INDIAN FERTILIZER MARKET WEEKLY REPORT

SEPTEMBER 1 TO 6, 2025

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Coverage: Sep 1 – Sep 6, 2025

Executive Summary

The Indian fertilizer sector witnessed several notable developments during the first week of September 2025, spanning policy reforms, market movements, regulatory challenges, and global supply chain risks. Key government decisions on GST cuts and subsidy evaluations, rising DAP inventories, tightening biostimulant regulations, and China's ambiguous export stance have shaped market dynamics this week. Meanwhile, regional moves such as Madhya Pradesh's aggressive stocking ahead of the Rabi season reflect the strategic focus on ensuring farmer access to fertilizers in the upcoming planting period.

Government Set to Reassess Fertilizer Subsidy Framework

The **Development Monitoring and Evaluation Office (DMEO)**, operating under **NITI Aayog**, has announced plans to conduct a comprehensive evaluation of India's fertilizer subsidy schemes, including the nutrient-based subsidy and urea subsidy programs. These programs represent a massive government expenditure of over **₹1.77 lakh crore in FY 2024–25**, aimed at supporting farmers and maintaining affordable fertilizer prices.

The evaluation will focus on:

- Effectiveness of current subsidy targeting mechanisms.
- Identifying systemic inefficiencies contributing to leakage or misallocation.
- Recommendations for streamlined administration and enhanced transparency.

Industry leaders have welcomed this move, emphasizing that rationalizing the subsidy structure will help reduce financial stress on fertilizer manufacturers and encourage sustainable practices, while keeping farmer needs in focus.

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GST Rate Cut Offers Immediate Relief to Farmers

In a key policy intervention, the Indian government announced a reduction in the **Goods and Services Tax (GST)** rate applicable to fertilizers and several farm inputs. The GST rate cut, effective from September 2025, is expected to ease the financial burden on farmers by reducing input costs, particularly during a challenging inflationary phase.

Key points:

- The GST rate was lowered from **18% to 5%** on key raw materials including ammonia, phosphoric acid, and sulphuric acid.
- Farmers and smaller agribusinesses are expected to benefit most due to decreased upfront costs.

This reform addresses a long-standing demand from the **Fertilizer Association of India (FAI)** and is seen as a pragmatic step to stabilize agricultural input costs while supporting overall farm productivity.

DAP Inventory Levels Surge; Urea Tender Influences Global Markets

India's **Di-Ammonium Phosphate (DAP)** stockpile surged to **approximately 2.2 million tonnes** by the beginning of September, as strong import activity continued unabated. This rise in inventory is part of a strategic effort by Indian importers to safeguard supply amid growing uncertainty regarding China's export policies.

Simultaneously, India's record **urea import tender for 5.6 million tonnes** has had a significant ripple effect in the global fertilizer market:

- CFR (Cost and Freight) prices surged as suppliers prioritized deliveries to India.
- Shipping schedules adjusted globally, resulting in supply chain realignments.

Analysts emphasize that India's role as the world's largest urea importer remains a key determinant in global pricing trends, and the outcome of these tenders holds market-wide implications.

New Biostimulant Regulations Trigger Compliance Backlog

New government regulations have brought **biostimulants under the same framework as fertilizers**, introducing a stringent compliance regime. Thousands of products currently in the market are pending government approval due to:

- Complex testing requirements.
- Lack of clear procedural timelines.

Small and medium-sized manufacturers are disproportionately affected, facing high costs and uncertainty regarding product approvals. Industry bodies are pressing for:

- Simplified registration processes.
- Time-bound approval windows to prevent market disruption.

The sector remains in limbo, as these regulatory changes are seen both as necessary for quality assurance and challenging in execution.

Madhya Pradesh Strategically Stockpiles Fertilizers

Ahead of the **Rabi sowing season**, Madhya Pradesh accelerated its fertilizer procurement efforts. Over **13,600 metric tonnes** of fertilizers have already been accumulated in state cooperative societies, significantly ahead of the usual schedule.

Objectives of this strategy:

- Ensure timely fertilizer availability during the critical planting period.
- Avoid last-minute price surges or supply disruptions.
- Strengthen farmer confidence in input accessibility.

This proactive approach sets a precedent for other states as they prepare for upcoming agricultural cycles.

Global Risk: China's Fertilizer Export Policy Creates Uncertainty

This week saw further ambiguity in China's fertilizer export policy:

- Several reports claimed China would reintroduce export restrictions on specialty fertilizers starting October 2025.
- Contradictory sources suggested that export restrictions had been relaxed or removed.

The mixed messaging has left global markets jittery, prompting Indian importers to:

- Secure shipments earlier than usual.
- Diversify supply sources away from China.

If China enforces curbs, it could lead to sustained upward pressure on global fertilizer prices, further complicating India's import-dependent strategy.

Overall Impact Analysis

- **Farmers**: Benefit from GST cuts, but may face rising costs for specialty fertilizers if China's curbs are implemented. The state-level stockpiling approach offers a buffer against sudden price hikes.
- **Industry**: The pending evaluation of subsidy schemes and challenging biostimulant regulations are critical areas. The success of GST reforms could ease liquidity pressures for manufacturers.
- **Importers & Distributors**: Focus remains on hedging global risks through early procurement and supplier diversification.
- **Policy-makers**: Must balance subsidy reforms, market stability, and farmer welfare to maintain a robust fertilizer supply system.

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What to Watch in the Coming Weeks

1. **Subsidy Evaluation Report** by DMEO and possible reforms implementation.
2. **Clarifications on Biostimulant Product Approvals** and new government procedural frameworks.
3. **Final Decision from China** on export curbs from October 2025.
4. **Next Urea Tender Announcements** and their immediate impact on global prices.
5. **Further Developments in State-Level Stockpiling Strategies**, including Madhya Pradesh’s continued efforts.