Week of March 8, 2010

No-till growers may avoid some spring compaction concerns

Growers around the country could be facing more compaction issues than usual this spring, due to excessive soil moisture through the fall and winter. No-till farmers may be a little better off because their fields are probably less rutted than soil that was tilled prior to last year. But in general, farmers should minimize spring tillage where soils are extremely wet. According to Ohio State University ag engineers, some simple practices can reduce spring compaction:

- Remove excess weights from tractors.
- Instead, add more tires or switch to bigger tires.
- Consider using controlled traffic paths.

Dry Nitrogen

Urea

There have been a few more cargos coming out of Egypt this past week but they went to Canada, Europe, and Brazil. Currently, no product is headed to the U.S., and even if a deal was done this week for Egyptian urea, it wouldn't arrive here until mid-April – too late for river open and too early for the rice run. The Yuzhny market appears to be moving sideways to slightly up. In the U.S., the market is up slightly, Koch raised its prices $5/st out of Enid this week and $5 out of Inola. If demand picks up soon domestically, and prices continue to move higher overseas, the urea market could stay tight through spring and into the rice run.

Ammonium Sulfate

IRM raised its price this week. It appears rices will likely top out in the U.S. in the $240-$250/ton range this spring. By June or July, there could be some attractive fill prices.

Liquid Nitrogen

UAN

The U.S. market continues to trade at a discount to other world markets. Trading out of the Black Sea is at $220/ton this week. The Trinidad plant is up and running, producing 3,000 tons/day, but because of its delay in starting, it is still trying to catch up on filling orders from Europe placed over the winter, and is not likely to have much impact on the U.S. market this spring. There is quite a bit of product moving in some areas west of the Mississippi, and prices are moving up there faster than in the East. The market has probably not topped out yet, and could go up yet this spring. Because current spring movement is about 3-4 weeks behind, the logistics of getting replacement product moved through the system once it is emptied will become very challenging.

Ammonia

Although the temperature has been warming throughout much of the country this week, the ammonia market remains in a bit of a holding pattern. If it looks like conditions remain too wet for ammonia application, and growers are forced to switch to UAN, ammonia producers will likely take product out of the pipeline and export it. Operators of the western Magellan pipeline announced they will be taking it down beginning mid-April and through June. That could make product for summer fill into Iowa and Nebraska limited. Currently, rail ammonia cars are extremely limited. If there are cars available, they are typically May or June rail cars.

Phosphates

Domestic prices are edging higher again this week. Mosaic said this week it has more product available than originally thought, mainly because it was being very conservative in its original estimates. The international market hasn't been taking as many tons as expected, either. The Tampa price seems to have topped out and now not much is moving. With the U.S. market tracking at $40 below the international market, the Tampa price could come down this spring, but inventories will remain tight. Producers have no incentive to take prices much lower for spring.

Potash

There hasn't been much potash moving this past week. There are also still tons available on the river priced below Canadian product. Any new sales would need to be April or later delivery in most cases. Producer inventories are expected to get tight through spring. If there is a need for potash by our customers, we should act now before logistics become an issue. We don't expect any price changes until we get into April and demand can be recognized.

Regional markets

Midwest: The most product activity has been on the nitrogen side, with urea and UAN in highest demand. It doesn't appear there will be as much P & K needed in the region this spring. The sunnier, warmer weather has boosted buying interest this past week.

Northwest: Growers in North Dakota and northern Minnesota are harvesting corn this week. Moisture levels are lower but grain quality is rather poor. While there is still a lot of snow cover to the north, it is melting at a slow pace, which could help reduce flooding problems. Most growers in the eastern part of the region are at least three weeks away from spring field work. Good progress is underway in the PNW, though.

Southwest: Corn is being planted in Texas this week. About 70% of the early spring fertilizer is now applied in that part of the region. The forecast for the coming week is sun and 70+ degree days so everyone is feeling more optimistic. There has been good progress on wheat topdressing in Oklahoma and Kansas, but many growers need another 2-3 weeks to finish up.

Southeast: Last week saw a fair amount of field work being done. Corn was planted in the southern part of the Delta. At this rate, rice planting could start by April 1st. Rice acres are predicted to be up 10-15% this year. Urea positions are being taken, with 40-50% being committed so far. It looks like it will be a big year for potash sales, and phosphate use is expected to be strong, as well. Interest in UAN is picking up.

Northeast: Most all of the snow has now melted and we are seeing above normal temperatures in the area, which is getting both dealers as well as growers much more excited about the coming spring season. In southern Illinois, there has been talk of some limited ammonia application.

Unfortunately rain is predicted for later this week which will limit much in the way of field activity. As growers become more active, they are also showing more interested in buying inputs. This is bringing much more confidence to dealers that corn acres will be good for the coming season. There continues to be a fair amount of concern whether there will be enough time to get all of the Ammonia applied that needs to go in the ground this spring. Early season delays could quickly turn up the demand for UAN as we move forward.