

Frank Notes

Fertilizer and Agriculture Sectors in 2023-24

India is now the largest populated country in the world surpassing China. Population of the country will continue to rise. Nearly 50% of the population directly or indirectly depend on agriculture for their livelihood. It has always been in the agenda of the Government to ensure food and nutritional security to the teeming population. The Indian agriculture depends on vagaries of weather and nearly 75% of the total rainfall is generally received during south-west monsoon period from June to September. There has been inter-month, inter-area and inter-state variations in the rainfall pattern. A challenge for sustainable agriculture is also being witnessed due to climate change. Agriculture is the mainstay of Indian economy and contributes about 18% to GDP. Fertilizer is the integral component of agricultural development be it in India or any country of the world. The country is progressing well in agriculture as well as fertilizer sector front.

Production of major fertilizers from April 2023 to February 2024 showed an increase of 4.5% compared to corresponding period of previous year. Except production of SSP (-20.3%), urea (10.7%), DAP (2.5%) and NP/NPKs (1.3%) showed an increase. It is estimated that production of urea may be around 31.3 million MT in 2023-24, 9.8% higher than 2022-23. Three urea plants which were commissioned in 2022-23, contributed partially to production of urea. However, these plants may produce about 3.5 million MT in 2023-24, an increase of 2.3 million MT over 2022-23. Production of DAP and NP/NPKs is expected to be 4.4 million MT and 9.4 million MT which may be more by 2.3% and 1.3%, respectively during 2023-24 over 2022-23. However, production of SSP is expected to decline by 18.7% during the period.

Import of urea, DAP and NP/NPKs was lower by 9.9%, 13.6% and 18.0% from April 2023 to February 2024 compared to corresponding period of previous year. The figures for 2023-24 upto February 2024 for urea, DAP and NP/NPKs are

6.7 million MT, 5.3 million MT and 2.0 million MT. Import of MOP from April 2023 to February 2024 was 2.91 million MT up by 64.2% compared to corresponding period of previous year. For the year as a whole, import of urea, DAP, MOP and NPKs may be around 6.8 million MT, 5.4 million MT, 3.0 million MT and 2.2 million MT during 2023-24 against 7.6 million MT, 6.6 million MT, 1.9 million MT and 2.8 million MT, compared to 2022-23, respectively.

Consumption (DBT sale) of urea and MOP from April 2023 to February 2024 was 34.21 million MT and 1.52 million MT remained more or less at the same levels of corresponding period of previous year. However, consumption of DAP and NP/NPKs at 10.48 million MT and 10.63 million MT showed an increase of 4.4% and 10.5%, respectively over the corresponding period of previous year. Consumption of urea and MOP is expected to be 35.77 million MT and 1.63 million MT during 2023-24, at the same levels of 2022-23. However, consumption of DAP and NP/NPKs may be around 10.86 million MT and 11.09 million MT during 2023-24 compared to 10.42 million MT and 10.07 million MT, during 2022-23 respectively. In case of SSP, it has come down to 4.40 million MT during April-February 2023-24 as against 4.80 million MT during April-February 2022-23, showing a decline of 8.4% during the period.

Comparing season-wise consumption of fertilizer products in 2023-24, it has been observed that all the products have shown higher consumption during *kharif* 2023 compared to *kharif* 2022. However, in *rabi* 2023-24, consumption of all fertilizers has been showing a downward trend compared to *rabi* 2022-23. Urea consumption was 6.6% higher in *Kharif* 2023 while in *rabi* 2023-24, may decline to 5.9%. DAP and NP/NPK consumption was 21.8% and 25.0% higher during *kharif* 2023, respectively over *kharif* 2022 but the same may decrease by 13.1% and 4.1% during *rabi* 2023-24 over *rabi* 2022-23. SSP sales are most affected in *rabi* 2023-24, may show a decline of 27.8% over *rabi* 2022-23 while in *kharif* 2023, it

Production of all fertilizer products during 2023-24 is expected to be 4% higher compared to 2022-23 and reduction in import of fertilizers may be around 7% during the period. DBT sale may increase by around 1.7% in 2023-24 compared to 2022-23.

showed an increase of 9.8% over *kharif* 2022. MOP sales during *kharif* 2023 was up by 8.6% while it may decline by 6.7% in *rabi*.

During the current year, cumulative rains received during south-west monsoon was 94% of long period average (LPA). However in August 2023, it was 36% below LPA. The quarterly estimate of GVA for third quarter (October-December, 2023) for agriculture has been reported to be contracted by 0.8% against +ve growth of 6.5% for all sectors as per National Statistical Office. As per 2nd Advance Estimates released by the Ministry of Agriculture and Farmers Welfare, production of food grain during *kharif* 2023 is estimated at 154.2 million MT showing a fall of 1% compared to *kharif* 2022. Production during *rabi* 2023-24 is estimated at 155.2 million MT, may decline by 1.7% compared to *rabi* 2022-23. Production of wheat will depend on temperature to remain congenial for grain formation. There has been incidences of hailstorms in certain areas which may affect the production of wheat in such areas.

The international market is quite volatile and ups and downs in prices of raw materials and finished products are observed from time to time. About 80% of feedstock *i.e.* natural gas for production of urea is imported. More than 90% of phosphatic fertilizers is met by import either in the form of raw materials or finished products and 100% demand of MOP is met by import.

The nutrient based subsidy (NBS) rates for phosphate and potassic fertilizers were notified by the Department of Fertilizers, Government of India on 1st March, 2024. Timely announcement of rates may help the fertilizer industry to plan their business strategies related to production, import, movement/logistics and sale of fertilizers

to the farmers. Three new grades of fertilizers namely 11-30-14 fortified with magnesium, zinc, boron and sulphur; urea-SSP-complex (5-15-0-10); and SSP (0-16-0-11) fortified with magnesium, zinc and boron have been included in NBS scheme w.e.f. 1st April, 2024. Fortified fertilizers will also be eligible for additional subsidy for fortification with zinc (Rs. 500 MT⁻¹) and boron (Rs. 300 MT⁻¹). Keeping the same rates of subsidy on N, K and S, the rate on P₂O₅ has been increased by 37.9% for *kharif* 2024 compared to *rabi* 2023-24. However, additional subsidy on DAP of Rs. 4500 MT⁻¹ notified for *rabi* 2023-24 has been withdrawn. Therefore, there will be reduction in subsidy on DAP in *kharif* 2024 compared to *rabi* 2023-24 by 3.8%.

Government of India has been providing sufficient funds for fertilizer subsidy for last couple of years. During the year 2022-23, the Government had budgeted Rs.1,05,222 crore for fertilizer subsidy. However, unusual spike in international prices caused disruption in the availability and prices of raw materials and finished fertilizers. This led to a huge increase in subsidy requirement to insulate the farmers and agriculture from skyrocketing fertilizer prices. The total subsidy on fertilizers was increased to Rs. 2,51,340 crore for 2022-23. Similarly, the budget allocation for fertilizer subsidy was Rs. 1,75,103 crores during 2023-24 which has been revised to Rs. 1,88,902 crore due to price volatility of fertilizers and raw materials in the international market during the year. The budget allocation for fertilizer subsidy has been kept at Rs.1,64,103 crore for the year 2024-25, out of which urea and P&K subsidy is at Rs. 1,19,000 crore and Rs. 45,000 crore, respectively. Adequacy of allocation will depend on the international prices of energy, fertilizers and raw materials to remain during the year and Government has been concerned about the same as happened in the last 4-years.

Fertilizer industry has always been working in tandem with the Government to make fertilizers available to farmers across the country as per their demand through meticulous planning of production, import, and logistics up to the last mile delivery and will continue to do so. ■