

APC Market Report



MOP prices to rise

MOP prices have risen in several regions, and we forecast them to keep up with this trend for the rest of 2021, driven by the appreciation of major MOP importing countries' currencies, the rise of the price of MOP intensive-use crops, the improving major importing economic health, the COVID-19 additional subsidy, and the limited carryover inventories in China. The combination of tight downstream warehouse stocks and increased demand stemming from an imminent need for food security supports price recovery ahead of spring applications, a plain turn from the second half of 2020.

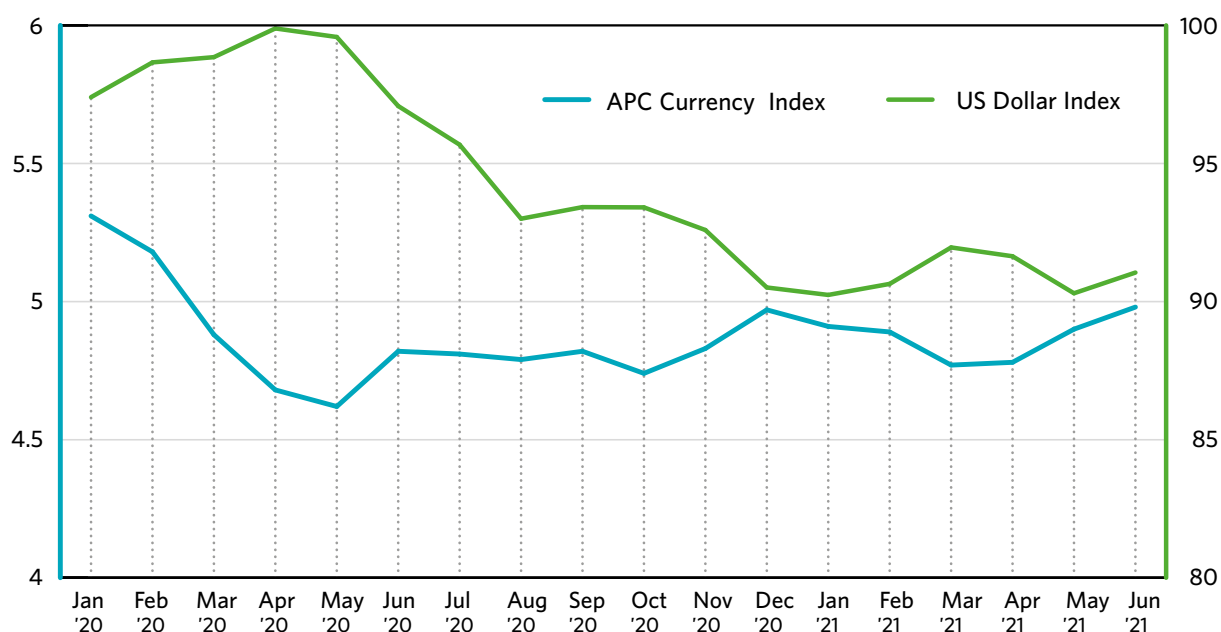


Main Market Drivers

Foreign exchange markets

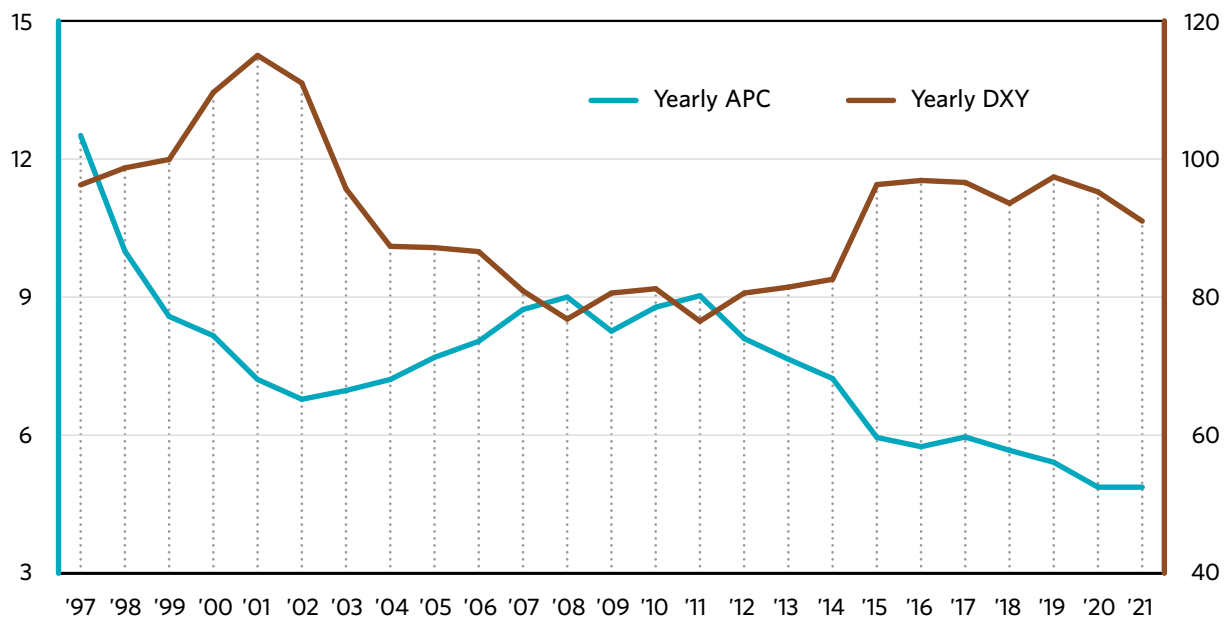
Since January, APC Currency Index shows weakening currencies of major MOP importers. The index shows that the importers' currencies exchange rates against the dollar index (DXY). The depreciation cycle began in mid-January 2021 and is expected to end between late April and early May, after which it will begin to gain back its momentum. APC Currency Index started losing bullish momentum against DXY in mid-December 2020. The anticipated appreciation of the local currency against the DXY stimulates the competitiveness of imported fertilizers. This factor affects demand more in the short run.

APC Currency Index





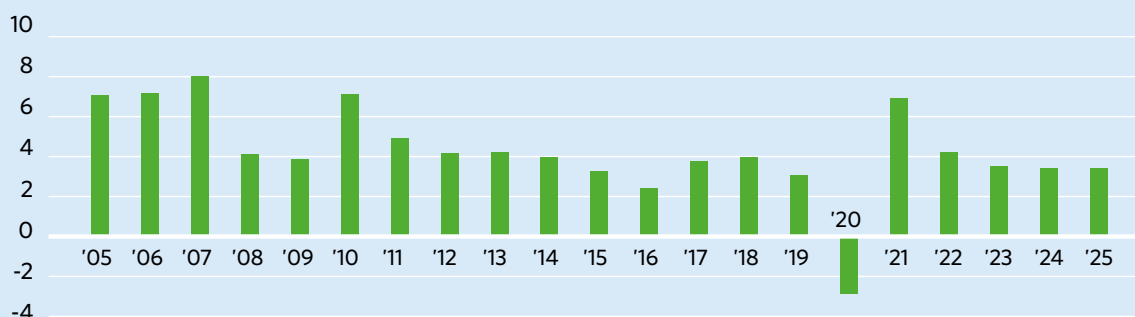
Long Term APC Currency Index



Economic Health Index of Major MOP Importers

The value-weighted Economic Health Index (EHI) of major MOP importers, including China, India, Brazil, and the U.S., shows a strong revive of these major economics. GDP growth rates are expected to grow at an average rate of 4.77% during 2021. Improving the economic health of major MOP importers means better economic conditions and more robust demand for MOP in favor of rising MOP imports and prices.

Major MOP Importers Economic Health Index



APC Main Crops Prices Index (2020-1990)

The APC Main Crops Prices Index (Corn, Wheat, Soybean, and Palm Oil) is rising very quickly by the end of 2020 and 2021. The strong demand for crops derives prices upwards. A rising index reflects healthy crops fundamental and better farmer’s affordability. According to APC estimates, higher crop prices are expected to boost potash demand by up to 5.66 % from 2020 levels.

MOP Consumption and APC MOP Consumption Index (MCI)

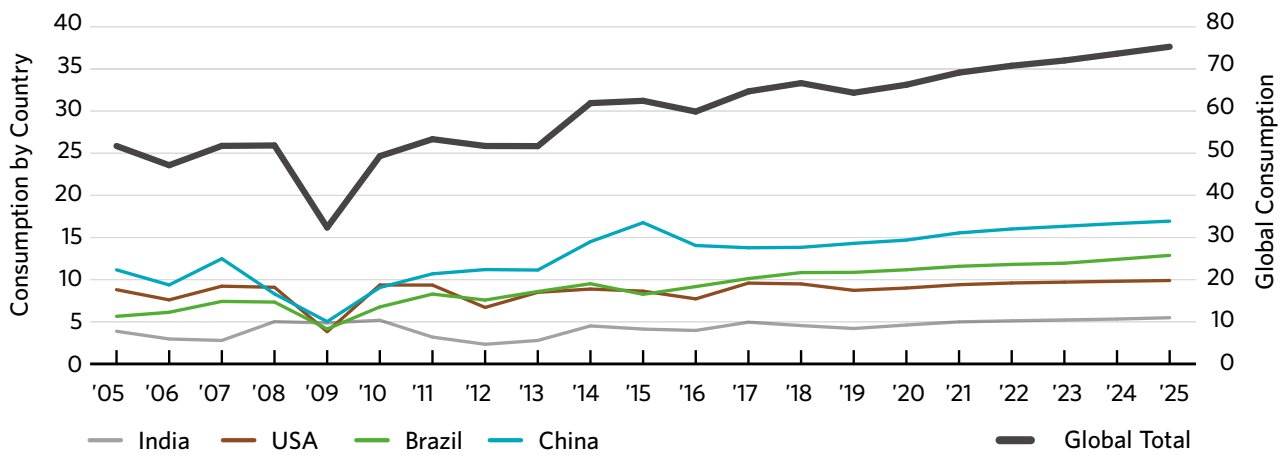
MOP consumption of major MOP importers will continue to increase at steady growth rates during the next five years. MOP consumption of China, Brazil, USA, India, and the Global total will increase, deriving MOP prices. APC Main MOP Consumers index (MCI) shows an increasingly strong trend as well.

APC Main Crops Prices Index

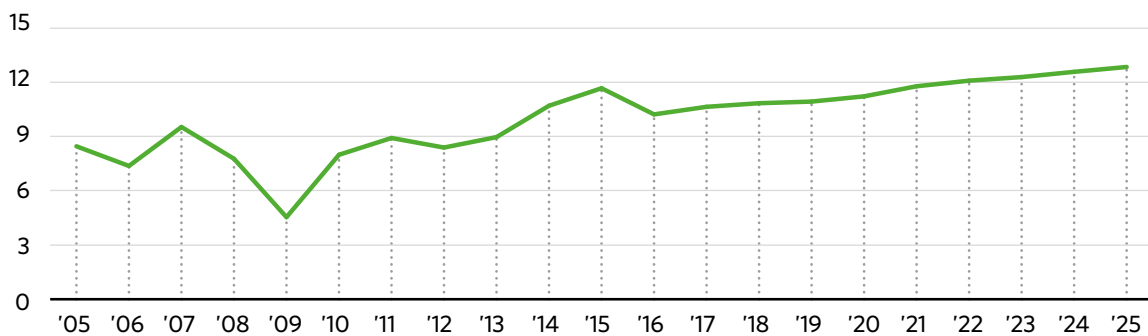




Total MOP Consumption (in Thousands)



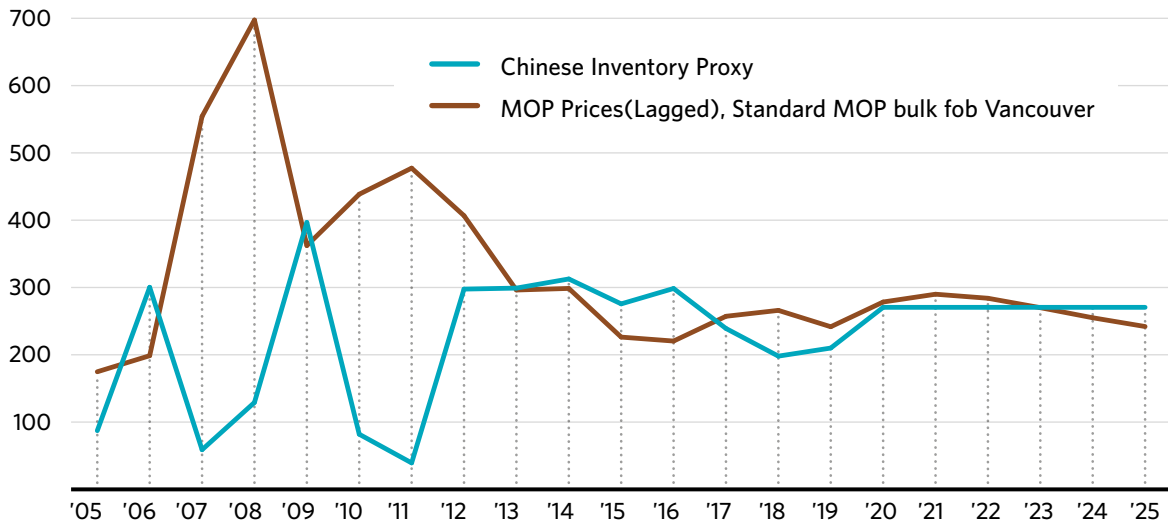
Main MOP Consumers Index



Inventory

Comparing the main importers' production, imports, and consumption shows a limited china's MOP carryover inventories by the end of 2020. Over time, depleting inventories are occupied by raising MOP prices and accumulating MOP inventory, accompanied by a decrease in prices. APC Inventory Proxy (I.P.) from 2005 till 2020 shows, without doubt, the negative relationship between stocks (especially China) and MOP prices. An upward/downward price change follows the points of intersection between MOP prices and China MOP inventories. The end of 2020 gives rise to a new inventory shortage-MOP prices new cycle.

Change in Inventory and its Effect on the Global MOP Price 2005-2025



Weather Conditions



The occurrence of favorable climatic conditions quickly affects the demand for agricultural products. The fair-weather conditions explain the growing need for fertilizers, and hence MOP demand and prices will increase. The United States of America has experienced unusual cold and wet weather conditions in mid-February 2021, as large areas suffered from extreme cold and heavy blizzards, causing major disturbance to the supply chains combined with power outages affecting millions of people, this cold wave has preliminary caused severe damage reaching almost \$10 billion. Despite the fact that the cold weather alongside the precipitation rate that averaged around 2.45 inches (according to the National Centers for Environmental Information) have disheartened the farmers hopes for an early start of application in the main growing areas but During March, the average temperatures in the U.S started to recover reaching 7.5°C, (above the 20th-century average). These temperatures ranked 2021's march in the warmest third of the 127-year period of record and will significantly help the U.S farmers to get back on track.

In Europe, cold weather help down down stocks as farmers apply MOP and drive more demand and, therefore, a higher expected price. In India, fertilizers demand grew for the last two years mainly fueled by the above the average monsoon as the 2019 season is considered to be one of the wettest seasons since 1994. According to the APEC Climate Center, India will probably witness an above-average south-west monsoon season of rainfall for April-June ahead of 2021.

Monsoons are a major demand factor for potash; Monsoon with a balanced distribution increases the crops yield and increases demand for plant nutrients and for every one percent growth in crops, it will be matched by a growth in demand for fertilizers at an average rate of 0.22%, according to APC estimates.

**growth in demand
for fertilizers at an
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Subsidy

North America

The United States Department of Agriculture (USDA) provides additional assistance through the Coronavirus Food Assistance Program one and two (CFAP1 and CFAP2) for certain agricultural producers whose operations were directly impacted by the coronavirus pandemic. This additional support builds on about \$23.6 billion in payments made available through CFAP 1 and new and modified CFAP 2. The additional assistance will support farmers for price declines and other marketing costs due to COVID-19. The North American potash market is expected to experience moderate growth over the long term.

India

Fertilizer subsidies allocated an additional amount for the sector in 2020-21 over and above the budget allocated for 2020, as part of the latest Covid-19 relief for stressed sectors. The finance ministry is expected to release a higher promised amount of Rs 1.36 trillion by March 2021, while the requirement is about Rs 1.28 trillion. India will start 2021-22 with minimal subsidy debts to fertilizer companies. In India, fertilizer demand grew exceptionally high during April-August 2020 over the same period in 2019, due to a good monsoon and Kharif acreage record increase.