



Corn use of 12.5 billion bushels requires 87 million acres in '09

Last week USDA lowered the projection of U.S. corn exports for the current marketing year by 50 million bushels – to 1.7 billion bushels. That projection is 300 million bushels less than last fall's estimate, and represents the smallest export level in six years. But according to calculations by University of Illinois extension economist Darrel Good, export shipments at just over the halfway point in the current marketing year show the U.S. is well on pace to meet and probably exceed the new estimate. He says the revised forecast that increases corn use for ethanol by 100 million bushels may be a little optimistic, since margins for ethanol producers have dropped significantly. That, along with the expected decline in feed and residual use of corn during the coming marketing year supports the downward adjustment for corn use. Based on the revised consumption forecast, the 2009 corn crop needs to produce 12.2 billion bushels. "Assuming a trend yield of 152.8 bushels, 79.8 million acres of corn would need to be harvested to produce 12.2 billion bushels. That means about 87 million acres would need to be planted in 2009. But each bushel above that 152.8 level reduces the needed acreage by about 500,000."

Dry Nitrogen

Urea

The gulf market seems to be holding slightly below the world market. The Yuzhnyy market is under pressure and the price is close to the Ukrainian cost of production, so there may be more plant shutdowns if prices don't move higher soon. There has still been no Indian buying yet this month. Trade figures for January show urea imports dropped almost 30% from the same month last year. With a lower U.S. spring supply set, the biggest challenge for domestic urea could be the logistics of moving fill product through the system quick enough this spring.

Ammonium Sulfate

This market could begin to tighten soon, with Honeywell sold out through March and world inventories down due to decreased production of caprolactam.

Liquid Nitrogen

UAN

The domestic market, overall, remains weak, with UAN prices dropping in the Gulf. The system is full waiting on spring season. Some worldwide plants are preparing to shut down again as inventories build. Here in the U.S., little product has been moving. Terminal prices are expected to increase through the spring season. There are railcars of product available for delivery through May, but if everyone waits until the last minute, logistics will be very tight.

Ammonia

Last week brought light demand for product in southern Kansas and Oklahoma, and above-normal demand in parts of Texas. International markets are seeing prices move higher as demand picks up. Black Sea prices are moving closer to the estimated breakeven price for Ukrainian producers. That could prompt some companies there to restart production. It has also pushed Middle East prices higher. Higher prices elsewhere are not likely to have influence on U.S. prices for spring, though, since the supply here is already set, but they are likely to impact fall pricing. The biggest factor affecting the domestic market for spring will be the weather. Continued wet weather will shorten the application window. Product availability is currently

good, but could become tight, especially if drier conditions allow for a start to field work in the coming week or two. Pricing in-season will be firm.

Phosphates

Last week was another quiet week for the phosphates market, with prices staying. There has been very little export business out of Florida recently. Producer inventories appear to be at more acceptable levels for spring, but there probably won't be any significant price decreases before the spring season starts. With the uncertainty of where summer fill prices may end up, the intent should be to come out of spring empty. If dealers get stuck with product beyond spring, they may not like the summer prices. Acid supplies are tightening, with Simplot now one month behind on shipments and PCS already one week behind. As a result, there is limited product available for current shipment.

Potash

Producers are holding tight on pricing. They are continuing to try to balance production with market demand along with keeping the price up. PCS announced this week that they will further reduce 2009 production by an additional 1.5 million tons, bringing the total PCS curtailment to 3.5 million tons. So far most of the activity that's happened in potash sales has been with product already owned by resellers, brokers and dealers at prices well below what it could be replaced at out of a producer mine. Inquiries are beginning to pick up as spring starts in some areas and is very close in others.

Regional markets

Northeast: Rain in the northern parts of Illinois and Indiana brought flood warnings, but farther south there were farmers getting into the fields early this week. More 70-degree temperatures are predicted through this week, which is reason for more optimism.

Southeast: Corn is up in parts of central Mississippi and southern Arkansas, but most field work has stalled out after more rain fell across much of the Delta over the weekend. Many growers still remain undecided about what they'll plant on much of their row crop acres. There were small amounts of fertilizer moving out early last week before the weather moved in. We are seeing a big diversity on reported application rates as some fields are getting normal levels of P & K, while other fields are getting none.

Southwest: Last week saw some dry product and ammonia going to the ground, and product movement has been slow but steady in Nebraska and Kansas. Improved spring weather and dry forecast for the coming week are encouraging, especially for ammonia application.

Northwest: As much as one foot of snow fell in North Dakota and northern Minnesota last week, with temperatures dipping to -15 F. But by Sunday, temperatures were up into the 40s, and concerns about flooding were real around the Red River Valley. There was some field work taking place in south-central South Dakota. The unit train schedule was filled in a bit more last week, as well.