

## **Fertilizer industry sees solid upturn in fertilizer demand and sustained growth of production capacity by 2014**

**Paris, France: 2 July 2010** - The International Fertilizer Industry Association (IFA) released publicly today its **Fertilizer Outlook 2010 - 2014**. The report highlights that, after a gloomy year in 2009, fertilizer demand is seen firmly rebounding in 2010 and growing at sustained rates in the next four years. On the fertilizer supply side, the growth of capacity is slower than anticipated last year because of numerous delays in announced projects. However, in the long-term, a potential supply surplus for nitrogen (N) and potassium (K) fertilizers can be expected due to a faster increase in capacity compared to that of demand.

After two consecutive bumper crops, it is anticipated that the **2010 world cereal output will reach a new record of 2.28 billion metric tonnes (Bt)**, according to FAO. With world cereal utilization seen at some 2.25 Bt, global grain stocks would remain unchanged and relatively low at the end of the 2010/11 marketing campaign. In response to relatively stable supply/demand conditions since the beginning of 2009, international cereal prices have remained fairly constant, above pre-crisis levels. A return to more stable crop prices is making it less risky for farmers to invest in fertilizers than a year ago, resulting in a more rapid recovery in phosphate (P) and potassium (K) demand than had been foreseen.

In the medium term, increasing agricultural production will be required to meet global demand for food, feed, fibre and bioenergy. Yield gains are expected to contribute to most of the output growth, as scope for expanding cultivated land in the next five years is limited and sustainable intensification of the currently cultivated land is the best option for mitigating climate change and preserving biodiversity. Meeting increasing demand for agricultural products and reducing the environmental footprint of farming will require both greater and more efficient fertilizer use.

With the progressive economic recovery and a return to more favourable and more stable agricultural market conditions, **world fertilizer demand in 2010/11 is forecast to increase by 4.8% over 2009/10 to 170.4 million metric tonnes (Mt) nutrients**. Demand for N, P and K fertilizers is seen growing by 1.9%, 4.5% and 18%, respectively. The positive agricultural market fundamentals over the medium term are expected to stimulate world fertilizer demand, which is projected to reach **188.3 Mt in 2014/15**. The bulk of the increase in demand would come from Asia and, to a lesser extent, from the Americas.

Regarding fertilizer production, the conditions in the global fertilizer market stabilized in 2009, as fertilizer demand started to recover by mid-year in the main consuming countries. However, total sales and production dropped to levels unprecedented for more than a decade due to **important inventory carry-overs in worldwide distribution systems**. Global capacity increased in key exporting regions, but at modest rates compared with those of the previous years.

Capacity growth in the short to medium term is seen as expanding at a slower pace than projected in 2009. Delays and some cancellations have reduced the announced expansion of capacity and the commissioning of new projects by 6 to 24 months. However, interest in investing in the fertilizer sector

appears unabated. In the past year, several new projects have been announced for the near term since many countries continue to promote new capacity and to foster self-sufficiency. **A wave of mergers and acquisitions has characterized the restructuring of the sector over the past 12 months.** It is anticipated that this trend will continue in the short term. Energy prices, government policies and environmental regulations have the potential to influence future global fertilizer supply. The mid-term market perspectives vary from one product to another:

- **In the nitrogen sector**, much of the increase in ammonia capacity is associated with new urea capacity, which is forecast to grow by 51.3 Mt, or 30% over 2009, to reach 222 Mt in 2014. The forecast sees a large potential urea surplus, accelerating after 2012, if all the announced projects are realized according to their respective schedule. The global nitrogen supply/demand balance would show a potential surplus of close to 4.7 Mt N in 2010 accelerating to 16.7 Mt N in 2014.
- **In the phosphate sector**, the global capacity for the main processed phosphate fertilizers is projected to be 42.3 Mt P<sub>2</sub>O<sub>5</sub> in 2014, representing a net increase of 8.2 Mt P<sub>2</sub>O<sub>5</sub> over 2009. Over the next five years, close to 40 new MAP, DAP and TSP units are expected to be constructed in ten countries. Expansion of DAP capacity would account for three-quarters of this increase. While major DAP capacity expansions will be taking place, it was projected that demand growth would absorb most of this new capacity through 2014.
- **In the potash sector**, global sales collapsed in 2009 as major carry-over stocks were available in several consuming countries. However, a strong rebound in demand and moderate capacity growth should be picking up in the short term. Widespread interest in new potash capacity has been witnessed in 2010 with close to 100 projects being carried out in about 25 countries. Potash balances show a sustained surplus through 2014 but the expected growth in capacity is likely to be absorbed by the forecast increase in demand.

In the short term, world supply/demand conditions are expected to include resilient annual potential surpluses of phosphate rock, potash and urea due to the emergence of large capacity in the main exporting regions. Over the next five years, market conditions for phosphate fertilizers, notably DAP, merchant phosphoric acid, merchant ammonia and sulphur, are seen as relatively balanced due to firm demand growth and a gradual increase in capacity. Over the period 2009 to 2014, global trade will expand by 15 to 33%, depending on the nutrient products and regions. In the medium term, the industry is taking the necessary measures to provide the fertilizer supply needed by farmers worldwide.

**ENDS**

[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



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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](http://www.fertilizer.org)

**Medium-term and short term outlook reports are released every year in May/June and in November/December respectively.** This medium-term outlook presents an overview of world agriculture and fertilizer demand, as well as the global fertilizer supply and trade situation for the period 2010 to 2014. Unabridged reports are available only to IFA members and the Fertilizer Outlook, a summary of the main findings, is available to the public on the IFA web site (<http://www.fertilizer.org>).

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