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Argus White Paper:
Key NPK trends in 2019

Several key trends emerged in the global NPK market in 2019. Governments played a key role in the market, as changes to import and export legislation in major producing and consuming countries disrupted long-established trade flows.

CHINA

Chinese exports surge following export tax removal

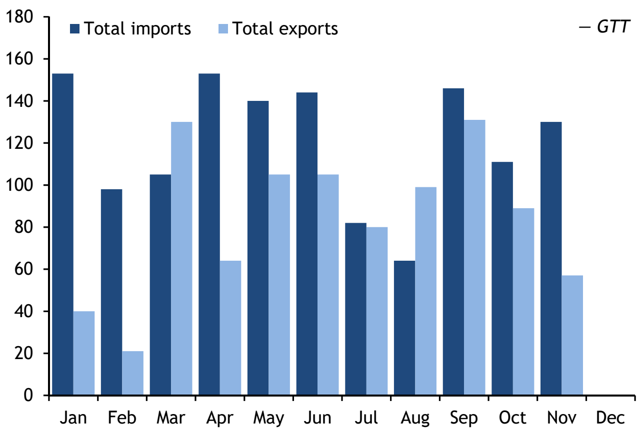
China had been a net importer of NPKs, but on 1 January 2019 the government scrapped the export tax on NPKs — it had been set at Yn100/t in 2018. The policy change boosted Chinese NPK exports significantly, with shipments in January-November rising by 170pc on the year, and exports exceeding imports in March and August.

Myanmar and the Philippines received the largest shares of Chinese exports in January-November, GTT data show. Exports to Myanmar rose by 364pc on the year to 359,827t, while shipments to the Philippines rose by 144pc to 184,430t. Exports to other southeast Asian markets grew considerably, as the graph below shows. The growth is particularly noteworthy as import demand for NPKs across southeast Asia was reduced throughout 2019 by poor crop returns, low cash flow and unfavourable weather.

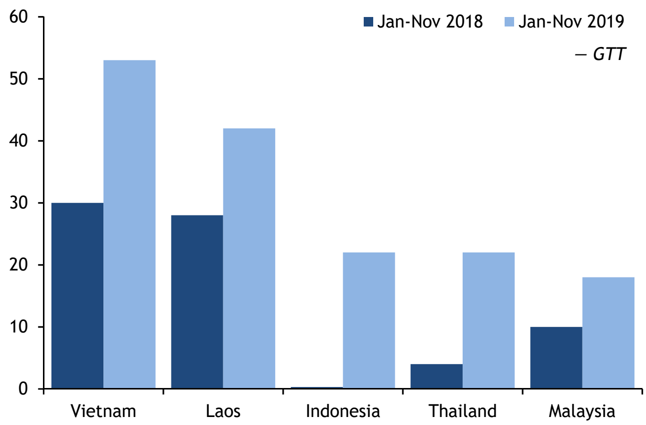
Chinese producers also appear to have targeted Africa. Mozambique was the third most popular destination for exports in January-November 2019, according to GTT data, although shipments did not pick up immediately after the export tax was scrapped — of the 130,890t delivered to Mozambique in January-November, 117,890t was shipped from July onwards. Meanwhile, in October, a 10,000t cargo of Chinese NPKs was shipped to Zambia, the highest monthly volume for Zambia recorded on GTT and the first shipment there from China since 2003.

Chinese producers have taken steps over the last year to raise their profile as exporters. In March, Kingenta passed

Chinese NPK imports and exports, 2019 '000t



Chinese NPK exports '000t



the prequalification stage in the Kenya Tea Development Agency's (KTDA) tender to buy 88,655t of 26-5-5, having failed to prequalify in 2018, when KTDA was not familiar with Kingenta's product.

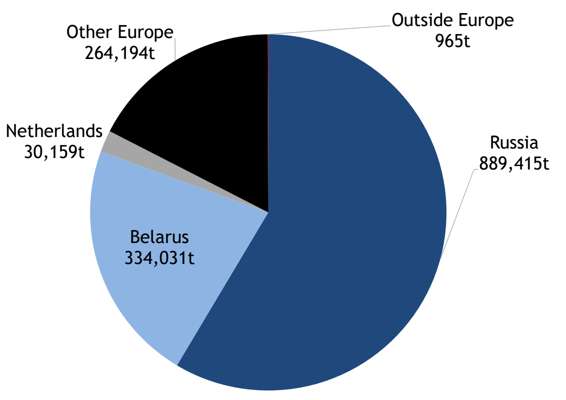
UKRAINE

Supply diversifies following ban on Russian fertilizer imports

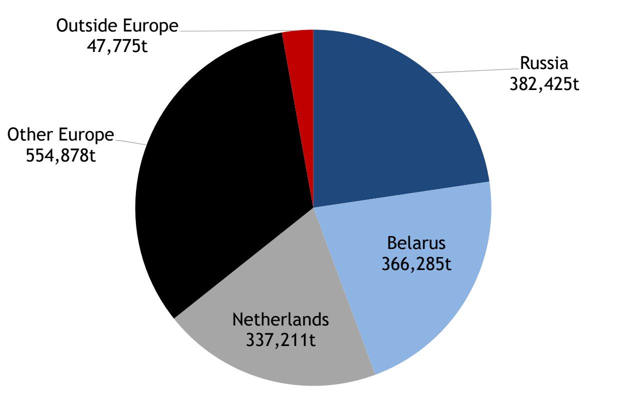
On 1 July 2019, the Ukrainian government banned all fertilizer imports from Russia. Although the ban was preceded by various sanctions and duties that reduced Russian producers' share of Ukrainian NPK imports, the import ban represented the loss of what had been Russia's largest NPK export market and Ukraine's largest supplier. Russia accounted for 72pc of Ukrainian NPK imports in 2014-18, while Ukraine accounted for 19pc of Russian NPK exports, the highest percentage for a single country, GTT data show.

Although flows from Russia did not stop entirely after 1 July — pre-sold NPKs were allowed into the country after the ban — imports fell by 94pc on the year in July-November to 26,316t, latest customs data show. The supply gap prompted an influx of new product. Ukraine imported 31,387t of Moroccan 15-15-15 in August- September, as OCP entered the market. And Nippon Jordan Fertilizer delivered 14,400t of 10-26-26 to Ukraine in September — Ukraine's first Jordanian NPK receipts. Bulgarian producer Agropolychim also made its Ukrainian market debut, shipping 7,820t of 15-40-10+2S to the country in July-November. And the first Greek NPKs arrived in Ukraine, too, with 7,310t imported from Hellagrolip in July-November.

Ukrainian NPK imports, Jan-Nov 2018 — '000t



Ukrainian NPK imports, Jan-Nov 2019 — '000t

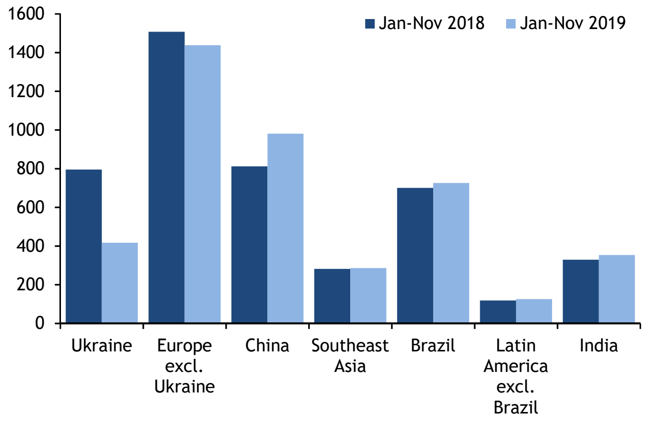


Other producers that were present in Ukraine before the ban, but very much in the shadow of Russian firms, saw big increases in their exports to the country. Imports of Yara product rose by 299pc on the year in July-November to 81,353t, customs data show, while imports from Serbian producer Elixir increased by 68pc to 24,658t. Romania's Azomures first shipped NPKs to Ukraine in April 2019, and of the 23,388t received from Azomures since then, 16,549t was delivered after 1 July, customs data show.

Despite these increases, monthly imports fell on the year each month in July-November. And just as Ukrainian importers failed to replace Russian supply, Russian producers failed to entirely replace Ukrainian demand.

Russian NPK exports fell by 5pc year on year in January-November to 5mn t. The impact of a 48pc drop in exports to Ukraine was mitigated by a 21pc rise in exports to China, which is now Russia's largest export market, but shipments to other regions in January-November were relatively stable.

Russian NPK exports — '000t



Producers' attempts to replace Ukrainian demand have pushed them to focus on other markets. In mid-November, it emerged that Phosagro will supply Benin's Interprofessional Cotton Association (AIC) with 180,000t of 14-18-18+6S+1B and 25,000t of 13-17-17+6S+0.5B+1.5Zn. These are the first significant consignments of Russian product to be shipped to Africa. And in late October, Phosagro announced plans to open a trading office in South Africa, increasing its potential to disrupt OCP's dominance of the continent.

NIGERIA

Nigerian NPK import ban removes a key outlet for OCP

In December 2018, the Central Bank of Nigeria (CBN) announced that it was cutting foreign currency access for finished imported NPK products. The action was requested by the Fertilizer Producers and Suppliers Association of Nigeria (Fepsan), which argued that it would save on foreign exchange reserves, protect domestic producers and encourage the use of more soil-specific fertilizers.

Nigeria imported 351,821t of NPKs in 2018, AFO data show. The bulk of this was supplied by OCP, with Moroccan NPK exports to Nigeria in 2018 totalling 294,774t — the largest volume exported to a single country by Morocco, GTT data show.

OCP has been unable to entirely offset the loss of Nigerian demand — Moroccan NPK exports in January-October 2019 fell by 23pc year on year, GTT data show. Exports to Benin, which received the highest share of Moroccan NPKs in January-September, were little changed on the same period of 2018, totalling 218,163t, compared with 217,130t. Shipments to other major African markets fell, with exports to Ivory Coast falling by 5pc to 78,823t, exports to Angola fell by 37pc to 34,906t and exports to Ghana were down by 84pc, at 8,604t.

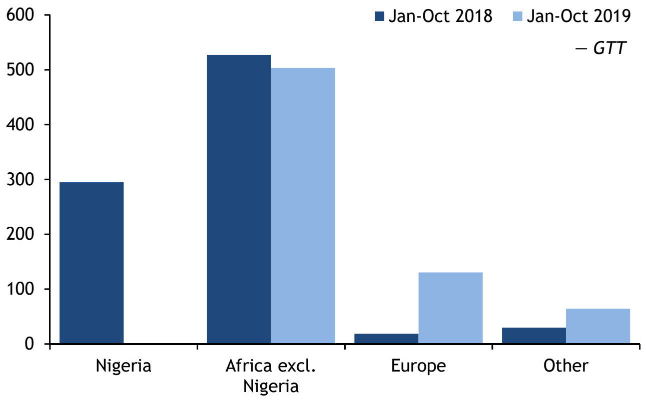
With insufficient demand in Africa to replace Nigerian imports, the ban forced OCP to seek new markets. Moroccan exports to Europe in January-October increased by almost 600pc year on year.

In Europe, Spain received the largest volume of Moroccan NPKs in January-October, with shipments to the country rising by 192pc to 54,383t.

Ukraine was another key European growth market for OCP, with Moroccan exports there in January-October totalling 41,081t. This reflects the producer's success in capitalising on the Ukrainian government's import ban on Russian fertilizers — OCP had never exported NPKs to Ukraine before July 2019.

Outside Europe, exports to Uruguay rose by 86pc on the year to 35,515t in January-September.

Moroccan NPK exports 'ooot



BRAZIL AND INDIA

Emerging markets a key focus

Demand from emerging markets continues to increase, as both Brazil and India imported record volumes of NPKs.

Brazil imported 1.3mn t of NPKs in January-November 2019, latest GTT data show, surpassing the 1.2mn t imported in all of 2018.

Indian importers have purchased 749,918t of NPKs so far in the 2019-20 fertilizer year (starting in April and including some arrivals in January), according to *Argus* data, exceeding the 651,515t that arrived at Indian ports in the 2018-19 fertilizer year. The higher demand is attributed to a healthy monsoon that encouraged importers to diversify supply.

Among the record total were the first imports from South Korea since 2012. South Korean trading firm Samsung delivered 27,500t of 12-32-16 to India in September, after winning Indian importer NFL's 19 August purchase tender for 25,000t of the grade. Samsung sourced the fertilizer from South Korean producer Namhae.

Southern India-based fertilizer producer FACT imported 16-16-16 for the first time, buying 27,000t of Russian product from trading company Swiss Singapore in May. FACT then issued its first tender for 17-17-17 in late June, but the tender was scrapped after attracting just one bid.

ETHIOPIA

New terms in Africa's largest procurement tender

African demand was disrupted by significant changes to the Ethiopian Agricultural Business Corporation's (EABC) annual procurement tender. This is the largest African procurement tender of the year, and volumes continue to rise. In 2018, it awarded 625,000t of NPS, NPS+B and NPS+B+Zn fertilizer supply to OCP — and this volume was subsequently increased by 100,000t.

The 2019 tender was announced in late August, seeking just under 3mn t of NPS, NPS+B, NPS+Zn and NPS+B+Zn fertilizer for delivery over the next three crop years. This was the first time EABC has tendered for product to cover demand for more than one year and the first time that the corporation tendered for NPS+Zn. The 888,000t requested for 2019-20 delivery was much higher than the quantity requested for 2018-19.

Moreover, EABC requested offers on a fob basis, rather than the usual cfrlo Djibouti basis, which included bags and domestic bagging. This change would transfer control of the delivery process to the Ethiopian Shipping Company. But suppliers are understood to have pushed back against this change, leading to two postponements of the tender closing date and a total three-week delay.

The tender eventually closed on 21 October and 50 offers were submitted for 46 lots to be delivered across the three years. OCP swept the board — only four of the lots were contested by other suppliers, and only one of those lots attracted an offer lower than OCP's.

The award process reverted to the pattern of previous years — EABC awarded all of the 2019-20 lots to OCP. The 2020-21 and 2021-22 lots were scrapped. Final deliveries were initially requested by 10 April 2020, but following the tender delay it is likely that deliveries will continue through the second quarter of next year. OCP planned to ship the first cargo before the end of November, followed by two more — all probably around 50,000t — in December. But no corresponding shipments have yet appeared on Jorf Lasfar line-ups, as weather conditions continue to restrict loadings at the port.