Fertilisers Market Observatory

Summary Meeting- 19 March 2024

- The Commission presented the EU market situation for fertilisers covering production, trade, availability, and prices. Concerning production, the monthly index of fertilisers and nitrogen compound production appears to be lower in the beginning of 2024, compared to the same period in 2023; however, members commented that EU Fertiliser production is currently running at full capacity. EU Fertiliser imports are above the last ten-year average for N, and lower for P and K. Although the EU managed to diversify sources with growing supplies from Egypt, Morocco or Algeria, Russia remains a large supplier and its share on EU imports is recently increasing, especially for N. Exports are on a downward trend, except for K where preliminary data shows increase in early 2024. The Commission estimates the availability of the main nutrients (N, P, and K) by combining trade and production data; while detailed statistic on EU production in 2023 are not yet published, estimations suggest that availability increased in 2023 compared to 2022. Fertiliser prices have dropped from their 2022 peaks but remain higher than in previous years.
- Members noted that farmers continue compromising on P and K application, in favour of N. This raises concerns on long-term N efficiency and soil health related to deficit of P and K. However, recent increase of K imports may be a sign of increased demand by farmers.
- Invited expert of S&P Global Commodity Insights presented an analysis of both global and European fertiliser markets and factors that influence them. Concerning price developments, S&P agreed that there is a stabilisation. The ratio between price indices for fertiliser and for cereals, capturing fertiliser affordability is decreasing. On EU production, there is an outlook of stability for N and P fertilisers and room for increase in the case of K mostly in Spain. From a logistical point of view, the Houthi attacks in the Red Sea are putting pressure on international transport systems. Costs from rerouting are currently supported more by the suppliers rather than the buyers. Natural gas, as feedstocks for N fertiliser production, has seen a shift in import sources with a decrease of Russian share to significant increases of LNG from the USA or Algeria. S&P highlighted India's decision to increased subsidies for P, which should boost global demand. At the same time, China increased export quotas of P, which will provide relief for the international supply and demand balance of this nutrient.
- The Commission presented the results of a JRC study analysing the impact of a reduction in N mineral fertiliser at EU level. The study simulates scenarios of 5%, 15%, and 25% reductions in N fertilisation, exploring their impact on crop yields across diverse agricultural conditions in the EU. The findings show varying impacts on different crops, with potential yield reductions up to 10% in the strongest assumptions, especially notable in subsequent 4 years as soil N depletes. Members expressed interest in extending the model used by the JRC in their study to P and K as well to determine how nutrients reductions affect quality (protein levels) in cereals.
- The session was concluded by a discussion on the importance of affordability of fertilisers. There is a tendency for farmers to buy the fertilisers intended for immediate use rather than stockpiling for the upcoming. This in turn is potentially putting a strain on logistics when farmers make their orders close to the time they will use the fertilisers.
- The next meeting will take place on 5 June 2024.