Nutrient-Based Subsidy (NBS) Scheme

Mains: *GS III – Agriculture*

Why in News?

Recently, the Government has approved the NBS rates for Rabi 2025-26, effective from October 1, 2025, to March 31, 2026, for Phosphatic and Potassic (P&K) fertilizers, including DAP and NPKS grades.

What is Nutrient Based Subsidy scheme (NBS)?

- **NBS** – It is a critical policy intervention that promotes the judicious use of fertilizers by supporting farmers in accessing key nutrients at affordable prices.
- **Need for the scheme** – Balanced fertilization is crucial for maintaining soil health, enhancing crop productivity and ensuring long-term agricultural sustainability.
- **Introduced on** – The Government of India introduced the Nutrient-Based Subsidy (NBS) scheme, effective from April 1, 2010.
- **Significance** – The scheme represented a significant policy shift in the fertilizer sector.
- It is designed to make fertilizers available to farmers at subsidized, affordable, and fair prices, while simultaneously encouraging their balanced and efficient use.
- Under the NBS framework, subsidies are determined based on the nutrient content of fertilizers, primarily NPKS:
    - Nitrogen (N),
    - Phosphorus (P),
    - Potassium (K), and
    - Sulphur (S).
- It empowers farmers to make informed choices that align with the specific needs of their soil and crops.
- By promoting the use of secondary and micronutrients, the scheme also addresses issues of soil degradation and nutrient imbalance that have emerged from years of skewed fertilizer usage.
- **Outcomes and Policy Priorities** – The Nutrient-Based Subsidy (NBS) Scheme of the Ministry of Chemicals and Fertilizers aims to promote the balanced use of essential nutrients, such as nitrogen, phosphorus, potassium, and sulphur.
- It helps farmers avoid over-dependence on any single fertilizer and maintain soil health while improving productivity.
- It ensures that fertilizers are available to farmers on time and at affordable, subsidized prices, which is vital for smooth crop planning.
- The scheme also fosters healthy competition among fertilizer companies, driving

improvements in quality, innovations, and efficiency in the fertilizer market.

- By supporting the introduction of new and innovative fertilizers, including advanced and micronutrient-enriched products, the NBS scheme helps modernize agricultural practices.
- Additionally, it focuses on rationalizing subsidies by aligning them with global price trends of fertilizers and raw materials, ensuring both farmer support and fiscal responsibility.
- **Fixed subsidy** – The government provides a fixed subsidy, revised annually or biannually, on Phosphatic and Potassic (P&K) fertilizers, including DAP.
- The subsidy amount is linked to the nutrient composition of each fertilizer grade.
- Until Rabi 2023–24, the NBS scheme included 25 P&K fertilizer grades such as DAP, MOP, and SSP.
- From Kharif 2024 onward, three additional fertilizer grades have been incorporated into the scheme.
    - NPK (11:30:14) fortified with Magnesium, Zinc, Boron, and Sulphur
    - Urea-SSP (5:15:0:10)
    - SSP (0:16:0:11) fortified with Magnesium, Zinc, and Boron
- With the addition of the new grades, the Government is now providing farmers with 28 types of P&K fertilizers at subsidized rates through authorized manufacturers and importers.
- In line with its farmer-centric approach, the Government continues to prioritize the affordable availability of these fertilizers at competitive prices.
- Under the NBS Scheme, the P&K fertilizer sector operates under a decontrolled regime, allowing companies to set the Maximum Retail Price (MRP) at reasonable levels, subject to government oversight.
- As a result, farmers receive the benefit of the subsidy directly when they purchase these fertilizers.
- **NBS Rates for Rabi 2025-26 –** The subsidy would be provided to fertilizer companies at the notified rates, ensuring that fertilizers are made available to farmers at affordable prices.

What are the operational management and compliance monitoring of NBS?

- **Reporting, and Monitoring** – Fertilizer companies must submit audited cost data in accordance with existing guidelines by determining the reasonableness of the Maximum Retail Price (MRP) for P&K fertilizers.
- This enables the Department of Fertilizers (DoF) to assess whether the declared MRPs are justified.
- **Regulation of Profit Margins** – As per the extant guidelines, any profit earned beyond the prescribed limit will be treated as unreasonable and recovered from the concerned company.
    - Profit margin of up to *8% for importers, 10 % for manufacturers and 12% for integrated manufacturers* over the cost of production of the final P&K product is considered reasonable.
- **Display of MRP and Subsidy Details** – Each fertilizer bag must clearly display:
    - Maximum Retail Price (MRP) and
    - Applicable subsidy per bag and per kilogram.

- Charging more than the printed MRP is an offence and is punishable under the Essential Commodities Act, 1955.
- **Monitoring of Production, Movement, and Imports** – The online, web-based Integrated Fertilizer Monitoring System (iFMS) provides continuous oversight of fertilizer distribution, movement, and imports, and the production activities of domestic manufacturing units.
- **Delivery and Transportation Responsibility** – All manufacturers, marketers, and importers of P&K fertilizers, including Single Super Phosphate (SSP) manufacturers, must ensure that fertilizers are transported up to the retail point on a Freight on Road (F.O.R.) delivery basis.
- **Digital tracking and coordination** – Based on the assessed requirement, the DoF allocates adequate quantities of fertilizers through a monthly supply plan and continuously monitors their availability across regions.
- The movement of all major subsidized fertilizers is tracked through an online, web-based Integrated Fertilizer Management System (iFMS) portal.
- Additionally, the DA&FW and DoF hold weekly video conferences with State Agriculture Officials to ensure effective coordination and resolve any emerging supply issues.

The Integrated Fertilizer Management System *is a digital platform that provides a range of online services related to fertilizer distribution and management.*

- It includes dealer registration, stock availability tracking, dealer search, and access to the Management Information System and Direct Benefit Transfer (DBT) reports.
- By enabling transparency, improving efficiency, and supporting real-time tracking throughout the fertilizer supply chain, iFMS helps ensure that farmers and stakeholders receive timely access to high-quality fertilizers.

What are the major milestone and achievements?

- **Production Growth of P&K Fertilizers** – The policy initiatives to promote domestic production and reduce reliance on imports have resulted in a sustained increase in P&K (DAP & NPKS) fertilizer output.
- The domestic production of DAP and NPKS fertilizers has increased by over 50% from 112.19 LMT in 2014 to 168.55 LMT in 2025 (up to 30 December 2025).
- **Improved Soil Health and Farm Productivity** – The implementation of NBS has demonstrated that applying Phosphatic & Potassic (P&K) fertilizers enhances farmland productivity and helps address multi-nutrient deficiencies in the soil.
- Since the scheme began, production of major crops has risen significantly.
- Foodgrain yields have increased from 1,930 kg per hectare in 2010-11 to 2,578 kg per hectare in 2024-25.
- **Financial Support under NBS** – Between 2022–23 and 2024-25, the Government of India allocated more than Rs.2.04 lakh crore in subsidies for both indigenous and imported phosphatic and potassic (P&K) fertilizers under the Nutrient-Based Subsidy (NBS) Scheme.

What lies ahead?

- The Nutrient-Based Subsidy (NBS) Scheme has emerged as a cornerstone of India's fertilizer policy, promoting balanced fertilization, soil health, and sustainable agriculture.
- Through concerted policy measures, the Government has strengthened domestic manufacturing, expanded the number of fertilizer grades from 25 to 28.
- The digitalization of monitoring through the Integrated Fertilizer Management System (iFMS) and regular coordination with States has enhanced transparency, accountability, and timely supply across regions.
- Together, these outcomes reflect the scheme's success in harmonizing productivity, sustainability, and farmer welfare.

Reference

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