

Fertilizer producers win market share and ready to invest

The mineral fertilizer industry has overcome the peak of the coronavirus pandemic with confidence due to sustained demand in almost all key markets. Russian producers are preparing for large-scale investments amounting to over 1 tn rubles (\$14.3 bn) to expand production capacities in the next five years.

Maria Dimenko, Olga Zhuravleva

The Q1 of 2020 proved to be successful for Russian mineral fertilizer producers. Demand in both foreign and domestic markets remained stable and strong despite the worldwide COVID-19 pandemic. The suspension of more than a third of China's phosphoric fertilizer output has stabilized global market prices: in February and March China produced 2 mln tons of fertilizers less which resulted in price increase from \$270 to over \$300 per ton, price remaining stable until the quarantine ended in China.

"The fertilizer market has not been badly affected by the pandemic except for the temporary difficulties with export", commented one of Russia's largest producers. "There has been a noticeable improvement in the overall market situation and the outlook for the recovery of the seasonal market dynamics is positive. Export to Asia has been gradually improving; the supplies to Europe will recover a bit later".

Reorientation of supplies

Russia is firmly the second largest producer of fertilizers in the world. In 2019, Russian companies produced 51.6 mln tons of fertilizers, equivalent to 23.6 mln tons of active ingredients. In the production structure, the share of export accounts for 76%, although the domestic demand is covered in the first place. Russian consumers have a priority in product supply.

Since the beginning of the year, most fertilizer producers have switched some of their exports to the local market. According to the Russian Fertilizer Manufacturers Association (RFMA), the supply of fertilizers to Russian farmers in the Q1 increased by 40% to 1.2 mln tons of active ingredients. Experts interviewed by the CREON team associate the increased demand of the Russian agro-industrial complex (AIC) with the well-established pricing situation. Many farmers bought fertilizers not only for spring, but for reserve for autumn sowing. "Before June everything was going well", - comments another major producer, "however in the off-season the usual decline in demand came; this year it is stronger, due to the quarantine in April-May".

Record growth and new investments

Over the past five years, the fertilizer consumption in the Russian market has increased by almost 1.5 times. According to RFMA data, in 2019 supplies to domestic agricultural producers increased by 14.5% to 9.5 mln tons. That's a record number for the past 20 years. Consumption is expected to increase by another 5-10% by the end of year.

In order to meet the needs of the local market in the upward trend, the Russian fertilizer producers have to invest in the expansion and modernization of their production facilities. In the next five years they plan to invest more than 1 tn rubles (\$14.3 bn) in the development.

The projects for the modernization of existing plants and the launching of new ones announced up to 2023 are carried out in line with approved schedules. "Timelines for commissioning have not changed; banks do

not renounce their obligations. The only changes are in additional sanitary requirements and specific working regime”, - says the source in the industry.

“Mineral fertilizer is a strategically important product for Russia, accounting for about 2% of the country’s non-feedstock non-energy exports. Now, the main task for the industry is to maintain the advantages gained in global supplies and to modernize production capacities”, commented **Olga Zhuravleva**, CEO of CREON Conferences.

Russian mineral fertilizer market will be discussed in detail at the “Mineral Fertilizers 2020” conference in Perm, on 12 November ([Program and registration](#)).