GOVERNMENT OF INDIA
MINISTRY OF CHEMICALS AND FERTILIZERS
DEPARTMENT OF FERTILIZERS

LOK SABHA
UNSTARRED QUESTION NO.2268 TO BE ANSWERED ON **31.07.2026**

Fertilizer Subsidy Policy

2268. Shri Sachithananantham R:

Will the Minister of **CHEMICALS AND FERTILIZERS** be pleased to state:

(a) whether the Government has taken note that reducing fertilizer subsidies without regulating fertiliser manufacturers has increased input costs for farmers and benefited fertilizer companies, if so, the details thereof;

(b) whether the Government has conducted any study on the extent to which fertilizer subsidy burden of the country is mainly due to dependence on imports and inadequate public investment in domestic fertiliser production, rather than the subsidy itself, if so, the details thereof; and

(c) whether the Government proposes to strengthen public sector fertilizer production to reduce import dependence, if so, the details thereof?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS & FERTILIZERS
(SMT. ANUPRIYA PATEL)

(a) to (c): The Government has implemented Nutrient Based Subsidy (NBS) Scheme w.e.f. 01.04.2010 for Phosphatic and Potassic (P&K) Fertilizers. Under the Scheme, P&K fertilizers are covered under Open General License (OGL) and companies are free to import/manufacture these fertilizers as per their business dynamics. To meet any potential increase in fertilizer subsidy requirements arising from global market uncertainties, the Government has approved a subsidy allocation of ₹41,533.81 crore under the Nutrient Based Subsidy (NBS) Scheme for the Kharif 2026 season, which is approximately ₹3,581 crore higher than the subsidy requirement approved for the Rabi 2025-26 seasons. This enhanced allocation will help maintain the affordability and availability of P&K fertilizers for farmers.

To reduce dependence on imported Phosphatic fertilizers and make country self-reliant, measures have been taken to encourage domestic production through guidelines dated 18.01.2024 on reasonable MRP, wherein importers/ manufacturers are given reasonable profit of 8%, 10% and 12% respectively. Based on the requests, the new manufacturing capacity of existing units have been recognized / taken on record under the NBS Scheme. The number of P&K fertilizers covered under NBS Scheme increased from 22 grades in 2018 to 28 grades. Freight Subsidy on SSP which is an indigenously manufactured fertilizer, is being provided since Kharif 2022 to promote SSP usage for providing Phosphatic or ‘P’ nutrient to the soil. Further the rates of nutrients under NBS scheme are decided on biannual basis to ensure availability of fertilizers under the Scheme.

Further, under the Urea Subsidy Scheme, Urea is provided to the farmers at a statutorily notified Maximum Retail Price (MRP). The MRP of 45 kg bag of urea is Rs.242 per bag (exclusive of charges towards neem coating and taxes as applicable). The difference between the delivered cost of urea at farm gate and net market realization by the urea units is given as subsidy to the urea manufacturer/importer by the Government of India. Accordingly, all farmers are being supplied urea at the subsidized rate.

The Government had announced New Investment Policy (NIP) – 2012 on 2nd January, 2013 and its amendment on 7th October, 2014 to facilitate fresh investment in the urea sector and to make India self-sufficient in the urea sector. Total 6 new urea units have been set up under NIP-2012 which includes 4 urea units set up through Joint Venture Companies (JVC) of nominated PSUs and 2 urea units set up by the private companies. The units set up through JVC are Ramagundam urea unit of Ramagundam Fertilizers and Chemicals Ltd (RFCL) in Telangana and 3 urea units namely Gorakhpur, Sindri and Barauni of Hindustan Urvarak & Rasayan Limited (HURL) in Uttar Pradesh, Jharkhand and Bihar, respectively. The units set up by private companies are Panagarh urea unit of Matix Fertilizers and Chemicals Ltd. (Matix) in West Bengal; and Gadepan-III urea unit of Chambal Fertilizers and Chemicals Ltd. (CFCL) in Rajasthan. Each of these units has installed capacity of 12.7 Lakh Metric Tonne per annum (LMTPA). These units are highly energy efficient as they are based on latest technology. Therefore, these units have together added urea production capacity of 76.2 LMTPA, thereby total indigenous urea production capacity (Reassessed Capacity, RAC) has increased from 207.54 LMTPA during 2014-15 to 283.74 LMTPA during 2023-24. Further, an exclusive policy for the revival of Talcher unit of FCIL through JVC of nominated PSUs namely Talcher Fertilizers Limited (TFL) by setting up a new Greenfield Urea plant of 12.7 LMTPA at coal gasification route has also been approved. Recently, the Union Cabinet has approved the proposal for setting up of a new Brownfield Ammonia-Urea Complex of 12.7 Lakh Metric Tonnes (LMT) annual capacity of Urea production within the existing premises of Brahmaputra Valley Fertilizer Corporation Limited (BVFCL), Namrup, Assam namely Assam Valley Fertilizer and Chemical Company Ltd. (AVFCCL).

The Cabinet Committee on Economic Affairs (CCEA) approved the National Investment Policy for Urea-2026 for Atmanirbhar Bharat on 15.07.2026. Under the policy, provisions have been made to encourage investment for setting up new gas-based urea manufacturing units in the country, with a view to enhancing domestic urea production capacity, reducing dependence on imported urea, and strengthening self-reliance in the availability of urea.

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