Reviving the Fertiliser Industry

What is the issue?

\n\n

\n
- The centre aims at building a vibrant home-grown fertiliser industry.
\n
- However, the government approach seems to be lacking attention on the structural and pricing issues rampant in the fertiliser sector.
\n

\n\n

What are the recent measures?

\n\n

\n
- Plans are on to pump over Rs 30,000 crore into reviving five of eight sluggish urea-making PSUs.
\n
- Also, the government has decided to write-off around Rs 20,000 crore.
\n
- This relates to government loans and interest accrued to three public sector fertiliser companies.
\n
- The Centre, in all, relies on ramping up the presence of the PSUs in the fertiliser sector to ensure self-sufficiency in fertilisers.
\n

\n\n

What are the concerns in the sector?

\n\n

\n
- **Production** - India’s consumption of both nitrogenous and phosphatic fertilisers grew at a moderate pace in recent years.
\n
- However, the domestic production, especially in the private sector, has weakened.

\n
- **Less competitive** - Indian players have less natural competitive advantage as against the global players.
\n
- This is largely because of the regressive policies of the government, which is resulting in lack of material competitive edge.
\n
- **Cost** - Relying on imports for most of the feedstock for the industry results in accelerated production cost.
\n
- However, selling prices for both urea and ‘decontrolled’ fertilisers are fixed way below the production costs.
\n
- **Subsidy** - Low prices are due to the fact that pricing policy for urea continues to remain highly subsidised.
\n
- Further, the unrealistic norms result in inordinate delays in subsidy reimbursement to the industry.
\n
- **Doing business** - Some of the efficient private players who have made investments in the sector had exited, due to poor profit margin.
\n
- In addition, draconian Government controls on operations hamper the smooth functioning of the industry.
\n
- Besides, sales are subject to overt regulation, working against the ease of doing business principle.
\n

\n\n

Is PSUs revival the right option?

\n\n

\n
- The PSUs have traditionally struggled with high production costs and inefficiencies in the fertiliser industry.
\n
- Given this, the decision to enhance State presence in the sector is less likely to bear fruit.
\n
- Besides, this could prove expensive for the State's fiscal.
\n

\n\n

What should be done?

\n\n

\n
- The inherent concerns in the sector have to be addressed with utmost priority through some deep-rooted structural reforms.
\n
- Enhanced participation of private and foreign players should be facilitated with lighter regulatory structures.
\n
- This is critical for Indian farmers to gain access to latest global advances in nutrients and delivery.
\n
- Further, public-sector disinvestment programme should be routed into the fertilisers sector as well.
\n
- Importantly, market-linking of fertiliser prices would go a long way in rationalising the prices for both producers as well as consumers.
\n

\n\n

\n\n

Source: Business Line

\n

