BSP

BUSINESS & SCIENCE POLAND

PIPC POLISH CHAMBER OF CHEMICAL INDUSTRY

**Warsaw, 18 February 2025**

**Polish Fertilizer Industry Position Paper on the European Commission's Proposal to Impose Tariffs to Reduce EU Dependency on Fertilizers from Russia and Belarus: A Call for Greater Ambition**

As representatives of the Polish Chamber of Chemical Industry, Business and Science Poland, and affiliated member companies from the fertilizers sector, we welcome the European Commission's initiative regarding the proposed imposition of tariffs on Russian and Belarusian fertilizers.

**While we appreciate that action has been taken in this matter, we believe that the proposed measures are not ambitious enough to enable a swift stabilization of the fertilizer market. Additional, more robust solutions are necessary to effectively address the challenges faced by European producers and farmers.**

The synergy between farmers and fertilizer producers is based on mutual interests and interdependence. Therefore, we appreciate that the Commission's proposal has been introduced as a comprehensive package that not only imposes additional tariffs on fertilizers but also includes measures addressing food imports from Russia and Belarus. It rightly acknowledges that Russian and Belarusian producers benefit from fertilizer prices around 40% lower than import costs, with prices for Russian farmers frozen at the September 2022 level until May 2025[1].

We emphasize that the level of protection granted to the agricultural sector is disproportionate to that of the fertilizer industry, which remains exposed to unfair competition. **The European fertilizer sector, which directly influences the stability of agricultural prices and food security, must receive the same level of robust protection as farmers**. Without this, the long-term viability of domestic fertilizer production is at risk, which would, in turn, negatively impact the entire agricultural supply chain.

There is no doubt that, for the sake of food security and market resilience, **fertilizer production must remain within Europe to avoid excessive dependence on external suppliers and mitigate risks of supply disruptions.** This is particularly critical given the aggressive market strategies employed by Russia and Belarus, who seek to dominate the European fertilizer market by **displacing both local producers and alternative suppliers from other regions**. This unprecedented market capture effort poses a significant risk of long-term dependency, reducing Europe's capacity to maintain stable agricultural input supply chains and ensuring food security.

**The implementation of significantly stronger protective customs duties is an urgent necessity to effectively curb the influx of fertilizers originating from the Russian Federation and the Republic of Belarus into Poland and the European Union**. The proposed measures must go further to truly ensure fair competition, support domestic production, and stabilize the European fertilizer market.

1 https://tass.com/economy/1871701 - Price freeze on Russian fertilizers extended.

**We advocate the following adjustments to the to the European Commission's proposal:**

1. **Immediate application of duties and introduction of official monitoring of imports of fertilizers on the EU level in real time.**

2. **Change the import duties to ad valorem rates for all thresholds with gradual implementation to occur every six months.** Tariff rates should be expressed in percentage rates and not as per tonne rates since it would better reflect unjust market advantages of Russian importers and the fact that the nitrogen content varies across fertilizers types and differentiates prices for specific types of fertilizers.

3. **Extend trade measures to include products under tariff code 3104, which covers mineral or chemical potash fertilizers.** Currently, imports of Muriate of Potash (MOP) are largely driven by suppliers from Canada, Germany, and Spain, alongside Russia and Belarus, whose market presence has been significantly reduced due to sanctions. Given the critical role of MOP in agricultural production and the potential for trade distortions, it is essential to ensure that all major global suppliers are subject to equal regulatory scrutiny. In addition, new capacities are being built, e.g. in Laos (which will increase by almost 70% between 2024 and 2038) from where sales were made to Europe, among others. If the US imposes tariffs on Canada, volumes may be redirected to other markets. Canada exports around 22 million tonnes of MOP per year, almost half of which goes to the US (about 90% of MOP imports to the US come from Canada). Global demand for MOP will remain stable in the near term. Global capacity will grow by 6% between 2024 and 2038, with Russia and Belarus growing by only 4%, while Canada will grow by 12%.

**Immediate application of the tariffs/duties.**

The fertilisers from the eastern direction, as the substitute of decreasing gas imports from Russia to the European Union, started flooding EU market already in 2021. Since 2021 no protective measures or mechanisms were introduced for the fertilisers industry, which has been clearly evidenced by the underperformance of EU fertiliser companies, the lack of production profitability and cost competitiveness of the EU fertiliser industry as well as numerous production reductions. **The EU fertiliser industry has been losing its competitiveness since 2021 due to uneven playing field resulting from cheap gas supply in Russia.** Immediate imposition of duties would only even the playing field and help EU fertiliser industry compete with Russian counterparts.

Limiting the inflow of Russian fertilizers would have a **minimal impact on EU recipients**, both in terms of price and availability. As indicated in the **Argus**[2] impact assessment report, the exclusion of Russian fertilizers from the market **would not lead to a significant price increase**, as there are sufficient alternative suppliers, particularly from **Algeria and Egypt**, which benefit from **duty-free access** to the EU and favorable logistics.

---

[2] ARGUS - Urea Market Prices: Tariff & Supply Shock Impact Assessment 19th November 2024 Fertilizers Europe

The report analyzes a **worst-case scenario**, where Russian urea is **completely eliminated from the EU market** due to **high tariffs or a full import ban**. Even in this extreme case, the market is expected to adjust by **redirecting Russian exports to other regions**, ensuring that the overall supply remains stable. As a result, the estimated impact on EU urea prices would be limited to **approximately 5-10 EUR/t**, primarily due to trade pattern adjustments and minor freight inefficiencies, rather than a structural supply shortage.

According to European Commission data, purchases of fertilisers represent only around 6% on average of the share of input costs and up to 12% for arable crops farmers[3]. **An increase in the price of urea by €10 per tonne would lead to an approximate rise in total agricultural production costs of 0.12% for general farming operations and 0.24% for arable crop farms.**

**Therefore, the exclusion of Russian fertilizers from the European market will not significantly affect farmer costs or food prices and will strengthen food security and EU economy by stimulating domestic production. EU fertilizer industry accounts for 76 000 jobs.**

Additionally, even in the absence of imports from Russia and Belarus, the **EU market would remain well-supplied**. According to **Fertilizers Europe, nitrogen fertilizer consumption in the EU was below 50% of the total production capacity in 2022/2023**, while in Poland it was slightly above **40%**

**Increase the import duty for all thresholds** – i.e. conversion of the specific rates into percentage rates both for CN 3102 CN 3105 and 3104 codes, starting from 1 July 2025. Tariff rates should be expressed in percentage terms and not as per ton rates since it would better reflect unjust market advantages of Russian importers and the fact that the nitrogen content varies across fertilizers types.

Since the end of 2021, the fertilizer industry (especially Polish) has been negatively affected by the consequences of the policies of the Russian Federation and the Republic of Belarus (gas prices, excessive imports at uncompetitive pricing).

As a result of their policies, Russian fertilizers producers have been generating margins several times higher than those of EU producers, including Poland, reaching up to 40%-50% in the last two years. It is noteworthy that top European producers achieve EBITDA margins of up to 20%, while Polish producers generate margins in the -10% to 10% range.[4]

Russia continues to invest in expanding its fertilizer production capacity. In 2024, the country achieved a record output of over 63 million tonnes of fertilizers, marking a 6% increase from the previous year. Projections indicate that by 2030, Russia aims to boost its fertilizer production to nearly 80 million tonnes, contingent upon sustained export growth and the development of the domestic market.[5]

---

[3] https://agriculture.ec.europa.eu/common-agricultural-policy/agri-food-supply-chain/ensuring-availability-and-affordability-fertilisers_en

[4] https://www.fertilizerseurope.com/news/european-parliament-event-hosted-by-mep-krzysztof-hetman-on-cheap-fertilizers-from-russia-another-threat-to-the-eu-economy/

[5] https://rapu.ru/news/kommentariy_prezidenta_rossiyskoy_assotsiatsi/5896/

**Further actions by the Russian Federation and the Republic of Belarus, unrestricted by effective trade barriers, will lead to the elimination of European fertilizer producers – with the prospect of even greater potential for destabilizing actions not only on the fertilizer, but also food markets.**

With a significantly lower gas prices available to the Russian producers resulting from the surpluses of the natural gas extracted by Russian oil & gas companies, there is a vast space for import duties to reduce Russian companies' profits at the same time protecting EU companies. **Import duties on the level of the proposed 40-45 EUR/ton are insufficient to create level playing field and are still favourable to Russian companies that would still try to flood EU market.** As a consequence, their level should be increased to values that would fully reflect the unjust market advantages that Russian fertilisers get thanks to basing their production on Russian gas.

**Therefore, we would like to propose change the import duties to ad valorem rates for all thresholds starting from the level of 30-40% with gradual implementation to occur every six months.**


**Bartek Czyczerski, CEO**

---------------------------------------

**Business & Science Poland**

**Tomasz Zieliński, Ph.D., Eng.**

**President of the Board**

---------------------------------------

**Polish Chamber of Chemical Industry**