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Supply 'fragility' creating volatility in urea market – Rabobank report

Global urea supplies currently sit in a fragile state, with several key suppliers exporting lower volumes year-on-year, which creates a "ripple effect" for available volumes for New Zealand fertiliser importers, Rabobank says in a newly-released report.

The agribusiness banking specialist says urea is by far the most widely-traded fertiliser in the world and, for New Zealand, represented more than a quarter (29%) of total fertiliser imports in 2024.

In the report***, "What tight urea supplies mean for global prices and New Zealand farmers"***, the bank's RaboResearch division says due to minimal volumes of urea produced domestically, New Zealand is particularly sensitive to global events.

Report author, RaboResearch farm-inputs and commodities analyst Paul Joules said the urea market is expected to remain volatile due to complex supply chains and geopolitical influences, with prices elevated compared to historical averages. "Ongoing supply issues in key exporting regions and the sensitive nature of natural gas markets – the predominant feedstock for urea production – suggest that urea prices will likely stay high," he said.

Mr Joules said given complex supply chains, urea prices tend to trade with considerable volatility.

"At present, prices are trading around the five-year average. However, if we were to compare current prices with the pre-Russia-Ukraine war five-year average price, they are 45% higher," he said.

Mr Joules said in addition to geopolitical issues impacting fertiliser prices and availability, natural gas is the other key influence within the market. "The sensitivity of natural gas markets – to both weather and geopolitical events – adds to the volatility of urea prices," he said.

The RaboResearch report said while the majority of the chief urea-producing regions and countries (Europe, Iran, Egypt and China) that are experiencing supply issues do not directly supply New Zealand, "they still account for global losses to the supply, which creates a ripple effect for available volumes for Kiwi importers".

In 2024, the bulk (93%) of New Zealand's urea imports came from Saudi Arabia, Malaysia and Vietnam.

New Zealand dollar

Mr Joules said although global supply and demand factors will continue to influence New Zealand urea prices, the other major impact is foreign exchange rates.

“The bank expects the strong outlook for the US dollar is likely to keep the NZD weak in 2025,” Mr Joules said.

“RaboResearch anticipates the New Zealand dollar to remain relatively weak, with the cross expected to reach NZD 0.59 on a 12-month view. Ultimately, for urea – and other imported goods – this means farmers will most likely continue to face a currency headwind throughout 2025.”

Mr Joules said, in terms of the urea price outlook – “when we combine the 12-month view of a relatively weak New Zealand dollar, alongside the tight supply outlook, it’s difficult to justify a call for lower prices for New Zealand farmers in 2025”.

The bank’s base case view is for urea prices to likely remain around current elevated levels in 2025.

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Rabobank New Zealand Limited is a part of the global Rabobank Group, the world’s leading specialist in food and agribusiness banking. Rabobank has more than 125 years’ experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 38 countries, servicing the needs of more than nine million clients worldwide through a network of more than 1000 offices and branches. Rabobank New Zealand is one of the country's leading agricultural lenders and a significant provider of business and corporate banking and financial services to the New Zealand food and agribusiness sector. The bank has 27 offices throughout New Zealand.

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