



# Fertilizer Market Highlights

September 15, 2023

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## Market highlights

- European gas prices have found a floor and rebounded, with ample upside risks. Oil prices are firm.
- Fertilizer prices tested their support levels in all markets during the summer, following a decline that had persisted for over a year.
- Bulk freight rates reset closer to historical averages at the beginning of 2023 and have since fluctuated within normal range.

## Potash highlights

- Global potash prices remained stable since the signing of a new contract between Canpotex and China's importing consortium.
- Canpotex and Uralkali are pursuing opposing approaches to global market supply. Uralkali chooses a volume over price strategy, while Canpotex is trying to control the price.
- The terms of the new Indian contract at \$319/t from the end of August are unclear. Some importers say it will only be in effect through September, but no official declaration has been released.
- SOP exports from mainland China remain capped by government restrictions and there are some expectations that the country's SOP exports will become even more limited moving forward.
- NW Europe SOP prices climb on limited supply.

## Phosphate highlights

- India opposes the global decline in DAP and phosphoric acid prices because of the country's high demand.
- A new phosphoric acid contract has been concluded in India at a price of \$985/t CFR 100% P2O5, starting in October, a \$135/t price increase over the current price.
- Contracts for 71-72 BPL rock phosphate from Morocco were concluded at in a \$235-280/mt FOB price range for Q3 shipment to Europe compared to \$290-305/mt FOB for Q2 loading for Europe.

## Nitrogen highlights

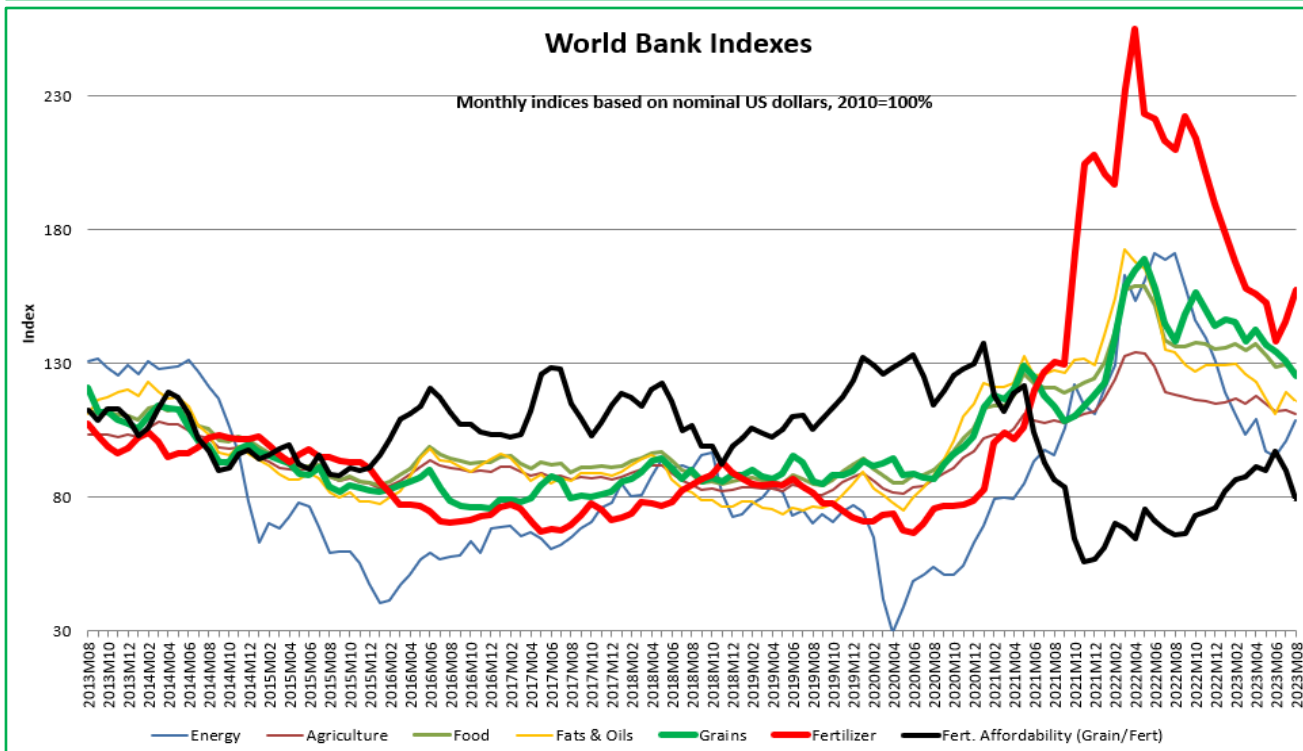
- China implemented stricter export barriers on urea in response to surging domestic prices.
- Prices are expected to remain firm for as long as production and supply issues persist in the Middle East and elsewhere.
- No clear timeline for ammonia production recovery at Saudi Arabia's Ma'aden.
- The Gulf Coast Ammonia project, scheduled for commissioning in Texas at the end of September 2023, will add an additional 1.3 million metric tons per year



# Haifa Group Information Center

## Fertilizer Market Highlights, September 2023

Commodity	Product	Country	Currency	15-Sep-22	15-Jun-23	13-Jul-23	17-Aug-23	14-Sep-23	Change Monthly	Change 12	12 month trend
Urea	Prilled Bulk FOB	Black Sea Spot	USD	600	228	295	355	365	↑ 3%	↓ -39%	
Urea	Granular Bulk FOB	Egypt Spot	USD	878	297	375	450	455	↑ 1%	↓ -48%	
Ammonia	Bulk CFR	US Gulf Spot	USD	1150	340	285	295	390	↑ 32%	↓ -66%	
Ammonia	Bulk CFR	NW Europe Spot/Contract	USD	1243	358	348	393	510	↑ 30%	↓ -59%	
Ammonium Nitrate	Bulk FOB	Black Sea Spot	USD	513	180	188	305	265	↓ -13%	↓ -48%	
CAN	Bulk CIF	Benelux Spot	EUR	840	268	284	343	355	↑ 4%	↓ -58%	
Phosphate Rock	Bulk FOB	Morocco (68-72% BPL) Cont	USD	320	285	285	285	215	↓ -25%	↓ -33%	
DAP	Bulk FOB	Morocco Spot	USD	870	513	478	540	555	↑ 3%	↓ -36%	
MAP	Granular Bulk FOB	Morocco Spot	USD	885	495	488	528	533	↑ 1%	↓ -40%	
Phosphoric Acid	Bulk FOB	North Africa Q Contract	USD	1770	1098	1098	1098	887	↓ -19%	↓ -50%	
Phosphoric Acid	Bulk CFR	India Q Contract	USD	1715	970	970	850	850	0%	↓ -50%	
NPKs	Bagged EXW	China 15-15-15-Cl Spot	RMB	3150	2300	2050	2290	2650	↑ 16%	↓ -16%	
NPKs	Bagged EXW	China 15-15-15-S Spot	RMB	3350	2600	2380	2650	2940	↑ 11%	↓ -12%	
Potash	Standard Bulk CFR	China Contract	USD	590	307	307	307	307	0%	↓ -48%	
Potash	Standard Bulk CFR	India 180 days Contract	USD	590	422	422	422	319	↓ -24%	↓ -46%	
Potash	Granular Bulk CIF	NW Europe Spot/Contract	EUR	875	445	400	390	390	0%	↓ -55%	
Potash	Standard Bulk CFR	Southeast Asia Spot	USD	825	365	318	305	310	↑ 2%	↓ -62%	
Potash	Granular Bulk CFR	Brazil Spot	USD	715	335	338	358	355	↓ -1%	↓ -50%	
SOP	Standard Bulk FCA	NW Europe Spot/Contract	EUR	1000	645	595	545	625	↑ 15%	↓ -38%	
Freight-Urea Bulk	Baltic - Brazil	30,000 mt 8,000c/5,000c		33	23	20	24	31	↑ 29%	↓ -6%	

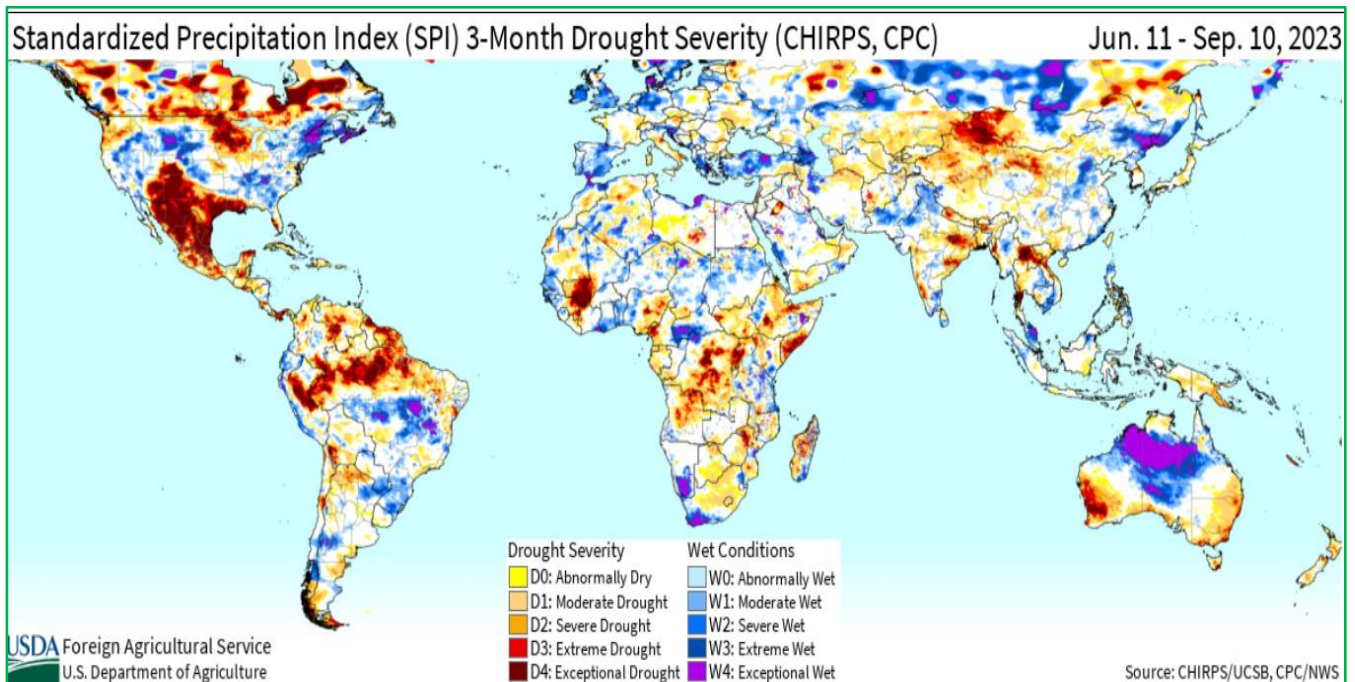


\* When the fertilizer index falls relative to other indexes, this means that fertilizers are increasingly affordable to farmers, as a share of the return they will receive for their production. As the spread narrows or even inverts, this suggests that fertilizers become less affordable.

According to a World Bank report, Agricultural prices dropped 1.5% in August. Food prices declined 2.2%, led by grains (-4.3%) and oils & meals (-2.9%). Fertilizer prices surged 8.2%, led by urea (+15.2%) and TSP (+14.9%). The fertilizer affordability decreases due to fertilizer index increase and as grain index decreasing trend.



## World climatic drivers



**Europe:** A blocking high led to dry weather over much of Europe along with extreme heat in France, flooding in Spain, and historic rainfall in central Greece.

**W. FSU:** Variable showers improved soil moisture locally for winter crop sowing, though dry conditions in central Ukraine favored summer crop dry down.

**Middle East:** Showers in Turkey slowed summer crop maturation on the Anatolian Plateau but improved soil moisture for winter grain sowing.

**S. Asia:** Wet weather returned to much of India, improving soil moisture for kharif crops.

**E. Asia:** Drier weather and warmer-than-normal conditions in much of China supported summer crop maturation.

**SE Asia:** Widespread showers in Indochina and the Philippines benefited rice and bolstered irrigation supplies.

**Australia:** Scattered showers overspread the wheat belt, locally benefiting reproductive winter grains and oilseeds.

**Argentina:** Locally heavy rain provided timely moisture for winter grains.

**Brazil:** Showers continued over southern farming areas, but rainfall tapered off farther north.

**Mexico:** Monsoon showers retreated from northwestern watersheds.

**Canadian Prairies:** Light showers caused temporary delays in the spring crop harvest.

**SE Canada:** Warm, sunny weather favored rapid summer crop maturation.

**The El Niño-Southern Oscillation (ENSO)** is currently in the El Niño phase and forecast to reach a strong level of intensity during October to January (66% chance) and remain active until March to May (82% chance).

Source: GEOGLAM, USDA, NOAA



## Market situation

In August, there was a slight increase in fertilizer prices. Due to worsening affordability brought on by rising fertilizer prices and falling grain prices, farmers reduce their fertilizer purchases.

In the US Gulf and Brazil, nitrogen fertilizer price rose by nearly 10% during August. However, as the month progressed, certain markets began to stabilize, making it more convenient for importers to make timely purchases.

Phosphorus fertilizer prices saw a significant increase across major markets. This surge in prices was attributed to a limited supply, stemming from production issues in the Arab Gulf and restricted exports from China.

In Brazil, potash prices also experienced a slight uptick in August, although not as substantial as nitrogen and phosphorus fertilizer prices. The strong demand in Brazil during the month drove this price increase, although supplies remained adequate. If no significant new buyers emerge, it is possible that potash prices will continue to stay within their current range.

## Fertilizer market news

**Potash-** Global potash prices remained stable, with some exceptions. Since the signing of a new contract between Canpotex and China's importing consortium at \$307/t CFR on June 6th, the spot markets have stabilized after a sharp decline. Canpotex and Uralkali are pursuing opposing approaches to global market supply. Uralkali chooses a volume over price strategy, while Canpotex is trying to control the price.

The terms of the new Indian contract, which was revised down at \$319/t from the end of August, are unclear. The settlement, according to some importers, will only be in effect through September. However, this claim has not been confirmed and neither party has released an official declaration.

In anticipation of a rapid rise in demand in the autumn application season, suppliers have focused on the European market. Aware of their limited supplies and firming worldwide prices, buyers are beginning to express interest in acquiring fresh quantities.

In China, strong domestic sentiment has emerged. Canpotex and K+S have offered a higher price in Southeast Asia, however, there is minimal demand due to this high price.

**Phosphates-** India opposes the global decline in DAP and phosphoric acid prices because of the country's high demand. Due to the rising demand, an agreement to provide phosphoric acid to India has been concluded at a price of \$985/t CFR 100% P2O5, starting in October. This indicates a \$135/t price increase over the current price. The new price for phosphoric acid created anticipation of rising DAP production costs and price increases. Prices may be higher than expected if China's DAP/MAP exports remain limited.

Due to weak seasonal demand, prices are stable in Brazil. Although there is still some MAP movement inland for soybeans, trading is limited to modest amounts. Although MAP has started to lose steam, it continues to trade at a significant premium to both local and international DAP values.

Contracts for 71-72 BPL rock phosphate from Morocco were concluded at in a \$235-280/mt FOB price range for Q3 shipment to Europe compared to \$290-305/mt FOB for Q2 loading for Europe.



**Urea-** Urea prices are expected to remain firm and stable, as India closes its tender bidding and wants to purchase approximately 1 million metric tons of urea. In reaction to soaring domestic prices and to the prospective exports of up to 1.2 Mt to India's tender, China imposed urea export restrictions.

Fertilizer producers has been asked to suspend urea exports after domestic prices jumped, a move that's likely to restrict supplies and boost costs for farmers in key buyers such as India.

Some major Chinese fertilizer producers have halted signing new export deals from early this month following a government mandate. Only goods that have certificates and are in the port's handling/loading phase may move according to schedule. According to reports, other ports similarly halted the application process for new export inspection certifications.

**Ammonia-** In August, the global ammonia market experienced price increases due to the high natural gas prices in Europe. These elevated costs encouraged increased imports to the European region instead of boosting local production. Additionally, the extended shutdown of Ma'aden's ammonia production facilities in Saudi Arabia further contributed to the rise in prices.

Prices are expected to remain firm for as long as production and supply issues persist in the Middle East and elsewhere. While demand varied globally, ammonia prices continued to rise supported by supply-side issues in eastern and western markets.

Spot prices exceeded, and supply challenges in the Arab Gulf raised worries for Indian buyers, as Fertiglobe secured a 15,000 t spot cargo at \$510/t CFR .

Healthy production rates were noted in Southeast Asia, including Petronas resuming operations in Malaysia and continued activities in Indonesia. In East Asia, prices continued to climb. Industrial demand showed slight improvement but remained sluggish, with support mainly from downstream fertilizer producers in China, Taiwan, China, and South Korea .

North Africa saw rising export prices as Sorfert sold at \$456/t FOB, leading to subsequent delivered prices in NW Europe at \$505-515/t CFR, with some prompt demand but overall limited activity.

**The SOP European market** prices has risen due to limited supply from China. In recent weeks, there has been a significant decrease in prices, but this trend has now reversed.

The price for standard SOP has been adjusted upwards and is now in the range of €600-650 per metric ton FCA, compared to the previous range of €520-570 per metric ton.

The demand for standard SOP has been slower to recover, with the producer attributing this to ongoing uncertainties in the NPK market.

Export of SOP from mainland China continues to be restricted by government regulations, and there is an expectation that these export limitations may become even more stringent in the future.

**The Gulf Coast Ammonia (GCA)** project, scheduled for commissioning in Texas at the end of September 2023, will add an additional 1.3 million metric tons per year (Mtpy) of ammonia supply to the merchant ammonia market. This project is part of a recent series of capacity expansions in the merchant ammonia sector, which includes projects in Saudi Arabia (1.1 million metric tons) and Oman (300,000 metric tons), both of which commenced operations in 2022.

The GCA project has the potential to increase competition in the West of Suez region, where other suppliers from the US and Trinidad are competing for market share. While exports to Europe, Morocco, and Latin America are expected to be competitive, exports to consumers East of Suez may face challenges due to freight rates.