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
Main Disruptions to Fertilizer Industry in China

- 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

Decisive government measures

COVID-19

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

Source: Image geralt / Pixabay
COVID impact on the industry: China phosphate sector hardest hit

Phosphoric Acid Capacity in China in 2020
21.7 Mt P₂O₅

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

Importance of Hubei
Phos. acid capacity for selected major countries (Mt P₂O₅)

- Morocco: 7.8
- Hubei: 6.0
- Russia: 3.8
- Saudi Arabia: 2.9
- Tunisia: 2.1

Source: IFA Market Intelligence
Importance of China in the global phosphate market

**China Phosphoric Acid Capacity**
- A 5-fold increase in PA capacity during 2000-2019

**Share of China in Global Phosphoric Acid Capacity**
- China
- Rest of the World

**China Phosphate Exports**
- World's largest exporter of DAP with a 42% share.

**China DAP Exports**
- Shift from a net importer to a net exporter

**China DAP Trade Balance**
- DAP Exports
- DAP Imports

Source: IFA Market Intelligence
COVID impact on the China industry: Urea operating rates reduced

Urea Capacity in China in 2020

67.0 Mt product

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

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

- Hubei
- Anhui
- Shandong
- Jiangsu
- Jiangxi
- Zhejiang
- Hebei
- Shanxi
- Henan
- Inner Mongolia
- Qinghai
- Shaanxi
- Sichuan
- Guizhou
- Guanxi
- Guangdong
- Fujian
- Liaoning
- Jilin
- Heilongjiang

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.
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

World Total Demand

- 192.7 Mt nutrients
- 82.3 Mt nutrients in Affected countries (>1,000 cases)
- 110.4 Mt nutrients in the Rest of the World

Source: IFA Market Intelligence

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

- USSR collapse
- Global financial crisis
- COVID-19 pandemic

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

- USA: 3rd largest urea producer in the world (6% of global output, 10.5 Mt product)
- Germany: the largest urea producer in the EU (2.7 Mt product)
- China: the largest urea producer in the world (30% of global output, 52.4 Mt product)
- Iran: the largest urea producer in West Asia (6.1 Mt product)

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)

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

- USA: 2nd largest urea importer in the world after India (12% of global trade, 5.7 Mt product)
- France: the largest urea importer in the EU (1.3 Mt product)
- Urea imports in the affected EU countries: 4.6 Mt product

Affected countries (>1,000 cases)
Urea Imports from the Rest of the World

- 12.0 Mt
- 36.2 Mt

48.2 Mt product
World Total Urea Imports

Source: IFA Market Intelligence
COVID-19: potential direct impact on fertilizer production (DAP)

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

- **USA**: 4th largest DAP producer in the world (7% of global output, 2.5 Mt product)
- **China**: the largest DAP producer in the world (48% of global output, 16.2 Mt product)

**World Total DAP Production**
- 33.7 Mt product
- 18.7 Mt
- 15.0 Mt

**Affected countries (>1,000 cases)**
- 55%
- 45%

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

- China: 4th largest MOP producer in the world after Canada, Belarus and Russia (10% of global output, 7.0 Mt product)
- Germany: the largest MOP producer in the EU (7% of global output, 4.5 Mt product)

World Total MOP Production

- Affected countries (>1,000 cases)
- MOP production in the Rest of the World

68.7 Mt product

Source: IFA Market Intelligence
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

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