Increase of subsidy on DAP

Why in news?

Recently, the government has announced a 140% increase in the subsidy on di-ammonium phosphate (DAP).

What is DAP and why is it important for farmers?

- DAP is the second most commonly used fertiliser in India after urea and farmers normally apply this fertiliser just before or at the beginning of sowing.
- It is high in phosphorus which stimulates root development.
- Though there are other phosphatic (P) fertiliser such as-single super phosphate that contains 16% P and 11% sulphur (S)-DAP is the preferred source of P for farmers.
- This is similar to urea, which is the farmers preferred nitrogenous fertiliser that contains 46% N.

How is subsidy scheme in DAP different from other fertilisers?

- The maximum retail price (MRP) of urea is currently fixed at Rs 5,378 per tonne or Rs 242 for a 45-kg bag.
- Since companies are required to sell at this rate, the subsidy (the difference between the cost of manufacturing or import and the fixed MRP) is variable.
- But the MRPs of all other fertilisers are decontrolled and companies sell these at the rates that they decide and the government only gives a fixed per-tonne subsidy.

Do non-urea fertilisers attract same subsidy?

- Non-Urea fertilisers are governed by nutrient-based subsidy or NBS i.e. depending on the nutrient content for different fertilisers, the per-tonne subsidy is fixed.
- Since one tonne of DAP contains 460 kg (46%) of P and 180 kg (18%) of N, the subsidy comes to Rs 10,231 or Rs 511.50 for a 50-kg bag.
- Likewise, the subsidy on muriate of potash (60% K) is Rs 6,070 per tonne,

while it is Rs 2,643/tonne for SSP and Rs 8,380/tonne for the popular '10:26:26' NPK fertiliser.
- Most of the companies sell DAP to farmers at around Rs 24,000 per tonne or Rs 1,200/bag.
- They could do this when international prices were at reasonable levels.
- But the global prices of fertilisers and inputs have surged in the past 6-7 months which has made it unviable for companies to sell at the old rates.

What do the companies do now?

- Now all the companies have raised their MRPs including the country's biggest seller, Indian Farmers Fertiliser Cooperative (Iffco).
- Since non-urea fertilisers are decontrolled, so these companies went for such steep price hikes.
- But Iffco declared that the higher MRPs will be only for newly produced/imported fertilisers and old stocks would continue to be sold at the earlier rates.

What happened now?

- As the old stocks started running out, the companies started selling the new material at the higher rates.
- Since April was a lean month for fertiliser sales, the extent of price increase was not drastic.
- The prices started increasing only when the purchases started picking up from around the second week of April-ahead of the kharif planting season.

What has the government now done?

- Earlier Department of Fertilisers had notified the NBS rates for 2021-22 which was kept unchanged from last year's levels thereby leaving companies little choice but to go ahead with the MRP hikes.
- But recently a historic decision was taken by the centre to increase the subsidy on DAP from the existing Rs 10,231 per tonne (Rs 511.55/bag) to Rs 24,231 per tonne (1,211.55/bag).
- The Department of Fertilisers too has notified a higher NBS rate for P (from Rs 14.888 to Rs 45.323/kg), while keeping those for the other three nutrients (N, K and S) unchanged.
- This will enable companies to sell DAP at the earlier MRP, though not MOP and other complex fertilisers.
- This will help farmers to start their sowing operations from next month with the arrival of the southwest monsoon rains.

Source: The Indian Express

