



# Fertilisers Market Observatory

## Summary – 1st Meeting- 27 July 2023

- o The EU Fertiliser Market Observatory started its inaugural meeting with a welcome message of acting Deputy Director General Pierre Bascou. Given the 2021 energy crisis, characterized by soaring natural gas prices and its adverse impact on the EU fertiliser and farming sectors, exacerbated by Russia's war of aggression against Ukraine, the topic of fertilisers has garnered significant attention. The purpose of this group is to provide a platform for the exchange of market analyses, both short-term and mid-term and thus aims to improve anticipation of market developments. This will assist farmers and fertiliser producers in making informed investment and production decisions.
- o The Commission had announced the establishment of an observatory for fertilisers markets in the EU in its Communication on fertilisers of 9 November 2022. The Fertilisers Market Observatory, functioning as a Commission expert group, will be responsible for identifying, collecting, exchanging and disseminating data on fertiliser markets, as well as providing short-term analyses on prices, trade, and production. Representatives of the organisation had the opportunity to introduce themselves, as member or observer of the expert group and outlined the role of their organisation in relation to the fertiliser sector.
- o The Commission presented the current state of fertilisers market. Although fertilisers are not covered by the Common Market Organisation Regulation, the market analysis was carried out in a similar way to those carried out for the agricultural products in other market observatories, examining data on trade, production, prices and consumption of fertilisers. Nitrogen-based fertiliser imports started to increase end of 2021, thus compensating for the downward trend of EU based production due to high natural gas price. Recently such prices showed signs of decline. The diversification efforts for EU imports were successful, and Russia's relative share of total imports had decreased in 2022 and beginning of 2023. Contrary to nitrogen, imports of phosphates, potash and compound fertilisers show a decreasing trend since the second half of 2021, although potash imports are picking up since the beginning of 2023. Exports of fertilisers show recent signs of recovery, in particular potassic fertilisers.
- o In 2022, production of fertilisers and nitrogen compounds in the EU was negatively affected by peaks in natural gas prices and their corresponding influence on ammonia production costs. Total EU volume of production of all fertilisers, after signs of recovery in the first quarter of 2023, seems to decrease again in April according to Eurostat short term business statistics.
- o Fertilisers prices (elaborated from market briefings and reports published by relevant price reporting agencies) are significantly decreasing after having reach their peaks in fall 2022. But while they remain, on average, below the pre-war levels, the EU domestic price of fertilising products are still much higher than before the start of the energy price rises mid-2021. Information on fertilisers consumption are currently estimated from environmental indicators limited to nitrogen and phosphate.
- o Some members of the expert group raised concerns about the stability of fertiliser

prices and anticipated a potential price increase after the summer due to preparations for the next crop season (2024 harvest).

- o Members discussed the challenges faced by EU producers, especially due to increasingly high volumes of fertilisers imported (in particular urea), from countries with much lower gas prices (compared to EU) including Egypt, Algeria and also Russia. Significant differences in natural gas prices also prompt industries to invest in Third Countries, production and financial risks associated with the country geopolitical context were highlighted by recalling the case of a fertilisers plant attacked and closed in Libya years ago. One member reminded that fertilisers industry should be mindful of the political climate in the specific country when investing in new plants where production facilities are located or will be constructed, as this might even stop the production and cause huge losses.
- o The diversification of imports in the last months have proven that Europe is capable of adapting and have opened possibilities to supply farmers and the fertilisers industry. Industry stressed the importance of low and stable natural gas prices in EU for keeping production and moderate volatility of fertiliser prices as lower EU based fertiliser producers may drive increase of prices.
- o Members stated that it is important to closely monitor the upcoming planting season, as there are still unpredictable factors that might affect the farmers decisions, such as the Russian war on Ukraine, blocking of trade or other international events that might affect the fertiliser markets. Farmer's lack of liquidity to purchase fertilisers and therefore focus on the main nutrient, nitrogen. Precision farming was mentioned as viable tool to improve the efficiency of fertiliser use and application.
- o The Commission announced the intention that the future meetings will include discussions on specific topics, possibly presented by invited experts as well as market analysis by the Commission.
- o Additionally, members appreciated the quality and reliability of the data, particularly considering the lack of comprehensive European-wide data. Some members suggested exploring the data on organic fertilisers.
- o The Commission announced the development of a fertiliser dashboard to be put on the Agri-food Data Portal of the Commission. This dashboard will incorporate data on trade, prices, and production, enhancing access to market data and statistics.
- o The next meeting will take place on 24 November 2023.