Current Overview of EU Fertiliser Market

Meeting with Estonian Chamber of Commerce and Agriculture

Liam MacHale, 20th June 2023
Irish Farmers' Association

Euroopa Lill maaelu arenguks

Euroopa Maaelu Arengu Põllumajandusfond: Euroopa investeeringud maapiirkondadesse

copa cogeca
uropean farmers
european agri-cooperatives

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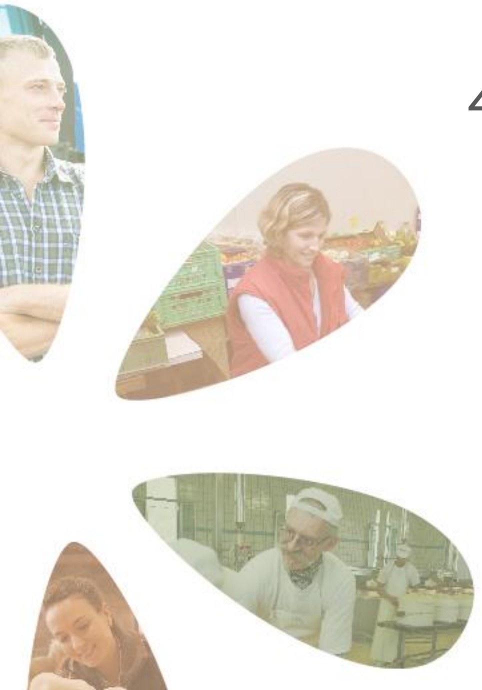
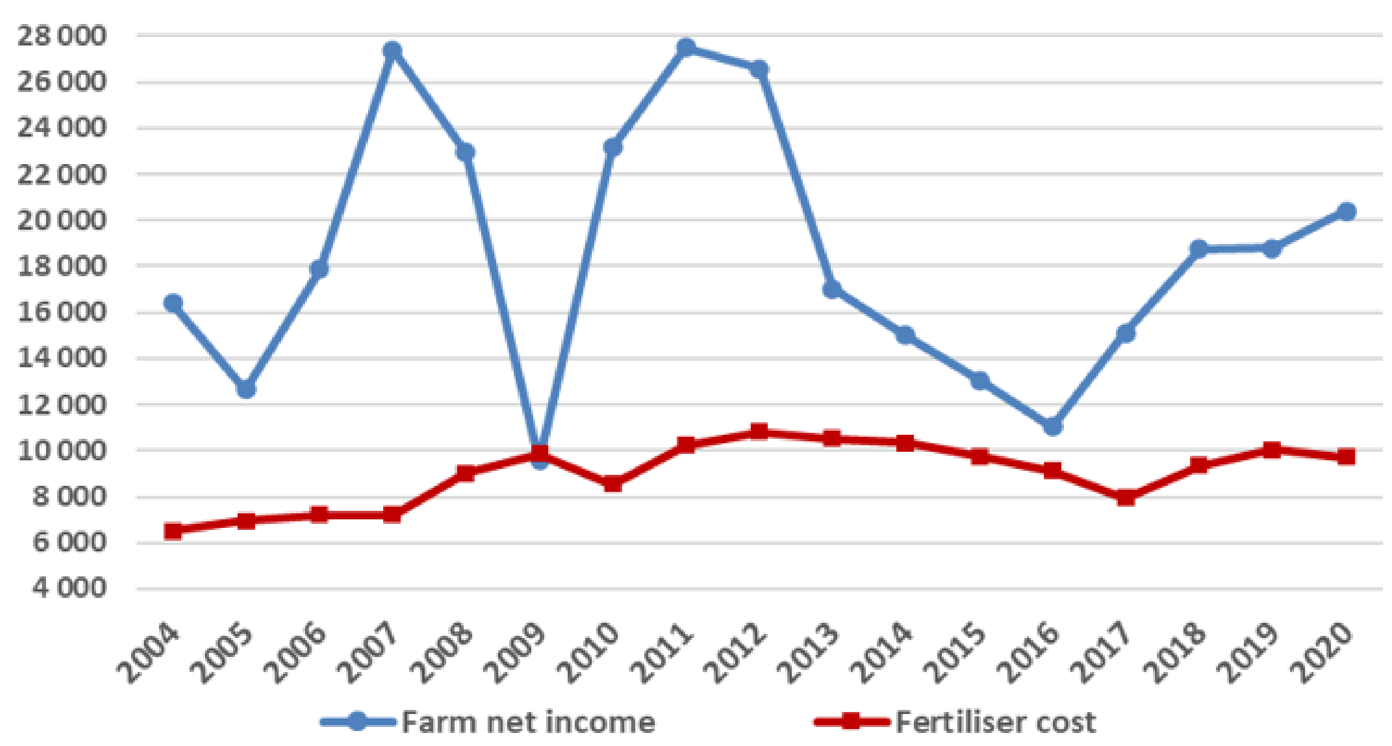


Farm Net Income vs fertiliser costs for grain growers from 2004 to 2020

Figure 2: Farm Net Income vs Fertiliser costs for grain growers from 2004 to 2020

(Average EU Cereal, oilseed and protein crop specialists, €/farm, source FADN)



Source: *https://agridata.ec.europa.eu/extensions/FADNPublicDatabase/FADNPublicDatabase.html#*

2016 IFPRI Report

INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE
IFPRI

Report

Effects of import duty elimination on competition in the European Union (EU) Fertilizer Market

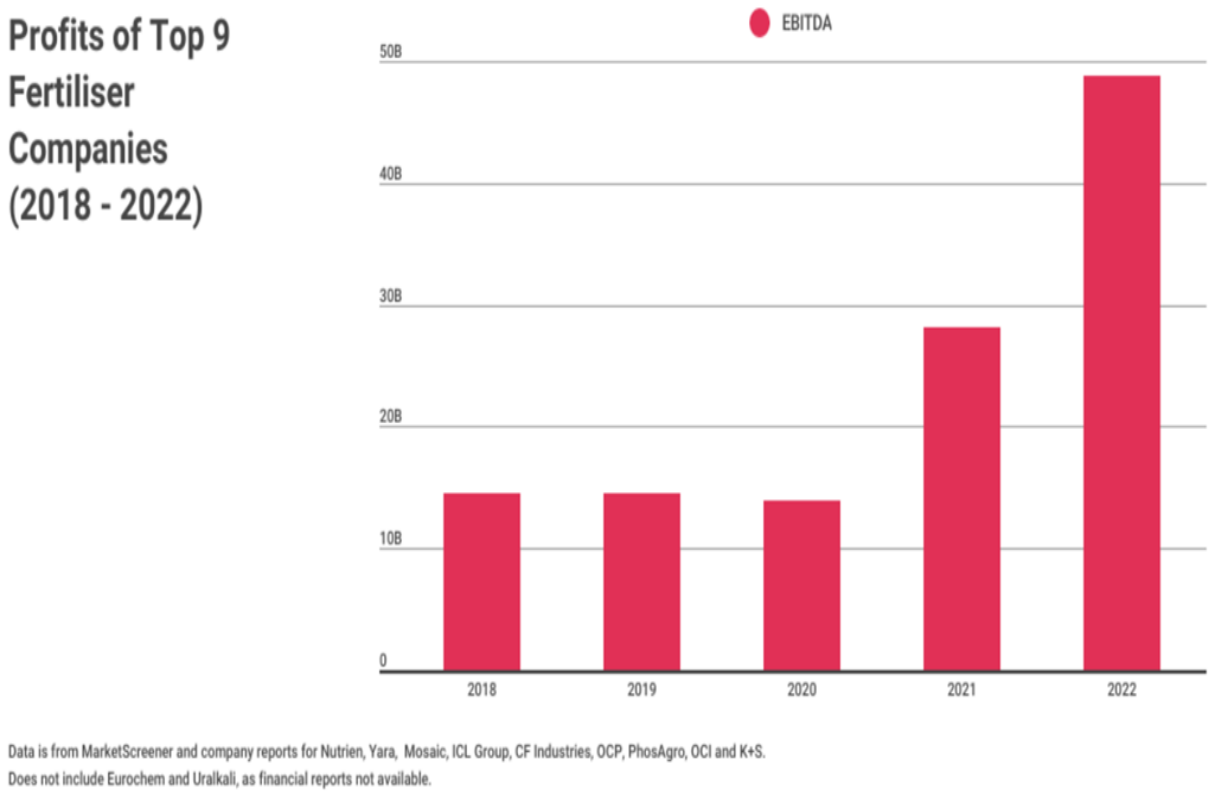
Prepared for the Irish Farmers' Association

International Food Policy Research Institute
29th January 2016

The removal of import duties is beneficial for the European Union, with approximately **€ 481 Million in net welfare gains.**

This includes losses for the fertiliser industry (€123m) and the European government in terms of public revenue (€315m), and gains for the agricultural sector (€920m).

Profits of Top 9 fertiliser companies, 2018-2022, (EBITDA, billion USD)



- **Farmers and Cooperatives ask for a fair price for fertilisers in a dynamic and competitive EU market.**

Source: Data from MarketScreener and company reports for Nutrien, Yara, Mosaic, ICL Group, CF Industries, OCP, PhosAgro, OCI and K+S Processing by IATP https://www.iatp.org/corporate-cartel-fertilises-food-inflation

Copa and Cogeca position

> Position paper on improving mineral fertiliser access conditions

Restoring the competitiveness of European agriculture and rebalancing farmers’ incomes

Copa-Cogeca advocacy activities 2022

- **Actions prior to publication**
- Fertiliser action plan on improving fertiliser access conditions, adopted in June P/Pr, sent to all EU institiutions on 04.07.2022
- Lobbying/communication since July towards the adoption of the urea/ammonia duty suspension regulation
- Press release Statement - Temporary suspension of tariffs on fertilisers – Copa and Cogeca welcome a Commission decision that goes in the right direction, but which remains incomplete for the time being 20.7.22
- Letter to the Customs Union Working Party (WP CU) Permanent Representation of the Member States to the EU and Council secretariat 6.10.2022
- Twitter campaign, 20.10.2022, 10 step thread, interviews from James Hagerty and Cédric Benoist: https://twitter.com/COPACOGECA/status/1583084022577917954?t=W8bgCD0GY4X7iEFFg9YrfA&s=19
- Letter to several Commissioners after the EP debate held on 6.10.2022, 10.10.2022, upcoming EU fertiliser strategy
- Letter on Renure, 27.10.2022
- Joint C-C & Coceral letter to all urging EU-wide action to increase availability and affordability of fertilisers, 28.10.2022

COPA COGECA Fertiliser Action Plan

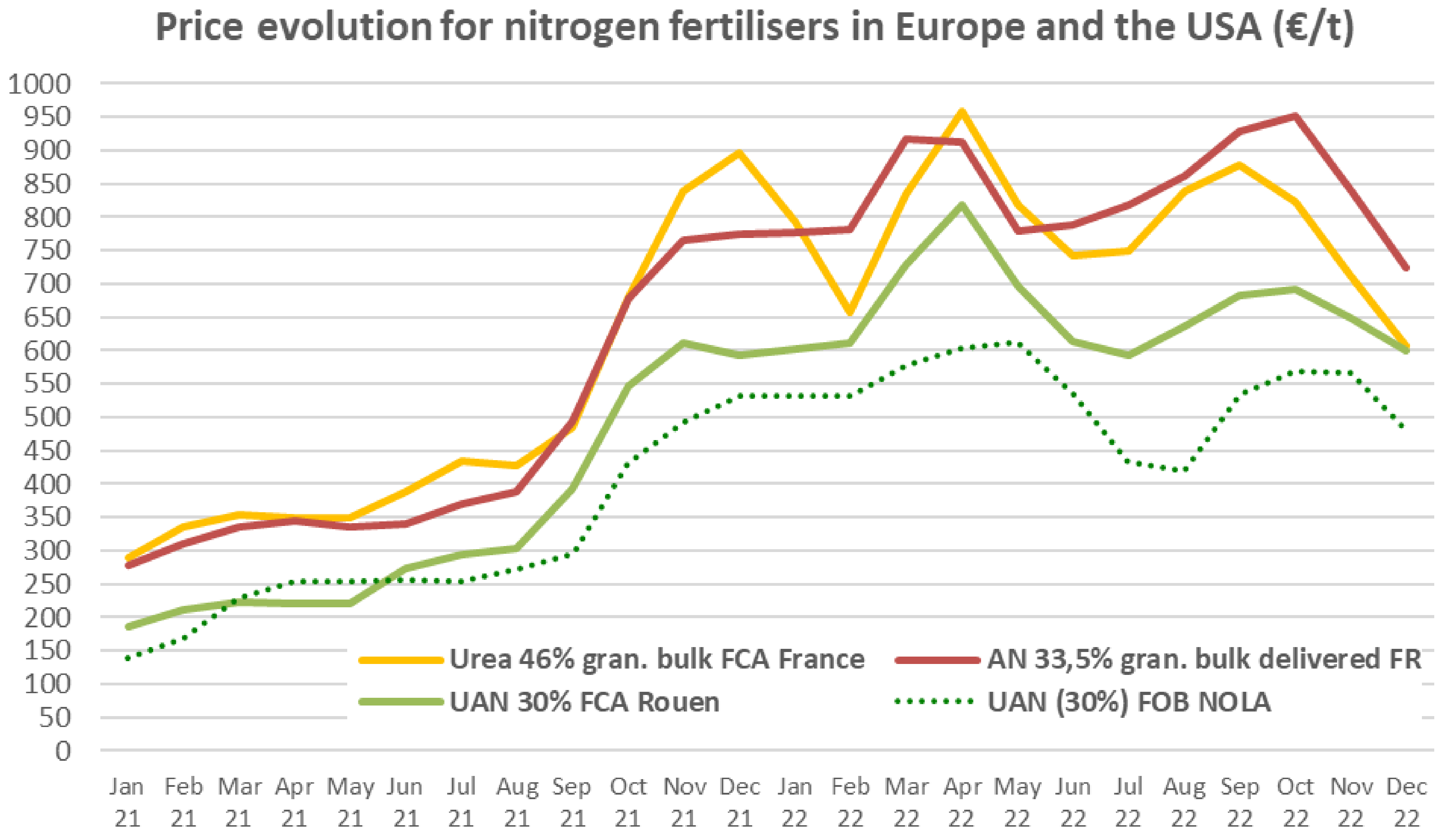
EUROPEAN
COMMISSION

Brussels, 9.11.2022
COM(2022) 590 final/2

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

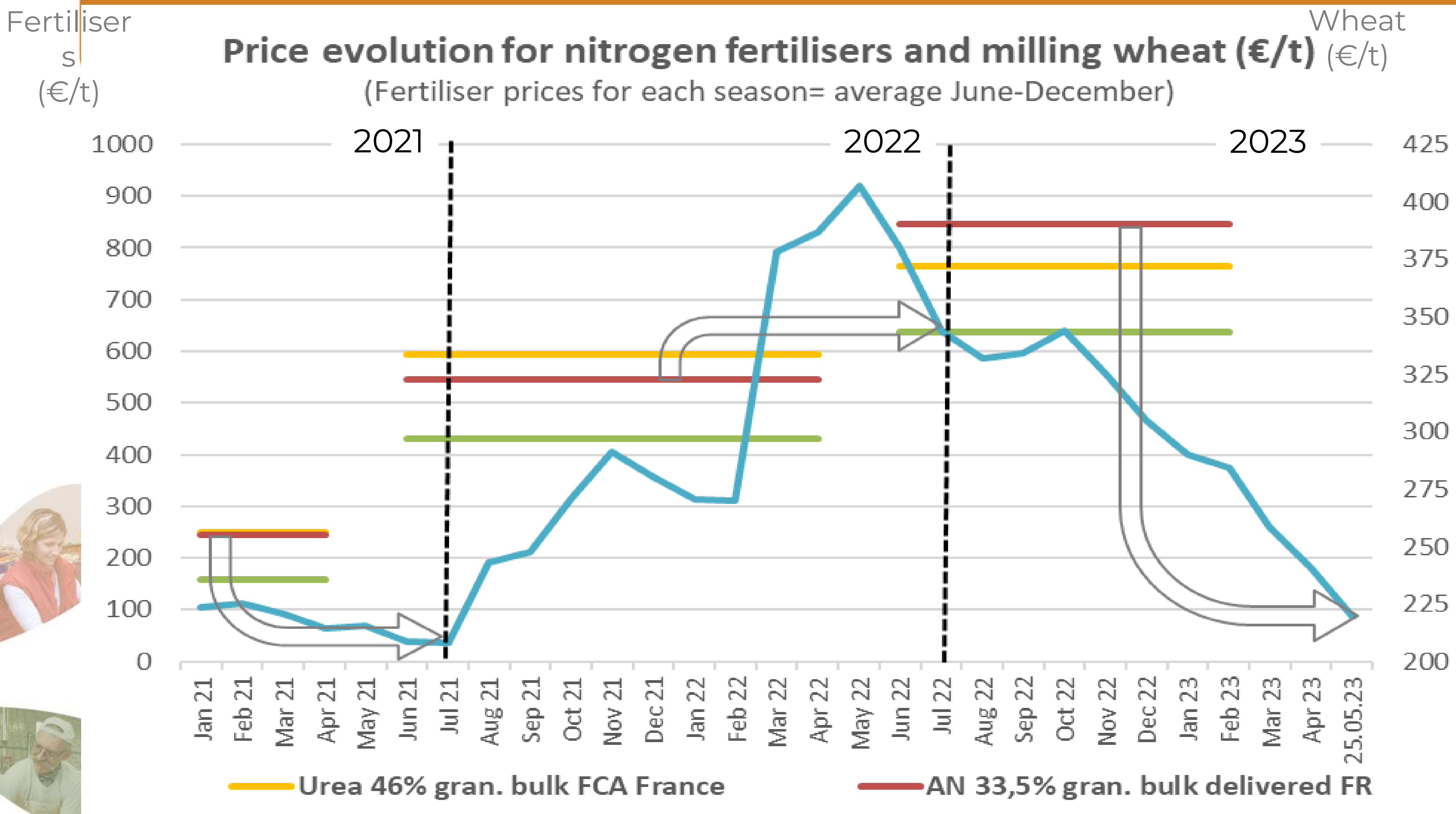
Ensuring availability and affordability of fertilisers

2. France: price effect of the EU market protection



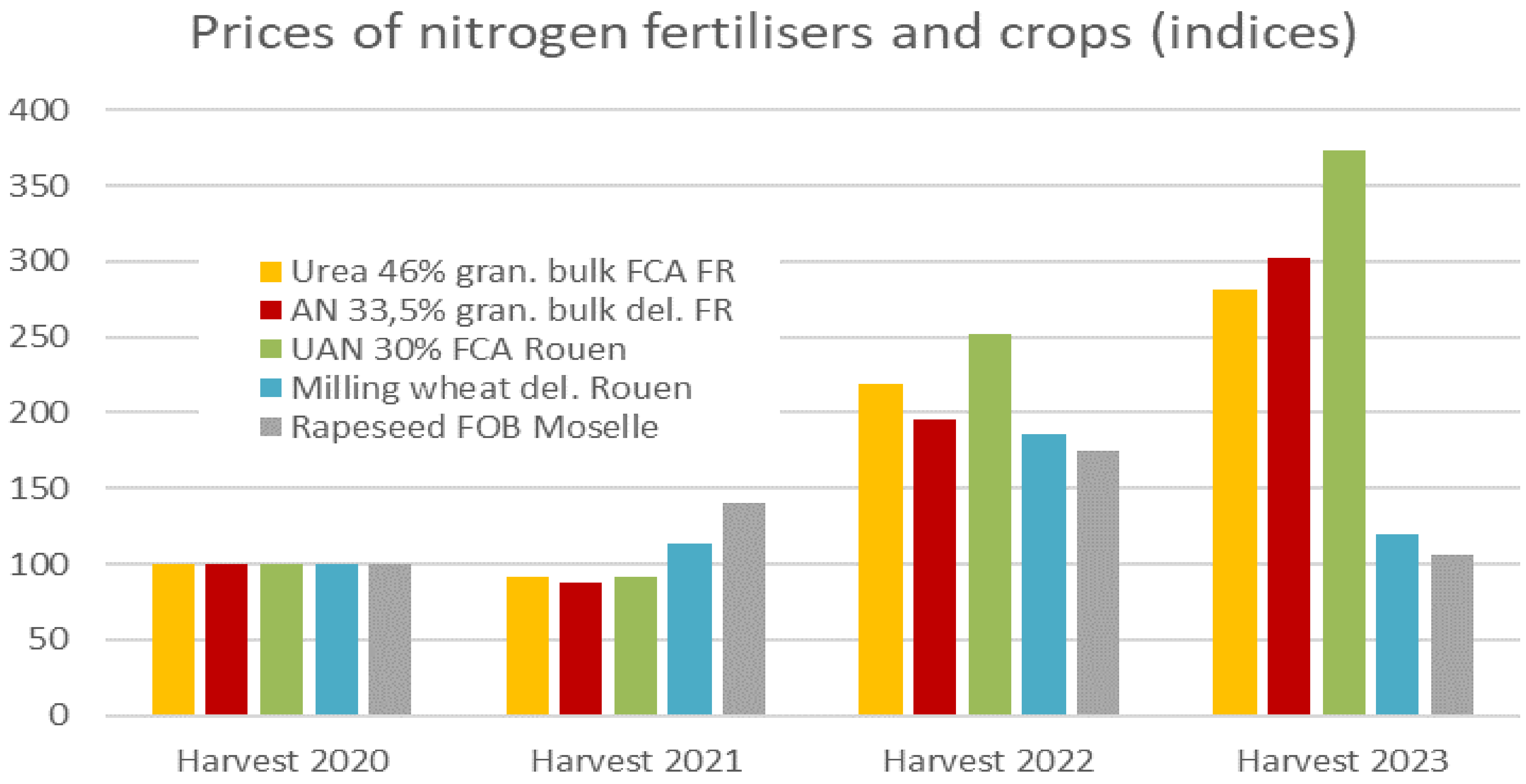
UAN 30% FOB NOLA: UAN 32% x30/32; Source: Market intelligence providers, AGPB processing

France: cost/price squeeze for fertilisers and cereals



Source: Market intelligence providers, AGPB processing

France: cost/price squeeze for fertilisers and grains



Harvest year for fertilisers is the average for June-December the year before (purchase season).
Harvest year for crops is the average spot price for July except 2023 which is 25.05.2023
Indices: 100 in harvest year 2020. Source: Market intelligence providers, AGPB processing

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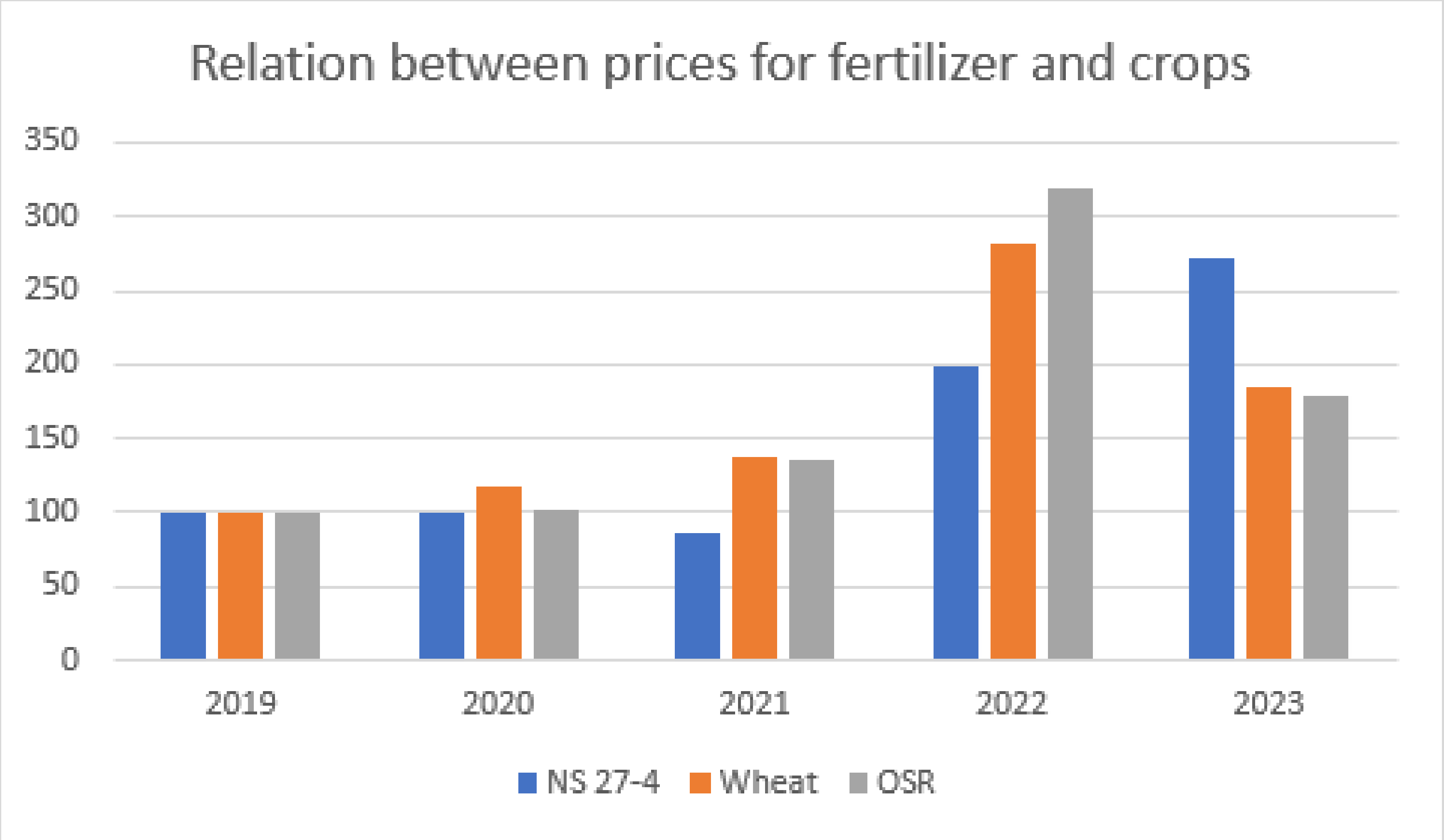
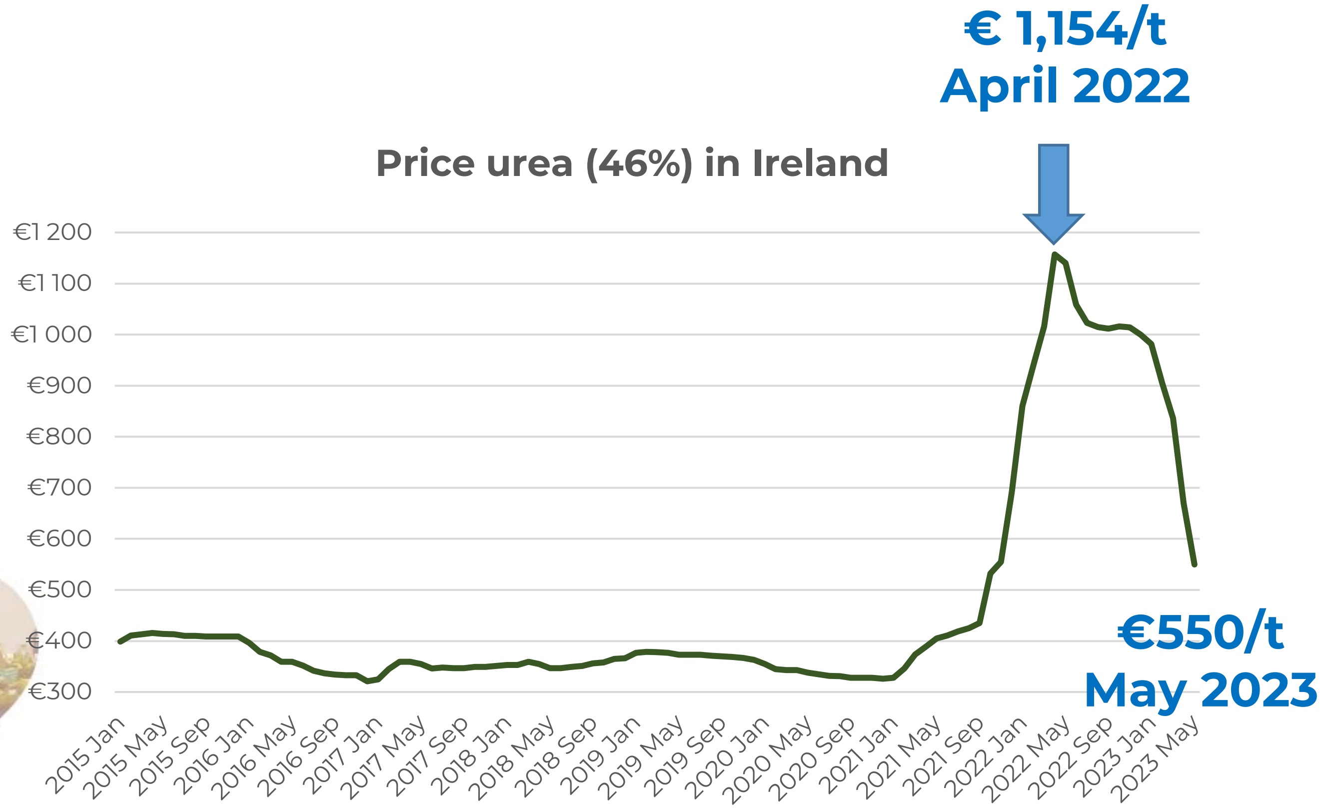
Sweden: cost/price squeeze for fertilisers and grains



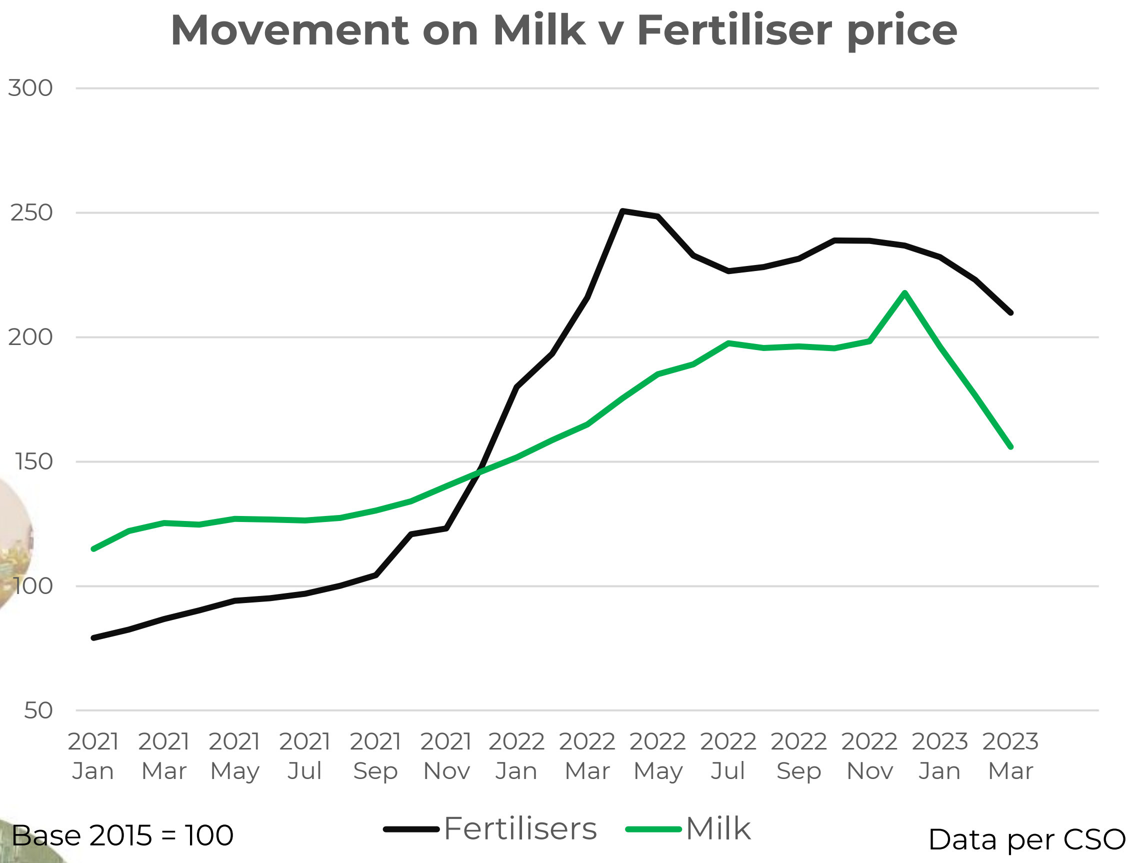
Indices: 100 in harvest year 2019, Swedish official statistics for harvest period for 2019 to 2021, for harvest 2022-2023 estimate from Lantmännen's spot price for delivery in harvest, for harvest 2023-2024 price of 1/6/2023 if growers sell at fixed price with delivery in harvest summer 2023
Source: Market intelligence providers, LRF processing

Ireland: urea price still exceeding long term average



- Average price from January 2015 to December 2021 €373/t
- Average price from January 2022 to May 2023 of €953/t
- This is 47% higher than the 7Year average to December 2021.

Ireland: cost/price squeeze for fertilisers and milk



- 50% of fertiliser usage in Ireland is on grassland dairy farms.
- In prior years 52% of fertiliser purchased in Q1 each year, therefore high input prices now locked in for 2023 in Ireland.
- Based on Central Statistics Office (IE) data, until late 2021, percentage milk price increase was running higher than fertiliser price increases.
- Since late 2021 fertiliser price increases are running at a higher rate than milk price increases.

3. Impact of import duty suspension

- Regulation (EU) 2022/2465 has no significant effect on the fertilisers prices

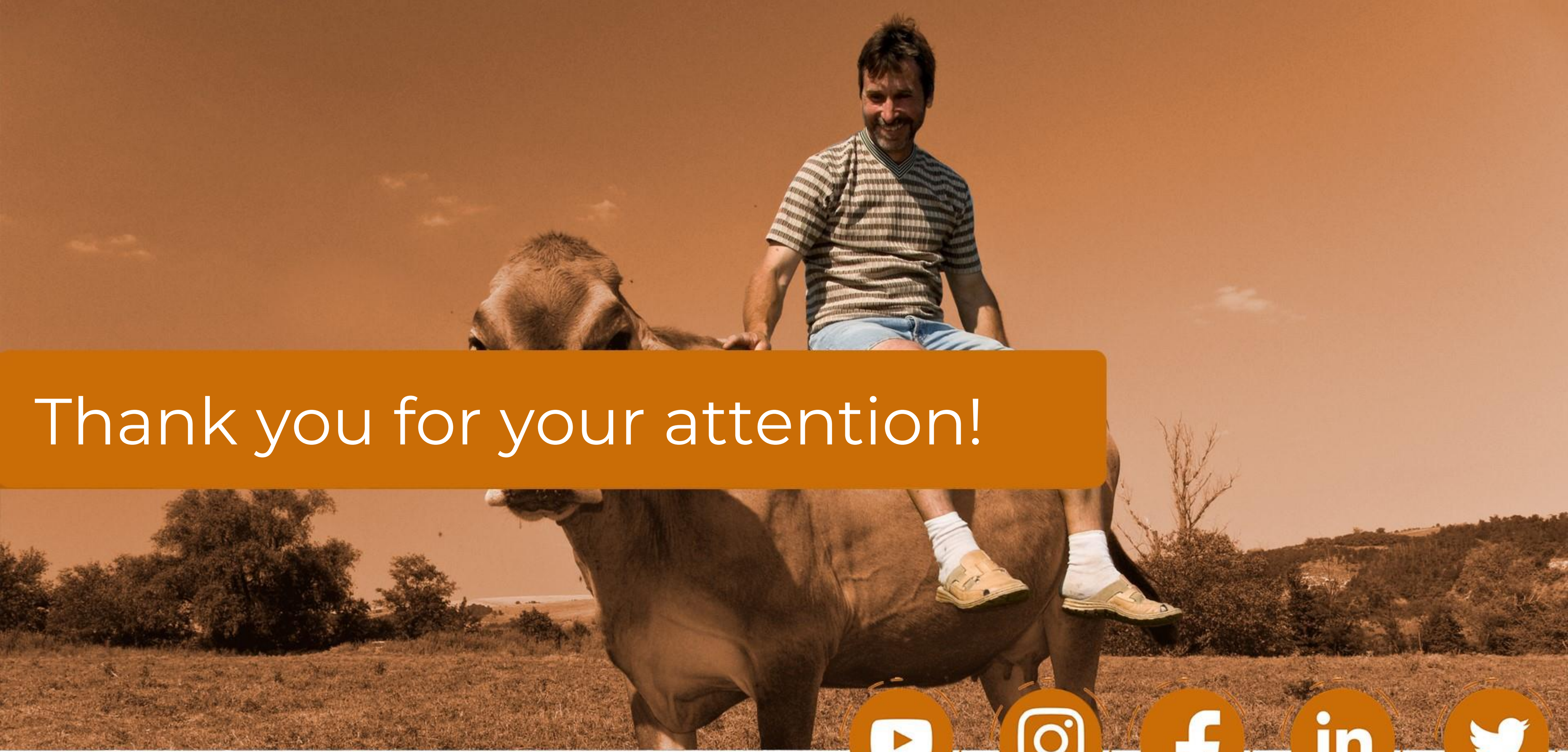
1) The regulation came into force on 16 December 2022, while most fertilisers purchases had already taken place from June to December 2022 to be used in the following spring. The regulation came too late to address the 2022-2023 supply season.
2) The regulation ceased to apply on 17 June 2023, while the bulk of fertilisers purchases will take place from June to December 2023 to be used in the following spring.
3) The regulation suspends EU import duties only for anhydrous ammonia and urea. However, in the EU-27, urea only accounts for 21 % of the total nitrogen fertilisers usage(source: Fertilizers Europe).The other types of nitrogen fertilisers are not covered by the regulation.
4) Market uncertainty continues

4. Future prospects from the farmers' perspective

- Matching EU fertiliser supply and demand at competitive prices is an economic necessity for farmers, but also a matter of food security.
- Reducing fertiliser usage leads to losses in yields and grain quality, such as protein content. Cereal exports require at least a 12.5 % wheat protein content.
- In 2021-2022, fertiliser usage decreased in the EU , as a result of high prices and shortages. According to DG AGRI, this contributed to the 8% drop in the EU 2022 cereal harvest vs. 2021.
- Following renewed fertiliser shortages and even higher prices in 2022-2023, this will result in another drop in fertilisers usage this spring. The under-fertilisation will further impact the EU grain harvest in 2023, depending on weather conditions.
- Depletion of soil nutrients will impact crop yields in the mid to long term.

Next Steps

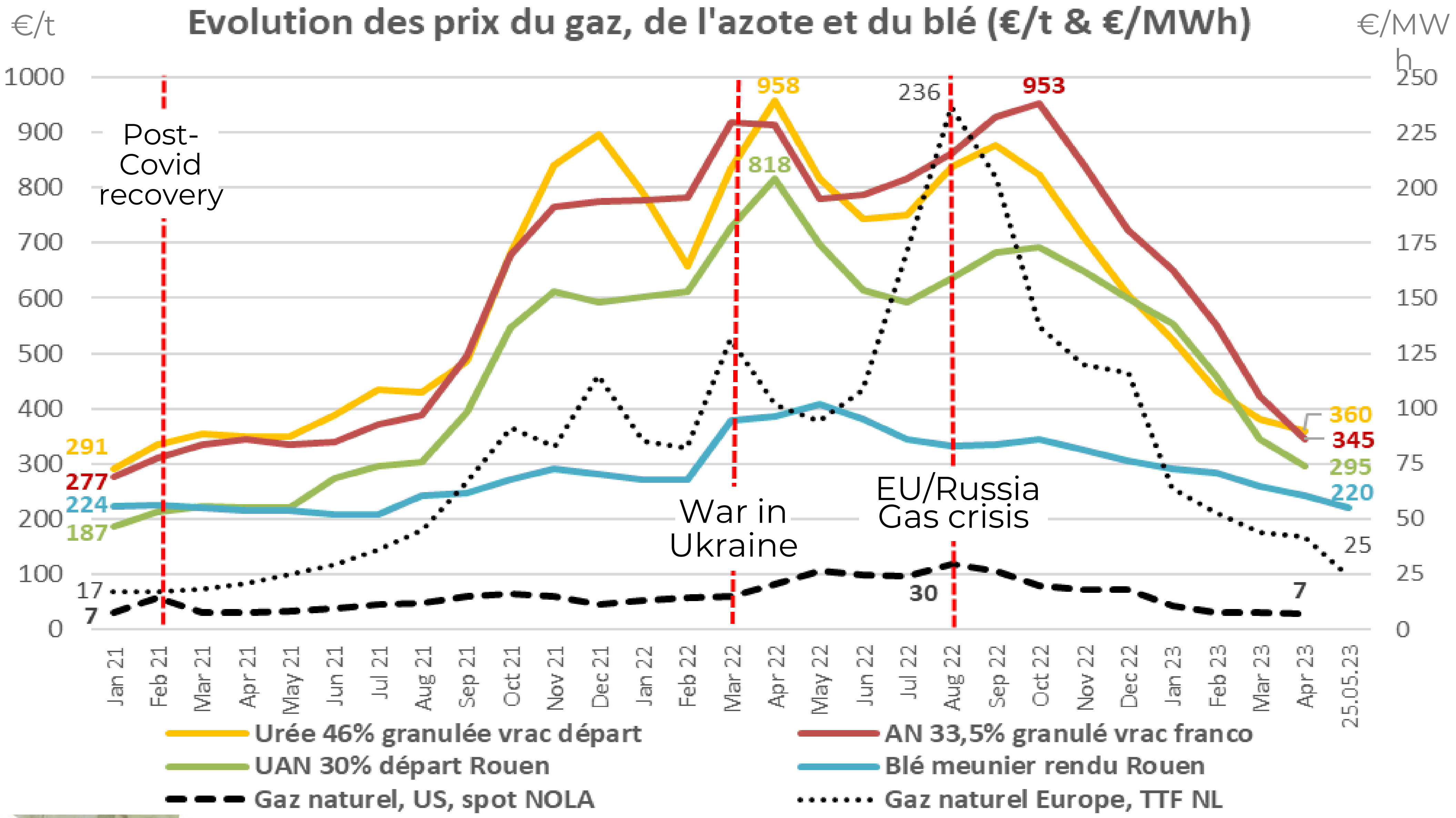
- Roll-over and extension of the **suspension of conventional import duties** (COUNCIL REGULATION (EU) 2022/2465) – extend to all mineral fertilisers
- The **Commission's Integrated Nutrient Management Action Plan(INMAP)** will be adopted at the beginning of 2024. They will assess steps to allow for wider use of recovered nutrients from livestock manure.
- DG Agri **EU Fertiliser Market Observatory**: first meeting June 2023



Thank you for your attention!

www.copa-cogeca.eu

Nitrogen, gas, wheat: 3 successive crises



Source: Market intelligence providers, AGPB processing

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