P.L.RAJ IAS & IPS ACADEMY

Building Bureaucrats Since 2006

2. Rise In India's Fertiliser Subsidy Burden - Economy

India's fertiliser subsidy burden is expected to rise sharply to around ₹3.4 lakh crore in 2026-27, nearly double the Budget Estimate of ₹1.71 lakh crore.

1. Global supply disruptions driven by West Asia geopolitical tensions and export restrictions by major suppliers are driving international fertiliser prices upward.
2. India's heavy dependence on fertiliser imports combined with surging global prices creates fiscal pressure on government budgets and farmer livelihood concerns.

1.Understanding Fertilisers and Subsidy Mechanism

Nature of Fertilisers

1. Fertilizers are concentrated plant nutrients made from inorganic chemicals containing nutrients in higher amounts applied in smaller quantities compared to organic manure.
2. Different types include single nutrients (urea, DAP, MOP) and mixed fertilizers providing multiple nutrients addressing specific soil deficiencies.

Subsidy Delivery Mechanisms

1. Subsidy on Sale Price provides financial support to fertilizer manufacturers or importers lowering price paid by farmers.
2. Direct Benefit Transfer (DBT) transfers subsidy directly to farmers through bank accounts reducing intermediaries and ensuring transparency.
3. Fixed Subsidy Rates apply per kilogram for urea while other fertilizers like DAP are adjusted periodically based on market prices.

2.Drivers of Rising Subsidy Burden

Global Supply Disruptions

1. Ongoing conflict in West Asia and disruption of Strait of Hormuz have increased fertilizer and energy prices globally affecting India's imports.
2. Major suppliers including China have restricted exports to secure domestic supplies reducing global fertiliser availability.
3. This creates supply shortage and price spikes impacting countries dependent on imports like India.

Sharp Import Price Increases

1. India's recent urea imports were contracted at $935-959 per tonne compared to $410-420 per tonne a year earlier representing 128% price increase.
2. Cost of fertiliser sack has increased from around ₹3,000 post-Covid to ₹4,500 creating affordability concerns for farmers.
3. Despite high international prices, government continues providing heavily subsidised rates to farmers to support agricultural production.

Import Dependence

1. India remains one of the world's largest fertiliser importers with significant dependence on global markets creating vulnerability to international price fluctuations.
2. Gulf countries including Oman, Qatar, Saudi Arabia, UAE, and Bahrain account for around 40% of India's urea imports concentrating supply risk.

3.Government Initiatives to Manage Fertiliser Challenge

PM PRANAM Scheme

1. PM Programme for Restoration, Awareness Generation, Nourishment and Amelioration of Mother Earth (PM PRANAM) incentivizes States and UTs to promote alternate fertilizers.
2. The scheme reduces dependence on chemical fertilizers through incentive structures and capacity building.

Neem-Coated and Sulfur-Coated Urea

1. Government introduced 100% Neem Coating on all subsidized agricultural grade urea to increase nutrient efficiency, crop yield, and soil health.
2. Neem coating also checks diversion of agricultural grade urea for non-agricultural activities preventing misuse.
3. Sulfur Coated Urea (Urea Gold) overcomes sulfur deficiency in soil and reduces input cost for farmers.

Nutrient-Based Subsidy Policy

1. Policy aims to promote balanced use of fertilizers by linking subsidies to nutrient content (nitrogen, phosphorus, potash, sulfur) rather than final product.
2. Government sets fixed subsidy amount per kilogram for each nutrient in P&K fertilizers encouraging optimal nutrient ratios.

Nano Urea Technology

1. Nano Urea is liquid fertilizer developed by IFFCO serving as alternative to conventional urea with enhanced nutrient utilization efficiency.

4.Way Forward

1. **Capacity Expansion** - Speed up commissioning of domestic urea plants under "Atmanirbhar Bharat" reducing import reliance and stabilizing prices.
2. **Sustainable Practices** - Promote wider adoption of nano-urea, bio-fertilisers, and soil health cards reducing chemical fertiliser intensity over time.
3. **Supply Chain Resilience** - Diversify import sources reducing dependence on specific regions and develop strategic reserves managing future disruptions.
4. **Biostimulants Promotion** - Encourage biostimulants enhancing nutrient uptake and improving plant metabolism reducing effective chemical fertiliser requirements.

Source - https -//indianexpress.com/article/business/india-us-deal-only-after-section-301-probe-is-over-10730500/?ref=infinite