IFA'S VIEW: COVID-19 IMPLICATIONS FOR THE FERTILIZER INDUSTRY

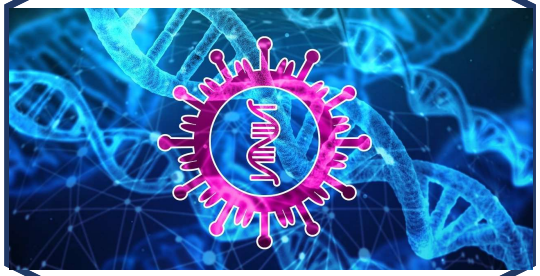
Update 1: Insights from IFA's Global Markets Conference, Dubai, 3-5 March

IFA Secretariat, France

19 March 2020

Update from IFA Global Markets Conference, Dubai, 3-5 March

COVID-19



Decisive government measures

Main Disruptions to Fertilizer Industry in China

Speakers from China share their insights

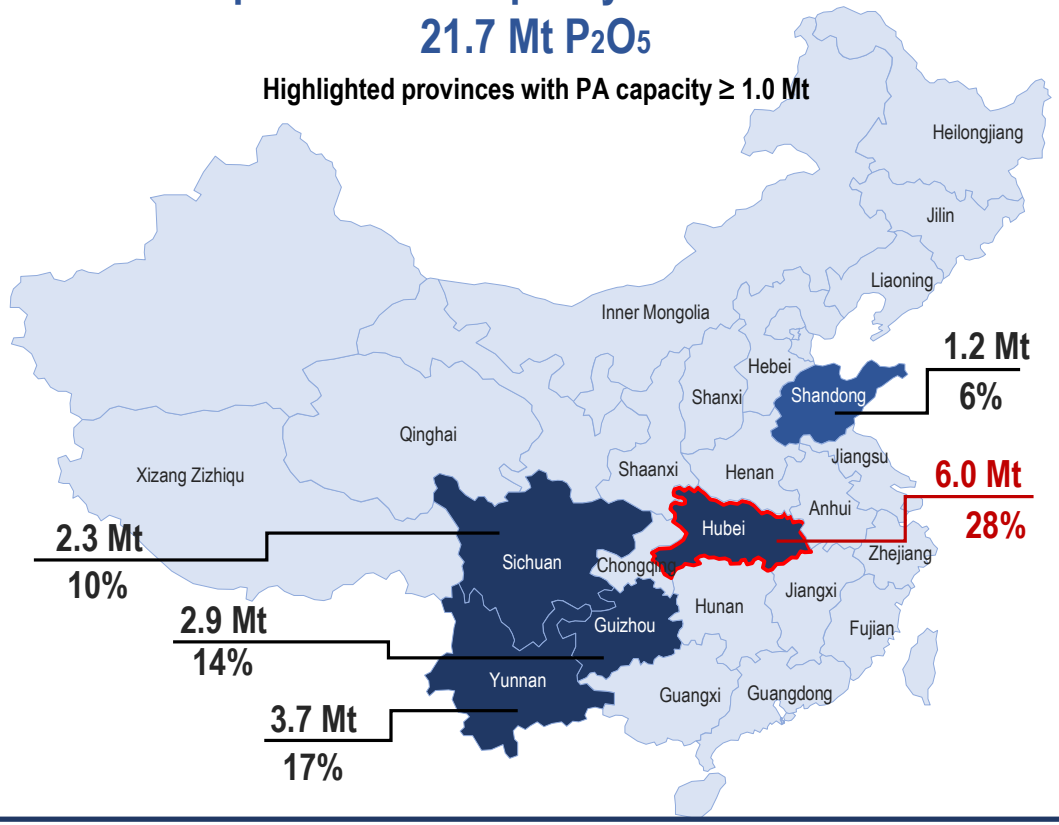
- Shortage of labour (drivers, port workers and other)
- Reduced operating rates
- Temporary plant closures
- Inland logistics bottlenecks (mainly trucks)
- Overstocks at port warehouses
- High inventories at production sites
- Delays at terminals
- Blocked districts / roads

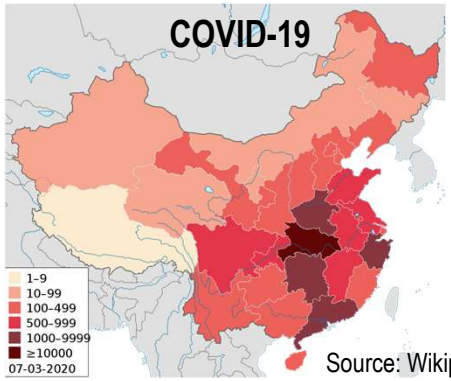
Source: Image geralt / Pixabay

COVID impact on the industry: China phosphate sector hardest hit

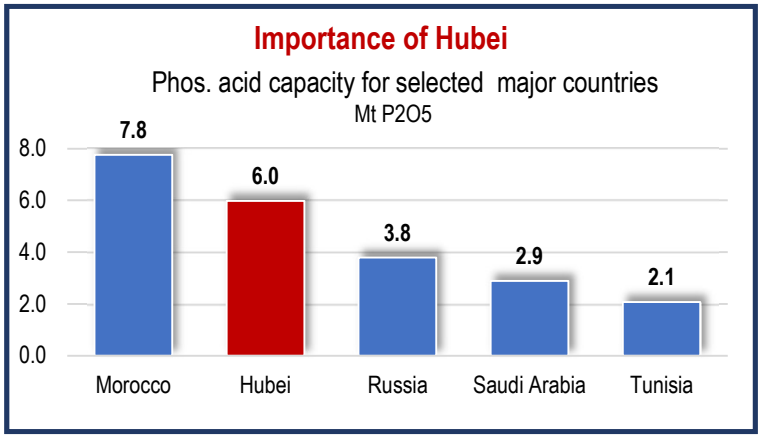
Phosphoric Acid Capacity in China in 2020
21.7 Mt P_2O_5

Highlighted provinces with PA capacity ≥ 1.0 Mt



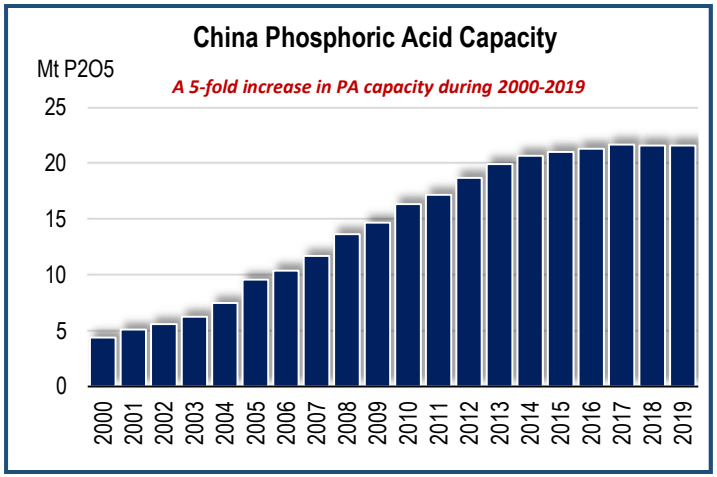


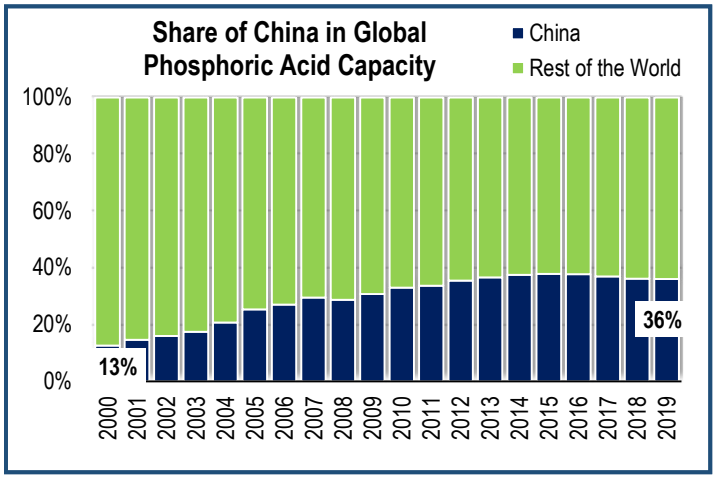
Hubei (the epicentre of covid-19 spread in China) accounts for 1/3 of China's phosphoric acid capacity

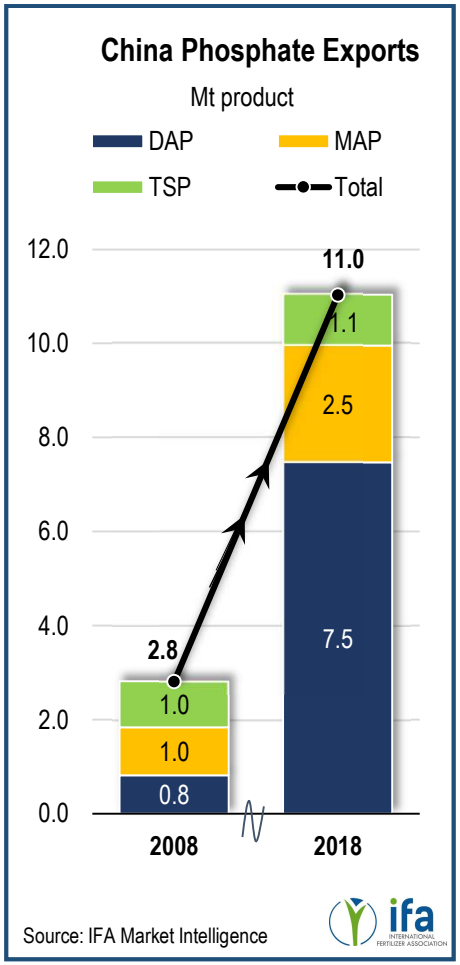


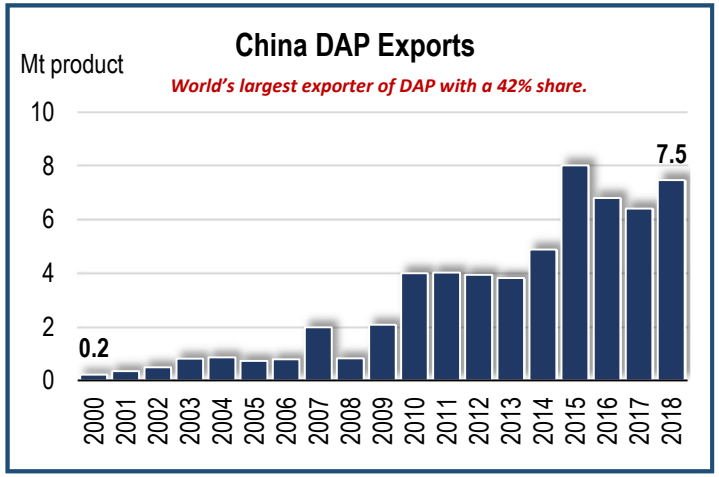
Source: IFA Market Intelligence

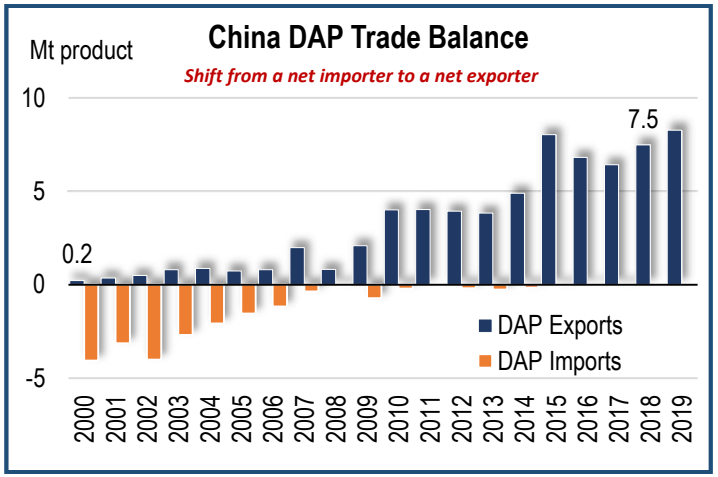
Importance of China in the global phosphate market



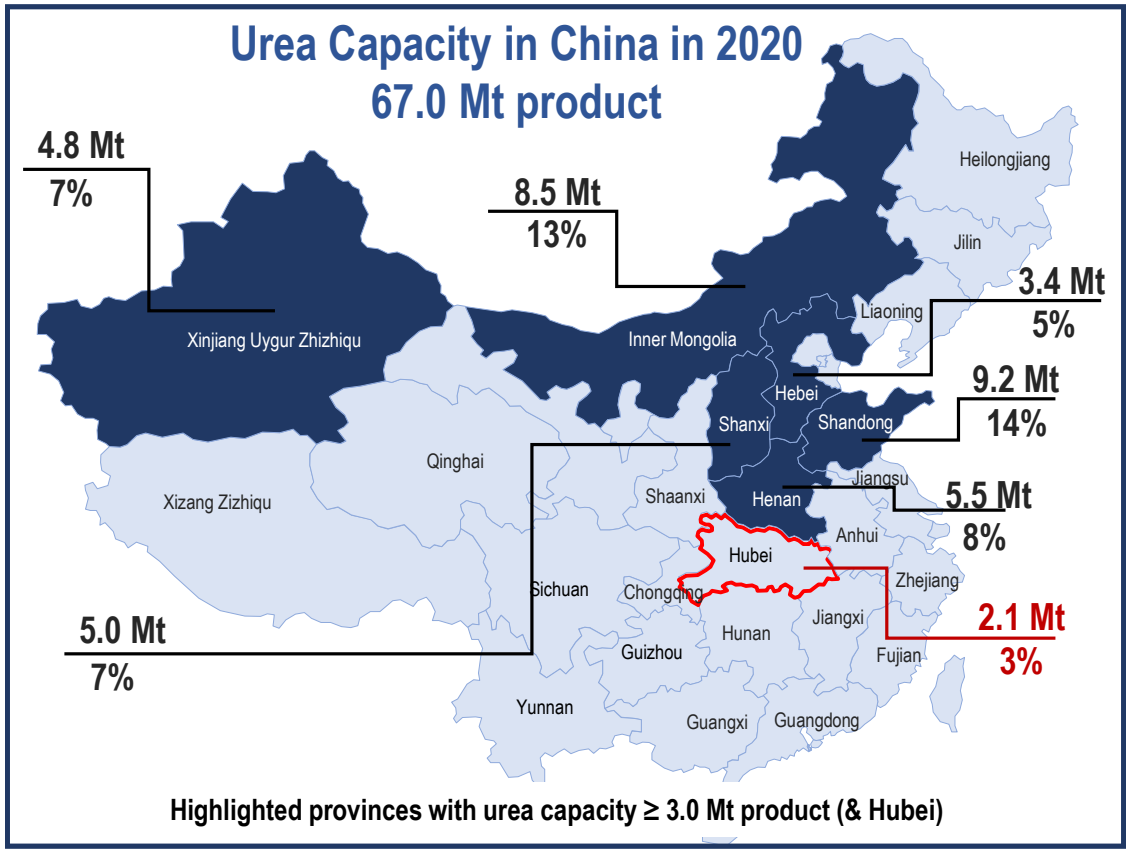




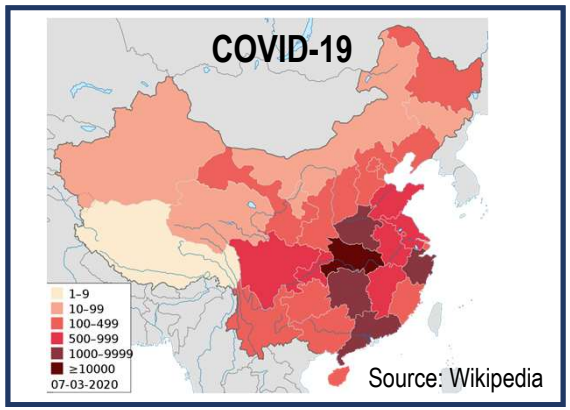




COVID impact on the China industry: Urea operating rates reduced



Highlighted provinces with urea capacity ≥ 3.0 Mt product (& Hubei)



Hubei (the epicentre of covid-19 spread in China) accounts only for 3% of China's urea capacity

Major impact on urea supply chain due to:

- ✓ Logistics constraints dragging urea operating rates lower
- ✓ Higher/built-up of inventory levels at manufacturing sites
- ✓ Delays in purchases for agriculture demand
- ✓ Reduced industrial urea demand due to outage at resin plants

Source: IFA Market Intelligence

Government support: lessons from China, recovery post-covid-19

1 — Resuming fertilizer production

- ✓ Securing supply of raw materials for fertilizer production (e.g. coal and natural gas) as priority.
- ✓ Offering reduced natural gas prices for gas-based fertilizer producers (from mid-Feb till end-Jun).
- ✓ Granting loans to fertilizer companies.

2 — Restoring fertilizer transportation

- ✓ Removing highways tolls (from mid-Feb until end-Jun) to assist truck transportation.
- ✓ Providing fast track for fertilizer logistics.

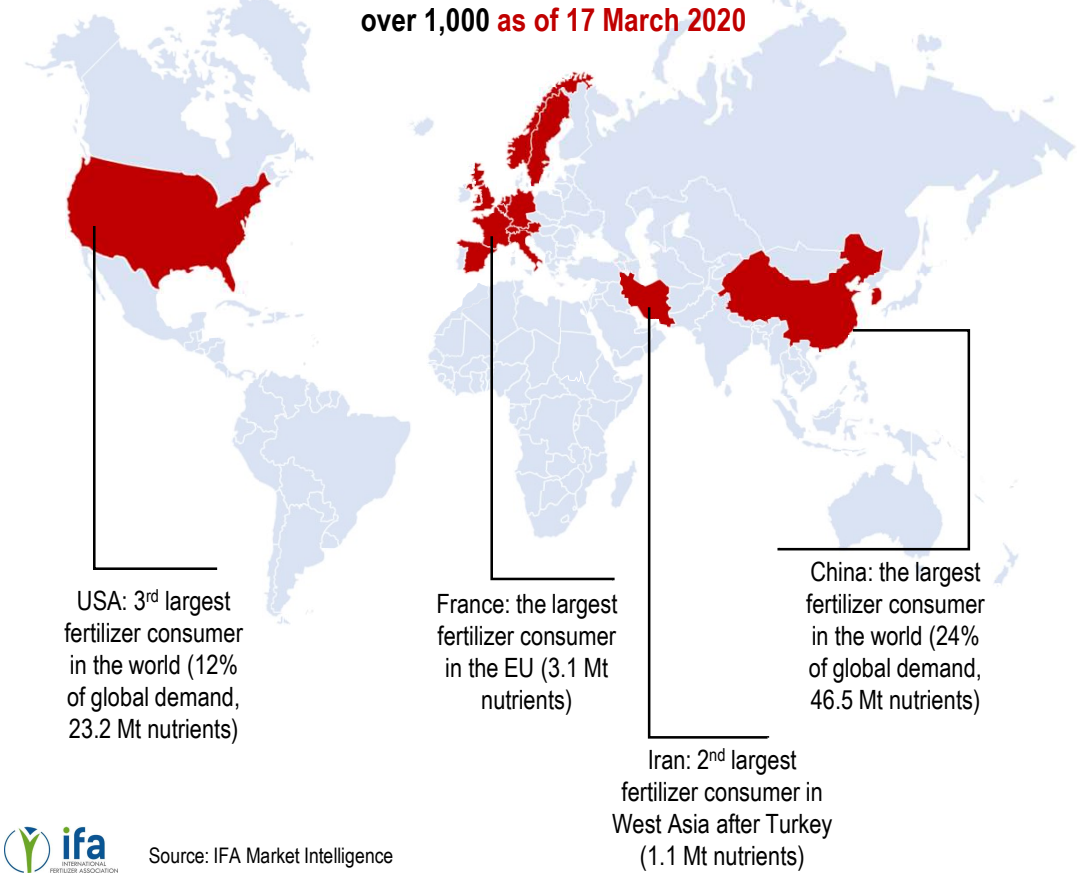
3 — Supporting agriculture & fertilizer application

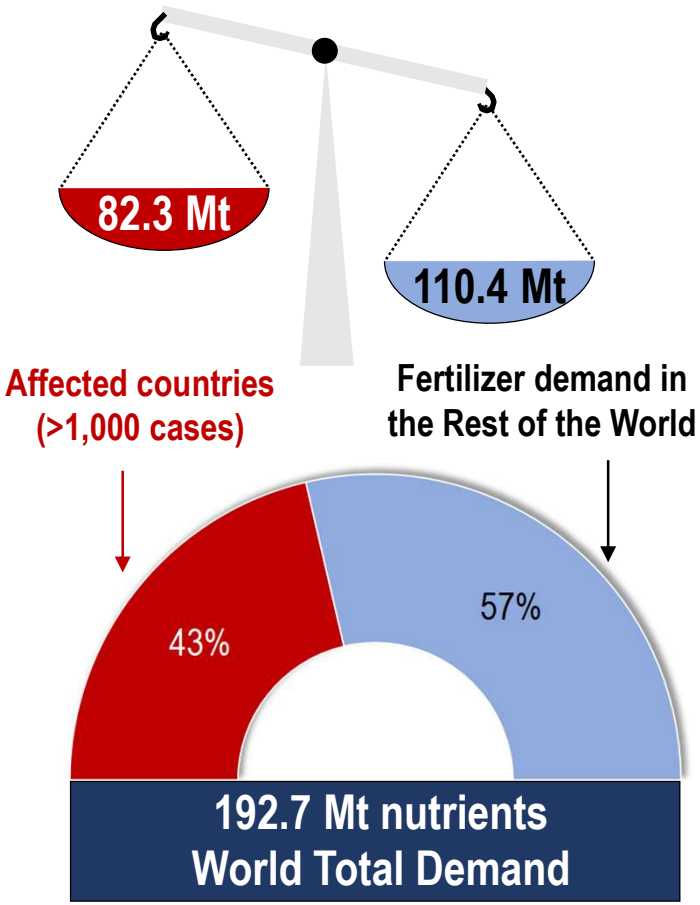
- ✓ Promoting further credit support to fertilizer preparation for spring planting season from February. The total amount reached US$814 million.
- ✓ Priority of fertilizer supplies to domestic market.
- ✓ Farmers encouraged to plant double crop rice.

ifa INTERNATIONAL FERTILIZER ASSOCIATION

COVID-19: potential direct impact on global fertilizer demand

Highlight shows only 15 countries with reported coronavirus cases over 1,000 as of 17 March 2020





Source: IFA Market Intelligence

Source for coronavirus cases: BBC (https://www.bbc.com/news/world-51235105)

COVID-19: potential impact on global fertilizer demand

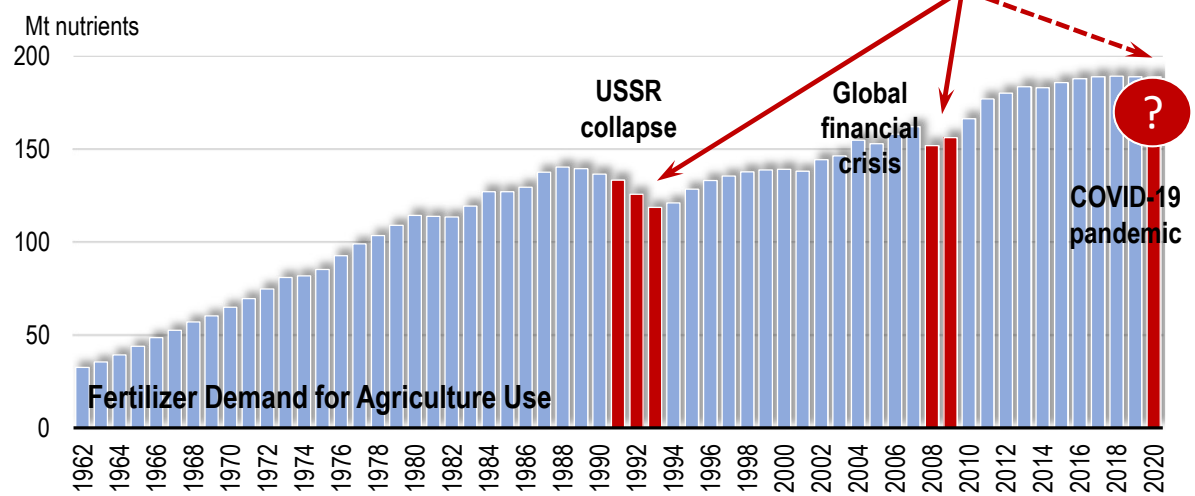
Back in 2008/2009

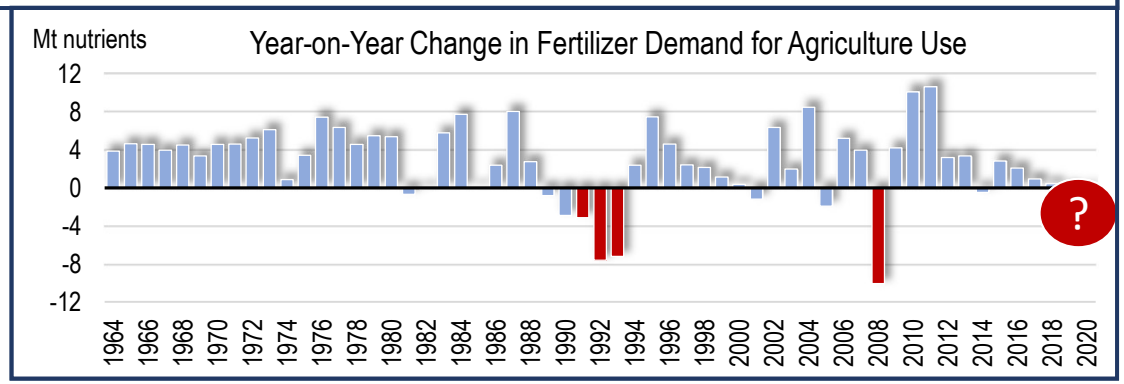
- Oil price collapse
- Economy slowdown
- Fertilizer affordability
- Recession in key markets

+ Now in 2020 Covid-19 Pandemic

- Widespread international disruption to transportation
- Labour shortage & disruptions due to quarantine measures
- African Swine Fever: agriculture & fertilizer consequences
- New environmental regulations: IMO 2020
- New trade restrictions in place in 2020

Lessons from history: global fertilizer demand destruction

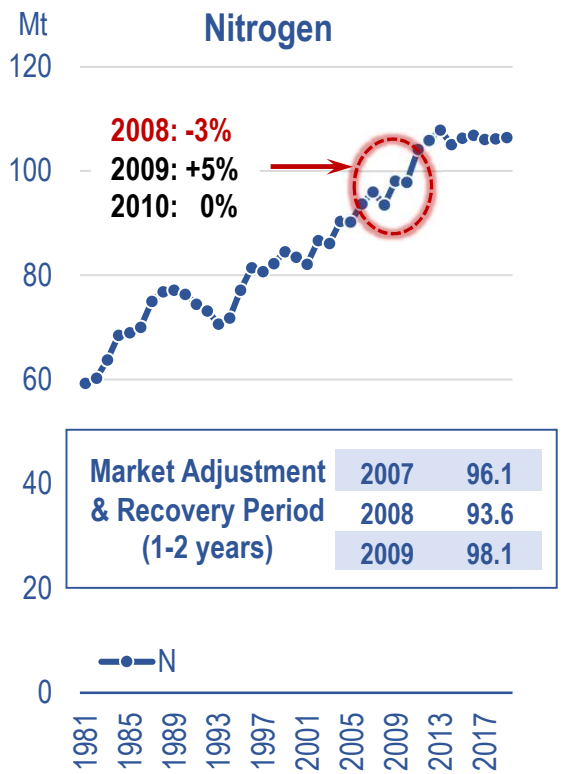


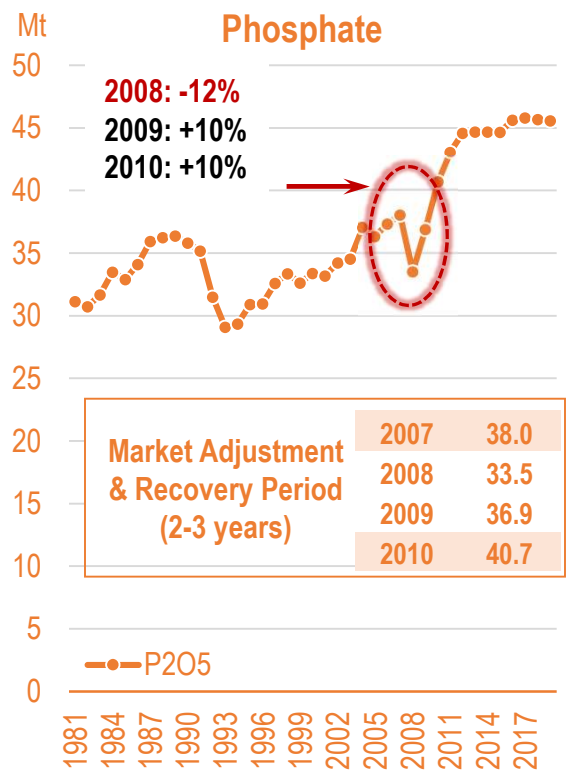


Source: IFA Market Intelligence

Evolution of global fertilizer demand by sector

Potash fertilizer demand witnessed the largest year-on-year reduction & a more prolonged negative impact in response to financial crisis in 2008/2009

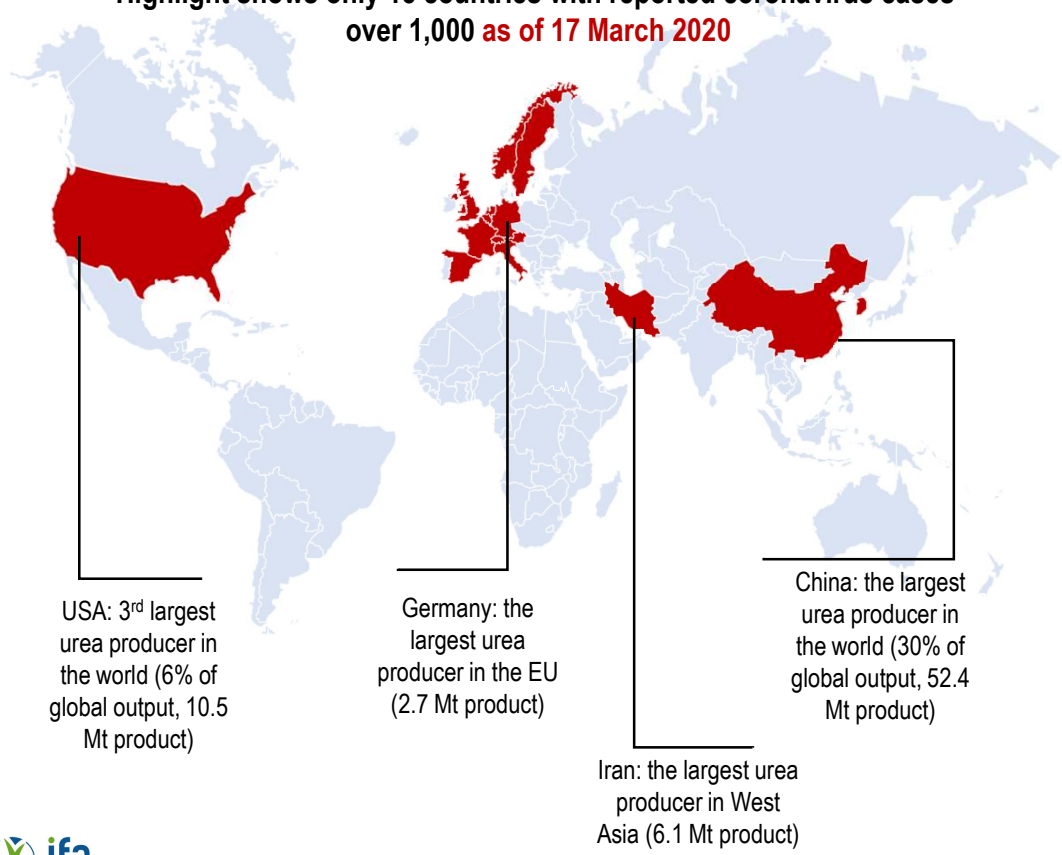


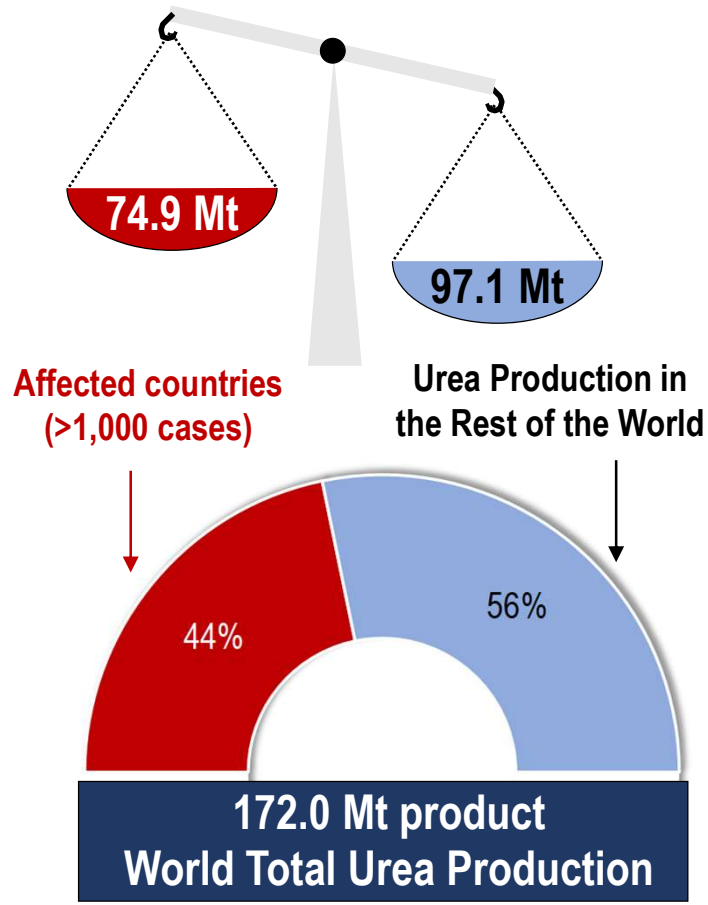


Source: IFA Market Intelligence, fertilizer year converted to calendar year basis

COVID-19: potential direct impact on fertilizer production (urea)

Highlight shows only 15 countries with reported coronavirus cases over 1,000 as of 17 March 2020

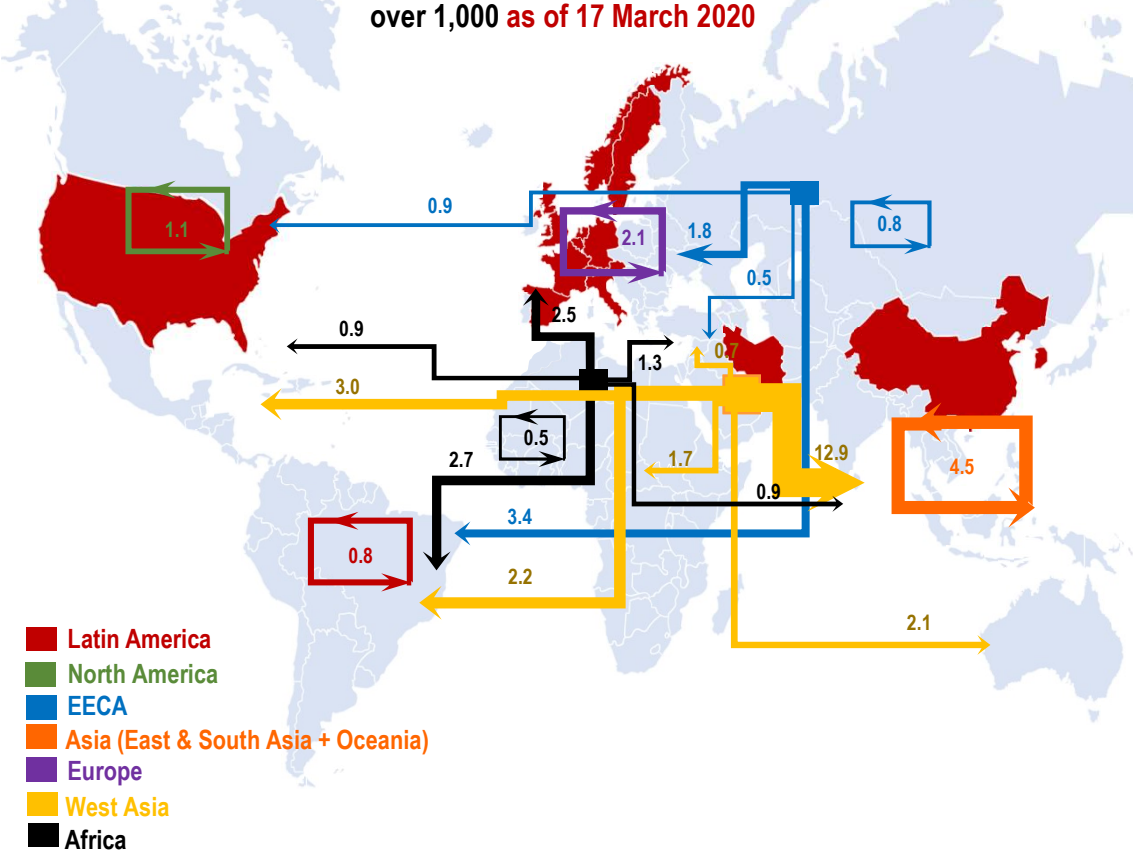


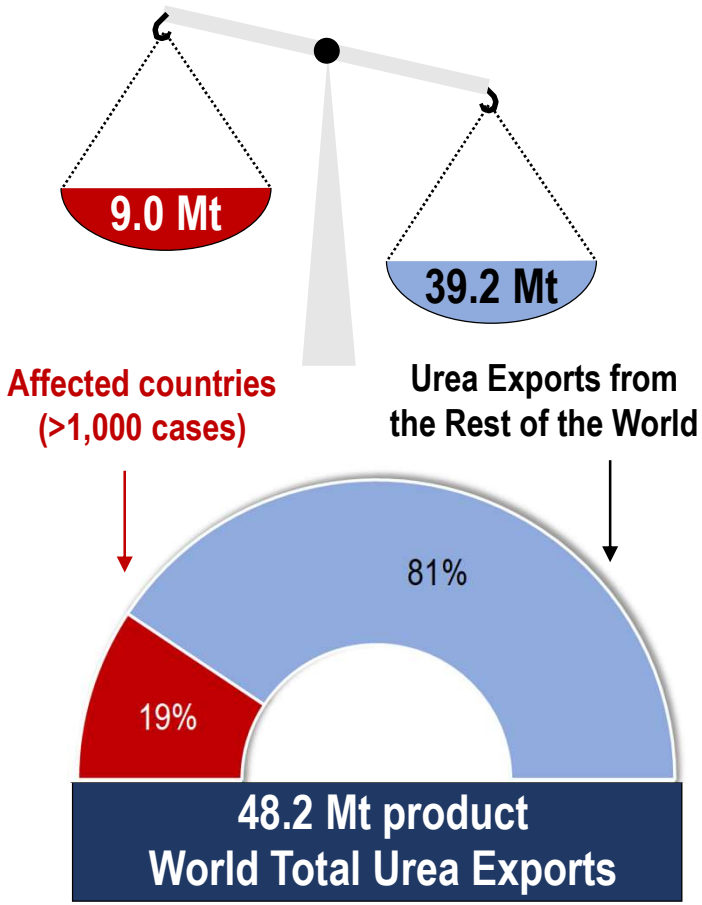


Source: IFA Market Intelligence

COVID-19 : potential direct impact on fertilizer trade (urea exports)

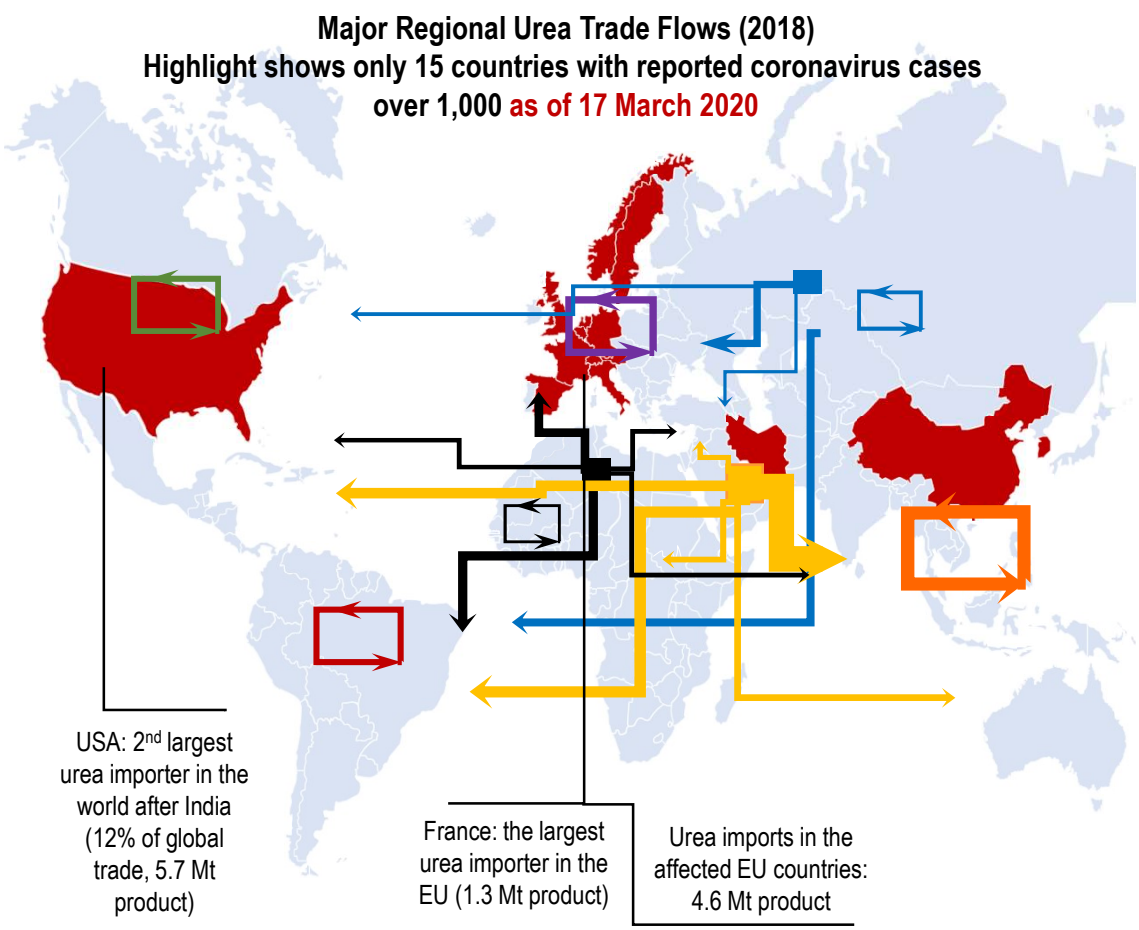
Major Regional Urea Trade Flows (2018)
Highlight shows only 15 countries with reported coronavirus cases over 1,000 as of 17 March 2020

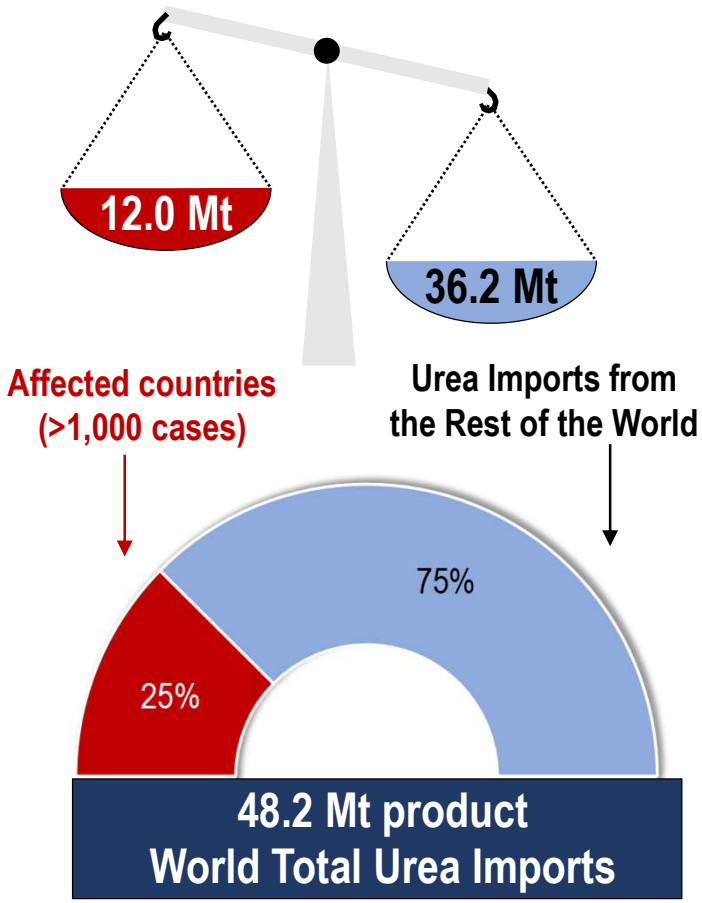




Source: IFA Market Intelligence

COVID-19 : potential impact on fertilizer trade (urea import demand)





Source: IFA Market Intelligence

COVID-19 : potential direct impact on fertilizer production (DAP)

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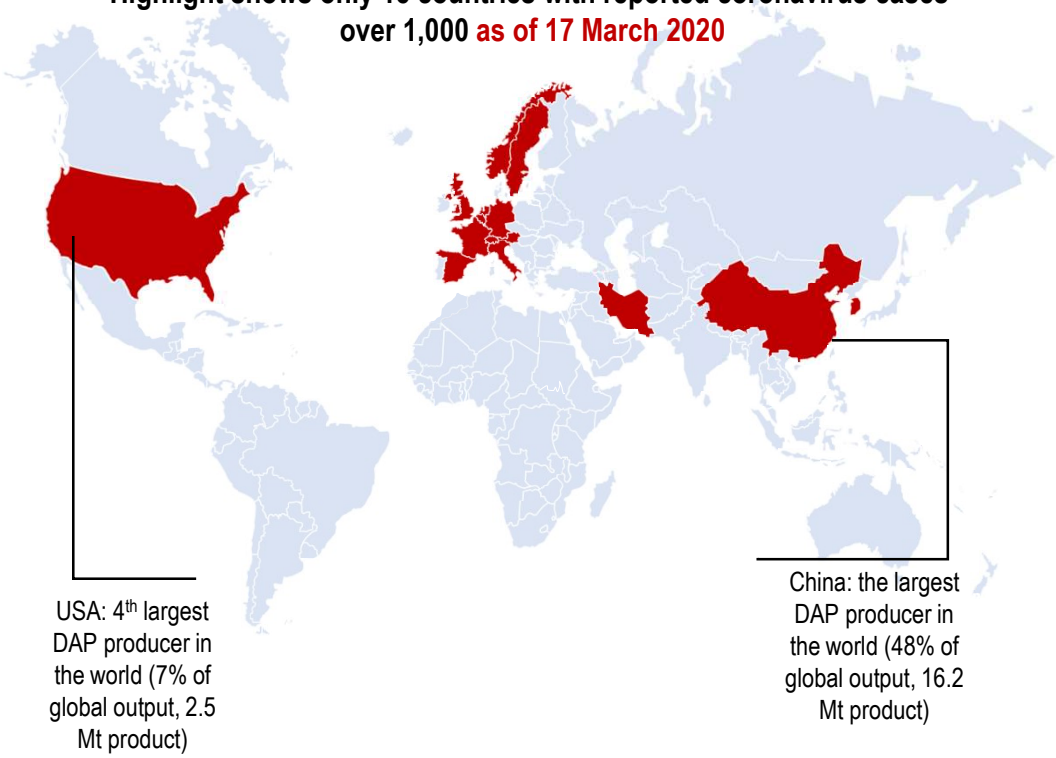
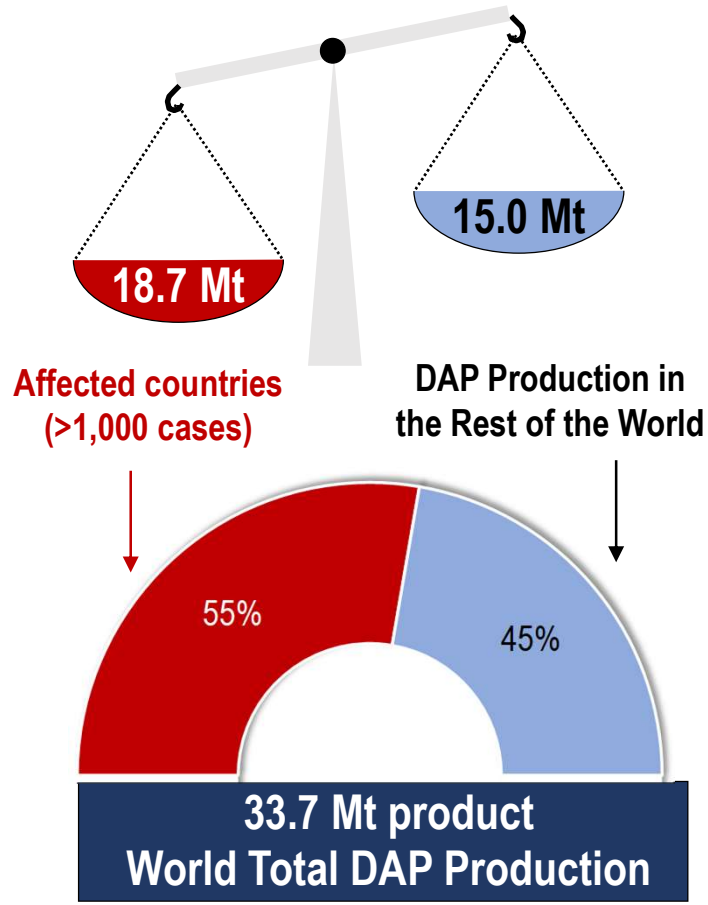




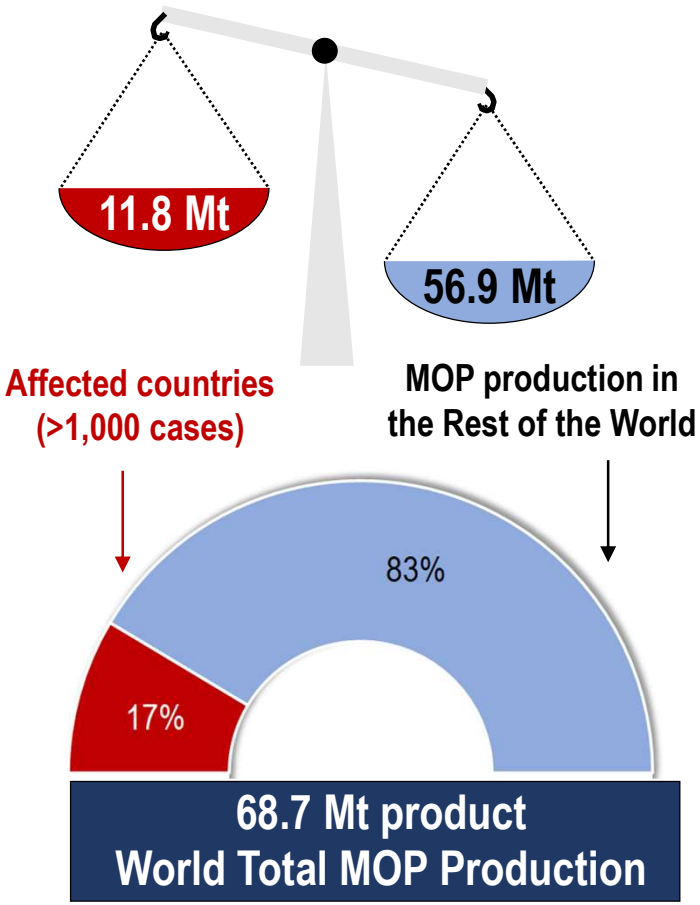
Source: IFA Market Intelligence

COVID-19: potential direct impact on fertilizer production (MOP)

Highlight shows only 15 countries with reported coronavirus cases over 1,000 as of 17 March 2020

Germany: the largest MOP producer in the EU (7% of global output, 4.5 Mt product)

China: 4th largest MOP producer in the world after Canada, Belarus and Russia (10% of global output, 7.0 Mt product)



Source: IFA Market Intelligence

Source for coronavirus cases: BBC (https://www.bbc.com/news/world-51235105)

IFA's COVID-19 INFORMATION CENTRE

on IFA website

provides updates on implications for

*** Global Economy**
*** Fertilizer Supply Chain**
*** Country Experiences**

Please, contact IFA Secretariat to share your feedback on coronavirus impact on the fertilizer industry worldwide

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For questions and comments on this webinar please contact Marina Simonova on msimonova@fertilizer.org