



# **SUBSIDIES ON AGRICULTURE INPUTS ESPECIALLY FERTILIZER AND THEIR ROLE IN ENHANCING AGRICULTURE PRODUCTIVITY**

**by**

**Abdul Jalil  
Chief/Project Director, NFDC  
Pakistan**

1



## **Introduction**

- Agriculture is mainstay of Pakistan's economy
- Its contribution to GDP is 21%
- It provides employment to 45% of labor force
- Climate is subtropical and semiarid
- Two crop season (Rabi and Kharif)
- 80 % of total arable land is irrigated

2



## Fertilizer Use Development

---

- Use of N started in 1952-53
- P in 1959-60 and K in 1966-67.
- Fertilizer use increased in 60,s after green revolution
- Fertilizer use was at peak (4.3 million nutrient tonnes) during 2009-10
- It decreased to 3.6 million tonnes during 2012-13 (gas curtailment policy and high prices)

3



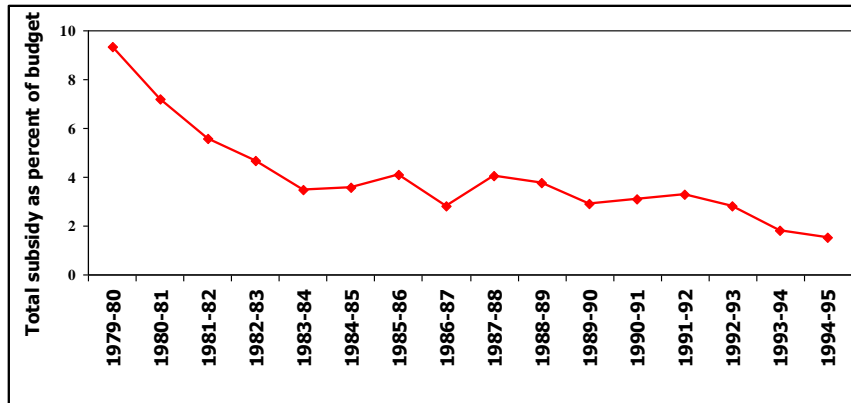
## Historical Development

---

- Subsidy was introduced in fifties to promote fertilizer use
- Other Inputs were also subsidized in 60,s
- In 70,s financial crisis resulted in curtailment of subsidies.

4

## Percent share of subsidies in Budget



5

## Fertilizer Subsidy Regimes

- Regulated and subsidized regime (1952-1986)
- Partial Deregulation (1987-1995)
- Deregulated Regime (1996-2013)

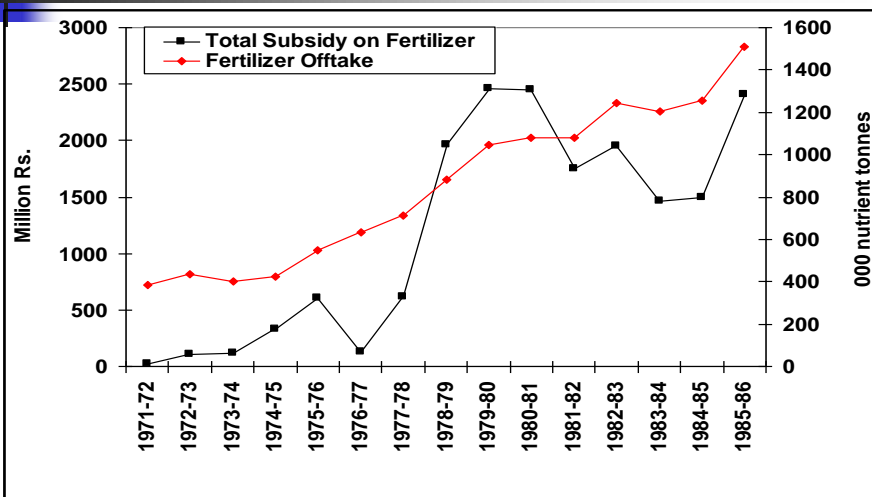
6

## Regulated and Subsidized Regime (1952-1986)

- Fertilizer prices were controlled
- Heavy subsidies
- Difference between cost of production plus incidentals and retail price was paid as subsidy and vice versa.
- Import was handled by ADC and later by FID

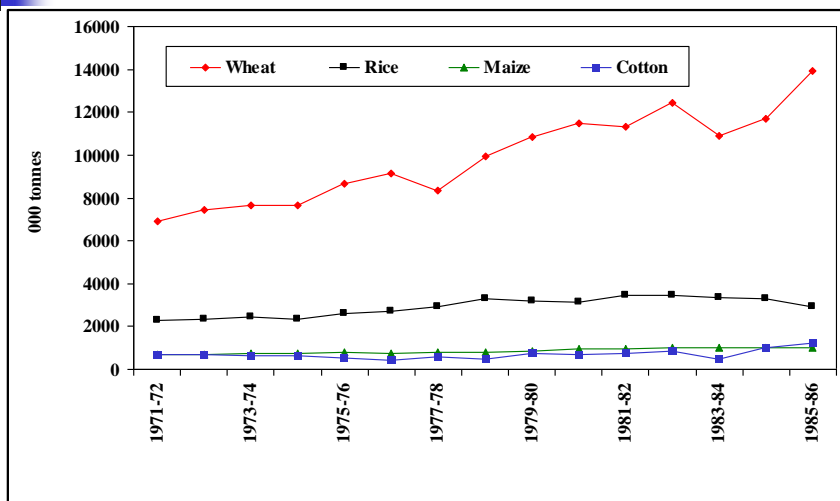
7

## Fertilizer Offtake and Subsidy during Regulated and Subsidized regime



8

## Production of Major Crops during Regulated and Subsidized Regime



9

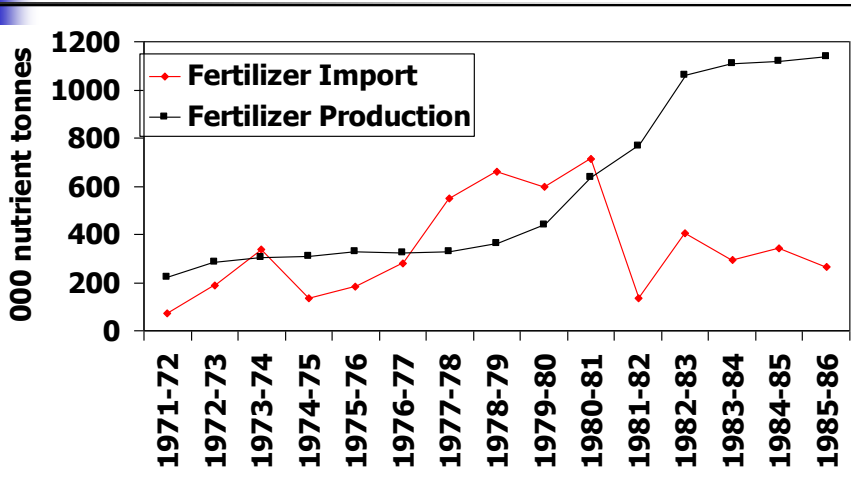
## Changes during Subsidized and Regulated Regime

Year	Subsidy	Fert. Offtake	Wheat	Rice	Maize	Cotton	S.Cane
	Million Rs.		(000 tonnes)				
1971-72	25	382	6,890	2,262	705	707	19,963
1985-86	2,409	1,511	13,923	2,919	1,990	1,217	27,856
CGR	21.0	5.9	3.0	1.1	1.5	2.3	1.4

*Source: NFDC, 1993 and Government of Pakistan, 2012*

10

## Fertilizer Import and Production during Subsidized and Regulated Regime



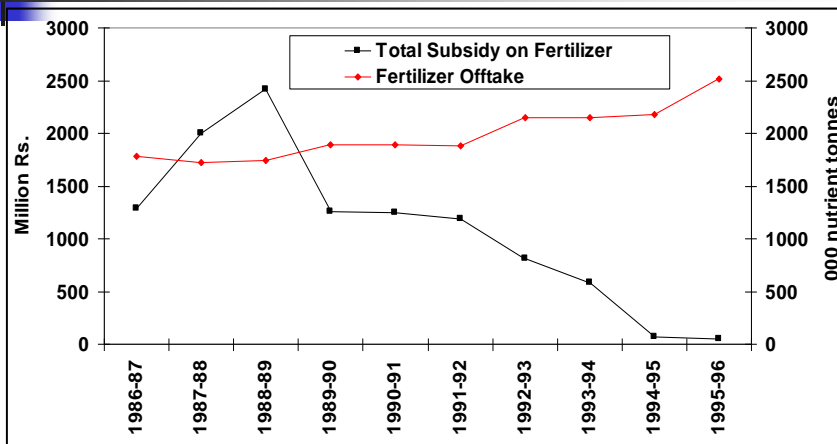
11

## Partial Deregulation (1987-1995)

- GOP deregulated straight N fertilizer prices and abolished subsidy in 1986
- P fertilizer was deregulated in 1993 and K in 1995
- Amount spent as agriculture input subsidy decreased
- Fertilizer offtake registered growth of 4.4 percent

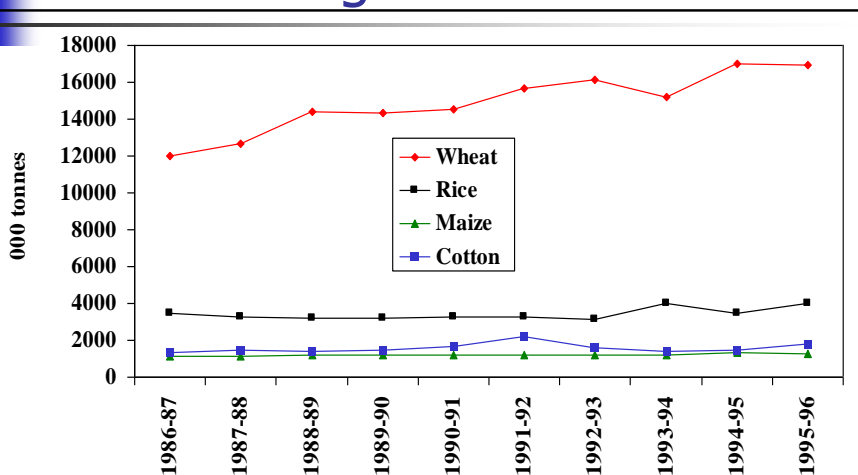
12

## Fertilizer offtake and Subsidy during Partial Deregulation



13

## Production of Major Crops during Partial Deregulation



14

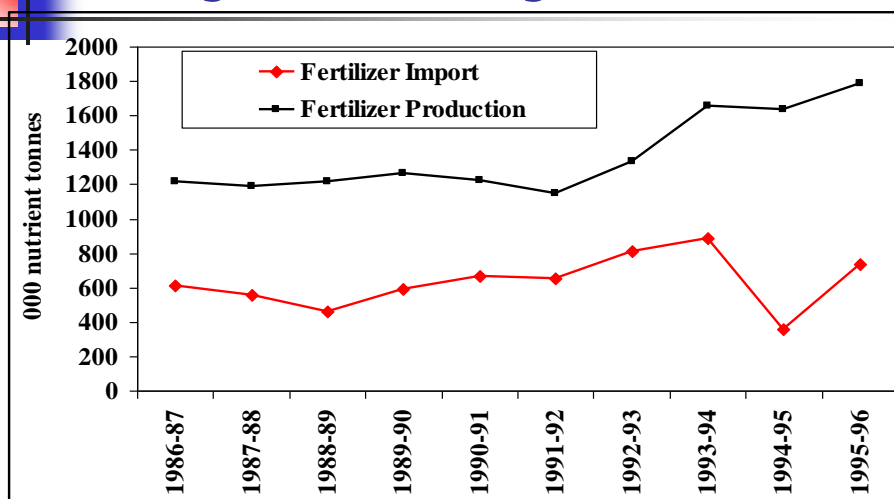
## Changes during Partial Deregulation

Year	Subsidy	Fert. Offtake	Wheat	Rice	Maize	Cotton	S.Cane
	Million Rs.	(000 tonnes)					
1986-87	1,284	1,784	12,016	3,486	1,111	1,320	29,926
1995-96	47	2,515	16,907	3,967	1,23	1,802	45,230
CGR	-33.9	4.4	4.4	1.6	1.8	4.0	5.3

*Source: NFDC, 1993, NFDC, 1998 and Government of Pakistan, 2012*

15

## Fertilizer Import and Production during Partial Deregulation



16





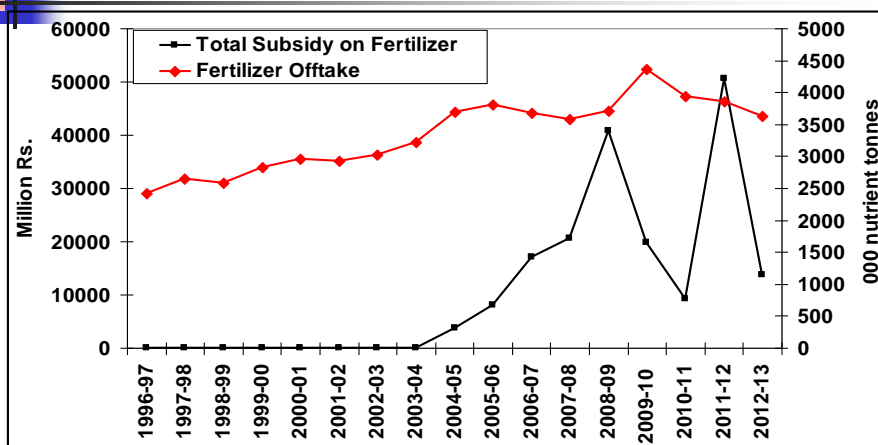
## Deregulated Regime

- There was not any budgeted subsidy between 1996-97 to 2003-04.
- In 2006-07, GOP subsidized P and K by Rs. 250 per DAP bag.
- Subsidy was enhanced to Rs. 2200 per bag of DAP in 2008 and was discontinued in start of 2009.

17

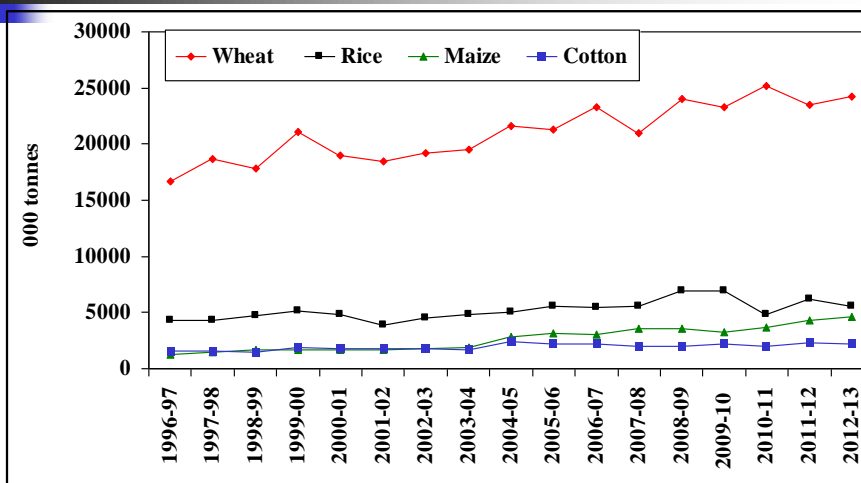


## Fertilizer offtake and Subsidy during Deregulated Regime



18

## Production of Major Crops during Deregulated Regime



19

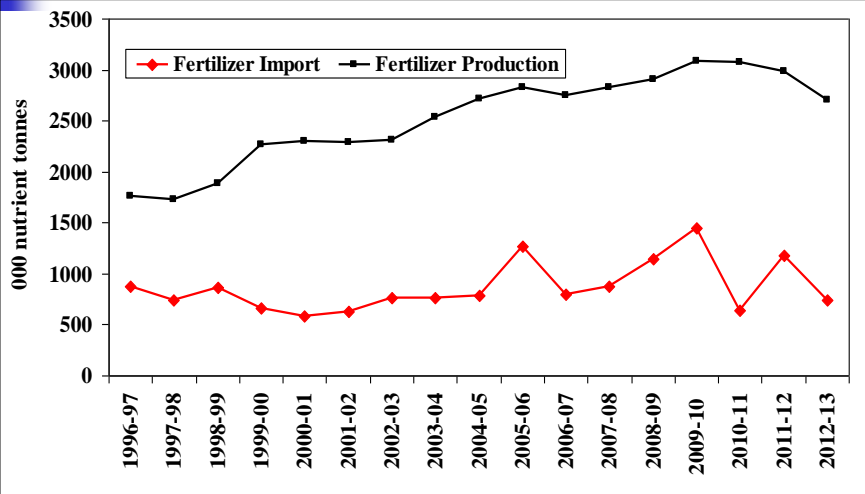
## Changes during Deregulated Regime

Year	Subsidy	Fert. Offtake	Wheat	Rice	Maize	Cotton	S.Cane	
	Million Rs.		(000 tonnes)					
<b>1996-97</b>	-	<b>2,413</b>	<b>16,651</b>	<b>4,305</b>	<b>1,259</b>	<b>1,594</b>	<b>41,998</b>	
<b>2012-13</b>	<b>13,660</b>	<b>3,621</b>	<b>24,231</b>	<b>5,541</b>	<b>4,631</b>	<b>2,215</b>	<b>62,472</b>	
<b>CGR</b>	-	<b>2.6</b>	<b>2.4</b>	<b>1.6</b>	<b>8.5</b>	<b>2.1</b>	<b>2.5</b>	

*Source: NFDC, 1998, 2008, 2013 and Government of Pakistan, 2012*

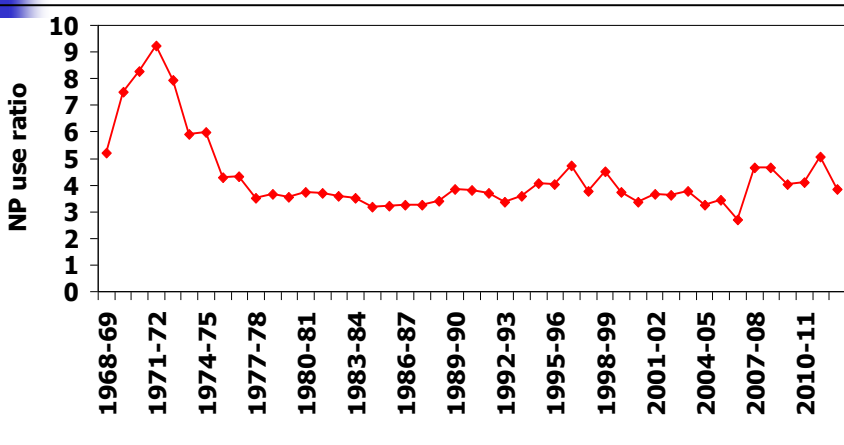
20

## Fertilizer Import and Production during Deregulated Regime



21

## Nitrogen to phosphorus use ratio



22



## Present Scenario regarding Fertilizer

---

- GOP is providing subsidy on imported Urea to equate the difference between international and domestic market price.
- Feed stock gas is being provided at subsidized rate.
- Gas curtailment policy of GOP is resulting in continuous decline in domestic fertilizer production especially Urea.

23



## Conclusion

---

- Deregulation of fertilizer prices resulted in
- increased domestic production and availability
  - higher crop production as a result of enhanced fertilizer use.
  - reduction in subsidy burden
  - Increase in fertilizer prices
  - Imbalanced use of fertilizers

24



## Recommendations

---

Focus in future should be on

- To promote balanced fertilizer use, subsidy should be given on P and K fertilizers.
- To enhance fertilizer use efficiency, integrated nutrient management system be adopted at farm level.
- To ensure gas supply to urea manufacturing plants to enhance domestic production.

25



# THANKS

26