GENESIS
FERTILIZERS

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Fertilizer Market Report

The fertilizer world continues to get rocked by geopolitical events

All fertilizer prices, across the board, are up since Friday

The Fertilizer Institute (TFI) explained that Russia accounts for 23 percent of ammonia, 14 percent of urea, and 21 percent of potash, as well as 10 percent of processed phosphate exports. As a result, the removal of Russian product from the global market will have an impact on supply. The issue is that it is impossible to try to guess how long this will impact global fertilizer markets.

UREA

NOLA urea prices were reportedly trading at USD $900/ST, up from a low of $600 last week. Depending on location, US urea terminal prices increased as much as $200/ST averaging anywhere from $925/ST to $955/ST. Closer to home, Eastern Canada saw offers jump to $1,400/MT from lows of $1,165/MT last week. With Russian vessels banned from Canada, we see it being quite difficult for those eastern provinces to get tonnes in the coming months. Urea NOLA futures for Q2 (April, May, June) jumped on average by US $87/ST on Monday. That is a big single day jump for Q2, indicating that market does not see these urea prices settling down anytime soon.

Distributors along the Mississippi continue to assess inventory levels as the hits keep coming from global nitrogen players. Hungarian producer Nitrogenmuvex is temporarily halting output of ammonia, citing high natural gas prices. Borealis, another European producer, is reducing production and considering a shutdown, according to Bloomberg. Yara has already announced shutdowns in France and Italy. Including optimization and maintenance at other production facilities, Yara said its European ammonia and urea production is expected to be operating at approximately 45 percent of capacity by the end of this week. The Security Service of Ukraine says that Russian troops are "seriously considering" blowing up ammonia storage facilities in Kharkiv Oblast and blaming it on Ukraine's armed forces, according to The Kyiv Independent.

Fertilizer exports from the Black Sea region were impacted quickly as ports shut down early in the conflict. The Arab Gulf is reportedly sold out of urea until March and the UK banned all Russian ships from its ports. The European Union banned all imports of Belarusian potash. Urea and DAP imports into the UK will likely be most impacted within the fertilizer complex. This will force the UK to seek N and P from different locations which will tighten supply further and support prices globally.

Of course there will be some demand destruction given the high prices however we believe that the lack of supply due to extraneous issues will outweigh the demand destruction and keep prices propped up through the spring season. Western Canada will also likely see reduced supply as some retailers were waiting for prices to fall. It did not happen and now spring positions could be short.

PHOSPHATE

To be sure, the reason we discuss NOLA prices first is because western Canada is now priced completely on import parity following the closure of the Redwater phosphate production facility. This week DAP NOLA was reported at $975/ST, up from a low of $850 last week. Absolutely on fire. Interesting in a way, given that Russia accounts for only 10% of US imports. We believe that MAP imports into western Canada will remain a difficult situation for the foreseeable future. On that subject, read below the tidbits about Koch Fertilizer partnering with OCP phosphates on

distribution.

In summary, we believe that the market in western Canada will remain tight for the next few quarters at least. It will take time to sort out the geopolitical issues which, in our view, will keep the fertilizer markets on edge. We do not see any significant price relief this spring and possibly through summer fill.

Industry Tidbits

Koch Ag & Energy Solutions (Koch) and OCP have signed an agreement under which a Koch affiliate will acquire a 50% interest in Jorf Fertilizers Company III (JFC III) from OCP, the world's largest phosphate mining and leading global fertilizer group. When closed, the transaction will establish a 50/50 joint venture. JFC III owns and operates an integrated phosphate fertilizer production facility in Jorf Lasfar, Morocco, with the capacity to produce up to 1.1 million metric tons annually of phosphate-based fertilizers. JFC III is one component of the Jorf Fertilizer Complex, the world largest Phosphate fertilizer production platform. We believe that we will likely see more consolidation between production and distribution in the coming months/years as players try to leverage production and distribution assets and attempt to get closer to farmers.

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