

## Fertilizer Update

### BK Morris, Fertilizer Week

#### Synopsis

- Expect to see continued ammonia price reductions in December with a modest recovery in January and February.
- Urea prices are lower and incoming cargoes will maintain negative pressure.
- Expect to see more UAN coming to the U.S. but not until next year.
- Phosphate market reacting rationally with lower prices possibly continuing through January.

#### Ammonia

- U.S. is arguably the cheapest market globally, and that bodes well for farmers.
- However, high European gas prices may complicate the situation.
- Biggest question is whether U.S. gas and ammonia prices will rise to match Europe.
- Not anticipating much more downside for U.S. ammonia.

#### Urea

- Prices down at New Orleans, which is not surprising to see during Q4.
- Other bearish factors include cargoes arriving from Russia and West Africa — January into February.
- However, could see some modest recovery in urea prices going into Q1 of 2023.
- Getting product to the interior remains a headache.

#### UAN

- UAN prices haven't dropped like ammonia and urea, but hard to be bullish on UAN when other nitrogen products are dropping.
- Supply chain to U.S. should improve in the coming year once cargoes from Russia arrive as anticipated.

#### Phosphates

- Phosphate market has been behaving as expected.
- Forecast going into December was \$640 at NOLA, and recent transactions confirmed that price.
- Low prices could continue through January with demand picking up into March.
- Much like the case for urea, the U.S. is the best market for phosphates.
- Outlook is good in terms of supply chain; imports are a little more questionable.
- Production problem in Saudi Arabia last month has been resolved and they have resumed shipping to India, which means there's isn't a need for more U.S. exports to India at this point.

## U.S. Outlook

### Noah Bishop and Jake Niederer, ADM

#### Synopsis

- Q4 is typically the time when we see some of the lowest prices as other markets go dormant globally.
- We've seen corrections across all the major markets and products. Now's the time to evaluate your fertilizer decisions.
- Heading into a period when you need to be ready to pull the trigger to lock in margins and take risk off the table for the coming spring.

- Prices are low compared to last year. Margin opportunity right now is high even though costs are high.
- Look to lock in spring urea, UAN and ammonium sulfate needs.
- Recommend getting nitrogen booked. We could see another \$15-\$50 move down or equally a \$200-\$300 move up.

## Nitrogen

- Current NOLA values are a buying opportunity for growers in North America, especially on urea. Recommend covering spring urea needs.
- Prices have declined substantially as expected given subdued demand and returning European production.
- Trend lines starting to change moderately. Could point bullish going into the new year.
  - » Brazilian market likely will return to competing against NOLA in terms of attracting tons.
  - » European demand is also likely to step up.
- Demand outlook overall is slightly better than a month ago. Supply side looks a little more challenging.
- Nitrogen prices have largely traded as a derivative of natural gas prices in Europe, which are still elevated above historical trends the last few months.
- Gas prices are up, nitrogen prices are down, and European production is not as profitable.
- Demand likely to increase in the next 30-60 days and recessionary fears are still a concern.
- Haven't seen pressure build on UAN yet. Don't see prices coming down soon — it may be tail end of spring season before we start to move into a reset.

## Phosphates

- Prices have reset and the market pricing is flat.
- Price corrections have translated throughout the interior.
- Now is a good buying opportunity for spring.
- There's not a rush to buy — prices could remain competitive for next 30-60 days.

## Potash

- Potash has an oversupply in the marketplace.
- Don't expect much of a recovery in pricing.
- Fill program announced by North American producer will set the floor price, but that hasn't happened yet.
- In near term we'll have more clarity on what the low in the potash market will be.
- Recommend getting spring potash needs covered.

## Ammonium Sulfate

- Ammonium sulfate market has pulled back with a decrease in price.
- Look to lock in sulfate for coming spring.

## Commodity Grain Update Brian Henry, BQCI

### Synopsis

- Over the next month, expect beans to trade at the high end of \$14.10-\$15, corn midrange between \$6.40 and \$6.80, and spring wheat towards the low end of \$9.25-\$9.80.
- Energy markets will be key to lifting bean prices.
- Corn exports have been poor but still seeing some domestic demand.
- Wheat market has rally potential.

### Soybeans

- Bean market is trading higher, but that window is closing quickly.
- Energy markets have firmed, putting a focus on bean oil.
- Despite moderate U.S. bean sales, global vegetable oil has rallied significantly.
- Favorable weather in Brazil should impact prices negatively. Consider selling old crop.
- Dry conditions in Argentina could impact prices positively, as system is slow to shift.

## Corn

- Recent support in corn driven by domestic processor demand.
- USDA endings stocks tend to lean supportive of better prices.
- Whether USDA pares down corn exports will impact expected U.S. supply at year-end.
- At current levels, corn not hugely bearish because some supply still needs to be sourced by domestic users.

## Wheat

- Black Sea wheat cheaper than what U.S. can offer; expect that to continue.
- U.S. supplies relatively tight. Southern plains struggling with dry conditions.
- Competitive sales out of Canada tightening North American spring wheat supplies.
- Market not hugely bullish but could catch some significant rallies.
  - » Spring wheat trending around a \$9.25 support level, upside of \$9.70-\$9.80.
  - » Hard red winter wheat has potential to rally \$0.35-\$0.45 higher.
  - » Soft red winter wheat down to August lows. Not competitive in export market but short position building.

## Questions from Our Growers

Growers who attend the conference call have the opportunity to get their questions answered by our industry experts.

### What does the corn basis look like going into Q1?

- Basis values are inconsistent depending upon the region and supply. Some of the most intensive-using areas are in short supply.
- Biggest problem is we're not getting the help from the Board like the domestic user needs.
- Despite U.S. corn supplies quietly increasing, it doesn't feel like producers are at a point where they're ready to sell.

- We'll continue to see the basis phenomenon continue, possibly rising 5-20 cents in some areas.
- Producer will need to continue to be proactive and monitor markets.

### How much influence does Mosaic have on phosphate prices in the U.S.?

- Mosaic is the largest producer in the U.S. They control 60%-70% of total phosphate supply.
- Other major phosphate suppliers include Saudi Arabia, Russia, Jordan, Australia, Mexico and Morocco.
- However, the flow of Moroccan phosphates to the U.S. is limited because of duties. Production in Morocco right now is down as much as 50% due to demand destruction.

### Are there any duties on Saudi Arabian tons?

- There are no duties on tons from Saudi Arabia, but we have not seen a surge of their production coming to the U.S.

### Looking ahead to next fall, do you anticipate the prices we're seeing today being beneficial in the long term?

- It's tough to make predictions with the extreme volatility we've been experiencing.
- There's decent price correction occurring right now, which may make it a good time to use some of your storage to your advantage.
- Selling grains against your fertilizer to lock in your margin is always a good business practice.

### What are you seeing for AMS prices?

- AMS has been a pretty flat market — \$415-\$425 at NOLA.
- There is a little bit of carry moving into spring. It's one of those sleeper products that doesn't have a lot of movement until it's needed for application.

### Can you expand upon the potential price moves for nitrogen?

- The interior market is somewhere in the \$445-\$450 range.
- The international market has gone somewhat quiet, so this is why we're seeing downward pressure in the U.S.

- Because we're already in a stressed environment, we don't expect to see more than \$50 on the downside.
- We see greater potential for upward movement in price because suppliers will want to see prices come up before they begin to produce and export more product.

**What does the river movement situation look like heading into spring?**

- Right now, the river system is managing, but if we don't get proper snowpack and moisture built up, we could have problems going into spring.
- Logistics issues with a potential rail strike is another issue of equal importance. Trucks won't be able to make up with the volume of product that needs to move from exterior to interior locations.

**Next Monthly Grower Call**

Wednesday, Dec. 21 | 8:00 AM CST

Phone Number: (872) 212-5260

Conference ID: Coming soon

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