

Phosagro Pulls Out of Fertilizer Deliveries to India

By [The Moscow Times](#)

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Fertilizer company Phosagro has no plans to renew a contract to supply India, the world's largest phosphate consumer, because it is offering too low a price, a senior executive said.

Analysts estimate that Phosagro, the world's No. 2 producer of phosphate fertilizers, supplied around 400,000 tons of dimmonium phosphate, or DAP, to India under its contract last year.

India, seeking to boost rice crops to feed its growing population, traditionally sets a floor on prices of fertilizers such as DAP.

Last year, Phosagro's revenue from India amounted to around 7.5 billion rubles (\$230 million), down from 12 billion rubles in 2011.

The price offered by New Delhi is too low to resume deliveries, Deputy Chief Executive Andrei Guryev said in an interview. He cited spot fertilizer prices in India at around \$485 per ton

at the beginning of July, compared with contracts signed not long ago for \$515.

"India is a specific market where the buyers are strongly consolidated and fertilizer producers find themselves facing a monopsony [buyer's market]," he said in an interview.

The company plans to redirect those volumes to Russia's domestic market, which it sees as a priority, and also to Southeast Asia, Latin America, Africa and Europe, said Guryev, son of Phosagro's billionaire majority owner Andrei Guryev.

In May, rival Phoschem, which exports North American fertilizer for Mosaic Co. and Potash Corp. of Saskatchewan, agreed to sell 400,000 tons of DAP to India, but did not reveal the exact price.

Analysts say that the contract would have been priced at below \$500 per ton and that Phosagro could have counted on being paid something similar. Previous contracts were at \$580 per ton.

The firm plans to increase shipments to Asia, in particular Thailand, Vietnam and Malaysia, to 600,000 tons in 2013, said Guryev. The firm previously shipped only small volumes to Southeast Asia.

It is also interested in the amount of foreign investment pouring into African agriculture. Phosagro, which sold 247,400 tons of nitrogen, phosphorus and potassium, or NPK, to Africa last year, plans to roughly double exports to the region this year, Guryev said.

Its fertilizer shipments to Europe could rise 40 percent to 600,000 tons, he added.

Phosphate prices have stabilized at about \$465 to \$485 per ton in the Black Sea on a free-on-board basis and could rise in September depending on the state of global inventories and India's monsoon season, Guryev said.

In the short term, phosphate demand should outpace overall demand for fertilizers, while Southeast Asia, South Asia and South America are likely to be the strongest growth markets in 2014, he said.

Russian fertilizer companies, whose profits were hit by adverse weather conditions for crops in the first part of 2013, expect the market to improve in general, with demand in South America particularly strong.

According to Phosagro estimates, the global fertilizer market is growing at around 3 percent per year, while in Russia production could reach over 6 percent growth annually.

Shares in Phosagro, which have risen around 50 percent since the start last year.

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