April 6 update

A lingering La Nina could lower corn yields

The longer the current La Nina weather pattern hangs on, the more impact it could have on lowering corn yields, according to an Iowa State University extension climatologist Elwynn Taylor. He notes that historical yield response during a La Nina weather event (caused by colder sea surface temperatures) for a U.S. corn crop is 144 bu./acre, compared with 155 bu./acre during a neutral weather period, which takes place during the transition from a La Nina to an El Nino pattern. According to USDA's corn yield trend line, the average yield should fall around 153 bu. /acre in 2009. If the weather transitions more quickly to a neutral pattern in May or June, it could mean more potential for storms
during the summer, but less moisture extremes. That would be a welcomed forecast for those folks in the north, now dealing with floods, and those to the south, who desperately need rain.

Dry Nitrogen

Urea

The domestic market remains fairly quiet this week. Gulf prices seemed to have peaked back in late February. Everyone is just waiting for the spring application season to fully get underway. In the international realm, Yuzhnyy seems to have found a bottom to its market. Pakistan appears to be interested in buying more in April – as much as 250,000 tons in its next tender. India is also expected to be back in the market by May, which should add further support to world prices.

Ammonium Sulfate

Last week brought more strength in the market, with Honeywell raising prices another $20 on Friday. HJ Baker, while now sold out through April production, is expected to match the higher prices, as well. In some areas, supplies of granular are tightening, due to lower demand world-wide for caprolactam. Honeywell remains behind in shipping for March deliveries, and flooding up in North Dakota could hinder truck shipments from HJ Baker out of Beulah.

Liquid Nitrogen

UAN

The system is full and everyone is waiting for spring application to begin. If ammonia application suffers due to all the wet weather in the northern region, there may be more opportunity for UAN. When the season does start, if everyone is still short, there will be not enough product available, especially in a compressed spring, since system refill will take more than a few weeks. On the world scale, some plants are already at reduced capacity, while others are shutting down.

Ammonia

Application is now taking place in parts of the South and East, but continued wet conditions plague the Midwest, where more snow is expected in the northern states this week. Pricing in the Midwest has gotten more aggressive, with dealers and suppliers now facing a battle of market share over margins. The supply situation for fall ammonia will be determined by spring demand, so producers are extremely reluctant to quote the fall season yet. What happens with the domestic economy will also impact ammonia prices – a continued weak economy could keep prices lower.

Phosphates

Prices weakened a bit this past week, with the markets out of both Central Florida and the Gulf. Dealers and growers are running out of time to be able to get product for spring, if it's not already in place. In the world market, India is the only current significant buyer. North African producers have stepped away from the market, which leaves U.S. producers as the major source of phosphates for now. Looking beyond spring, second quarter sulfur and ammonia prices are being finalized for phosphate producers. Depressed sulfur markets are mostly responsible for a low cost of production. In terms of acid production, Simplot is now two weeks behind in shipping product, but demand for 10-34-0 seems to have slowed. Producers aren't committing to a price or supply of summer fill tons, yet.

Potash

It was another week of nothing new with potash. Producers remain stuck at list prices they had back last fall with resellers, traders and dealers selling tons at much lower numbers. Some product is starting to move in the South but wet weather continues to hamper direct application. The challenge will be, when recharge is needed what price we will be able to buy it at. China and India will be the bench mark for what happens moving forward. China negotiation should resume sometime in April but don't expect something to get done anytime soon. There has been some business done overseas in various markets but not enough that really sets a world market.

Regional markets

Southwest: Spring application is off to a slow start, particularly eastern Nebraska, but activity is picking up in the western part of that state, as well as in Kansas and Oklahoma. In Texas, along the coastal areas, it remains very dry and planting may not take place without significant rainfall before April 15th.

Southeast: It remains wet across much of the region, with between 4-12 inches of rain falling again last week, which is preventing more fieldwork from taking place. Southern Alabama and Mississippi got the heaviest rains. Some larger dealers are still having difficulties figuring out what they will need product wise, due to late decision-making by

growers. There is some aggressive pricing along the river, especially if sellers think they might be long on product Most dealers expect to be significantly below normal in P & K sales.

Northeast: The region has had relatively good weather, and there has been a lot of ammonia applied across southern Illinois, Indiana and Ohio. While some growers are still holding off on buying decisions due to late planting decisions, more seem willing to apply P than K. Corn and soybean acreage in the region is expected to remain fairly stable, with no major crop shifts. Some are predicting that use of starter fertilizer could be off by as much as 30-40%, though.

Midwest: Many growers are still holding off on purchasing, so it appears much of this spring will see just-in-time buying. The dealers who do best this season will be those who can be nimble and react the quickest. There has been some discussion with dealers about summer fill programs.

Northwest: North Dakota saw another foot of snow fall at the beginning of this week, and another six inches is expected. That puts season-long snowfall levels at close to 100 inches for that part of the country. Flooding concerns continue in Fargo, and across the state, as well, where several other major rivers are at or above flood stage. Several

unit trains out of Galveston have been delayed a few weeks in the hopes that things will have dried out by then. There has been some field activity in the Pacific Northwest and southern South Dakota