

September 17, 2021

Supply Update re. Significant Changes in Global Supply Tightness

North American ag suppliers are keenly focused on factors driving tighter supply conditions. While the outlook isn't necessarily favorable, Nufarm is dedicated keeping you informed to the fullest extent possible.

What are the circumstances affecting China? Under its carbon neutralization plan, each province in China has a target on energy consumption and carbon emission to deliver the country's 2030-2050 targets. Two key raw material provinces, Jiangsu and Yunnan, have exceeded the YTD targets so the local government has forced a stop to production to meet the September targets.

In north Jiangsu, most manufacturers have to stop production until Oct 8, impacting ethephon. In south Jiangsu, major manufacturers are forced to reduce output by 50-60 percent, impacting glyphosate, lambda cyhalothrin, fluazinam, dicamba, imidacloprid, acetamiprid and propiconazole, azoxystrobin, bromoxynil, tebuconazole and flutriafol. Meanwhile, glufosinate, MCPA and 2,4-D persist in low supply.

How long will this last? Our current notification is Oct 8, but the potential is that all China manufacturers may have to reduce their output by 20-30 percent until the end of this year.

What about other provinces? We anticipate production reduction in other China provinces in the next three months to meet the 2021 energy target. In the larger picture, total China output is likely to be constrained year by year to meet energy targets. Alternative countries simply do not have the volume to supply our marketplace, are already in tight supply and often reliant (as much as 90 percent) on China for synthesis materials.

Are there cost impacts? Raw material supply tightness correlates to increased raw material costs, which will affect shipments moving forward, in some cases significantly.

How is Nufarm maneuvering to supply our needs? Nufarm's global footprint includes facilities and personnel on the ground in China. We have pulled supply forward for every possible order, securing any available unshipped raw materials in our Shanghai warehouse as conditions in the region unfold. Beyond this we are working in close step with our suppliers to provide their best possible estimations of supply volume and timing. Communications with our customers will be our priority in the coming days and weeks.

We hope this provides a fuller picture of the unfolding raw material shortage. As we work toward securing supply for you, it is important to note that the magnitude of current supply and logistics conditions will continue to impact pricing in addition to supply volume and timing.

Nufarm will continue dialogue with suppliers and update you whenever new information and supply potential becomes available. Thank you for continuing to communicate your needs as we weather this environment together.

Sincerely,



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