for fertilizers during *rabi* 2021-22 (October 2021 - March 2022) which is expected to be higher in case of urea, NP/NPKs and SSP, growing by around 3.3%, 9.8% and 38.9%, respectively over *rabi* season last year. While there has been substantial growth in sale of fertilizers in *rabi* 2021-22, overall sales of major fertilizers excluding SSP are likely to remain flat this year.

A comparison of unit-wise production of urea in April 2021 - January 2022 over April 2020 - January 2021 shows that the existing plants have actually produced lesser in the 10-month period of the current fiscal. The actual

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production of urea by 31 old plants in April-January 2022 is 20.34 MT which is lower by 0.64 MT over the corresponding period last year. This has happened because a number of plants have taken longer than routine shutdown for completing energy saving projects and some faced equipment related problems that caused loss of production from these units. Production of fertilizers employs complex technologies under high temperature, high pressure and aggressive chemical environment. Continuous investments are required for smooth operations of fertilizer plants. With exception of recently commissioned three plants, all urea plants with vintage ranging from 21 to 50 years require continuous capital investment for upgradation of technology and replacement of old equipment. But urea units are unable to generate sufficient surplus funds for such capital investment under present policy regime. The total production of urea this year is likely to be 25.6 MT compared to 24.6 MT in 2020-21.

Production of urea is expected to be much higher in 2022-23 than in 2021-22. With contribution from two new plants, commissioning of three new plants during the year and enhanced production from old plants, urea production should exceed 30 MT in 2022-23. This should help to reduce our dependence on imports which are much costlier than domestic production.

Production of P&K fertilizers continues to suffer due to non-availability of sufficient

quantities of raw materials and unfair competition from imports. The prices of all inputs increased multiple times this year. This resulted in a very high cost of production of these fertilizers. Government of India intervened by increasing subsidy substantially to insulate farmers from higher prices. But commodity prices went on increasing in the fourth quarter reaching new peak.

With early prediction of good monsoon, fertilizer demand may grow by 2-3 per cent in 2022-23. Considering the current situation of Russia-Ukraine crisis, meeting fertilizer demand will remain a challenge. The international energy and commodity prices are likely to remain high at least in first half of 2022-23. Industry will continue to make efforts to maximise production. The targeted production of DAP is envisaged to be 2.43 MT for *kharif* 2022. The demand for DAP for *kharif* season is expected to be 4.47 MT. Production along with inventory should be able to meet the major part of *kharif* DAP demand. The balance will have to be imported over next 3-4 months. Production of SSP is expected to register an increase of at least 11 per cent over the production of 2.6 MT in *kharif* 2021. Production of NP/NPKs may fall in order to maximize DAP production during the first six months of FY 2022-23.

Industry will continue to strive to procure raw materials, maintain production and arrange imports. Government can extend help by way of timely announcement of subsidy rates under NBS policy and responding to the situation promptly as it has done this year. In addition, freedom/flexibility in deciding MRP as provided under NBS policy will help industry to respond to market conditions quickly and to maintain production and import schedule. Government and industry working together will ensure fertilizer supplies to growing demand of Indian agriculture even in these difficult times. ■