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22FFS45

Brussels, 3rd November 2022

Subject: COCERAL and Copa-Cogeca urge EU-wide action to increase availability and affordability of fertilisers

Dear Sir, Madam,

The Covid19 impact on global and European trade backlogs wasn't yet recovered that Ukraine's unprovoked and unjustified invasion led to a new disruption of food and feed supply to Europe and the rest of the world. The FAO food price index has been hitting record -high levels and excruciating the crisis. The same be said for the availability and affordability of fertilisers, adding to the woes of an already staggering and fragile economic recovery prospect.

The EU internal food and feed production has been a critical asset to weather this period of prolonged uncertainty, cushioning the turmoil on raw materials around the world, stabilising prices and equilibrating the supply. A strong and sustained EU internal production is then needed to ensure food affordability and security but also compliance with strict quality standards required by our fine-grained supply chains.

As with energy, in agriculture, it is possible to strengthen our strategic autonomy while continuing to make progress on sustainability. In these extraordinary circumstances, with a war in Europe and the consequent disruption to free trade of food and energy, it is essential to have an effective common and united European response that secures the needs of the European Union, its citizens while maintaining a well-functioning single market.

Fertilisers are indeed a fundamental feature of this plan. Without affordable fertilising products of the right categories and nutrients in a timely manner, the farmers will be forced to use less input, set-aside land or diminishing the output of grain crops- or instead to switch to less nitrogen intensive crops.

Fertilisers prices were hitting skyrocket levels too in the last two years, conjuring the perfect storm. Prices of gas -by which nitrogen fertilisers are produced, were a key driver in the price rally, forcing the shutdown of several EU production plants. Europe imported 40% of its natural gas - the staple input for fertiliser production - from Russia, before the war, this figure went down to 9% more recently¹. Furthermore, Russia provides a third of European imports of ammonia, phosphate, and potash fertilisers. According to Fertilisers Europe, 60% of imported fertilisers used to come from Russia and Belarus. Such sources are now hardly available, and alternatives must be found. Moreover, the recent drop of the euro/dollar exchange rate has increased the cost of imported products in the EU.

¹ <https://www.gasworld.com/story/european-gas-imports-from-russia-fall-to-9/2095171.article/?red=1#:~:text=Europe%27s%20pipeline%20gas%20from%20Russia,an%20energy%20update%20statement%20today.>

Against such a backdrop, COCERAL and Copa-Cogeca urge the EU institutions to take all the steps needed to replenish the supply of fertilisers at an affordable price and to stabilize the EU fertiliser market.

While we welcome the 19 July's Council proposal to suspend the import tariffs on urea and ammonia, we regret the delay for its adoption by the Council and call for a rapid adoption of this proposal. Moreover, we suggest extending it to other fertilising products including P, K and N, P, K and consider other options to increase flexibility of supply. This would include suspending application of the 60 mg/kg of cadmium for phosphate fertilisers (as per Reg 2009/1009), in order to allow delivery from North African countries (Morocco) instead of Russia. More broadly, our suggestion very much support farmers' need, both in the short and in the mid-long term, as they are those with the critical understanding of the input/output ratio in on-field operations. Anti-dumping measures on UAN imports from Trinidad & Tobago and the US but not for Russia should also be suspended.

Overall, an open and functional fertiliser market is what is now needed the most to weather the bottlenecks and avoid compounding even more an already aggravated situation.

The cereals market is highly globalised and prices in the EU correlate with global prices. European agriculture must therefore remain competitive at global level. The EU fertiliser market is protected by import tariffs. As a result, competition is low on the single domestic market for fertilisers. This translates into a price premium vs. the rest of the world, with a higher magnitude than the mere level of import duties.

COCERAL and Copa-Cogeca support your sectoral and horizontal initiatives to increase resiliency of the EU food supply chain, which can only start with a stable fertiliser market in the EU.

Yours faithfully,



Iliana Axiotiades
Secretary general of
COCERAL



Pekka Pesonen
Secretary general of
Copa-Cogeca



Recipients:
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