

Free from state controls

The vacillating fertiliser policy is affecting production, consumption and soil fertility, says Uttam Gupta

FREQUENT and abrupt changes in policies can play havoc with prospects in any given sector of the economy. This is amply demonstrated by the present crisis situation in the fertiliser sector, where not only the production and consumption has declined substantially in the past two years but the resultant undernourishment of the soils carries the risk of a substantial reduction in foodgrains production as well.

Based on the recommendation of the Joint Parliamentary Committee on fertiliser pricing (JPC), the government decontrolled phosphatic and potassic fertilisers with effect from August 25, 1992. The argument advanced in support of the decision was essentially two-fold. First, these fertilisers are used predominantly by rich farmers and on commercial crops. Second, the decontrol would fetch enormous saving in fertiliser subsidy.

Within a matter of just one month, this perception gave way to a totally opposite view. With effect from September 29, 1992, the government introduced an ad hoc subsidy on all phosphatic and potassic fertiliser (excepting SSP) aimed at reducing the selling prices to the farmers in respect of sales during the rabi 1992-93. If the government's intention was to continue the subsidy, why did it have to decontrol in the very first instance. Conversely, if the original perception (mentioned categorically in the JPC report) was to hold, then, why did the government come back with subsidy so soon.

The ad hoc subsidy was discontinued with effect from April 1, 1993, as no financial provision was made in the 1993-94 budget. Given the finance minister's oft-repeated commitment that reforms in the fertiliser sector were irreversible, one would have dismissed the ad hoc subsidy as a one-time affair confirmed by the absence of any budgetary provision. It was felt that the situation would stabilise now. But, on May 4, 1993, the Union agriculture minister announced in Parliament that the ad hoc subsidy would be continued. That was the third time that the government's perception changed.

The relevant notification came in the middle of June 1993 and, this time, the complexion of the ad hoc subsidy looked somewhat different. It was now available only on domes-

tically manufactured phosphatic fertilisers in addition to MOP (the latter is entirely imported). Besides, even SSP, which was not covered during rabi 1992-93, was also included. The subsidy was to be made available on sales up to March 31, 1994.

Changing its perception for the fourth time, in the 1994-95 budget, the government has once again discontinued the ad hoc subsidy as no financial provision has been made. Expectations of a stable policy environment are dashed the moment one considers the remarks of the Prime Minister reported in a section of the

rabi 1991-92 level. In the next season i.e. kharif 1993, P and K use declined by 28 per cent and 32 per cent, respectively, over kharif 1992. Even in rabi 1993-94 that has just ended, the situation is no better. With consumption of nitrogen continuing to grow, the NP and K use ratio has deteriorated from 5.9:2.4:1 in 1991-92 to 9.5:3.2:1 in 1992-93 and to 11.6:3.2:1 in 1993-94. This will inevitably affect soil fertility and its capacity to maintain higher crop productivity in the medium to long-run.

All along, an impression has been gaining ground that the higher prices

Under the present arrangements, the subsidy money is given to the concerned state governments who in turn, are expected to release it to the manufacturers for facilitating reduction in selling prices to the farmers. With the subsidy handle, the former tell the latter to sell their product at unrealistically low prices which do not cover their reasonable cost of production and distribution. During 1993-94 for instance, DAP was required to be sold at Rs 6,500 per tonne to the farmer (excluding local tax) which along with a subsidy of Rs 1,000 per tonne provided a net back of only Rs 7,500 per tonne to the manufacturers. This was significantly lower than the expenditure incurred by even the most cost-effective producer.

Some of the states like Bihar and Madhya Pradesh do not provide subsidy for sales through the private distribution network which handles about 65 per cent of the material. Besides, a number of states are known to have used the funds provided by the GOI to improve their ways and means position. That would mean a serious loss to the producer in case he sells at the state-directed price. Alternatively, the intended benefit of the subsidy will not reach the farmers.

At the prevailing prices i.e. Rs 6,500 per tonne DAP, even imports have become uneconomical. Domestic production has declined sharply during 1993-94 and on the other, hardly any imports have come during the past six months. Meanwhile, the cost of the material from both the sources continues to rise due to rising prices of phos acid and ammonia for indigenous production and increase in c&f landed cost in respect of imported DAP. Strangely enough, even as the farmers badly need fertilisers and may now be even willing to pay a higher price after the initial set-back, continued state intervention by way of both price and distribution control is simply not letting that happen.

The need of the hour is to free, at the earliest, the users of fertilisers from, the unnecessary and unwarranted state controls which despite pronouncements to the contrary, have only hit them all lock stock and barrel. The government's categorical announcement, that it will not interfere any more with the price setting and distribution even at this late stage, may yield some good results.

press. Reacting to the obvious conclusion reached by some MPs that the subsidy was being discontinued, the PM had quipped that "Don't jump to the guns." Clearly, the government is not letting the dust to settle down even now. And, considering the political sensitivities accompanying the issue, no decision may be expected at least so long as Parliament is in session and till the Finance Bill is passed.

While the government makes no bones about the fact that its policies on fertilisers are farmer friendly, experience clearly proves that they have been adversely hit. During rabi 1992-93, consumption of phosphate and potash went down by 20 per cent and 55 per cent, respectively, over the

after the decontrol has affected consumption of phosphatic and potassic fertilisers. However, much worse was the fact that the government blatantly ignored that the farmer needed something much more than mere announcement of favourable price.

Clearly, what he desired was stability of price and whether the required quantities would be available at that price. On both these counts, the farmers have been disappointed. Whether to give subsidy or not and if yes, at what level? This question is linked up with the price that the farmer would be required to pay. Continued uncertainty on this has ensured that the farmer would not even know where exactly he stood vis-a-vis the price.

