

# Fertiliser subsidy burden set to double on global supply crunch

PSUs float tenders for imports, government plans to tap Russia to meet demand.

Written by: [Siddharth Upasani](#), [Aanchal Magazine](#) 5 min read New Delhi Updated: Jun 10, 2026 08:49 AM IST



No sign of price dip, domestic production being ramped up.

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Rising global costs of fertilisers amid a supply crunch is likely to result in a subsidy burden of almost Rs 3.4 lakh crore, or an almost 100 per cent increase compared with the Budget estimate of Rs 1.7 lakh crore, according to top government sources.

“We are still selling fertiliser at a subsidised price of around Rs 300 per sack even though the cost has gone up from around Rs 2,900 post Covid to around Rs 4,500 now. So, the subsidy (bill) may be 100% more than the [Budget](#) estimate,” a source, who did not wish to be named, said.

“It’s a very complex situation. Global suppliers, including China, are holding on to their stock due to the Iran war. The government is looking at Russia to meet more of its imports,” another senior government official told *The Indian Express*.

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Another concern that the government is keen to address relates to diversion of fertilisers meant for farmers to the industry. The official said this issue is being discussed at the highest levels of ministries concerned – agriculture, fertilisers and finance.

On May 27, state-owned National Fertilizers Ltd issued a global tender to buy 17 lakh metric tonnes (LMT) of urea. Before that, in early April, Indian Potash Ltd had issued a tender to import 25 LMT of urea.

According to sources, the government does not see signs of fertiliser prices coming down and is trying to ramp up domestic production.

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The government had estimated it would need to spend Rs 1.71 lakh crore on fertiliser subsidy in 2026-27. Latest data from the Controller General of Accounts shows the Centre spent Rs 22,033 crore as subsidy in April for urea and nutrient based fertilisers, roughly 13% of the full-year estimate.

For 2025-26, the government raised the revised estimate for fertiliser subsidy to Rs 1.86 lakh crore from Rs 1.68 lakh crore. However, provisional data from the Controller General of Accounts shows the actual amount spent on fertiliser subsidy last fiscal was Rs 2.11 lakh crore – Rs 24,920 crore more than the revised estimate. This is 22% higher than 2024-25.

In addition to the stress on the government finances from the rising fertiliser subsidy, pressure is also coming from elevated fuel prices, with about Rs 1.23 lakh crore lost in the form of revenue foregone due to the Rs 10 per litre excise duty cut announced in March and under-recoveries of public sector oil marketing companies (OMCs), sources said. Prior to the excise duty cut, OMCs were losing about Rs 1,000 crore a day. That figure has now come down to around Rs 650 crore.

While the Centre managed to meet its fiscal deficit target of 4.4 per cent of GDP for 2025-26, the deficit in April surged to a 26-month high of Rs 3.62 lakh crore, accounting for 21.4 per cent of the entire 2026-27 target.

The war in West Asia and the closure of the key waterway of the Strait of Hormuz has led to a huge jump in fertiliser prices, with India's latest purchases of urea from abroad having been at a cost-plus-freight price of \$935-\$959 per tonne, more than double the year-ago figure of \$410-\$420.

Fertiliser was one of the '3 Fs' cited by Finance Minister Nirmala Sitharaman last month – along with fuel and foreign exchange to buy gold – that required a focus amid pressures exerted on the rupee by the ongoing conflict as all these three items had to be paid for in foreign currencies and not rupees on account of them being imported.

Government officials also expressed concern about the diversion of subsidised fertiliser for farmers to industry.

“States have been told that fertiliser to farmers should be provided such that if the requirement, for example, is one sack, they should be given two sacks if needed. But in some states, five and even seven sacks are being given. How can that much fertiliser be even used? Clearly, it is going somewhere else,” an official said.

India is one of the largest importers of fertiliser in the world, while China, Russia, and Morocco count among the biggest exporters. In mid-March, China banned the export of fertilisers to secure domestic supplies. Prior to the West Asia war, the Gulf nations of Oman, Qatar, Saudi Arabia, United Arab Emirates (UAE), and Bahrain had a share of around 40% in India's urea imports.

Further, more than 60% of Indian imports of Liquefied Natural Gas (LNG) – used to produce urea domestically – was supplied by Qatar, UAE, and Oman. As such, in the first 11 months of 2025-26, India's urea imports from China surged to 21.24 LMT from just 0.99 LMT in all of 2024-25. Meanwhile, urea imports from Russia rose more gradually in comparison to 13.99 LMT from 9.23 LMT.

On Monday, the government had said the overall stock position of fertilisers is “comfortable”. For this year's kharif season, the fertiliser requirement has been estimated at 383.9 LMT, with stocks standing at 197.56 LMT, or 51% of the requirement. This, the government said on Monday in its inter-ministerial briefing on the West Asia conflict, is “significantly higher than the usual level of about 33%”. Further, farmers have already purchased 86.65 LMT of chemical fertilisers in the on-going kharif season, amounting to just under 23% of the total requirement.



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