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Fertiliser companies are being given a subsidy of Rs 21,911 per tonne on DAP, plus the “one-time special package” concession of Rs 3,500 that has now been extended until December 31, 2025.

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The most important priority for the government will be to ensure adequate fertiliser availability for the next kharif season from June-July.

The Centre has extended a special subsidy of Rs 3,500 per tonne on di-ammonium phosphate (DAP), which was to end on December 31, for a further one-year period from January 1, 2025.

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The decision, cleared by the Union Cabinet Wednesday, is aimed at containing any surge in farmgate prices of India's second most-consumed fertiliser. That pressure is more, given the rupee's recent slide against the US dollar.

The Modi government has informally frozen the maximum retail prices (MRP) of all non-urea fertilisers. This is despite them being "decontrolled" on paper, unlike urea whose MRP has been statutorily fixed at Rs 266.50 per 45-kg bag (after neem-coating and goods and services tax) since November 2012.

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Companies are not being allowed to charge more than Rs 1,350 for a 50-kg bag of DAP, with the corresponding per-bag MRPs at Rs 1,300 for the popular complex fertiliser '20:20:0:13', Rs 1,470 for '12:32:16:0' and '10:26:26:0', and Rs 1,500-1,600 for muriate of potash.

But the rupee's steep fall has made these informal price caps difficult to sustain. In the case of DAP, its landed import price of \$632 per tonne works out to about Rs 54,160 at the present exchange rate of Rs 85.7-to-the-dollar. That's more than the Rs 52,960 per tonne three months ago, when the rupee was at 83.8-to-the-dollar.

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Fertiliser companies are being given a subsidy of Rs 21,911 per tonne on DAP, plus the "one-time special package" concession of Rs 3,500 that has now been extended until December 31, 2025. Together with the MRP of Rs 1,350/bag or Rs 27,000 per tonne, it takes the gross realisation to Rs 52,411, which does not cover even the landed import cost of Rs 54,160.

EXPLAINED

What industry is flagging

The government said its decision to extend the special subsidy on DAP will help farmers, but concerns are rising over the impact of the falling rupee. The industry is underlining that DAP imports will not be viable unless the government increases the subsidy or allows it to revise the MRP upward.

Speculations over the future of Indian captain Rohit Sharma intensified on the eve of the final BGT Test at Sydney. Coach Gautam Gambhir, turning up for the pre-match press conference, said Rohit's place in the playing XI will be decided after having a look at the pitch on the...

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“If you add all other expenses – 5 per cent customs duty, port handling, bagging, interest, insurance, dealer margins, etc. – the total cost of imported DAP today would be Rs 65,000 per tonne. Imports are unviable unless the government increases the subsidy or allows us to revise the MRP upward,” an industry source told [The Indian Express](#).

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Earlier, on September 20, the government also approved full compensation to fertiliser companies for any DAP imports undertaken at a landed price above \$559.71 per tonne. This price difference over the base benchmark rate was payable for shipments arriving from September 1, 2024 to March 31, 2025. Moreover, the exchange rate taken for the compensation was Rs 83.23-to-the-dollar.

“All those calculations have gone haywire with the rupee plunging below 85.7,” the source said. Even with the extension of the Rs 3,500/tonne special subsidy, companies may have to raise the MRP of DAP to offset the roughly Rs 1,500/tonne impact of depreciation. The required MRP increase would have been more had the Rs 3,500/tonne special concession ended on December 31. The total fiscal cost of the extra subsidy is estimated at Rs 6,475 crore.

It remains to be seen if the government will permit companies to effect the minimal MRP hike. The political cost may not be much because only Delhi and Bihar – both not major agriculture states – are scheduled to go to Assembly polls this year.

Also, the current consumption season for DAP is over. With rabi crop sowings from October onwards almost completed, any MRP increase would not really be felt at this point.

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The most important priority for the government will be to ensure adequate fertiliser availability for the next kharif season from June-July. Stocks of both DAP and complex fertilisers, at 9.2 lakh tonnes (lt) and 23.7 lt respectively as in mid-December, are below their corresponding year-ago levels of 13 lt and 32.3 lt.

“We somehow managed this season with the available stocks. But without sufficient imports in the next few months, both of finished fertilisers and intermediates/raw materials, there will be problems,” the source said.

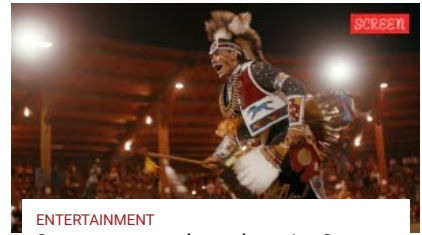
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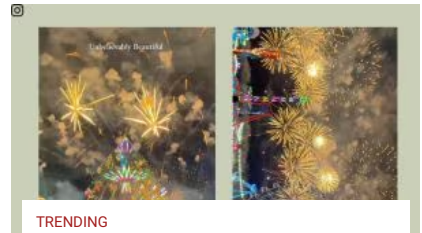
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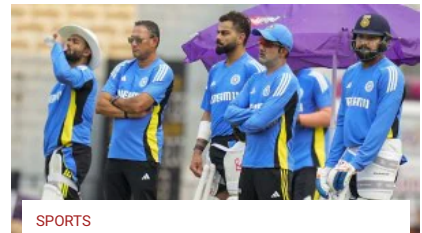
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