

Meeting with Fertilizers Europe – 27 January 2022

Present :

Fertilizers Europe (FE): **Personal data**

Personal data

Cabinet : Maciej Golubiewski (Head of Cabinet), **Personal data**

DG AGRI : **Personal data**

After initial presentations, the following specific questions were discussed and FE expressed the following points and opinions:

- **Short term - possibility of shortages, farmers' purchasing policies:**

FE noted that every year it is challenging to determine what will be the demand of farmers at the peak of April-May, but this year it is even more complex as there has been some delays in farmers' purchases since summer 2021. Many farmers were advised (erroneously) to wait for prices to decrease (they were already considered too high back then). Hansen mentioned indicatively a share of 1/3 of farmers in Northern Europe that decided to postpone their purchase to the last moment.

Nitrogen plants shut down occurred only when natural gas prices were at their peak, when margins for fertilisers producers became negative (indicatively over 150/MWh, which occurred in Nov-Dec). Shutting down / restarting a plant takes time and price volatility is an issue for the industry: smoothening the fluctuations of gas price would be very helpful. Now most plants are functioning again and FE thinks they will be able to serve the demand. Stocks are building up (and FE considers this is a risk for them as there is still uncertainty as to the exact amounts of fertilisers farmers will buy in spring). The main problem will be logistical, serving more farmers than usual last minute in February-April. For this FE signals the EU industry is geographically closer to EU farmers and therefore is better placed to ensure logistics compared to non EU producers.

FE also advocated for increasing the level of trust in the agri- food chain (to which FE said several times they consider they belong: "we are part of the same industry with farmers") between input providers and farmers.

Most farmers are purchasing on spot markets according to FE, which also said companies are not hedging natural gas price risks: they tend to purchase gas once they know farmers' orders.

- **Requests for suspension of AD duties**

FE insisted that AD duties should not be suspended as it would give a further competitive advantage to companies working in countries where the gas price is extremely subsidised (Russia). These duties were established after thorough investigations and should not be waived under emotional conditions triggered by the surge of energy prices. The reasons why AD duties were decided are still present according to FE. The suspension could have a knock on effect on EU farmers with EU industry closing and the import dependency increasing (currently 30% for N, 70% for P and 80% for K).

FE also said that the absence of decision on suspension or not of AD duties is a factor that led some farmers to decide not to purchase fertilisers, awaiting for the decision. A quick decision would be useful. But the suspension or not of AD duties will not have much impact on fertilisers prices in 2022.

- **Long term / green deal and Open Strategic Autonomy**

FE is engaged in the Green Deal and the energy transition. There are projects relying on electrolysis, hydrogen and renewable energies for green ammonia. But this transition needs time, with an horizon 2030/2040. The first project in Spain could open next year but will represent only 5% of the production of the company concerned. Green ammonia will probably be more localised in NW Europe, where the wind conditions are more suitable for large scale renewable energy production for this purpose.

The fertiliser industry needs to be profitable to be able to invest the huge funds needed for decarbonation.

Concerning the 20% decrease of fertilisers in F2F, FE recalls this applies to both mineral fertilisers and manure. Mineral fertilisers seem to FE to be better placed for being optimised with precision farming and other techniques like specialty fertilisers. Still FE expect to have to reduce production with this target.

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