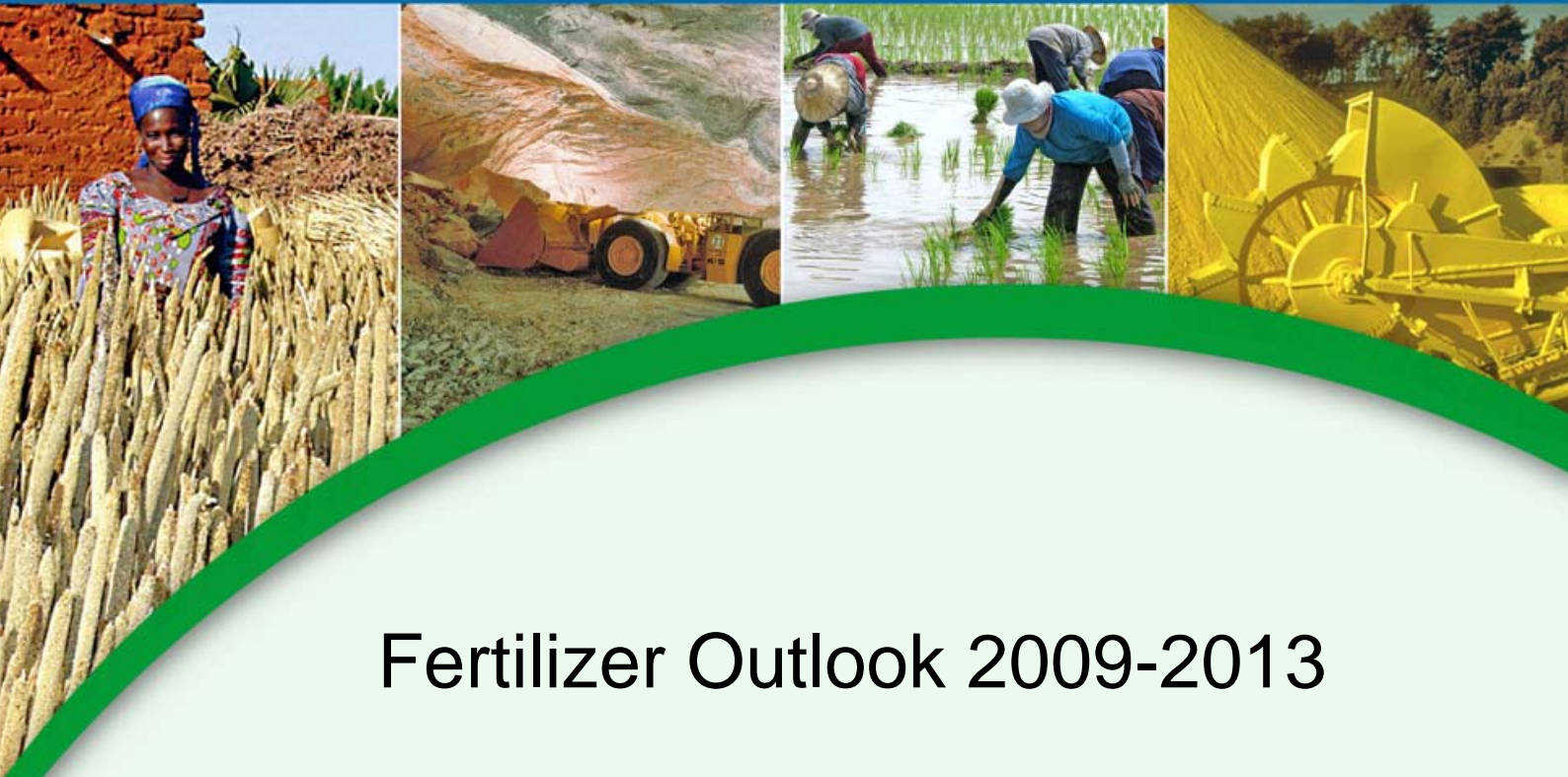




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Fertilizer Outlook 2009-2013

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This public summary report was prepared by Patrick Heffer, Executive Secretary of the IFA Agriculture Committee, and Michel Prud'homme, Executive Secretary of the IFA Production and International Trade Committee. The first part looks at the global context and agricultural situation. The second part provides global and regional fertilizer consumption projections for the period 2008/09 to 2013/14. The third part provides IFA projections of fertilizer supply and supply/demand balances for the period 2009 to 2013.

This report is available to the general public on the IFA web site or by request to the IFA Secretariat.

The Fertilizer Outlook draws on the final versions of two reports presented at the 77th IFA Annual Conference held in Shanghai in May 2009: the IFA report *Medium-Term Outlook for World Agriculture and Fertilizer Demand: 2008/09-2013/14 (A/09/86)*, and the IFA report *Global Fertilizers and Raw Materials Supply and Supply/Demand Balances: 2009-2013 (A/09/76b)*. These two comprehensive reports are strictly reserved for IFA members.

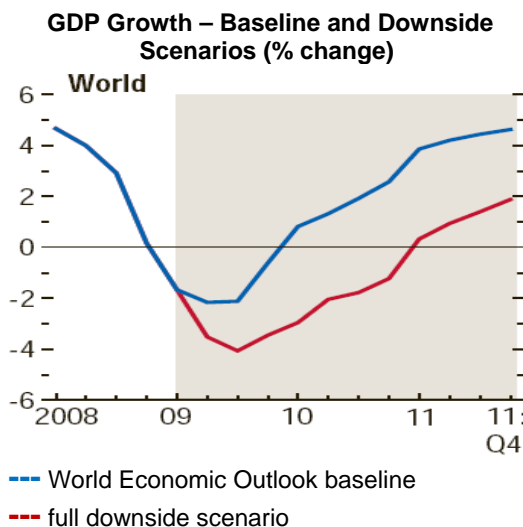
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PART 1 – GLOBAL ECONOMIC CONTEXT AND AGRICULTURAL SITUATION

1.1. Global Context

Worst economic recession in more than half a century

After several consecutive years of very strong growth, the world economy has entered its worst recession since World War II. The financial crisis started in the third quarter of 2008. It was followed in the last quarter of the year by a deep economic crisis of worldwide magnitude. All the advanced economies are in recession in the first half of 2009, and it is likely that this situation will continue during the second half of the year even if there are some signs of possible improvement by the end of the year. Emerging economies have been severely hit by this downturn as well. According to April 2009 projections by the International Monetary Fund (IMF), the world Gross Domestic Product (GDP) would drop by 1.3% in 2009. In its full downside scenario, IMF projects a much more acute recession.



In the May 2009 projections of the United Nations, the 2009 world GDP would be 2.6% less than that of the previous year, and the world economy is expected to start recovering at the end of 2009 or the beginning of 2010. Full recovery would not be achieved before 2011. This strong economic downturn can influence fertilizer demand in the following ways, among others: slow-down of world meat demand; credit unavailable or unaffordable for farmers and input retailers; large, high-priced fertilizer inventories in the distribution pipeline; greater recycling of organic nutrient sources; and long-term changes in farmers' behaviour vis-à-vis P and K fertilization strategy.

Dramatic change in policy focus

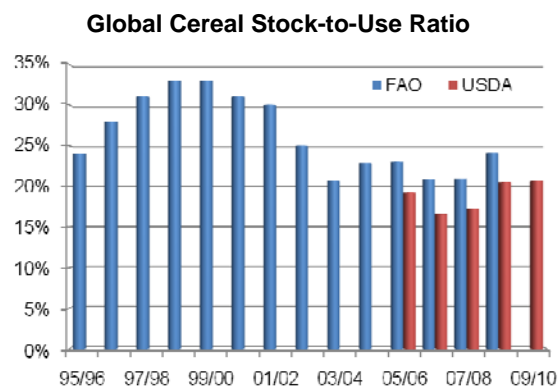
A year ago the world's attention was focused on food inflation and food security. These issues are currently overshadowed by the economic crisis. However, a potential food crisis is still looming, and the fertilizer industry and its partners should be ready to respond to that challenge.

Similarly, less attention is being paid by governments to environmental issues unless responding to these issues could provide an economic boost. Apart from climate change, environmental issues therefore have a relatively low profile at the moment. They are expected to return to the forefront in the medium term.

1.2. Agricultural Situation

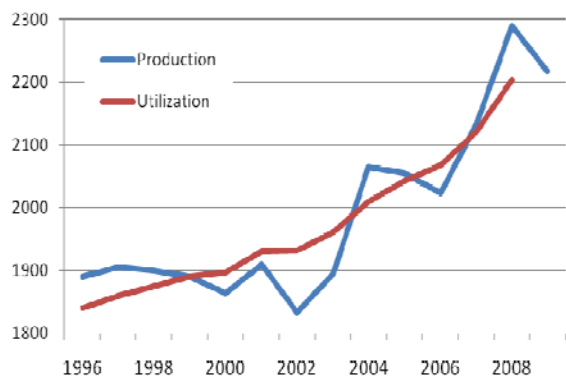
Agricultural market fundamentals remain strong

After a record world cereal harvest in 2008, estimated by the United States Department of Agriculture (USDA) at 2,225 million metric tonnes (Mt), global cereal inventories are seen as slightly up at the end of the 2008/09 campaign. Nevertheless, the aggregate cereal stock-to-use ratio remains at levels well below those recorded at the beginning of the decade.



The Food and Agriculture Organization of the United Nations (FAO) and USDA see the 2009 cereal crop as down 1.5 to 2.0% from the 2008 record. Because of the recession, world grain demand would increase only modestly in 2009/10 and the world output would match demand, resulting in relatively stable inventories.

World Cereal Production and Utilization (Mt)



Source: FAO

Forecasts for the other key crops point to relatively tight market conditions in the short term. The situation is different for meat products, which are affected by the economic context.

As a consequence, crop prices dropped in the second half of 2008 before slightly firming in the first half of 2009. Most international prices for agricultural commodities are currently relatively strong compared to pre-2007/08 levels.

In the medium term, once the economic crisis is over, significant agricultural production gains will be required to meet global demand for food, feed, fibre and bioenergy. According to the Organisation for Economic Co-operation and Development (OECD), FAO and the Food and Agricultural Policy Research Institute (FAPRI), world stocks of most crops are not seen as evolving much during the next five years and prices are likely to remain strong.

PART 2 – GLOBAL FERTILIZER DEMAND

Farmers are postponing fertilizer purchasing decisions

The fertilizer-to-crop price ratio is a key factor taken into account by farmers when they purchase fertilizers. The ratio between international urea and diammonium phosphate (DAP) prices on one hand, and grain prices on the other, is currently below levels registered in 2007. However, farmers exhibit totally different behaviour vis-à-vis fertilizers compared to two years ago.

Farmers are tending to wait as long as possible to purchase fertilizers. They expect fertilizer prices to decline further, in particular where retailers hold large, high-priced inventories of phosphate (P), potash (K) and compound fertilizers. Farmers are also tending to reduce their fertilizer P and K application rates where possible. Depending on the soil type and nutrient in question, this strategy could result in yield penalties varying considerably in magnitude. If the loss is moderate to significant, farmers will likely resume their usual application rates within a year. If the loss is only modest, they may decide to mine their soils for one or more years. The high fertilizer prices of mid-2008 have also encouraged some farmers to use greater amounts of organic nutrient sources, which could have long-term impacts on crop nutrition practices. Moreover, farmers who are willing to use fertilizers may be constrained in some countries by the lack of affordable credit.

World fertilizer consumption seen as dropping 5% in 2008/09

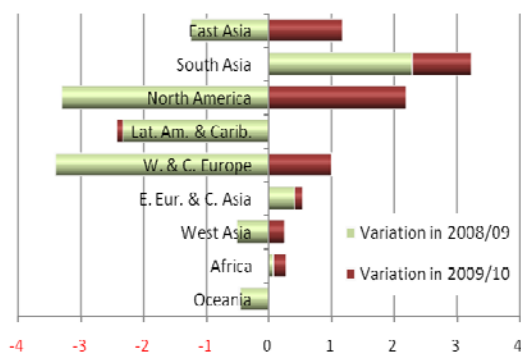
Like other commodities, fertilizers have been affected by the economic downturn. Aggregate world fertilizer demand in 2008/09 is seen as down 5.1% compared with the previous year, from 168.1 to 159.6 Mt nutrients. Nitrogen has been much less affected, as farmers cannot afford drastic cuts in N fertilizer application rates without immediate yield penalties, contrary to the situation with P and K fertilizers. N, P and K fertilizer demand is estimated as down 1.6, 7 and 14%, respectively. Thus, the global N:P₂O₅:K₂O ratio is seen as deteriorating from 1.00:0.38:0.28 to 1.00:0.36:0.24. Drops in consumption are registered in all the regions except South Asia and Eastern Europe and Central Asia (EECA) – two regions where farmers enjoy strong governmental support for greater fertilizer use – and Africa. The largest contractions in volume are observed in Western and Central Europe, North America and Latin America.

Slow recovery anticipated to begin in 2009/10

With the prevailing strong agricultural market fundamentals and anticipated progressive recovery of the world economy, world fertilizer demand is seen as slightly rebounding in 2009/10 (+3.6%) to 165.4 Mt, with growth rates of 2.6% for N, 6.1% for P and 4.1% for K.

Strong recovery is seen in North America, and more modest rebounds are anticipated in East Asia and in Western and Central Europe. Consumption would further increase in South Asia, but at a lower rate than in 2008/09, and it would further drop in Latin America.

Anticipated Variation in Regional Fertilizer Demand in 2008/09 and 2009/10 (Mt nutrients)



Source: P. Heffer, IFA, June 2009

World consumption would rebound to some 187 Mt nutrients in 2013/14

In the medium term, world fertilizer demand is projected to progressively recover from its decline. Compared to the base year (average consumption between 2006/07 and 2008/09), global demand in 2013/14 is seen as increasing 2.3% annually on average, to reach 186.8 Mt in IFA's baseline scenario. Because of its strong contraction in 2008/09, demand for P and K is anticipated to rise at higher rates (+2.8% per annum each) than demand for N (+1.9% p.a.). The global N:P₂O₅:K₂O ratio would improve to 1.00:0.40:0.28.

Global Fertilizer Consumption (Mt nutrients)

	N	P ₂ O ₅	K ₂ O	Total
06/07	97.4	38.1	26.9	162.4
07/08	101.0	38.8	28.3	168.1
08/09 (e)	99.4	36.0	24.3	159.6
Change	-1.6%	-7.3%	-14.4%	-5.1%
09/10 (f)	102.0	38.1	25.3	165.4
Change	+2.6%	+6.1%	+4.1%	+3.6%
2013/14 (f)	111.1	44.3	31.4	186.8
Average Annual Change*	+1.9%	+2.8%	+2.8%	+2.3%

(e) estimated; (f) forecast

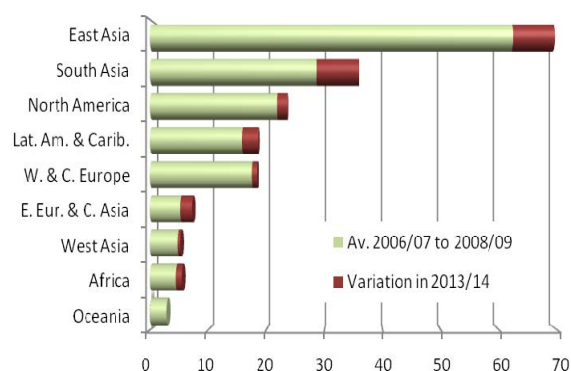
*Compared to the average 2006/07 to 2008/09

Source: P. Heffer, IFA, June 2009

Asia and Latin America drive the medium-term outlook

At the regional level, the bulk of the increase in demand during the next five years would still come from Asia and, to a lesser extent, Latin America. East Asia and South Asia together would account for some 62% of total growth. If Latin America is added, the three regions together would account for three-fourths of the increase in demand.

Projected Medium-Term Evolution of Regional Fertilizer Demand (Mt nutrients)



Source: P. Heffer, IFA, June 2009

In East Asia, the growth of regional demand is seen as slowing down as China approaches a 'mature' market status for N and P fertilizers. At the same time, China is seen as recovering only slowly from its cut in K fertilizer applications in 2008 and 2009. Average regional demand is seen as increasing 1.9% p.a.

Demand is projected to remain strong in South Asia, with an average growth rate of 3.9% p.a., as larger amounts of fertilizer are required to ensure food security. However, the expected forthcoming revision of the fertilizer subsidy scheme in India could impact the outlook.

North America is seen as recovering relatively quickly from the sharp market contraction recorded in 2008/09 as farmers respond to market signals. Average growth for the next five years is forecast at 1.3% p.a.

Fertilizer demand in Latin America is seen as remaining depressed in 2009. Recovery would start in 2010, as South American countries strengthen their position on the international agricultural market. Regional consumption would increase at 2.7% p.a.

After two decades of decline or stagnation, and a further drop of 18% in 2008/09, fertilizer consumption in Western and Central Europe is seen as slowly recovering during the outlook period. Average annual growth is forecast at 0.8%.

Fertilizer consumption in Eastern Europe and Central Asia is seen as increasing regularly in response to a favourable policy context and to the potential for increasing production during a relatively short period of time. Regional fertilizer demand would grow at some 5.6% p.a.

Fertilizer demand in West Asia is seen as increasing only modestly since the potential for increasing crop production in the region is limited. Consumption is seen as rising 1.5% p.a.

Fertilizer consumption in Africa is likely to pick up in some countries in response to governmental initiatives to establish fertilizer subsidy schemes, as well as in response to an increase in the area used for commercial farming and export. An increase of 3.5% p.a. is anticipated.

Finally, agriculture in Oceania is seen as hardly recovering from two consecutive drought-affected years. Consumption is anticipated to recover slowly, reaching a level at the end of the outlook period comparable to the calculated base year.

Forecast subject to major uncertainties

IFA's baseline fertilizer demand forecast is subject to major uncertainties, in particular up to the end of 2010. Some of the main uncertainties that could influence the forecast are the evolution of the financial and economic downturn, the yield impact of lower P and K application rates in 2008/09, the actual level of fertilizer inventories in the distribution pipeline, and the evolution of fertilizer prices relative to crop prices.

PART 3 – GLOBAL FERTILIZER SUPPLY

The world fertilizer markets experienced a period of huge volatility in 2008 despite strong demand fundamentals. The combination of a global economic downturn and a deepening credit crisis in regard to major fertilizer consumption has dampened short-term prospects.

Fertilizer market conditions deteriorated rapidly in the fourth quarter of 2008. Fertilizer sales and import demand collapsed, driven by weakening financial and economic conditions, tight credit access and, to a certain extent, loss of fertilizer demand or purchase deferral in a large number of consuming countries.

In 2008, global urea production rose 1.7% compared with 2007 while the output of phosphate fertilizers and potash declined by 7.5% and 2.8% respectively, driven by a drop in exports and weak import demand.

Entering 2009, the fertilizer industry was confronted with static market conditions, marked by lack of sales and weak prospects for production and trade this year. However, the main drivers of fertilizer demand growth are resilient. The global food crisis has not been resolved. Stocks of soft commodities and cash crops remain low compared with historical levels. Fertilizer demand will therefore recover, although the pace of recovery is subject to various interpretations.

Gradual recovery of fertilizer demand worldwide in the short term

The IFA Agriculture Committee projects a slow and gradual recovery. Global fertilizer demand in 2008 is estimated at 160 Mt nutrients, a steep reduction of 4.1% compared with 2007.

In the medium term, the demand prospects look rather positive, with global consumption expanding at an annual rate of 2.2% between 2006/08 and 2013 to reach 185.3 Mt in calendar year 2013. The current fertilizer downturn has effectively removed two years of growth. The level of consumption of 2007 is likely to be reached only in 2011.

World Fertilizer Consumption <i>Calendar Year Basis</i>			
<i>Mt nutrients</i>	2008	2009 (e)	2013 (f)
Nitrogen, N	99.3	101.0	110.4
Phosphorous, P ₂ O ₅	35.9	37.2	43.9
Potassium, K ₂ O	24.8	25.0	31.0
Total	160.0	163.2	185.3

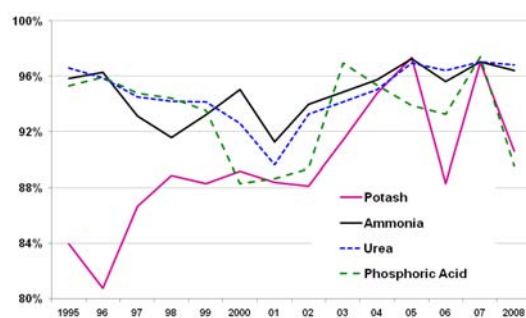
Source: P. Heffer, IFA, May 2009

Tightening supply conditions existed until mid-2008

Between 2000 and 2007, the world fertilizer industry increased its overall operating rates, culminating in 2007 when producers ran at an average of 97% of operating capacity in the three main nutrient segments. By the end of 2007 and entering 2008, the industry was running at close to its maximum effective capacity. This explains the very tight market conditions that prevailed in the first half of 2008. Had demand been sustained at the same level during the second half of 2008, a *shortage* of potash, phosphate and urea supply would have appeared in 2008.

The bullish demand forecast, in combination with the prospect of a severe shortfall of supply, prompted a high interest in future capacity developments from the investment community and exploration companies.

World Operating Rates : 1995-2008



Source : IFA FIT Committee

Deteriorating market conditions since late 2008 have depressed overall operating rates to levels prevailing in 2000. A recovery to higher levels is unlikely before 2010.

Investments in capacity are expensive and time-consuming

Massive investments are required to develop new capacity. Investing in fertilizer capacity – even in a country with low feedstock costs or accessible financing sources – is expensive and risky in this cyclical sector. As an indication of the investments proposed by the international fertilizer industry in the near term, close to US\$90 billion would need to be invested for the capacity expansions currently planned up to 2013.

The drastic decline in fertilizer consumption in 2008/09, associated with financial constraints, has impacted new capacity development. In the short term, several projects have been delayed, thus postponing the emergence of new capacity by a year or so. In the medium term, strong optimism seems to have emerged concerning potential market growth since a large number of new projects have been announced during the past 12 months worldwide.

Factors impacting future supply

A few factors eased global fertilizer supply in late 2008 and entering 2009.

Because ocean shipping rates have been in free fall since May 2008, delivered costs have also fallen.

Energy prices, notably those of crude oil and natural gas, have fallen by more than half compared to their levels in mid-2008, offering some relief to nitrogen producers in key producing countries. However, in the medium term it appears that natural gas prices in key exporting and importing countries will converge upwardly.

The implementation of export taxes on fertilizers, notably in China, has generated a high degree of uncertainty in international fertilizer markets since 2007.

Legislation on carbon emission reduction in the European Union, North America and Oceania may impact the competitiveness of their respective domestic nitrogen industries in the near term as a result of rising energy costs and uncertainty over the prices of emission rights.

3.1. Nitrogen Outlook

Between 2008 and 2013, nitrogen capacity developments will be shaped by bullish prospects for fertilizer demand growth, differential input costs, downstream developments and export opportunities. The nitrogen industry is expected to improve energy efficiency while reducing its carbon footprint and replacing aging facilities.

Growing nitrogen capacity in China, West Asia and North Africa

According to IFA, global ammonia capacity is projected to increase 20%, from 180.9 Mt NH₃ in 2008 to 217.8 Mt NH₃ in 2013. One-third of this increase will come from revamping activities. The remaining two-thirds will be accounted for by commissioning of about 55 units worldwide.

Global ammonia capacity would increase at an average rate of 7 Mt/a, but close to 10 Mt is anticipated in 2012 alone. In terms of regional distribution, the bulk of the growth in capacity will occur in East Asia, West Asia, Latin America and Africa. As regards merchant ammonia, a total of 6.5 Mt NH₃ of new capacity will come on stream between 2009 and 2013.

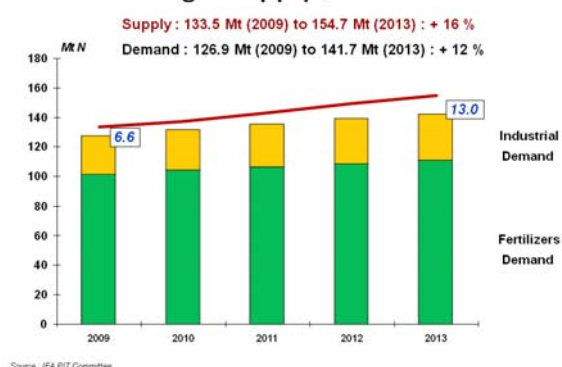
Seaborne ammonia trade in surplus by 2012

IFA estimates that global seaborne ammonia availability will expand by a net 3 Mt over 2008, to reach 20.6 Mt in 2013, assuming all projects are completed on schedule. The global seaborne ammonia market will evolve from showing important surpluses in 2008 and 2009 to tightening conditions in 2010 and 2011. A surplus is projected in 2012/13, equating to 5-6% of world potential supply of seaborne ammonia.

Growing nitrogen surplus through 2013

The global nitrogen supply/demand balance shows a surplus exceeding 6.6 Mt N in 2009, rising to 13 Mt N in 2013. The potential surplus in 2009 is equivalent to 5% of global supply, compared with 8% in 2013.

World Nitrogen Supply / Demand Balance



World Nitrogen Supply/Demand Balance (million metric tonnes N)

	2009	2010	2011	2012	2013
Supply					
Capacity	154.9	158.3	164.7	172.7	179.0
Total Supply	133.5	137.4	143.1	149.5	154.7
Demand					
Fertilizer Demand	101.0	103.9	106.1	108.2	110.3
Non-fertilizer Demand	22.8	24.2	25.7	26.8	27.9
Distribution Losses	3.1	3.2	3.3	3.4	3.5
Total Demand	126.9	131.3	135.1	138.4	141.7
Potential Balance	6.6	6.1	8.0	11.1	13.0
% Balance/Supply	5%	4%	6%	7%	8%

Source: M. Prud'homme, IFA, June 2009

Despite delays, global urea capacity to expand by a net 30% over 2008

A few urea projects have suffered delays in commissioning and construction. None were cancelled in 2008 or 2009. Between 2009 and 2013, IFA estimates that about 50 new plants are planned to come on stream, of which about 20 are located in East Asia. Global urea capacity is forecast to grow by a net 46.8 Mt between 2008 and 2013, to reach 210.3 Mt in 2013.

East Asia accounts for the bulk of the net annual increase in 2009 and 2010, as little new capacity is emerging in the rest of the world. For the period 2011 to 2013, the incremental capacity will mostly come from EECA and Latin America, followed by West Asia.

Taking into account effective capacity, the world urea supply is estimated at 148 Mt in 2008, 155 Mt in 2009 and 185.6 Mt in 2013, growing at an annual rate of 5% over 2008.

Consumption of urea is projected to increase in both the agricultural and industrial sectors, from a total of 146 Mt in 2008 to 174.5 Mt in 2013, representing a net growth of 3.7% p.a. The urea supply/demand balance for the period 2009 to 2013 shows a relatively balanced condition in 2010 and 2011, moving into a growing surplus by 2012. However, considering idled plants and some project slippage, market conditions could be tight in 2010/11 if demand growth continues as forecast.

World Urea Supply/Demand Balance (million metric tonnes urea)

	2009	2010	2011	2012	2013
Supply					
Capacity	173.7	179.3	188.7	201.4	210.2
Total Supply	154.9	160.7	167.9	177.2	185.6
Demand					
Fertilizer Demand	135.3	140.2	144.5	149.1	153.3
Non-fertilizer Demand	16.8	18.0	19.2	20.2	21.2
Total Demand	152.1	158.1	163.8	169.3	174.5
Potential Balance	2.8	2.6	4.1	7.9	11.1
% Balance/Supply	2%	2%	2%	4%	6%

Source: M. Prud'homme, IFA, June 2009

Large urea supply deficits will persist in South Asia, North America, West Europe, East Asia minus China, Latin America, West Europe and Oceania.

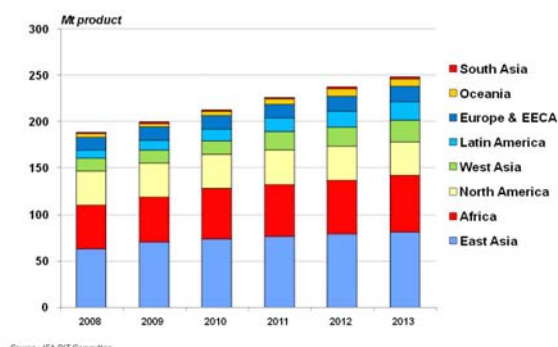
When China is excluded, the urea balance in the rest of the world shows significant but declining annual deficits in 2009 and 2010. After a transition year of near equilibrium in 2011, potential surpluses would emerge in 2012/13. Without Chinese export tonnage in 2009 and 2010, the rest of the world would be short of urea.

3.2. Phosphate Outlook

Massive exportable tonnage of phosphate rock by 2012

World phosphate rock capacity is projected at 248 Mt in 2013, representing overall 30% growth compared with 2008. Several projects for new mines or capacity expansions by current producers have been delayed due to rising costs and delays in integration with new downstream production. Rock supply is projected to increase in East Asia, Africa, Latin America, West Asia and Oceania. About 15 Mt of rock capacity would be earmarked for exports. If all projects proceed as scheduled, a large potential surplus may develop in the export market in the near term.

World Phosphate Rock Capability



Source: IFA PIT Committee

Limited addition of merchant phosphoric acid capacity in the near term

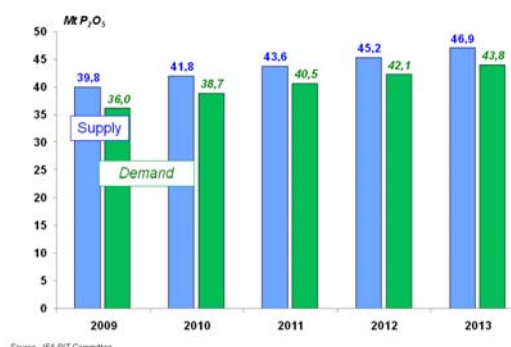
Between 2008 and 2013, global phosphoric acid capacity is forecast to increase by 10.8 Mt to 55.3 Mt P_2O_5 . About 88% of this increase will be dedicated to domestic downstream processing. The main additions to domestic capacity will occur in China, Saudi Arabia and Morocco.

The net addition to merchant grade acid capacity is estimated at 1.3 Mt P_2O_5 , of which 1.2 Mt will come from three large stand-alone units in Jordan, Morocco and Tunisia. No new tonnage of non-contracted merchant grade acid capacity is expected to be available before 2013.

Surplus in phosphoric acid-based fertilizers through 2013

The global supply of phosphoric acid is estimated at 38.2 Mt P_2O_5 in 2008, 39.8 Mt P_2O_5 in 2009 and 47 Mt P_2O_5 in 2013. Global demand is forecast to grow at an annual rate of 5.5% over 2009, to reach 44 Mt P_2O_5 in 2013.

World Phosphoric Acid Supply/Demand



Source: IFA PIT Committee

For the period 2009 to 2013, the global phosphoric acid supply/demand balance shows a sustained surplus ranging between 3.0 Mt and 3.8 Mt P_2O_5 p.a. The potential surplus in 2013 is likely to equate to 7% of world supply.

World Phosphoric Acid Supply/Demand Balance
(million metric tonnes P_2O_5)

	2009	2010	2011	2012	2013
Supply					
Capacity	46.1	47.6	49.1	53.1	55.3
Total Supply	39.8	41.8	43.6	45.2	46.9
Demand					
Fertilizer Demand	30.1	32.6	34.2	35.7	37.1
Non-fertilizer Demand	5.1	5.4	5.5	5.6	5.9
Distribution Losses	0.7	0.8	0.8	0.8	0.9
Total Demand	36.0	38.7	40.5	42.1	43.8
Potential Balance	<u>3.9</u>	<u>3.1</u>	<u>3.1</u>	<u>3.1</u>	<u>3.1</u>
% Balance/Supply	10%	7%	7%	7%	7%

Source: M. Prud'homme, IFA, June 2009

Major capacity expansions for DAP and MAP through 2013

The global fertilizer industry continues its vertical integration and consolidation through acquisitions or joint ventures. Most projects for finished fertilizers occur in phosphate-rich countries. In 2013, the world processed phosphate capacity will reach 42.5 Mt P_2O_5 , increasing 9.1 Mt compared with 2008.

Close to 40 new MAP, DAP and TSP units will be constructed in ten countries, including 18 units in China. New facilities are planned in Africa, West Asia, East Asia and Latin America. The bulk of this expansion will be for DAP capacity, which is projected to increase about 1.1 Mt P_2O_5 p.a. during the next five years. Global demand for processed phosphates is projected to recover by 2010. The global supply/demand balance for DAP shows soft market conditions through 2013, with growing annual surpluses.

3.3. Potash Outlook

Limited capacity additions in the short term, but potentially a growing surplus by 2012

Market conditions in recent years and strong demand prospects in the medium term have spurred many prospective producers to invest in exploration and capacity development programmes. There are more than 65 potash related projects in more than 20 countries. Only a few will take place during the next five years.

Global potash capacity is forecast to increase from 40.4 Mt K_2O in 2008 to 54.7 Mt K_2O in 2013. This represents an additional 14.3 Mt of capacity, mostly in Canada, Russia and China, along with new tonnage in Israel, Jordan, Argentina and Congo.

On an annual basis, capacity addition will be limited in 2009 but will accelerate thereafter. The bulk of new potash capacity will be for MOP, which is essential in granular grades.

The world potash supply is projected to increase from 38 Mt K_2O in 2009 to 47 Mt K_2O in 2013, equivalent to an annual growth of 5.9%. However, more than 60% of this increase will take place after 2011.

Soft potash market conditions to prevail through 2013

Global demand for potash is estimated at 28.4 Mt K_2O in 2008, 28.5 Mt in 2009 and 35 Mt K_2O in 2013. This represents an average growth of 5.6% p.a. compared with 2009.

World Potash Supply/Demand Balance



Source: IFA/PIT Committee

The derived supply/demand balance over the next five years shows a growing surplus due to depressed demand levels until 2011. By then world potash demand growth would pick up at higher rates, but at the same time massive additions of new capacity may emerge. From 2011 and beyond, the global supply/demand balance shows a widening potential surplus, accounting for 25% of world supply in 2013. Between 2008 and 2013, the potential surplus would range between 9 and 12 Mt K₂O.

World Potash Supply/Demand Balance (million metric tonnes K₂O)

	2009	2010	2011	2012	2013
Supply					
Capacity	41.8	44.1	45.9	51.9	54.7
Total Supply	38.0	39.5	41.6	44.4	47.0
Demand					
Fertilizer Demand	24.9	26.9	28.5	29.8	31.0
Non-fertilizer Demand	2.8	2.9	2.9	3.0	3.0
Distribution Losses	0.8	0.9	0.9	1.0	1.0
Total Demand	28.5	30.7	32.3	33.8	35.0
Potential Balance	9.5	8.8	9.2	10.6	12.0
% Balance/Supply	25%	22%	22%	24%	25%

Source: M. Prud'homme, IFA, June 2009

3.4. Sulphur Outlook

Between 2008 and 2013, world production of elemental sulphur is projected to grow at an average annual rate of 6.6%, reaching 63.7 Mt S in 2013. Over the next five years, sulphur importing countries will contribute more to world production than sulphur exporting countries.

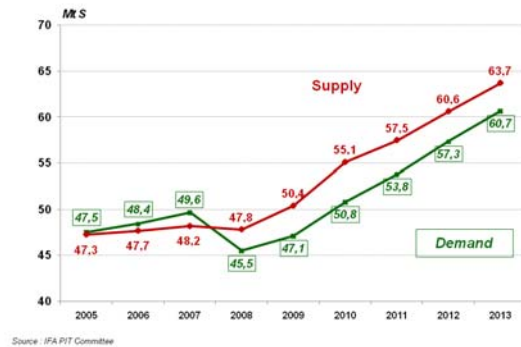
Gradual recovery in sulphur consumption in the fertilizer and industrial sectors

Global consumption of elemental sulphur is projected to grow at an annual rate of 6.7% between 2008 and 2013, reaching 60.7 Mt S in 2013. This increase will result from a recovery in sulphuric acid consumption in the manufacture of phosphoric acid-based fertilizers and the growing use of sulphuric acid in ore leaching.

Sulphur balance in surplus by 2009, but potential deficits associated with projects delays

Slow demand recovery and delays in commissioning of anticipated oil and gas related projects may result in annual potential surpluses through 2013, ranging between 3 and 4 Mt S p.a. and equating to 5-8% of total sulphur supply.

World Sulphur Supply/Demand Balance



However, if future sulphur production grows at lower rates due to delays in large projects, the global sulphur market could be relatively balanced in 2009-2010 and could potentially shift to a potential deficit thereafter, until 2013.

World Elemental Sulphur Supply/Demand Balance (million metric tonnes S)

	2009	2010	2011	2012	2013
Sulphur Demand					
Sulphur for sulphuric acid	40.8	44.3	47.2	50.6	53.7
Non-sulphuric acid uses	6.3	6.5	6.6	6.8	6.9
Total Demand	47.1	50.8	53.8	57.3	60.7
Sulphur Supply					
Oil recovered	22.6	24.0	25.1	26.8	28.1
Gas recovered	24.4	27.0	27.9	29.0	30.7
Others, including Frasch	3.4	4.2	4.6	4.8	4.9
Total Supply	50.4	55.1	57.5	60.6	63.7
Potential Balance	3.3	4.3	3.7	3.3	3.1
% Balance/Supply	6.5%	7.8%	6.4%	5.4%	4.8%

Source: M. Prud'homme, IFA, June 2009

CONCLUSIONS

After five years of sustained growth in demand, rising operating rates and tightening supply, the world fertilizer market is now facing the prospect of softening balances through 2013.

In the short term, world supply/demand conditions are seen with resilient annual potential surpluses, as a result of the severe contraction in fertilizer consumption in 2008/09, and a forecast of gradual recovery.

Since little new capacity emerged in 2007 and 2008 outside China, the current oversupply situation is mostly a reflection of dampening demand worldwide except in India.

In the near term, as fertilizer demand grows at sustained rates, potential supply from announced projects would further amplify the emerging surplus imbalances, at least until 2013.

The prospect of pending surpluses is mostly seen in the phosphate and potash sectors, unless global demand recovers more quickly and strongly than anticipated or unless major new capacity projects face significant delays.

The nitrogen sector may see tightening conditions in 2010-11 for urea supply and for merchant ammonia. In the longer term, the massive addition of nitrogen capacity from announced projects may generate large potential surpluses starting in 2012.

The sulphur supply/demand balance is seen with resilient surpluses in 2009, lasting well into 2013. However, should future sulphur production be lower than anticipated due to uncertainties related to projects in the oil and gas sector, a potential sulphur deficit could emerge in 2011/12.

Market conditions for soft commodities would tighten once crude oil prices move upward and industrial demand for metals, minerals and other commodities starts to improve worldwide. In response to the increase in crude oil prices during the first half of 2009, natural gas prices are projected to rebound in the short term. The inverse correlation of crop prices to US dollar exchange rates would foster higher purchasing power in large grain importing countries, triggering a potential recovery in fertilizer demand.

Globally, fertilizer markets have shown very quiet conditions in the first half of 2009 as farmers aggressively cut spring application rates. The prospect of a strong recovery in fertilizer demand is seen as possible from 2010, as farmers worldwide who have been cutting fertilizer use in response to the global recession might expand fertilizer purchasing in that year in reaction to attractive crop prices and improving margins. This could lead to a possible rush of fertilizer deliveries. However, credit remains a main concern for the sale of farm inputs such as fertilizers.