



## Market Overview



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### Surprise US election result leads to unease across commodities sector

On 8 November, the United States went to the polls and in a surprise result elected Donald Trump to the office of the presidency, giving rise to a period of uncertainty, unease and opportunity across numerous industries. In the fertiliser market, the mood has been 'wait and see', with very few tangible moves or decisions being made in the market as a reaction to the election result.

Due to it now being the transition period before President-elect Trump's inauguration, little is known about what policies he will aim to enact that would impact the fertiliser industry directly. Currently, the only tangible effects of the election were the short-lived reactions of concern in the financial markets. Despite these concerns, Wall Street stocks ended up closing 1.4% higher following the election and the US dollar has since strengthened against other currencies. However, some experts are cutting economic growth forecasts going forward and there is a high degree of uncertainty about what the next four years will entail. Economists at BofA Merrill Lynch has downgraded their forecasts for H1 2017 US GDP growth by 0.5 percentage points, as the risks to the US economy seemed to be skewed more toward the downside.

One other talking point in the fertiliser industry following the election is the possibility of revival of the Keystone XL pipeline. The pipeline was blocked by the Obama administration in 2015, citing environmental concerns but Mr. Trump made it clear in a statement in May 2016 that he would reverse this decision. The president-elect said that he would aim to get a "better deal" from TransCanada, the owner of the project. The reestablishment of the pipeline could affect the economics of sulphur production in the country. There is a possibility that sulphur production could increase out of the US gulf due to the significant volume of unrefined oil that would arrive in Texas. More generally, it is possible that there could be a change to the energy supply balance, although the implications of this are as yet unclear.

### Key points

- Consolidation of fertiliser manufacture in UK supply
- US election vote brings some uncertainty to global fertiliser industry
- Slight recovery in AN and Urea pricing
- UK AN supply heard to be limited, due to a possible shortfall in Russian imports
- Downward pressure on pricing and oversupply continues in phosphate market
- Weak SOP demand in Europe points to lower prices



## Nitrogen



### Demand

Global demand for nitrogen fertilisers has remained weak in recent months. This has therefore done little to alter the over-supply that has plagued the nitrogen market for most of 2016.

Demand in India has been particularly disappointing. Some major producers have

scrapped import tenders, which they attribute to high stock levels in the country.

Demand looks strong in Europe, as buyers are expected to start stepping back into the market in December and January.

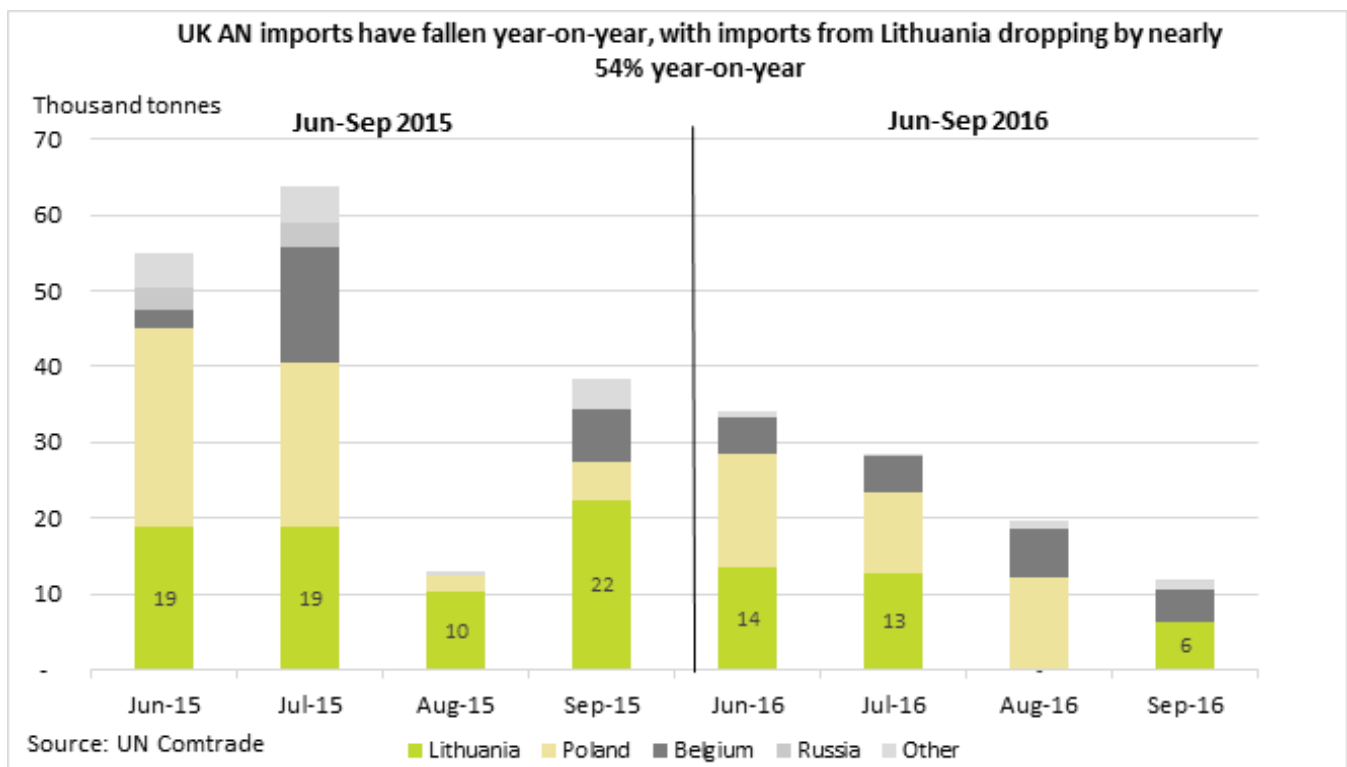


### Supply

The global urea market has remained chronically oversupplied in recent months. Despite this, there has been some improved sentiment recently in certain locations, since some tightness has emerged from suppliers in the Black sea region.

In the UK, Ammonium Nitrate (AN) supply is heard to be limited and there is talk among market players that the scale of this could amount to a shortfall of roughly 100,000 tonnes of AN. The

reason for the shortfall is due to lower-than-typical import volumes from Lithuania, Poland, Belgium and Russia in 2016 and because domestic AN producer, CF Industries, is reportedly sold out through January. The chart below shows AN imports from June to September in both 2015 and 2016 and shows an overall decrease in imports of roughly 44% year-on-year.



In the US, CF Industries has announced that its new ammonia plant in Donaldsonville, Louisiana, has come online, adding an additional 3.9 million tonnes of ammonia to the global market. The company has plans to start up another facility in Port Neal, Iowa, which is on track to be completed

by the end of 2016. Some suppliers are said to be nervous about the prospect of two new ammonia facilities compounding the situation of oversupply, especially those that are active in the North American market.

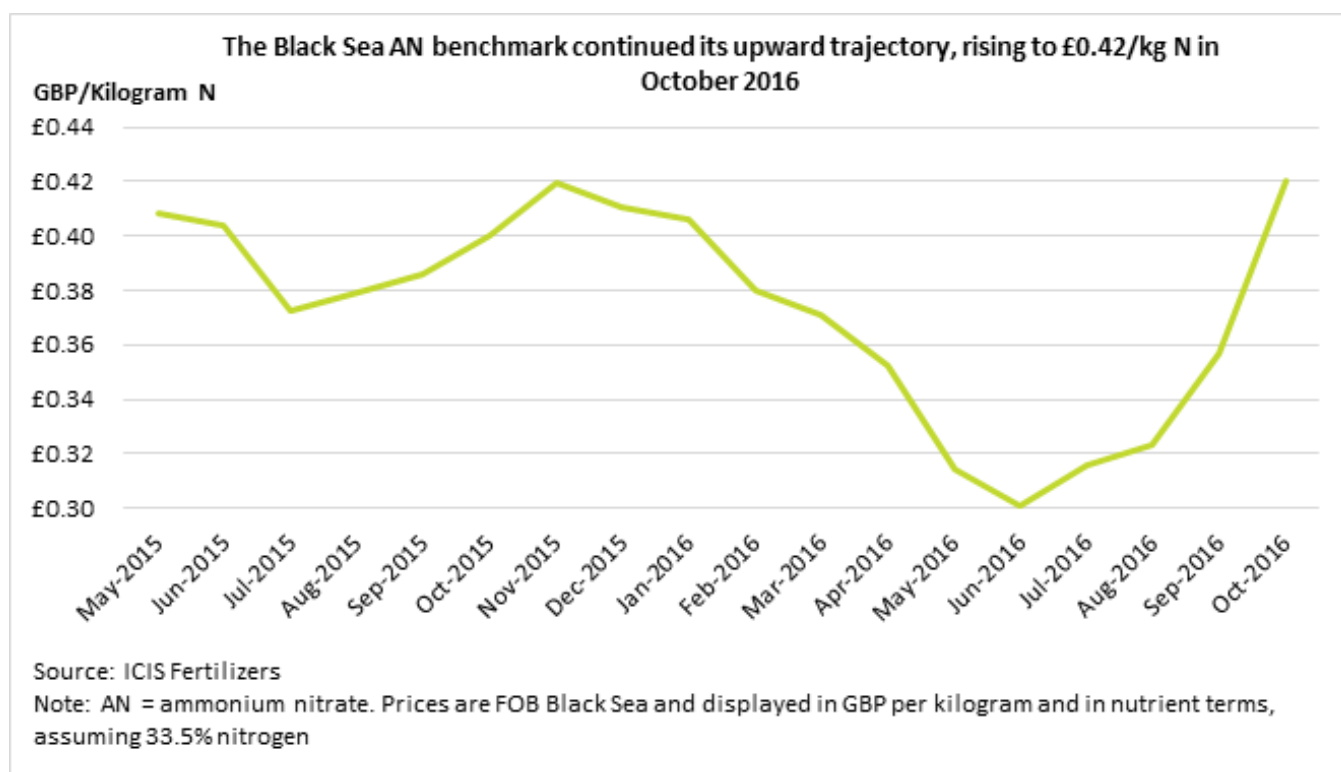


## Prices

The Black Sea AN nitrogen benchmark has continued its upward trajectory in August and September, rising to £0.42/kg N in October.

This price movement was echoed in the Yuzhny where the urea pricing benchmark, increased by £0.04 since the last issue, to reach £0.34/kg N in October. These modest increases have been driven by some tightening of availability.

Despite the rise in urea and AN prices, ammonia prices have continued to deteriorate through October due to fundamental oversupply in the market. That said, supply squeezes due to plant shut downs at the end of the year are likely to lead to some upticks in pricing.



## Phosphates



### Demand

The phosphate market has continued to see weakness globally in the absence of demand from some its most important import markets in India and the Americas.

High stocks in India have meant most buyers' phosphate requirements are covered from past purchases.

A modest uptick in demand is expected from some markets in Latin America in the coming weeks, when the safrinha corn crop season is due to begin. However, this is not likely to be entirely widespread across the region because of pockets of high stock levels, such as Argentina which has high DAP and MAP stocks. In these cases, limited purchases are expected until the end of the year.



## Supply

Weak import demand from elsewhere has meant that many Chinese producers have turned to focus on supplying the domestic market. This is likely to be the case until after the Lunar New Year holiday period, at the end of January.

In the European market, phosphate availability appears to be good, with a steady stream of diammonium phosphate (DAP) and monoammonium phosphate (MAP) cargoes arriving in the north of the region. More specifically

in the UK, DAP is heard arriving through December and Triple Superphosphate (TSP) from Morocco and Israel.

Globally the phosphate market continues to be defined by the imbalance between high product availability and limited demand. As a result, some producers are said to be running plants at low operating rates to reduce financial losses.



## Prices

Global phosphate prices have continued to be weak in an historical context throughout October, with the DAP Baltic FOB price benchmark ranging between £0.59/kg to £0.57/kg P<sub>2</sub>O<sub>5</sub> between July

and September. The weak demand seen throughout 2016 has failed to prop up phosphate prices, which are now at their lowest levels since after the global financial crisis in 2008.



## Potash



### Demand

Sentiment in the potash industry has improved slightly in the last couple of months, as suppliers have been occupied with sending contract cargoes to India and China. Demand has been stable in key spot markets such as southeast Asia and Brazil. Spot demand in Europe has been limited by the season, although it is said to be more or less stable for Muriate of Potash (MOP).

In the Sulfate of Potash (SOP) market, one of the key European suppliers, Tessenderlo which is based in Belgium, is said to have lowered its SOP operating rates because of weaker demand in Europe and possibly because of a production issue.



## Supply

Sirius Minerals' North York Moors polyhalite mine received a boost of investment in October, as Australian agriculture firm Hancock Prospecting invested £245 million in the project. The investment is dependent on the company receiving financing for stage one of its phased construction spending, of £2.3 billion. Under the terms of the deal, Hancock will purchase US\$50 million (£40 million) of Sirius shares and will pay a 5% royalty on the first 13 million tonnes produced at the site.

The company also has the right to purchase up to 20,000 tonnes of polyhalite product each year for its agriculture holdings in Australia.

In Germany, K+S has experienced production interruptions at its Werra sites located in Unterbreizbach and Hattorf due to disputes over wastewater permits. This could cause some tightness in supply for farmers buying MOP or SOP from Germany.

## £ Prices

MOP pricing has remained largely flat from July through October, with the MOP Vancouver FOB granular benchmark resting at £0.32/kg K<sub>2</sub>O throughout the period. The stability seen in recent weeks is likely to be indicative of potash prices

having reached a floor. The unfavourable financial position of producers and their ability to make sustainable margins, or the lack thereof, is likely to prevent any further price decreases.

## Explanation of pricing

*Black Sea AN, Yuzhny Urea, Vancouver MOP and Baltic DAP prices are international benchmark prices. Prices into the UK will vary from those shown in the report depending on local market conditions and additional freight and taxes.*

*The fertiliser prices are converted into £ terms from US\$, in which the prices are originally reported. The price is also converted from product tonnes into nutrient kilogram (kg) terms. An example of how the nutrient and kg adjustment adjusts the price is shown in the table below.*

Product	AN	Urea	TSP	MOP
	33.5%	46.0%	46.0%	60.0%
	Nitrogen	Nitrogen	Phosphate	Potash
Spe c. of	335 kg N/t	460 kg N/t	460 kg P <sub>2</sub> O <sub>5</sub> /t	600 kg K <sub>2</sub> O/t
GBP/t	GBP/kg N	GBP/kg N	GBP/kg P <sub>2</sub> O <sub>5</sub>	GBP/kg K <sub>2</sub> O
£400/t	£1.19/kg	£0.87/kg	£0.87/kg	£0.67/kg
£375/t	£1.12/kg	£0.82/kg	£0.82/kg	£0.63/kg
£350/t	£1.04/kg	£0.76/kg	£0.76/kg	£0.58/kg
£325/t	£0.97/kg	£0.71/kg	£0.71/kg	£0.54/kg
£300/t	£0.90/kg	£0.65/kg	£0.65/kg	£0.50/kg
£275/t	£0.82/kg	£0.60/kg	£0.60/kg	£0.46/kg
£250/t	£0.75/kg	£0.54/kg	£0.54/kg	£0.42/kg
£225/t	£0.67/kg	£0.49/kg	£0.49/kg	£0.38/kg
£200/t	£0.60/kg	£0.43/kg	£0.43/kg	£0.33/kg
£175/t	£0.52/kg	£0.38/kg	£0.38/kg	£0.29/kg
£150/t	£0.45/kg	£0.33/kg	£0.33/kg	£0.25/kg
£125/t	£0.37/kg	£0.27/kg	£0.27/kg	£0.21/kg
£100/t	£0.30/kg	£0.22/kg	£0.22/kg	£0.17/kg

Source: AHDB



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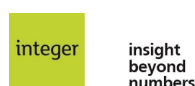
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# Inputs Dashboard

## Key Market Indicators

Nov-16

### Fertiliser

Straights - £/t *	Nov-16	Oct-16	Nov-15
Ammonium Nitrate (34.5% AN)	189	175	233
Urea (46% N)	238	207	239
DAP (11% N+P)	323	323	385
MAP (11% N+P)	333	333	395
Ammonium sulphate (21% N+60% SO <sub>3</sub> )**	176	176	210
Liquid N (28% N) (Wt/Vol)***	148	148	186
TSP (46% P)	273	273	300
MOP (60% K)	238	238	255

Bags, median price across all regions. \* Assumes 500kg bag delivery. \*\* Prices range according to type, crystalline version cheaper than granular. \*\*\* 37kg of N per 100 litres divided by 1.285 specific gravity.

Source: FARM BRIEF

Compounds - £/t *	Nov-16	Oct-16	Nov-15
20:10:10 Blended	229	207	242
20:10:10 Granular	232	222	253
00:24:24 Blended	243	223	255
17:17:17 Blended	273	276	284
17:17:17 Granular	283	286	294
20:08:12 Blended	211	201	222
20:08:12 Granular	219	209	240

Bags, median price across all regions. \* Prices for spot deals of 20 tonne plus full loads delivered to farm. Assumes 500kg bag delivery.

Source: FARM BRIEF

Price of Individual Nutrients - £/kg	Nov-16	Oct-16	Nov-15
Nitrogen as AN	0.55	0.51	0.67
Nitrogen as Urea	0.52	0.45	0.52
Phosphate (P)	0.59	0.59	0.65
Potassium (K)	0.40	0.40	0.43
Sulphur (S)	0.11	0.13	0.14

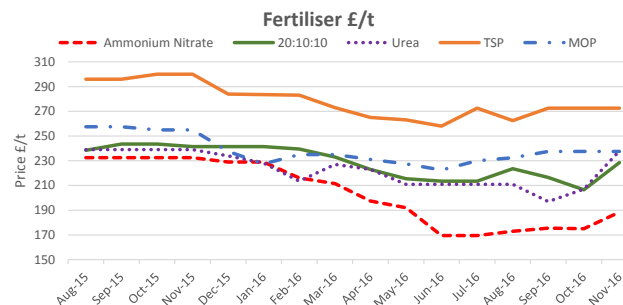
Individual nutrient values based on the fertiliser prices quoted above i.e. Phosphate from TSP, Potassium from MOP and Sulphur from Ammonium Sulphate and an average of Urea and AN values.

Source: AHDB

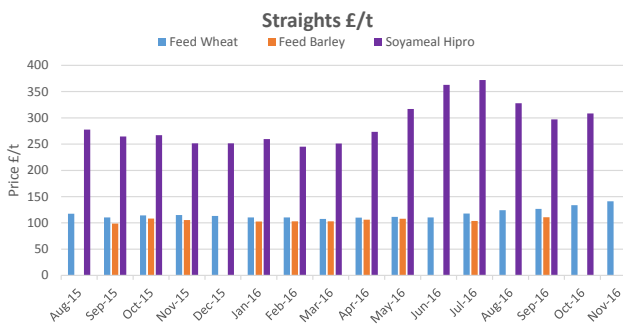
Imputed Nutrient Value of Organic Material - £/t or £/m <sub>3</sub>	Nov-16	Oct-16	Nov-15
Dairy Slurry (6% DM) (£/m <sub>3</sub> )	3.43	3.33	3.94
Pig Slurry (4% DM) (£/m <sub>3</sub> )	4.09	3.97	4.76
Chicken Manure (Broiler/Turkey Litter 60% DM)	39.18	38.16	45.29
Bio Solids (Digested Cake 25% DM)	17.55	17.24	20.25
General FYM (Cattle 25% DM)	8.60	8.41	9.87
Composts (Green 60% DM)	8.33	8.09	9.71

Nitrogen Phosphate Potassium Sulphur. Calculations based upon the individual nutrient values using the total nutrient content of organic material from RB209.

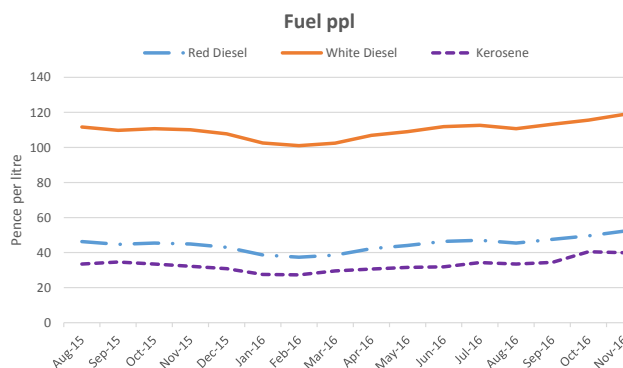
Source: AHDB



Source: FARM BRIEF



Source: AHDB, FARM BRIEF



Source: Defra, Boilerjuice.com

### Feed/Energy

Compound Feed - £/t	Nov-16	Oct-16	Nov-15
Beef Mix*	183	177	178
Barley Beef Mix*	186	180	181
Sheep Meal Mix (20% CP)*	191	185	188
Sheep Nut Mix (16% CP)*	183	177	179
Dairy Medium Energy (17-19% CP)**	216	212	212
Dairy Intensive Energy (19-21% CP)**	250	244	242
Sow Nuts (15% CP)***	209	209	212
Sow Nuts (19% CP)***	222	222	225
Pig Grower/Finisher Pellets (17% CP)***	217	217	222
Pig Grower/Finisher Pellets (21% CP)***	234	234	239

Median price across all regions. \*Based on contracts and spot sales, lowest bulk values 10 to 15 tonnes, upper end 4 to 5 tonnes. \*\* Based on 20 tonne plus bulk loads assuming min herd size 100 head cattle/400 ewes. \*\*\* Assume min 20 tonne deliveries.

Source: FARM BRIEF

Straights - £/t	Nov-16	Oct-16	Nov-15
Feed Wheat*	142	134	115
Feed Barley*	N/A	N/A	105
Soymeal Hipo (48/50% CP)**	313	309	252
Rapemeal Domestic (34/36% CP)**	185	185	188
Brewers Grains (England)**	35	35	35
Maize Gluten (18.5-21% CP)**	161	161	138

Median price across all regions. \*Delivered average prices from UK markets. \*\*Based on bulk loads of 29 tonnes and hauls under 10 miles.

Source: AHDB, FARM BRIEF

Forage - £/t	Nov-16	Oct-16	Nov-15
Big Bale Hay	51	49	42
Big Square Bale Barley Straw	43	39	36
Big Square Bale Wheat Straw	38	35	33

Source: Defra, British Hay & Straw Merchants Association

Fuel including duty - ppl	Nov-16	Oct-16	Nov-15
Red Diesel	52.29	49.56	44.96
White Diesel	118.92	115.64	110.12
Kerosene	39.98	40.50	32.24

Source: Defra, Boilerjuice.com

Power - p/kWh	Nov-16	Oct-16	Nov-15
Gas (season ahead price)	1.55	1.55	1.25
Electricity (year ahead price)	5.22	5.12	3.86

Source: GrowSave