

Cartels to blame for spike in fertiliser subsidy: Govt

Manufacturers asked to sign long-term supply agreements

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FERTILISER MINISTER MANSUKH Mandaviya on Wednesday blamed the global manufacturers for artificially hiking the prices of soil nutrients in the last one year, taking the advantage of supply disruption caused by the Russia-Ukraine conflict. "The way global fertiliser prices were hiked in the last one year was not fair," Mandaviya said, addressing the Fertiliser Association of India (FAI) annual seminar 2022.

The government has been increasing fertiliser subsidies while market manipulation pushed up prices of soil nutrients, he said. "Market should discover global prices of fertilisers," Mandaviya stated.

Stating that there are severe challenges of rising costs and availability of fertiliser globally, he stressed the need for Indian fertiliser manufacturers establishing links with global suppliers in a transparent manner by taking into account the supply situation in the long term.

"In the times to come we will choose fair and frank partners, rather than tolerating carterisation," Mandaviya said. Nearly half of country's di-ammonium phosphate (DAP) requirements are imported via (mainly from West Asia and Jordan) while the domestic Muriate of potash (MoP) demand is met solely



GLOBAL PRICE SWINGS

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through imports (from Belarus, Canada and Jordan, etc). India also imports about 20% of its annual consumption of urea.

Coromandel International, Chambal Fertilizers and Indian Potash Limited recently signed an MoU with Canpotex, Canada for import of potash. The government is negotiating with countries like Russia, Israel for long term supplies of potash and other nutrients.

According to the fertiliser minister, the subsidy has increased from \$11.2 billion in the pre-pandemic year of 2019-20 to \$ 18.79 billion in 2021-22. "Current year the fertiliser subsidy is estimated to exceed \$ 28.98 billion," Mandaviya said.

The government's fertiliser subsidy expenses are likely to

be in the range of ₹2.3-2.5 trillion in this fiscal but may see a fall in 2023-24 because of recent moderation in global prices, the Fertiliser Association of India had stated.

The subsidy on farm nutrients stood at ₹1.6 trillion (revised estimate) last year. It would be the fourth year in a row that the annual Budget spending on fertilisers would be above ₹1 trillion mark this fiscal, against a lower range of ₹70,000-80,000 crore in the past few years.

Rating agencies — ICRA & Crisil — have pegged the government's fertiliser subsidy to cross ₹2.5 trillion in the current fiscal.

According to FAI, imported urea prices have risen by more than 150% to \$1,000 a tonne in December 2021 from \$400 a tonne in April, 2021. In October, 2022, imported urea prices are at \$600 a tonne. Global prices of DAP, which rose by 70% \$ 945 a tonne in July 2022 from \$555 a tonne in April, 2021, have since moderated. In October 2022, DAP prices were \$722 a tonne.

In case of urea, farmers pay a fixed price ₹242 per bag (45 kg) against the cost of production of around ₹2,650 per bag. The balance is provided by the government as a subsidy to fertiliser units. Meanwhile, the urea units use pooled gas, which comprises domestic gas and imported liquefied natural gas, a policy which had been formulated since May, 2015 by the petroleum ministry. The pooled gas price in October 2022 was around \$25 million metric BTU (mmbtu) and has jumped by almost two and half times in the last 18 months.