

# Pakistan fertilizer industry analysis



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The factors included in the Porter's five Forces Model as applicable to Fertilizer Industry of Pakistan are follow: The entry barriers for this industry are high and thus do not allow too much flow into the sector.

Setting up a plant requires huge amount of capital and expertise. The return on the investments is collected and more profitable in long-term. That is the reason why we see only a handful of players in the industry. The main Raw material for the industry is methane, which is obtained from natural gas.

It is supplied by the local gas industry to the factories. Gas is used as both feed and fuel stock, thus one can image the significance of this raw material for this industry. Since gas is the main ingredient therefore there is supplier power present. There is no other substitute present for gas. If the gas company/industry is privatized, it will be more dominant over the fertilizer industry.

Farmers are the main buyers in this industry, as they are the ones in need of fertilizers for better productivity of their crops.

Thus they end up paying the amount the fertilizers are priced without any negotiations. The main problem facing the industry is that they can increase the price of the end product to meet their costs of production to a certain extent as the farmers are not well-off enough to afford the costly fertilizers. So the industry has a certain price limit.

But the price cannot be raised too much, as the local farmers would not be able to afford the product. The fertilizer policy mentions the abolishment of the gas subsidy provided to the local firms.

This is also a main threat to the firms because then there over all cost of production will also increase. It has been forecasted that if the current usage of gas supplies continues provided that we are unable to explore new gas reserves then Pakistan would be out of gas by 2012. Since gas is the raw material for the production therefore this is a major threat to the fertilizer industry, as they wont be able to meet the demand and make profits.