

ANNUAL REVIEW OF FERTILIZER PRODUCTION AND CONSUMPTION 2022-23

EXECUTIVE SUMMARY

Year 2022-23 marked a beginning with comfortable inventory of fertilizers in different distribution channels. Weather was normal during monsoon period. However, there were issues of distribution and timing of rains in some areas. Sown area under *khari*f corps was down but in *rabi*, it was marginally up. Surge in the prices of raw materials and finished fertilizers in the international market since the beginning of the year, resulted in decline in imports of some fertilizers. There had been increase in domestic production of fertilizers but the total sale of fertilizers almost remained at the previous year's level. Availability of fertilizers from opening stock, domestic production and imports was adequate to take care of the demand for 2022-23. This has resulted higher agricultural production during the year.

SOUTHWEST MONSOON

Southwest monsoon 2022 set in over Kerala on 29th May, 2022 against normal date of 1st June but covered the entire country by 2nd July, 2022. Overall rainfall from 1st June to 30th September, 2022 was 106% of long period average (LPA). Out of 36 meteorological sub-divisions, 30 sub-divisions received normal to excess rains and remaining 6 sub-divisions received deficient rains during the period.

Water storage position in major reservoirs was comfortable in 2022. Live storage available in 143 reservoirs as on 29th September, 2022 was 154.18 BCM as against 142.37 BCM during the corresponding period in the previous year. This was 108% of the last year and 113% of the normal storage.

FERTILIZER CONSUMPTION

Total fertilizer nutrient consumption (N+P₂O₅+K₂O) was estimated at 29.84 million metric tonnes (million MT) as against 29.80 million MT in the previous year registering a

marginal growth of 0.2%. The consumption of N and P₂O₅ at 20.21 million MT and 7.92 million MT during 2022-23 registered increase of 4% and 1.2%, respectively, over 2021-22. However, consumption of K₂O at 1.72 million MT witnessed a sharp decline of 32.2% during the period.

In terms of product, All-India estimated consumption (based on DBT sale) of urea at 35.73 million MT, DAP at 10.53 million MT during 2022-23 recorded increase of 4.5% and 13.6%, respectively, over 2021-22. However, consumption of NP/NPK complex fertilizers at 10.07 million MT, MOP at 1.63 million MT and SSP at 5.02 million MT witnessed decline of 12.2%, 33.6% and 11.7%, respectively, during the period. Total consumption of all fertilizer products at 63.92 million MT during 2022-23 showed a decline of 0.03% over 2021-22.

All-India NPK use ratio widened from 7.7:3.1:1 during 2021-22 to 11.8:4.6:1 during 2022-23.

Per hectare use of total nutrients (N+P₂O₅+K₂O) improved marginally from 141.0 kg in 2021-22 to 141.2 kg in 2022-23.

FERTILIZER INVENTORY

Taking into considerable stock at all levels from plant/port to last mile, there was comfortable availability of fertilizers from opening inventory during 2022-23. Inventory of urea at various points was about 6.2 million MT at the beginning of 2022-23. Inventory of DAP and NP/NPKs together was about 4.6 million MT, SSP 1.7 million MT and MOP 0.6 million MT.

PRODUCTION OF FERTILIZERS

Fertilizer production at 20.75 million MT (N+P₂O₅) during 2022-23 recorded an increase of 11.6% over 2021-22. Production of nitrogen (N) increased by 13.5% to 15.74 million MT and phosphate (P₂O₅) increased by 6.3% to 5.01 million MT in 2022-23.

In terms of products, production of urea at 28.50 million MT, DAP at 4.35 million MT, NP/NPK complex fertilizers at 9.29 million MT and SSP at 5.65 million MT during 2022-23 recorded increase of 13.6%, 3%, 11.9% and 5.5%, respectively, over 2021-22.

GAS AVAILABILITY

Supply of domestic gas to fertilizer plants has fallen gradually over the years. This has made fertilizer plants more and more dependent on imported LNG. Supply of domestic gas declined further from 8.0 MMSCMD in 2021-22 to 7.4 MMSCMD in 2022-23. Thus domestic gas constituted only 15.7% of total gas consumed during the year.

IMPORT OF FERTILIZERS

There had been increase in import of DAP and NP/NPK complex fertilizers and decline in urea and MOP during 2022-23 over 2021-22. Import of DAP increased from 5.46 million MT during 2021-22 to 6.58 million MT during 2022-23, representing a growth of 20.5%. Import of NP/NPK complex fertilizers increased from 1.17 million MT to 2.75 million MT during the same period. However, import of urea and MOP reduced from 9.14 and 2.46 million MT during 2021-22 to 7.58 and 1.87 million MT during 2022-23, representing reduction of 17% and 24.1%, respectively, during the period.

RETAIL PRICES OF FERTILIZERS

The basic retail price of urea remained unchanged at Rs.5360 per tonne since November 2012. With effect from 25th May, 2015, Government of India (GOI) made it mandatory for all indigenous urea manufacturers to produce 100% *neem* coated urea of their total urea production. The same policy is applied for imported urea at the port. GoI allowed the manufacturers/importers to charge 5% extra on the MRP of urea. Therefore, the retail price of *neem* coated urea (excluding tax) works out to Rs. 5628 per tonne.

Government has made it mandatory to resize urea bag from 50 kg to 45 kg. Department of Agriculture, Cooperation and Farmers Welfare

notified price per bag of urea of 45 kg at Rs. 242/- *w.e.f.* 1st March 2018 from Rs. 268/- per bag of 50 kg earlier.

The retail prices of P & K fertilizers covered under NBS scheme are market driven and announced by the fertilizer companies from time to time. In view of considerable increase in prices of P&K fertilizers and raw materials used for production of phosphatic fertilizers and Government initiatives to insulate the farmers from hike in such prices by providing additional subsidy, Department of Fertilizers fixed the MRPs of DAP and NP/NPK complex fertilizers to be made available to the farmers at affordable MRPs during 2022-23.

PRODUCTION OF MAJOR CROPS

Total production of food grains is estimated to be 330.53 million MT, about 14.92 million MT (4.7%) higher than the previous year's level. Among food grain crops, production of rice, wheat, coarse cereals and pulses are estimated to increase by 4.7%, 4.6%, 7.1% and 0.7%, respectively, during 2022-23 over 2021-22. Increase in production of oilseeds, sugarcane and cotton is estimated to be 8.0%, 12.5% and 10.4%, respectively. However, production of jute & mesta is estimated to decline by 6.5% during the period.

POLICY AND PAYMENT ISSUES

Policy for minimum fixed cost and updation of fixed cost for urea units remained under consideration of the Government. Deliberations of a Committee constituted by DoF to updation of fixed cost for urea units are continuing.

Budget allocation for 2022-23 was increased significantly to Rs. 2,25,222 crore from the level of original BE of Rs. 1,05,222 crore. This facilitated timely payment of DBT subsidy.

GoI increased NBS rates on P&K fertilizers for the period April to September 2022 to insulate farmers from abnormal increase in international prices of fertilizers and raw materials. However, keeping in view the downward trends in the international prices of fertilizers and raw materials, GoI reduced NBS rates for October 2022 to March 2023.

OUTLOOK FOR 2023-24

POLICY AND PAYMENT ISSUES

Subsidy rates for *kharif* 2023 under NBS Policy were reduced in view of downward trends in the prices of fertilizers and raw materials in the international market.

The budget allocation for fertilizer subsidy is Rs.1,75,103 crores for the year 2023-24. Budget for urea subsidy is Rs. 1,31,100 crores which is lower by Rs. 22,998 crores than the revised BE for 2022-23. Similarly, the subsidy for P&K fertilizers has also been reduced by Rs. 27,122 crores. Adequacy of allocation will depend on actual international prices of energy, fertilizers and raw materials during the year.

SOUTH-WEST MONSOON

Onset of Southwest monsoon 2023 was longest delay in four years reached the coast of Kerala on 8th June 2023. Rainfall during the first month of the monsoon season *i.e.* June 2023 was 9% below LPA. However, the monsoon progressed gradually and covered the entire country by 2nd July, 2023. Rains received during July 2023 was 13% above LPA. However, during August 2023, rainfall was 36% below LPA. Overall, the cumulative rains received during 1st June to 31st August, 2023 was 10% below LPA. Out of the total 36 meteorological sub-divisions, 24 constituting 70 per cent of the total area of the country received excess/normal rains. Out of 714 reported districts, only 58 per cent districts received normal to excess rains during the period.

Live storage available in 150 reservoirs was 113.42 BCM as on 31st August, 2023 as against 146.83 BCM on the same date in the previous year. Current year's storage accounts 77% of the last year's storage and 91% of the normal storage.

CROP SITUATION

As per the available information, total sown area under all *kharif* crops was 105.4 million hectares (million ha) as on 25th August, 2023 compared to 105.0 million ha during the corresponding period in the previous year. This was marginally up by 0.3% over the corresponding period in the previous year.

FERTILIZER SALE

Among the major fertilizers, sale of urea, DAP and NP/NPKs recorded positive growth while MOP and SSP marked negative growth during April-July 2023. Sale of urea at 10.71 million MT, DAP at 3.43 million MT and NP/NPKs at 2.76 million MT during April-July 2023 recorded increase of 2.8%, 9.4% and 6.5%, respectively, over April-July 2022. However, sale of MOP at 0.36 million MT and SSP at 1.70 million MT witnessed decline of 10.4% and 6.9%, respectively, during the same period.

PROSPECTS OF FERTILIZER CONSUMPTION

Overall Southwest monsoon 2023 is anticipated to be normal. This is likely to increase cropped area during the remaining period of *kharif* 2023. Normal Southwest monsoon is likely to leave good moisture contents in the soil for ensuing *rabi* crop season. Water availability in the reservoirs at the end of *kharif* season is also likely to be comfortable. Overall growth in consumption of fertilizers for the full year 2023-24 is expected to register an increase over the previous year. ■