

European Union Enlargement



New Challenges for an Enlarged European Fertilizer Industry

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The Fertilizer Round Table, Winston-Salem: October 2003

Enlarged EU: a new picture



Main Economic Indicators

	EU – 15	AC – 10	EU – 25	% Increase
Area ('000km ²)	3.235	739	3.974	+23%
Population (Mio)	379	75	454	+20%
GDP (Mio €)	8.524	340	8.864	+4%
GDP in Agriculture (Billion €)	151	12	180	+8%
Labour Force in Agriculture (Mio)	7.1	3.7	10.8	+52%

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Enlarged EU: a new picture



Agriculture: basic indicators

	EU-15	AC-10	EU-25	change
Total Agricultural Area (Mio ha)	130	39	169	+ 30%
Average size of farm (ha)	18.7	9.0	15.5	-3.2 ha
Agriculture: share in GDP (%)	2.0	3.8	2.0	
Agriculture: share in labour force (%)	4.3	14.3	5.7	

Enlarged EU: a new picture



Agriculture: EU Funding 2006

	EU – 15	AC – 10
Total EU Funding 2006 (Bio €)	41.8	2.6
Total agricultural land ('000 ha)	130 004	38 620
EU Funding per hectare (€/ha)	321.5	68.6
EU Funding per hectare adjusted (PPS/ha) for purchasing power standards	321.5	153.1

Accession Criteria Evaluation



□ Main economic developments

- » “Over the period 1997-2001, in most candidate countries economic growth was above the EU average of 2.6%. GDP per capita reached 39.3% of the EU average in 2001. Over the five-year period, most countries did catch up. Candidate countries have continued to adjust their production structures. The agricultural sector's share in GDP declined over the period, and the service sector further increase, although not yet reaching EU levels.” p. 14
- » “These countries have made further and sufficient progress in macroeconomic stabilization and economic reform and the continuation of their current reform paths should enable them to cope with competitive pressure and market forces within the Union.” p. 15

□ **Acquis communautaire: general statement**

- » “In most cases, candidates generally meet the commitments made in the negotiations. In some cases, candidates have problems, ... mainly in the areas of agriculture, environment and fisheries.” p. 12

Source: European Commission – Towards the Enlarged Union, Strategy Paper, Oct 2002
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Acquis Communautaire



□ AGRICULTURE

- » “In the *agriculture* sector, most countries need to finalize alignment of their legislation and to reinforce their administrative capacity to implement and enforce the CAP acquis. The candidates concerned will be unable to benefit fully from the CAP support systems.”
- » “A number of countries still need to conclude the process of agricultural land reform.” p. 19

□ ENVIRONMENT

- » “In the *environment* sector, candidates need to reinforce their overall administrative capacity to apply the acquis, in particular in the areas of waste management and industrial pollution. The provision of necessary financial means needs to be ensured.” p. 17

Source: European Commission – Towards the Enlarged Union, Strategy Paper, Oct 2002
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Acquis Communautaire

□ INDUSTRIAL POLICY

- » “Privatization of the economy has made impressive progress since 1997, reaching levels comparable to the EU, but efforts are required to complete the restructuring of a number of sectors.” p.15

□ COMPETITION

- » “As regards state aid, ... incompatible existing aid schemes, ... should be brought into line with the acquis and the enforcement track record needs to be developed. A number of countries still need to improve state aid control in certain sectors where restructuring plans need to be implemented.” p.17

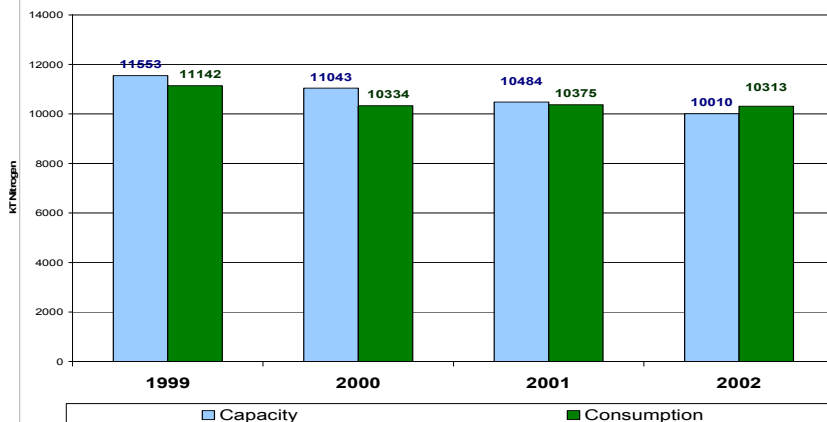
Source: European Commission – Towards the Enlarged Union, Strategy Paper, Oct 2002

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EU-15 Nitrogen Balance

Excluding Trade (1999-2002 – kT N)



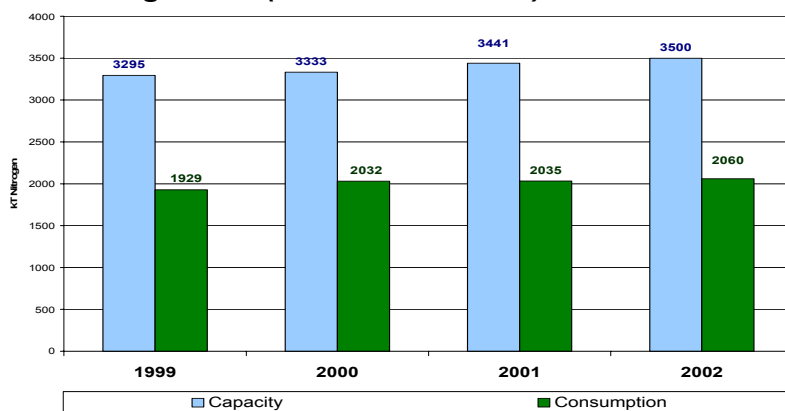
Sources: Capacity: EFMA – Consumption (ag+tech estimated): EFMA, IFA

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CC-10 Nitrogen Balance

Excluding Trade (1999-2002 – kT N)



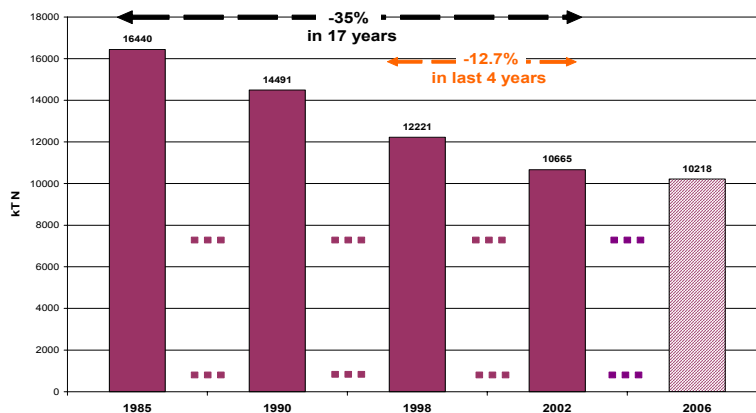
Sources: Capacity: EFMA – Consumption (ag+tech estimated): EFMA, IFA

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EFMA Nitrogen Capacity

3 Major Waves of Restructuring since 1985



Source: EFMA Capacity survey, June 2003; NB: EFMA = EU-15 + Norway & Switzerland

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EFMA Shutdowns 1999-2002

Capacity Closures in WE in 1999, 2000, 2001, 2002

(Alternative Capacities not included)	AN	Product Capacity KT	Urea	UAN	MAP	AS	KTN
Plant	CAN	NPK	NP				
Arklow, Ireland (IF)		570					157
Avies, Spain (Fertiberia)	70						19
Baleirc, France (Cedest)			200				34
Barreiro, Portugal (Aduos de P.)		250					0
Belfast, UK (IF)		507					127
Cartagena, Spain (Fertiberia)		250					20
Cartagena, Spain (Fertiberia)		50					18
Cologna, Italy (Kappa)		200		400			16
Cork, Ireland (IF)							164
Cokerles, France						45	9
Drapetsona, Greece (Cooperative)		180	285				72
Fredericia, Denmark (Kemira)		250		70			38
Huelva, Spain (Fertiberia)							32
Huel Arc, France (Hydro)		215					19
Inverness, UK (Hydro)	660						221
Landskrona, Sweden (Hydro)		175					48
Luchana, Spain (Sefantro)					41		13
Ludwigshafen, Germany (BASF)		250	650				98
Mazingarbe, France (GIP)							68
Mont Noter D, France (Cedest)						33	4
Montoir, France (Hydro)	200			110			67
Nera Montoro, Italy (Hydro)		400					51
Ostende, Belgium (CNO)							108
Pernis, NL (Kemira)			330			240	79
Porsgrun, Norway (Hydro)	60						21
Porto Marghera, Italy (Enichem)							95
Puertollano, Spain (Fertiberia)					174	450	60
Rosenburg, NL (Kemira)		520		230	160		291
Schwedt, Germany (PCK)		150					40
Schwedt, Germany (PCK)		350					91
Sevilla-Tablada, Spain (Fertiberia)			220				18
Torviscosa, Italy (Chimica del Friuli)							17
Toulouse, France (GIP)	320			360	90		300
various, Spain (Fertiberia)					360		126
TOTAL kt Mat	1 310	2 415	3 052	285	1 170	837	273
Total kt N	435	546	499	82	509	276	121
2002 kt Mat	0	570	257	0	400	0	450
2001 kt Mat	320	350	720	0	360	90	45
2000 kt Mat	990	1 095	615	0	230	747	273
1999 kt Mat	0	400	510	285	180	0	80

Notes:

Source: EFMA Capacity survey, June 2003; NB: EFMA = EU-15 + Norway & Switzerland

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Acceding Countries Nitrogen Capacity

Disparate Restructuring Efforts between 1990 and 2002

	Capacities 1990 (kT N)	Capacities 2002 (kT N)	% Change 1990-2002
Acceding Countries	4.007	3.500	-13%
Hungry	841	320	-62%
Czech Republic	427	315	-26
Poland	1.982	1.890	5%
Slovenia	1	0	-100%
Estonia	83	83	0%
Latvia	44	44	0%
Cyprus	0	0	0%
Malta	0	0	0%
Slovakia	318	328	3%
Lithuania	311	520	67%

Capacities
reduced
significantly

Little or no
capacity
reduction

Increased
Capacities

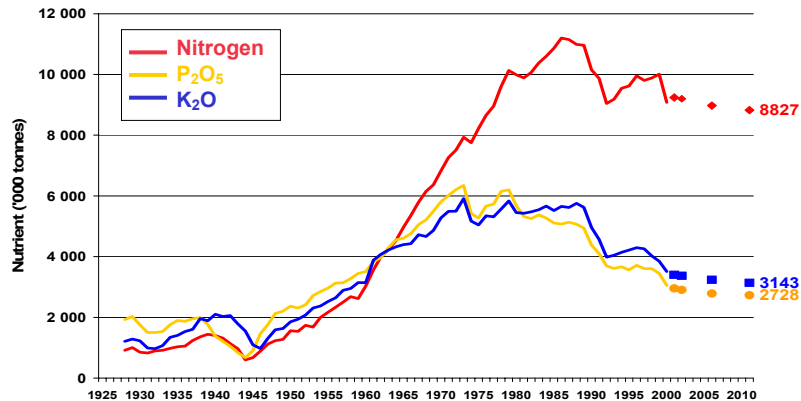
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Source: EFMA Capacity survey, June 2003

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EU-15 Fertilizer Consumption

10 Year Forecast: Declining Nutrient Consumption
 - 0.9 million tons of N+P+K nutrient between 2002 and 2012



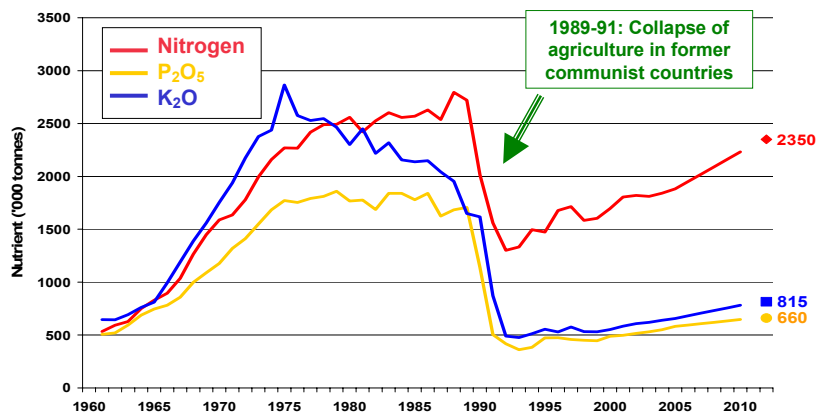
Source: EFMA

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AC-10 Fertilizer Consumption

10 Year Forecast: Increasing Nutrient Consumption
 + 1 million tons of N+P+K nutrient between 2002 and 2012



Source: EFMA

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Trade: New EU-25 Borders

NEW Regulatory Scene

- » Trade defense instruments do not apply anymore to the 10 new members as of 1 May 2004
- » EU new borders:
Current anti-dumping measures vis-à-vis Extra EU-25 countries will apply automatically in the new countries
- » Customs enforcement of existing duties at new borders
- » Competition issues become crucial

Need for EU-25 intelligence and statistics to work this new scene

EFMA MEMBERS

EFMA's CORPORATE MEMBERS

- | | |
|--------------------------------------|--------------------------|
| <input type="checkbox"/> Austria | Agrolinz Melamin GmbH |
| <input type="checkbox"/> Finland | Kemira Growhow Oy |
| <input type="checkbox"/> France | Grande Paroisse SA |
| <input type="checkbox"/> Germany | BASF AG |
| | Fertiva GmbH |
| | K+S Aktiengesellschaft |
| | SKW Stickstoffwerke |
| | Piesteritz GmbH |
| <input type="checkbox"/> Greece | Phosphoric Fertilizers |
| <input type="checkbox"/> Industry | |
| <input type="checkbox"/> Netherlands | DSM Agro BV |
| <input type="checkbox"/> Norway | Norsk Hydro ASA |
| <input type="checkbox"/> Portugal | ADP-Adubos de Portuga |
| <input type="checkbox"/> Spain | Fertiberia S.A. |
| <input type="checkbox"/> UK | Terra Nitrogen (UK) Ltd. |

EFMA's NEW MEMBERS

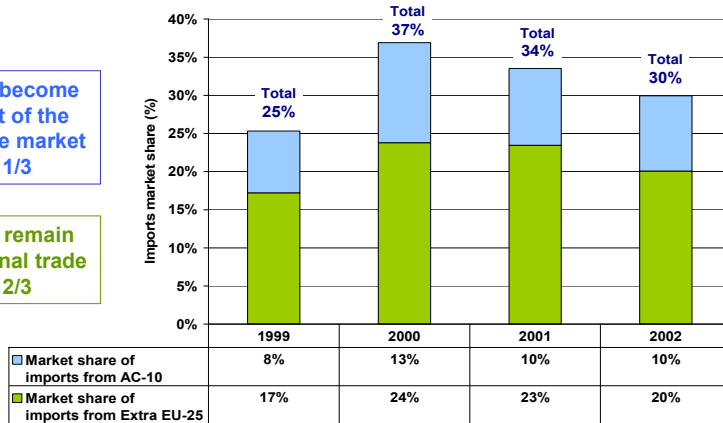
- | | |
|--|-------------------------------|
| <input type="checkbox"/> Czech Republic | Lovochemie A.S. |
| <input type="checkbox"/> Hungary | Nitrogenművek |
| <input type="checkbox"/> Lithuania | SC Achema |
| <input type="checkbox"/> Poland | Anwil S.A. |
| | Zakłady Azotowe "Tarnów" SA |
| | Zakłady zotoweKedzierzyn"SA |
| | Zakłady Azotowe "Puławy" SA |
| | Zakłady Chemiczne "Police" SA |
| <input type="checkbox"/> Slovak Republic | Duslo |

Imports Market Share of EU-15

Nitrogen Fertilizers Imports from Extra EU-25 & AC-10; 1999-02

Will become
part of the
single market
1/3

Will remain
external trade
2/3



Source: Eurostat

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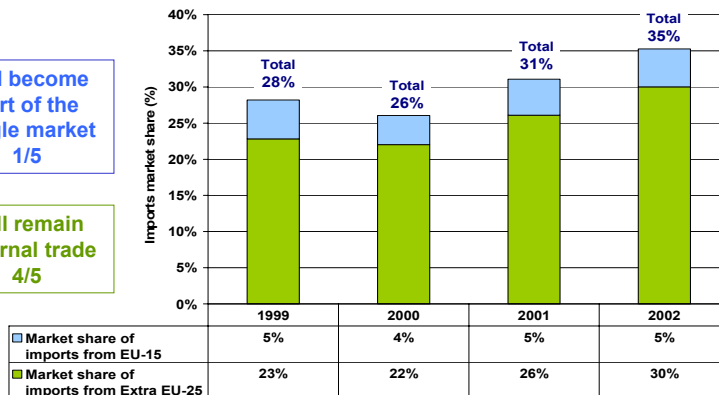
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Imports Market Share of AC-10

Nitrogen Fertilizers Imports from Extra EU-25 & EU-15; 1999-02

Will become
part of the
single market
1/5

Will remain
external trade
4/5



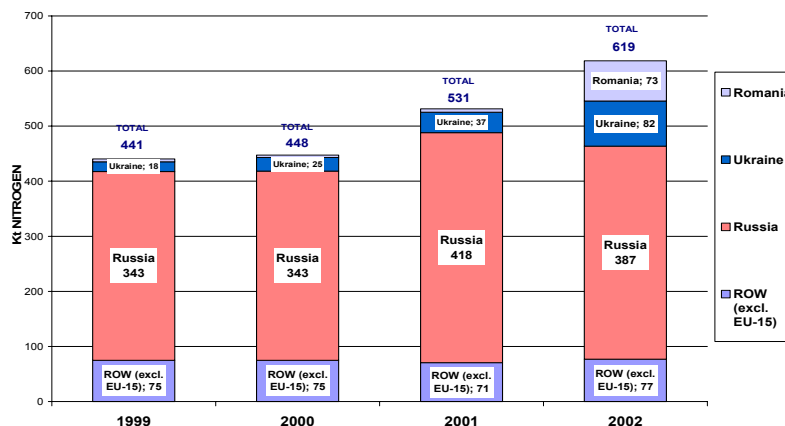
Source: Eurostat

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Main Importers into AC-10

Nitrogen Fertilizers Imports from Outside EU-25 into AC-10
~ 2/3 comes from RUSSIA - 1999-2002 – kT N



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Source: Eurostat

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Critical Messages

- ❑ **Important agricultural sector but structural problems still need to be solved**
- ❑ **Increased fertilizer consumption will not balance the increase in fertilizer production capacity**
- ❑ **Meeting the acquis communautaire**
 - » Installing competitive structures - restructuring
 - » Modernizing production – environmental standards
- ❑ **New external trade borders**
 - » Need to work jointly to work the new trade instruments scene successfully
 - » Competition issues will gain importance

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