



's-Gravenzande, November 4, 2021

## Market developments in the potting soil and substrate sector

As a trade association for the potting soil and substrate industry, the VPN has regularly communicated about developments in the sector since the beginning of 2020. This document discusses the state of affairs in the sector in autumn 2021 and the expectations for 2022.

### Rising demand for potting soil and substrates

With a growing world population, the demand for food will continue to increase. People are living more in urban areas where attention to green, liveable cities is becoming increasingly important. Substrates are essential for responsible food production and for green, liveable cities.

This means that all available raw materials are desperately needed to meet the growing global demand for substrates. The WUR has previously calculated that the demand for raw materials for substrates will increase by more than 400% towards 2050 compared to 2020.

With the renewed attention and appreciation for gardening, the demand for potting soil in the consumer market in the Netherlands has grown strongly in 2020 and 2021. In addition, the demand for potting soil and substrate from professional customers in (greenhouse) horticulture is growing.

The VPN's annual figures show that the use of raw materials has increased by 9% in 2020 (compared to 2019) while availability has decreased. This presents the sector with a major challenge.

### Economic growth and disruption of markets

The COVID-19 pandemic has caused an imbalance in (the recovery of) the global economy. Important consequences of this are an enormous demand for (consumer) goods and an imbalance in the availability of raw materials and transport capacity. The consequences of this can be felt in almost all markets, including the Dutch potting soil and substrate sector.

### Raw materials

For an important raw material such as peat, the harvest in the Baltic States, for example, was 20% lower in 2020 due to long periods of rain. There is also influence through political discussions and the lack of permits in Ireland and Germany. As a result, the availability of peat in Europe is decreasing, while there is more than enough peat in the base. For example, Ireland, traditionally an important peat producer, has suddenly become an importer of peat from an exporter. As a result, existing reserves were largely used up in the past year.

In 2021 peat harvests were reasonable to normal, but with the use of existing reserves and increasing demand, the availability of peat is again a major challenge for 2022.



The first half of 2021 was problematic for raw materials, such as coconut, which have to come from Asia, due to the imbalance in the availability of containers, ships and port capacity. Transport times increased from 5 to sometimes 10 weeks. At the moment, the high and rising container rates are a cause for concern. This has a serious impact on the price development of coconut.

In addition to the limited availability of important raw materials such as coco and peat, there is also an increasing demand for other raw materials such as tree bark, wood fiber and compost. However, the available volumes of sufficient quality of these newer renewable raw materials are still limited in the short term.

Given the increasing global demand and limited availability of raw materials, further price increases of various raw materials can be expected in 2022.

## Transport and fuel prices

### Container prices

Container prices from Asia have increased approximately tenfold over the past 2 years. These high container prices are expected to continue in 2022.

### Diesel and gas

The prices of road transport are also rising rapidly, partly due to sharp increases in fuel prices. For example, the price of diesel in Europe increased by about 27% between July 2020 and July 2021.

The high gas prices of recent months have also had a significant effect on the cost price of raw materials. For energy-intensive production processes such as production as perlite, this shows very significant cost increases.

## Other products

### Fertilizers

The price increases in the nitrogen fertilizer market followed each other in rapid succession in 2021 and the current price increase is taking exceptional forms. The background to this is that natural gas and ammonia have risen sharply in price due to high global demand. Prices for phosphate fertilizers have also risen sharply in recent times. Stable high prices are expected here. Potassium fertilizers have also risen sharply recently due to, among other things, high international demand and production problems on the part of suppliers.

It is currently impossible to predict at which price level the market will end up next spring. Unfortunately, it is now clear that this will be at a much higher level than last year.

### Plastic films

Potting soil and substrate is often packaged in foil (LDPE). There is a strongly increased demand for LDPE with also strongly increased international prices. Compared to a year ago, the price of LDPE has increased by more than 80%.



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### Wooden pallets

There is also a strong increase in international demand for wood and wooden pallets. Prices of wooden pallets have increased by an average of 50 – 70% in the past year.

### What does the above mean for the potting soil and substrate market in 2022?

The Dutch potting soil and substrate sector will continue to make every effort in 2022 to meet the demand from customers in both the professional and consumer markets. However, the markets for raw materials and other products are currently under great pressure and are very unpredictable at the moment. Raw materials and materials are difficult, sometimes not available or only available at high prices.

This makes it complex for Dutch suppliers of potting soil and substrate not only to be able to supply substrate in 2022, but also to be able to determine and issue a correct price for this now. However, in view of previous developments, it is inevitable that serious price developments will have to be taken into account in 2022 for potting soil and substrates.

The advice to buyers of potting soil and substrate can therefore be consulted in good time and regularly with the own supplier(s). Only in this way can we ensure that the quantity and quality of the delivered product is guaranteed.

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The members of the VPN are jointly responsible for approximately 98% of the potting soil and substrates produced in the Netherlands. On an annual basis, approximately 8 million m<sup>3</sup> of substrate is produced, accounting for a turnover of approximately €425 million.

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