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Fertiliser Price Shock 2026 — Global Crisis, Kharif Vulnerability, and India's Agricultural Response

23 April 2026 · **ECONOMY** · **ENVIRONMENT** · **GS3**

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WHY IN NEWS

Geopolitical disruptions — including West Asia conflict, Strait of Hormuz threats, and production facility shutdowns — have caused global fertiliser prices to nearly double in April 2026. **Urea prices** spiked from \$508-512/tonne (February 2026) to **\$935-959/tonne**; **DAP prices** rose from \$680-720 to **\$865-925/tonne**. India's kharif season urea requirement is **19.4 million tonnes** against an available supply of only **5.5 million tonnes**, creating a critical agricultural input crisis.

INDIA'S FERTILISER DEPENDENCY — THE NUMBERS

Import Dependence

India is the **world's 2nd largest fertiliser consumer** (after China) but remains heavily import-dependent for key inputs:

FERTILISER	IMPORT DEPENDENCE	KEY SUPPLIERS
Urea	~25-30% imported	China, Oman, Saudi Arabia, Iran
DAP (Di-Ammonium Phosphate)	~50%+ imported	China, Jordan, Morocco, Saudi Arabia
MOP (Muriate of Potash)	~100% imported (no domestic reserves)	Canada, Belarus, Russia, Jordan
Phosphoric acid (raw material)	~50% imported	Morocco, Jordan

Domestic Production

INDICATOR	FIGURE
Total urea production capacity	~29 MT/year
Actual urea production (FY2025-26)	~26 MT/year
DAP domestic production	~4-5 MT/year
Total fertiliser subsidy (FY26 budget)	~₹1.64 lakh crore

THE 2026 PRICE SHOCK

What Caused It

- 1 West Asia conflict** — disrupted ammonia and natural gas supplies (natural gas = primary feedstock for urea)
- 2 Strait of Hormuz threat** — Middle East is a major urea exporter (Saudi Arabia, Oman, Qatar)
- 3 Russia sanctions** — Russia is a top potash and ammonia exporter; payment restrictions persist
- 4 China export controls** — China periodically restricts fertiliser exports to ensure domestic supply
- 5 European plant shutdowns** — High gas prices reduced EU fertiliser production

Price Impact

FERTILISER	PRE-CRISIS PRICE	CRISIS PRICE	INCREASE
Urea	\$508-512/tonne	\$935-959/tonne	~85%
DAP	\$680-720/tonne	\$865-925/tonne	~27%
MOP	~\$300/tonne	~\$380-420/tonne	~30%

Kharif Supply-Demand Gap

INDICATOR	FIGURE
Kharif urea requirement	19.4 MT
Currently available supply	5.5 MT
Gap	~13.9 MT
Normal kharif urea usage	~17-18 MT/year

INDIA'S FERTILISER SUBSIDY ARCHITECTURE

How Fertiliser Subsidies Work in India

India operates a **fixed MRP (Maximum Retail Price)** system — the government sets prices for farmers, and the gap between market cost and MRP is paid as subsidy to manufacturers/importers:

- **Urea:** Fully regulated; MRP capped at ~₹242/45-kg bag (unchanged since 2012)
- **P&K fertilisers (DAP, MOP, SSP):** Under **Nutrient Based Subsidy (NBS)** scheme since 2010 — subsidy fixed per kg of nutrient; MRP market-determined within limits

Key bodies:

- **Department of Fertilisers** (Ministry of Chemicals & Fertilisers) — policy and subsidy administration
- **FCI (Fertiliser Corporation of India)** — public sector producer
- **IFFCO, KRIBHCO** — cooperatives; major producers and distributors
- **DBT (Direct Benefit Transfer)** — subsidy transferred directly to manufacturers after sale to farmers via point-of-sale machines

Fiscal Impact

A \$100/tonne rise in global urea price = additional **₹15,000-20,000 crore** annual subsidy burden for India. The 2026 price shock could add **₹30,000-50,000 crore** to India's fertiliser subsidy bill — straining fiscal consolidation targets.

ALTERNATIVES AND AGRICULTURAL RESPONSE

Recommended Alternatives for Kharif 2026

ALTERNATIVE	APPLICATION	ADVANTAGE
TSP (Triple Super Phosphate)	Phosphorus source replacing DAP	Lower import dependence
MAP (Monoammonium Phosphate)	Phosphorus + nitrogen source	Efficient use
SSP (Single Super Phosphate)	Low-analysis P fertiliser	Domestically produced; cheaper
Biostimulants	Rhizobium, Azospirillum, PSB	Reduce chemical requirement
Neem-coated urea	Slow-release urea	10-15% efficiency improvement
Nano urea (IFFCO)	Liquid urea spray	Drastically reduces use per hectare

IFFCO Nano Urea — The Emerging Solution

IFFCO's **Nano Urea Liquid** (launched 2021) provides nitrogen in nanoparticle form, absorbed directly through leaves:

- One 500 ml bottle replaces one 45-kg urea bag
- Price: ~₹240/bottle (vs. ~₹1,000 market value of conventional urea)
- Reduces groundwater contamination from urea run-off
- Cannot fully replace conventional urea yet — efficacy varies by crop and soil type

POLICY FRAMEWORK FOR FERTILISER SECURITY

POLICY/SCHEME	DETAILS
Nutrient Based Subsidy (NBS)	Fixed per-kg subsidy for P&K; introduced 2010
New Urea Policy 2015	Energy efficiency norms for urea plants
PM PRANAM	Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth – incentivises states to reduce chemical fertiliser use
Paramparagat Krishi Vikas Yojana (PKVY)	Organic farming clusters
Nano fertiliser mission	IFFCO + government push for liquid nano urea/nano DAP
Strategic fertiliser reserves	India building buffer stocks of urea, DAP, MOP

UPSC RELEVANCE

Prelims

- India's fertiliser subsidy (urea MRP): ~₹242/45 kg bag
- Nutrient Based Subsidy (NBS) scheme: covers P&K, not urea
- IFFCO Nano Urea: launched 2021; 500 ml = 1 bag conventional urea
- PM PRANAM: incentivises states to reduce chemical fertiliser dependence
- India's fertiliser subsidy: ~₹1.64 lakh crore (FY26 budget)

Mains

- "India's fertiliser subsidy regime distorts soil health and fiscal sustainability. Critically examine." (GS3)
- Alternatives to chemical fertiliser dependency – nano fertilisers, biostimulants, organic farming
- India's vulnerability to global commodity price shocks in agricultural inputs

FACTS CORNER

FACT	DETAIL
India fertiliser consumption rank	2nd globally (after China)
Urea MRP (farmer price)	~₹242/45 kg bag
Urea price shock (2026)	\$508 → \$935-959/tonne (~85% increase)
Kharif urea requirement	19.4 MT
NBS scheme	Nutrient Based Subsidy — covers P&K fertilisers
IFFCO Nano Urea	500 ml liquid = 1 bag (45 kg) conventional urea
PM PRANAM	Promotes reduction in chemical fertiliser use
MOP import dependence	100% (no domestic potash reserves in India)
Fertiliser subsidy (FY26)	~₹1.64 lakh crore (budget estimate)
Natural gas role	Primary feedstock for urea production

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