



## Extension of Urea Subsidy

### Why in news?

\n\n

The government has approved a proposal to extend urea subsidy till 2020.

\n\n

### What are the measures?

\n\n

\n

- **Urea** - Urea is made available to farmers at a statutorily controlled price of Rs 5,360 per tonne.
- The difference between the delivered cost of the fertiliser at farm gate and maximum retail price is given as subsidy to manufacturers.
- The Cabinet Committee of Economic Affairs (CCEA) has recently cleared the proposal of the Department of Fertilizers.
- Accordingly, the urea subsidy has been extended for 3 years till 2020.
- Normally, the ministry of chemicals and fertilisers takes approval for the urea subsidy on an yearly basis.
- However, this time it has received clearance for 3 years.
- **DBT** - The CCEA has also approved implementation of direct benefit transfer (DBT) for disbursement of fertiliser subsidy
- DBT would entail 100% payment to fertiliser companies.
- Continuation of the urea subsidy will facilitate smooth implementation of DBT scheme in fertiliser sector.

\n\n

## **How is fertiliser DBT different?**

\n\n

- \n
  - The direct benefit transfer (DBT) for fertilisers differs from the one implemented for LPG subsidy.
- \n
  - For fertilisers, payment would not be transferred to a farmer's bank account.
- \n
  - It would instead go to manufacturers and importers on actual sales made by a retailer.
- \n
  - Currently, the company is eligible for subsidy payment after submitting invoices prepared on the basis of receipts at the district-level warehouses.
- \n
  - This typically takes 45-60 days.
- \n
  - Under DBT, the retailer will record the transaction on a point of sale machine authenticated with biometric information of the farmer.
- \n
  - The fertiliser maker will be entitled to get 100% subsidy in 7 days.
- \n
  - The government is pushing all companies to set up retail centres.
- \n
  - DBT would set right some of the challenges faced by both the industry and the government such as -
- \n

\n\n

- \n
  - i. diversion of subsidised urea for industrial use
- \n
  - ii. delay in subsidy payments
- \n
  - iii. skewed usage of nutrients
- \n
  - iv. smuggling to neighbouring countries
- \n

\n\n

## **What are the concerns with urea subsidy?**

\n\n

- \n
- Farmers tend to **use urea excessively** because of its low prices, made possible by the subsidy.
- \n
- This is ruinous for **soil health** and agriculture in the long-run.
- \n
- Moreover, a bulk of subsidised urea is cornered by a handful of **rich farmers**.
- \n
- Farmers with large land-holdings can show a **high urea demand**.
- \n
- This can become a route for both farmers and re-sellers to exploit the black market for urea.
- \n

\n\n

### **What is the way forward?**

\n\n

- \n
- Farmers should be aware of the effects of overuse of fertilisers on soil health.
- \n
- A far better approach would be to fix a **per hectare grant** in place of fertiliser subsidies.
- \n
- The grant could be mapped against the fertiliser requirement that, in turn, is assessed from soil health card sampling.
- \n
- This can ensure access to fertiliser and address urea leakages as well as curb its overuse.
- \n

\n\n

\n\n

**Source: The Hindu, Financial Express**

\n



# IAS PARLIAMENT

*Information is Empowering*

A Shankar IAS Academy Initiative