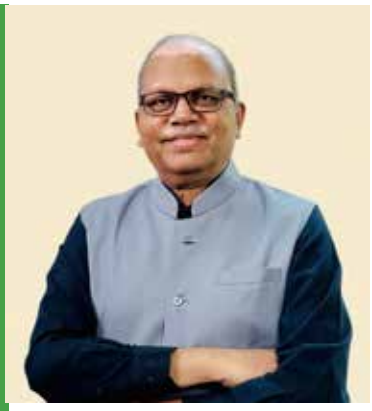
# Fertiliser and Agriculture Scenario during 2025-26

Frank Notes



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Today India stands as a financially sound and rapidly growing economy, with GDP growth estimated at 7.8% in 2025-26, reflecting strong domestic economic fundamentals and resilience amid global uncertainties. The country's foreign exchange reserves have crossed US$700 billion, providing a robust cushion against external shocks and supporting the stability of essential imports, including fertilisers and critical agricultural inputs. India has also made significant progress towards food self-sufficiency, with record foodgrain production of 376.6 million MT in 2025-26, while production of horticultural crops has reached a level of approximately 378 million MT, underscoring the growing importance of diversified and high-value agriculture.

Agriculture and allied activities continue to be a major pillar of the economy, contributing around 18% to GDP, and supporting the livelihoods of a large section of the population. India's agricultural strength has further been demonstrating in its exports, with around 23 million MT of cereals including rice, wheat, maize and other cereals, exported during 2025-26. However, this impressive agricultural performance is underpinned by a significant dependence on external sources for fertilisers and their key raw materials, making India one of the world's largest importers of finished fertilisers as well as critical feedstocks/ intermediates/ raw materials such as natural gas, ammonia, phosphoric acid, rock phosphate, potash and sulphur.

The year 2025-26 was a relatively favourable year for Indian agriculture, supported by good monsoon conditions, improved water availability and higher estimated production of foodgrains and several commercial crops. At the same time, the fertiliser sector continued to face significant challenges arising from dependence on imported raw materials/ intermediates and finished fertilisers, geo-political uncertainties, volatile international prices, rupee depreciation and financial pressures associated with the subsidy and taxation framework.

There had been substantial increase in prices of key raw materials/intermediates during the year, particularly sulphur and ammonia. Finished fertiliser prices were similarly elevated. The depreciation of the Indian rupee added to the pressure. These factors significantly constrained working capital and increased the cost burden on the fertiliser industry. Despite such challenges, the fertiliser industry in tandem with the Government ensured availability of fertilisers to the farmers.

Weather conditions were broadly supportive of agriculture during 2025-26. Rains during the Southwest monsoon was 108% of long period average (LPA). Thirty-three of the 36 meteorological sub-divisions and 80% of reported districts received normal to excess rainfall during the monsoon season. Reservoir storage was also favourable during the Southwest monsoon season. The post-monsoon season too recorded rainfall of 11% above LPA. Therefore, favourable rainfall and water situation provided a supportive environment for crop sowing and fertiliser application, although regional variations in rainfall continued to affect cropping patterns and fertiliser demand. There had been growth in production of foodgrains of 5.3% in 2025-26 over the previous year.

The performance indicates that improved rainfall and adequate fertiliser availability contributed to overall agricultural resilience. Nevertheless, the persistence of regional differences in rainfall, nutrient use and crop productivity highlights the need for location-specific strategies.

The increase in production did not commensurate with the increased consumption of fertilisers. Therefore, about 30% of India's overall fertiliser requirement continues to be met through imports. The urea sector faced a challenging year. Although newly commissioned urea plants have contributed significantly to domestic availability in recent years, production declined during 2025-26 due to relatively low contribution by some units.

In the phosphatic sector, production and import of DAP and NP/NPK complex fertilisers increased, reflecting higher demand and maintained availability amid international supply uncertainties. SSP contributed higher than previous year to phosphate consumption. India also imported TSP to supplement phosphate availability. Importantly, despite the increase in imports, overall fertiliser availability remained comfortable during the year. There had been modest increase in fertiliser consumption.

The continued dominance of nitrogen, particularly urea, indicates that nutrient imbalance continues to

**The international market is quite volatile. In recent years, there has been geo-political disruptions. In spite of that, the fertiliser industry in tandem with the Government has been ensuring availability of fertilisers to the farmers.**

remain an important structural issue for Indian agriculture. There has been inter-state, inter-district and inter-crop variations in use pattern of fertiliser products as well. The imbalance in some of the states, the N:$P_2O_5$:$K_2O$ use ratio is quite distorted. This underlines the need for greater emphasis on soil-test-based nutrient management and balanced application of N, P, K with secondary- and micro-nutrients.

The policy direction during 2025-26 increasingly moved beyond conventional fertiliser-based productivity towards sustainable and resource-efficient agriculture. Government programs emphasised soil health, efficient water management, climate resilience, organic and natural farming, integrated farming systems, agri-waste management, AI initiatives, digital technologies and precision agriculture. The Mission for *Aatmanirbharta* in pulses, approved with a financial outlay of Rs.11,440 crore over six years, seeks to enhance domestic pulse production through research, improved seed systems, area expansion, procurement and price stability.

There was also increasing emphasis on alternative and innovative fertilisers, including *nano*, slow-release, bio and organic fertilisers, along with precision agriculture and digital technologies. The growing role of artificial intelligence, satellite imagery, weather data, soil information and crop records offers opportunities for more precise and efficient use of fertilisers and other agricultural inputs.

The maximum retail price of urea remains unchanged. The new energy norms for urea plants have been notified retrospectively w.e.f. 1 April 2025. For most of the urea units, the norms have been tightened, which may result in reducing their profit margins. The fixed cost revision is still pending and industry is being reimbursed most of the fixed cost, based on 2002-03 data and partial reimbursement on four components, based on 2008-09 data. Meanwhile, the Government announced policy for new gas-based urea projects under National Investment Policy for Urea (NIUP) 2026. The new projects would help in augmenting domestic capacity and reduce dependence on imports. Existing plants deserve to be given encouragement and support to contribute efficiently.

In P&K sector, the Government continued to insulate farmers from the impact of high international fertiliser prices through the Nutrient Based Subsidy (NBS) regime and additional support measures. However, the industry faced persistent liquidity pressures because of delays in subsidy reimbursement, advantage/disadvantage claims, freight subsidy and GST-related refunds. The inverted GST structure was addressed through the reduction of GST on ammonia, sulphuric acid and nitric acid from 18% to 5%, and on micronutrients from 12% to 5%. However, accumulation of ITC arising from the subsidised pricing structure remained an important concern. Industry continues to face challenges in ensuring viability due to awaited clarifications on reasonableness guidelines, inverted duty structure, rationalisation of basic customs duty on raw materials and finished products and updation of NBS rates considering geo-political situations and differential treatment of SSP and urea-SSP under NBS policy.

Overall, 2025-26 can be characterised as a year of strong agricultural performance. Production of foodgrains increased substantially and fertiliser availability remained adequate, demonstrating the effectiveness of coordinated Government intervention, domestic production and imports. However, the sharp increase in fertiliser imports, coupled with high international prices and rupee depreciation, highlighted the structural vulnerability arising from import dependence.

The outlook for 2026-27 is marked by heightened uncertainty due to west Asia crises. This reinforces the need for a comprehensive fertiliser security strategy covering domestic manufacturing, diversified international sourcing, strategic inventories, raw-material security and efficient subsidy mechanisms. Equally important is the transition from a predominantly product-centric approach towards nutrient security, with greater emphasis on balanced NPK use, secondary- and micro-nutrients, soil health, organic and bio-based inputs, precision agriculture and recycling of industrial by-products.

It is hoped that normal monsoon rains in the current month and beginning October will leave good moisture contents in the soil for ensuring *rabi* crop season. Overall, the growth in consumption of fertilisers during 2026-27 is expected to register an increase over the previous year.

The current issue of Indian Journal of Fertilisers includes Annual Review of Fertiliser Production and Consumption 2025-26. This is also a marketing special issue and includes 7 papers highlighting the need for policy changes for balanced fertilisation, alternate and new age fertilisers, digital marketing, efficiency in logistic and supply chain, for effective last mile delivery. It is hoped that all those concerned with the fertiliser and agriculture sectors will find the content of Annual Review and marketing special issue of the Journal relevant and useful.■