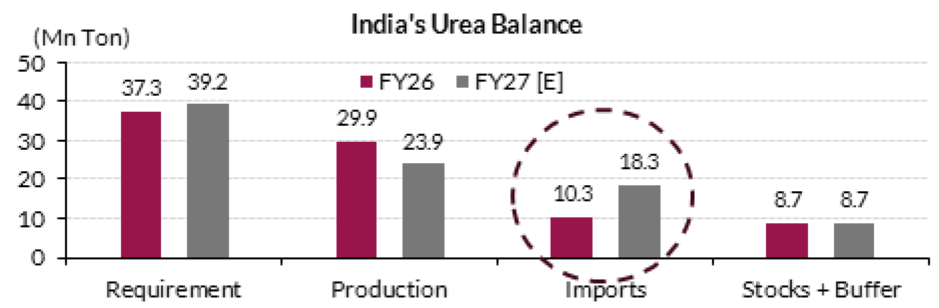
Economic Research | **Global**

Disruption Tracker: No urea shortage in India, but at a high cost

Fertilizer supply has been badly hit by the war: West Asia was 20%/40% of global production/ trade. Nitrogen-based fertilizers are the worst affected: production as well as feedstock (gas/naphtha) shortage/inflation have pushed up prices by ~90%, Phosphatic fertilizer prices have also risen 30% (lack of sulphuric acid). If Indian urea production normalizes by July, India would need to import 18mt of urea (vs. 10mt last year). Demand would fall in countries that do not subsidize fertilizers (US, Canada, Australia); and those that cannot (East Africa). Indian tenders have been well-bid, implying availability in kharif, but at very high prices. At these prices, subsidy could be 0.4% of GDP higher than budgeted.

28 Apr 2026
Growth
Supply Chains

Exhibit 1: Higher imports can help meet FY27 urea demand, but will cost more



Source: IEA Oil Market Report (Mar 2026); Axis Bank Research.

In this Disruption Tracker (see first note), we assess the situation in the fertilizer industry.

40% of N and 30% of P supply affected; costs up 90%/30%; K impact minor

Global fertilizer supplies are hurt: flow of fertilisers/inputs through the Strait of Hormuz (SoH) are halted and alternate routes take longer. Of the three key nutrients (N: Nitrogen; P: Phosphorus; K: Potassium), disruptions are most acute in N-rich (urea), followed by P-rich (DAP) fertilizers; K is less affected (Fig 4). Pre-war, West Asia was 10-20% of global production/30-40% of global trade (Fig 2, 3). It was also an important supplier of inputs: gas (N), sulphur (60% of sulphuric acid used for DAP) and phosphate rock. With feedstock prices rising too, prices for N/P fertilizers are 90%/30% above pre-war levels (Fig 5).

India's urea demand likely to be met, but subsidy 0.4% of GDP higher in FY27

75% of India's 39mt FY26 urea demand was produced locally; 10mt was imported. In Mar-2026, urea output fell 27% YoY (gas shortages). Even a full recovery by July means FY27 output 20% below FY26, requiring 8mt of additional imports (+78%) to meet FY27 assessed demand of 41mt. The two international tenders so far in CY26 (1.3 Mn Ton in Feb; 2.5 Mn Ton in Apr) were overbid, implying availability is less of a challenge for now. The price is: if current prices hold for a year, the FY27 urea subsidy (Rs1.2tn budgeted) could rise by Rs1.6tn. With some rise in DAP subsidy, the total could be 0.4% of GDP higher than BE.

Who loses? Countries that do not subsidize fertilizers (like US, Canada, Australia), and those that cannot. India, China and the EU account for 80% of fertilizer subsidies globally (Fig 6).

Kharif supplies; physical stocks could run thin in the Rabi season

Thus, availability should not be an issue in India during the Kharif season, in our view. Monthly sales in the kharif season are spread out, and rise only in the rabi season, mainly Dec-Jan (Fig 7) – low inventories can become challenging if supplies have not normalised by then. Production is smoother (Fig 8) and can ramp up faster if the SoH reopens. The risk is from an estimated 8mt of imports committed through Oct getting stuck/delayed, leaving the current 5.5mt of inventory materially depleted for the Rabi spike.

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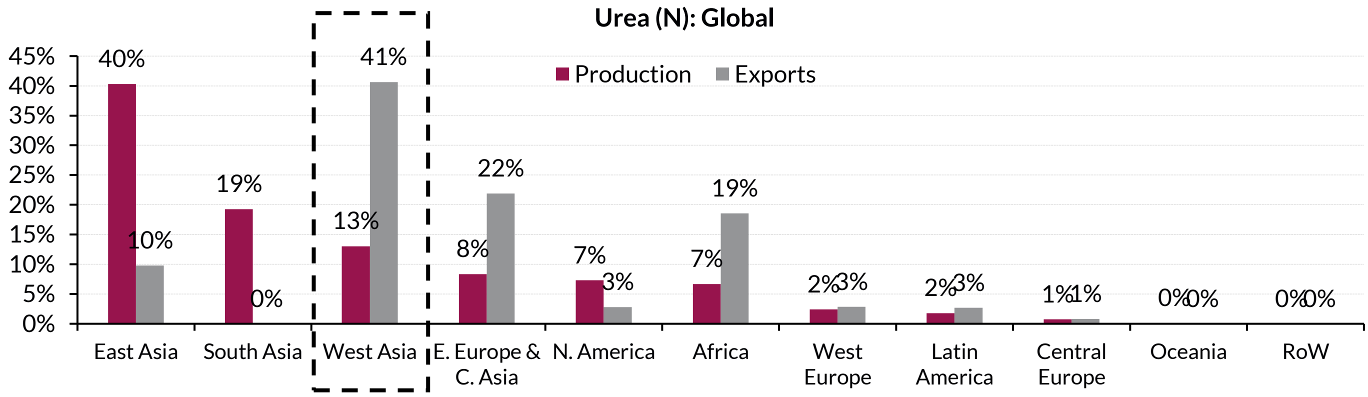
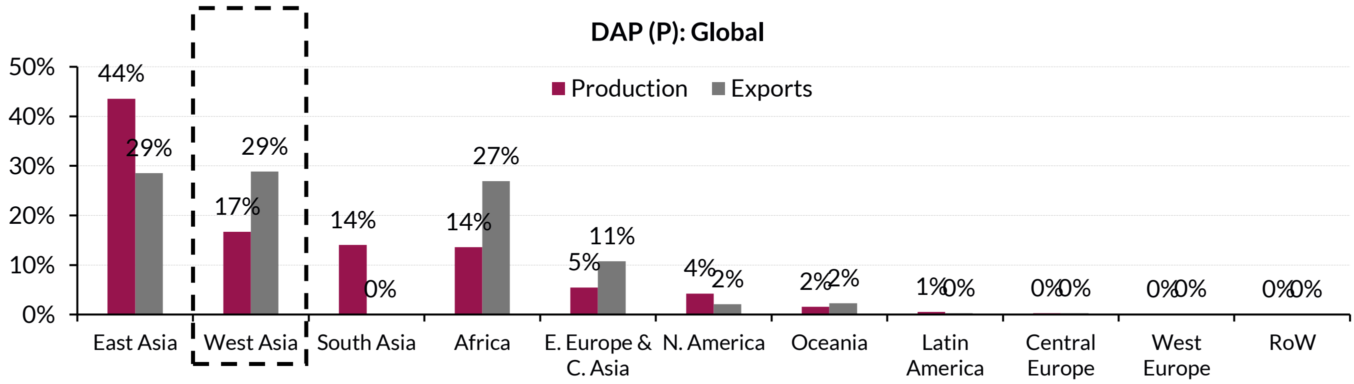
Exhibit 2: West Asia accounts for 13% of global urea production; 40% of trade



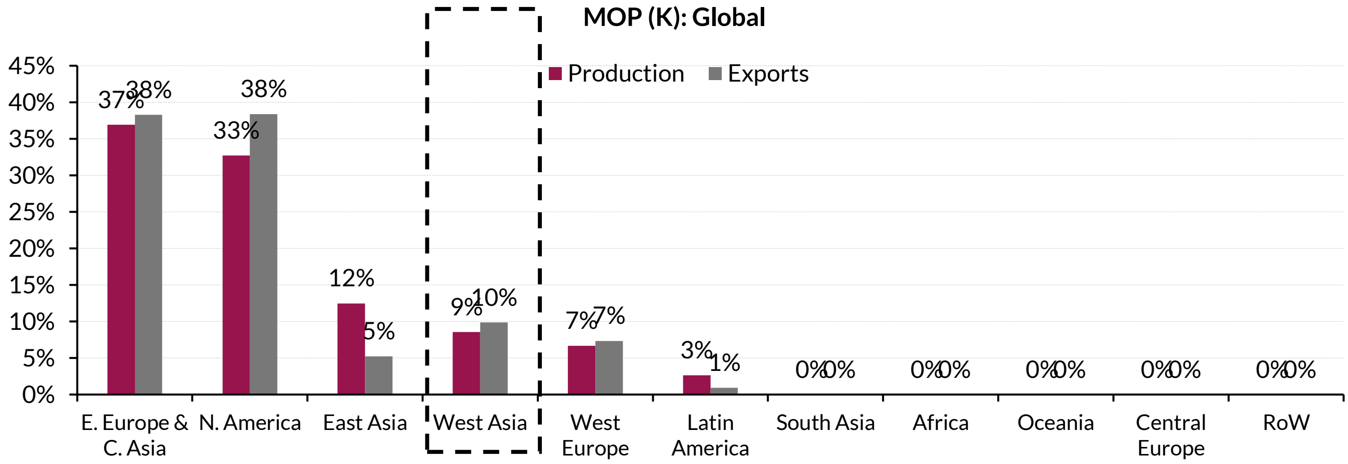
Source: IFA; Axis Bank Research

Exhibit 3: West Asia account for 17% of global DAP production, 29% of trade



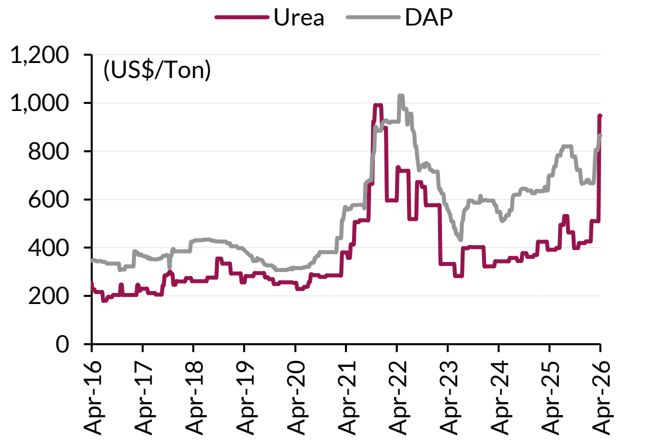
Source: IFA; Axis Bank Research

Exhibit 4: West Asia account for 9% of global MOP production, 10% of trade



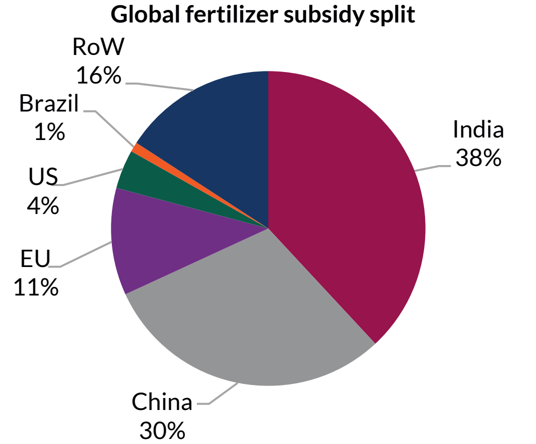
Source: IFA; Axis Bank Research

Exhibit 5: Prices of Urea (+86%) and DAP (+30%) have shot up above pre-war levels



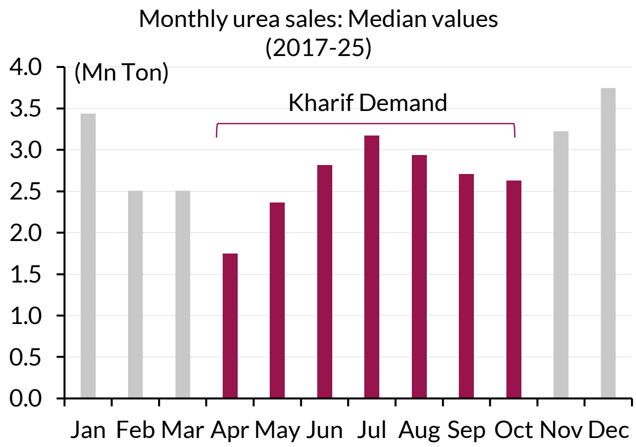
Source: Bloomberg; Axis Bank Research

Exhibit 6: India, China and the EU account for ~80% of the fertilizer subsidy globally



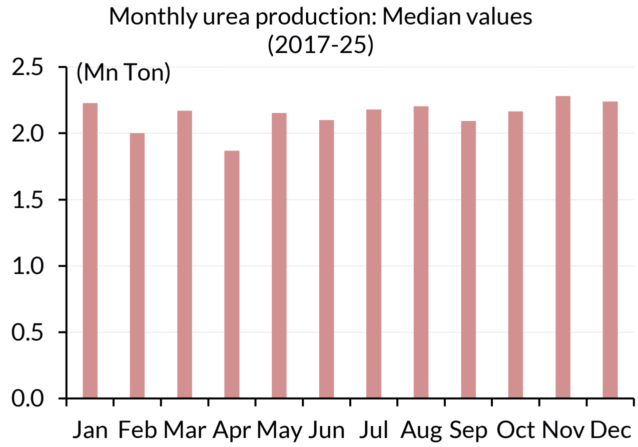
Source: OECD; Axis Bank Research

Exhibit 7: Kharif demand is ramping up: estimated urea requirement through Oct-2026 is ~19 Mn Ton



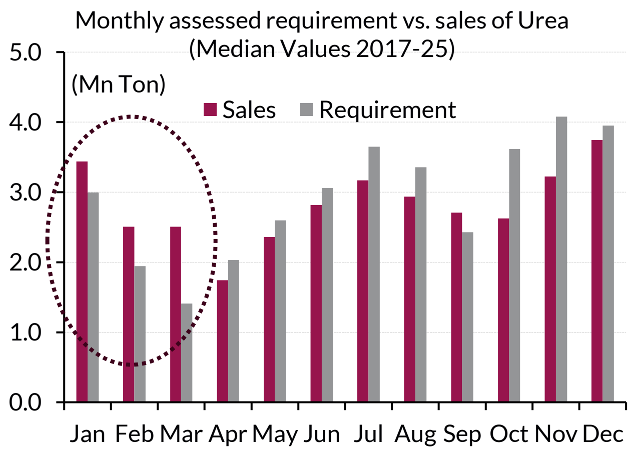
Source: CEIC; Axis Bank Research

Exhibit 8: Limited seasonality in urea production-> raw material availability is the binding constraint



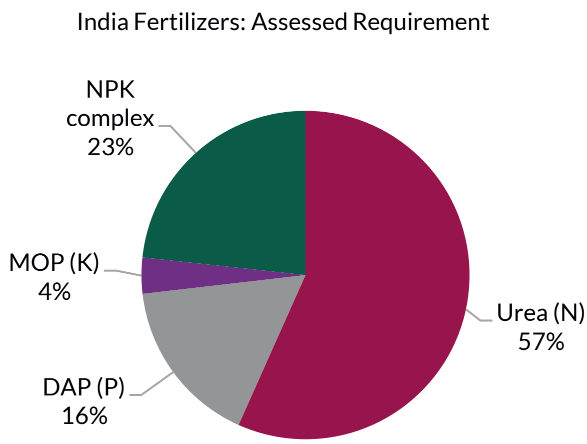
Source: CEIC; Axis Bank Research

Exhibit 9: Monthly sales typically exceed assessed urea requirements late in the Rabi season (Jan-Mar)



Source: CEIC; Axis Bank Research

Exhibit 8: Urea dominates India's assessed fertilizer requirement



Source: CEIC; Axis Bank Research

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