

Industry Division

Topic:

Nutrient based subsidy policy for decontrolled phosphatic & potassic (P&K) fertilizers

India's dependency on import at present is to the extent of 25% of our requirement of Urea, 90% in case of Phosphates, either as raw material or finished fertilizers (DAP/MAP/TSP) and 100% in case of Potash. The subsidy outgo increased exponentially by 530% during 2004 to 2009, with about 90% of the increase due to rise in the international prices of fertilizers and inputs. Agricultural productivity did not register increase in commensurate with the increase in the subsidy bill. The MRP of the fertilizers remained constant from 2002 onwards. A Group of Ministers (GoM) constituted to look into all aspects of the fertilizer regime, recommended that Nutrient Based Subsidy (NBS) may be introduced based on the contents of the nutrients in the subsidized fertilizers. The Hon'ble Finance Minister in its Budget Speech 2009 announced for introduction of Nutrient Based Subsidy Policy for Phosphatic & Potassic fertilizers with the objective of ensuring Nation's food security, improving agricultural productivity and ensuring the balanced application of fertilizers.

The Government introduced the Nutrient Based Subsidy (NBS) Policy w. e. f. 1.4.2010 in continuation of the erstwhile Concession Scheme for decontrolled P & K fertilizers (w.e.f. 1.5.2010 for SSP). The Inter Ministerial Committee (IMC) constituted under the Nutrient Based Subsidy Policy suggest the per Kg NBS for 'N', 'P', 'K' & 'S' (Nitrogen, Phosphate, Potash and Sulphur) on annual basis. Based on the recommendations of the IMC the subsidy for P&K fertilizer we are announced on annual basis with approval of the Cabinet.

There has been a stiff rise in delivered cost (MRP + Subsidy) for DAP in past three years i.e from Rs. 21 per Kg (pre NBS price in 2010) to Rs. 41 per Kg. The subsidy was raised to counter the rise in MRP, however, the MRP rise further. Similar rise was also seen in case of MOP. Also it has been observed that the NPK balance was disturbed in case of consumption of K being 30% down compared to N and P.

It appears that the subsidy bill is getting escalated every year but impact of such initiative does indicate in terms of yield and productivity. Hence, it suggested to conduct a study to assess the needs and otherwise it can be addressed.