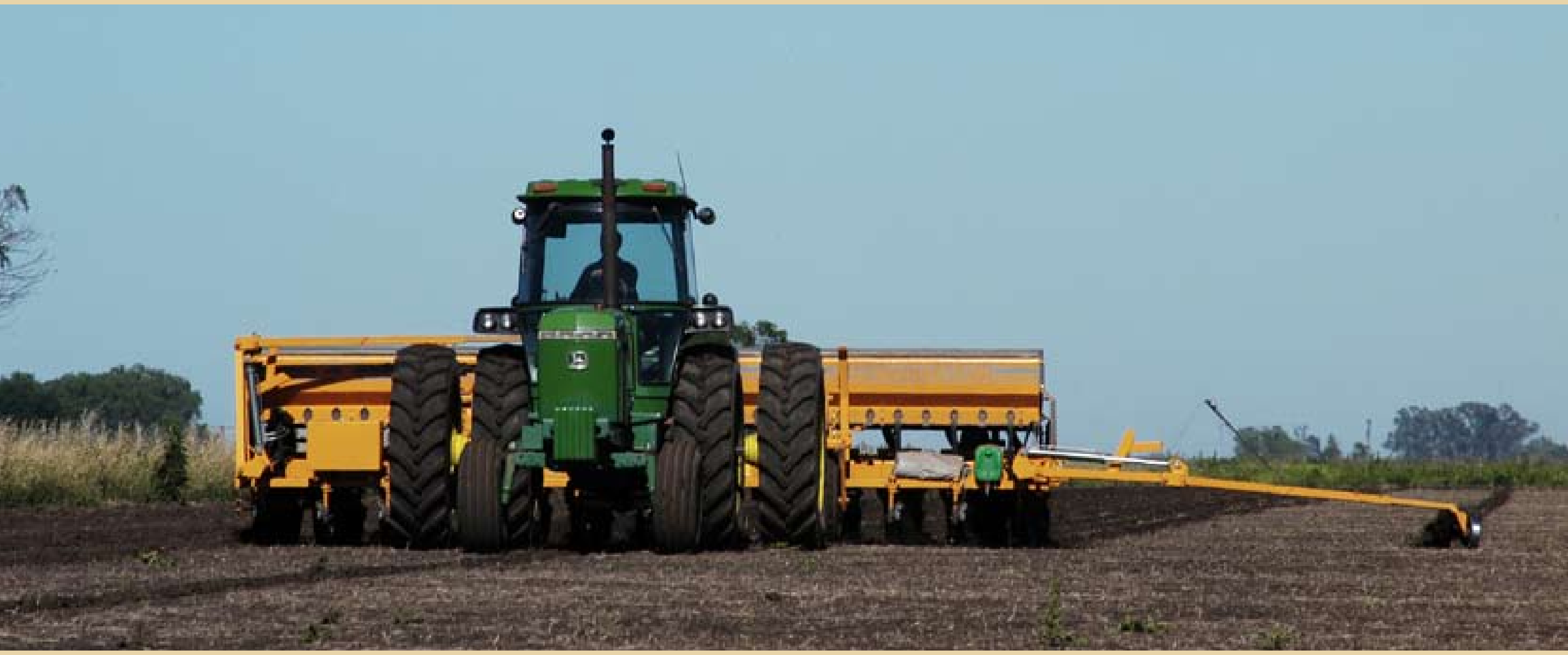
2005

El mercado argentino de fertilizantes y su prospectiva



A market prospective of the fertilizers in Argentina

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The agricultural situation and fertilizer demand in Argentina in 2005.

Overview and Prospective

1. Summary 2005

During 2005, the market outlook changed from a negative perspective to a rather positive balance towards the end of the year, recovered by the higher fertilizer use in soybean crops. At the beginning the forecasts spoke on an important decrease in consumption compared to previous season, since in 2004 there were several indicators that lead to a record in consumption: area fertilized in soybean, average rate of use and area cropped to maize. To maintain that growth rate would be difficult, since at the beginning of 2005, the prices of cereals forecasted downs in future prices for wheat and maize, a consequence of high stocks resulting from the 2004 harvest record in North America. Consequently, the first estimations of area sown with wheat went adjusting to loss, starting with - 6 %, and finishing the season, almost with - 20 % less than to 2004. This negative impact of the prices of the cereals, that discouraged sowing intention, was harnessed by the scaling prices of nitrogen fertilizers, dragged by raises in fuel and natural gas. Not only the future prices of cereals but also the unexpected raise of nitrogen fertilizers was discourag-

[1] The monetary units in this report US dollars, that fluctuates during 2005 from Argentinean pesos $ 2,8 to 3,0 per one US dollar. The unit of volume is Metric ton.

ing in order to be able on repeating the fertilizer consumption of 2004.

Meanwhile, different people, government and the industry worked out a law project to diminish the aliquot of the VAT for fertilizers to half (from 21 to 10.5 %). This finally took shape in September, representing a net decrease of around $ 20 per t , a smaller financial burden for the fertilizer companies and the users in general. This law become effective too late to benefit the wheat growers. Partly the delays derived from the need to amend the original project to include fertilizers like MOP, UAN and other important ones in regional economies that surprisingly were not including in the first draft of the projected bill.

The impact of the smaller consumption in wheat, consequence of a shrunken sowing intention and partly by deficient hydric conditions in the west and southwest, concluded with one million less of hectares, worsened with the outlook of corn. To this situation, already evident by September, added the estimations to loss in sowing intentions of maize that also began with discouraging numbers, 20 % inferior to the 2004 and of 30 % in the so-called area nucleus or Corn Belt. With advancing season the value of official estimation were changing to a more moderate decrease of - 10 %, to date of this report. Nevertheless, private estimations maintain a fall to - 20 %.

These left areas were cropped to soybean and sunflower, but whereas the cereals explain more of 50 % of the national fertilizer consumption, it would have much to be applied in the oil crops to compensate the fall in demand. And thus it happened. . The soybean, that few years back consumed a little more than 10 thousand t of phosphates (1995), in the last season represented 23 % of the total consumption. This was the result of the increasing land occupation and the increasing awareness of the producers in replacing nutrients. The surprise of the number also includes a participation in the demand of bulk blends.

This growing and steady participation of soybean in the grain basket of Argentina, explain the increase of the fertilizer markets during the last 4 years, since the relative participation of cereals is practically the same one. In synthesis, the variations that cause carry over's from the 2004 to the 2005, more elevated than the surpluses of this year, induce to suppose that the consumption will be similar or slightly superior to the previous year. There were minor's decreases for the phosphates and more remarkable ones for the nitrogen fertilizers.

The imported volumes of herbicides were 23 % superior to those of last year, mainly due to gliphosate increases; Instead importation of insecticides were almost equal and the fungicides were reduced by 20%.

In 2006 is forecasted a continuation of the tendencies that would lead to an increase of phosphate and nitrogen fertilizers in relation to 2005, although final values might be smaller or equal in relation to the 2004. The beginning of production of Mosaic probably reduces a volume of business to the phosphate importers. The local production of UAN and N-S solutions will continue growing, surpassing 550 thousands t.