

Argus White Paper: Evolving NPK demand in Africa opens up growth opportunities



The use of NPKs in sub-Saharan Africa continued to grow last year with rising requirements in a number of annual tenders and government agencies driving the consumption of more specialised grades. Moroccan producer OCP has found success in its African strategy by securing two of the largest annual tenders in the region – Ethiopia and Benin – in recent years and developing local production plans. But the growth potential of the region has also caught the attention of Russian producers.

Increasing demand

Much of Africa’s consumption of NPKs is fulfilled through annual tenders that typically begin in the fourth quarter. But results were delayed last year because of a combination of differences in price expectations and political upheaval.

Mali’s CMDT issued a tender for 135,400t of 14-18-18+6S+1B or 14-18-18+6S+1B+2.5CaO grade NPK and 57,000t of 17-17-17 in August but did not award it until November. The delay was likely to have stemmed from lower price expectations earlier in the year. But the successful bidders were

rewarded for their patience, securing higher prices this year at 369,500 CFA francs/t (\$645/t) for 14-18-18+6S+1B or 14-18-18+6S+1B+2.5CaO and CFAfr315,000/t for the 17-17-17 grade. The requirement in the latest tender was up from the 89,000t of 14-18-18+6S+1B and 25,000t of 17-17-17 purchased in CMDT’s previous annual tender.

Ivory Coast firm Intercoton’s annual tender seeking 112,050t of 15-15-15+6S+1B for delivery this year, up from the 78,000t required for 2018, was awarded in December after being issued in August. The volumes were awarded to Yara and Olam with prices confirmed in a range of CFAfr240,000-250,000/t (\$415.30-432.60/t) for bagged delivered to farm. Fertiliser producer Solevo – formerly a Louis Dreyfus and Helios subsidiary – was said to have been awarded part of the tender too. Prices for the Intercoton tender were in line with market levels, with transportation costs from Abidjan estimated at around \$35/t.

AIC in Benin secured 230,000t of 14-18-18+6S+1B and 13-17-17+6S+0.5B+1.5Zn in its latest tender that was awarded to OCP in November. While the original tender requirement was for 200,000t, AIC subsequently took on another 30,000t from OCP. This is significantly up from the

Major African tenders						
Country	Season	Grade 1	Grade 2	Grade 3	Total volume '000t	Issuer
Mali						
	2017-2018	14-18-18+6S+1B	17-17-17		114	CMDT
	2018-2019	14-18-18+6S+1B or 14-18-18+6S+1B+2.5CaO		17-17-17	192	CMDT
Ivory Coast						
	2017-2018	15-15-15+6S+1B			78	Intercoton
	2018-2019	15-15-15+6S+1B			112.05	Intercoton
Benin						
	2017-2018	14-18-18+6S+1B or 19-19-19+6S	13-17-17+6S+0.5B+1.5Zn		165	AIC
	2018-2019	14-18-18+6S+1B	13-17-17+6S+0.5B+1.5Zn		230	AIC
Ethiopia						
	2017-2018	19-38-0+7S	17.8-35.7-0+7.7S+0.1B+2.2Zn	18-36-0+8S+2.2Zn+0.1B	750	EABC
	2018-2019	19-38-0+7S	19-38-0+7S+0.1B	18-36-0+8S+2.2Zn+0.1B	625	EABC

135,000t of 14-18-18+6S+1B or 19-19-19+6S and 30,000t of 13-17-17+6S+0.5B+1.5Zn secured for shipment last year.

OCP was awarded the entirety of Ethiopia's EABC tender with a requirement for 100,000t of 19-38-0+7S, 450,000t of 19-38-0+7S+0.1B and 75,000t of 18-36-0+8S+2.2Zn+0.1B. But the finalisation of the tender was delayed after first closing in September and being reissued in October, following the appointment of a new agriculture minister in Ethiopia. The stalemate over the tender was unlocked by mid-January this year when, letters of credit were eventually issued for the ten cargoes planned. OCP shipped three cargoes in January and will ship another three in February.

OCP's expanding reach

OCP has continued to widen its market influence in Africa and once again secured awards for the larger tenders such as Benin and Ethiopia in 2018. But in the longer term the producer appears to have set its sights further up the supply chain by cutting its sale of NPKs in favour of the sale of traditional phosphate fertilizers DAP and MAP to African buyers.

The producer increased its exports of DAP and MAP to 4mn t in the first nine months of this year, up from 3.3mn t a year earlier. But this has come about through the reduction of exports of NPKs and NPs to Angola, Tanzania, Mozambique and Ivory Coast, leading to a 17pc year-on-year drop to 1.5mn t for the January-September period.

OCP is also committed to its 2017 deal with the Nigerian government to supply Nigerian blenders with raw materials, in line with Nigeria's plans to drive domestic NPK production. Going forward, OCP is looking into building up local production capacity in countries such as Nigeria, Rwanda and Ethiopia.

OCP is not alone in its desire to tap the growth potential of African NPKs. The sanctions against Russian fertilizer producers imposed by Ukraine in May last year has meant that Russian producers are turning to Africa as an outlet for their products. Russian exports to Ghana overtook Morocco's in 2018, with Acron and Eurochem entering the Ghanaian market.

Ghana imported 84,000t of NPKs from Russia in January-October 2018, up from none in the same period in 2017. This is a shift from the 72,000t imported from Morocco in January-October 2017, which fell to 29,000t in the same period last year.

Earlier this month, phosphates and nitrogen supplier Uralchem and Russian potash producer Uralkali agreed to establish relationships with Zimbabwe's state-owned Chemplex and with others to develop the country's agricultural sector. Under the deal, Uralchem can individually, or with Uralkali, acquire shares in Chemplex — an important step forward in Chemplex's possible privatisation. Chemplex has a major presence across Zimbabwe's fertilizer supply chain, including a 35,000 t/yr SSP facility owned by subsidiary Zimbabwe Phosphates Industries (Zimphos) and the

Moroccan NPK and NP exports				
	Oct-18	Oct-17	3Q18	3Q17
NPKs				
Brazil	0	0	10,821	0
Angola	26,649	0	1,101	19,291
Venezuela	0	0	0	40,143
Uruguay	0	8,118	19,113	0
Tanzania	0	29,902	0	29,920
Senegal	0	0	0	4,852
Nigeria	0	28,687	55,819	42,440
Mozambique	0	10,136	13,976	27,972
Mauritania	0	0	0	3
Italy	0	0	0	3,590
Spain	14,004	0	4,618	0
Algeria	0	0	6,298	6,061
Ivory Coast	6,480	0	0	24,221
Benin	0	0	4,642	0
Bulgaria	0	0	0	15,915
Belgium	0	0	8	0
Total	47,133	76,843	116,396	214,408
NPs				
Brazil	4,835	0	57,165	42,712
France	4,835	5,529	4,659	0
Djibouti	0	50,681	0	0
US	0	0	39,677	75,988
Greece	0	0	0	3,590
Total	7,494	56,210	101,501	122,290

country's only phosphate rock mine, owned by a Zimphos subsidiary, Dorowa Minerals. Chemplex holds 50pc in ZFC, which manufactures compound NPKs using phosphates from Zimphos. This follows on from the co-operation agreement Uralchem and Uralkali signed with Kenyan agricultural organisations in December, to supply them with up to 100,000t of DAP, MAP and NPKs this year.

Saudi Arabian fertilizer and mining company Ma'aden is expecting to enter the market to offer regular NPK cargoes later this year from its Wa'ad Al-Shamal (MWSPC) joint-venture facility. While the producer is likely to focus mainly on India to begin with, sales to east Africa are also being considered. The MWSPC facility features an NPK production train with 766,920 t/yr capacity alongside three DAP production trains.

Nigeria shifting trade flows

While NPK usage continues to grow in Nigeria alongside plans to drive domestic production, 2019 will see a significant shift in regional trade flows with Nigeria moving to ban NPK imports last year.

The Nigerian federal government banned the import of NPK fertilizers in December following pressure from the Fertilizer Producers and Suppliers Association of Nigeria (Fepsan). Fepsan had argued that a ban on imports would improve the country's foreign currency reserves, protect domestic producers and encourage farmers to move beyond the usage of more conventional NPK grades to soil specific fertilizers.

Argus White Paper: Evolving NPK demand in Africa opens up growth opportunities

The ban is in line with the Central Bank of Nigeria's policy since 2015 to restrict foreign currency access to items that can be produced locally. Urea and some phosphate rock can be sourced locally to support domestic production but producers are still likely to have to rely on imported raw materials in the near term to produce NPKs.

Going forward, there are plans to divert more flared gas to urea production and that in turn will increase domestic urea supplies for Nigerian blenders. The country's large deposits of potash are still mostly untouched — only a small quantity is mined for food production — and will eventually be a welcome source of supply for domestic blenders.

The ban on imports will shift demand to the 32 NPK blending plants across the country, with total installed capacity of 4mn t/yr, well beyond the 700,000 t/yr consumed in 2017, Argus estimates. The import ban is expected to not only support domestic blenders such as Notore Chemical Industries, Springfield Agro and OCP subsidiary OCP Africa, but is likely to encourage producers with spare capacity to venture into exports to other African countries. Nigeria's imports of

NPKs were estimated at around 400,000t in 2017, with OCP accounting for a large share of these imports, alongside other importers such as KRBL Food Industries, Springfield Agro, Elephant, Ponglomerape and Olam NIG.

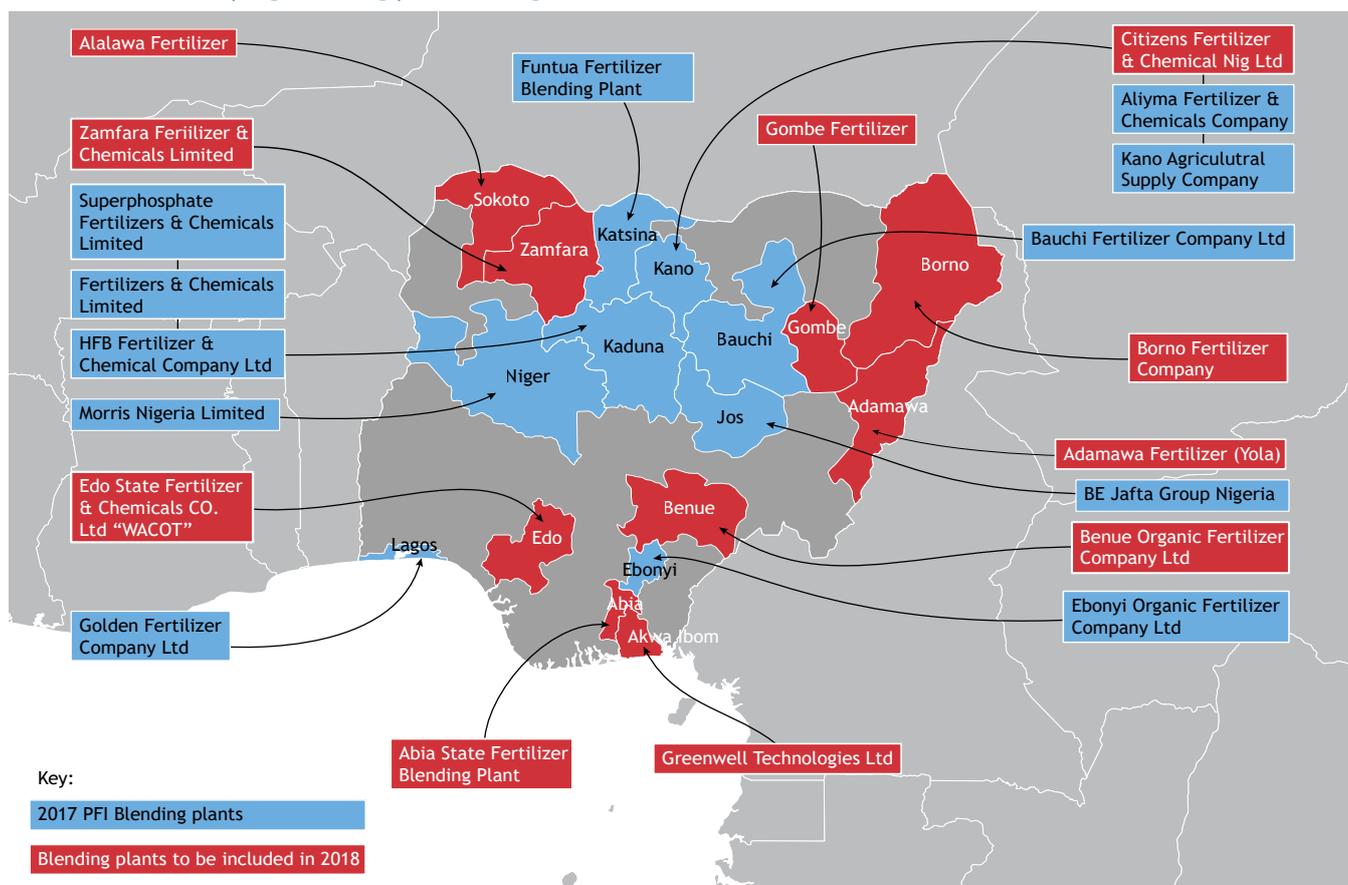
OCP's sales of NPK to Nigeria will be replaced by sales of raw materials such as DAP and TSP for blending, tying in with the producer's cuts to its NP and NPK production in favour of DAP and MAP.

Other exporters to Nigeria will have to divert shipments to west African destinations such as Ethiopia, Benin and Mali that have increased their import requirements for 2019.

We will be closely monitoring NPK demand changes in Africa, and other developments in the NPK sector, delivering essential analysis through our NPK prices, forecasts and analysis services. [Click here for more information.](#)

Our Fertilizers in Sub-Saharan Africa service, prepared in collaboration with IFDC, provides essential analysis of this rapidly growing market. [Click here for more information.](#)

Current and developing blending plants in Nigeria



For more information:

✉ contact@argusmedia.com

☎ +44 20 7780 4200

🌐 www.argusmedia.com

🐦 @argusmedia