Fertilizer Subsidy in India

What is the issue?

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

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What is fertiliser subsidy?

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

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

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

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

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- 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.
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- They have been installed in only half of the country’s nearly 2 lakh fertiliser retail points.
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- Technical malfunctions in their integration with the central server that may have to track over 50 crore transactions.
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- There are issues of network connectivity in remote rural areas.
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Quick facts

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Cropping seasons in India

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- The agricultural crop year in India is from July to June.
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- The Indian cropping season is classified into two main seasons-
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- Kharif: Cropping season is from July –October during the south-west monsoon, crops include rice, millets, oilseeds, cotton etc.
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- 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.
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Source: The Indian Express

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