Fertilizer Subsidy in India

What is the issue?

There has been a delay in the implementation of a new system of disbursal of fertiliser subsidy by the present government.

What is fertiliser subsidy?

- Fertilizer subsidy is the difference between the holding price of fertilizers and the price at which fertilizers are made available to consumers.
- For sustained agricultural growth and to promote balanced nutrient application, the fertilizers are made available to farmers at affordable prices.
- Financial support is also given on both indigenous and imported urea.

How fertiliser subsidy is followed in India?

- At present, subsidies are paid to fertilizer companies on the basis of receipt of fertilizer at identified godowns in districts.
- Fertilizer subsidies would be transferred to manufacturers on the basis of actual sales.
- With the new system, a PoS machine would be installed in every fertiliser godowns.
- It capture the buyer’s identity based on Aadhaar biometric authentication, with the quantities purchased.
This move which will pave the way for implementation of the direct benefit transfer (DBT) system.

What are the issues with older system?

- The Subsides were not received by the farmers, it benefited the fertilizer companies.
- The beneficiaries have been the large farmers and not small & marginal farmers.
- Distorted subsidy regime, depleted the NPK use ratio (Nitrogen, Prosperous, Potassium), the normally accepted ratio is 4:2:1.

What are the advantages of the new system?

- The data generated from PoS machine sales would make it possible to both weed out non-farmers.
- It restrict the subsidy to a maximum of 30-35 bags of all fertilisers per farmer.
- This will automatically cover all small and marginal farmers.
- The subsidy is directly credited into Aadhaar-seeded bank accounts of the farmers.

What is the reason for the delay of the new system?

- The official reason for not going ahead in the current Kharif season, as earlier planned, has been the lack of availability of the PoS devices.
• They have been installed in only half of the country’s nearly 2 lakh fertiliser retail points.

• Technical malfunctions in their integration with the central server that may have to track over 50 crore transactions.

• There are issues of network connectivity in remote rural areas.

Quick facts

Cropping seasons in India

• The agricultural crop year in India is from July to June.

• The Indian cropping season is classified into two main seasons-

• Kharif: Cropping season is from July –October during the south-west monsoon, crops include rice, millets, oilseeds, cotton etc.

• Rabi: Cropping season is from October-March (winter), the crops grown between March and June are summer crops, crops include wheat, cereals, chickpea, linseed, mustard (oilseeds) etc.

Source: The Indian Express