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