# ANNUAL REVIEW OF

## FERTILIZER PRODUCTION AND CONSUMPTION 2023-24

## EXECUTIVE SUMMARY

The inventory of fertilizers at the beginning of the year was adequate in different distribution channels to meet the demand. Weather was normal during monsoon period. However, dry spell during August was witnessed. Sown area under *kharif* and *rabi* crops was marginally up. Volatile international prices of raw materials and finished fertilizers resulted fall in imports of major fertilizers. Domestic production and sale of fertilizers showed an increase over the previous year. Production from newly commissioned urea plants contributed more secure availability of urea during 2023-24. However, a few urea plants suffered equipment problems during the year. Some DAP/NP/NPK fertilizers also suffered due to raw material limitations.

### SOUTHWEST MONSOON

There had been delay in onset of southwest monsoon in 2023 and reached Kerala on 8$^{th}$ June, 2023. Rainfall during June was 9% below the long period average (LPA). July saw a surplus of 13% rainfall, while August was notably dry, with 36% below LPA. September rainfall was 13% above LPA. Overall monsoon was 94% of the LPA. Out of 36 meteorological sub-divisions, 29 received normal to excess rains. However, uneven distribution raised concerns for *kharif* crops, particularly in regions like Bihar, East Uttar Pradesh, and Kerala. The monsoon withdrew on 19$^{th}$ October, 2023.

Total live storage capacity in 150 reservoirs in the country was 178.78 billion cubic meter (BCM). Live storage available in these reservoirs was 129.67 BCM as on 29$^{th}$ September, 2023 as against 158.74 BCM on the same date in the previous year. Live storage during the period was 82% of the last year and 92% of the normal storage.

### FERTILIZER CONSUMPTION

Consumption of fertilizer nutrients ($N+P_2O_5+K_2O$) estimated at 30.64 million MT during 2023-24, registered a growth of 2.7% over 2022-23. Consumption of N, $P_2O_5$ and $K_2O$ at 20.46 million MT, 8.31 million MT and 1.88 million MT during 2023-24 showed increase of 1.2%, 4.9% and 9.5%, respectively, over 2022-23.

In terms of product, All-India estimated consumption (based on DBT sale) of urea at 35.78 million MT, DAP at 10.81 million MT, MOP at 1.64 million MT and NP/NPK complex fertilizers at 11.07 million MT during 2023-24 recorded increase of 0.2%, 3.8%, 0.8% and 9.9%, respectively, over 2022-23. There had been 9.4% decline in consumption of SSP during the period. In 2023-24, consumption of SSP was 4.54 million MT. Total consumption of all fertilizer products at 64.84 million MT during 2023-24 registered an increase of 1.6% over 2022-23.

All-India NPK use ratio changed to 10.9:4.4:1 during 2023-24 from 11.8:4.6:1 during 2022-23. Per hectare use of total nutrients ($N+P_2O_5+K_2O$) improved from 136.2 kg in 2022-23 to 139.8 kg in 2023-24.

### FERTILIZER INVENTORY

There was comfortable availability of fertilizers from opening inventory during 2023-24. Inventory of urea at various points was about 5.72 million MT at the beginning of 2023-24. Inventory of DAP was about 2.54 million MT, NP/NPKs 3.05 million MT, SSP 1.97 million MT and MOP 0.32 million MT.

### PRODUCTION OF FERTILIZERS

Fertilizer production at 21.99 million MT ($N+P_2O_5$) during 2023-24 recorded an increase of 6% over 2022-23. Production of nitrogen (N) increased by 8.7% to 17.11 million MT whereas phosphate

($P_2O_5$) declined by 2.6% to 4.88 million MT in 2023-24.

In terms of products, production of urea at 31.41 million MT and NP/NPK complex fertilizers at 9.55 million MT during 2023-24 recorded increase of 10.2% and 2.7%, respectively, over 2022-23. However, production of DAP at 4.29 million MT and SSP at 4.43 million MT registered decline of 1.2% and 21.5%, respectively, during the period.

## 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. However, domestic gas share showed an increase during 2023-24 to 20.2% for urea sector compared to 14.2% in 2022-23 due to supply of gas from high pressure and high temperature (HP-HT) gas from KG-D6 fields during the year.

## IMPORT OF FERTILIZERS

Despite increase in domestic fertilizer production, India still relies on imports to meet about 30% of its demand. In 2023-24, the gap between consumption and production was 3.35 million MT for N and 3.43 million MT for $P_2O_5$. Entire demand of $K_2O$ is met through import. Urea imports decreased by 7.1% to 7.04 million MT due to contribution from new plants, while import of DAP and NP/NPK fertilizers fell by 15.4% and 19.4% due to high international prices. However, there had been increase in import of MOP by 53.8% to 2.87 million MT during the period.

## RETAIL PRICES OF FERTILIZERS

The basic retail price of urea remained unchanged at Rs.5360 per MT since November 2012. Effective from 25$^{th}$ May, 2015, Government of India (GoI) made it mandatory for all indigenous urea manufacturers to produce 100% *neem* coated urea. The same policy was applied for imported urea at the port. GoI allowed the manufacturers / importers to charge 5% extra on the MRP of urea for the same. Government has made it mandatory to resize urea bag from 50 kg to 45 kg. The maximum retail price (MRP) per bag of urea of 45 kg was fixed at Rs. 242/- *w.e.f.* 1$^{st}$ March 2018 from Rs. 268/- per bag of 50 kg earlier. In addition, GoI notified MRP of sulphur coated urea with the name of 'Urea Gold' on 5$^{th}$ January, 2024. The MRP of 40 kg bag of sulphur coated urea has been fixed at the same level as that of 45 kg bag of *neem* coated urea *i.e.* Rs 266.50 (inclusive of GST).

The retail prices of P & K fertilizers covered under NBS scheme were market driven. In view of volatile international prices of P&K fertilizers and raw materials used for production of phosphatic fertilizers, Government insulate the farmers from hike in such prices by providing additional subsidy. However, DoF has been earmarking indicative the MRPs of DAP and NP/NPK complex fertilizers to be made available to the farmers at reasonable prices.

## PRODUCTION OF MAJOR CROPS

Total production of food grains is estimated to be 328.9 million MT during 2023-24 compared to 329.7 million MT in 2022-23. Among food grain crops, production of rice and wheat is expected to increase by 0.7% and 2.1%, respectively, during 2023-24 over 2022-23. However, production of pulses and coarse cereals is estimated to decline by 6.0% and 4.5%, respectively, during the period. Similarly, production of oilseeds, sugarcane and cotton are expected to decline by 4.3%, 9.8% and 3.4%, respectively. However, production of jute & mesta is estimated to increase by 3.4%.

## POLICY AND PAYMENT ISSUES

Representations to the DoF on the issues of fixed cost, production beyond reassessed capacity, target energy norms, recognition of investment in energy improvement projects, incentives for mixed fuel used by urea units, etc. are continuing. Representations to the DoF on the issues of P&K fertilizers, such as, reasonableness of MRPs, reduction in NBS rates, non-revision of freight subsidy, GST and customs related issues, etc. for P&K sector are also continuing.

Government had budgeted Rs.1,75,103 crore for fertilizer subsidy for the year 2023-24, which was revised to Rs. 1,88,902 crore. However, the NBS rates on P&K fertilizers during 2023-24 were reduced.

# OUTLOOK FOR 2024-25

## POLICY AND PAYMENT ISSUES

DoF notified per kg subsidy rates for *kharif* 2024 under NBS policy. There has been increase in NBS rate on P over *rabi* 2023-24 but there is no change in NBS rates on N, K and S and kept at the level of *rabi* 2023-24. Three new grades of fertilizers *viz.*, 11-30-14 fortified with magnesium, zinc, boron and sulphur; Urea-SSP-complex (5-15-10-0) and SSP (0-16-0-11) fortified with magnesium, zinc and boron have been included in NBS policy *w.e.f.* 1st April, 2024.

Budget allocation for 2024-25 has been fixed at Rs. 1,64,103 crore. Budget for urea and P&K is Rs. 1,19,000 crore and Rs. 45,000 crore, respectively. Adequacy of allocation will depend on international prices of energy, fertilizers and raw materials during the year.

## SOUTH-WEST MONSOON

Southwest monsoon 2024 set in over Kerala 2 days advance of the normal date and reached most parts of northeast India on 30th May 2024. It had covered the entire country by 2nd July, 2024. Rainfall during June 2024 was 11% below LPA but 9% above LPA during July 2024. IMD predicted normal rains during August 2024. Cumulative rains during 1st June to 26th August, 2024 was normal at 6% above LPA. Out of 36 meteorological sub-divisions, 32 received normal to excess rains while 4 received deficient rains during the period. Out of 724 reported districts, 73% received normal to excess rains during the period.

Total live storage capacity in 155 reservoirs is 180.85 BCM at full reservoir level. Live storage available in these reservoirs was 130.80 BCM as on 22nd August, 2024 compared to 114.66 BCM on the same date in the previous year. Current year's storage accounts 114% of the last year's storage and 112% of the normal storage.

## CROP SITUATION

Monsoon became active over most parts of India during July 2024. As per the latest available information, total sown area under all *kharif* 2024 crops was 103.16 million ha compared to 101.05 million ha during the corresponding period in the previous year.

## FERTILIZER SALE

Sale of urea at 10.89 million MT, NP/NPKs at 3.93 million MT and MOP at 0.49 million MT during April-July 2024 recorded increase of 1.6%, 42.4% and 36.3%, respectively, over April-July 2023. However, sale of DAP at 2.94 million MT and SSP at 1.55 million MT witnessed decline of 14.1% and 8.4%, respectively, during the same period.

## PROSPECTS OF FERTILIZER CONSUMPTION

Overall Southwest monsoon 2024 is anticipated to be above normal. This is likely to increase cropped area during the remaining period of *kharif* 2024. 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 2024-25 is expected to register an increase over the previous year. ■