

# The Fertiliser Association of India, New Delhi



2<sup>nd</sup> December, 2024

## Subject: Press Note – FAI Annual Seminar – 2024 on Sustainable Fertilizer and Agriculture

### 1. Introduction

1.1 Fertilizer and agriculture sectors are important for economic growth and food security. 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 other country of the world. India is progressing well in both the fronts. However, in the recent past, wide fluctuations in prices of commodity and food grain have been noticed in the international market. Upward trends in prices of finished fertilizers and raw materials/intermediates have also been there due to geo-political situation. A challenge for sustainable agriculture is also being witnessed due to climate change. Accordingly, FAI Annual Seminar 2024 has been devoted to the theme of **Sustainable Fertilizer and Agriculture**.

1.2 Shri Jagat Prakash Nadda Ji, Hon'ble Union Minister for Chemicals & Fertilizers and Health & Family Welfare has kindly acceded to our request to inaugurate the Seminar on 4<sup>th</sup> December, 2024 at Hotel Andaz Delhi at 1430 hrs.

Ms. Anupriya Patel Ji, Hon'ble Minister of State for Chemicals & Fertilizers and Minister of State for Health & Family Welfare, will also grace the inaugural function as Guest of Honour. Secretary, Department of Fertilizers, Ministry of Chemicals & Fertilizers, Shri Rajat Kumar Mishra ji will be the Special Guest. The Hon'ble Ministers will also distribute the awards of excellence in various fields during the inaugural function. There are 40 awards for companies and individuals. These awards are in the areas of production performance, safety, technical innovations, environmental protection for urea, phosphoric acid, NP/NPK complex and SSP plants. There are awards for agriculture research development, extension for nutrient use efficiency, production, promotion and marketing of bio-fertilizers, organic fertilizers, city compost, micro-nutrients, etc. These also include U S Awasthi IFFCO Award and Coromandel plant nutrition award.

1.3 The next two days i.e. 5<sup>th</sup> and 6<sup>th</sup> December, 2024, there will be 4 technical sessions. 17 presentations will be made by eminent speakers from India and abroad. The presentations will *inter-alia* cover reforms in Indian fertilizer sector; global fertilizer market and future prospects; innovations in agriculture & fertilizers; digital agriculture; bio and organic fertilizers for sustainable farming. Deliberations will also include prospects of use of green ammonia in fertilizer sector; experience of commissioning of new ammonia-urea projects, energy improvement efforts of old plants, and sustainable solutions in complex fertilizer plants. Fertilizer marketing strategies under changing

environment; perspectives of nano fertilizers and prospects and challenges in agri-input digital marketing will be deliberated.

## **2. Fertilizer Scenario**

### **2.1. Production Import and DBT Sales of Major Fertilizers**

2.1.1 **Production:** Production of NP/NPK complex fertilizers and SSP recorded increase of 10.9% and 7.5%, respectively, during April/October 2024 over April/October 2023. However, production of urea and DAP registered decline of 1.3% and 7.4%, respectively, during the period.

2.1.2 **Import:** Import of urea, DAP, NP/NPK complex fertilizers and MOP declined by 34.7%, 29.8%, 9.9% and 4.5%, respectively, during April/October 2024 over April/October 2023.

2.1.3 **Sale:** DBT Sale of urea at 21.23 million MT, NP/NPK complex fertilizers at 8.72 million MT and MOP at 1.16 million MT during April/October 2024 recorded increase of 2.3%, 23.5% and 24.7%, respectively, compared to April/October 2023. However, sale of DAP at 5.69 million MT and SSP at 2.94 million MT registered decline of 25.4% and 11.9%, respectively, during the period. Total sales of all fertilizers at 39.75 million MT during April/October, 2024 was marginally up by 0.1% over April-October, 2023.

2.1.4 The consumption of potash during 2021-22 and 2022-23 was drastically down by 19.8% and 32.3%, respectively, over the respective previous year. This was due to high international prices of potash. MRP of MOP was higher than that of DAP during the said period, which traditionally used to be the other way round. This had severely impacted consumption of potash and aggravated the NPK use ratio, which was already imbalanced. In 2023-24, consumption of potash increased by 9.5% to the tune of 1.88 million MT compared to 1.72 million MT in 2022-23. However, consumption of potash was lower by 40.4% compared to the level of 2020-21, when it's consumption was 3.15 million MT. During the current year *kharif* 2024, sale of potash increased by 19.8% over *kharif* 2023.

2.1.5 Ideal average NPK use ratio for the country is 4:2:1. This ratio was almost close to ideal at 4.3:2:1 in 2009-10 but got distorted to 8.2:3.2:1 in 2012-13. This got corrected to 6.5:2.8:1 during 2020-21. However, again widened to 7.7:3.1:1 in 2021-22, 11.8:4.6:1 in 2022-23 and 10.9:4.4:1 in 2023-24. During *kharif* 2024, the NPK use ratio improved marginally to 9.8:3.7:1 compared to 10.9:4.9:1 in *kharif* 2023.

## **3. International Prices**

3.1 The international market is quite volatile. Volatility in prices of fertilizers and fertilizer raw materials/intermediates including natural gas/LNG during the past 4 years. About 80% of feedstock i.e. natural gas for production of urea is imported. More than 90% requirement 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.

3.2 International price of DAP (CFR-India) was US\$ 359/MT in September 2020, which increased to US\$ 945/MT in July 2022. After that, it showed some ups and down during

the subsequent periods and in September 2024, the CFR (India) price of DAP was US\$ 632/MT. Similarly, price of phosphoric acid increased from US\$ 641/MT in September 2020 to US\$ 1715/MT in July 2022. In September 2024, price of phosphoric acid was at US\$ 948/MT. Similar case was noticed for urea, MOP, ammonia, rock phosphate and sulphur during the period. The estimated pool price of gas for November 2024 was Rs. 1383 per MMBTU on net Calorific Value (NCV) basis. The average pool price of gas for April to November 2024 was about Rs. 1416 per MMBTU (provisional). This is expected to remain more or less at the same level during the full year 2024-25.

#### **4. Issues of Fertilizer Industry**

##### **4.1 Urea Sector**

4.1.1 Viability of urea industry is affected because of non-revision of fixed cost since 2002-03, except nominal increase allowed under Modified NPS-III policy from 2014. Since then, costs have risen, but policy frameworks haven't adjusted, leaving urea producers struggling with higher expenses. It does not take into account large investments made in the energy reduction projects and plant reliability expenditures. Similarly, energy consumption norms revised in 2018 over 2015 has impacted the viability of several urea units. The urea industry advocates regular fixed-cost revisions under Modified NPS III policy and continuity in current energy norms beyond 2025. Linking fixed-cost adjustments to an inflation-based index and maintaining energy norms would allow companies to recover costs and fund ongoing investments in safety and reliability. Urea plants operate under demanding conditions, which require frequent capital for both reliability and safety improvements. Regular policy updates to account for inflation and economic changes are crucial for the industry's sustainability.

##### **4.2 P&K Sector**

4.2.1 The nutrient based subsidy (NBS) policy was most welcome move in 2010 when introduced. However, subsequent NBS guidelines & notifications posed unique challenges. Downward correction in NBS rates for *kharif* 2024 and *rabi* 2024-25 are affecting the viability of NP/NPK grades. The additional subsidy given on DAP should also be made applicable on NP/NPK grades. Substantial reduction in subsidy on MOP will be further detrimental to the growth of K nutrition in crops and lead to widening NPK use ratio. It will have adverse effect on soil health. Use of potash helps in mitigating adverse effect of weather aberrations. In view of considerable disparities in MRPs of urea and P & K fertilizers, urea should also be brought under ambit of NBS.

4.2.2 Customs duty at 5% on imported raw materials like phosphoric acid and ammonia and 2.5% on rock phosphate and sulphur is rendering domestic P&K fertilizer manufacturing uncompetitive vis-à-vis imports. Subsidy rate is same for domestic and imported P&K fertilizers. Raw materials/intermediates should be exempted from customs duty, or, only a nominal rate of 1% customs duty be levied. There is a need for rationalization in the rate of Customs duty for P&K fertilizers to encourage domestic value addition and improving capacity utilization in P&K segment.

4.2.3 Inverted duty structure of GST on ammonia and sulphuric acid at 18% compared to 5% on fertilizers, absence of time bound refund of unutilized Input Tax Credit (ITC) and no refund against GST on input services also increase the cost of domestic production

of P&K fertilizers. Under GST Law, refund of (ITC) for fertilizer sector be made time bound like exports.

5. Redressal of the above issues will improve the industry's viability and enable it to generate funds for investment in energy reduction projects, development of innovative and more efficient fertilizer products in line with nano urea, nano DAP, etc. This will also enable the industry to invest in farmers' education and promotion of balanced use of fertilizer nutrients including secondary and micronutrients.
6. The industry is working with the Government to ensure adequate availability of fertilizer nutrients for the farmers. It is also working in line with government's commitments to reduce greenhouse gases and gradually adopt use of green ammonia in manufacture of complex fertilizers. To start with, 7.39 Lakh MT of green ammonia will be procured by 14 complex fertilize plants. However, this will require viability gap funding from the government due to mitigate the higher cost of green ammonia compared to grey ammonia.

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