

Raw deal for SSP fertiliser

Ignored, discriminated against and ignored again, single super phosphate — the poor man's fertiliser — has had it rough because of the sudden decontrol in 1991 and by the *ad hoc* policy decisions taken since then. This vital fertiliser needs better treatment, says **Uttam Gupta**.

INCREASING and balanced application of chemical fertilisers is essential to raise crop yields and maintain fertility. In the 1970s and the 1980s, not only was there a substantial increase in consumption of all major nutrients (nitrogen, phosphate and potash) from 2.89 million tonnes in 1975-76 to 12.73 million tonnes in 1991-92, but also a significant improvement in the NPK use ratio, from 7.7:1.7:1 in 1975-76 to 5.9:2.4:1 in 1991-92.

This was facilitated by a stable and uniform policy covering all fertilisers with the central retention pricing and subsidy scheme (RPS). However, following the sudden decontrol of all P and K fertilisers and dismantling the RPS for phosphatic fertilisers, in August 1992, and with the continued control on urea, there was setback in the 1990s — the NPK use ratio fell to 8:4:3.0:1 in 1998-99.

The entire phosphatic industry has been a victim of sudden decontrol and *ad hoc* policy decisions. But single super phosphate (SSP) manufacturers have been the worst-affected; particularly in view of the unfair and discriminatory treatment *vis-a-vis* the producers of DAP and other complex phosphatic fertilisers.

SSP has played a major role in the development of phosphatic industry and in promoting balanced fertiliser use. In fact, SSP was first produced commercially as early as 1906 at EID Parry's Ranipet (now in Tamil Nadu) plant.

Considering SSP's vital role in promoting balanced fertiliser use, maintaining soil health, increasing production of a variety of crops, in particular, import substitution commodities such as pulses and oilseeds and,

above all, its benefits to small and marginal farmers, it would be a serious mistake to ignore the dire need for a policy environment conducive to its continued health and growth.

Till the 1990s, all fertilisers, including SSP, were covered by the RPS even as there was control on their selling prices (thus ensuring parity between various products. With effect from July 25, 1991, while the selling prices of all fertilisers, except ammonium sulphate, calcium ammonium nitrate and ammonium chloride (which were decontrolled), were raised by a uniform 40 per cent, on SSP, the government imposed an artificial ceiling on subsidy. This was tantamount to reducing the realisation of SSP units to level below their reasonable production cost.

Being arbitrary and discriminatory (producers of urea and DAP, continued to be paid on the basis of reasonable production cost), the ceiling on subsidy was challenged by some manufacturers in the Delhi High Court which was struck down. The Supreme Court too endorsed the Delhi High Court decision. But the viability and cash flows of several units had been affected.

The second blow came when, after decontrol of all P and K fertilisers (August 1992), SSP was left out of the *ad hoc* scheme providing for concession at prescribed rates. This essentially meant that the realisation of producers was proportionately lower by Rs. 340 per tonne (1000/460*160), as they could not afford to raise selling price for fear of disturbing the parity and consequential loss of market share.

In early September 1992, the government decided to allow import of raw ma-

terials and intermediates — phos acid, ammonia, rock phosphate, sulphur used in the manufacture of DAP and other complex phosphatic fertilisers at the lower of the two official exchange rates. SSP was left out of this dispensation as well.

This meant a proportionately higher cost of imported raw materials for SSP units *vis-a-vis* DAP and other complexes as, for every dollar worth of imports, the former had to spend Rs. 4 more (the differential between the official and market rate of exchange) than the latter. This, together with the ceiling on subsidy and denial of concession support, led to a steep decline in SSP production, from 3.65 million tonnes in 1990-91 to 2.33 million tonnes in 1992-93.

In early 1993-94, SSP was brought under the purview of the *ad hoc* concession scheme (at Rs. 340 per tonne). Meanwhile, following the full convertibility of the rupee on current account and the introduction of the unified exchange rate system, the benefit of lower official rate available to producers of DAP/complex fertilisers on their raw material/intermediate imports automatically disappeared. Consequential restoration of parity in the

realisation of SSP *vis-a-vis* other fertiliser majors helped in reviving production to 3.21 million tonnes in 1995-96.

While raising concession on indigenous DAP from Rs. 1,000 per tonne to Rs. 3,000 (on proportionate basis for other complete phosphatic fertilisers), the concession on SSP was increased from Rs. 340 per tonne to only Rs. 500.

There would have been parity only if the concession had been raised to Rs. 1,040 per tonne (3,000/460*160).

The inequity was further aggravated, when with effect from April 1, 1997, the concession on SSP was increased to only

Rs. 600 per tonne even as that on indigenous DAP was raised to Rs. 3,750 (proportionate basis for other complexes). On consideration of parity, the concession on the former should have been Rs. 1,300 per tonne (3,750/460*160)!

The discriminatory treatment of SSP continued in 1998-99 as well. In kharif 1998, even as the concession on indigenous DAP was enhanced to Rs. 4,400 per tonne, that on SSP was unchanged at Rs. 600. This was despite increased cost of imported rock phosphate/sulphur and railway freight leading, in turn, to higher cost of supply. State governments' refusal to allow selling price increases compounded the woes of SSP units.

In rabi 1998-99, an increase in concession from Rs. 600 per tonne to Rs. 900 (concession for DAP and other complex-

conductive policy (reasonable concession, improved payment systems), the former's recovery at the desired pace was constrained by inadequate concession support. In 1997-98, capacity utilisation in SSP was only about 60 per cent against DAP's above 100 per cent. In 1998-99, SSP production dropped to 3.60 million tonnes.

In kharif 1999, even as the reasonable cost of production increased further due to the continuing depreciation of the rupee, the imposition of Customs duty on imported raw materials and the increase in railway freight charges, the concession on SSP remained unchanged at Rs. 900 per tonne.

This is in contrast to the increase in the concession on indigenous DAP to Rs. 4,600 per tonne. With no increase in sell-

ing price — as that of DAP and other complexes remained unchanged — margins of SSP manufacturers have been further squeezed.

There is an urgent need to extricate the SSP industry from the tangle it is in.

This would require linking the price/concession on SSP on a proportionate basis to DAP as recommended by the Higher Power Fertilisers Pricing Policy Review Committee (1998). Ideally, the government should only fix

Installed capacity, production and capacity utilisation of SSP

(in thousand tonnes)

	Installed capacity	Production	Capacity utilisation (%)
1990-91	5090.9	3650.3	76.1
1991-92	4967.5	2984.8	61.6
1992-93	4993.5	2329.3	48.5
1993-94	5111.0	2257.2	49.1
1994-95	5357.2	3024.6	59.0
1995-96	5646.2	3201.9	65.8
1996-97	6004.2	3187.0	55.0
1997-98	6391.2	3720.8	59.7
1998-99	6463.2	3596.0	59.1

es is yet to be notified) went largely to off-set further cost escalations. However, the units were still handicapped. In some States, such as West Bengal, the selling price was reduced, thereby compounding the miseries of the units selling there.

SSP production declined from 3.21 million tonnes in 1995-96 to 3.14 million tonnes in 1996-97 but rose to 3.72 million tonnes in 1997-98. In terms of P, the increase in 1997-98 over the previous year was a modest 0.09 million tonnes when compared to an unprecedented increase of about 0.50 million tonnes P through DAP. While the latter was due to

concession rates ensuring parity among various fertilisers based on nutrient content and leave the task of fixing the price to the producers.

If, however, it continues with the control on the price of DAP/complexes, then it should also fix the price of SSP — instead of leaving the task to the States — to ensure uniformity of approach and, in turn, the viability of the units producing this vital nutrient.

(The author is chief economist, The Fertiliser Association of India, New Delhi.)