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EDITORIAL ANALYSIS

West Asia Crisis Opens Space for Fertiliser Policy Reform

INDIAN EXPRESS

13 May 2026 · ECONOMY IR · GS3

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The Indian Express 13 May 2026 GS3

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INTERVIEW ANGLE

"Should India treat fertiliser self-reliance with the same strategic salience it now treats critical minerals and semiconductors?"

EDITORIAL SUMMARY:

The Indian Express argues that the disruption of West Asian supply chains for urea, phosphates and natural gas creates a rare political window for India to rationalise its Rs 1.7 lakh crore fertiliser subsidy regime, expand the nutrient-based subsidy to urea, build out domestic capacity, and diversify sourcing through stronger joint ventures in Oman, Tunisia and Morocco. The editorial frames fertiliser self-reliance as a strategic-autonomy question of the same order as critical minerals and semiconductors.

A CRISIS THAT EXPOSES A DEPENDENCE

India is the world's second-largest consumer of fertilisers after China and a structural importer of three of the four primary fertiliser categories. The country produces around 27-28 million tonnes of urea domestically against consumption of about 35-37 million tonnes, importing the balance largely from West Asia. For Diammonium Phosphate (DAP), India is over 50 per cent import-dependent, with major sourcing from Saudi Arabia, Jordan, Morocco and China. For Muriate of Potash (MOP), India is almost entirely import-dependent, drawing supplies from Belarus, Russia, Canada and Israel. The natural gas that feeds 70 per cent of domestic urea capacity also moves primarily through West Asian and South Asian pipelines or LNG routes.

The current West Asia crisis – elevated freight costs, Strait of Hormuz uncertainty, sanctions-linked dollar settlement frictions and gas-supply contract disruptions – exposes the brittleness of this architecture at a moment when the Union Budget FY27 has provided a fertiliser subsidy outlay of approximately Rs 1.7 lakh crore.

THE SUBSIDY ARCHITECTURE THAT DISTORTS CHOICES

India runs two parallel subsidy regimes for fertilisers. Urea is sold at a statutorily fixed Maximum Retail Price (MRP) of Rs 268 per 45 kg bag, with the difference between cost of production/import and MRP paid as subsidy to manufacturers under the New Urea Policy 2015 and the Direct Benefit Transfer (DBT) framework. For Phosphatic and Potassic (P&K) fertilisers, the Nutrient Based Subsidy (NBS) regime introduced in 2010 fixes a per-nutrient subsidy and allows retail prices to move with global benchmarks.

The asymmetry has a known consequence – overuse of urea relative to P&K. The NPK ratio in many Indian states has skewed far from the agronomically recommended 4:2:1, producing soil-health degradation, nitrogen runoff and a reinforcing demand for more urea. The Fertiliser Control Order, 1985, framed under the Essential Commodities Act, 1955, governs quality and movement, but the price architecture remains the binding distortion.

THE REFORM WINDOW

Three reform threads converge in the current moment:

Expand NBS to urea. A unified nutrient-based subsidy across all fertilisers, with a managed transition, would correct the NPK distortion and give farmers a price signal for balanced application. The Shanta Kumar Committee (2015) and the Standing Committee on Chemicals and Fertilisers have repeatedly recommended this.

Build domestic capacity. The Rashtriya Chemicals and Fertilisers (RCF) Sindri urea plant revival, the new urea units commissioned at Gorakhpur, Ramagundam, Barauni and Talcher under the Department of Fertilisers' revival programme, and Nano Urea liquid technology developed by IFFCO since 2021 collectively aim to close the urea import gap. The Bharat Brand fertiliser initiative consolidates branding and quality.

Diversify sourcing. OMIFCO (Oman India Fertilizer Company) provides assured urea supply on a long-term offtake basis. KRIBHCO's joint ventures in Tunisia (phosphates) and Morocco (OCP partnership) anchor P&K diversification. Potash sourcing from Canada and Belarus, despite sanctions complications, hedges against single-country dependence.

THE PM-PRANAM LAYER

The PM Programme for Restoration, Awareness Generation, Nourishment and Amelioration of Mother Earth (PM-PRANAM), launched in 2023, incentivises states that reduce chemical fertiliser usage by allowing them to retain 50 per cent of the subsidy savings. The scheme is structurally complementary to NBS expansion – it rewards the behavioural shift that price reform would enable. The Soil Health Card scheme, the natural farming push under the National Mission on Natural Farming (NMNF), and the Sustainable Agriculture Mission together form the demand-side counterpart to supply-side reform.

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Key arguments:

- The West Asia disruption exposes India's structural import dependence in urea, DAP, MOP and natural gas, with a Rs 1.7 lakh crore subsidy bill at stake.
- The dual subsidy regime (urea MRP plus NBS for P&K) has produced soil-degrading NPK distortion and incentivised urea overuse.
- Reform window combines NBS expansion to urea, domestic capacity build-out (Gorakhpur, Ramagundam, RCF Sindri, Nano Urea), and diversified sourcing (OMIFCO Oman, KRIBHCO Tunisia/Morocco).
- PM-PRANAM and the natural farming push provide the demand-side architecture to absorb supply-side reform.

Counterarguments:

- Urea subsidy is politically sensitive – raising the MRP, even gradually, carries electoral cost regardless of agronomic merit.
- Domestic urea capacity expansion is gas-intensive and runs against decarbonisation commitments; green ammonia is not yet at commercial scale.
- Diversification through Tunisia, Morocco and Belarus carries its own geopolitical risks and dollar-settlement frictions.

Keywords: Fertiliser Subsidy FY27 Rs 1.7 lakh crore, Nutrient Based Subsidy 2010, New Urea Policy 2015, Fertiliser Control Order 1985, OMIFCO, KRIBHCO, RCF Sindri, Nano Urea IFFCO, Bharat Brand, PM-PRANAM 2023, Shanta Kumar Committee, National Mission on Natural Farming, Strait of Hormuz.

> *The Indian Express's view is that fertiliser policy is one of the few remaining domains where reform has been deferred not because the analysis is unclear but because the politics is hard. The West Asia crisis offers political cover that calmer times never will. India has named critical minerals, semiconductors and pharmaceutical APIs as strategic-autonomy frontiers; fertilisers belong on that list. The country that has set itself a Viksit Bharat target by 2047 cannot afford a food-security architecture that depends on one volatile region for its core inputs.*

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