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SINGAPORE
25-27 OCTOBER 2016

Recent Fertiliser Policy Initiatives

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Outline of Presentation

- **New pricing policy for urea units**
 - Existing plants
 - New plants
 - Pooling of prices of gas
- **Fertiliser movement policy**
- **Neem coated urea**
- **Soil health card scheme of the GOI**
- **Direct benefit transfer (DBT) of fertiliser subsidy to farmers**
- **Goods and Services Tax (GST)**

New Urea Pricing Policy – 2015 for Existing Plants

- Present arrangement will continue
 - MRP to be fixed by the government
 - Determination of unit-wise cost of production by the government continues
- Energy consumption norms more stringent
 - Savings in energy consumption mopped up by the government
 - No provision for investment for reduction in energy saving
 - From 1st April, 2018, energy norms will be as under:
 - i) Group I: 5.5 G.Cal/MT
 - ii) Group II: 6.2 G. Cal/MT
 - iii) Group III:6.5 G.Cal/MT
- Fixed cost continues to remain same as prevailed in 2002-03
- Single policy for excess production - Linked to import parity price

Policy for New Urea Plants

- New urea plants governed by New Investment Policy 2012 and amendment to the policy in 2014
- Floor and ceiling price of urea linked to IPP based on specific gas price. Provision for escalation increase in gas price in the price formula.

New Urea Plants

- Ammonia/urea plant of Matix Fertilisers at Panagarh, W. Bengal – Construction completed. Commissioning date not announced
- Brownfield Ammonia/ urea plant of Chambal Fertilisers, Gadepan (III), under construction
- Ammonia/ urea plant at Ramagundam being revived
- The first phase of laying of gas pipeline from Phulpur to Barauni in progress
- Revival of 3 more plants at Gorakhpur, Barauni and Sindri along new gas pipeline proposed
- Likely additional production capacity of urea by 2020-21 – 7.62 million tonnes.

Pooling of GAS Policy

- The scheme on Pooling of Gas implemented w.e.f. 1st June, 2015
- Domestic gas pooled with imported R-LNG to provide natural gas at uniform price to all urea units connected to natural gas grid
- An Empowered Pool Management Committee (EPMC) constituted under the guidelines to administer the operation of pool.
- The responsibilities of EPMC include gas supplies to urea plants, approve procurement of R-LNG, monitor optimum utilization of domestic gas etc.
- GAIL (India) has been appointed as the pool operator to determine the demand and making necessary arrangements for supplies of gas.
- GAIL is also responsible to declare the weighted average uniform pool price and maintain the pool fund account.

Impact of Pooling of GAS



- No impact on the existing contracts
- No shortage of gas
- Price settlement at the end of the month
- Level playing field
- Major step forward for reforms
- Implementation issues



Fertiliser Movement Policy

- Fertilisers presently moved by rail and road
- Now can be moved by rail, road, inland and coastal water
- Incentives / concessions given for movement by Inland water/ Coastal shipping
- Cost reduction
- Saving in time
- Reducing load on existing infrastructure
- Environment friendly.

Neem coated Urea and Policy support

- Researches on Neem coated urea for last 40 years 
- Indian scientists reported nitrification inhibiting properties of *Neem* during 1970s and developed Neem Cake Coated Urea (NCU) in 1983. 
- Control on MRP of urea inhibited commercial production of NCU for a long time
- GOI allowed urea manufacturers to recover cost of coating from farmers by selling NCU 5% above MRP in 2008
- GOI put a cap of 20% of total urea production on NCU in 2008. Cap raised to 35% in 2011 and 75% in March, 2015
- Made mandatory to produce 100% of subsidised urea as Neem-coated from May 2015. Imported urea is also being coated with neem oil at ports.



Benefits of Neem coated Urea

- Improvement in nutrient use efficiency (NUE)
- Stoppage of diversion of highly subsidized urea to non-agricultural uses
- Pest repellent.

Soil Health Card Scheme

- GOI has been emphasizing on soil test based recommendations over more than past 40 years
- Soil testing laboratories set up until March 2014 was 1244 with annual analyzing capacity of 17.8 million samples

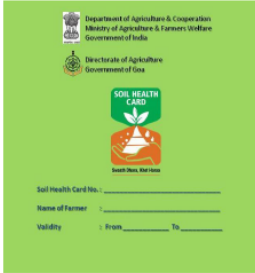
Zone	Number of Soil Testing Laboratories			Analyzing capacity ('000 nos.)
	Static	Mobile	Total	
East	106	39	145	959.4
North	386	51	437	5444.5
South	192	36	228	6727.4
West	364	70	434	4695.4
All-India	1048	196	1244	17826.7



Soil Health Card Scheme

- **Soil Health Card Scheme** launched by the GOI in February 2015 has given further boost to the existing programme
- The scheme aims at helping farmers to improve agricultural productivity through judicious use of inputs.
- Under the scheme, the government issues soil health cards to all farmers which carries crop-wise recommendations of nutrients and fertilisers required for the individual farms
- All soil samples are to be tested in various soil testing labs across the country. Soil test results and recommendations are being displayed in the cards.
- The government plans to issue the cards to 140 million farm holdings by 2017. Total budget INR 3.68 billion
- Additionally, 2000 model retail outlets of fertiliser companies will be provided with soil and seed testing facilities during next 3 years.






SOIL HEALTH CARD				Name of Laboratory		
Farmer's Details				SOIL TEST RESULTS		
Name		5. No.	Parameter	Test Value	Unit	Rating
Address		1	pH			
Village		2	EC			
Sub-District		3	Organic Carbon (OC)			
District		4	Available Nitrogen (N)			
PIN		5	Available Phosphorus (P)			
Aadhaar Number		6	Available Potassium (K)			
Mobile Number		7	Available Sulphur (S)			
Soil Sample Details				8	Available Zinc (Zn)	
Soil Sample Number		9	Available Boron (B)			
Sample Collected on		10	Available Iron (Fe)			
Survey No.		11	Available Manganese (Mn)			
Khasra No. / Dag No.		12	Available Copper (Cu)			
Farm Size						
Geo Position (GPS)	Latitude: _____	Longitude: _____				
Irrigated / Rainfed						

Secondary & Micro Nutrients Recommendations		
Sl. No.	Parameter	Recommendations for Soil Applications
1	Sulphur (S)	
2	Zinc (Zn)	
3	Boron (B)	
4	Iron (Fe)	
5	Manganese (Mn)	
6	Copper (Cu)	
General Recommendations		
1	Organic Manure	
2	Biofertiliser	
3	Lime / Gypsum	

Fertilizer Recommendations for Reference Yield [with Organic Manure]				
Sl. No.	Crop & Variety	Reference Yield	Fertilizer Combination-1 for N P K	Fertilizer Combination-2 for N P K
1	Paddy (Dhaan)			
2				
3				
4				
5				
6				

International Year of Soils 2015		Healthy Soils for a Healthy Life
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Challenges and Suggestions

- Creation of adequate soil testing laboratory facilities
- Gearing of State extension machinery
- Follow up of recommendations laid down in Soil Health Card



Direct Benefit Transfer of Fertiliser Subsidy (DBT)

2007 : Fertiliser Monitoring System (FMS)

- Dept. of Fertilizers under Ministry of Chemicals & Fertilizers developed web based FMS in 2007 to track data on movement of fertilizers from plants/ports to districts
- FMS has been used for disbursement of subsidy

2011: Task Force

- A Task Force was set up in 2011 under the chairmanship of Mr. Nandan Nilekani for a roadmap of DBT

2012: Mobile Fertiliser Monitoring System (mFMS)

- Mobile Fertilizer Monitoring System (mFMS) was developed in 2012 to capture data regarding sale of fertilizers to wholesalers and retailers
- Subsidy payment linked to confirmation of receipt of fertiliser by retailers.
- It has Web and Mobile interface for entry/access of information and has been used for generation of data for claiming Balance Subsidy.



DBT

2016 : Integrated Fertilizer Monitoring System (iFMS)

- iFMS developed in 2016 to track movement of fertilizers from plants/ports to buyers (farmers).
- iFMS is a step towards facilitating "Direct Benefit Transfer of Fertilizer Subsidy to buyers (farmers)
- POS machine interface for entry/access of information
- The System will be used for:
 - Tracking movement of fertilizers from plant / port to farmers to capture
 - i) Retailers' sales
 - ii) Buyers' details
 - Subsidy payment
 - Educating the farmers regarding the type and quantity of fertilizers required.



Proposed Model

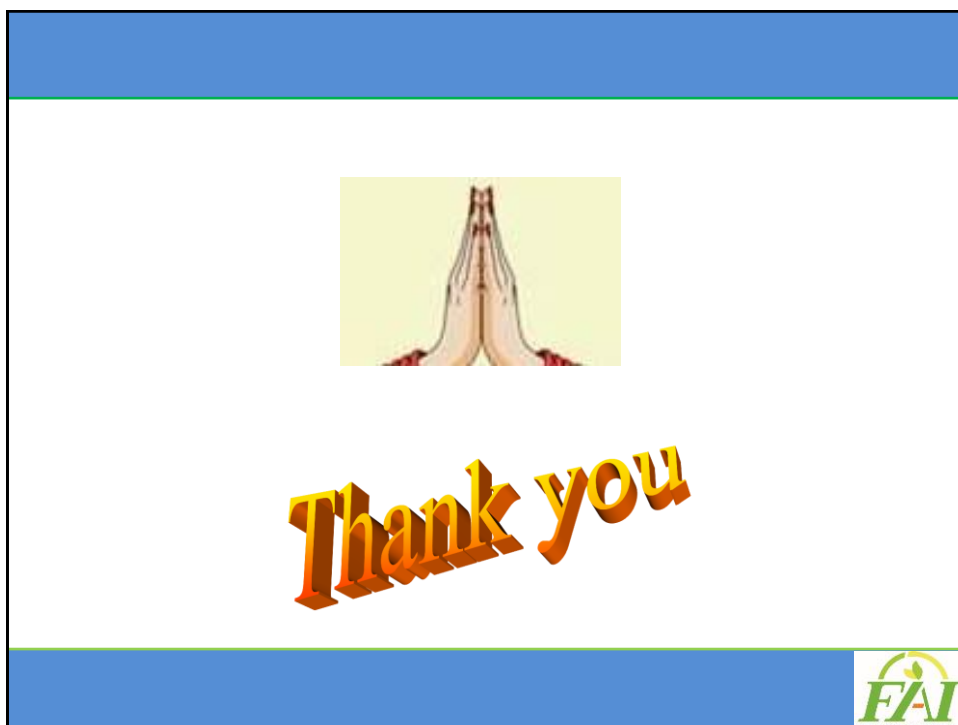
- Farmer will continue to purchase at subsidised MRP
- Subsidy amount will continue to be paid to manufacturer
- No incentive for the retailers
- The subsidy will be paid based on actual sales captured on POS device
- Subsidy to manufacturer will be paid on weekly basis under pilot scheme
- Subsidy payment gets more stringent to the manufacturers
- Higher working capital requirement for the manufacturer / importer
- No road map for DBT to the farmers in sight.



Goods and Services Tax (GST)

- Fertilizer products and input goods / services used in the manufacture of fertilizers should be taxed at a rate of 6%.
- Specific provisions for excluding subsidy on fertilizers from levy of GST.
- Specific provisions for expeditious refund mechanism for accumulated input tax credit.





THIRD SESSION

Fertilizer Regional Outlook (*cont'd*)

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