Nutrient Based Subsidy Rates Approved

For Prelims: Nutrient Based Subsidy, P&K fertilizers, Urea

For Mains: NBS Regime and the Related Issues.

Why in News?

Recently, the Union Cabinet approved **Nutrient Based Subsidy (NBS) rates** for **Phosphatic and Potassic (P&K) fertilisers** for Rabi season 2022-23 from 1st October, 2022 to 31st March, 2023.

- All Non-Urea based fertilisers are regulated under NBS Scheme.

What is NBS Regime?

- Under the NBS regime – **fertilizers are provided to the farmers at the subsidized rates based on the nutrients** (N, P, K & S) contained in these fertilizers.
- Also, the fertilizers which are **fortified with secondary and micronutrients** such as molybdenum (Mo) and zinc are **given additional subsidy.**
- The **subsidy on P&K fertilizers is announced by the Government on an annual basis** for each nutrient on a per kg basis – which are determined **taking into account** the international and domestic prices of P&K fertilizers, **exchange rate,** inventory level in the country etc.
- NBS policy intends to increase the consumption of P&K fertilizers so that **optimum balance (N:P:K= 4:2:1) of NPK fertilization** is achieved.
    - This would improve soil health and as a result the yield from the crops would increase, resulting in enhanced income to the farmers.
    - Also, as the government expects rational use of fertilizers, this would also ease off the burden of fertilizer subsidy.
- It is **being implemented** from April 2010 by the Department of Fertilizers, **Ministry of Chemicals & Fertilizers.**

What are the Issues Related with NBS?

- **Imbalance in Price of Fertilisers:**
    - Urea is left-out in the scheme and hence it remains under price control as NBS has been implemented only in other fertilizers. The MRP of urea is today officially fixed at Rs 5,628 per tonne. There is technically no price control in other fertilisers. The prices of the other fertilizers which were decontrolled have gone up that has led the farmers to use more urea than before. This has further worsened fertilizer imbalance.
- **Costs on Economy and Environment:**
    - Fertilizer subsidy is the second-biggest subsidy after food subsidy, the NBS policy is not only damaging the fiscal health of the economy but also proving detrimental to the soil health of the country.
- **Black Marketing:**
    - Subsidised urea is getting diverted to bulk buyers/traders or even non-agricultural users

such as plywood and animal feed makers.
    - It is being **smuggled** to neighbouring countries like **Bangladesh** and **Nepal**.

Way Forward

- In order to address the imbalance in the fertilizer use, **urea has to come under NBS.**
    - A feasible way to do it is by **hiking urea prices and simultaneously reducing the NBS rates of phosphorus, potash and sulphur** to make other fertilisers cheaper.
- Considering that all three nutrients namely N (nitrogen), P (phosphorus) and K (potassium) are critical to increasing crop yields and quality of produce, the government must necessarily go for a **uniform policy for all fertilisers.**
- In the long run, **NBS itself should be replaced by a flat per-acre cash subsidy** that could be used to purchase any fertiliser.
    - This subsidy must **include value-added and customised products** containing not just other nutrients, but delivering even nitrogen more efficiently than urea.

Infographics

UPSC Civil Services Examination, Previous Year Question

Q. With reference to chemical fertilizers in India, consider the following statements: (2020)

1. At present, the retail price of chemical fertilizers is market-driven and not administered by the Government.
2. Ammonia, which is an input of urea, is produced from natural gas.
3. Sulphur, which is a raw material for phosphoric acid fertilizer, is a by-product of oil refineries.

Which of the statements given above is/are correct?

(a) 1 only
(b) 2 and 3 only
(c) 2 only
(d) 1, 2 and 3
Ans: B
Exp:

- The Government of India subsidizes fertilizers to ensure that fertilizers are easily available to farmers and the country remains self-sufficient in agriculture production. The same has been achieved largely by controlling the price of fertilizer and the amount of production. **Hence, statement 1 is not correct.**
- Ammonia (NH_3) has been synthesized from natural gas. In this process, natural gas molecules are reduced to carbon and hydrogen. The hydrogen is then purified and reacted with nitrogen to produce ammonia. This synthetic ammonia is used as fertilizer, either directly as ammonia or indirectly after synthesis as urea, ammonium nitrate, and monoammonium or diammonium phosphates. **Hence, statement 2 is correct.**
- Sulfur is a major by-product of oil refining and gas processing. Most crude oil grades contain some sulfur, most of which must be removed during the refining process to meet strict sulfur content limits in refined products. This is done through hydrotreating and results in production of H_2S gas, which is converted into elemental sulfur. Sulfur can also be mined from underground, naturally-occurring deposits, but this is more costly than sourcing from oil and gas and has largely been discontinued. Sulfuric acid is used in the production of both Monoammonium Phosphate (MAP) and Diammonium Phosphate (DAP). **Hence, statement 3 is correct.**
- **Therefore, option B is the correct answer.**

Source: PIB