



World Grain Output to Fall Short of Demand

World grain production will decline in the coming crop year and fall short of demand, according to a forecast by the International Grains Council, based in London. The world grain crop will drop to 1.72 billion metric tons, down from an earlier forecast of 1.73 billion tons. The estimate for the world cereal harvest for the current year was cut by 2 million tons to 1.782 billion tons. After a record world crop in 2008, the next wheat and corn harvest is expected to shrink because farmers used less fertilizer and because of adverse weather in the U.S. and Latin America. The group's report, issued late last week, went on to say that the coming year's shortfall will erode some of the gains in stocks achieved after the bumper 2008 harvest. Global wheat production is expected to fall 5.1 percent to 652 million tons in the 2009-10 marketing year, while the corn crop may slip 1.7 percent to 771 million tons.

Dry Nitrogen

Urea

It appears that China will institute a urea tax of 10% from July 1 through the end of September, return to a 110% tax for October, then switch back to a 10% tax from November 1 through December. That should give them a cost of around \$270-\$275/ton FOB for prills through September. A Bangladesh tender expected in the next week could give an indication of whether China can get into the market again. Pakistan is supposed to announce a tender for 200,000 tons in the next week or two and India is expected to come back to the market soon, as well. That, along with demand from Brazil, should keep the world markets fairly stable in the month ahead. The U.S. market is moving sideways for now, with a limited number of barges available. Because the U.S. price is still at a discount to world markets, few cargos are headed here for the coming months.

Ammonium Sulfate

Demand has dropped off this week and Monday Honeywell announced a \$20/ton price decrease. Due to the current demand in the Delta for the rice run, pricing is likely to remain stable for the next month, but could decline further once the rice run is over.

Liquid Nitrogen

UAN

Demand has picked up in the East as corn planting has made good progress. Prices are currently stable with a few locations getting low on inventory. Interest in summer UAN fill tons is picking up.

Ammonia

Spring sales continue to be made east of the Mississippi along with fall '09 prepay quotes becoming the hot topic. Cash ammonia sales are being done on a load by load basis and are being done below the posted price. To date, Koch, Terra, and Agrium have released fall '09 pricing. There hasn't been a significant amount of business done at those values to this point. Expectations are that growers will look to lock in their inputs in the coming weeks as the corn price trends higher. Today's price is not drawing imports into the United States as it appears to be below international breakeven point.

Phosphates

If demand doesn't pick up soon, CF and Mosaic may curtail production at their Florida facilities. These may be good levels to start taking some fill positions. The market could be getting close to the bottom and when that bottom is reached, the bounce will likely be quick. PCS continues to suspend production of phosphoric acid through June.

Potash

There is still some product moving in the East and South for spring application yet this week. Pricing hasn't changed this week. There are still a number on barges on the river which could present some early fill opportunities for fall. Filling now using floating barges would be completely speculative at this point not knowing what producers are going to do for a fill price. Producers are still holding strong with no indication of when summer fill pricing will come out. No new news on the international front.

Regional markets

South: There is some prepay activity for summer and fall fill, with some phosphate buying as well as renewed interest in ammonia for fall. Another 30 days should also bring interest in UAN. After the last bout of rain in the far South, fields are drying out and there is a fair amount of activity for the rice run in the Delta. Urea is moving by rail west of the Mississippi and some 32% is going on irrigated acres.

Northeast: Planting in Indiana and Illinois is still running behind and more rains this week will likely put an end to corn planting there. Some side dressing has started and we would expect demand for UAN for side dress to be good. However, given the long UAN market situation, dealers are content with covering their needs a few loads at a time as they finish out the season. Despite the slow spring progress, there is grower interest in buying inputs for next year. Dealers are also becoming more interested in fill tons for next season, specifically on nitrogen, but continue to be very cautious about forward buying while keeping cash flow issues in mind.

Midwest: Planting is nearly over, with most last-minute buying of urea, some phosphates and UAN. There is a fair amount of grower interest in summer and fall fill, but many dealers are taking a very cautious approach to buying forward and may have some cash-flow concerns.

Northwest: There has been a flurry of activity in urea, with many dealers laying in product for fall fill. Interest in forward pricing on ammonia for fall and next spring is also picking up this week. Higher commodity prices seem to be spurring growers to buy.