



Increased Subsidy on DAP

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Why in News

Recently, the government has **increased the subsidy to 140% on Di-Ammonium Phosphate (DAP) fertiliser** in order to retain the selling price for farmers at the current level.

Recently, the international prices of phosphoric acid, ammonia etc. used in DAP have gone up by 60% to 70%.

Key Points

- **About Di-Ammonium Phosphate (DAP):**
 - DAP is the **second most commonly used fertiliser in India after urea**.
 - Farmers normally apply this fertiliser just before or at the beginning of sowing, as it is **high in phosphorus (P) that stimulates root development**.
 - DAP (46% P, 18% Nitrogen) is the preferred source of Phosphorus for farmers. This is **similar to urea**, which is their **preferred nitrogenous fertiliser** containing 46% N.
- **About Subsidy Scheme for Fertilisers:**
 - Under the **current scheme**, the **MRP of Urea is fixed but the subsidy can vary** while **MRP of DAP is decontrolled (i.e subsidy is fixed but the MRP can vary)**.
 - All **Non-Urea based fertilisers** are regulated under **Nutrient Based Subsidy Scheme**.

- **About Nutrient-Based Subsidy (NBS) Regime:**
 - Under the NBS regime – **fertilizers are provided to the farmers at the subsidized rates based on the nutrients (N, P, K & S)** contained in these fertilizers.
 - Also, the fertilizers which are **fortified with secondary and micronutrients** such as molybdenum (Mo) and zinc are **given additional subsidy**.
 - The **subsidy on Phosphatic and Potassic (P&K) fertilizers is announced by the Government on an annual basis** for each nutrient on a per kg basis – which are determined **taking into account** the international and domestic prices of P&K fertilizers, **exchange rate**, inventory level in the country etc.
 - NBS policy intends to increase the consumption of P&K fertilizers so that **optimum balance (N:P:K= 4:2:1) of NPK fertilization** is achieved.
 - This would improve soil health and as a result the yield from the crops would increase, resulting in enhanced income to the farmers.
 - Also, as the government expects rational use of fertilizers, this would also ease off the burden of fertilizer subsidy.
 - It is **being implemented** from April 2010 by the Department of Fertilizers, **Ministry of Chemicals & Fertilizers**.
- **Issues Related to NBS:**
 - **Imbalance in Price of Fertilisers:**
 - Urea is left-out in the scheme and hence it remains under price control as NBS has been implemented only in other fertilizers.
 - There is an imbalance as the price of fertilizers (other than urea) — which were decontrolled have gone up from 2.5 to four times during the 2010-2020 decade.
 - However, since 2010, the price of urea has increased only by 11%. This has led to farmers using more urea than before, which has further worsened fertilizer imbalance.
 - **Costs on Economy and Environment :**

Fertilizer subsidy is the **second-biggest subsidy after food subsidy**, the NBS policy is not only damaging the fiscal health of the economy but also proving detrimental to the soil health of the country.
 - **Black Marketing : Subsidised urea** is getting diverted to bulk buyers/traders or even **non-agricultural users** such as plywood and animal feed makers.

It is being **smuggled** to neighbouring countries like **Bangladesh and Nepal**.
- **Implications of Increasing the Subsidy on DAP :**
 - As farmers will start sowing operations for **Kharif Crops**, it is highly important for them to get the fertilisers at subsidised rate so as to keep **inflation** at check.
 - Politically, too, to turn down the **farmer protests**, during the time of the **Covid's second wave**, is the last thing the government would want.

Source: IE