BENEFITING FROM GLOBAL SUPPLY CONSTRAINTS

Geopolitical tensions are tightening global fertilizer supplies, while major agricultural nations increase imports and control exports, putting further pressure on world fertilizer prices.

In Vietnam, domestic fertilizer prices are significantly influenced by global price trends due to the country's highly open fertilizer market. A stable gas supply reduces production cost volatility in the short term, but if prolonged high oil prices will further increase production costs.

We recommend **OVERWEIGHT** for DDV, DCM, and DPM stocks thanks to the bright prospect in 2026.

Tightening Global Fertilizer Supply

Geopolitical tensions tighten supply, fertilizer prices rise

Supply of DAP & MAP, urea, potash, and ammonium nitrate has tightened due to export restrictions and disruptions from the Middle East, Russia, and China. At the same time, input materials such as NH_3 and sulfur have also risen sharply, putting upward pressure on fertilizer prices.

Fluctuations in fertilizer supply and demand due to trade controls

Amid localized shortages, major agricultural economies such as India, Brazil, Australia, and Europe are ramping up imports and seeking alternative supply sources. Meanwhile, China—one of the world's largest exporters of urea and phosphate fertilizers—continues to restrict exports to prioritize domestic demand, further exerting upward pressure on global fertilizer prices.

Overview of Vietnam's fertilizer segments

Developments and characteristics of the main fertilizer segments

Nitrogen fertilizers**:** Gas supply for DPM and DCM remains relatively stable thanks to long-term contracts with PVN. However, input gas prices are linked to Brent and fuel oil (FO), exposing companies to cost pressures. This linkage provides some lag and short-term stability, but costs will rise if oil prices remain elevated.

Phosphate fertilizers**:** Domestic supply meets only about two-thirds of demand due to limited apatite reserves, requiring additional imports. DAP producers are boosting exports to capitalize on favorable market conditions.

NPK**:** The domestic NPK market is relatively fragmented, with BFC & LAS holding the largest market share of around 30%, the remaining companies hold only a very small market share. DPM stands out with modern production technology and high-quality products. Barriers to entry are low as these companies are expected to pursue M&A to enhance competitiveness.

Fertilizer demand pressured by agricultural prices and El Niño

Fertilizer demand tends to weaken when agricultural product prices fall, causing farmers to cut spending. Additionally, the return of El Niño increases the risk of extreme weather, which could shrink cultivation areas and further pressure demand.

Output tax on fertilizers opens up a competitive advantage with imports

The application of a 5% VAT on fertilizers starting July 1, 2025, allows businesses to deduct input VAT, thereby reducing costs. This creates more competitive room for domestic producers (Urea, DAP, MAP) against imported ones.