International Fertilizer Industry Association

Global Fertilizer Short-Term Outlook

and a focus on China

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IFA

20th Annual AFA Fertilizer Forum & Exhibition
Egypt, February 2014

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- **Fertilizer Demand**
  - Main fertilizer demand drivers
  - Short-term demand forecast, global and top-5 countries
- **Nutrient Supply**
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  - Capacity developments in 2013-2014
  - Sales and trade prospects in 2014
- **China**
  - Fertilizer-related Policy
  - Urea balances
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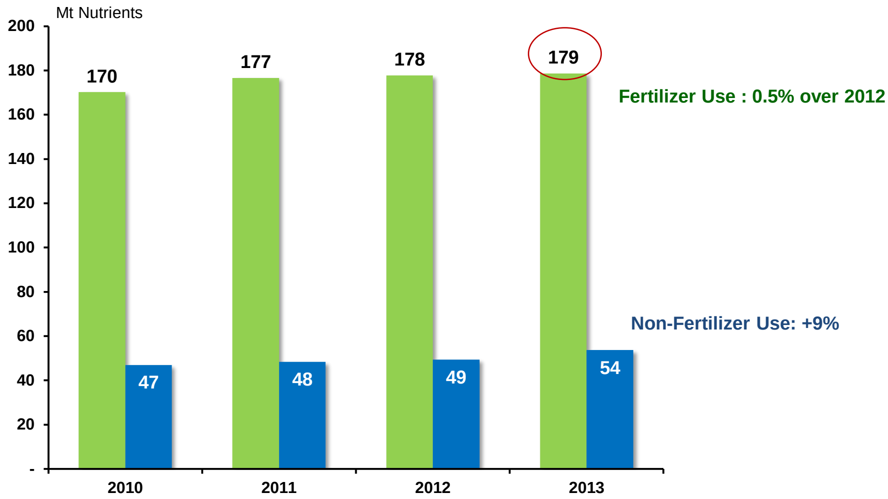
Global Nutrient Uses 2010-2013



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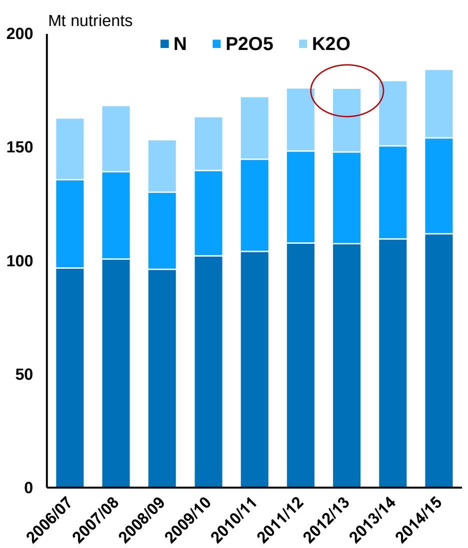
Sources: IFA Agriculture and Production and International Trade 2013

Global Fertilizer Demand : IFA Short-Term Forecast



Change year-over-year

	2012/13	2013/14	2014/15
N	-0.2%	+1.8%	+2.1%
P_2O_5	-0.5%	+1.8%	+2.7%
K_2O	+1.2%	+2.6%	+4.9%
Total	**0.0%**	**+2.0%**	**+2.7%**

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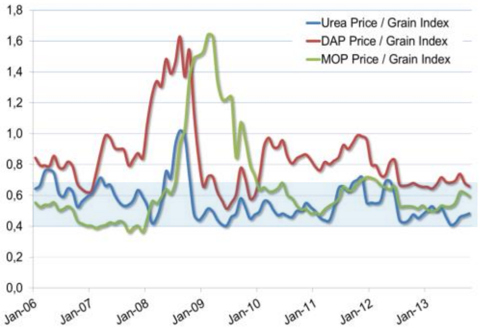
Sources: IFA Agriculture 2013

Drivers of Farmers' Purchasing Decision



(*) Fertilizer prices are fob: N. Africa DAP; Yuzhnyy prilled urea; Vancouver (std) Potash
*(**) Agricultural commodity prices are represented by a grain index calculated as follows: [(wheat price*7) + (maize price*8) + (rice price*4.5) + (soybean price*2.5)] / 22*

- Relatively stable and attractive fertilizer/grain price ratio.
- With uncertain economic and agricultural outlook, farmers and distributors are risk averse.
- With declining crop prices, commercial farmers wait and see attitude.
- Fertilizer subsidy changes greatly influence decision by smallholder farmers.
- Low/declining inventories in the distribution pipeline → challenging to supply peaks in demand.

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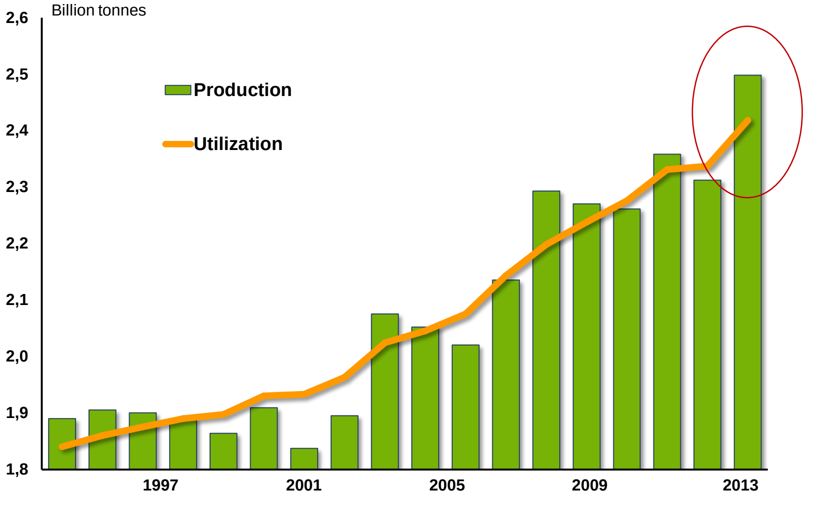
Sources: CRU; Financial Times, IMF, Oct 2013

World Cereal Production and Utilization



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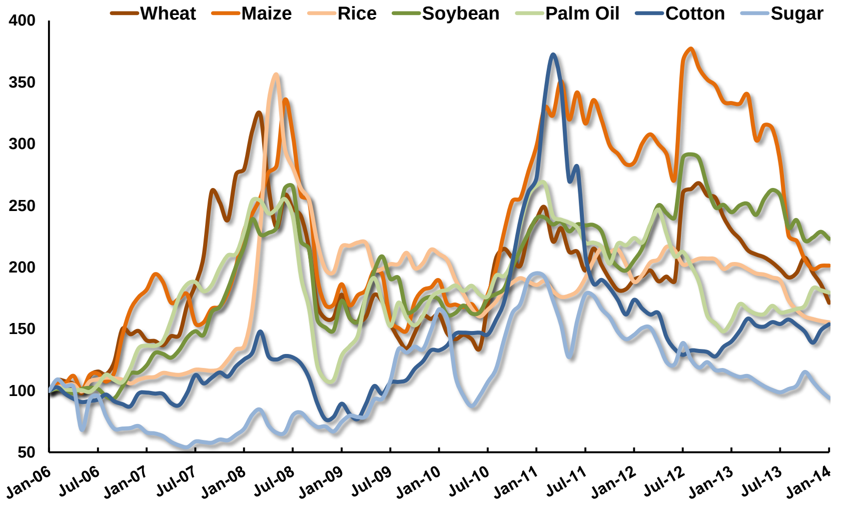
Sources: FAO, Nov 2013

Relative Evolution of Agri-Commodity Prices

Relative price evolution from January 2006 to January 2014



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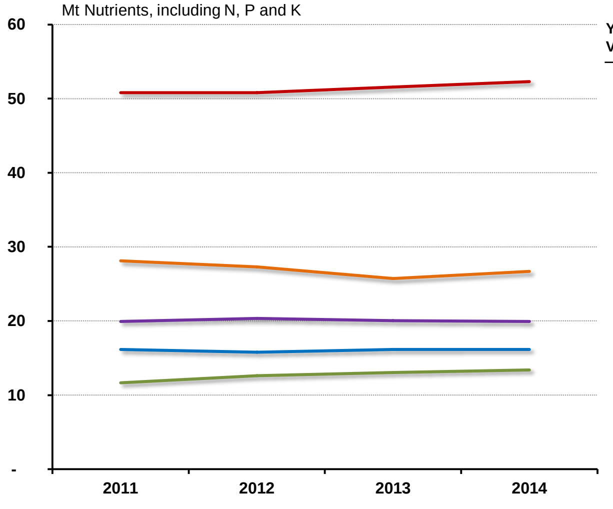
Sources: MPOB; Financial Times; IMF 2014

Fertilizer Nutrient Short-Term Demand : Top-5 Countries



YOY Var.	2012 /11	2013 /12	2014 /13
China	0%	1%	1%
India	-3%	-6%	4%
USA	2%	-1%	-1%
WCE	-2%	2%	0%
Brazil	8%	4%	3%

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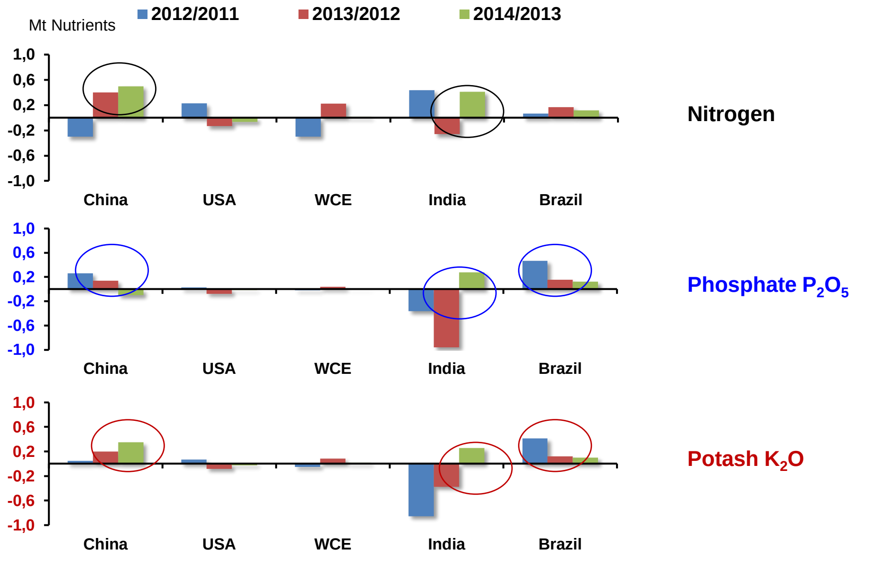
Sources: IFA Agriculture 2013

Fertilizer Short-Term Demand Trends : Top-5 Countries



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Sources: IFA Agriculture 2013

Key Messages on Fertilizer Demand

- World economic activity seen progressively recovering from 2014, including in India
- Favourable weather in the main producing areas in 2013 and high crop prices in the first half of the year boosted production
  → Record harvest for all cereals and oilseeds in 2013
- Comfortable export availabilities for all crops but wheat
  → Declining crop prices
- With contracting crop prices, farmers delay fertilizer purchasing decisions
- Uncertainty as to the evolution of the fertilizer subsidy scheme in India; progressive recovery of P and K demand assumed
- Demand picking up again from 2013/14
  +2.0% in 2013/14 and +2.7% in 2014/15

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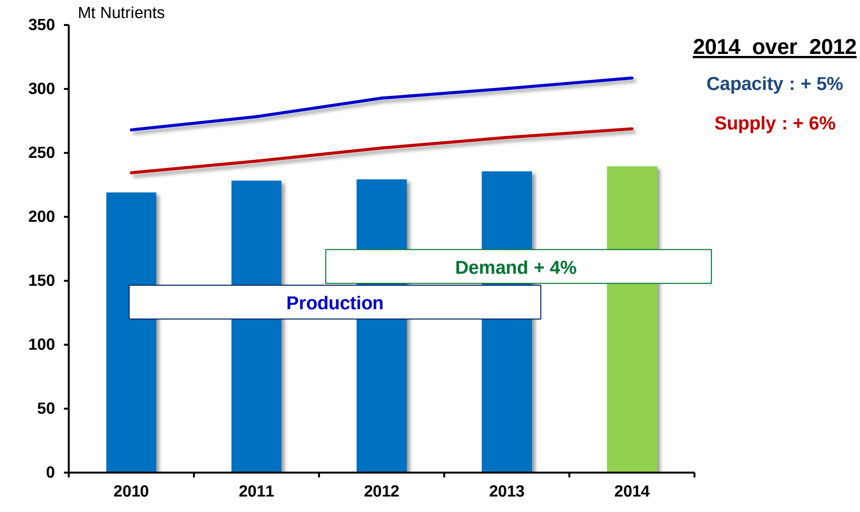
Sources: IFA Agriculture 2013

Global Nutrient Capacity and Supply Trends 2010-2014



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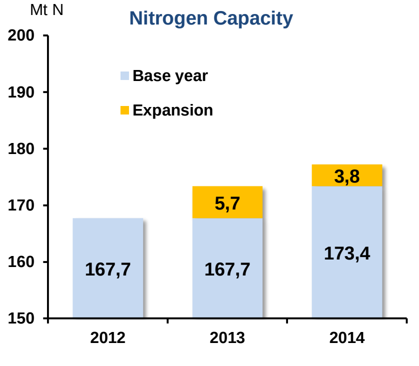
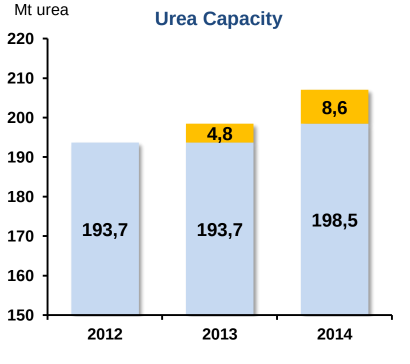
Sources: IFA Production and International Trade 2013

Ammonia and Urea Global Capacity 2012-2014





- Between 2012 and 2014, global ammonia and urea capacity will expand by 6% and 7% respectively.
- No new seaborne ammonia capacity in 2014, but a potential reduction from Saudi Arabia with the commissioning of a new stand-alone urea plant.
- In 2014, large urea capacity increment occuring in Algeria, China, and Saudi Arabia.

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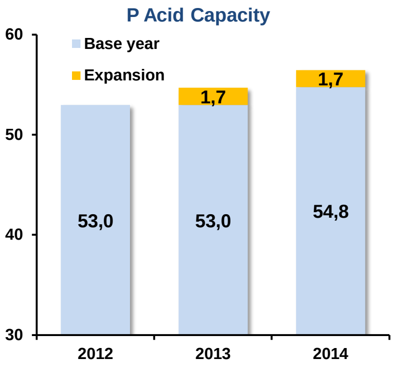
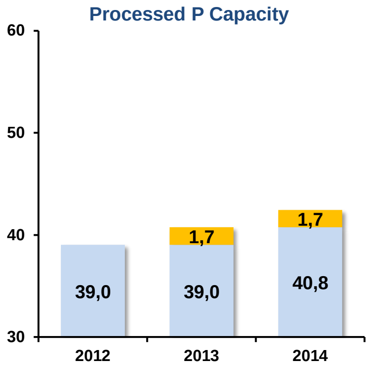
Sources: IFA Production and International Trade 2013

Phosphates Global Capacity 2012-2014

Mt P2O5

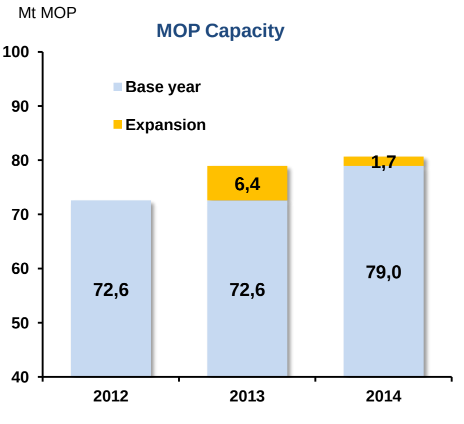




- World phosphoric acid capacity expands by 4% per annum between 2012 and 2014.
- New stand-alone capacity in Tunisia and Jordan, both dedicated to Indian partners.
- In 2013 and 2014, capacity of Processed Phosphates virtually only increases in China and Morocco.

Sources: IFA Production and International Trade 2013

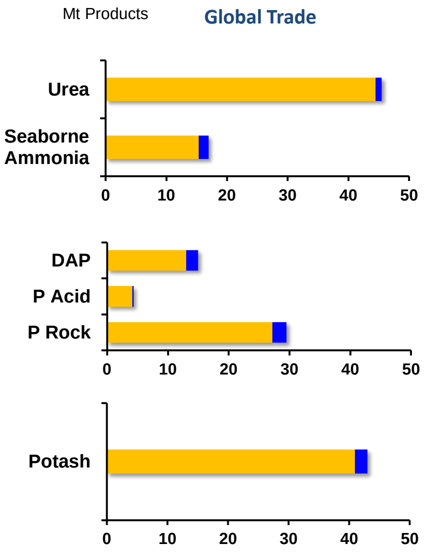
Potash Global Capacity 2012-2014



- Global potash capacity in 2013 rose 8% over 2012, to 49.6 Mt K_2O, or 84.5 Mt products.
- In 2014, global potash capacity is projected to expand moderately (+2%), to 50.4 Mt K_2O (equivalent to 86 Mt products).
- Main capacity additions in 2013/14 would occur in a few countries, mainly:
  - Canada
  - Russia and Belarus
  - China.

Sources: IFA Production and International Trade 2013

2014 Global Sales and Trade Prospects



Urea

- New urea supply in EA, North Africa and West Asia.
- Uncertainty prevails in China (*supply*) and India (*demand*).
- Potential nitrogen deficits expand in SA, EA and LA.
- Strong urea demand seen in Brazil, India and Europe.
- Urea trade may expand by 2-3%, to 46 Mt in 2014.

Phosphates

- Large supply emerges in China and Morocco.
- Expanding P2O5 deficits in LA, SA and SEA.
- Rising DAP imports in SA, OC, AF and Europe
- DAP trade may expand by 10-13%, to 15 Mt.

Potassium

- Large brownfield supply develops in Canada and EECA.
- Potential larger imports in LA, SA and EA.
- Potash MOP trade may expand by 4-5%, to 43-44 Mt.

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Sources: IFA Production and International Trade 2013

World Nutrient Supply 2014

- ➢ Global nutrient supply growing 2.2% over 2013
- ➢ Completion delays: 66% of planned expansions in 2012/14
- ➢ New Capacity N (AS, AF, WA), P (AS, AF); K (NA, EECA, AS)
- ➢ Demand picking up again:+2.0% in 2013/14; +2.7%,2014/15
- ➢ Global sales will recover in 2014, growing 2-3% over 2013
- ➢ High producers’ stock, low levels in distribution & buyers’

Uncertainties:

- ➢ Export policy: China
- ➢ Shortfalls of natural gas supply
- ➢ India subsidy policy
- ➢ Export restrictions

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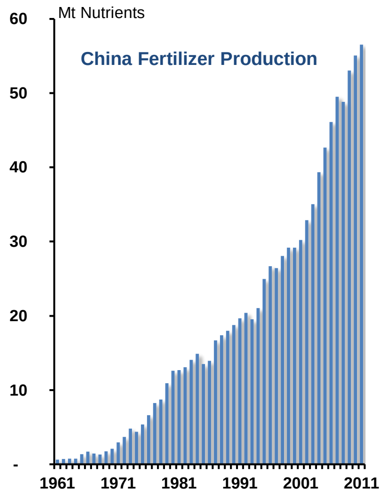
Sources: IFA Production and International Trade 2013

China : Fertilizer related Policies



Subsidies

- Subsidies to lower fertilizer price (subsidized input cost): Preferential rates on natural gas and electivity; Production exemptions of value added tax and exemption of storage loan interests; but no more subsidy on coal and fertilizer transportation.
- Subsidies to increase farmers' affordability and nutrient use efficiency: Subsidies on farm inputs for all grain crops; Subsidies on prices for machinery related to fertilizer application and computer service systems; Subsidies for foliar application of fertilizers.

Policies

- Resource management: Natural gas now restricted for incremental nitrogen capacity and no switch from coal; Phosphate rock production targeted with rising output taxes and new restrictions on mining permitting since 2011.
- Trade management: Import consolidation of potash imports under CCCMC; Export taxes on urea and processed phosphates based on seasonal export tariffs since 2007.
- Environmental management: Since 2011, new facilities to produce DAP/MAP and N fertilizers are subjected to environmental standards, including on coal energy efficiency, water consumption, plants' emissions and waste disposal. Since 2010, new governmental targets on GHG emissions imposed on industrial sectors. Chinese government views N fertilizers as a main contributor to greenhouse gas emissions in China.

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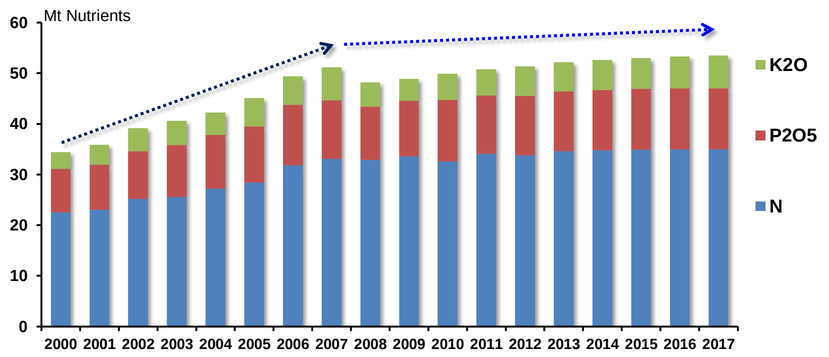
Sources: Fusuo Zhang & Weifeng Zhang (CAU); IFA Crossroads Conference, 2013

China : Fertilizer Nutrient Demand 2000-2017



Mt nutrient	N	P_2O_5	K_2O
2000-2007	**10,5**	**3,0**	**3,1**
Growth %	*47%*	*36%*	*94%*
avg annual %	*7%*	*5%*	*13%*
2008-2017	**2,1**	**1,5**	**1,7**
Growth %	*6%*	*14%*	*35%*
avg annual %	*1%*	*2%*	*4%*

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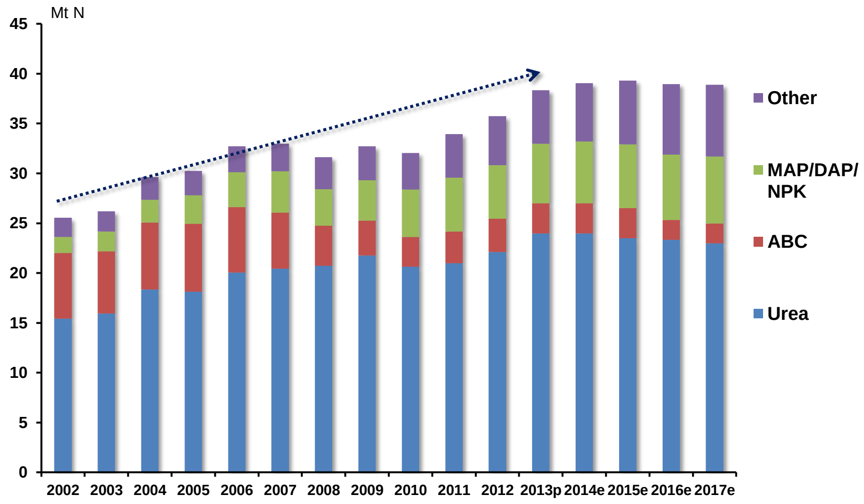
Sources: IFA Agriculture 2013

China : Nitrogen Fertilizers Output 2002-2017



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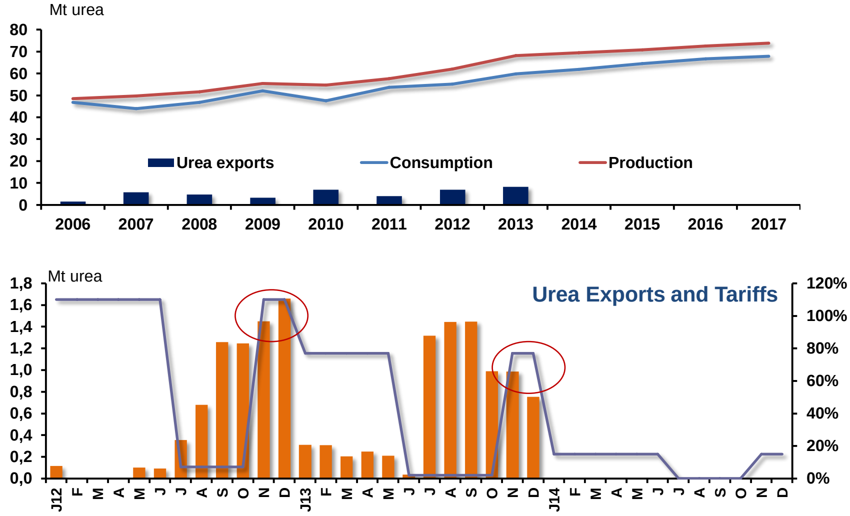
Sources: IFA Production and International Trade 2013

China : Urea Production, Use and Exports



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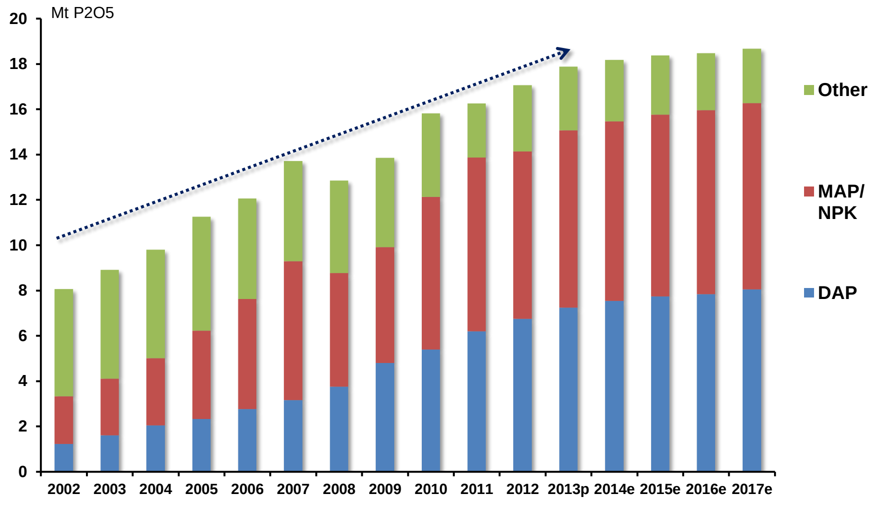
Sources: CNCIC, IFA Production and International Trade 2013

China : Phosphate Fertilizers Output 2002-2017



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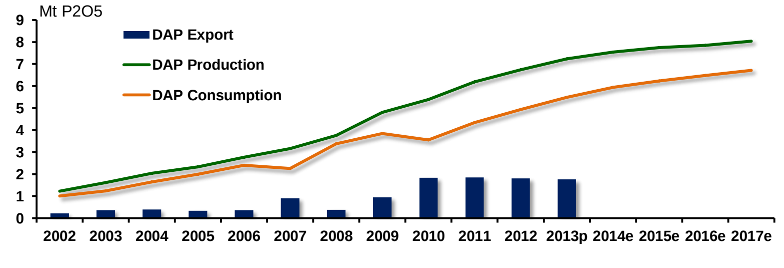
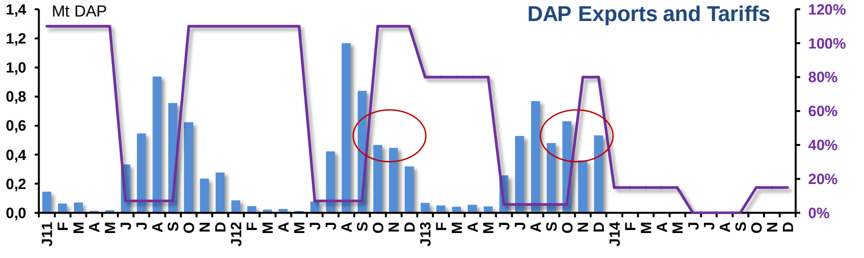
Sources: IFA Production and International Trade 2013

China : DAP Production, Use and Exports





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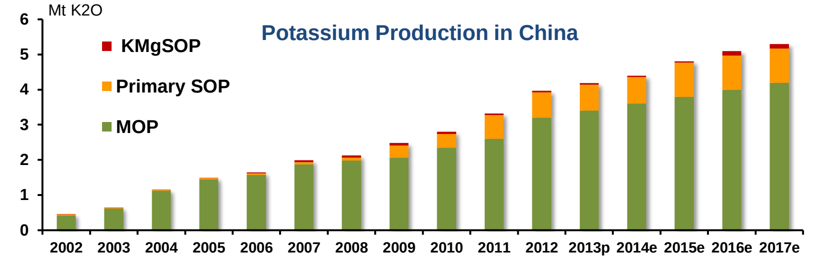
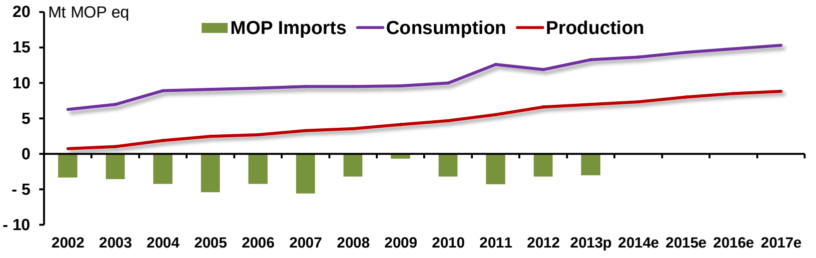
Sources: CNCIC; IFA Production and International Trade 2013

China : Potassium Output, Use and Imports





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Sources: IFA Production and International Trade 2013

China Future Look

China Agriculture University

Current

- Market reform with subsidy
- Over-supply of fertilizers
- Fluctuating prices
- Over-use of fertilizers in most areas of China

Future

- Market system without subsidy for industry
- Adequate supply for food security, environment quality and energy saving
- High quality fertilizers and high efficiency in industry and agriculture.

China Nitrogen and Phosphate Fertilizers Associations

Future

- Address over-capacity conditions
- Promote coal gasification advanced technology
- Strict control on new capacity
- Enforcement of environmental standards
- Implementation of energy efficiency quotas
- Industry restructuring and consolidation
- Support government investment in infrastructure

IFA China Seminar 2013_recommendations

- Expand range of fertilizer products to farmers
- Improve customized extension services
- Address overuse of N and deficiencies in K and S

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Sources: Heffer, IFA-2013; CNCIC-Feb 2014; F.Zhang, IFA Crossroads-Nov 2013

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Thank you for your attention

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