

## Demand Drought: Fertilizer Offtake Shrinks on Weak Rabi Close

Fertilizer demand witnessed a significant slowdown in March 2025, with total offtake (in nutrient terms) declining by 49.5% y/y to 220kt, compared to 436kt in March 2024. On a sequential basis, offtake also slipped 4.6% m/m, reflecting continued weakness in farm-level demand as the Rabi season wound down.

In product terms, urea offtake stood at 307kt, down by 54.3% y/y and 11.8% m/m, while DAP offtake clocked in at 49kt, representing a 54.5% y/y drop but a modest 22.6% m/m uptick. The steep annual decline can be linked to a high base in March 2024, when imported urea flooded the market alongside robust Rabi application.

Domestic production during March 2025 remained strong, with urea output at 590kt and DAP production at 71kt. As a result of muted offtake, closing inventories swelled: urea closing stock rose to 820kt, while DAP inventory settled at 187kt, leaving the market well-stocked ahead of the Kharif season.

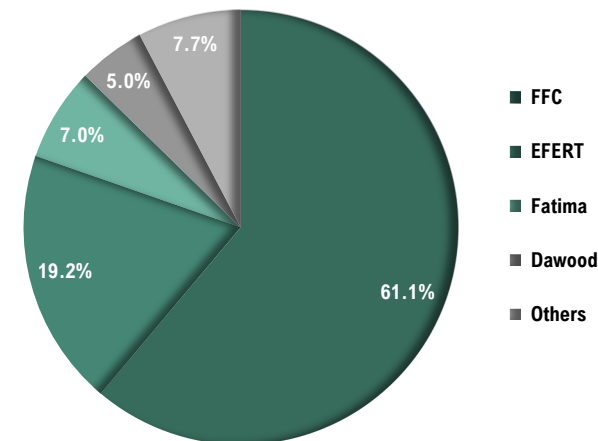
On the pricing front, domestic fertilizer prices remained relatively stable. Urea and DAP prices rose slightly by 0.2% and 0.7% m/m, averaging PKR 4,520 and PKR 12,134 per 50kg bag, respectively. To note, both remained lower y/y, reflecting softer market conditions. Internationally, urea prices trended downward in the Middle East, while DAP saw an uptick in Morocco.

### Urea Industry Volumetric Position

| Urea              | Mar-25 | Mar-24 | Y/Y  | Feb-25 | M/M  |
|-------------------|--------|--------|------|--------|------|
| Opening Inventory | 536    | 270    | 99%  | 441    | 22%  |
| Production        | 590    | 575    | 3%   | 447    | 32%  |
| Imports           | -      | -      | 0%   | -      | 0%   |
| Off-take          | 307    | 671    | -54% | 347    | -12% |
| Closing inventory | 820    | 174    | 371% | 536    | 53%  |

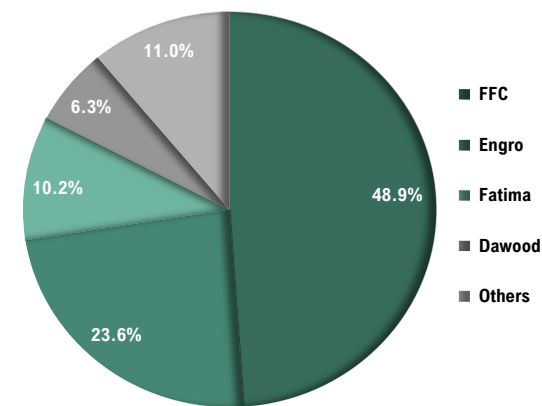
Source: NFDC & HMFS Research

### UREA Market Share - March 2025



Source: NFDC, HMFS Research

### UREA Market Share - 1QCY25



Source: NFDC, HMFS Research

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### What's Behind the Slump in Offtakes?

The steep decline in March offtakes primarily reflects three key factors:

- Reduced Wheat Acreage:** The cultivated wheat area during Rabi 2024–25 shrank by an estimated 7% y/y, directly lowering fertilizer requirement, especially for urea.
- Farm-Level Stress:** Financial constraints among small and medium farmers—exacerbated by below-cost wheat prices—dampened purchasing capacity, discouraging optimal nutrient application during the tail-end of the Rabi season.
- High Base & Early Import Channeling:** Companies had already offloaded 220kt of imported urea in Feb–Mar 2024. This front-loading inflated the base for March 2024 and reduced March 2025's demand by comparison.
- Seasonality Effects:** Ramadan and Eid holidays during March 2025 naturally slowed on-ground agricultural activity and dealer-level engagement, further dampening sales volumes.
- Water Availability Disruptions:** Intermittent water supply issues in key agricultural zones disrupted irrigation cycles—reducing fertilizer application during critical periods of crop development.

|                               | Mar-25 | Mar-24 | Y/Y  | Feb-25 | M/M  |
|-------------------------------|--------|--------|------|--------|------|
| <b>Off-take (kt)</b>          |        |        |      |        |      |
| Urea                          | 307    | 671    | -54% | 347    | -12% |
| DAP                           | 49     | 107    | -54% | 40     | 21%  |
| <b>Retail price (PKR/bag)</b> |        |        |      |        |      |
| Urea                          | 4,520  | 4,875  | -7%  | 4,515  | 0.1% |
| DAP                           | 12,134 | 12,347 | -2%  | 12,046 | 1%   |

Source: NFDC & HMFS Research

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In the urea market, FFC regained dominance with a 61% share in March 2025 (vs. 35% in Mar'24), as EFERT's share dropped to 19% from 22%, due to lower demand and logistical constraints in Sindh. FATIMA and AGL captured 12% and 8%, respectively, both gaining modest ground y/y.

In the DAP market, FFC (including FFBL) continued to lead but saw its share shrink to 55% (from 73% in Mar'24), while EFERT held 17% (down from 20%). FATIMA's DAP share remained marginal at 1.7%, indicating limited market presence in phosphatic fertilizers. The remaining ~26% market share was distributed among small private importers.

Despite sufficient availability and robust production, off-takes faltered due to weak demand-side fundamentals. The market enters Kharif season with ample carryover stocks, but pricing strategy and timely imports—particularly for DAP—remain critical for inventory balance.

### Company-wise Dynamics:

- **Engro Fertilizers (EFERT)** produced 201kt of urea in March and sold ~59kt, ending the month with a stockpile of 423kt. EFERT also sold ~8kt of imported DAP, retaining a closing DAP inventory of 48kt.
- **Fauji Fertilizer Company (FFC)** led urea production with 252kt, out of which ~188kt were sold. FFC also sold ~26kt of DAP, primarily from local production, closing with ~108kt in DAP inventory.
- **Fatima Fertilizer (FATIMA)** produced 43kt of urea and sold about 21kt, while holding nearly 111kt in urea inventory. The group's DAP sales were marginal at around 0.85kt, with an inventory of ~5.6kt at month-end.

|                         | CY25   | CY24   | Y/Y  |
|-------------------------|--------|--------|------|
| <b>Off take (kt)</b>    |        |        |      |
| Urea                    | 1,100  | 6,577  | -83% |
| DAP                     | 89     | 1,627  | -95% |
| <b>Retail price/bag</b> |        |        |      |
| Urea                    | 4,521  | 4,763  | -5%  |
| DAP                     | 12,067 | 12,419 | -3%  |

Source: NFDC & HMFS Research

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### Preparing for Kharif — Stocks Abundant, Strategy Will Matter

As the Kharif 2025 season kicks off, the fertilizer sector is well-stocked. Urea availability is projected at ~4mnt (vs. estimated demand of 3.26mnt), supported by 820kt of opening stock and healthy monthly production expectations of ~530–590kt.

DAP availability, however, appears tighter. With expected supply at 688kt against a demand forecast of 788kt, timely imports and uninterrupted domestic production will be crucial.

- On the positive side, the Punjab Chief Minister's Kissan Package—which includes expansion of the Kissan Card scheme, subsidized tractor deliveries, solarization of tube wells, and machinery rental initiatives—is expected to uplift agri input demand, especially among small and mid-scale farmers (025 acres). With over 534,000 Kissan cards approved and PKR 54bn allocated, targeted liquidity support should revive fertilizer consumption during the sowing window. FFC, with its strong dealer presence and market share in Punjab (62% in March 2025), stands out as a key beneficiary of this policy stimulus.
- In contrast, the abolishment of the wheat support price, reportedly under IMF conditions, introduces a critical overhang for the sector. Reportedly, the market price of wheat (~PKR 2,500/maund) is significantly below the cost of cultivation (~PKR 3,200/maund). Fertilizer demand, particularly during the upcoming season, could face structural pressure if farmer sentiment and purchasing power weaken further.

### Company-wise Outlook:

- **FFC** stands to benefit from its dominant urea share and robust inventory positioning, giving it pricing flexibility and volume leverage.
- **EFERT** may face near-term volume pressure due to inventory overhang and slower Mar'25 sales, though its DAP presence and diversified product mix could offer partial support.
- **FATIMA** continues to expand gradually, but any upside will hinge on retail network performance and pricing discipline during the early Kharif window.
- **AGL's** improving share suggests growing competitiveness, but scale remains a constraint.

Overall, while the demand side may rebound with seasonal sowing and better water availability, execution at the scrip level—across inventory management, pricing, and logistics—will shape relative outperformance in the coming quarter.

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