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DAP Shortage Threatens to Hit Winter Crop Output

What is the issue?

India is staring at a severe shortage of diammonium phosphate (DAP) — a key fertiliser in the current rabi season, forcing the Centre to cut the allocation for many states.

What is DAP?

- DAP is a water-soluble ammonium phosphate salt which is produced by the reaction of ammonia with phosphoric acid under controlled conditions.
- DAP is the second most commonly used fertiliser in India after urea and farmers normally apply this fertiliser just before or at the beginning of sowing.
- It is a basic nutrient for Rabi crops like mustard and wheat.
- Fertilizer grade DAP contains 18% Nitrogen and 46% Phosphorus (P₂O₅).
- Though there are other phosphatic fertiliser such as Single Super Phosphate (SSP), DAP is the preferred source since it contains nitrogen as well.

What has led to the shortage?

India is the top country by diammonium phosphate import in the world

- About 30% of DAP's annual demand of nearly 119 lakh tonne is met by domestic production in the country while the balance is imported.
- The current shortage is due to less import in the wake of a rise in the global prices of DAP.
- The landed cost of DAP was above 700 dollars a tonne now compared to 380 dollars last October.
- Six plants of fertilizers had been shut down as the then government

figured it was cheaper to import than to produce DAP.

- China's move to ban fertiliser exports after its energy crisis has aggravated the situation.
- Huge black marketing of the fertilizer in the states of Punjab and Rajasthan were reported.
- An acute shortage of DAP has seen desperate farmers pelting stones at the police, blocking roads in protest, and even resorting to loot the fertilizer from a private dealer's outlet.

STATUS OF KEY RABI FERTILISERS

UREA (IN LAKH METRIC TONNES OR LMT)						
State	Total requirement till March 31, 2022	Requirement from October 1 to 19	Supply from October 1 to 19	Sale from October 1 to 19	Remaining requirement from Oct 1 to 19 to March 31, 2022	Stock availability as on October 19
Punjab	14.50	2.146	4.167	0.62	13.88	3.45
Haryana	11	1.226	2.344	0.56	10.44	1.76
DAP (IN LAKH METRIC TONNES OR LMT)						
Punjab	5.50	1.69	1.72	0.54	4.96	1.135
Haryana	3	0.67	1.07	0.77	2.23	0.29

How fertilizer prices are determined?

- In 2010, the government had launched the **nutrient-based subsidy (NBS)** programme.
- Under the scheme, a fixed amount of subsidy, decided on an annual basis, is provided on each grade of subsidised phosphatic and potassic (P&K) fertilisers, **except for urea**, based on the nutrient content present in them.
- Retail prices of non-urea fertilisers such as Di-ammonium Phosphate (DAP), Muriate of Potash (MoP) are decontrolled and are determined by manufacturers, while Centre gives a fixed subsidy each year.
- The government is making available fertilisers, namely urea and 21 grades of P&K fertilisers to farmers at subsidised prices through manufacturers/importers.
- **In case of urea**, the government fixes the maximum retail price (MRP).
- The difference between the production cost and the MRP is reimbursed to manufacturers.

What efforts have been taken by the government?

- The Centre has hiked the subsidies in May and October with the subsidy on DAP more than doubling this year.
- It increased the subsidy on DAP from the existing Rs 10,231 per tonne (Rs 511.55/bag) to Rs 24,231 per tonne (1,211.55/bag).
- The Department of Fertilisers too has notified a higher NBS rate for P (from Rs 14.888 to Rs 45.323/kg).
- ICAR has issued an advisory to prefer Single Super Phosphate (SSP) instead of DAP for mustard.
- The Haryana government has deputed administrative secretaries in six districts to keep a close watch on the supply chain of DAP fertilisers.

What has to be done to resolve the fertiliser shortages?

- The immediate solution is in allowing manufacturers/importers to effect moderate price hikes while increasing the imports.
- There is a need for structural fixes such as shoring up the domestic capacities to reduce over-dependence on imports.
- The Centre must see if the deactivated earlier capacities for DAP and NPK can be revived, as has been done for urea.
- Inflation-linked price hikes by decontrolled fertiliser-makers must be allowed.
- Subsidy rates for locally produced phosphatics need to be fixed higher than for imports to incentivize the domestic production.

References

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