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# Beyond the Urea Trap: On Reforming the Fertiliser Subsidy

BUSINESS STANDARD

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# Beyond the Urea Trap: On Reforming the Fertiliser Subsidy

Business Standard 10 June 2026 **GS3**

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## INTERVIEW ANGLE

*"The fertiliser subsidy feeds farmers, the exchequer and the soil at once. How should India reform a subsidy that supports food security but distorts nutrient use and strains the budget?"*

Source: [Original editorial](#) Business Standard

✓ Every fact web-verified against primary sources **HOW**

## WHY THIS MATTERS NOW

With global **urea prices rising**, India's **fertiliser subsidy bill** is set to swell under a structure that has gone unreformed for too long. For an aspirant, this is a high-yield **GS3 (economy, agriculture, environment) lead** that links the **fiscal**, the **agronomic** and the **ecological**. The recurring lesson: a subsidy designed to help can, left unreformed, distort the very system it supports.

## THE CRUX IN 60 WORDS

India keeps **urea** artificially cheap, far cheaper than other nutrients, so farmers **overuse** it, skewing the **NPK balance**, degrading **soil health**, and leaking the subsidy to larger farmers and non-farm use. The bill swings with global gas prices. The fix: bring urea under **nutrient-based pricing**, shift to **direct benefit transfer** per farmer, and cushion small farmers, protecting both the budget and the soil.

## THE ISSUE, DECODED

ELEMENT	WHAT IT IS	WHY IT MATTERS
<b>Urea control</b>	Price-fixed, heavily subsidised urea	Makes it cheaper than other nutrients
<b>NBS scheme</b>	Nutrient-Based Subsidy on P and K	Urea is outside it, causing imbalance
<b>NPK imbalance</b>	Skewed nitrogen-heavy use	Degrades soil and the environment
<b>DBT for fertiliser</b>	Direct transfer to the farmer	Breaks the link with quantity used

## THE ANALYSIS: WHY THE REGIME NEEDS REFORM

- 1 **The price gap distorts use.** Cheap urea relative to P and K drives overuse and an unbalanced NPK ratio.
- 2 **The bill is volatile.** Dependence on imported gas and global prices makes the subsidy swing sharply.
- 3 **The benefit is skewed.** Quantity-linked subsidy favours larger farmers and leaks to non-agricultural use.
- 4 **The soil pays.** Excess urea degrades soil health and pollutes water and air.

## DATA AND INSTITUTIONS VAULT

*the Nutrient-Based Subsidy (NBS) scheme (for P and K, since 2010); urea under price control; Soil Health Card scheme; PM-PRANAM (incentivising states to cut chemical-fertiliser use). Concepts: the ideal NPK (4:2:1) balance; nano-urea; bio- and organic fertilisers; Direct Benefit Transfer (DBT). Fiscal: fertiliser subsidy is among the largest Union subsidies, exposed to global gas and price swings. Ministry: the Department of Fertilisers (Ministry of Chemicals and Fertilisers). Linkage: food security, farm incomes and the fiscal deficit.*

## THE DEBATE

**Argument for caution:** Cheap fertiliser underpins affordable food and farm incomes; abrupt reform could raise input costs and hurt small farmers.

**Argument for reform:** The unreformed regime distorts nutrient use, harms the soil, skews benefits and strains the budget; the status quo is unsustainable.

**The balanced verdict:** Reform is not about spending less on farmers but **spending better**. Bring urea under nutrient-based pricing, shift to a per-farmer DBT, promote balanced fertilisation and alternatives, and cushion small farmers through the transition.

## HOW TO THINK ABOUT THIS (TRANSFERABLE SKILL)

*A weak answer defends or attacks the subsidy on cost alone. The strong answer traces the behaviour it induces: cheap urea creates overuse, imbalance and soil damage, so the design, not just the size, is the problem. The move is to redesign incentives (nutrient-based pricing, DBT) rather than merely cut spending. The same lens applies to power, water and food subsidies.*

## DIAGRAM-IN-WORDS

Urea price-controlled + far cheaper than P and K -> overuse -> NPK imbalance + soil degradation + leakage. Add dependence on imported gas -> volatile, record subsidy bill. The reform: nutrient-based pricing + per-farmer DBT + soil-health cards + alternatives -> balanced use, lower fiscal risk, healthier soil.

## THE WAY FORWARD

- ❶ **Bring urea under a nutrient-based subsidy** so prices reflect nutrient value.
- ❷ **Move to direct benefit transfer** of a unified, per-farmer subsidy, delinked from quantity.
- ❸ **Promote balanced fertilisation**, soil-health cards, nano-urea and bio-fertilisers.
- ❹ **Cushion small and marginal farmers** through the transition to protect equity and food security.

## THE TAKEAWAY BOX

*“India’s fertiliser subsidy regime needs reform to protect both fiscal health and soil health.” Critically examine, suggesting a way forward. (250 words)*

*“Cheap urea is dear: it costs the budget, the balance of nutrients and the soil itself.”*

*Nutrient-Based Subsidy (NBS) · Soil Health Card scheme · PM-PRANAM · nano-urea · NPK balance · Direct Benefit Transfer · Department of Fertilisers.*

*How should the state reform a subsidy that helps farmers today but harms the soil they will farm tomorrow?*

*Connects to GS3 PYQs on subsidies, minimum support and direct benefit transfer in agriculture; a probable question is the fiscal-versus-soil framing above.*

*static GS3 on agriculture, subsidies and soil health; the wider theme of subsidy rationalisation and DBT.*

*Sources: Business Standard, Department of Fertilisers, PIB*

Source: Beyond the Urea Trap: On Reforming the Fertiliser Subsidy — Ujiyari.com | Free UPSC & State PCS Editorial Analysis

### ● KEY ARGUMENTS AT A GLANCE

**Rising global urea prices threaten to push India’s fertiliser subsidy bill to record levels under a structure that keeps urea artificially cheap, distorts nutrient balance and harms soil, making a shift toward nutrient-based pricing and direct benefit transfer to farmers overdue.**

#### ✓ SUPPORTING

- Urea is heavily controlled and subsidised, keeping it far cheaper than other nutrients and encouraging its overuse and an unbalanced NPK ratio.
- The subsidy bill is highly exposed to global price and gas-cost swings, making it a volatile and growing fiscal burden.
- Excess urea use degrades soil health and the environment, while the benefit skews toward larger farmers and leaks toward non-agricultural use.


**COUNTER**

Some argue that cheap urea underpins food security and farm incomes, and that any reform risks raising input costs and hurting small farmers.


**WAY FORWARD**

Bring urea under nutrient-based subsidy, move toward direct cash transfer of a unified per-farmer subsidy, promote balanced fertilisation, soil-health cards and alternatives, and cushion small farmers during the transition.


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**MAINS ANSWER FRAMEWORK**
**QUESTION**

*"India's fertiliser subsidy regime needs reform to protect both fiscal health and soil health." Critically examine, suggesting a way forward. (250 words)*

**INTRODUCTION**

The fertiliser subsidy is one of India's largest and most politically sensitive expenditures. With global urea prices rising, an old structural problem is becoming an urgent fiscal one.

**BODY**

The heart of the problem is urea. It is price-controlled and heavily subsidised, so it is far cheaper than phosphatic and potassic fertilisers, which are under the Nutrient-Based Subsidy (NBS) scheme and priced closer to the market.

This price gap encourages farmers to overuse urea, skewing the ideal nitrogen-phosphorus-potassium balance, degrading soil health, polluting water and air, and even diverting subsidised urea to industry or across borders. Because urea production depends on imported gas and global prices, the subsidy bill swings sharply and is now under pressure to touch record levels.

The subsidy also tends to benefit larger farmers more, since it is tied to quantity used. Yet the counter-argument has force: cheap fertiliser underpins affordable food and farm incomes, and abrupt reform could raise input costs for vulnerable small farmers.

The way forward is to reconcile the two: bring urea within a nutrient-based framework so prices reflect

nutrient value, move toward a direct benefit transfer of a unified, per-farmer subsidy that breaks the link with quantity, and pair this with soil-health cards, balanced-fertilisation extension, and promotion of nano-urea, organic and bio-fertilisers. Small farmers must be cushioned through the transition so that fiscal prudence does not come at the cost of equity or food security.

### CONCLUSION

Reforming the fertiliser subsidy is not about spending less on farmers but spending better, protecting the exchequer and the soil at once. The urea trap has held too long.

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