Extension of Urea Subsidy

Why in news?

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

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What are the measures?

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

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- The direct benefit transfer (DBT) for fertilisers differs from the one implemented for LPG subsidy.
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- For fertilisers, payment would not be transferred to a farmer’s bank account.
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- It would instead go to manufacturers and importers on actual sales made by a retailer.
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- Currently, the company is eligible for subsidy payment after submitting invoices prepared on the basis of receipts at the district-level warehouses.
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- This typically takes 45-60 days.
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- Under DBT, the retailer will record the transaction on a point of sale machine authenticated with biometric information of the farmer.
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- The fertiliser maker will be entitled to get 100% subsidy in 7 days.
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- The government is pushing all companies to set up retail centres.
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- DBT would set right some of the challenges faced by both the industry and the government such as -
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i. diversion of subsidised urea for industrial use
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ii. delay in subsidy payments
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iii. skewed usage of nutrients
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iv. smuggling to neighbouring countries
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What are the concerns with urea subsidy?

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- Farmers tend to **use urea excessively** because of its low prices, made possible by the subsidy.

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- This is ruinous for **soil health** and agriculture in the long-run.
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- Moreover, a bulk of subsidised urea is cornered by a handful of **rich farmers**.
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- Farmers with large land-holdings can show a **high urea demand.**
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- This can become a route for both farmers and re-sellers to exploit the black market for urea.
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What is the way forward?

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

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