

IFDC FOCUS ON FERTILIZERS AND FOOD SECURITY

Issue 7; September 8, 2008

High Fertilizer Prices, Shortages Cause Worldwide Social Unrest

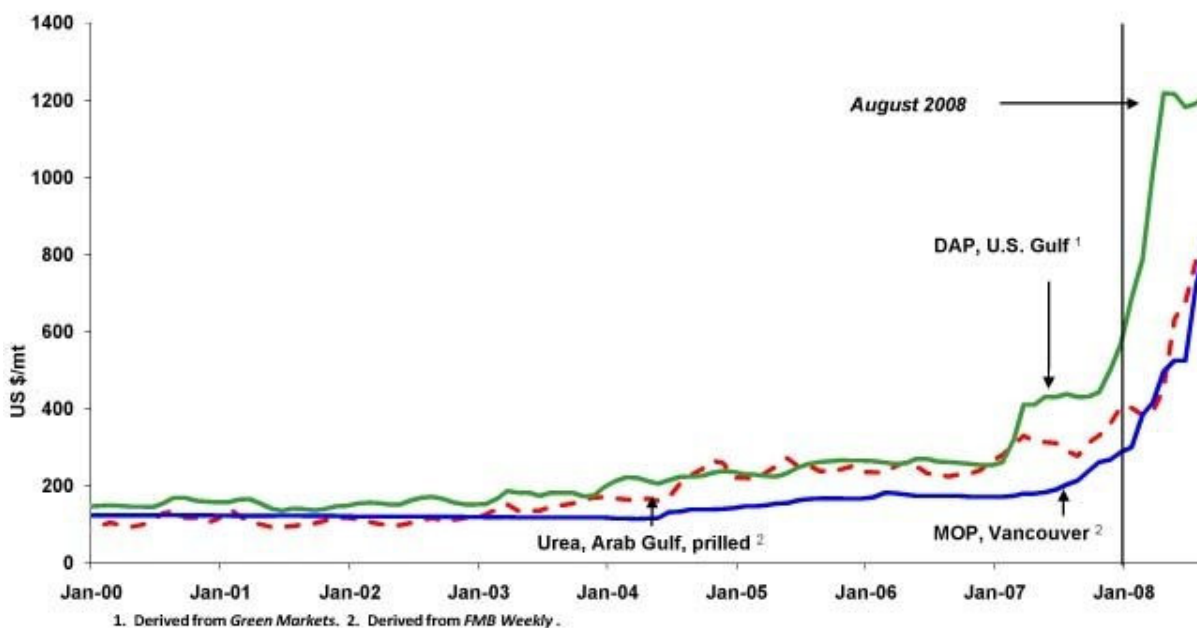
Fertilizer Riots, Black Marketing, Looting, Violence Reported in Asia, Africa

"Food riots" is a well-known term but a new term—fertilizer riots—is now entering the lexicon of world food security. The unprecedented rise in fertilizer prices and acute shortages in some areas are causing social unrest and even violence in many developing countries.

The prices of most fertilizers have at least tripled over the past 1½ years. Urea, the most common nitrogen fertilizer, has risen in price from an average of US \$281 per ton in January 2007 to \$402 in January 2008, then \$815 in August.

Diammonium phosphate (DAP) rose from \$252 per ton in January 2007 to \$688 in January 2008, then \$1,216 in August. Muriate of potash rose from \$172 in January 2007 to \$300 in January 2008 to \$838 in August (see figure).

**Fertilizer Prices
(FOB, bulk)
Monthly Averages
January 2000 - August 2008**



World fertilizer prices, especially diammonium phosphate, rose sharply in 2007 then skyrocketed—off the chart—from January to August 2008. FOB = free on board (average price, with buyer paying freight and insurance, to destination port). DAP = diammonium phosphate. MOP = muriate of potash.

IFDC Graph by IFDC—An International Center for Soil Fertility and Agricultural Development

Fertilizer riots and demonstrations, hoarding, black marketing, and violence have been reported recently in India, Pakistan, Ethiopia, Philippines, Taiwan, Nigeria, Vietnam, Kenya, Nepal, and Egypt.

"The global food crisis has caught many by surprise, but the demand for food, feed, and fuel has been increasing for some time," wrote Peter McPherson, Chairman of the IFDC Board, and Dr. Amit Roy, IFDC President and CEO, in IFDC's 2007/08 Corporate Report. The squeeze on both food and fertilizer supplies is caused by increasing populations, higher petroleum prices, new demands for meat in the growing economies of China and India, and a rush to convert food crops such as corn to biofuels. Failure of much of Australia's wheat crop, speculation, and bans or high tariffs on grain and fertilizer exports also contribute to the problem.

"All of these factors—plus the fact that the world's fertilizer supply has not kept pace with fertilizer consumption—are driving fertilizer prices up," McPherson and Roy wrote.

Fertilizer supplies will probably remain tight for 2 to 3 more years, says Dr. Balu Bumb, IFDC Economist and Leader of the Policy, Trade, and Markets Program.



Fertilizer being distributed from a warehouse in Chimoio, Mozambique

Higher prices for farm produce such as corn and soybeans have offset the higher fertilizer prices for many large commercial farmers, Roy says. But higher food prices are not generally helping small-scale farmers in developing countries who either consume most of what they grow or have limited access to global markets.

"Subsistence farmers in Sub-Saharan Africa are hit hardest," Roy says. "They desperately need fertilizers to replenish their nutrient-depleted soils—but have the least chance to benefit from soaring food prices."

Hoarding: Food and Punishment

As food prices have soared, some countries, including India, Thailand, and Pakistan, have enacted harsh penalties for hoarding, The Atlantic reported in September. The Philippines has been among the most aggressive; it has created an Anti-Rice-Hoarding Task Force to seek out hoarders and is punishing them with life sentences for "economic sabotage" or "plunder."

India: Protests, Looting, and "Fertilizer Blues"

Andhra Pradesh State

Farmers broke into a fertilizer shop and looted DAP before police could intervene in Guntur District of Andhra Pradesh State, The Hindu reported in a front-page story on Sept. 3.

"Complete mismanagement of fertilizer distribution by the Agriculture Department together with 'zero' supplies from manufacturers...have created a volatile situation," The Hindu reported, adding that Guntur District has Asia's highest fertilizer consumption per unit of land.

A farmer was killed in a stampede during a government distribution of fertilizer in Hyderabad, The Guardian reported on August 12.

Farmers in Nizamabad and Anantapur districts, as well as Guntur, have gone into the streets to protest the shortage of fertilizers and improved seeds, the Indo Asian News Service reported on June 13. Farmers have blocked roads and demonstrated at government offices to demand that the government address the fertilizer price and supply issue.

Two farmers were killed in the scramble for fertilizers in Warangal and Karimnagar districts, The Times of India

reported on July 12. The acute fertilizer shortage in Warangal, Karimnagar, and Khammam districts has caused farmers to accuse dealers of hoarding fertilizer stocks. A fertilizer dealer in Kakinada stabbed a journalist after publication of an article critical of fertilizer suppliers. Farmers allege that the government is not cracking down on local fertilizer dealers for black marketing and hoarding.

Maharashtra State

"The enforcers of law and order are not fighting angry mobs or staving off a terror attack. They're distributing fertilizer to furious farmers," P. Sainath of The Hindu reported on June 23, describing the situation in Washim District of Maharashtra State. The article, titled "Fertilizer Blues: From Market Yard to Police Yard," describes distribution of fertilizers by uniformed police from the Washim police station. "There's a tragic-comical touch to it," Sainath wrote. "The cops are as bemused by the situation as the farmers are."

Karnataka State

Seventeen farmers in Bangalore committed suicide from June 1 to 20; many of the deaths were attributed to the fertilizer situation, The Hindu reported on June 22. Bangalore officials have announced plans to suspend some development work to allocate funds to address the fertilizer price and supply situation, The Hindu reported on June 25. Police were reported to monitor fertilizer sales to prevent hoarding and avoid potential violence.

Government officials in Karnataka have issued stern warnings to fertilizer dealers against hoarding because it creates an "artificial scarcity." The officials also warned that action would be taken against black marketeers and those who sell fertilizers at rates higher than the government sets.

Manipur State

A farmers' group in Imphal, Manipur State, called for the resignation of the state agriculture minister "for his inability to arrange adequate fertilizers for the state," the Imphal Free Press reported on Aug. 30. The group alleged that authorities were trying to sell Manipur's quota of fertilizers outside the state at higher prices.

Black Marketing—and Raids—in Pakistan

About 1,800 bags of urea fertilizer were recently confiscated in raids of black marketeers around Karachi and sold to farmers at the government rate, the Regional Times reported on Aug. 31.

The Assembly of Punjab Province has issued a warning to the "fertilizer mafia who are involved in black marketing and creating artificial shortages of fertilizer and causing tremendous loss to farmers and the nation," the Frontier Post reported on Aug. 20. Punjab has a shortage of 600,000 tons of urea. The Punjab Agriculture Department recently conducted 283 raids and filed 260 charges against "hoarders and dealers of sub-standard fertilizers." Raids in Multan and Lodhran districts alone have netted 214,000 bags of hoarded urea, valued at Rs. 24.3 million (\$319,000).

Ethiopia Diverts World Bank Loans to Buy Fertilizer

Ethiopia and the World Bank are close to an agreement that will allow the Horn of Africa country to divert \$237 million in loans and grants for infrastructure projects to purchase fertilizer, Bloomberg reported on Aug. 15. An additional \$64 million in credit from the African Development Bank will be diverted for fertilizer purchases, the state-run Ethiopian Herald said on Aug. 2.

Financing of the fertilizer is equivalent to about 10% of the World Bank's \$2.4 billion Ethiopia program, which includes \$1.6 billion in loans and \$800 million in grants in 2008. Most of that money had been allocated to road building, irrigation systems, and the construction of power transmission lines to connect Ethiopia and Sudan.

Philippines: Call for Investigation of "Fertilizer Cartel"

The clamor of sugar planters for an investigation of an alleged "fertilizer cartel" has the support of Philippine Senate President Manuel Villar, the Visayan Daily Star reported on Sept. 1. Villar said he will "propose a law to address the cartel, not only in fertilizers, but also in other products."

Hoarding in Taiwan

The government in Taipei lifted a 3-year freeze on fertilizer prices in July 2008. Farmers protested that the resulting 70% escalation of prices immediately triggered hoarding, causing fertilizer shortages.

About 200 farmers in southern Taiwan held up fertilizer bags marked with slogans, such as "Fertilizer Prices Rise, Farmers Die," in recent fertilizer price protests, the International Herald Tribune reported on June 6.

A worker of the Taiwan Fertilizer Co. is being investigated for hoarding fertilizer, according to the China Post on June 8. "The severest possible punishment would be meted out if the investigation finds the worker to have hoarded," a company spokesman said.

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nigeria

Protesting farmers in Anambra State blame local government administrators for high fertilizer prices, AllAfrica.com reported on July 31. Nnamdi Mekch, head of the All Farmers Association of Nigeria (AFAN), has charged that government administrators have imposed additional "handling charges" on bags of fertilizer. "Farmers vowed to resist by not buying the fertilizer," he said.

Analysis

The fertilizer shortage is increasing social unrest globally and impacting the lives of millions of the world's poorest people. Farmers are angry about the escalating prices of fertilizer, or its lack, when they need it.

"World political leaders and agricultural associations are increasingly recognizing that fertilizer is necessary to avert widespread hunger, even famine," Roy says.

Soaring oil prices, shrinking world grain stocks, and the growing demand for food crops such as corn, sugarcane, and palm oil to make biofuels contribute significantly to today's high prices and short supply of fertilizers.

Solutions

There are no quick and easy solutions, but Bumb says, "In the short term, development partners and national governments should provide purchasing power support to smallholder farmers. In the medium and long term, efforts to develop markets should be strengthened. And research is obviously needed to develop technologies that will increase the efficiency of fertilizer use so the available expensive nutrients will produce more food and fiber."

Governments and the fertilizer industry should continue to seek ways to convert raw materials to fertilizer more efficiently to reduce costs and ease shortages.