



Market Overview



2016 UK import data indicates shifting patterns in nitrogen demand

The latest data from Eurostat shows import demand of urea and ammonia into the United Kingdom increased in 2016, while ammonium nitrate (AN) fell.

Based on the data it appears that UK farmers are starting to move more towards an interest in liquid nitrogen fertilisers in the past two years. This is taking the place of some of the regular AN demand that has been typical among UK consumers.

This change is likely due to the low pricing environment in 2016, which has made products with higher nitrogen content, such as ammonia and urea, more affordable. This has allowed for consumers to strategically buy these products at times of low cost in order to get more nitrogen content for their money.

Below we have outlined the five-year history of imports into the UK for urea, AN, and ammonia.

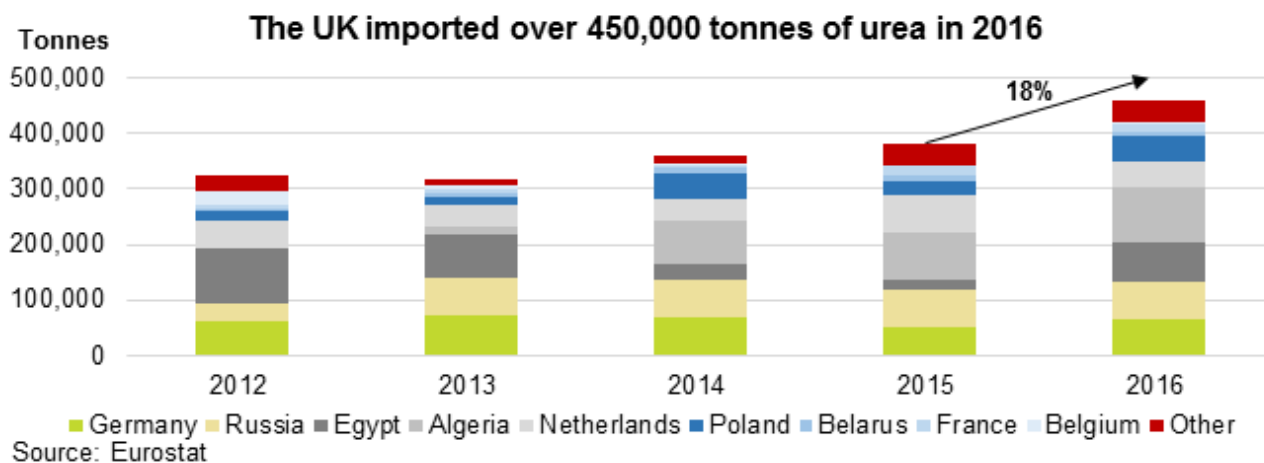
Urea:

Urea demand from imports in the UK grew by 18% year-on-year in 2016, increasing by 81,282 tonnes to 461,416 tonnes, the highest recorded demand for urea on record.

The significant increase in demand has been met by a variety of exporting countries, but the largest increase in imports came from North Africa, where both Algeria and Egypt added an additional 53,903 and 14,558 tonnes respectively to the UK market. Algeria has become a leading exporter to the UK after the start-up of operations by OCI there. The UK market was traditionally served by Russian and Western European producers but their market share has diminished in recent years. This trend is echoed throughout Europe, where Algerian product continues to gain market share.

Key points

- Annual UK import data shows increase in demand for ammonia and urea
- Weak demand in Europe for nitrogen fertilisers in recent months
- Disruptions in Black Sea nitrogen supplies have now eased
- Phosphate prices have begun to increase, although market remains weak
- Chinese urea and phosphate producers continue to reduce production to alleviate oversupply
- K+S project in Canada expected to begin production in Q2 2017

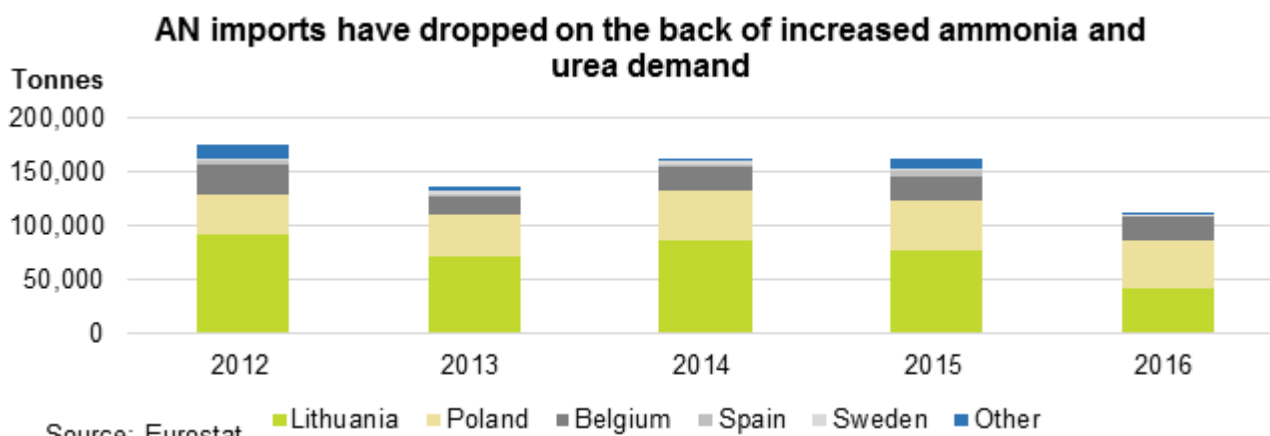


Imports are in tonnes of nutrient.

AN:

AN imports fell by 31% year-on-year in 2016, with a notable reduction in imports from Lithuania. Imports from Western Europe into the United Kingdom remained largely flat and are mainly from Belgium and The Netherlands where Yara is the main supplier. Yara has a strong distribution presence in the UK which helps support product flow from these countries. It is expected that regular levels of imports will continue from Western Europe, but producers in Lithuania and Poland are at the higher end of production costs in Europe and are therefore, vulnerable to new, more competitive exporters.

It is evident that many domestic buyers who have historically bought AN are starting to apply different nitrogen products, with many turning to ammonia or urea for their nitrogen fertiliser needs. This is shown by import data which indicated that imports of AN into the UK have been slowing since 2012, while urea and ammonia have both had growth.

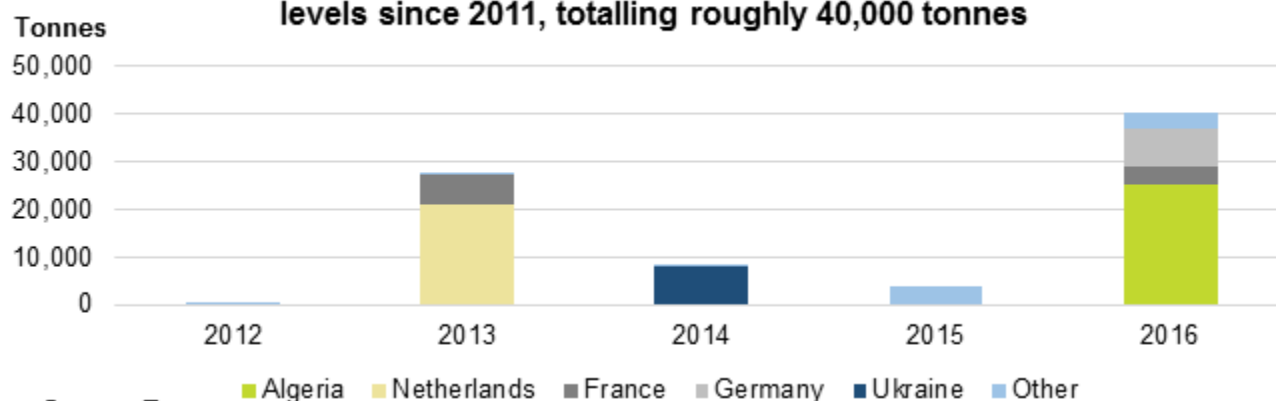


Imports are in tonnes of nutrient.

Ammonia:

Ammonia demand has followed a similar trend to urea insofar as there has been an emergence of Algerian ammonia in the UK marketplace. This is due to the start-up operations by OCI in Algeria, which has the capacity to produce up to 1.6 million tonnes of ammonia each year. UK import demand has also increased year-on-year from other western European countries, most notably from Germany and France, which is indicative of the UK market beginning to increase its use of direct application ammonia.

UK imports of anhydrous ammonia in 2016 were at their highest levels since 2011, totalling roughly 40,000 tonnes



Imports are in tonnes of nutrient.



Nitrogen



Demand

The European spring application period is well underway and in some cases completed. Therefore demand has been largely flat.

Suppliers in Europe have reported limited demand in the region, with many competing for the small bit

of demand reported. Some suppliers have been heard saying that recent months have been among their worst for demand.



Supply

The production restrictions seen in the Black Sea region in the beginning of 2017 have now come to an end and the short-term tightness in supply seen in the European nitrogen market has now eased.

Due to limited demand in the European market

there is talk of some pockets of regional oversupply beginning to open as producers struggle to sell stocks. This is most notable in France where the oversupply has put some pressure on pricing.



Prices

The Black Sea AN nitrogen benchmark continued its upward trajectory in recent months, rising to £0.48/kg N in February. This price movement was echoed in urea markets, where the granular urea pricing benchmark increased to £0.45/kg N in February.

Price increases in the early part of 2017 can be linked to the tight supply situation in the Black Sea region due to a pipeline dispute, which left buyers paying a premium to secure cargoes. The situation eased in late February following a resolution between the involved parties, and resulted in the softening of prices heading into March



Phosphates



Demand

The global phosphate market has continued to see weakness in the absence of demand, most notably from the Indian market. Many buyers in these markets have taken to the side-lines, given that stock levels were high through Q1 2017.

It is expected that imports to India will gradually increase over the coming months. The imminent fertiliser subsidy and maximum retail price

announcements will provide domestic players with the required information necessary to make purchasing decisions, while the *kharif* planting season looms closer.

Competition for Indian volumes is keen with producers from China, the Middle East and North Africa, among others, vying for a slice of the pie.



Supply

Chinese phosphates plants continue to be taken offline on government orders, as environmental inspections are undertaken. This has left the domestic industry currently operating at around half of its potential capacity and local producers

were focused on fulfilling domestic commitments during the final weeks of the spring season.

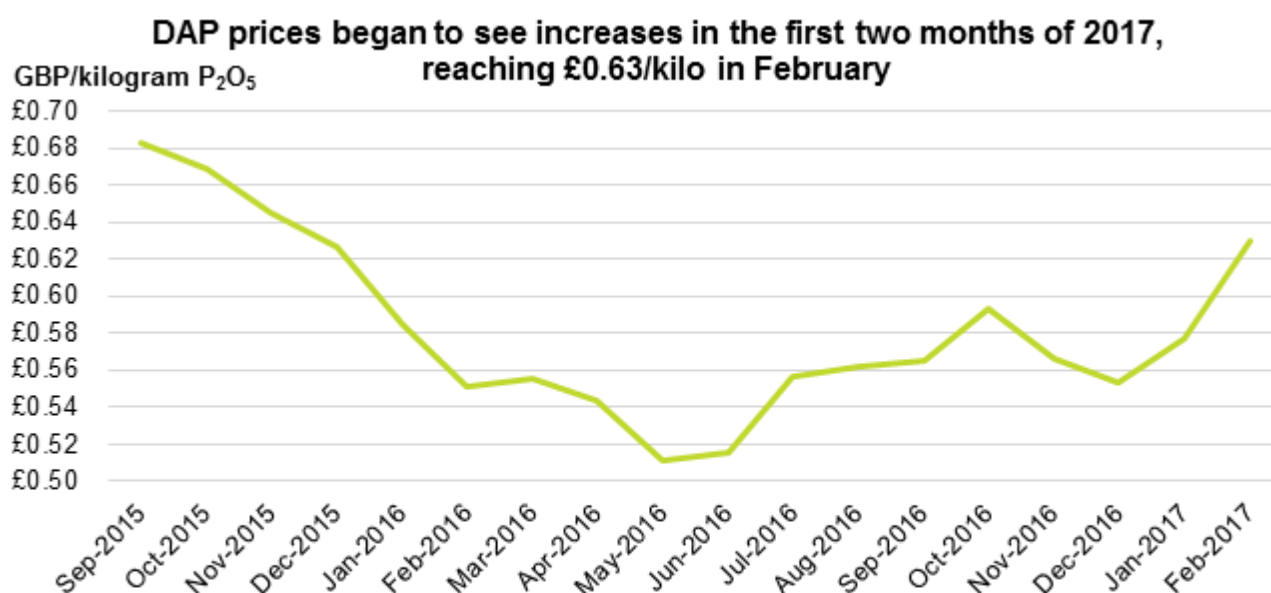
This has served to tighten availability of Chinese DAP (diammonium phosphates) exports, although international DAP demand, particularly from India, has remained modest.



Prices

Global DAP prices have begun to have some upward trajectory in recent months, with prices moving upward throughout the first two months of 2017.

In February, the Baltic FOB price benchmark reached £0.63/kg P_2O_5 . The increase was off the back of limited supply coming out of the Chinese market.



Source: ICIS Fertilizers

Note: DAP = diammonium phosphate. Prices are FOB Baltic and displayed in GBP per kilogram and in nutrient terms, assuming 46% P_2O_5 .



Potash



Demand

Global producer sentiment for potash demand has continued to see some slight improvement in recent months, as both Brazil and China had some noteworthy demand in the first quarter of 2017.

Recent import data from China showed a strong uptick in demand in February 2017, up 59% year-on-year, as Chinese buyers filled inventories which were depleted during delayed contract settlements in 2016.



Supply

The biggest news for supply in the Potash market is the expectation for K+S to begin producing its first volumes of potash at its Legacy Greenfield project in Canada during the second quarter of 2017. Construction at the site has been largely finished and the company now thinks that it will be able to produce two million tonnes of product by the end of 2017.

The project is connected to the port of Vancouver by rail and is well placed for exports. While it is not expected for volumes from the site to reach the European market, the project is expected to have an impact on the global supply demand balance, which will likely put pressure on global price benchmarks.



Prices

MOP (potassium chloride) pricing remained largely flat from December through February, with the MOP Vancouver FOB granular benchmark averaging at £0.32/kg K₂O, over the three-month period.

The continued period of price stability is due to the balancing of the market since the end of 2016.

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.

Spec. of Product Product Price	AN	Urea	TSP	MOP
	33.5%	46.0%	46.0%	60.0%
	Nitrogen	Nitrogen	Phosphate	Potash
	335 kg N/t	460 kg N/t	460 kg P ₂ O ₅ /t	600 kg K ₂ O/t
GBP/t	GBP/kg N	GBP/kg N	GBP/kg P ₂ O ₅	GBP/kg K ₂ 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



insight
beyond
numbers

Integer Research is an independent provider of specialist market research and analysis, including for the fertiliser and chemical industry.

www.integer-research.com



ICIS is the world's largest petrochemical market information provider and includes energy and fertiliser divisions.

www.icis.com

To subscribe to future issues of the Fertiliser Market Outlook or to give feedback, please email MI@ahdb.org.uk with details, titling your email either 'Subscribe' or 'Feedback'.

While the Agriculture and Horticulture Development Board seeks to ensure that the information contained within this document is accurate at the time of printing, no warranty is given in respect thereof and, to the maximum extent permitted by law, the Agriculture and Horticulture Development Board accepts no liability for loss, damage or injury howsoever caused (including that caused by negligence) or suffered directly or indirectly in relation to information and opinions contained in or omitted from this document.

© Agriculture and Horticulture Development Board 2017. All rights reserved.

AHDB
Stoneleigh Park
Kenilworth
CV8 2TL
UK

T +44 (0)24 7669 2051
www.ahdb.org.uk



insight
beyond
numbers