NEXT IAS

DAILY EDITORIAL ANALYSIS

TOPIC

Deregulating Non-subsidised Fertilisers

DEREGULATING NON-SUBSIDISED FERTILISERS

Context

- With an unconducive environment **for price decontrol** of **urea, DAP and other politically-sensitive nutrients,** the focus may now be on **expanding the market for non-subsidised fertiliser products.**

Subsidies on Fertilizers in India

- The Indian government provides subsidies on **three main types of fertilizers:** urea, phosphatic fertilizers (like DAP - Di-Ammonium Phosphate), and potassic fertilizers (like MOP - Muriate of Potash).
  - There are some **29 subsidised fertilisers at present,** but almost 94% of overall sales in 2022-23 and 2023-24 (April-March) comprised just seven products: **Urea, DAP, SSP, 20:20:0:13, MOP, 10:26:26:0 and 12:32:16:0.**
  - Urea, being the most commonly used fertilizer, receives the highest subsidy.
- **Nutrient-Based Subsidy (NBS) Policy:** Under the NBS policy, subsidies are provided **based on the nutrient content of fertilizers** rather than on a per-unit basis.
- Subsidies are provided **directly to fertilizer manufacturers or importers** based on the nutrient content (nitrogen, phosphorus, potassium, and sulfur) of the fertilizers they produce or import.
- Farmers then receive these fertilizers at **reduced prices through dealers.**

Benefits

- **Balanced Nutrient Application:** Farmers are incentivized to use fertilizers that match the soil nutrient requirements, reducing overuse of certain nutrients like nitrogen, which can lead to environmental degradation.
- **Cost Savings:** Farmers benefit from lower prices for balanced fertilizers, potentially reducing their overall input costs.
- **Environmental Sustainability:** By promoting balanced fertilizer use, the NBS regime contributes to sustainable agriculture practices and reduces environmental pollution.

Regulation of Non-subsidized Fertilizers in India

- In India, the regulation of non-subsidized fertilizers primarily falls under the purview of the **Ministry of Chemicals and Fertilizers** through various regulatory mechanisms.
  - **Controlled Pricing:** The government intervenes to prevent price gouging or market manipulation, ensuring fair pricing for farmers and consumers.
  - **Quality Standards:** The Fertilizer (Control) Order (FCO) lays down regulations regarding the quality of fertilizers, including their composition, labeling, and packaging.
  - **Registration and Licensing:** Manufacturers and importers of fertilizers, including non-subsidized varieties, are required to register their products with the appropriate authorities.
  - **Import and Export Regulations:** The import and export of non-subsidized fertilizers are subject to government regulations, including permits and quotas, to manage supply and demand and prevent market disruptions.
- Overall, the regulatory framework aims to **balance the interests of farmers, consumers, and manufacturers** while ensuring the availability of quality fertilizers in the market at fair prices.

Challenges

- **Market Dynamics and Pricing:** Regulating pricing without subsidies is challenging as it requires balancing affordability for farmers with profitability for manufacturers.
- **Quality Control:** Monitoring and enforcing quality standards across a diverse range of products and manufacturers require significant regulatory oversight and resources.
- **Regulatory Compliance:** Ensuring compliance with regulatory requirements, such as registration, labeling, and packaging standards, is challenging.
  - Small-scale manufacturers or importers struggle to meet these standards, leading to inconsistencies in product quality and safety.

- **Import Dependency:** India relies on imports for a significant portion of its fertilizer requirements, including non-subsidized varieties.
  - Fluctuations in international prices, currency exchange rates, and geopolitical factors can impact availability and affordability domestically.
- **Challenges in introducing new products:** The time taken — from the filing of application and field-testing at multiple locations for one or more cropping seasons, hinders the introduction of new nutrient products into the country.

Way Ahead

- The government should grant **automatic registration** for any new product meeting **two requirements** — a minimum content of total plant nutrients, and a maximum limit of heavy metals and other contaminants.
  - This, along with mandatory label claims [open for testing by enforcement agencies], is what **most advanced countries follow.**
- This procedure of automatic registration, subject to the product confirming to basic quality parameters and truthful labeling, is already being implemented in **water-soluble fertilisers (WSF).**
  - The WSF model can be extended to all fertilisers on which the government pays no subsidy.
- The industry is clearly pitching for deregulation of non-subsidised fertilisers as the first step before decontrol of urea and NBS fertilisers.

Source: IE

Mains Practice Question

[Q] Discuss the challenges faced in regulating non-subsidized fertilizers and assess the potential impact of transitioning towards a market-driven approach with minimal government intervention.

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