

Standing Committee Report Summary

Alignment of Logistics for Efficient Fertiliser Movement, and Curbing Forced Bundling

- The Standing Committee on Chemicals and Fertilisers (Chair: Mr Azad Kirti Jha) presented its report on the 'Alignment of Logistics for Efficient Fertiliser Movement and Availability at Affordable Prices during Peak Season and Steps Taken to Curb Forced Bundling of Unnecessary Boosters with Essential Fertilisers' on August 6, 2026. Key observations and recommendations include:
- **Forced bundling of fertilisers:** The Committee observed that non-essential products are sold to farmers as prerequisites for obtaining subsidised fertilisers, known as forced bundling. It noted that despite repeated instances of malpractices, there is no regulatory framework apart from advisories and public appeals. The Committee recommended: (i) mandating separate digital billing of all non-subsidised products and appropriate flagging in the integrated fertiliser management system, (ii) maintaining and publishing data on complaints and actions relating to violations, and (iii) amending the Fertilizer (Control) Order, 1985 to prohibit and prescribe penalties for forced bundling, instead of relying solely on advisories.
- **Coordination on last mile delivery:** Under the existing arrangement, the central government limits its role to ensuring state-level availability. The state governments are solely responsible for the last mile delivery. It noted recurring reports of shortages, farmers' protests, and distribution disruptions. The Committee recommended instituting a permanent joint command and monitoring cell to strengthen centre-state coordination. It should have representation from the Union Departments of Fertilisers, Agriculture, and Railways, and concerned state governments. Responsibilities of the cell should include: (i) planning for vulnerable districts in advance, (ii) overseeing pre-positioning of buffer stocks, (iii) optimising rake allocation, (iv) real-time monitoring of movement and availability, and (v) facilitating prompt corrective action on shortages.
- **Transportation costs:** The Committee observed that fertiliser is moved between geographically far away states despite nearer sources being available. This results in avoidable transportation costs and a higher freight subsidy burden. Despite this, the Department had not undertaken any comprehensive assessment of the cost implications of transportation. The Committee recommended: (i) periodic cost-distance analyses of inter-state fertiliser movement, (ii) incorporating proximity-based optimisation, and (iii) an independent study.
- **Subsidy policy:** The Committee observed that prevailing subsidies and pricing regime have led to excessive use of urea relative to other fertilisers. This has caused soil health damage and ground water contamination. It also observed that the current direct benefit transfer (DBT) in fertilisers mainly operate as a subsidy reimbursement mechanism for fertiliser companies rather than a farmer-centric model. The Committee recommended a comprehensive review of existing pricing, subsidies and DBT framework to make it progressively restore balanced nutrient use, targeted, and farmer-centric. It also recommended preparing a roadmap to rationalise relative pricing of urea and other fertilisers. Given the import dependence and geopolitical uncertainties, it observed that there is a need for a structured medium-term strategy for sustainability of fertiliser subsidy.
- **Capacity underutilisation and import dependence:** The Committee noted that several new generation urea plants were operating significantly below their capacity. It noted that the Ramagundam Fertiliser and Chemical Limited had an estimated revenue loss of Rs 7,954 crore between 2021-22 and November 2025 due to recurring technology failure. It observed the di-ammonium phosphate (DAP) plants capacity utilisation declined from 87.5% in 2022-23 to 67.8% in the first ten months of 2025-26. The Committee recommended: (i) review of new plants to identify and rectify causes of underperformance, (ii) future technology transfer come with performance guarantees and warranty obligations, and (iii) assessment of all underutilised and idle DAP units.

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