



Friedman Institute: No to new EU sanctions on fertilizers, harmful to the European economy and useless for peace

The Milton Friedman Institute, inspired by the free-market principles promoted by the American Nobel laureate, firmly opposes the proposal for new European sanctions on imports of Russian fertilizers or the active inputs needed to produce them such as natural gas and ammonia.

These measures, put forward as part of the new EU sanctions package, represent a form of harmful state interventionism that distorts market mechanisms, penalizes European farmers, businesses, and consumers, and risks causing serious economic self-harm, without making any concrete contribution to resolving the conflict in Ukraine.

In a context of rising global tensions and profound trade uncertainty, new restrictions on Russian fertilizers would have deeply negative effects on the European economy. Russia is one of the world's leading suppliers of fertilizers, and the European Union depends on Moscow for more than 25% of its imports. A forced interruption of these supplies would lead to an immediate price increase: recent experience shows that similar measures can translate into price hikes of up to 80% in the short term, as already occurred in 2022, when potash prices rose by more than 50% in just a few months.

The EU's 20th Sanctions Package also proposes a further curtailing of Russian energy imports (through the banning of the use of seaborne transport services) and caps or quotas on imports of ammonia. In combination, these will have a significant impact on the production of nitrogen-based fertilisers in Europe. Natural gas is an essential input for the creation of ammonia, itself the key component of nitrogen fertilisers. Curtailing these key ingredients in tandem will drive the cost of fertilisers up. Over the past 12 months [ammonia prices have spiked sharply](#), and recent gas price rises are placing further [upward pressure on prices](#).

Fertilizers represent a crucial cost item for European agriculture. On average, they account for about 6% of total production costs, but in countries such as France and Italy this share can approach 14% for certain cereal crops. A further rise in prices would put pressure on farmers' margins, which are unable to absorb shocks of this magnitude, reducing profitability, discouraging planting, and causing declines in output and yields.



Istituto Milton Friedman Institute

Via degli Uffici del Vicario, 43

00186 - Roma (RM)

C.F. 97944400585

WWW.FRIEDMAN.IT - INFO@FRIEDMAN.IT



The impact would quickly extend along the entire value chain. According to estimates by the International Monetary Fund, a 10% increase in fertilizer prices generates an increase of about 7% in cereal prices in the following quarter. In a Europe where fertilizer prices are already around 20% higher than in 2024, additional sanctions risk fueling a new wave of inflation in basic food goods, directly hitting households and consumers.

Another critical effect would be the loss of competitiveness of European agriculture. While EU producers would face higher costs, non-European competitors would continue to access agricultural inputs at lower prices. This would favor rising imports and declining exports, as already observed in 2022, when the surge in production costs led, for example, to a 34% increase in sugar imports and a 31% collapse in European exports.

The risk is particularly acute in light of recent free trade agreements, including the EU– Mercosur agreement: sanctions on fertilizers would amplify entirely unnatural competitive imbalances, favoring more efficient non-EU producers precisely while artificially raising costs for European farmers.

