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Origins of the crisis

The reports of farmers' unrest on account of a fertiliser scarcity in several states, at a time when kharif crop sowing has already begun, raise troubling questions. A nutrient deficiency now seems unavoidable, with the inevitable effect on crop output. Apart from everything else, this will add to the troubles of a government which is already waging a losing battle against rising prices in an election-packed year. What makes the fertiliser crisis particularly difficult to deal with is that the scarcity is more pronounced in phosphatic fertiliser, which is added to the soil along with seeds to aid root development. So even if supplies improve in a matter of weeks, it may be too late to help the kharif crop. Matters are even more complicated because the monsoon has set in relatively early this year, and has also advanced swiftly to reach Maharashtra and Gujarat in the west and Bihar and eastern Uttar Pradesh in the east, lending momentum to crop planting and, in the process, pushing up fertiliser demand early in the season. The liberal hikes in the support prices of crops, high ruling prices of agricultural commodities and the government's farm loan waiver have all contributed to higher demand growth for fertiliser this year. Much of this was predictable and there should have been a suitable supply response. Unfortunately, that has not been forthcoming, resulting in the present shortage.

The crisis has therefore been caused by administrative failure and a policy void which have crippled the once thriving fertiliser sector. While administrative lapses can be blamed for not organising adequate and timely fertilis-

er imports, the policy vacuum is more deep-rooted, eroding the economic viability of the domestic fertiliser industry. While the demand for plant nutrients has been growing annually by a handsome 10 per cent, domestic fertiliser production has either stagnated or fallen. The ever-increasing import-dependence of a country that is the world's second largest consumer of plant nutrients has contributed, along with the spurt in feed costs, to the several-fold increase in global fertiliser prices. This has further compounded the problem for India, since the additional costs have to be met by the government through the fertiliser subsidy programme, which is in a mess because the government has massive, unpaid subsidy bills totalling a mammoth Rs 95,000 crore. This has forced a crippling liquidity crunch on the fertiliser industry, in the process affecting both production and imports. The long overdue and much-needed reforms in the domestic fertiliser sector, including a revamp of the pricing and subsidy disbursement methods, has not been forthcoming though the reports of several committees on this issue are available with the fertiliser ministry. Fresh investment in the sector has dried up and no addition to domestic capacity has taken place for nearly two decades. It is, therefore, not at all surprising that the crisis is now coming to a head, leading to law and order problems and even acquiring a political hue. On the other hand, if India responds only in a crisis, it must be hoped that the present crisis provides the spark that will light up a new set of government policies for the fertiliser sector.