In Case You Missed It
Insights from the monthly ADM grower call

March 2023

Commodity Grain Update
Brian Henry, BQCI

Synopsis

- Not a rosy picture for soybeans. Cheaper Brazilian bean crop will have a significant impact on U.S. values moving forward.
- Seeing more support for corn compared to beans. U.S. remains the cheaper offer.
- U.S. wheat continues to be the cheaper global offer.
- We anticipate March 31 quarterly stocks and acreage report will point to tight stocks. Spreads indicating tight stocks in beans, corn and wheat.
- Acreage estimates hovering around 90 to 92 million acres on corn and 87 to 88.5 million acres on beans.
- Wheat acreage increased with strong possibility of winter wheat crop failing.
- Banking crisis has the potential to be supportive to the grain markets longer term.

Soybeans

- Market points to the downside despite strong domestic crush margins.
- Brazil production continues to cheapen their offer which is knocking the U.S. out on the export side.
- China's slow COVID recovery has reduced their crush and hog feeding margins.
- Global buyers can skirt the U.S. to find cheaper meal and vegetable oils.
- Commitments of Traders report indicates there's still room for beans and meal to sell before they move to a short position.
- Meal will need to be watched closely as it approaches $450 and trades at a significant premium to Brazil.

Corn

- Focus is on Chinese demand — purchased 178 thousand metric tons overnight.
- U.S. is a cheap global market.
- China-Russia relations may impact Chinese corn demand. Chinese may be buying new crop wheat from Russia which could end up in their feed ration.
- Corn market needs to find better demand.
- Funds continue corn sell-off according to Commitments of Traders report.

Wheat

- Global wheat markets are in search of demand, and that demand appears to be in feed rations.
- Dryness in the southern plains and potentially wet conditions in the northern plains could provide some support to the market.
- Funds are short a significant amount of wheat. From a U.S. standpoint, it doesn't seem there is going to be a catalyst to push those funds off that short position.
- Rallies moving into the spring will be a good opportunity to let go of old crop wheat supply.

Fertilizer Update
BK Morris, Fertilizer Weekly

Synopsis

- Urea and DAP supplies look tight heading into spring.
- UAN and ammonia could trend toward tighter supply.
- Potash supplies are strong globally.

Urea

- U.S. is competitive with prices global suppliers can get in India which will help to attract tons from the Middle East.
- However, despite inexplicably falling prices at NOLA, supply is beginning to tighten, and we anticipate more farmer demand with strong acreage estimates for corn.
- Need somewhere between 800,000 and 1 million tons more than what's currently in the import lineup through May. Not impossible for that to correct but will need to see increases soon to avoid being short on urea.

UAN

- Import price in western Europe is equivalent of around $298 a short ton.
- New Orleans price trending lower around $270 to $280.
- Most UAN is being bought in the interior where U.S. producers are still getting a better netback than they would overseas.
- Higher European prices will probably come into play a little further down the road.
- If the Europe price rises and the U.S. price doesn't, that could incentivize U.S. Gulf producers to ship more UAN overseas.

Ammonia

- U.S. ammonia is a very inexpensive market compared to Europe.
- Europe has higher production costs, but they've come down enough to produce other downstream products like dry nitrates.
- Don't expect a huge surge in U.S. exports with European production sitting better than it was a year ago.
- However, U.S. ammonia exports have remained steady which could create a tight market by the time planting season ramps up.

DAP

- U.S. is short on DAP due to exports that occurred earlier this year and lack of imports.
- Although U.S. is competitive with Argentina, don't expect to see DAP prices suddenly falling in time for this spring.
- Moroccans and Tunisians would send more, but this late in the game it will be tough to start loading phosphate cargoes and expect them to arrive in time.

Potash

- Global supply of potash is strong.
- NOLA still has plenty of product and exports are expected to continue over the next couple months.
- If China or India were to buy more than expected, that might change, but overall, potash supply is in a good position.

Fertilizer Outlook
Jake Niederer, ADM

Synopsis

- For the last 30 days we've had stability in the markets without any major price moves.
- Pricing has reached a floor for the time being. Expect that stability to continue until we start to see in-season price spikes and logistics premiums.
- Cargoes are lining up slowly, but not steady. The next 30 days will be all about weather and when farmers get into their fields.
- If all the markets start moving at once, prices are going to move up.
- It's important to start thinking past spring, what things will look like when we get to the fill periods and when the right time will be to start buying ahead for summer and fall.

Nitrogen

- We're at the cusp of needing further nitrogen imports, particularly urea.
- Right now, we've got cheap natural gas in the globe.
- European plants are back up running. This enables us to see a reduction in the cost curve on nitrogen versus where we were a year ago at this time.
- Seeing exports begin to come out of major global markets like China, making more product available for the global markets.

- This is going to have an effect on nitrogen in the eastern marketplace and a little bit into Brazil, ultimately pushing some of those North African tons and even Russian tons here into the United States for the fill period.
- Expect a bit of a reset after the spring season, probably a $40 to $50 move on pricing around urea.
- UAN may see a similar pullback around $50-$60.
- Anhydrous ammonia pricing will depend on what volume comes out of Russia.
  - If we see more volume come out of Russia, we could have a very big move downwards.
  - If it continues as it's been, then we probably have just a slight pull back.

Phosphate & Potash

- Phosphate market is balanced for the time being.
- Given the reduction of overall P and K in the global market, we should see improved global demand.
- This could ultimately lead to a recovery in pricing as third quarter approaches.
- Demand outlook for fall looks good on both phosphates and potash. Could see a bit of turbulence over the next few months followed by a price recovery.
- Buying for P and K could start a little earlier. Looks like we could be targeting the May to June timeframe as a good buying opportunity for fall.

Ammonium Sulfate

- Starting to run tighter in all markets, even a little bit in Canada on the delivery side.
- Now is the time to get product locked in for the spring season.
- Plant delays in certain regions are going to drive some tightness in supply.

Questions from Our Growers

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

What's your pulse on the fuel markets?

- No issue with domestic crude oil production. Production is stable and we are exporting some.
- Concern is regarding diesel and gasoline in some refining facilities where they are switching over to produce summer diesel blends.
- Refining capacity is tight. As we start to get into hurricane season, we could see refining capacity going offline, but there's not a rush to have a lot of coverage right now.
- Look for market dips to add market coverage if it's needed.

When do you anticipate the $50-$60 pullback on UAN?

- We anticipate the pullback will occur after the fill period and topdress run.
- Bad weather or delayed planting could drive price moves to occur sooner.

Will AMS prices improve?

- AMS has been a sleeper.
- Market outages with some of the production will likely turn it around a bit.
- Looking at $15 to $20 moves and tightening.
- It's time to get AMS locked in for the spring season.

Will rising interest rates impact market volatility?

- The last time we had a big interest rate meltdown or increase like this, it slowed global liquidity down and basically killed the markets.
- While it is a risk, it's not something we our using in our estimates for price moves right now, but it's something to be aware of.

What's your view on all of the biological products coming to market?

- ADM is currently selling some of these products, including NeoVita 43 and BiOWiSH, and we are conducting university research to validate our claims.

- We are also advocates of regulation being added so that it mitigates non-proven products from coming onto the market.
- It all comes down to having a conversation with your local agronomist or trusted adviser.

What are you seeing for cash prices on UAN or urea in the upper Midwest?

- On both UAN 32% and urea you're probably in the $400 range.
- As we move into the season, we will probably start to see some logistics issues or Mother Nature making some market adjustments.
- We advise reaching out to your local rep to get a better understanding of freight and terminal values in your area.

Why do you see the difference between diesel and gasoline?

- In terms of diesel production, the U.S. got behind the eight ball quite some time ago when an East Coast refinery went down and won't be coming back on-line. We've gotten into a situation where supplies remain tight.
- For a long time, we saw good demand, and we just weren't producing enough. Now we've gotten to the point where the amount of product moved has slowed, but there's still some work to do on production.

If I have half of my fertilizer locked in, should I go ahead and lock in the second half?

- We've been advising to lock in your fertilizer for a while now. There's a lot of international volatility that could drive these prices up very quickly.
- We're in a somewhat stable market today, but the markets will move higher as we get into the spring season.
- There's more potential risk for logistics issues and increases in pricing the longer you wait and delay your purchasing.

For old crop values, what are your expectations for May to July spreads and basis going forward?

- Ultimately, we're in a situation where the traditional funds (the managed money groups) don't like what they see from the standpoint of the economy.
- Last week some of those groups were short more fixed income than they had ever been and that caused the ten-year note to move five handles.
- There will be a point where they will look at commodities as a valuable piece of collateral, but they are not in a position to buy them.
- When they start buying, the basis levels, with an influence on the spreads, is going to have to get farmers to sell some product again. The board isn't doing it right now.

On old crop soybeans, do you recommend selling now or waiting?

- From an old crop standpoint, look to sell the next rally in this market. With new crop, there are other factors that could come into play.
- Global soybean supply is going up year over year.
- The U.S. isn't competitive from an export standpoint and with the lack of export business going forward, you could anticipate supplies increasing a little bit and futures pries dropping a little bit further.

Can you share any insights on the news of China possibly reducing the export of phosphates?

- We expect China to return to the market this year.
- Longer term, we expect China to reduce exports, but that's likely five years out.