Brazil is a major fertilizer importer and consumer. Fertilizer deliveries to Brazilian farmers reached 45.8 million metric tonnes (t) in 2021, of which 85.5pc were supplied by imports, that reached 39.2mn t in the year. The country’s domestic fertilizer production accounts for around 7pc of the deliveries and totaled 6.9mn t in 2021. Brazil launched a national fertilizer plan to reduce its dependency of imports, but it is a long-term goal.

There are estimates that deliveries may fall in 2022, to around 41mn to 42mn t, because of unfavourable bater rates to farmers earlier this year. That would represent a decrease over 2021, but it would still be a significant volume and it would be higher than the volume delivered in 2020 of 40.5mn t.

Brazil is a continental country, with agricultural production from North to South, what makes the country a massive consumer of fertilizers. The main producing pole is the Brazilian Central-West, but there are other important agricultural frontiers, especially in the North and Northeast regions.

In this context, Brazilian fertilizer market is a highly liquid market, with negotiations carried out in advance and often via barter, that is, the exchange between inputs for agricultural production, including fertilizers, and agricultural commodities. Argus prices can be used to mark-to-market or contract indexation and are certified by IOSCO.

The buyer-side, among them farmers and farmer cooperatives, can use prices as a reference for mark-to-market, calculating open positions by comparing the price transitioned with the weekly price assessed. Prices assessed by Argus can also be used for contract indexation and deals. As Brazil is a continental country, there are a high spread between prices practiced in different regions. Farmers target markets where they can arbitrate between most competitive products from Northern or Southern players, a practice to maximize profitability.

Apart from farmers and cooperatives, domestic fertilizer prices serve to another vast wide of publics. Input suppliers can also benefit from the domestic fertilizer prices. Global fertilizer producers can use Argus’ assessments to calculate gross margins, comparing prices on effect on the cfr basis to domestic prices practiced regionally.

On the Brazilian domestic market, there is a wide range of
prices, depending on the region where the fertilizer is sold, the import price, the availability of fertilizer and the demand in the domestic market. As a result, the agricultural chain faces difficulties in pricing fertilizers in the domestic market, owing to the lack of a benchmark, a derivative that would make it possible for buyers to lock in prices.

The differences between the prices practiced in each of these markets do not necessarily reflect the cfr price added to the freight rates. Although in general the price trend is the same, each market has different dynamics.

Domestic prices weekly assessed by Argus encompass Rondonopolis, in Mato Grosso state, and Paranagua, in Parana state, two of the main fertilizer trading centers. Argus has a local presence, with a team based in Brazil and with direct access to the main domestic market players. Argus Brazil Grains and Fertilizer report is published both in Portuguese and in English, enhancing the public access to its content.

Rondonopolis is a key city for the Brazilian fertilizer market. It is a fertilizer blender hub and it is strategically located, with easy access to the most developed agricultural region in the state, that is, the north of Mato Grosso, via BR-163 highway. The city is at an important point both for selling local production and for receiving imported fertilizers, especially volumes arriving at the port of Santos, in Sao Paulo state, via BR-364 highway. Complementary Santos/Cubatao-Rondonopolis is one of the 21 road routes weekly monitored by Argus in the publication Argus Brazil Grains and Fertilizer.

Paranagua is another key hub regarding imports. The port of Paranagua received almost 30pc of Brazilian fertilizer imports in 2021, with 11.4mn t received in the year. From January to August this year, the port of Paranagua received 7.4mn t. It is the main gateway for fertilizers in Brazil. The strategic location allows fertilizers delivered in Paranagua to be easily shipped to the producing regions of southern Brazil, including the possibility of rail transport to Santa Catarina, as well as to the Central-West and Southeast via highways.

It would not be enough, for example, to add the freight rate to the prices practiced in Paranagua to reach the price practiced in Rondonopolis. Usually, prices in Rondonopolis have a premium over those practiced in Paranagua. But there are times when the trend is reversed for fundamental reasons. This year this trend was evident in August, when many sellers reduced their offers in Rondonopolis, owing to crowded warehouses, in an attempt to attract demand.

Brazilians domestic market should be at full speed regarding nitrogen purchases for the 2022-23 corn crop, but Brazilian farmers slowed down purchases, expecting for a decrease on fertilizer prices and an appreciation on the commodity price. Next year may begin even slower in the Brazilian market, amid estimates of a higher passing stock over 2021 and with farmers expecting to benefit the most from the international commodity prices.