Bring urea under nutrient-based subsidy: Industry

Growing imbalance in use of highly subsidised fertilizer needs correction

Written by **Sandip Das**

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Fertilizer Industry Urges Urea Move to Nutrient-Based Subsidy Regime

To address skewed use of fertilizer consumption, the industry has called for bringing urea under the nutrient-based subsidy (NBS) regime.

“Pricing remains a key driver of this distortion. Bringing urea under NBS would significantly improve nutrient balance,” Suresh Kumar Chaudhari, Director General, Fertiliser Association of India (FAI), told FE.

The continued exclusion of urea from the NBS framework is a major reason for the skewed nitrogen (N): phosphorus(P): potassium (K) consumption pattern, he said.

Chaudhari stated that the core issue is not overuse of fertilisers, but the imbalance in nutrient application, especially the disproportionately high use of nitrogen (urea).

The way forward is to gradually reduce the relative consumption of nitrogen and promote balanced nutrient use

As per the revised estimate, the government has pegged the fertiliser subsidy for FY26 at ₹1.86 lakh crore – ₹ 1.26 lakh crore – urea and ₹ 60,000 crore (NBS), while the budget estimate for FY27 stands at ₹1.71 lakh crore – ₹1.16 lakh crore (urea) and ₹ 54,000 crore (NBS).

At present, urea is provided to farmers through about three lakh retail outlets at a notified maximum retail price of ₹ 242 per 45-kg bag since March 2018, while the subsidy borne by the government is around 90%.

Retail prices of phosphatic and potassic (P&K) fertilisers, including DAP, were decontrolled in 2010 with the introduction of a fixed-subsidy regime under the NBS mechanism.

The government announces NBS subsidy levels bi-annualy for kharif and rabi seasons.

Distorted Ratios

Against the recommended proportional uses of 4(N):2(P):1(K) fertilizers, current consumption pattern is roughly 9.3 (N):3.5(P):1(K) indicating excessive use of urea (N).

Recently a study by ICRIER had noted that existing fertilizer subsidy policy distorts markets as well as soil, the study has noted “rationalising the subsidy by lowering support for N (urea) while increasing it for P and K, without increasing the overall subsidy burden would help restore correct price signals.”.

The government supplies around 64 million tonne (MT) of highly subsidised fertilisers annually, out of which the share of urea is around 36 MT.

According to the FAI official, the fertilizer manufacturers and supplies are fully prepared to support the government’s direct benefit transfer (DBT) initiatives so that genuine farmers get the benefits of supply of highly subsidised soil nutrients.

“The real challenge lies in creating a reliable and unified agricultural database. Identifying the actual beneficiary remains difficult because of fragmented landholdings, tenancy farming and absentee land ownership,” Chaudhari said.

Plugging the Leaks

To prevent diversion of highly subsidised fertilisers for non-agricultural use, the parliamentary standing committee on Chemicals and fertilisers (2025–26) earlier in the week expressed concern that farmer identification is currently being carried out without a well-defined mechanism to ascertain the actual beneficiary.

“As a result, subsidised fertilisers, particularly urea, are susceptible to diversion for stocking, black marketing, and use in industrial sectors such as resins, adhesives, plastics, foams, textiles, leather, and paper and pulp industries,” the panel had stated.

It also suggested expanding the direct cash transfer scheme to select districts across different regions to understand farmers’ fertiliser purchasing behaviour and identify constraints more comprehensively.

“In the absence of a pilot study on direct cash transfer and without plugging the loopholes in the present Aadhaar-based identification ‘no-denial’ policy, issues of diversion and subsidy leakage cannot be effectively addressed,” the panel observed.

It also recommended integrating Aadhaar-based authentication of the fertiliser ministry’s database with the digital farmers’ registry and PM-Kisan schemes of the agriculture ministry to ensure better targeting of beneficiaries.

On the usage of nano fertilisers, Chaudhari of FAI stated that these products are high-efficiency products, but the science is still evolving and more long-term evidence is required.

“The early positioning that a small bottle of nano fertilizers can replace a full bag of conventional fertiliser was not scientifically appropriate,” Chaudhari stated.

In June 2021, harmonious major IFFCO launched nano urea in liquid form as an alternative to conventional urea. In April 2023, it introduced nano DAP to reduce India’s import dependence on conventional soil nutrient varieties.

Source: Financial Express, 15 February 2026