

World fertilizer demand should resume by early 2010 announces IFA Fertilizer Outlook

Paris: 30 June 2009 -- The International Fertilizer Industry Association (IFA) released publicly today its **Fertilizer Outlook 2009-2013**. The outlook report suggests that, after the sudden fall in demand during the 2008/09 fertilizer campaign, a rebound may be expected for the 2009/10 campaign.

The world fertilizer markets experienced a period of extreme volatility in 2008. The combination of a global economic downturn and a deepening credit crisis in most leading fertilizer-consuming countries dampened short-term prospects. Fertilizer sales and import demand collapsed through the fourth quarter of 2008. World fertilizer consumption is estimated down 5.1%, from 168.1 million tonnes (Mt) of nutrients in 2007/08 to 159.6 Mt in 2008/09. Consumption of nitrogen fertilizers is seen contracting by 1.6%, while demand for phosphate fertilizers and potash would decline more sharply, by some 7 and 14%, respectively. Because of lack of confidence and limited access to credit, farmers, in a number of countries, either deferred their purchases of inputs, including fertilizers, or chose to reduce application rates. The beginning of 2009 was dim for the fertilizer industry with disappointing sales prospects and weak demand recovery during the year.

However, IFA's outlook reports show that the **market conditions could be improving steadily** for the 2009/10 campaign because of the stable growth trends that have been experienced so far in the agricultural sector. Agricultural commodity prices are expected to remain attractive, thus encouraging farmers to increase crop production. In its baseline scenario, IFA estimates that the economic crisis can be translated in one to three years of lost growth in fertilizer demand. Nevertheless, a gradual rebound might be felt as early as in the next six months. For the 2009/10 campaign, a growth of 3.6%, representing 165.4 Mt of nutrients, is envisioned. In 2013/14, a growth rate of 2.3% per annum (over the average of 2006/07 to 2008/09) could be anticipated, representing up to 187 Mt of nutrients by the end of that period.

IFA also forecasts a **potential fertilizer supply surplus for the years to come**. Between 2000 and 2007, the world fertilizer industry increased its overall operating rates for the three main nutrients (nitrogen, phosphorus and potassium). By the end of 2007, the industry was running at close to its maximum effective capacity. This explains the very tight market conditions that prevailed during the first half of 2008. If such high demand had continued through the second half of 2008, a shortage of potash, phosphate and urea supply might have occurred. However, following the financial and economic crisis, a number of companies decreased dramatically their operating rates by temporarily closing down facilities. In the short term, the depressed demand for fertilizer and, in the long run, new projects coming into production in several countries are the main factors supporting the potential surplus argument, in particular in the potash and phosphate sectors.

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The fertilizer industry calls again on governments to pay closer attention to the factors behind the rampant food crisis and the more than one billion hungry people. Stocks of agricultural commodities are still low and the 2009 grain harvest is seen declining from the previous year. Increasing agricultural productivity is one of the solutions to resolving global food insecurity. The fertilizer industry has a key role to play in providing essential plant nutrients to replenish the soils and sustainably increase agricultural production, in particular in developing countries.

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The International Fertilizer Industry Association (IFA) is a not-for-profit trade association representing the global fertilizer industry. IFA member companies represent all activities related to the production and distribution of every type of fertilizer, their raw materials and intermediates. IFA's membership also includes organizations involved in agronomic research and training. IFA has some 525 members in about 85 countries. The global fertilizer industry produces some 170 million tons of fertilizer nutrients annually. These are used in every corner of the globe to support sustainable agricultural production and food security. www.fertilizer.org

The International Fertilizer Industry Association (IFA) releases every year medium-term and short term outlook reports (in May/June and in November/December respectively). Unabridged reports are available only to IFA members and the Fertilizer Outlook, a summary of the main findings, is available to the public.

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