

THE UKRAINE CRISIS AND INDIA'S FERTILISER SECURITY

Relevant for: Indian Economy | Topic: Issues related to direct & indirect Farm Subsidies and MSP

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The abrupt withdrawal of Russia and Ukraine from food markets, coupled with the blockade in the Black Sea region, has significantly impacted global food security. These disruptions, combined with market disturbances, escalating energy and input costs, supply shortages, the effects of climate change, and the persistent high demand for food, have resulted in a notable surge in global food prices.

Within this complex scenario, a stable supply of fertilisers becomes a critical factor in upholding food security worldwide. It is noteworthy that Russia holds a major stake in the global fertiliser market. In 2021, Russia was the top exporter of nitrogen fertilisers, the second-largest exporter of potassic fertilisers, and the third-leading exporter of phosphorus fertilisers.¹ As a result of the Russia-Ukraine conflict, fertiliser prices escalated in the initial months and several countries continue to grapple with shortages.² The challenges of high procurement costs and supply chain disruptions have further exacerbated the issue, creating an urgent need for strategies to address fertiliser insecurity.

India is the world's second-largest consumer of fertilisers. India has taken policy initiatives to ensure fertiliser security and mitigate challenges arising out of the Russia-Ukraine war. These initiatives have included implementation of the One Nation One Fertiliser policy, subsidy mechanisms as well as increased imports of Russian fertilisers.

The recent introduction of the One Nation One Fertiliser scheme, also known as the *Pradhanmantri Bhartiya Janurvarak Pariyojna* (PMBJP), is a significant step towards fertiliser security. Under this scheme, fertiliser companies can display their name, brand, logo, and other product details on only one-third of the fertiliser bags. The remaining two-thirds of the space will display the "Bharat" brand name and the logo of the PMBJP.³ This implies that the single brand name for fertilisers like Urea and DAP will become Bharat Urea and Bharat DAP, respectively.

In addition to highlighting the subsidy provisions of the government, the scheme will standardise use, reduce company competition and movement of fertiliser goods. The need for inter-state fertiliser transportation will diminish as the demand for specific fertiliser brands in different areas will reduce.⁴ This will result in savings on fertiliser and transport subsidies, further reducing prices and the attached costs.

During the launch of the PMBJP scheme, more than 600 *PM-Kisan Samruddhi Kendras* (PM-KSK) were also inaugurated.⁵ PM-KSKs aim to bolster fertiliser security by serving as comprehensive centres that provide a range of agricultural inputs including seeds, fertilisers, and farming tools, alongside soil, seed, and fertiliser testing. It aims to transform approximately 3.25 lakh fertiliser retail stores into PM-KSKs nationwide.

Both schemes significantly enhance the availability, affordability, and accessibility of fertilisers for farmers while also improving quality control measures in the distribution process. In order to curb black marketing of fertilisers in the country, the Ministry of Chemicals and Fertilisers also introduced the Fertiliser Flying Squad (FFS). The FFS has carried out 370 surprise inspections in multiple states and seized more than 70,000 bags of counterfeit Urea. The Squad can counter

diversion, illegal trade, stockpiling, and distribution of low-quality fertilisers.[6](#)

The substantial allocation of subsidies towards fertilisers has also facilitated the mitigation of external shocks and maintained domestic price stability. These subsidies are disbursed through the urea subsidy programme, as well as the Nutrient Based Subsidy (NBS) scheme, targeting essential nutrients such as Nitrogen (N), Phosphorus (P), Potash (K), and Sulphur (S) for Phosphatic and Potassic (P&K) fertilisers. The current approved budget for fertiliser subsidies during the Kharif season of 2023 amounts to Rs 1.08 lakh crore, with the total subsidy expected to exceed Rs 2.25 lakh crore.[7](#) It is noteworthy that fertiliser subsidies were doubled to Rs 2.56 lakh crore last year, effectively managing domestic prices in comparison to the skyrocketing international prices due to the conflict in Ukraine.[8](#)

Urea imports have always been a major concern for India's agriculture sector. India is the top importer of urea, importing 30 per cent of the average 35 million-tonne annual requirement.[9](#) As part of the fertiliser security initiatives, the government aims to end Urea imports by 2025 by reviving and commissioning Urea production plants in Gorakhpur, Talcher, Barauni, Ramagundam and Sindri.[10](#) The plants are expected to produce 6.5 million tonnes of urea annually.

In addition, the production of domestically manufactured low-cost nano urea, which includes nanoparticles of the crop nutrient, is expected to increase to 5 million tonnes by 2025.[11](#) The introduction of nano-urea will also reduce the country's heavy dependence on urea imports from Oman, Qatar, Saudi Arabia and the UAE. The forthcoming PM Promotion of Alternative Nutrients for Agriculture Management (PM PRANAM) Scheme also seeks to provide incentives to states for promoting the adoption of organic manure, organic and bio-fertilisers, nano-urea and di-ammonium phosphate (DAP).[12](#) While these measures aim to bolster domestic production, there have been several international efforts to stabilise supply and security.

In 2022-23, India implemented various strategies to ensure a secure supply of essential resources and hedge against international price fluctuations. India's growing crude oil imports from Russia have garnered international attention. However, it is noteworthy that India has also experienced a significant surge in its imports of fertilisers from Russia. Table 1 illustrates the notable increase in imports of different categories and sub-categories of minerals and fertilisers. The overall value of fertiliser imports has risen from Rs. 578,504.44 lakhs in 2021-22 to Rs. 2,451,726.89 lakhs in 2022-23, representing a growth of 323.80 per cent. To further facilitate trade with India, Russia increased its export quota of fertilisers in early 2022.[13](#) Additionally, India sealed a three-year agreement with Russia's Phosagro last year, ensuring the supply of 500,000 tonnes of DAP.[14](#)

Consequently, the heightened imports have led to a reduction in India's reliance on Chinese fertilisers. The overall value of Chinese fertiliser imports diminished by 13.83 per cent between 2021-22 and 2022-23.[15](#) As a result of favourable pricing and discounts, Russia surpassed China to become the foremost supplier of fertilisers to India in the first half of the 2022-23 fiscal year.[16](#) The significant growth in fertiliser imports from Russia also indicates a strengthening of the trade relationship between the two countries. This can lead to more collaborations, joint ventures, and investments in the fertiliser industry, which can further enhance fertiliser security for India.

Category

2021-2022

2022-2023

% Growth

Fertilisers Overall (310)

578,504.44

2,451,726.89

323.80

Mineral or Chemical Fertilisers, Nitrogenous (3102)

210,557.09

436,167.82

107.15

Mineral or Chemical Fertilisers, Potassic (3104)

9,760.74

15,809.67

61.97

Mineral/Chemical Fertilisers with Two or Three of the Fertilising Elements N, P, and K; Other Fertilisers, Similar Goods in Tablets/Like Form in Packets (3105)

358,186.60

1,999,749.40

458.30

Mineral/Chemical Fertilisers Containing the Three Fertilising Elements Nitrogen, Phosphorus, and Potassium (310520)

222,798.98

850,935.83

281.93

Other Mineral/Chemical Fertilisers Containing Two Fertilising Elements Nitrogen and Phosphorus (310559)

13,704.84

338,537.71

2,370.21

Urea whether or not in aqueous solution (31021000)

195,666.13

386,211.88

97.38

Diammonium Hydrogen orthophosphate (Diammonium Phosphate) (31053000)

119,897.97

634,538.25

429.23

Ammonium Dihydrogen orthophosphate (Monoammonium Phosphate)/ Mixtures with
Diammonium Hydrogen orthophosphate (Diammonium Phosphate) (31054000)

1,700.34

175,737.62

10,235.46

Source: [Ministry of Commerce and Industry Trade Statistics](#)

Another key approach has been the expansion of the supplier base through investments in mineral-rich countries and the establishment of multi-year import deals. Indian companies have undertaken investments in countries abundant in mineral resources. For example, they have acquired ownership stakes in Senegal-based companies, which possess significant reserves of rock phosphate.¹⁷ By establishing a direct presence in these countries, Indian companies gain more control over the production and supply chain of essential minerals, secure a consistent supply of resources and mitigate the risk of market disruptions.

Indian companies have signed MoUs with Canadian companies for supply of Muriate of Potash (MOP), the demands for which are only met through imports.¹⁸ Indian cooperative Krishak Bharati Cooperative (KRIBHCO) has entered into a long-term deal with Saudi Arabia to import one million tonnes of phosphatic fertilisers.¹⁹ India has also signed significant long-term agreements with countries like Jordan and Israel. These agreements encompass the supply of various fertilisers such as MOP, rock phosphate, and phosphoric acid.²⁰ Furthermore, in January 2023, India finalised a deal with Morocco for the supply of triple super phosphate (TSP) and DAP.²¹

Through these measures, India can secure its fertiliser supplies, minimise dependency on a limited number of suppliers and reduce exposure to international price volatility. These developments also indicate a strategic shift in India's approach to fertiliser security. The country is actively diversifying its fertiliser sources and reducing dependence on a single supplier, thereby mitigating risks and strengthening its position in the global fertiliser market.

India's multipronged approach has effectively navigated the non-traditional security challenges posed by the Russia-Ukraine conflict and facilitated a stable supply of fertilisers. While some measures provide immediate respite, efforts should continue to focus on implementing long-term

structural solutions to reduce dependence on fertiliser imports, curb over-utilisation and address the high fiscal burden. A futuristic approach involves self-sufficiency through domestic production, balanced nutrient management, and efficient distribution networks. The climate crisis and its potential impact on agricultural production may also disrupt the estimated fertiliser demand in the future. Promoting sustainable agricultural practices to ensure long-term fertiliser security and agricultural sustainability is key. India's recent advances in the fertiliser sector have significantly contributed to this approach and facilitated a more resilient and secure supply chain structure.

Views expressed are of the author and do not necessarily reflect the views of the Manohar Parrikar IDSA or of the Government of India.

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