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Cabinet approves Rs 38,000-cr subsidy for non-urea fertilisers this kharif

Centre likely to spend Rs 1.08 trn overall on subsidy this Kharif season

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The Rationalisation In Subsidy Is Primarily Due To The Cooling Of International Prices And A Drop In Energy Costs

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To ensure that fertiliser prices remain unchanged for farmers, the Union Cabinet has approved a Rs 38,000-crore subsidy for non-urea fertilisers for the coming kharif season.

In total, the central government will spend Rs 1.08 trillion in subsidies during kharif 2023-24, which is almost 62 per cent of the Budget Estimates for financial year 2023-24 (FY24). Of the Rs 1.08 trillion, around Rs 70,000 crore is for urea, while the rest is for non-urea fertilisers till September.

In Rabi 2022, the government had provided around Rs 52,000 crore for non-urea fertilisers. The lower subsidy in 2023-24 kharif is due to falling global and domestic rates.

However, the full impact of the falling prices will be reflected in total subsidy calculations after a lag of not less than six months and most of the current stock in use was built when prices were higher, officials said.

For non-urea fertilizers in kharif 2023, according to Chemicals and Fertilizers Minister Mansukh Mandaviya, a per kilogram subsidy of Rs 76 has been approved for nitrogen (down almost 22 per cent from the second half of FY23), Rs 41 per kg for phosphorus (down 39 per cent from the second half of FY23 or rabi of FY23), Rs 15 per kg for potassium (down 36 per cent from the last revision), and Rs 2 per kg for sulphur, a reduction of 67 per cent from the last revision.

The rationalisation in subsidy is primarily due to the cooling of international prices and a drop in energy costs.

Mandaviya told reporters after the meeting of the Cabinet that the central government gives a per bag subsidy of Rs 2,126 for urea, Rs 2,461 for DAP, Rs 1,639 for NPK, and Rs 734 for MOP. “All this has been done to ensure that farmers are shielded from any volatility in international and domestic fertiliser prices,” he said.

The government estimates that as on date, the country has around 15 million tonnes (MT) of fertiliser stocks for use in the kharif season. This includes 7.5 MT of urea, 3.6 MT of DAP, and 4.5 MT of NPK. Officials said a significant portion of the annual imports is now under long-term contracts.

Mandaviya said thanks to the subsidy the retail price of urea and DAP was much cheaper in India than in other countries.

“A bag of urea costs a farmer Rs 276, but it costs Rs 791 in Pakistan, Rs 593 in Indonesia, Rs 2,100 in China, Rs 719 in Bangladesh, and Rs 3,060 in the US,” the minister said.

He added that a bag of DAP costs a farmer Rs 1,350 in India, but costs Rs 4,177 in Pakistan, Rs 9,700 in Indonesia, Rs 2,400 in China, Rs 719 in Bangladesh, Rs 3,633 in the US, and Rs 4,180 in Brazil.

India annually consumes 32.5-35 MT of urea, about 10-12.5 MT of DAP, 10-12.5 MT of NPKS, and 5-6 MT of MOP.

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