India Neem Coated Urea Market By End Use (Food Crops, Cash Crops, Horticulture Crops, Plantation Crops & Others), By Sales Channel (Direct, Indirect), By Region, Competition, Forecast and Opportunities, 2020-2030F

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Report description:

India Neem Coated Urea Market achieved the total volume of 278.34 Lakh Metric Tonnes in 2024 and is expected to reach 348.77 Lakh Metric Tonnes by 2030 with a CAGR of 4.03% during the forecast period. Neem-coated urea is a slow-release fertilizer that integrates urea with neem oil or neem cake. This coating regulates the nitrogen release from the urea, ensuring a more gradual availability to plants over an extended period. This controlled release enhances nutrient uptake and minimizes the risk of nitrogen leaching into groundwater. Neem oil, a fully organic substance, effectively slows nitrogen release, improving nutrient use efficiency, reducing soil and water contamination, and decreasing the potential for agricultural-grade urea being diverted for non-agricultural uses.

In India, using organic neem as a coating has proven more beneficial than chemical inhibitors. In 2015, the Indian government mandated 100% neem coating on all subsidized agricultural-grade urea to boost nutrient efficiency, crop yield, soil health, and prevent the misuse of urea. The government's promotion of neem-coated urea aims to reduce reliance on chemical fertilizers and lessen environmental impact, with policies including subsidies and mandatory adoption in certain regions.

The rising awareness of sustainable farming and environmental protection has driven increased demand for neem-coated urea. Its adoption varies by region, with greater use in areas with strong government support and environmental regulations. Regions with intensive agriculture and soil health issues show higher demand. The neem-coated urea market is expected to grow, supported by ongoing government policies and the adoption of sustainable agricultural practices. Advances in technology and production processes are likely to lower costs and make neem-coated urea more accessible to a wider range of farmers. Neem-coated urea is becoming a significant segment in India's fertilizer market, reflecting the country's broader commitment to sustainable agriculture.

Key Market Drivers

Government Policies and Initiatives

The Indian government offers subsidies for neem-coated urea, making it more affordable for farmers compared to traditional fertilizers. This financial support reduces the cost barrier and promotes broader adoption. Additionally, subsidies for manufacturers help lower production costs, which in turn decreases the retail price of neem-coated urea.

In 2023, the Cabinet Committee on Economic Affairs (CCEA) approved several fertilizer schemes, including the Prime Minister's PRANAM scheme, the urea scheme, and the organic manure scheme, with a total allocation of USD 44.26 Billion. The extended urea subsidy scheme, effective until March 2025, ensures that farmers can purchase urea at a subsidized price of USD 2.89 per 45 kg bag, despite the actual cost being around USD 26.32 per bag. This scheme, costing USD 44.02 Billion, will be fully funded by the Central government.

The government has mandated neem coating on all subsidized agricultural-grade urea, ensuring that a significant portion of urea in the market is neem-coated. This regulation drives widespread adoption by setting standards that neem-coated urea meets more effectively than conventional urea. The Finance Minister's Union Budget for FY24 allocated approximately USD 20.93 Billion towards fertilizer subsidies, supporting initiatives that aim to reduce agriculture's environmental impact, such as minimizing nitrogen runoff and improving soil health.

Training and awareness programs conducted by the government and agricultural institutions educate farmers about the benefits of neem-coated urea, driving its adoption through increased knowledge. Additionally, government support for research and development in fertilizer technology enhances the effectiveness and affordability of neem-coated urea, fostering market growth. Policies like the Nutrient-Based Subsidy (NBS) regime that encourage organic farming practices indirectly increase demand for neem-coated urea, aligning with the broader trend of adopting eco-friendly agricultural practices.

These government policies and initiatives are crucial in shaping the neem-coated urea market by improving its accessibility, affordability, and appeal to farmers, while aligning with broader environmental and agricultural objectives.

Increased Nutrient Use Efficiency

Neem-coated urea utilizes a slow-release mechanism that extends the availability of nitrogen to plants, allowing for gradual nutrient absorption and reducing the frequency of applications. The neem coating slows the nitrification process of urea, enhancing nutrient absorption in the soil and minimizing groundwater pollution. By inhibiting nitrifying bacteria that convert ammonical nitrogen into nitrate nitrogen (which is highly soluble and prone to leaching), neem-coated urea prevents nitrate loss. During manufacturing, transportation, and handling, urea often forms powder, which can be blown away by wind and lead to wastage. The neem coating reduces friction among urea prills, minimizing powder formation and increasing nitrogen use efficiency (NUE). Neem-coated urea has been shown to improve NUE significantly, particularly in crops like paddy and wheat, where NUE typically ranges from 30% to 50%. The neem oil coating also prevents urea from caking and reduces powder formation during handling.

Neem-coated urea repels insect pests and wild animals, further protecting crops. By ensuring a consistent nitrogen supply, neem-coated urea promotes steady plant growth and enhances crop yields, benefiting farmers who aim to maximize productivity. The increased nutrient efficiency means that farmers achieve better results with less fertilizer, leading to cost savings. Additionally, the reduced nutrient loss and minimized need for extra applications lower environmental costs, such as soil and water pollution.

The slow-release feature of neem-coated urea aligns with sustainable farming practices by reducing environmental impact. Its efficiency in nutrient use supports broader goals of decreasing agricultural runoff and pollution. As farmers experience the benefits of improved nutrient efficiency, the demand for neem-coated urea increases. The growing preference for high-performance agricultural inputs that offer better returns on investment further drives the adoption of neem-coated urea, enhancing its market appeal and acceptance among farmers.

Key Market Challenges

Use of Subsidized Urea by Industries

The diversion of subsidized urea to industrial uses, rather than its intended agricultural applications, presents a major challenge for the neem-coated urea market in India. Intended to support agricultural productivity, subsidized urea is sometimes redirected

to industries such as chemicals, pharmaceuticals, and plastics. This misallocation decreases the availability of urea for farmers, thereby impacting agricultural output. The redirection of subsidized urea undermines the effectiveness of subsidy programs and can lead to higher costs for farmers, who may face shortages or be forced to buy neem-coated urea at elevated market prices. When subsidized urea is diverted to industries, the expected benefits of nutrient efficiency and soil health improvements are lost, diminishing the impact of initiatives designed to boost agricultural productivity and sustainability. Additionally, this diversion indirectly affects the neem-coated urea market by creating supply constraints and potentially driving up the price of neem-coated urea due to reduced availability of conventional urea.

Effective monitoring and enforcement are crucial to ensuring that subsidized urea reaches its intended agricultural users. Inadequate oversight can lead to widespread misuse. For instance, in 2023, the agricultural department discovered 96 bags of neem-coated urea, each weighing 50 kilograms, concealed in a factory in Pandesara GIDC, Surat. These bags, intended for farmers, were found being supplied to industrial users instead.

The diversion of subsidized urea can result in artificial shortages and price fluctuations in the neem-coated urea market, causing instability that complicates planning and budgeting for farmers. This market volatility affects both conventional and neem-coated urea, making it more challenging for farmers to manage their costs effectively.

Competition from Alternatives

Several slow-release fertilizers, including polymer-coated urea and controlled-release products, present competition to neem-coated urea. These alternatives offer comparable benefits in nutrient release and efficiency, making it challenging for neem-coated urea to differentiate itself. Additionally, traditional urea is typically less expensive than neem-coated urea. In cost-sensitive areas like Uttar Pradesh and Bihar, where price sensitivity is high, farmers might choose conventional urea over neem-coated urea due to its lower cost. This preference for cheaper options can negatively impact neem-coated urea's market share.

Fertilizers like ammonium nitrate have a well-established presence in Indian states, such as Punjab, a major agricultural region where it is widely used and accepted. The entrenched position of such products can overshadow newer entrants like neem-coated urea. Established alternatives with a proven track record can be difficult for neem-coated urea to compete against. In regions like Maharashtra and Karnataka, DAP (Diammonium Phosphate) is commonly used due to its phosphate content, which is essential for crops such as sugarcane. Neem-coated urea may struggle in these areas if DAP is better suited to local agricultural practices. Natural fertilizers such as compost and green manure are preferred in environmentally conscious regions like Kerala for their sustainability and soil health benefits. These preferences highlight the challenges neem-coated urea faces due to competition from various alternatives, including other slow-release fertilizers, cost-effective solutions, and region-specific practices.

Key Market Trends

Consumer Demand for Safe and High-Quality Food

The growing consumer demand for safe and high-quality food is having a significant impact on the neem-coated urea market. Consumers are increasingly concerned about the safety of their food, favoring produce that is grown with minimal chemical inputs. Neem-coated urea, with its organic neem oil coating, meets this demand for safer agricultural practices by reducing chemical runoff and contamination, making it an attractive option for producing safer food.

The emphasis on high-quality agricultural produce encompassing freshness, taste, and nutritional value also drives the demand for neem-coated urea. Its slow-release technology ensures a consistent supply of nutrients to crops, enhancing their quality and helping farmers achieve better market prices.

As awareness of environmental and health issues rises, consumers are showing a strong preference for organic and sustainably produced food. Neem-coated urea's compatibility with organic farming and its role in sustainable agriculture enhance its appeal. Farmers who use neem-coated urea can market their produce as environmentally friendly, appealing to consumers who prioritize sustainability.

Neem-coated urea improves crop yields and quality, which is essential for producing premium products. This positions farmers to access and compete in higher-value markets. The increasing focus on health and wellness among consumers also supports the use of neem-coated urea, as it minimizes harmful nutrient leaching and reduces chemical residues, aligning with the health-conscious trend and improving the marketability of crops. As consumers continue to seek produce that meets high safety and quality standards, neem-coated urea becomes a crucial tool for farmers aiming to meet these expectations and take

advantage of emerging market opportunities.

Segmental Insights

Sales Channel Insights

Based on Sales Channel, the Indirect emerged as the dominating segment in the Indian market for Neem Coated Urea in 2024. India's agricultural sector is extensive and largely rural, making indirect sales channels such as distributors, wholesalers, and retailers crucial for the distribution of neem-coated urea. These channels have established networks that ensure neem-coated urea is accessible to farmers across various regions. Distributors and retailers possess the infrastructure and local expertise to effectively reach remote areas where direct sales might face logistical challenges. Farmers depend on local distributors and retailers due to their established relationships and credibility within the community. These intermediaries have a deep understanding of regional agricultural practices and needs, which helps in building trust and ensuring the acceptance of neem-coated urea.

Government subsidies and fertilizer distribution programs are generally routed through these indirect sales mechanisms. Agricultural cooperatives, state agencies, and local distributors are responsible for ensuring that subsidized neem-coated urea reaches its intended recipients. Indirect channels facilitate broad market coverage, making neem-coated urea available in both major agricultural centers and remote locations. This convenience allows farmers to purchase neem-coated urea from local retailers and cooperatives, minimizing the need to seek out direct sales options. Indirect sales channels offer cost efficiency, extensive market reach, and localized support, effectively serving India's diverse and geographically dispersed farming community.

End Use Insights

Based on End Use, Horticulture Crops emerged as the fastest growing segment in the Indian market for Neem Coated Urea during the forecast period. Horticultural crops, including fruits, vegetables, and flowers, typically fetch higher market prices, which encourages farmers to invest in fertilizers that improve quality and yield. The rising consumer demand for fresh and high-quality produce is driving the use of advanced fertilizers like neem-coated urea to meet these expectations. The organic nature of neem-coated urea fits well with the increasing preference for natural and sustainably produced food. As a result, farmers cultivating horticultural crops are more inclined to use neem-coated urea to enhance product quality and minimize chemical residues.

The slow-release mechanism of neem-coated urea provides a consistent supply of nutrients, which boosts the growth, appearance, and flavor of horticultural crops. This controlled release also reduces nutrient runoff and leaching, which is particularly important for high-value crops typically grown in smaller, more controlled environments. Furthermore, neem-coated urea supports long-term soil health, essential for maintaining high-quality horticultural production. The horticulture sector's adoption of innovative agricultural practices aligns well with the efficiency and environmental benefits offered by neem-coated urea.

Regional Insights

Based on Region, North India emerged as the dominant region in the Indian market for India Neem Coated Urea in 2024. North India, encompassing major agricultural states such as Punjab, Haryana, Uttar Pradesh, and Himachal Pradesh, plays a crucial role in the production of staple crops like wheat, rice, and sugarcane. The extensive cultivation of these crops generates substantial demand for fertilizers, including neem-coated urea. The Indian government offers significant subsidies for fertilizers in this region, which helps make neem-coated urea more affordable and accessible to local farmers.

North India benefits from a well-established network of distributors, wholesalers, and retailers, ensuring effective supply of neem-coated urea to farmers. The region's robust logistics and distribution systems facilitate widespread availability of the product. Neem-coated urea enhances nutrient use efficiency, which is crucial for improving crop yields and soil health in North India's large-scale agricultural operations. Given the economic importance of crops like wheat and sugarcane, farmers are motivated to invest in effective fertilizers to optimize yields and enhance quality. This drive for high-quality produce and better agricultural practices further fuels the adoption of neem-coated urea.

Key Market Players

- Indian Farmers Fertiliser Cooperative Limited
- Krishak Bharati Cooperative Limited

 National Fertilizers Limited
 Yara Fertilisers India Pvt. Ltd.
 Mangalore Chemicals and Fertilizers Limited
 Gujarat State Fertilizers & Chemicals Limited
 Indorama India Private Limited
 Fertilizers and Chemicals Travancore Ltd.
 Zuari Agro Chemicals Ltd.
 Shakti Fertilizers Ltd.

Report Scope:

In this report, the India Neem Coated Urea Market has been segmented into the following categories, in addition to the industry trends which have also been detailed below:

 India Neem Coated Urea Market, By End Use:
- Food Crops
- Cash Crops
- Horticulture Crops
- Plantation Crops
- Others

 India Neem Coated Urea Market, By Sales Channel:
- Direct
- Indirect

 India Neem Coated Urea Market, By Region:
- West India
- North India
- South India
- East India

Competitive Landscape

Company Profiles: Detailed analysis of the major companies presents in the India Neem Coated Urea Market.

Available Customizations:

India Neem Coated Urea Market report with the given market data, TechSci Research offers customizations according to a company's specific needs. The following customization options are available for the report:

Company Information

 Detailed analysis and profiling of additional market players (up to five).

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