

Technical Update – Fertiliser Markets



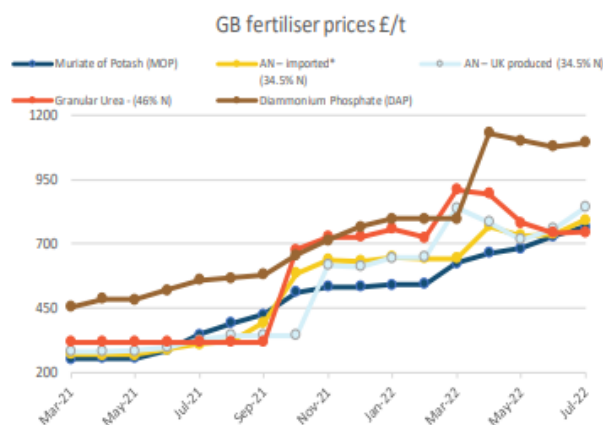
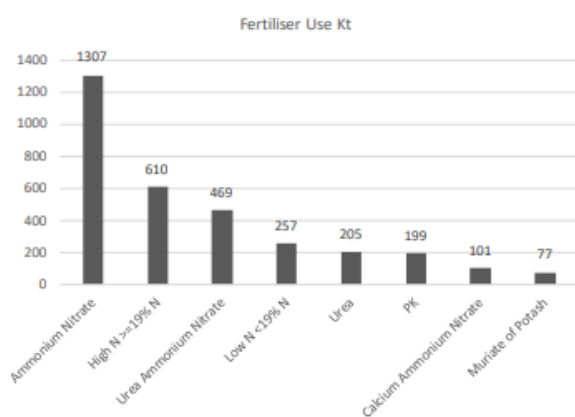
Information correct as at 09:00am on 16.09.2022

- Fertiliser prices are closely linked to gas prices which are historically very high
- Closure of UK facilities means a greater reliance on imports
- Supply could be an issue next spring so ensure that you have product on farm when you need it
- Review product options and look at cost of kg of N in products
- Ensure soil chemistry is right for optimum Nitrogen usage

Gas prices remain very volatile and at historically very high levels. It is estimated that 80% of the cost of Ammonium Nitrate manufacture is related to the gas price so there is no respite for the foreseeable future. We have asked CRM to give us an insight into the background of the current fertiliser market

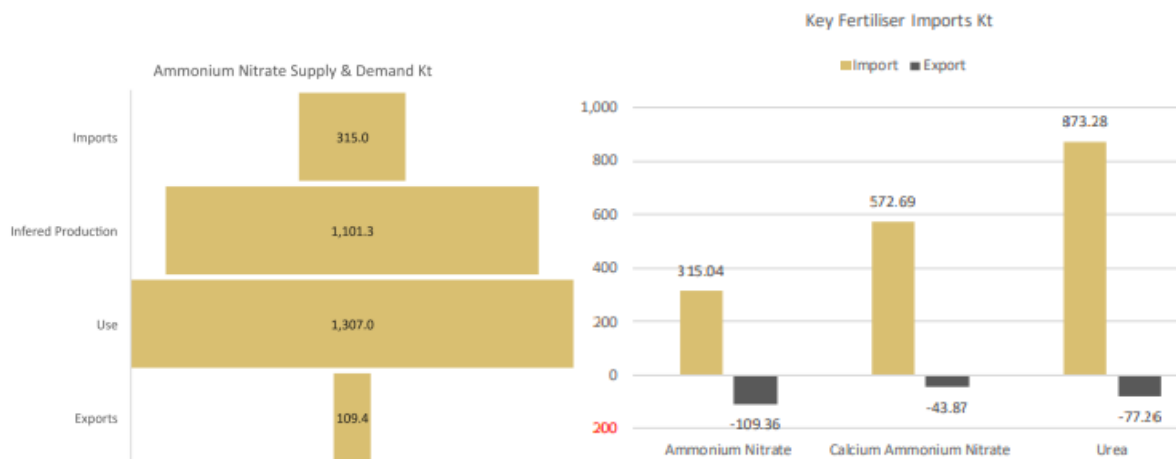
The UK has become increasingly reliant on imported sources of fertiliser in recent years, this requirement has been amplified by the recent closure of domestic plants. With gas prices continuing to rise due to Russian interference and the anticipated colder months ahead, the UK in particular, remains exposed to higher fertiliser prices, made more acute by the continued devaluation of the pound relative to both the euro and dollar.

From the start of the millennia to 2010, UK fertiliser usage gradually declined— nitrogen, phosphate and potassium application rates all fell over the period. However, over the last decade UK usage has plateaued, with 2020 full annual usage at 3,535Kt—comprised predominantly of 1307Kt of Ammonium Nitrate and Urea Ammonium Nitrate.



Despite a relatively large domestic industry—ranking in the top 60 producers globally—the UK is in deficit for all major products. With such a large array of materials and categories, large discrepancies between different trade databases exist, beyond the three major categories, liquid fertiliser concentration rates and different definitions contribute towards the data discrepancy.

For the three major categories, Ammonium Nitrate, Calcium Ammonium Nitrate and Urea, the UK's domestic deficit is widening, with an annual 800Kt import requirement of Urea. Despite being the highest in domestic demand, Ammonium Nitrate imports are below that of Urea due to domestic production.



The UK's largest producer, CF Industries, has recently been making headlines following the spike in gas prices leading to uneconomical production costs and shutting of plants. The closure of CF's Ince facility in September will leave the Billingham plant as the UK's last remaining major production plant. However, on 24 August, CF announced a further intention to temporarily halt ammonia production, moving to greater volumes of imported product.

Alongside CF Industries, Yara is another major UK supplier, but only has around 3 niche fertiliser manufacturing plants in the UK with the rest of its locations used for blending distribution and storage. Yara manufacturing predominately takes place in Norway, Finland, Netherlands, and Germany, which is then shipped to its UK.

Origins UK Fertiliser is also a major UK supplier with facilities across the UK. Similar to Yara, Origins produces the bulk of its product outside of UK and uses domestic distribution, storage and blending facilities located inside the UK to supply the local market. Origins has around 3 relatively large manufacturing facilities in Invergordon, Ayr and Montrose and is the leading supplier to the Scottish market.

Ammonium nitrate imports in 2020, stood at 315Kt and exports of 109Kt resulted in a net domestic deficit of 205Kt. Defra's 2020 annual British survey of fertiliser practice report estimated an annual use of 1307Kt leaving a domestic production estimate of 1100Kt. The long-term future of the UK domestic industry is uncertain, but 2020's pre gas price spike sparked a halting of domestic production and an estimated 1100Kt of Ammonium Nitrate production is likely to be reduced, placing greater reliance upon the imports from Europe and Scandinavia

If you have not got fertiliser on farm for next year start to look at options sooner rather than later as with reduced domestic supply and European producers also cutting production, it may be difficult to get product on farm if ordered too late. There will be little forage carry over across much of the country next year so forage production in 2023 will be more vital than ever.

Review the various products available to find the most cost-effective solutions and do not forget the importance of correct pH and sulphur to get the best return from nitrogen applications as well as making best use of slurry and organic manures.

For further discussion or to help with any questions that you may have, please contact Consultant Support on consultantsupport@kiteconsulting.com or 01902 851007

