Soaring fertilizer costs

21st session of the AMIS Global Food Market Information Group

Josef Schmidhuber, Deputy Director, Markets and Trade Division, FAO
Rome, Wednesday, 21 June 2022
Higher fertilizer prices: Spot prices for N,P,K have spiked

Source: Index Mundi
Urea prices have dropped recently - but also sustainably?

Source: investing.com; trading economics
Urea prices have dropped recently but also sustainably?

Down by half, but at twice their normal levels

Source: investing.com; trading economics
Natural gas prices

Source: Investing.com
The recent drop in urea prices in conjunction with cereal prices at a new all time high could improve affordability.
Overall fertilizer affordability continues to decline ...

FFPI vs Fertilizer prices, 2014-16 = 100

Source: FAO, TDM, author’s calculations
... but urea affordability is taking a timid turn to the upside

Source: FAO, TDM, author’s calculations
From narrow fertilizer affordability to broader input affordability
The aggregate cost picture: facing a rapidly rising global input price index (GIPI)
Real prices for farmers are low and falling, not high and rising
In conclusion

1. Food prices are high and rising, the incentive prices for farmers are not. Input prices have risen faster than output prices. Ditto for fertilizer. However:
   • Urea: Recent declines in urea prices in conjunction with higher cereal prices improved affordability and increased margins for farmers.
   • Potash: Russia and Belarus continue to export: Farmers in importing countries (e.g., Brazil) are not buying, warehouse reserves are being replenished.
   • Fertilizer demand by Ukraine to decline in 2022/23. But by how much?
2. Lower supplies of natural gas to Europe for the rest of 2022; urea plants to close and/or reduce output, prices for N-fertilizers to rise again?
3. Overall input markets: input prices have risen faster than output prices.
4. What are the implications for global food production in 2022/23?
Thank you!
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71st Session of the Committee on Commodity Problems

Side Event: Rome, 6 October 2016