

Fertilizer industry newscast

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Reduction in subsidy for non-urea fertilizers for the year 2020-21



In April 2010, the Indian government had launched the Nutrient-Based Subsidy (NBS) programme under which a fixed amount of subsidy, decided on an annual basis, is provided on each grade of subsidised Phosphatic and Potassic (P&K) fertilisers, except for urea, based on the nutrient content present in them. The Inter-Ministerial Committee (IMC) recommends a per tonne additional subsidy on fortified subsidized fertilizers carrying secondary (other than Sulphur) and micro- nutrients.

The Committee also recommends inclusion of new fertilizers under the subsidy regime based on application of manufacturers or importers and its need appraisal by the Indian Council for Agricultural Research (ICAR), for decision by the Government. The per kg subsidy rates on the nutrient Nitrogen, Phosphorous, Potash, Sulphur is converted into per Tonne subsidy on the various P&K fertilizers, covered under NBS Policy.

At present 22 grades of P&K fertilizers namely DAP, MAP, TSP, MOP, Ammonium Sulphate, SSP and 16 grades of NPKS complex fertilizers are covered under the NBS Policy. Under this regime, MRP of P&K fertilizers is left open and fertilizer manufacturers and marketers are allowed to fix the MRP at reasonable rates. In effect, the domestic prices are determined by demand supply mechanism.

On 22nd April 2020, The Cabinet Committee on Economic Affairs, approved the fixation of NBS rates for P&K fertilizers for the year 2020-21. The approved rates for NBS effective from the date of notification will be Rs 18.79/ kg for Nitrogen, Rs 14.89/kg for Phosphorus, Rs 10.12/ kg for Potash and Rs 2.37 per kg for Sulphur. The expected expenditure for release of subsidy on P&K Fertilizers during the year 2020-21 will be Rs. 22,186 crore. This is lower compared with the NBS rates for the year 2019-20, which was - subsidy for nitrogen fixed at Rs 18.90/kg, phosphorous at Rs 15.21/kg, potash at Rs 11.12/kg and sulphur at Rs 3.56/kg. The expected expenditure was Rs 22,875 crore during the year 2019-20.

Year	Subsidy rates/ kg (Rs.)			
	Nitrogen (N)	Phosphorous (P)	Potash (K)	Sulphur (S)
2019-20	18.90	15.21	11.12	3.56
2020-21	18.79	14.89	10.12	2.37



Source: PIB

The CCEA also approved the inclusion of a complex fertilizer namely Ammonium Phosphate (NP 14:28:0:0) under the NBS Scheme for the year 2020-21.

CARE Ratings' view:

- Government is making Urea and numerous grades of P&K fertilizers, available to farmers at subsidized rates. This enables the manufacturers and importers to formalize supply contracts for fertilizers and fertilizer inputs and makes fertilizers available to the farmers at affordable rates.
- Our country is fully dependent on imports in Potassic sector and to the extent of 90% in Phosphatic sector in the form of either finished products or its raw material. Subsidy being fixed, any fluctuation in international prices can have an effect on the domestic prices of P&K fertilizers.

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