

Speciality fertilizers – priced for performance



In the oil industry it has been said that “a commodity producer should be comfortable being exposed to prices”. It is clear that many producers in the fertilizer industry are not, and have consequently moved into new territory with speciality fertilizers. Here they seek to limit their exposure to swings in raw material prices, and secure greater protection from their competitors. The recent history of commodity fertilizer prices makes the transition look more attractive than ever, but what are speciality fertilizers, and how are they priced differently to commodity fertilizers?

There are many definitions of speciality fertilizers, often drawing contrast with commodity products:

Commodity fertilizers

- Fertilizers produced in large volume by a number of producers
- Standard specification product, accepted widely, so that suppliers are interchangeable
- Strongly affected by benchmark pricing, or raw material pricing
- Low on the value chain

Speciality fertilizers

- Not available from many suppliers
- Focused strictly on fulfilling the customer’s need
- Value-in-use and communication
- Small-volume, high-value products
- Investment in technical support and marketing

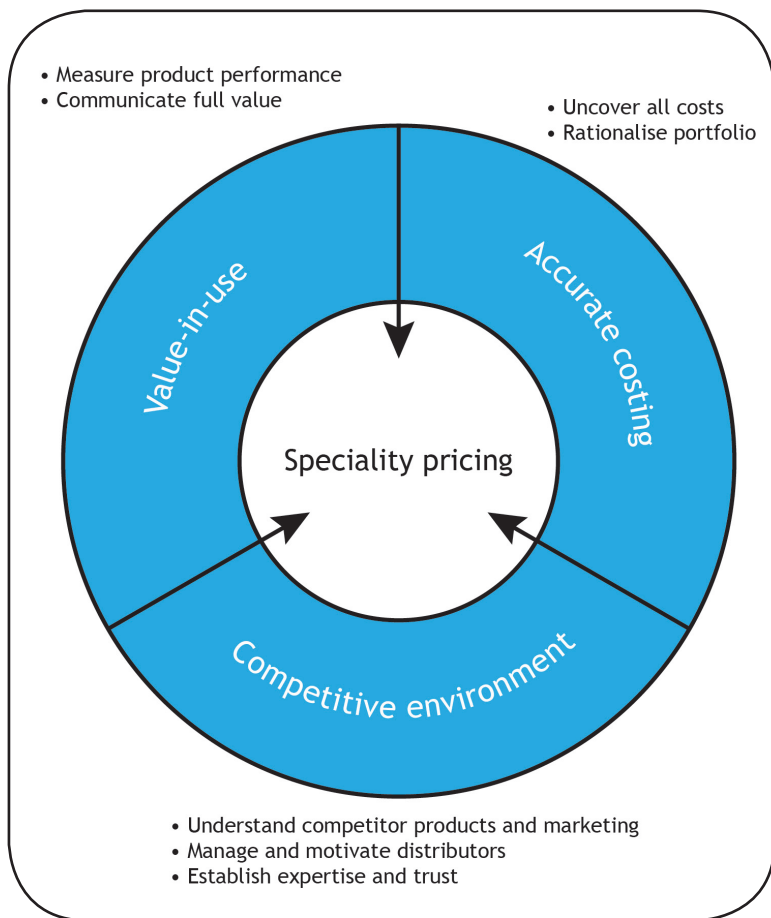
Speciality fertilizers require a sharpened focus on the grower’s needs, and on the added value that growers can obtain and measure financially by using the product, and this requires a greater investment in technical marketing and support. The rewards of higher margins can be considerable, but they are not achieved without investing more in sales activity and attempting to secure a deeper understanding of the market.

Speciality fertilizers are priced to reflect their performance, not their production costs, and achieving speciality prices depends on far more information than simply current benchmark settlements. Speciality pricing is a result of inputs, not only of costs, but also an assessment of the full value-in-use by the grower, which may include factors beyond yield, among which are:

1. **Quality:** Speciality fertilizers may have significant impacts on appearance, marketing or distribution characteristics of a crop, particularly valuable in high-value fruit and vegetable produce.
2. **Post-harvest life and wastage:** Poor-quality fruit and vegetables are more prone to breakdown disorders and infections. Optimum plant nutrition helps reduce the blemishes and cracks that make crops vulnerable and run the risk of wastage after harvest.
3. **Increased nutrient-use efficiency:** A tailored and efficient fertilizer, utilising beneficial nutrient interactions to the full should reduce waste and run-off, bringing environmental as well as economic benefits.
4. **Increased water-use efficiency:** Optimal nutrition and root growth demonstrably improves water-use efficiency, and as water becomes a more valued resource in many parts of the world, the

value-in-use of speciality fertilizers will become more pronounced.

Speciality fertilizer pricing is the result of a detailed understanding of costs, competitors and value-in-use:



Speciality fertilizer producers understand all aspects of their costs, even the hidden costs, and the costs of complexity in an existing product portfolio, and aim to maximise margins and develop more profitable product groups where there is less competitive pressure. Existing special grades may not be bringing the real returns that a speciality producer expects, and may be eliminated if the customer does not accept their real value. Speciality pricing also takes a lot more consideration of competitor products and marketing, and relies often on the careful management and motivation of distributors to establish trust in the value of a product. And beyond the distributor, at the level of the final end-user — the farmer — it is essential to understand and measure the maximum value and effect of the product, and to communicate this loud and clear to all parts of the commercial chain.

NPK compounds, once a speciality, have seen margins eroded as weak raw material prices, particularly in the last year, offered no support to a premium pricing mentality. Blending threatens to consume market share carefully built up by compound producers, as farmers tighten their belts. Products usually have a natural life cycle, and those which begin as specialities often become slowly commoditised as more suppliers follow with similar offers. This means having a speciality product is not enough in itself — a speciality fertilizer company needs to develop an entire ‘speciality way of thinking’, and a commitment to continuous improvement and product refinement, acquiring skills that are not commonly present in commodity sectors.

Argus Consulting Services has produced a new Briefing Report on Speciality Fertilizers, which aims to illuminate the sector. The report segments and explains the markets for:

- Enhanced efficiency fertilizers
- Water soluble fertilizers
- Micronutrients
- Secondary nutrients
- Biostimulants

Aimed to assist commercial and business development functions to identify target markets, the report explains the product groups, supply and demand dynamics, and the major players in each sector.

Learn more

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