Ammonia holds line in bearish fertilizer market
Applications get going in a few areas after slow harvest season
By Bryce Knorr, senior grain market analyst

Red ink is flowing in most fertilizer markets as farmers begin to think about tax-related purchases. With some nutrients selling at 10-year lows, relative bargains can be had for nutrients you’ll need in 2020.

Ammonia was the exception that proved the rule last week. While prices of other products continue to fade, wholesale costs edged higher as farmers in a few parts of the Corn Belt were able to start putting down anhydrous. Terminal prices edged higher following a $5 boost in settlements for November that took the Gulf price to $236. That followed a $27 increase for October, based on ideas farmers will plant more corn in 2020 – a notion USDA’s first baseline forecast supported by forecasting 94.5 million acres. While that wasn’t far off the 94.1 million our first survey of planting intentions found, we talked to farmers in late July and early August, when the ration of new crop soybean to corn futures favored corn. That benchmark has since turned in favor of beans. Our average retail cost for ammonia was unchanged last week at $472, only $15 off the forecast based on wholesale prices, though offers vary widely, running anywhere from $415 or less on the southern Plains to $555 or more in parts of the Corn Belt. Still, with prices for competing nitrogen products plummeting, higher ammonia costs would appear likely only if problems emerge in the supply chain once again.

Urea costs at the Gulf slipped again last week, hitting their lowest level since May 2018 as demand in the U.S. and globally remains soft. The U.S. Gulf value of $216.50 is cheap enough it could lure some international buyers if any were interested. Mostly they’re not but growers who will need stocks in 2020 should be asking dealers what they can lock in for spring. Swaps into March show only a $10 increase from current values, which could translate into good value. Wholesale costs suggest average retail values around $330, $55 below the current average. Most dealers don’t appear to be updating prices, but those who are keep lowering offers.

UAN isn’t in big demand right now, but wholesale costs remain near the lowest level in a year. Recent updates to offer sheets show prices around $215 to $220, not far from good value in today’s market. Swaps show mostly steady prices into March, the moving $10 or so higher into summer, but demand could depend on corn prices and spring weather – which are both unpredictable.

Phosphates are still looking for bottom even though DAP traded to 10-year lows last week, with the Gulf price dropping $10.50 to $256.50. Lower costs for the nitrogen component of compounds and supplies leftover from a poor application season could make phosphate products a good deal for tax purposes, though it may require on-farm storage. Costs at $400, maybe less, appear possible.

Potash values fell to one-year lows on another slow fall application season. With the Gulf at $239 and Corn Belt terminals around $277, offers should continue to fall.

For more information about national and international fertilizer markets, go to Fertecon.com.
Source: USDA, Farm Futures
UREA

Retail vs. Gulf prices over time from 9/13 to 9/19

FARMGATE UREA
2007-2018 April price

Source: USDA, Farm Futures
Source: USDA, Farm Futures
Source: USDA, Farm Futures
UAN

- Retail 28%
- Gulf 32%

FARMGATE UAN 28%
2007-2018 April price

Source: Farm Futures
GULF UAN (32%) SWAPS CURVE

GULF 32% UAN

Average
2017
2018
2019