

# NUTRIENT BASED SUBSIDY AND ITS IMPACT ON DOMESTIC FERTILISER DEMAND



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# NUTRIENT BASED SUBSIDY (NBS)

- NBS is the first step in Reforms process in Indian Fertiliser Sector
- To begin with, NBS has been introduced on phosphatic and potassic fertilisers w.e.f. 1<sup>st</sup> April, 2010
- NBS is applicable on DAP, MOP, MAP, TSP and 12 grades of complex fertilisers
- Subsidy under NBS is same both for domestic and imported fertiliser products
- NBS for SSP introduced w.e.f. 1<sup>st</sup> May, 2010
- Primary nutrients, namely N, P and K and secondary nutrient, namely Sulphur (S) contained in the fertilisers are eligible for subsidy
- In addition, primary freight is also borne by the Government.

# NUTRIENT BASED SUBSIDY

- 20% of the decontrolled fertilisers can be in the movement control under the ECA
- Manufacturers of customised fertilisers and mixture fertilisers are eligible to source subsidised fertilisers as raw material for their products
- Subsidy will be released through the industry.
- Implementation of NBS – Procedure simplified.

# NUTRIENT BASED SUBSIDY AND TRADE POLICY

- Import of all fertiliser products is under Open General License (OGL) except urea
- Import of Urea is canalised for the present
- Applicable rate of Import (Customs) duty is 5% on fertiliser products.

# RATE OF SUBSIDY PER KG OF NUTRIENT

The per kg NBS for nutrient 'N' 'P' 'K' and 'S' for 2010-11 w. e. f 1<sup>st</sup> April 2010 are as follows:

Sl no.	Nutrients	NBS per Kg of nutrient	
		In Rs.	In US \$
1	"N"	23.227	0.50
2	"P"	26.276	0.57
3	"K"	24.487	0.53
4	"S"	1.784	0.04

Note: Exchange rate assumed US\$ 1 = Rs.46

# RATE OF SUBSIDY PER TONNE OF P & K FERTILISERS – 2010-11

Fertilisers	NBS per tonne	
	(in Rs.)	(in US\$)
DAP	16268	353.65
MAP	16219	352.59
TSP	12087	262.76
MOP	14692	319.39
16-20-0-13	9203	200.07
20-20-0-13	10133	220.28
23-23-0-0	11386	247.52
10-26-26-0	15521	337.41
12-32-16-0	15114	328.57

Note: Exchange rate assumed US\$ 1 = Rs.46

# RATE OF SUBSIDY PER TONNE OF P & K FERTILISERS – 2010-11

Fertilisers	NBS per tonne	
	(in Rs.)	(in US\$)
14-28-14-0	14037	305.15
14-35-14-0	15877	345.15
15-15-15-0	11099	241.28
20-20-0-0	9901	215.24
28-28-0-0	13861	301.33
17-17-17-0	12578	273.43
19-19-19-0	14058	305.61
Ammonium Sulphate (FACT & GSFC)	5195	112.93
SSP (w.e.f. 1.5.2010)	4400	95.65

Note: Exchange rate assumed US\$ 1 = Rs.46

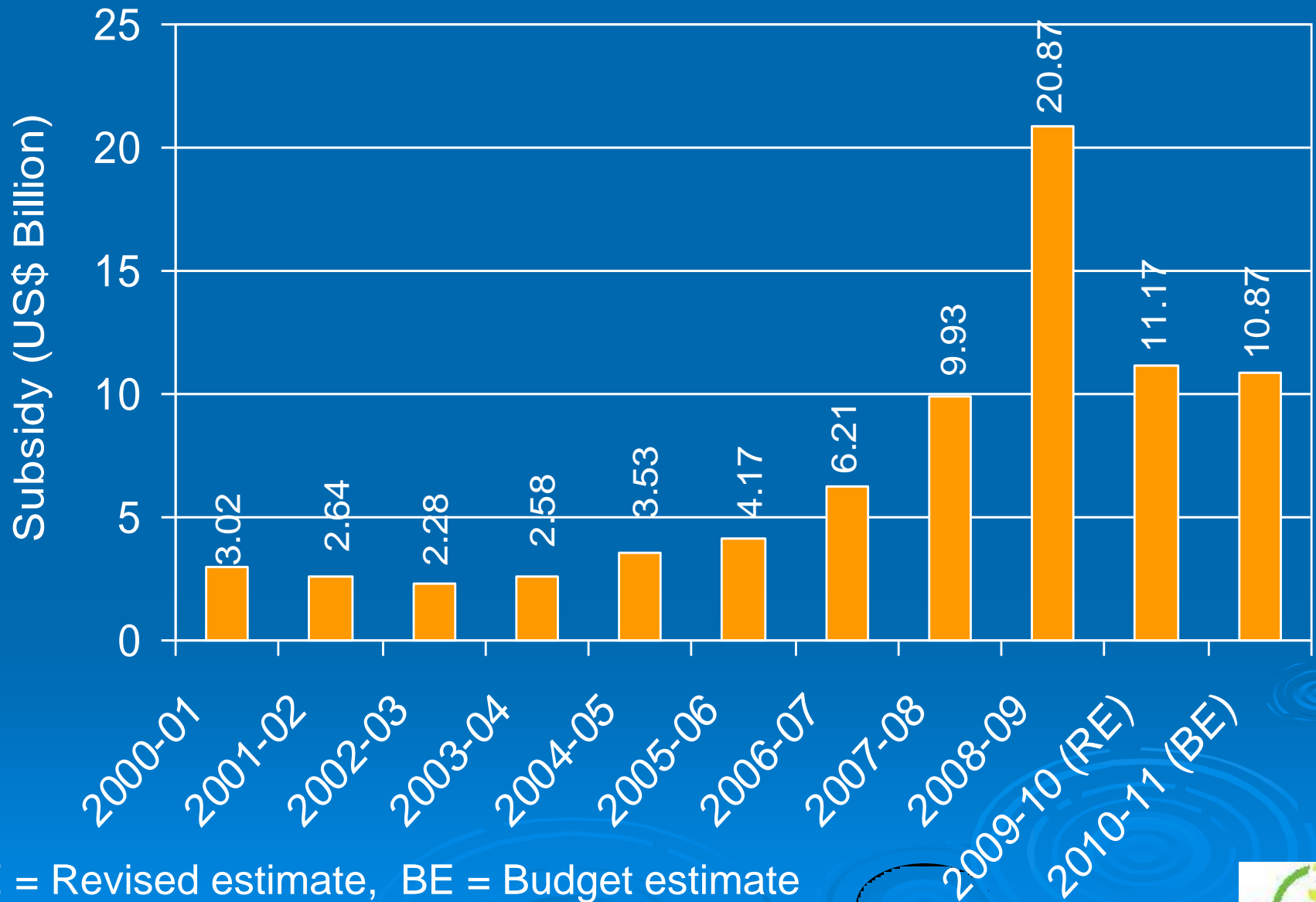
# ADDITIONAL SUBSIDY PER TONNE FOR FORTIFIED FERTILISERS – 2010-11

Sl. No.	Nutrients for fortification as per FCO	Additional subsidy per tonne of fortified fertilisers	
		(In Rs.)	(In US\$)
1.	Boron 'Bn'	300	6.52
2.	Zinc 'Zn'	500	10.87

Note: Exchange rate assumed US\$ 1 = Rs.46



# TOTAL SUBSIDY ON FERTILISERS



RE = Revised estimate, BE = Budget estimate

# MAXIMUM RETAIL PRICE (MRP)

- MRP of urea has been raised by 10% from Rs.4830 (US\$ 105) per tonne to Rs.5310 (US\$ 115.4) per tonne w.e.f 1.4.2010
- MRPs of P & K subsidised fertilisers will be determined based on demand-supply balance and fixed by the marketers
- Marketers will be required to print retail price along with applicable subsidy on the fertiliser bags.

# IMPACT OF NBS

- Indian soils are suffering from multi-nutrient deficiencies. NBS is expected to promote balanced and integrated use of plant nutrients
- NBS is expected to project actual demand of fertiliser nutrients in the country and facilitate their imports within manageable limits
- Will induce investments both in India and overseas.

# ASSESSMENT OF IMPLEMENTATION OF NBS

- Adequate availability of fertilisers
- Farmers prices have not been impacted
- Fiscal management of subsidy in the Budget within limits
- Encourages development of new/ innovative products. Basket of products being enlarged
- Efficient use of fertilisers will reduce the demand and increase agricultural production
- Demand for fertilisers can come down substantially in adverse situations.

# PRESENT USE OF UREA AND SSP

## INDIA vis-a-vis OTHER COUNTRIES

Country	% share of N through urea to total N consumption	Country	% share of P through SSP to total P consumption
<b>India</b>	<b>82.8</b>	Egypt	92.8
China	62.8	Brazil	30.5
Brazil	56.0	China	28.6
Canada	41.5	Uruguay	18.8
France	13.1	Argentina	12.9
U.K	6.8	<b>India</b>	<b>6.6</b>
USA	19.9		
<b>World</b>	<b>53.3</b>	<b>World</b>	<b>13.5</b>

***NBS will lead to product shift***

# NEW PRODUCTS AND NBS

- Customised fertilisers
- Water soluble fertilisers
- Fortified fertilisers

# TOWARDS SELF-SUFFICIENCY IN UREA PRODUCTION

- With the availability of gas from RIL and other sources, feedstock availability to urea units is comfortable
- A couple of units have expanded capacity through revamp/ debottlenecking, viz., IFFCO-Aonla I & II, Phulpur I & II; Tata Chemicals-Babrara; Chambal Fertilisers I & II, etc.
- Revamp in a few other units are underway, viz., KRIBHCO-Hazira and NFL-Vijaipur
- Brown field expansion of IFFCO-Kalol, RCF-Thal, Chambal Fert-Gadepan III, Indo Gulf-Jagdishpur, Tata Chemicals- Babrara are at advanced stages
- Over 6 million tonnes will be added to the present capacity of 22 million tonnes in addition, there will be assured availability of 1.65 million tonnes from the JV - OMIFCO
- India will again become self-sufficient in urea production shortly. It may also export some urea.

# CUSTOMISED FERTILISERS NOTIFIED FOR MANUFACTURE

Company	Formulations	
Tata Chemicals Ltd.	N:P:K:S:Zn	8:24::8:7:0.5 10:40:10:2:0.5 12:24:12:5:0.5 10:13:12:6:2
	N:P:K:S:Zn:B	8:24:16:6:0.5:0.18
Nagarjuna Fertilizers & Chemicals Ltd.	N:P:K:Zn	15:32:8:0.5 18:33:7:0.5 18:27:14:0.5 18:24:11:0.5
	N:P:K	23:0:12 27:0:10



# CUSTOMISED FERTILISERS NOTIFIED FOR MANUFACTURE

Company	Formulations	
Deepak Fertilizers & Petrochemicals Corporation	N:P:K:S:Mg:Zn:B:Fe	10:20:10:5:2:0.5:0.3:0.2 20:10:10:5:2:0.5:0.3:0.2 15:15:15:5:2:0.5:0:0.2 10:20:20:3:2:0:5:0.3:0.2
Coromandel International Ltd.	N:P:K:S:Zn:B	15:15:15:9:0.5:0.2 20:0:15:0:0:0.2

# CONCLUSION

- Introduction of NBS on P & K fertilisers is the first major step towards comprehensive reform in the fertiliser sector
- Farmers will have access to new efficient products
- Deficiencies of sulphur and micro nutrients being addressed
- NBS will encourage investments in India and overseas
- Reforms will address fiscal management of subsidy bill
- Global trade to India will be more holistic including macro and micro nutrients
- In due course, there can be changes in NBS policy and finally fertiliser prices may be market driven without any subsidy.

*Interpretations and conclusions given in the presentation do not necessarily represent either the views of the Industry or that of the Government of India.*

***Thank you***