



Inclusion of Urea in Nutrient-Based Subsidy Regime

For Prelims: [Kharif Crops](#), [CACP](#), [Urea](#), [DAP](#), [LPG Subsidy](#), [NBS Regime](#).

For Mains: Inclusion of Urea in Nutrient-Based Subsidy Regime.

Why in News?

In its non-price policy recommendations for the [Kharif crops 2023-2024](#) season, the [Commission for Agricultural Costs and Prices \(CACP\)](#) has recommended that Urea should be brought under the [Nutrient-Based Subsidy \(NBS\) regime](#) to address the problem of **imbalanced nutrient usage in agriculture**.

- Currently, urea is excluded from the NBS scheme, which has led to disproportionate use and deteriorating soil health.

Commission for Agricultural Costs and Prices

- The CACP is a statutory body of the **Ministry of Agriculture and Farmers Welfare, formed in 1965**.
- Currently, the Commission comprises a Chairman, Member Secretary, one Member (Official) and two Members (Non-Official).
 - The non-official members are representatives of the farming community and usually have an active association with the farming community.
- It is mandated to recommend Minimum Support Prices (MSPs) to incentivize the cultivators to adopt modern technology and raise productivity and overall grain production.
- CACP submits separate reports recommending prices for Kharif and Rabi seasons.

What is the Need for Urea to be Included under NBS Regime?

- **Inadequate Supply of Natural Gas:**
 - Due to inadequate natural gas supplies, the capacity to produce urea fertilizer in India is limited, **leading to an increase in imports**. These imported urea fertilizers have a higher subsidy burden **per tonne compared to domestic urea**.
 - Additionally, the high global prices of raw materials for complex fertilizers further complicate the **government's efforts to contain fertilizer subsidies** in the medium-term.
 - As a result, the government's efforts to control fertilizer **subsidies will face challenges in the medium-term**, and subsidy amounts are likely to increase due to rising demand.
- **Imbalanced Nutrient Usage:**
 - Over the years, the excessive use of urea in agriculture has contributed to **worsening plant nutrient imbalance**. Non-urea fertilizers like phosphorus and potassium are **covered under the NBS**, where subsidies are linked to their nutrient content.

- However, urea **remains outside this regime**, enabling the government to retain direct control over its maximum retail price (MRP) and subsidy.
- This **discrepancy in pricing has led farmers to overuse urea**, neglecting other essential nutrients and causing soil health degradation.
- **Impact of Pricing Policies:**
 - While the MRP of urea has remained **unchanged at Rs 5,360 per metric tonne (MT)**, the prices of other fertilizers, such as **Diammonium Phosphate (DAP)** have increased over time.
 - The freedom granted to manufacturers of non-urea fertilizers to set MRPs within reasonable limits, along with fixed per-tonne subsidies based on nutrient content, has **contributed to their rising prices**.
 - Consequently, the sales of urea have been significantly higher compared to other fertilizers, **exacerbating the nutrient imbalance** in agriculture.

What are the Recommendations?

- **Bringing Urea under the NBS Regime:**
 - It will enable **subsidies to be linked to the nutrient content** of urea and promote the balanced application of fertilizers.
- **Introducing a Cap on Subsidized Fertilizer Bags:**
 - The government should set a **cap on the number of subsidised bags of fertilizers per farmer** as has been done for **subsidised LPG cylinders**, to reduce the government's subsidy burden.
- **Leveraging Technology and Identification Systems:**
 - The CACP highlights the ease of implementing the proposed cap on subsidized fertilizers by utilizing Point of Sale devices installed at retailer shops.
 - Beneficiaries can be identified through Aadhaar Card, Kisan Credit Card (KCC), Voter Identity Card, among other identification methods.

What is the NBS Regime?

- **About:**
 - Under the NBS regime - fertilizers are provided to the farmers at 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 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.
- **Significance:**
 - This will improve **soil health and as a result the yield from the crops** would increase, resulting in enhanced income to the farmers.
 - It will make rational use of fertilizers; this would also ease **off the burden of fertilizer subsidy**.

What are the Challenges Related to NBS?

- **Economic and Environmental Costs:**
 - The fertilizer subsidy, including the NBS policy, imposes a significant financial burden on the economy. It ranks as the **second-largest subsidy after food subsidy**, straining fiscal health.
 - Additionally, imbalanced fertilizer usage due to the pricing disparity has adverse environmental consequences, such as soil degradation and nutrient runoff, impacting long-term agricultural sustainability.
- **Black Marketing and Diversion:**

- Subsidized urea is susceptible to **black marketing and diversion**. It is sometimes illegally sold to bulk buyers, traders, or non-agricultural users like plywood and animal feed manufacturers.
- Moreover, there are **instances of subsidized urea being smuggled to neighboring countries like Bangladesh and Nepal**, leading to the loss of subsidized fertilizers intended for domestic agricultural use.
- **Leakage and Misuse:**
 - The NBS regime relies on an efficient distribution system to ensure that subsidized fertilizers reach the intended beneficiaries, i.e., farmers.
 - However, there may be instances of leakage and misuse, where subsidized fertilizers do not reach farmers or are used for non-agricultural purposes. This undermines the **effectiveness of the subsidy and denies genuine farmers** access to affordable fertilizers.
- **Regional Disparities:**
 - Agricultural practices, soil conditions, and crop nutrient requirements vary across different regions of the country.
 - Implementing a **uniform NBS regime may not adequately address** the specific needs and regional disparities, potentially leading to suboptimal nutrient application and productivity variations.

Way Forward

- A uniform policy for all fertilizers is necessary, as nitrogen (N), phosphorus (P), and potassium (K) are **crucial for crop yields and quality**.
- In the long term, NBS could be **replaced by a flat per-acre cash subsidy** that allows farmers to purchase any fertilizer.
- This subsidy should encompass value-added and customized products that provide efficient nitrogen delivery and other essential nutrients.
- It is crucial to strike a balance between price control, affordability, and sustainable nutrient management to achieve the desired outcomes of the NBS regime.

UPSC Civil Services Examination, Previous Year's Question (PYQs)

Q. With reference to chemical fertilizers in India, consider the following statements: (2020)

1. At present, the retail price of chemical fertilizers is market-driven and not administered by the Government.
2. Ammonia, which is an input of urea, is produced from natural gas.
3. Sulphur, which is a raw material for phosphoric acid fertilizer, is a by-product of oil refineries.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 and 3 only
- (c) 2 only
- (d) 1, 2 and 3

Ans: (b)

Q. Why does the Government of India promote the use of 'Neem-coated Urea' in agriculture? (2016)

- (a) Release of Neem oil in the soil increases nitrogen fixation by the soil microorganisms.
- (b) Neem coating slows down the rate of dissolution of urea in the soil.
- (c) Nitrous oxide, which is a greenhouse gas, is not at all released into atmosphere by crop fields.
- (d) It is a combination of a weedicide and a fertilizer for particular crops.

Ans: (b)

Source: DTE

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