

Steady rise in fertilizer consumption expected in 2012

Paris, France, 5 January 2012 – The International Fertilizer Industry Association (IFA) has just released its short-term Fertilizer Outlook 2012-2013 to the public. The report shows that the fertilizer sector has now fully recuperated from the setback of 2008/09 and is maintaining a steady stream of investment in new capacity, capitalizing on the positive forecasts of a 3 per cent increase in consumption worldwide for the main nutrients – nitrogen (N), phosphorus (P) and potassium (K) – in 2012.

Agricultural commodity prices peaked at the beginning of 2011 and remained high throughout the first half of the year due to tight market conditions in 2010/11. Last year's global cereal harvest reached a new record of 2.3 billion metric tonnes. However, this increase in production will be entirely absorbed by rising demand for food, feed and biofuel uses. As a result, the global stock-to-use ratio is seen as remaining stable but still relatively low at the end of the 2011/12 campaign. More worryingly, the ratio for coarse grains is expected to decline for the third consecutive year, to a very low level, due to a disappointing maize harvest in the United States (according to USDA crop forecasts). The FAO indicated in the last quarter of 2011 that agricultural commodity prices had been contracting in the second half of the year but were still well above historical levels, driven by tight maize market conditions and competition for land between crops.

Stimulated by the sharp rebound of world economic activity, particularly in developing countries, and strong agricultural market fundamentals, IFA estimates that global fertilizer consumption increased by 6.2 per cent in 2010/11, to 173 million metric tonnes (Mt) of nutrients. Responding to attractive agricultural commodity prices, world fertilizer demand is anticipated to rise steadily in 2011/12. "World demand would increase by 3 per cent in 2011/12, to a record 178.2 Mt," says Patrick Heffer, Director of the IFA Agriculture Service. By the end of

the 2011/12 campaign, world fertilizer demand is expected to have fully recovered from the economic downturn for the three macronutrients. N, P and K fertilizer demand in 2011/12 would surpass their 2007/08 levels by 7.2, 2.7 and 0.5 Mt, respectively. Forecasts for 2012/13 are highly speculative in view of the rapidly deteriorating economic context in advanced economies. Tentative forecasts point to 2.3 per cent growth.

“World nutrient supply, in 2011, expanded in response to such robust fertilizer demand. The global production of ammonia, phosphate rock and potash reached record levels,” confirms Michel Prud’homme, Director of the IFA Production and International Trade Service. However, global nutrient capacity grew at a slower rate than production, confirming the tightness of supply seen throughout 2011, because of delays in new capacity commissioning and stronger than expected demand. Global trade was rather subdued, and home deliveries accounted for most of the growth in total sales. This could be explained by rising capacity in high-consuming countries, carry-over of stocks at buyers’ ends, and strong domestic sales.

IFA estimates that global sales prospects point to 2.6 per cent overall growth in 2012, reaching a record level of 232 Mt nutrients, with production increases of about 2.5 per cent for nitrogen, 3.5 per cent for phosphate products, and up to 4 per cent for potash. Global trade prospects appear positive for virtually all products.

“Massive investments in new capacity projects since 2009 have now started to add significant new supply of urea, DAP and potash,” adds Michel Prud’homme. However, several factors have the potential to change the supply landscape and impact current trade flows and investment decisions in the near term. These include the continued shortfall in the supply of natural gas in a few large nitrogen producing countries, such as China, Iran, Pakistan, Trinidad and Venezuela; the implementation of export taxes on fertilizers; delays in the completion of new capacity projects; and increasingly stringent environmental regulations.

In a global context of high uncertainty regarding the state of regional and global economies in the new year, the fertilizer industry is, comparatively speaking, performing well. Short-term prospects appear positive, demonstrating the positioning of the industry as a key player in the broader agrifood supply chain and a key actor in providing the inputs farmers need to grow more food more sustainably.

For more information on production, trade and sales conditions in 2012 and prospects for 2013, please consult IFA's Market Outlook Summary:

<http://www.fertilizer.org/ifa/HomePage/FERTILIZERS-THE-INDUSTRY/Market-outlooks.html>

Backgrounder

The International Fertilizer Industry Association (IFA) is a 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 540 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).

Medium-term and short-term outlook reports are released every year in May/June and November/December. They present an overview of world agriculture and fertilizer demand, as well as the global fertilizer supply and trade situation. Unabridged versions of these reports are accessible only by IFA members. Summaries of the main findings are made available to the public on the IFA web site (<http://www.fertilizer.org>).

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