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NIPU-2026: A New Investment Policy to Make India Self-Reliant in Urea

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WHY IN NEWS

On **July 15, 2026**, *the Union Cabinet approved the* **National Investment Policy for Urea (NIPU-2026)**, *a fresh policy framework designed to attract investment into* **nine new gas-based urea plants** *and move India toward self-reliance in nitrogenous fertiliser.*

WHY INDIA NEEDS A NEW UREA POLICY

Urea is India's **most widely used nitrogen fertiliser**, central to the productivity of wheat, rice and most field crops. With a nitrogen content of **46%**, it is the cheapest way for farmers to supply this key nutrient. Yet domestic production has not kept pace with demand, forcing India to import large quantities and exposing farmers and the exchequer to volatile global prices and freight costs.

NIPU-2026 responds to this gap. By offering **policy incentives, assured returns and streamlined approvals**, it seeks to draw private and public investment into **nine new gas-based urea plants**. Expanding domestic capacity is expected to cut import dependence, ease pressure on the **balance of payments**, and strengthen **atmanirbharta in agricultural inputs**.

How the Urea Economy Works in India

Urea is unusual among fertilisers because of the tight government control over its price. Understanding this is central to the policy debate.

FEATURE	POSITION OF UREA
Nutrient supplied	Nitrogen (**46% N**)
Price regime	**Statutory** (https://ujiyari.com/vocab/statutory/) **price control**, MRP fixed by government
Subsidy route	Paid to **manufacturers**, not directly to farmers
Main feedstock (https://ujiyari.com/vocab/feedstock/)	**Natural gas**
Self-reliance status	Import-dependent; NIPU-2026 targets domestic capacity

Urea is the **only fertiliser still under statutory price control**. The government fixes the **Maximum Retail Price (MRP)** farmers pay, which is far below the cost of production, and the difference is met through a **subsidy paid to manufacturers**. This keeps urea artificially cheap, which sustains affordability but also encourages over-use and distorts the balance of nutrients in Indian soils.

The Gas Feedstock and Energy Link

Because Indian urea plants run largely on **natural gas** as feedstock, the sector is tightly linked to **energy security** (https://ujiyari.com/terms/energy-security/) and to the price of imported LNG. NIPU-2026's focus on **gas-based capacity** aligns fertiliser policy with the wider push for a gas-based economy, while also aiming to modernise older, less efficient plants.

Complementary Measures for Self-Reliance

NIPU-2026 does not act alone. It sits alongside a set of reforms aimed at making fertiliser use more efficient and the subsidy more targeted:

- **DBT in fertilisers:** subsidy is released to companies only after actual sale to farmers is recorded through PoS machines, curbing diversion.
- **Neem-coating of urea:** slows nitrogen release, improves efficiency and discourages non-agricultural diversion of subsidised urea.
- **Nano Urea (IFFCO):** a liquid nanotechnology formulation that can partially replace bagged urea, cutting logistics and subsidy costs.

Together with NIPU-2026, these measures pursue two goals at once: **rationalising the subsidy burden** and **raising domestic production** so that India relies less on imports for a fertiliser essential to food security.

UPSC RELEVANCE

GS Paper 3: Agriculture, subsidies and minimum support mechanisms, food security, and issues relating to direct and indirect farm subsidies. Also links to industrial policy and energy security.

Prelims pointers:

- Nitrogen content of urea: **46%**.
- Urea is the **only fertiliser under statutory price control** (MRP fixed by government).
- Urea subsidy is paid to **manufacturers**, not directly to farmers.
- **NIPU-2026** targets **nine new gas-based urea plants** (approved July 15, 2026).
- **Nano Urea** is an **IFFCO** product; neem-coating improves nitrogen-use efficiency.

Mains question: "India's urea policy has ensured affordability but at the cost of efficiency and fiscal sustainability." In this light, examine how NIPU-2026 and complementary measures seek to reform the fertiliser sector.

FACTS CORNER

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Policy: National Investment Policy for Urea (NIPU-2026), Union Cabinet approval July 15, 2026.

Objective: attract investment into nine new gas-based urea plants; self-reliance in nitrogenous fertiliser.

Urea nitrogen content: 46%; feedstock is natural gas.

Price regime: only fertiliser still under statutory price control; subsidy routed to manufacturers.

Complementary reforms: DBT in fertilisers, neem-coating of urea, Nano Urea (IFFCO).

Strategic frame: atmanirbharta in agri-inputs, subsidy rationalisation, energy and balance-of-payments linkages.

Sources: PIB (https://pib.gov.in/), Department of Fertilizers (https://www.fert.nic.in/), The Hindu (https://www.thehindu.com/), LiveMint (https://www.livemint.com/)

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