

Reviving the Fertiliser Industry

What is the issue?

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

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What are the recent measures?

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

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What are the concerns in the sector?

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

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- **Less competitive** - Indian players have less natural competitive advantage as against the global players.

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- This is largely because of the regressive policies of the government, which is resulting in lack of material competitive edge.

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- **Cost** - Relying on imports for most of the feedstock for the industry results in accelerated production cost.

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- However, selling prices for both urea and 'decontrolled' fertilisers are fixed way below the production costs.

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- **Subsidy** - Low prices are due to the fact that pricing policy for urea continues to remain highly subsidised.

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- Further, the unrealistic norms result in inordinate delays in subsidy reimbursement to the industry.

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- **Doing business** - Some of the efficient private players who have made investments in the sector had exited, due to poor profit margin.

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- In addition, draconian Government controls on operations hamper the smooth functioning of the industry.

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- Besides, sales are subject to overt regulation, working against the ease of doing business principle.

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Is PSUs revival the right option?

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- The PSUs have traditionally struggled with high production costs and inefficiencies in the fertiliser industry.

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- Given this, the decision to enhance State presence in the sector is less likely to bear fruit.

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- Besides, this could prove expensive for the State's fiscal.

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What should be done?

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- The inherent concerns in the sector have to be addressed with utmost priority through some deep-rooted structural reforms.

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- Enhanced participation of private and foreign players should be facilitated with lighter regulatory structures.

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- This is critical for Indian farmers to gain access to latest global advances in nutrients and delivery.

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- Further, public-sector disinvestment programme should be routed into the fertilisers sector as well.

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- Importantly, market-linking of fertiliser prices would go a long way in rationalising the prices for both producers as well as consumers.

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Source: Business Line

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