



Global fertilizer consumption will see small rebound in 2010

Overall fertilizer consumption will be up slightly in 2010, according to the International Fertilizer Industry Association's short-term outlook. Nitrogen should see a full recovery in use and phosphates will see a small rebound, but potash demand could decline further. Total fertilizer demand is expected to increase in countries in southern Asia, and be only slightly up in countries in North America and northern Asia.

Dry Nitrogen

Urea

The current price in Egypt is between \$315-\$317/ton, with recent sales going to Europe. As the world market tightens, the U.S. will have to compete with European countries for Egyptian urea in Q1. Sales have slowed this week, and the market is expected to soften over the holidays. If prices move much lower, they will cause in-coming spot cargos to dry up for February delivery, adding to the already tight spring supplies.

Ammonium Sulfate

There have been no changes to posted prices this week. Dakota Gas/Beulah, ND is selling sulfate for \$210/ton delivered, to the west IRM is at \$200 delivered, and Honeywell is still not taking rail orders but is expected to change pricing before they do.

Liquid Nitrogen

UAN

The market is somewhat flat this week. Producers appear fairly comfortable with orders into February and downside pressure very limited, so the UAN market is not likely to show much weakness in the weeks ahead. We recommend owning as many tons of your spring needs as possible.

Ammonia

Koch and Agrium announced this week that they will not allow unused ammonia contracts to be rolled over for spring and will, instead, let them expire. Terra will allow fall contracts to be rolled, with storage fees. CF has made no announcement yet about unshipped tons on fall '09 contracts. Elburn Cooperative will be honoring unused fall contracts of ammonia written before November 15. There has been demand for spring prepay, mainly at eastern terminals. There was also good demand in west-central North Dakota. Prices could inch higher in the coming weeks.

Phosphates

Both Mosaic and CF have built a book of sales through February, which means there is little chance of pricing backing up driven by the producer. If either Brazil or India comes back into the world market in a major way (both countries still need to buy phosphates), it could make things very tight in the U.S. for spring. Production at Florida P facilities is at 73%, due to some current turnaround and sulfur supply issues. That could edge up to as much as 80% by early next year,

but that's not enough to meet expected world and domestic demand for spring. We advise buying soon to lock in supply for spring.

Potash

It appears possible that China could sign contracts this week or next with potash producers. That would likely mean that other countries would jump into the market as well, once a more firm price is set. Several other major potash buying countries, such as Brazil, have extremely low inventories. Supporting this potential development, PCS announced last week it would be bringing its Lanigan mine back online in January, rather than early March. That mine has, in the past, supplied product to Brazil. While some price drop is still likely in the international potash price once a China deal is finalized, their internal potash price has gone up recently, which could mean a higher price worldwide than speculated.

Regional markets

Midwest: Increasing prices have slowed buying this week, especially on phosphates. Growers and dealers are holding off until decisions are made about how many corn and soybean acres will be planted in spring.

Northeast: Demand for dry phosphates has been fairly strong in recent weeks. Most dealers expect a strong prepay season, but buyers are still being somewhat cautious. There was some buyer frustration when ammonia producers announced that un-pulled fall contracts would be cancelled on the same day that product prices for spring were raised.

South: In the Delta, buying has been fairly active this week, and prepay business is expected to be good, but less than last year. Sales activity remains mostly quiet in Oklahoma and Kansas, except for some product moving for wheat top dress. Phosphate buying has slowed considerably due to rising prices. Strong prepay business is expected in the Plains states.

Northwest: It has been difficult to get a quote on phosphates this week from western producers since business is so brisk. There has been more interest in urea, with prices on southern product being better than those of Canadian product. Interest is growing in prepay ammonia, especially in western North Dakota