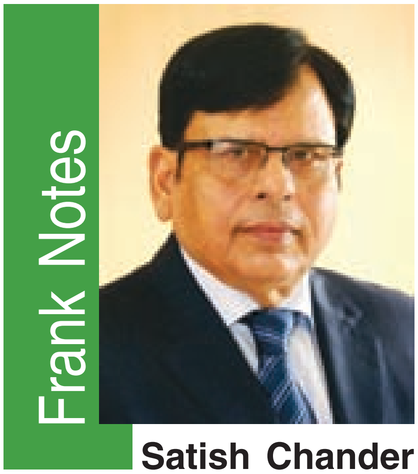
Indian Journal of Fertilisers **16** (8) : 746-747, August 2020



Satish Chander

Current Fertilizer and Agriculture Situation in India

India, with other countries of the world is passing through the unprecedented crisis created by the Corona Virus Disease (COVID) 19 pandemic. All economic activities have been severely affected due to the pandemic. Farm sector is the only silver lining in the midst of this crisis. The Reserve Bank of India in its monetary policy announcement acknowledged this, citing the agriculture sector as the 'beacon of hope'. Thanks to exceedingly good rainfall during pre-monsoon and first half of South west monsoon, abundant water storage in the reservoirs, pro-active support by the government to the farm sector boosted higher planting of crops.

Pre-monsoon rainfall (1st March to end May, 2020) was 20% above normal, with actual rainfall reported at 158.5 mm as against normal of 131.7 mm. Live storage in 123 major reservoirs as on 28th May 2020 was 58.03 Billion cubic meter (BCM), which was 170% of last year's and 167% of last 10 years' average storage. Higher water levels in the reservoirs, above normal rainfall in the summer season and expectation of a good South west monsoon motivated farmers to enhance the *pre-kharif* area under crops like paddy, *moong*, maize and *bajra*.

After good pre-monsoon precipitation, South west monsoon arrived in Kerala on time. There was brisk rainfall during first two months of the season. Rainfall during 1st June to 26th July 2020 was 418.1 mm which is 4% above normal. 29 out of a total of 36 sub divisions have received normal to excess/ large excess rains during the period. Out of a total 685 reported districts, 463 districts (68%) received normal to excess rains during the period.

Thanks to higher-than-average rains so far in the season, water levels in India's main reservoirs are substantially higher, according to the latest government data. Live storage available in 123 major reservoirs was 66.37 BCM as on 23rd July, 2020 which was 55% above the corresponding period of last year' s level of 42.83 BCM. Current year's storage is 19% above the normal (average of last ten years) level.

With reservoirs having 55 per cent more water as compared to last year and the country receiving 4 per cent more rainfall than normal, the area under *kharif* crops jumped 19 per cent to 799.95 lakh hectares (LHA) as on 24th July, 2020 as compared to corresponding day in 2019. While area under rice increased by 17%, pulses and oilseeds have shown increase of 26% and 25%, respectively. Sharp increase in area under arhar, *urad* and *moong* contributed to higher increase in the area under total pulses. Likewise, steep increase in area under groundnut, soybean and sunflower pushed upward the total area under oilseeds. Cotton has almost touched the normal area (121 LHA) of planting. The total rice sown area in the country as of now is around 220 LHA, which is nearly 17 per cent more than the 188 LHA planted during the corresponding period last year.

Fertilizer demand has been exceptionally strong right from the beginning of *kharif 2020* season. There was sharp increase in sale of major fertilizers during April/June 2020. Sale of urea at 6.48 million metric tonnes (MMT), SSP at 1.099 MMT and MOP (for direct application) at 0.627 MMT during April/June 2020 increased by 67%, 43% and 71%, respectively, over April/June 2019. Interestingly, sale of DAP and NP/NPKs was double to more than double during the period. Sale of DAP at 2.245 MMT increased by 100% and NP/NPKs at 2.306 MMT by 122% during the period.

Availability of fertilizers from opening inventory, indigenous production and imports were adequate to take care of surge in demand. Total stock of all fertilizers at various channels (except stocks with dealers) was little more than 5 MMT as on 1st April, 2020. In addition, there was substantial stock of fertilizers with the dealers at that point of time. Production of urea at 6.0 MMT and SSP at 1.2 MMT increased by 8.4% and 12.7%, respectively, during April/June 2020 over April/June 2019. However, production of DAP at 0.9 MMT and NP/NPKs at 1.8 MMT declined by 19.7% and 6.2%, respectively during the period.

Immediately after lock down declared by the government on 24th March 2020, there were reports of shortages of availability of labour at plant sites for loading and unloading at destination points. Availability of consumable materials such as bags and chemicals also posed challenge in some plants. The industry made best efforts for ensuring production and movement of fertilizers with all safety protocols.

Import of urea and NP/NPKs increased but reduced in case of DAP and MOP during April/June 2020. Import of urea at 1.72 MMT and NP/NPKs at 0.375 MMT increased by 24.3% and 43.1% during April/June 2020 over April/ June 2019. However, import of DAP at 1.23 MMT and MOP at 0.88 MMT declined by 34.6% each during the period. Imported fertilizers also faced shortage of labour for loading / unloading and bagging during the lockdown.

The government promptly addressed the issues faced by the fertilizer industry due to COVID 19. Clarifications from the Ministry of Home Affairs helped in continuous operation of fertilizer plants, inter-state movement and sale of fertilizers. The Ministry of Railways relaxed the rate of demurrage and wharfage charged initially to half

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and later completely waived the charges till the extended period of lockdown *i.e.* May 17, 2020.

The Indian Council of Agricultural Research issued state-wise guidelines for farmers to be followed during the lockdown period. The advisory mentions specific practices during harvest and threshing of various *rabi* (winter sown) crops as well as post-harvest, storage and marketing of the farm produce.

Normal agriculture operations have helped the country in more ways than one. As regards labour issues, the timely arrival of the monsoon has given a boost to rural employment, absorbing thousands of migrant workers who have returned to their rural homes in seasonal farm jobs. The exodus of migrant workers from cities had raised initial fears of joblessness in rural areas. But the timing of the return of migrant workers coincided with the crop planting season, thereby opening up seasonal job avenues.

Government on its part took various proactive steps to help agriculture sector. Immediately after the nation-wide lockdown, government declared Rs. 1.7 trillion relief package under Pradhan Mantri Garib Kalyan Yojana, mostly to protect the vulnerable sections (including farmers and migrant workers) from adverse impact of the pandemic. The government also transferred in advance Rs. 2000 to bank accounts of farmers as income support under PM-KISAN scheme. Prime Minister Garib Kalyan Anna Yojana (PMGKAY) was announced to feed the poor citizens of India. PMGKAY provides grain of 5 kg of rice or wheat per person and 1 kg of *dal* to each family holding a ration card. The scheme was initially launched on 26th March 2020 and further extended to November 2020. Extensive and detailed logistical planning has already been done by Food Corporation of India (FCI) to ensure that food grain stocks reach every part of the country as per the allocation over the period. FCI procured a record total of 389.75 LMT wheat and 504.86 LMT rice upto 27th July 2020.

The government launched new features on the e-NAM platform to help farmers sell their produce without physically visiting *mandis*. Further, direct buying facility by bulk buyers outside the *mandi* premises without any licensing or registration process or as directed by states/ union territories were also allowed. Two recent Ordinances on agricultural reforms, *viz.*, The Farmers' Produce Trade and Commerce Ordinance 2020 and The Farmers Agreement on Price Assurance and Farm Services Ordinance 2020 promulgated to help farmers putting some legal mechanism / reform in place to facilitate inter-state and intra-state trade of agricultural produce at a remunerative price during COVID 19 crisis.

The Reserve Bank of India also announced specific measures that address the "burden of debt servicing" due to COVID19 pandemic. Agricultural term and crop loans were granted a moratorium of three months till May 31 by banking institutions with interest subvention of 2% and prompt repayment incentive of 3% of crop loans up to Rs. 3 lakh. The scheme has been extended up to 31st August, 2020.

Against this background, it is imperative to assess the prospects for fertilizer and agriculture situation for the forthcoming period of the current year. Rainfall during August 2020 is likely to be normal to above-normal for most parts of the country. According to India Meteorological Department, the rainfall over the country as a whole is likely to be 97% of LPA during August 2020. September 2020 may bring higher quantum of rains this year with the entire country likely receiving normal to above normal precipitation except a few pockets in North East India.

With the expectation of normal to above normal precipitation during remaining period of South west monsoon, abundant water availability in the reservoirs, overall demand for fertilizers may continue to show a strong positive growth during balance period of *kharif* season. Given the recent trends, *rabi* season is forecast to be equally good as far as crop planting and fertilizer demand are concerned. The total fertilizer demand for the year 2020-21 is expected to be much higher than in 2019-20.

But fertilizer industry continues to be starved of its working capital due to huge unpaid subsidy dues. Inadequate provisions in Union Budget for fertilizer subsidy for last several years have been limiting the payments. At the end of financial year 2019-20, unpaid arrears were about Rs. 48,000 crore in spite of arrangement of loan of Rs. 10,000 crore from the banks in March 2020. There is estimated requirement of Rs. 80,000 crore for fertilizer subsidy for the current year. Thus there is a need of Rs.128,000 crore to keep the subsidy payment up to date during 2020-21. Unfortunately, the budget allocation for fertilizer subsidy for the year 2020-21 was reduced to Rs. 71,309 crore from Rs. 79,998 crore for 2019-20. Domestic urea manufacturers which meet 73% of urea requirement of the country have suffered most with subsidy arrears of almost Rs. 40,000 crore at the end of July 2020.

Government should work out a financial package to ensure continuous operation of domestic fertilizer industry. There are three options (i) Allocation of additional funds, (ii) Borrowing from banks and (iii) extension of credit by the gas supplier. Combination of these options can help to tide over the present liquidity crisis of the industry.

In conclusion, agriculture sector has been helped by good rains and helping hand extended by the government. This sector remains saviour of Indian economy. But availability of vital input like fertilizers is part of the success of agriculture. The requirement of fertilizer cannot be met without 100% production by domestic producers. Therefore, government should ensure availability of sufficient funds to sustain operation of this vital sector. ■