

Issue:

- [REDACTED]
- UK fertiliser production has recently been in question due to volatile gas prices and the uncertainty of production, particularly at CF Fertilisers.

Top lines:

- **We are aware that there is a risk of short-term disruption to CO₂ and fertiliser supplies.**
- **We are working with industry to source sustainable, long-term solutions to volatile CO₂ supplies.**
- **We are working with industry to find ways to ensure future agriculture works with reduced emissions whilst still maintaining viable production.**

Background

- Shortages of CO₂ last occurred in autumn 2021. These were caused by the temporary closure of two fertiliser production plants in England, owned by US firm CF Industries. The plants, which supply 60 per cent of the UK's CO₂, shut down due to high gas prices.
- A support package from UK Government allowed CF Industries to continue operating one plant at full capacity. The UK Government also assisted in brokering an agreement between CF Industries and companies who supply CO₂ to industry. This agreement will come to an end at the end of January 2022.

[REDACTED, COMMERCIALY SENSITIVE]

[REDACTED, COMMERCIALY SENSITIVE]

Fertiliser and CO₂

- Fertiliser production is an energy intensive process, and follows the price of gas, therefore with recent volatile gas prices, fertiliser prices have been prohibitive to some farmers.
- Industry bodies such as AIC have expressed extreme concern about the situation and implications for food supply, and are writing to Defra on this matter, as is the Arable Chain Advisory Group which includes millers, maltsters, oilcrushers, grain traders, food manufactures, and primary producer groups.
- Farmers and growers currently appear less directly concerned, but this is in no small part due to their preoccupation with other problems such as labour shortages and HGV driver shortages, as this is not currently a time of year where much fertiliser is applied. We do expect this to begin to change as we move into spring. Fertiliser use will begin in the south of Scotland in February.
- However, the shortage in haulage is causing concern that there will be delays in delivery, meaning there is a fear of an unmanageable bottleneck for deliveries for the limited supplies that are available.

- The UK imports 60 per cent of its use of fertilisers from the EU where prices are also high and production lower than usual.
- Traditionally we do not see fertiliser imports from further than the EU [REDACTED]. It is unclear at this stage how effective this will be as the shortage is a global issue and we understand countries such as Russia are implementing a strict export quota, with other countries banning export completely.

Current Fertiliser situation

- Prices have more than doubled since before the gas price increase in May 2021.
- Defra recently reported that prices are now looking more stable.
- Defra have formed a working group with the devolved administrations to share their plans and work together on finding solutions. It is apparent that there will not be one solution to this issue but we are instead focussing on a series of measures, from communications with industry to allow them plenty of notice to make plans, [REDACTED] and alternatives for haulier shortages. However, these are mitigations rather than solutions.

What can Scotland do about it?

- In the short-term there is little we can do as the haulier situation and gas prices are reserved issues.
- However, in the longer term we need to ensure that our climate change mitigation policies take into consideration this shortage and high fertiliser prices. Whilst we must continue to reduce our greenhouse gases in the agriculture sector, we have to ensure crop production in Scotland can remain viable.
- Officials have met with NFU Scotland, AIC and fertiliser manufacturers to discuss this very point and industry are aware of their climate change obligations and keen to work with government to ensure a joined up approach between climate change policy and agriculture policy.

Food & Drink and CO₂

- [REDACTED, OUT OF SCOPE]

Current Food & Drink situation

- [REDACTED, OUT OF SCOPE]