The Fertiliser Challenge

What is the issue?

Ahead of kharif sowing, India faces the challenge of meeting its requirement of fertilisers, supply of which has been disrupted in the wake of Russia's invasion of Ukraine.

How have the pandemic and the war impacted the supply of fertilisers?

- The pandemic has impacted the fertiliser production, import and transportation across the world.
- Major fertiliser exporters such as China have gradually reduced their exports which has impacted countries such as India, which sources 40-45% of its phosphatic imports from China.
- There has been a surge in demand in regions like Europe, America, Brazil and Southeast Asia but the supply side has faced constraints.

How is fertiliser requirement determined in India?

- The kharif season requires sizeable quantity of fertiliser as it accounts for almost half the year's production of foodgrains, one-third of pulses and about two-thirds of oilseeds.
- **Determination of fertiliser requirement**- Every year, before the start of the cropping season, the Department of Agriculture and Farmers Welfare assesses the requirement of fertilisers.
- It then informs the Ministry of Chemical and Fertilizers to ensure the supply.
- The requirement varies each month according to demand, which is based on the time of crop sowing, which again varies from region to region.
- The government uses the two months (March and April) to ensure the supply of fertilisers for the kharif season.
- As per data, the opening stock of fertiliser available for the kharif season is 125.5 LMT, or 35% of the requirement.
- **Domestic production**- Theoretically, the opening stock and the expected domestic production would be sufficient to meet the requirement.
- However, the war in Ukraine has disrupted the supply of raw materials that Indian companies import, which is expected to impact domestic production.

How have the disruptions in supply impacted prices?

- There has been a steady increase in prices of raw material as well as logistics and freight costs in recent months.

- The disruption in the logistics chain during Covid has caused the average freight rates for ships to jump up to four times.
- The prices of fertilisers such as DAP and urea, and raw materials such as ammonia and phosphatic acid, have risen up to 250-300%.
- India depends on imports for potash for manufacturing fertilisers but the sanctions on Belarus and Russia has rised the international prices of potash.
- The government is exploring the option of domestically mining raw materials such as rock phosphate.

How is the government augmenting fertiliser supply?

- **Price control**- In efforts at price control, the government has increased the Nutrients Based Subsidy (NBS) rates for kharif 2022.
- The total fertiliser subsidy bill is expected to reach to Rs 2.5 lakh crore this financial year, up from Rs 1.62 crore in the revised estimates for the previous fiscal.
- **Ramping up the production**- India has entered into a C2C (corporation to corporation) supply arrangement with Russian companies for 3 years.
- India has made efforts to secure fertiliser supply from alternative sources such as Saudi Arabia and Iran.
- For domestic production of urea, the government is focusing on the Matix (West Bengal), Ramagundam (Telangana) and Gorakhpur (UP) plants, and is reviving two other units.
- India has also signed a long-term supply deal with Oman to get 10 LMT of urea per year.
- **Directive to states**- The Centre has asked the states to ensure micro-planning of fertiliser movement as per requirement.
- It has asked them to promote use of alternative fertilisers such as nano urea, and to take strict action against diversion, hoarding and black marketing of fertilisers.

Under the NBS 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.*

Reference

1. https://indianexpress.com/article/explained/kharif-sowing-fertilisers-requirement-ukraine-war-explained-7916350/