

## **Retail fertilizer costs jump higher**

*New retail offer sheets reflect rally on international market*

By Bryce Knorr, grain market analyst

We urged growers this winter to lock in fertilizer supplies before retail prices began to reflect the rally in nutrients taking place on global markets. Last week's changes from dealers resetting prices showed why: Costs for N, P and K all rose. Higher crop prices and international developments suggest more increases could be coming.

**Ammonia** prices joined the rest of the nitrogen complex in turning higher, after lagging earlier in the winter. Our average retail price jumped more than \$10 last week to \$454 a ton, but those numbers mask the acceleration seen. Some dealers updating prices were up \$75, and recent adjustments reflect the full \$100 increase seen at the Gulf since Thanksgiving. The February settlement price for Gulf contracts of \$290.25 translates into a March/April retail price of \$553. While the shift to in-season application and lower corn acres may put that risk out of sight, it's worth noting that current global supply and demand suggest costs that high are not far-fetched, at least from the vantage point of statistical models. USDA earlier in February reported some dealers in Illinois as high as \$580. While U.S. production is finally on the rise, it's also being offset by lower imports. Increasing world supplies could make fall prices lower, and in the short-term, shipments restarted out of the Black Sea. But time is running out for spring.

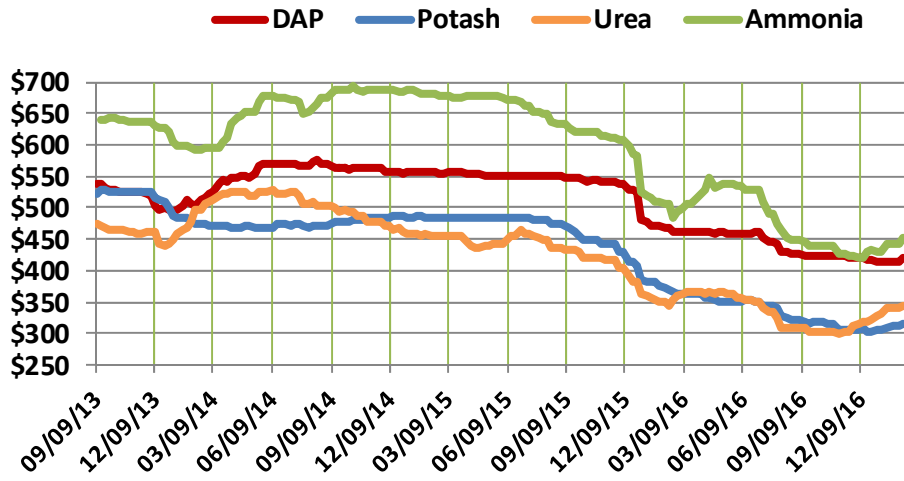
**Urea** started the rebound from multi-year nutrient prices last fall. The wholesale market finally appears to be topping out, but higher costs seem ready to flow up the supply chain in the U.S. into March. Our average retail price was almost \$3 higher last week to \$344.50. Fundamentals suggest average March/April prices around \$375, but swaps based on the Gulf index of \$247.50 to \$292 are even higher at \$390 and above. Forward contracts suggest wholesale prices could pull back \$50 into fall. But lack of Chinese exports may keep savings limited.

**UAN** appears to be following the lead of urea on wholesale markets. No change was seen on the Gulf index for 32% at \$185, with March prices a couple bucks lower last week at \$191. But those costs translate into retail values for 28% of \$267 and \$274, significantly higher than our average last week of \$222. That was up \$2, but some new offers are around \$250 already. The swing factor could be whether new production coming on line can ramp up fast enough to meet demand.

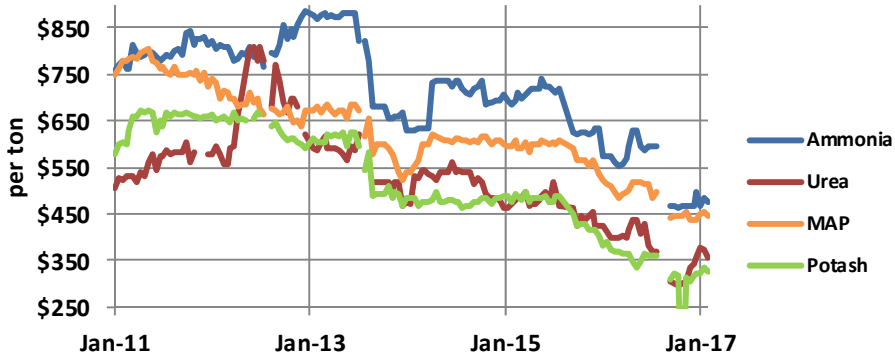
**Phosphates** were flat for much of last year on weaker demand from India. Now prices are edging higher as buying revives just as supply problems emerge internationally. Storms are still wreaking havoc with shipments out of the Mediterranean, sending U.S. prices for DAP \$8.50 higher last week to \$322. While our retail average was \$6.25 higher at \$420 a ton, current Gulf prices and swaps for March suggest potential from \$482 to \$500. It's probably too late for those cost increases to affect retail prices that much, but supply and demand fundamentals still project March/April retail costs of \$455 to \$475. Some new offer sheets are already in that range.

**Potash** prices also edged higher again last week, with our average gaining \$4 to \$315. Many places are higher than that depending on the distance from river terminals, where the cost is around \$250. Some dealers are already above the \$354 projected fair value based on the wholesale market, so the next few weeks could be crucial to see how much growers are willing to pay before just deciding to cut back on applications. Longer term prices appear constrained by increasing production around the world.

## Retail Fertilizer Prices

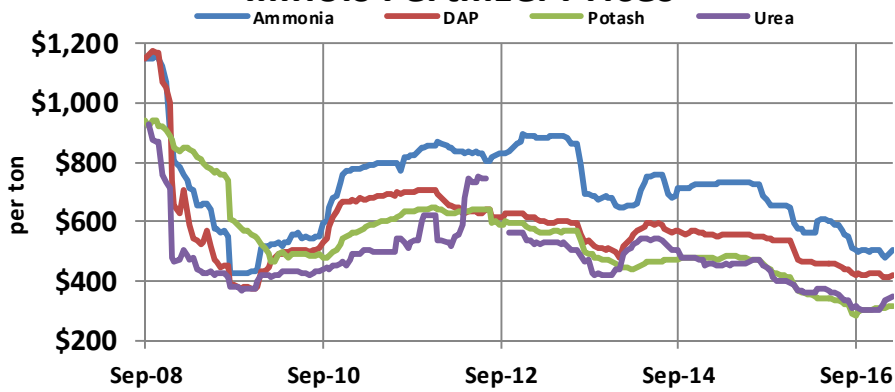


## Iowa Fertilizer Prices



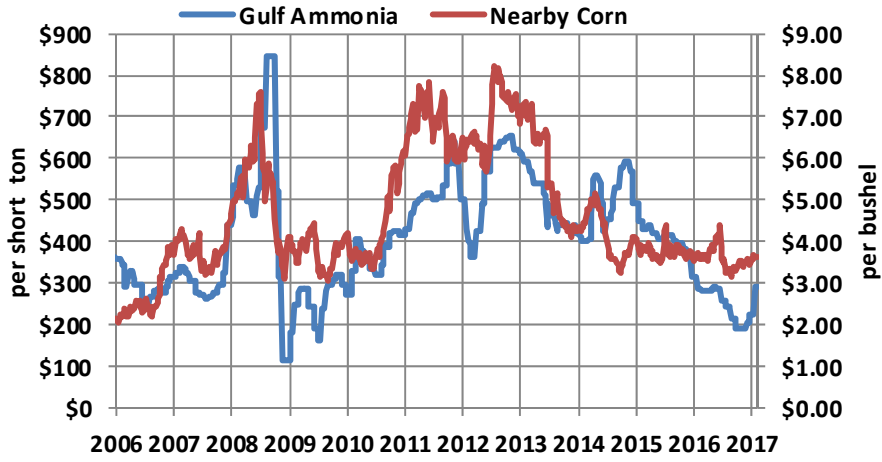
Source: USDA

## Illinois Fertilizer Prices



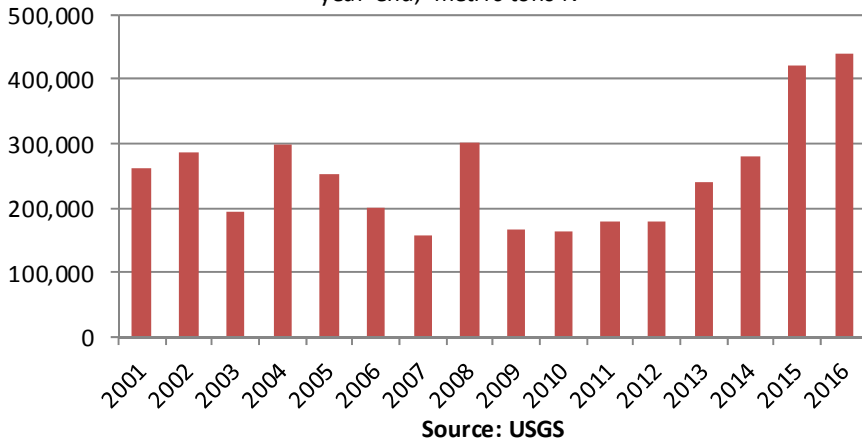
Source: USDA

## Ammonia vs Corn

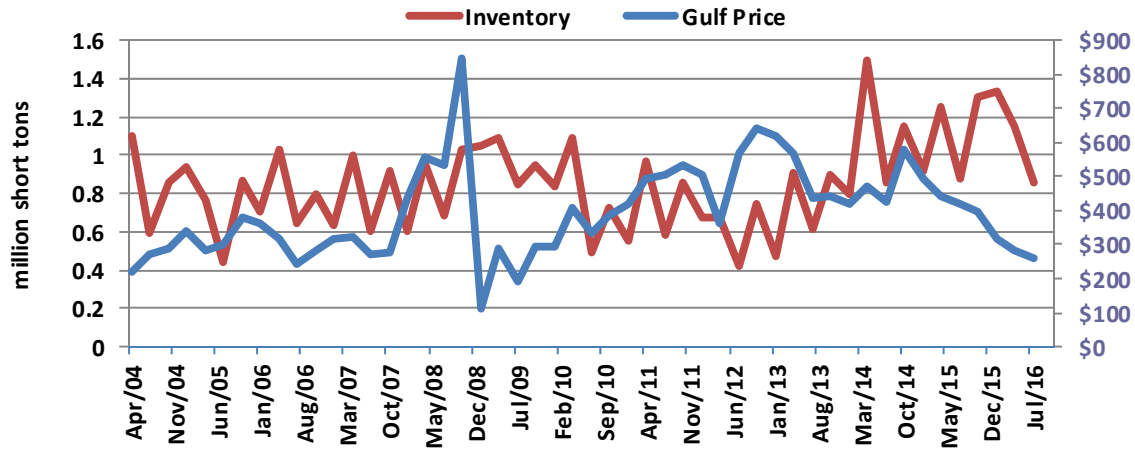


## U.S. Ammonia Stocks

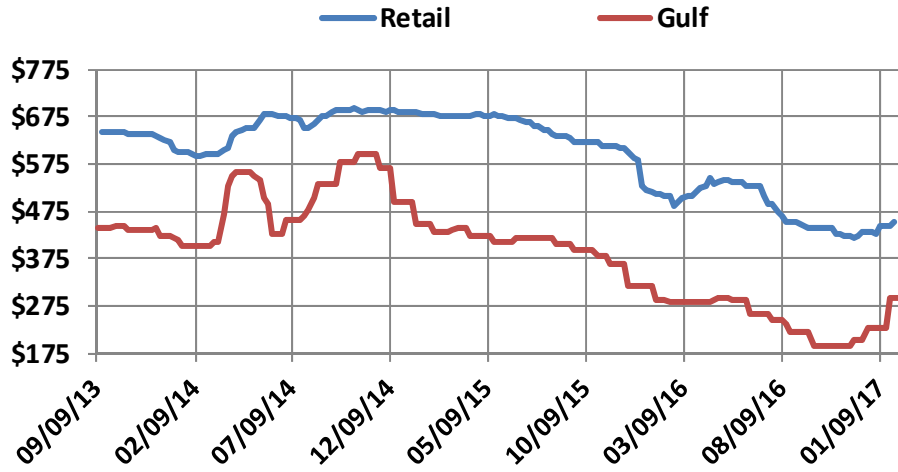
year-end, metric tons N

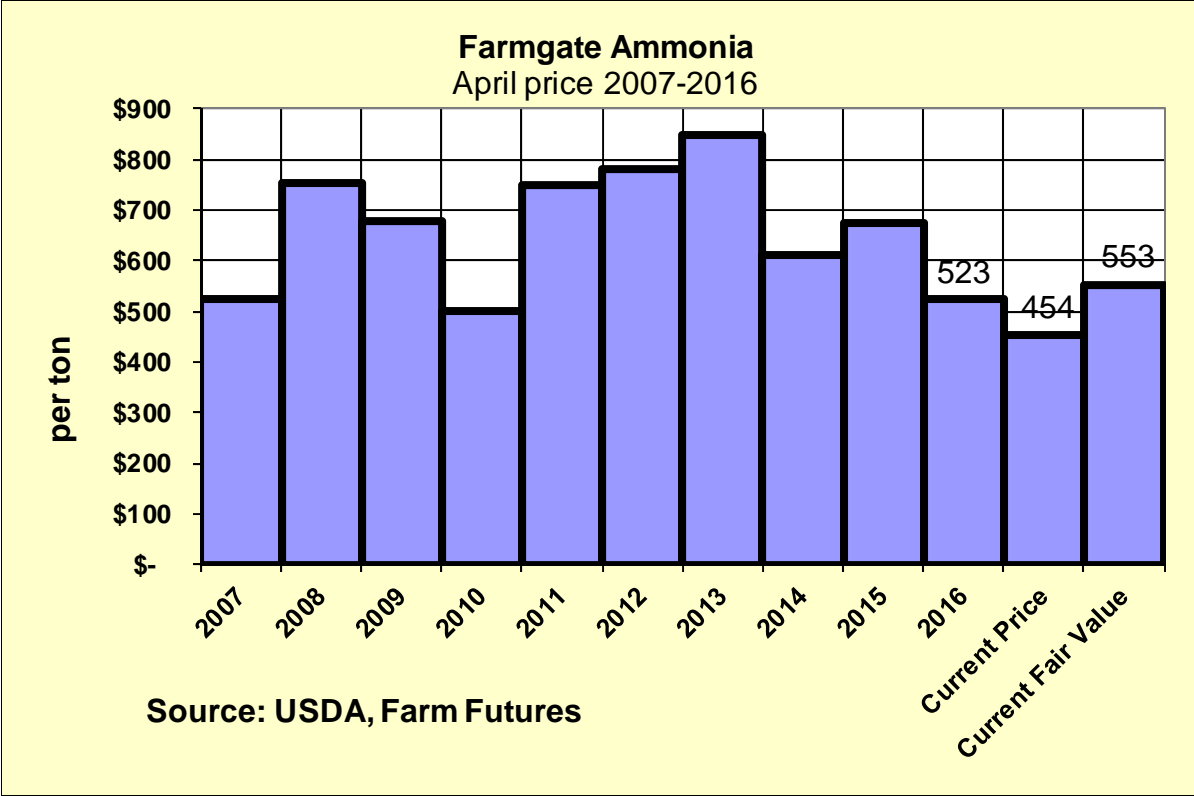


## U.S. Ammonia Inventories vs Price

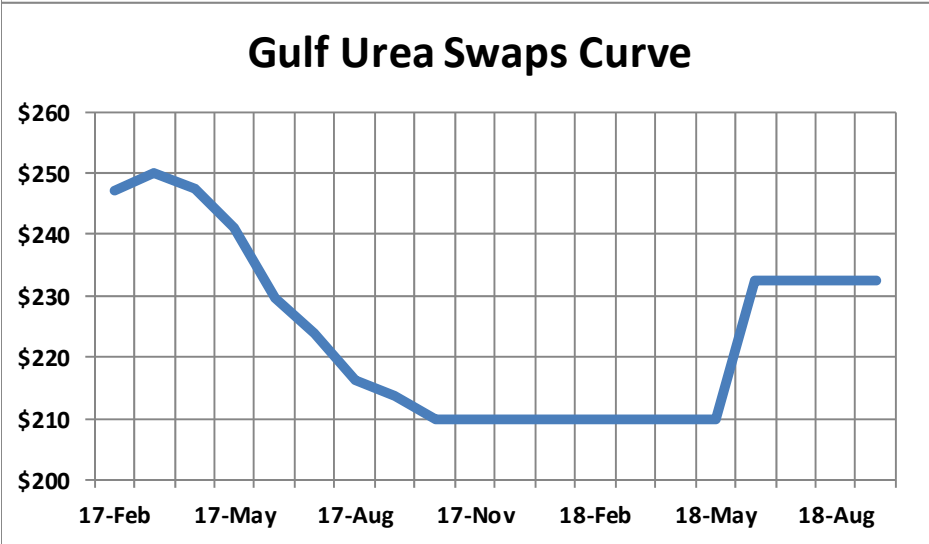
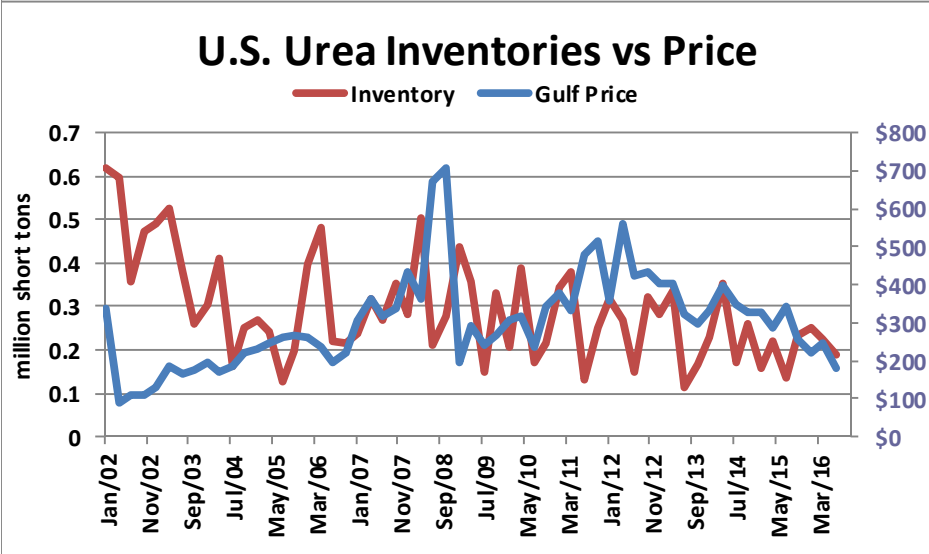
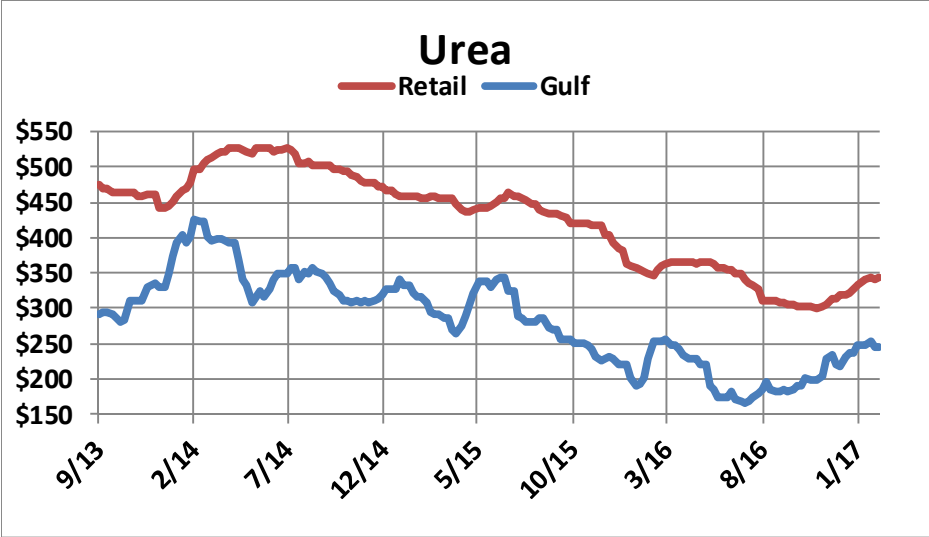


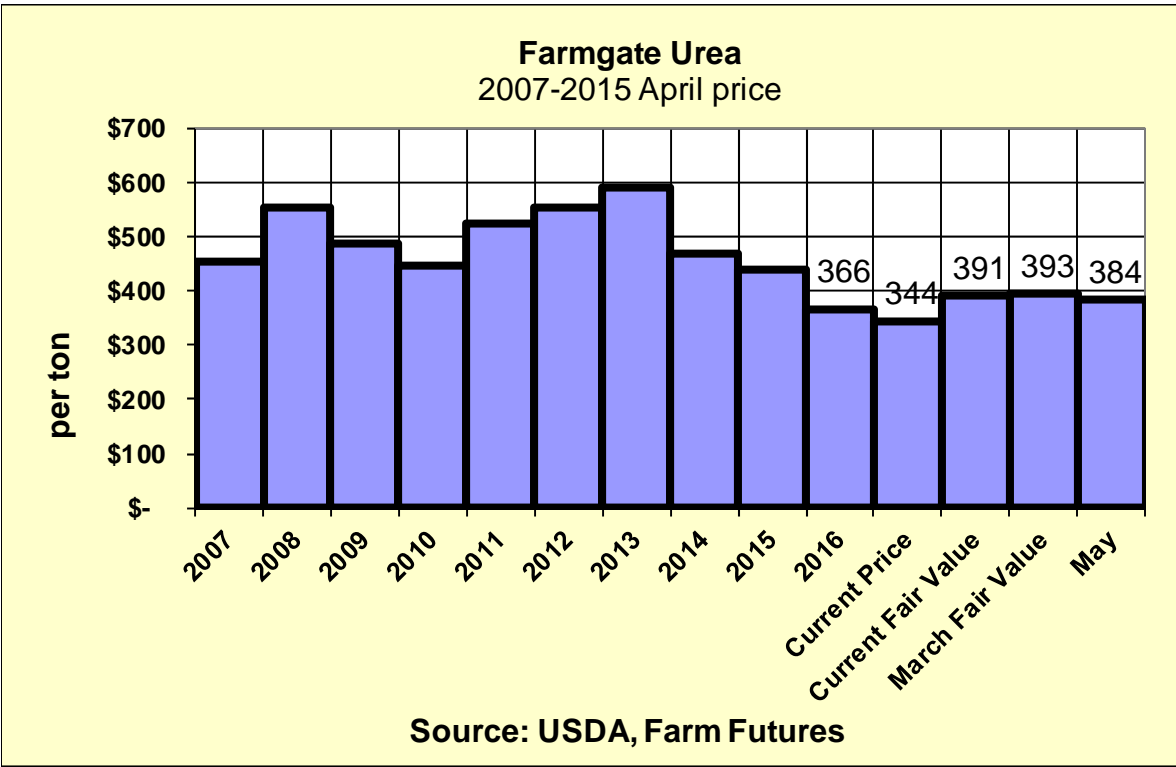
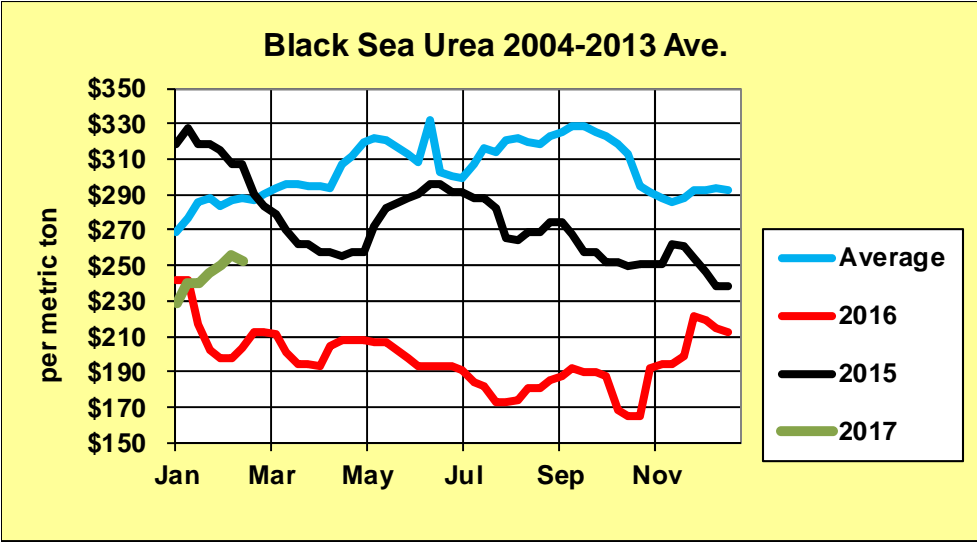
## Ammonia



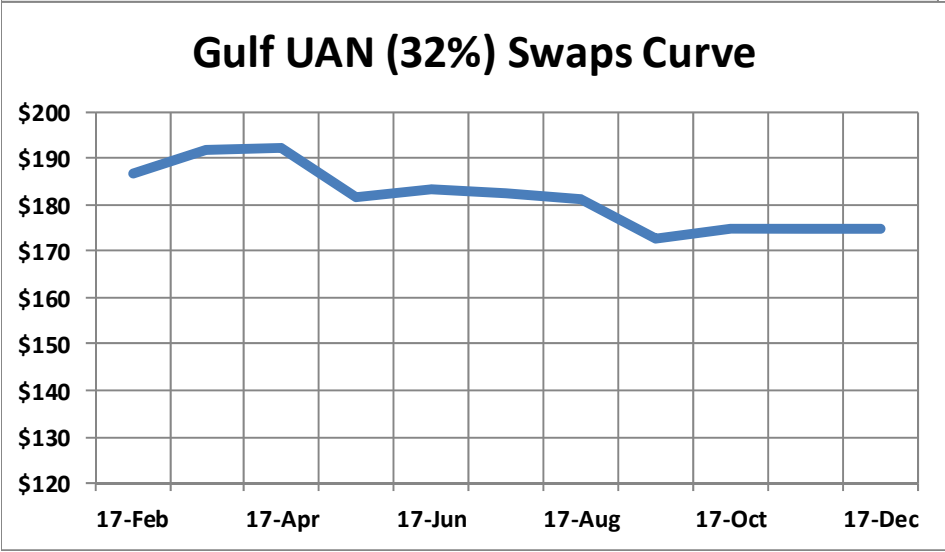
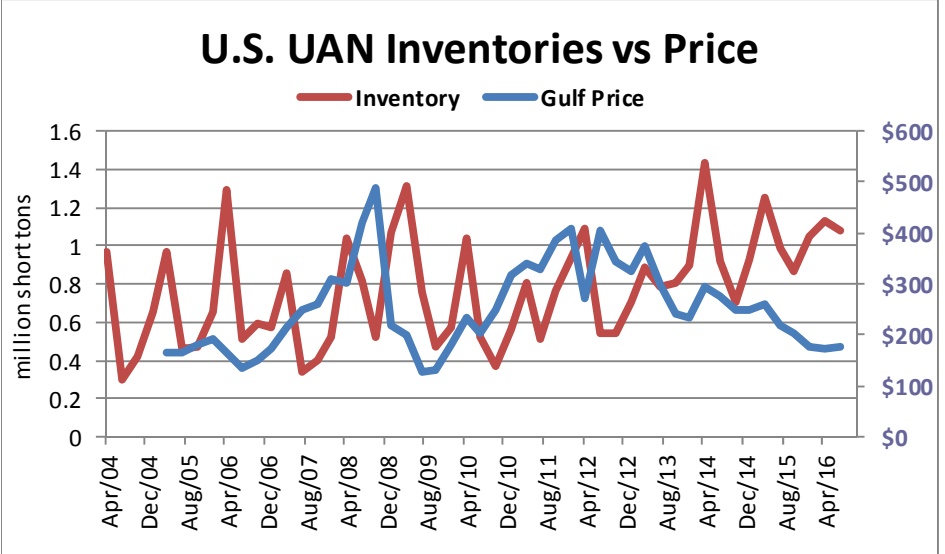
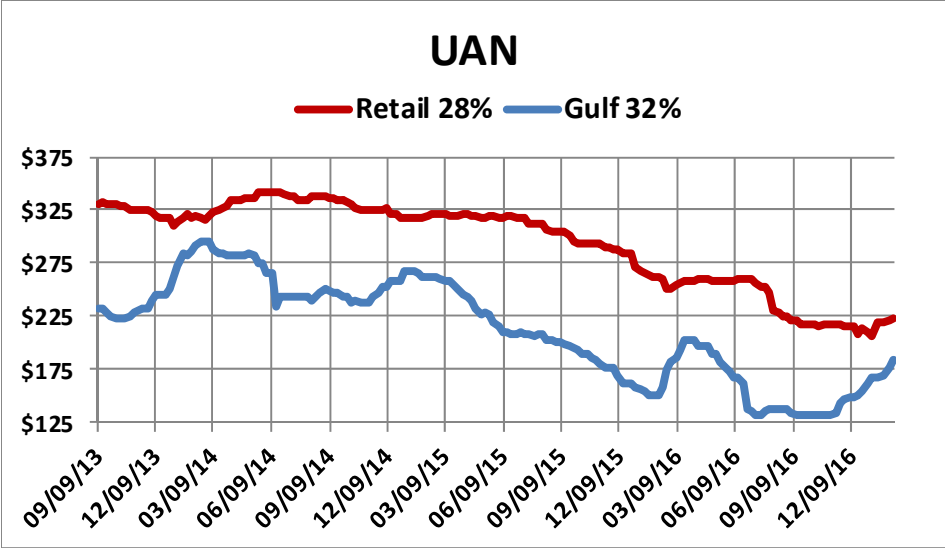


NOTE: "Fair Values" are projections of what current farmgate cost of product should be, based on international wholesale price points. Midwest/S. Plains are based off supply and demand factors.



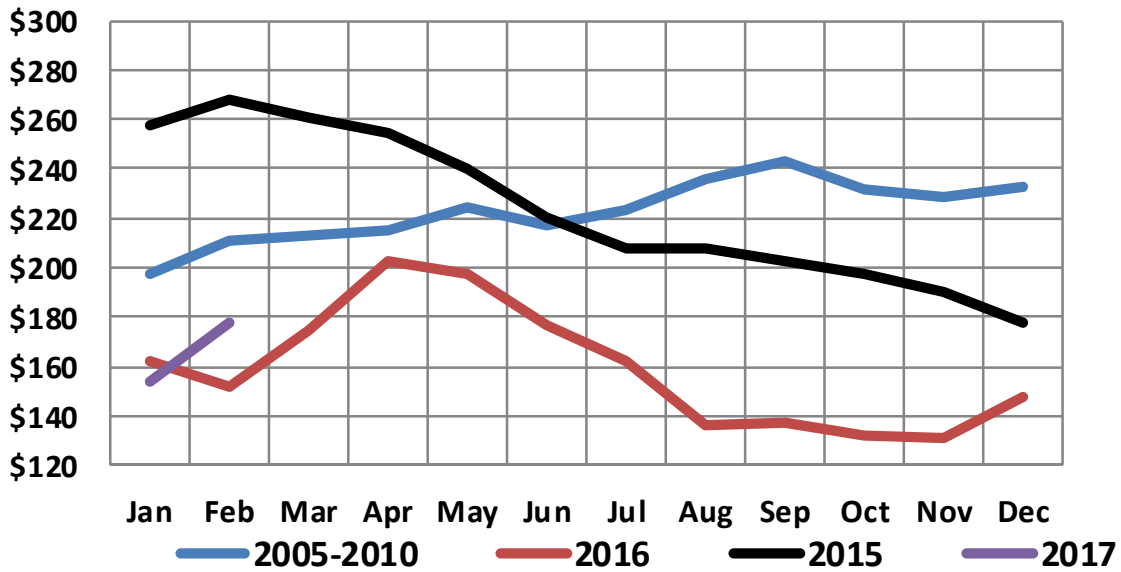


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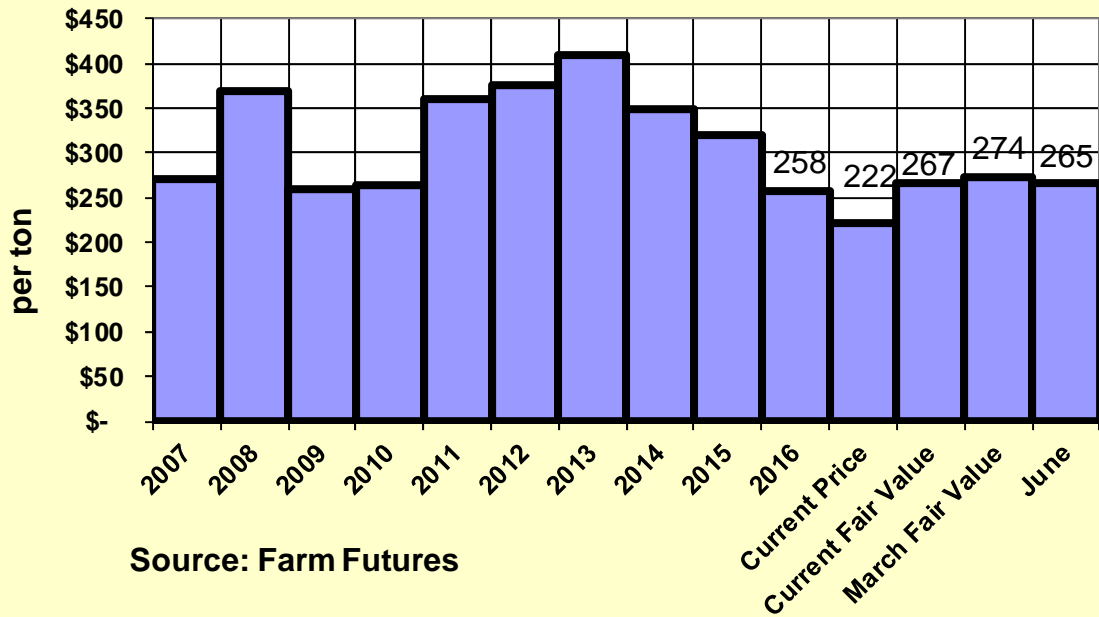


## UAN Gulf



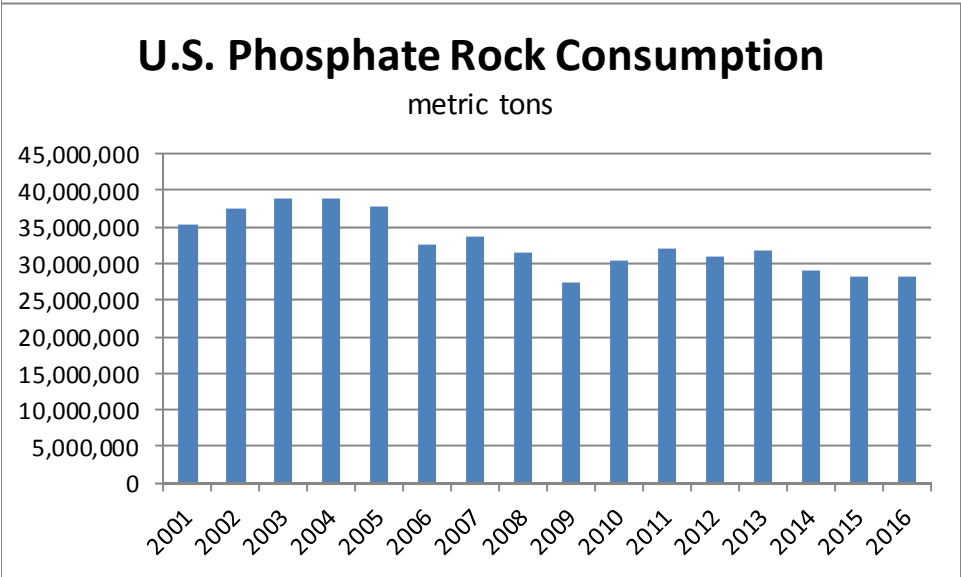
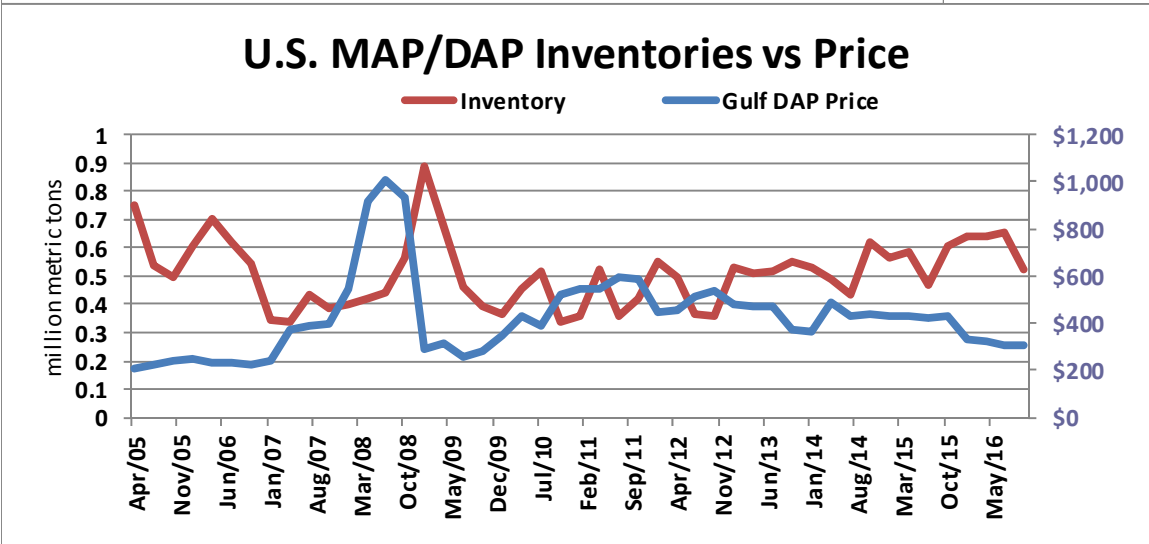
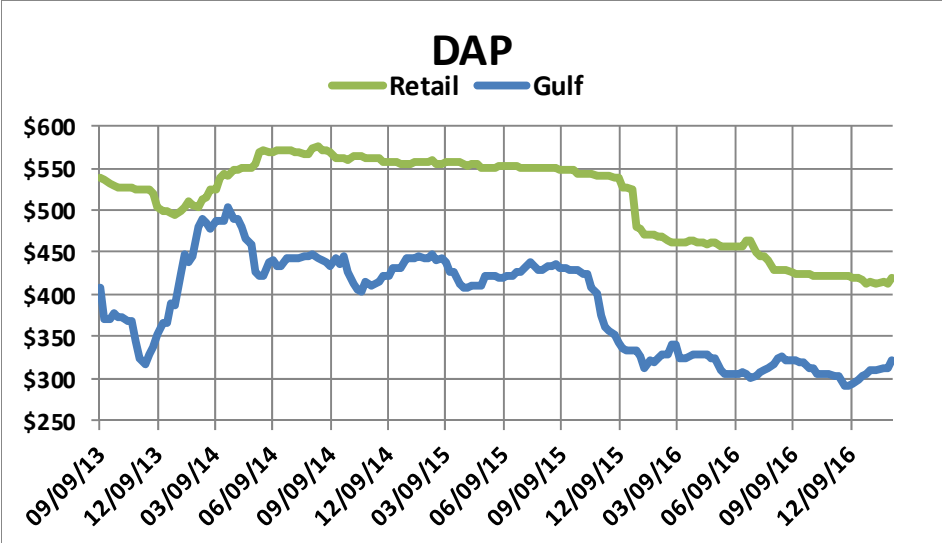
## Farmgate UAN 28%

2007-2015 April price

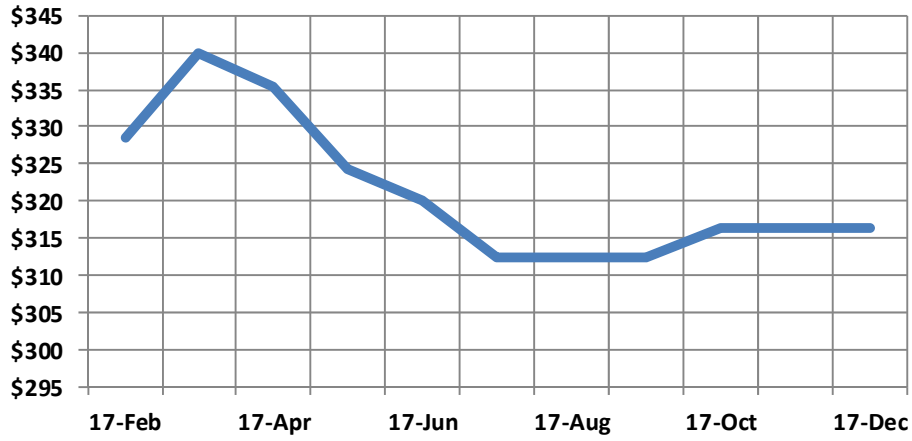


Source: Farm Futures

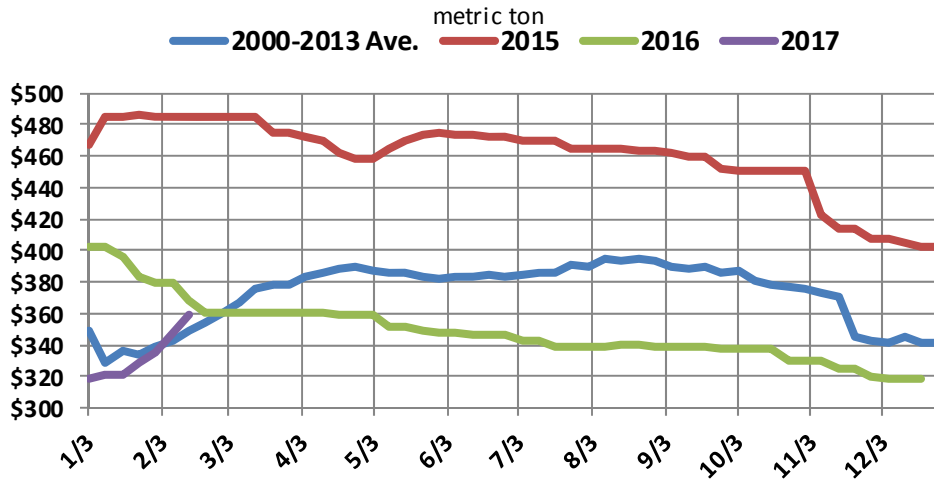
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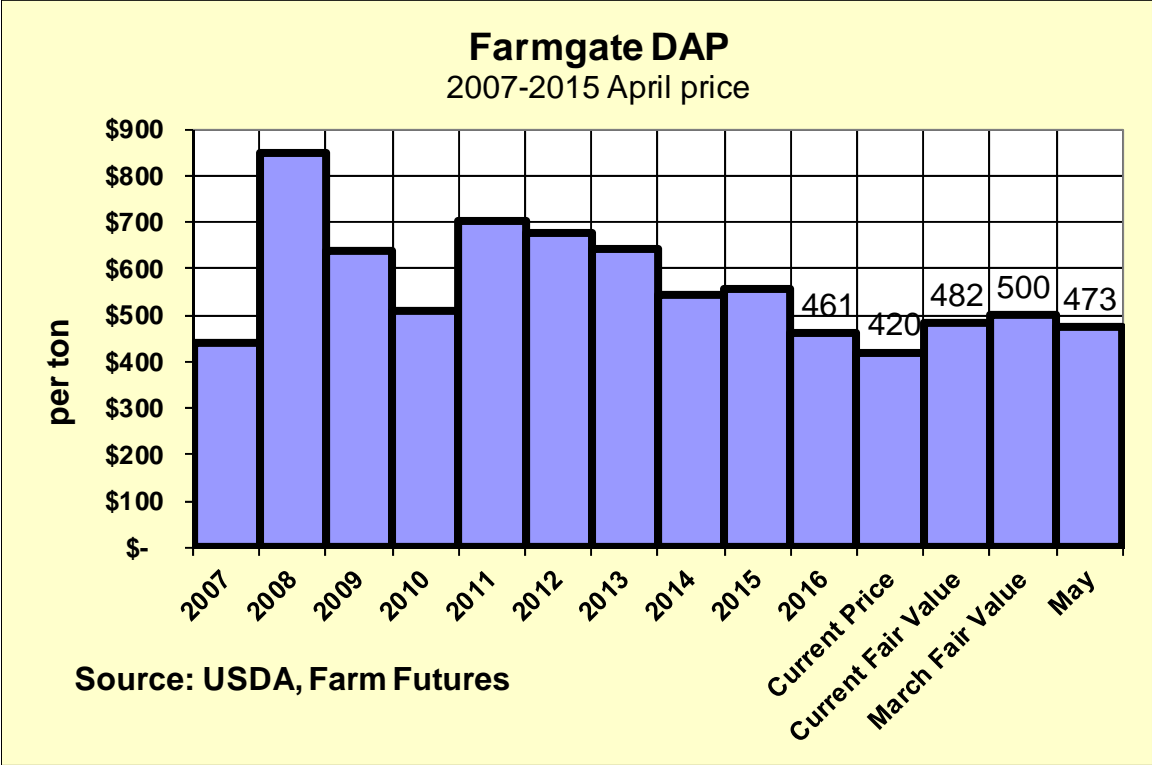


## Gulf DAP Swaps Curve

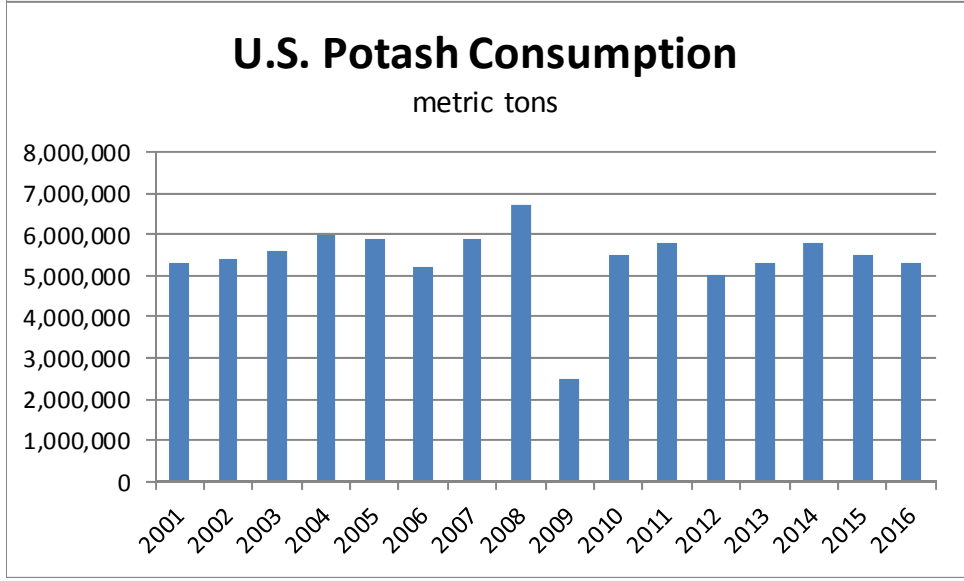
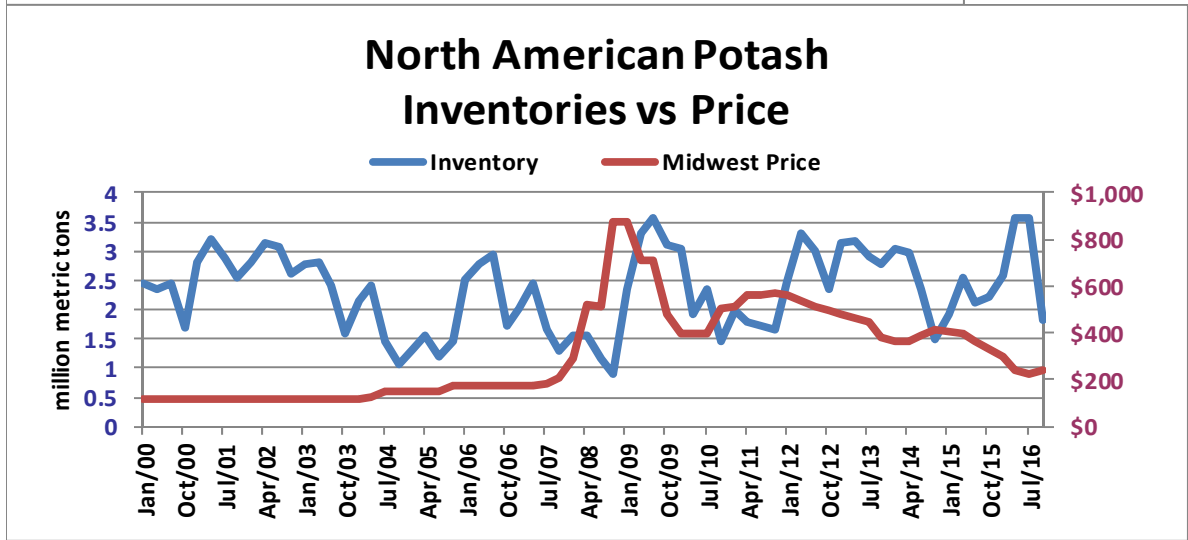
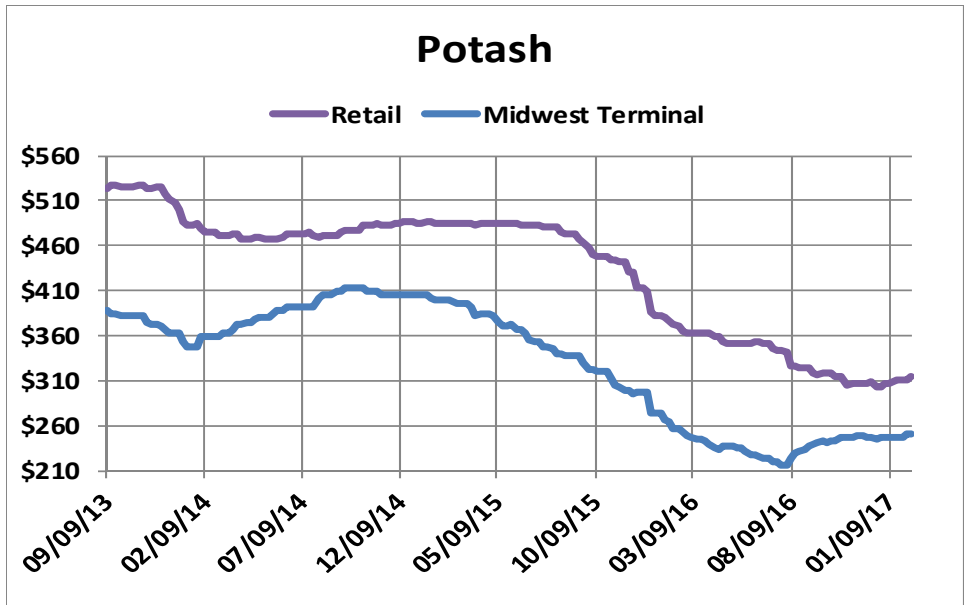


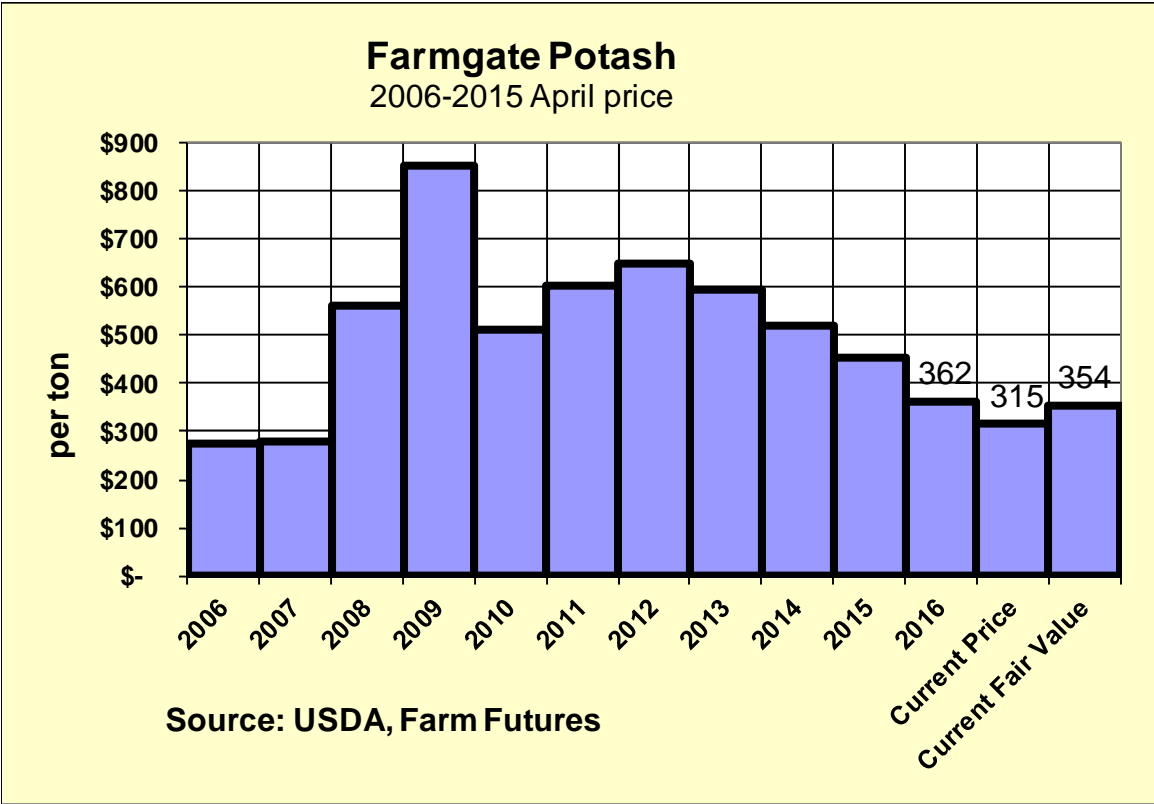
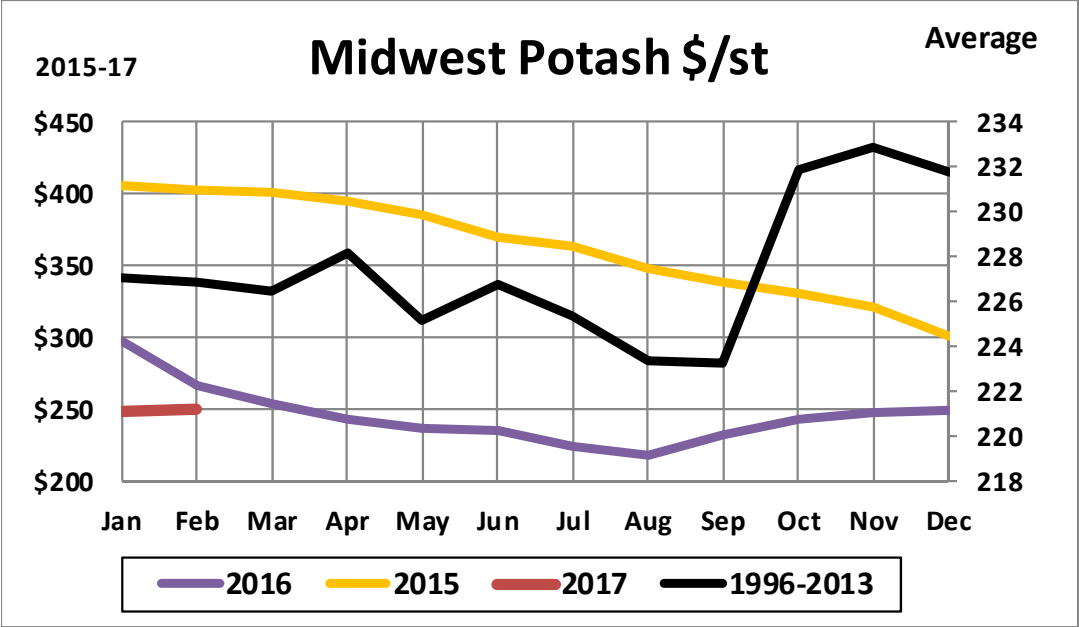
## Tampa DAP





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