

Commodity Grain Update

Byron Schmidt, ADM

Synopsis

- Latest USDA report estimates corn is around 60% harvested, beans are 76% harvested.
- Replenished U.S. grain supplies and bigger carryout numbers are starting to reflect in the market.
- Production pressure from South America has taken away some U.S. export opportunities for both corn and beans.
- Moving forward, the focus will be more supply push versus the demand pull we've seen the last couple of years.
- **Expect cheaper prices for grains moving forward as the market looks for demand.**
- **Other factors to watch:**
 - » **Grain buying out of China.**
 - » **How war turbulence throughout the world will affect grain markets.**
 - » **Higher interest rate environment.**

Corn

- USDA harvest projections:
 - » Over a 15-billion-bushel corn crop.
 - » 173-bushel yield.
 - » 2.1-billion-bushel carryout compared to 1.4 billion last year.
- Adding back to supply due to better yields.
- Moving forward, the market will need to find demand

Beans

- USDA harvest projections:
 - » 4.1-billion-bushel bean crop.
 - » 50-bushel yield.
 - » 220-million-bushel carryout, which is tight.

- Biggest issue is Brazil, where soybean production continues to grow. Soybean production there is approaching 6 billion bushels compared to 3.5 million bushels in 2014.

Global Fertilizer Update

BK Morris, Fertilizer Week

Synopsis

- Seasonal shortfall of urea supply in U.S. will begin to impact the market heading into the new year.
- Ammonia prices have started to move up in some markets.
- U.S. continues to be the best end-user market for MAP.
- Potash out of Canada moved up \$20.

Urea

- India issued an additional purchasing tender for urea. They indicated they wanted 1.5 million tons and have secured about 1.13 million.
- European buyers of dry nitrogen are taking a page out of India's book and buying very hand to mouth, making it difficult for the price to move up.
 - » The main dry nitrogen application months in Europe are a little earlier than in the U.S., usually February and March.
 - » European market is also getting supply from Venezuela, which is an unusual trade pattern.
- U.S. is well below the international market on price, but that is not unusual this time of year.
 - » Buyers aren't willing to pay the equivalent price of \$350 CFR. Sellers holding out at \$370 CFR.
- There's not a lot of motivation to bring urea to the U.S. until the spring when its needed.
- Expect the shortfall to have more impact in Q1 than in Q4.

Ammonia

- Most of the preplant ammonia has already been priced.
- However, there was a \$60 increase at NOLA and a \$50 increase is possible at Tampa, which would funnel through to the domestic market.
- The deal at Tampa has not been struck yet, but the \$60 increase at NOLA is a sign the market is moving in the direction we thought it would.

Phosphate

- U.S. is at the market level on MAP and DAP. Brazil prices are slightly below the U.S.
- U.S. is the best end-user market for MAP that's not coming from Russia and Morocco that's affected by countervailing duties.
 - » Very little product is being brought in from either country except for some triple superphosphate out of Morocco.

Potash

- Biggest news on potash is a \$20 increase from Canada.

ADM re:generations™ program Theo Gunther, ADM

Program Update:

- ADM is currently offering farmers an array of incentive options through its re:generations program to help support continuous improvement of the ag supply chain:
 - » **Cover crop incentives:** Incentive payments are available in multiple states for farmers who plant a cover crop. Any operation that has corn, soybeans or wheat in rotation is eligible, and this option does not have a direct delivery requirement.
 - Payments for cover crops range from \$10 to \$25 per acre depending on if a farmer is already using USDA cost share.
 - » **Grain delivery incentive:** A per-bushel incentive for enrolled grain that has a carbon-intensity score and is delivered to an ADM facility.

- Corn incentives are between \$0.02 and \$0.04 per bushel depending on the carbon intensity score calculation. Soybeans range from \$0.05 to \$0.07.

- » **BiOWiSH® crop liquid incentive:** Farmers who purchase BiOWiSH crop liquid and participate in the grain delivery incentive can get a rebate for using this fertilizer enhancement product that can help boost fertilizer use efficiency, yield and improve carbon intensity. It is a product that can be used on both dry and liquid fertilizers at any ADM fertilizer location that can blend.
 - The BiOWiSH incentive program pays out \$2 per acre on acres where the product was used and participated in carbon intensity scoring.
- Incentive programs can be stacked.
- Enrollment and data processing are completed through Farmers Business Network.
- Learn more about the programs at admadvantage.com/regen/ or talk to your local ADM representative.
- **Enrollment deadline:** November 17

Domestic Fertilizer Outlook Noah Bishop, Nick Peterson and Ben Adam, ADM Fertilizer

Synopsis

- Lock in margins by selling grain as you make fertilizer purchases if it's conducive to turning a profit.
- For buyers looking to apply urea this fall, don't expect to see much change for interior prices over the coming weeks, particularly if you're in the northern Plains or Canada.
- In Canada, expect elevated basis levels for fall application and regional spot outages for urea.
- Starting to see pretty attractive winter fill values on phosphates. Expect values on potash to remain firm through the fall season.
- Recommend locking in majority of spring AMS needs.

Urea

• Recommendations:

- » For Canadians looking to apply yet this fall, weather permitting, get in touch with your ADM Farm Direct rep about purchasing.
- » Overall: Have some fill urea purchased to hedge against sharp upside risks while remaining partially exposed for some potential downside.
- Urea prices have moderated since last month. We've seen price declines from \$420 a straight ton FOB NOLA to \$370 for a nearby barge.
- Moderation in pricing was caused partially by waning demand for prompt barges in the U.S. We've now passed the deadline for a barge to leave NOLA and get to the Twin Cities before the Mississippi River closes for winter.
- Brazil and India have both secured urea, so there is less concern about a potential bidding war between the two.
 - » Imports into Brazil during August and September were higher than expected.
 - » The general expectation is that India will be able to secure 1.3 million tons for its tender. Barring any major domestic production issues, this should take them out of the demand side of the equation until late Q4 or early Q1.
- As a result of the India tender, November availability globally has been tightened and any large moves in price seem unlikely.
- Supply shocks due to war in the Middle East could put some risk premium into urea given it is an energy derivative product.
- If prices reach \$330 at NOLA, which equates to around \$400 in the northern Plains and \$700 in Canada, expect demand to come forward and sustain prices.
- While the bottom is not falling out of the market, there is room for moderate movements down in price.
- Sharp upside price increases for urea are not off the table, but there is low probability of that occurring.
- Since August, we have indicated Q2 prices around \$370-\$380 USD a straight ton seem reasonable and the downside risk for this time period should be attractive for buyers.
- In Canada, there have been a lot of domestic production issues that have prolonged supply tightness since summer fill and expect elevated basis levels for fall application.

Phosphate

• Recommendations:

- » Attractive winter fill values are coming out. Look for ADM's shortly. Get 25% of your spring needs locked in to layer in some supply.
- Price direction on phosphates has been uncertain.
- With the international market firming, the U.S. is a discounted market on DAP, around \$585 CFR, compared to the rest of the globe.
- MAP supply is really difficult to find. The spread has come back down somewhere between \$55 and \$65.
- Relatively firm input costs for the production of phosphates; strong demand for fall fertilizers.
- The soonest we could expect to see any shifts would be in Q1.
- We are watching India for potential impacts of its domestic subsidy program. On the surface it would feel bearish in the phosphates market; however, it does not look like it's going to influence the market that much.

Potash

• Recommendations:

- » Buy needs for fall; could see a reset going into spring.
- Continue to see firming potash values due to challenging logistics by river and rail.
- The \$20-a-ton uptick out of Canada for additional fall materials has set a benchmark price of \$420 FOB for the Midwestern terminal.
- Look for values to stay firm on potash through the fall season, as there has been a very large anhydrous ammonia book that has been sold for the intended use of fall application, and farmers will want to spread P and K in front of that ammonia rig.
- Expect to see a nominal reset of around \$20-\$30 a ton on potash after the fall season as demand winds down.

AMS

• Recommendations:

- » Lock in in the majority of your AMS for spring due to continued firm prices expectations.
- AMS is also experiencing additional firming.

- Current prices are supportive to buyers with high ammonia and sulfur costs.
- Caprolactam production for nylon is down due to reduced demand for nylon. 70% of AMS is produced as a co-product of caprolactam production.
- There has also been some cost of production breaches among nonintegrated producers, which allowed for downtime and strength in the AMS complex to firm.
- Don't foresee a reset coming — barring any sort of black swan event or major downturn.

Logistics Update

Ben Adam, ADM Fertilizer

Rail & River Transports

- River logistics are still very challenging though look to be improving with additional water that's starting to emerge in the segments that desperately need it.
- More rain is needed in the Mississippi River tributary area to get through the winter months, as well as in the Ohio River basin.
- Rail is also struggling to reach normal cruise and power throughout the network. Cold weather will make operating conditions even more difficult.

Questions from Our Growers

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

What are you seeing for UAN values?

- UAN has continued to firm since July and is expected to remain stable through Q4 and even moving into the Q2 time frame.
- Outages at several domestic production facilities; strong demand at the start of the forward sales book and the El Nino forecast have supported the firming action.

Next Monthly Grower Call

Wednesday, December 6 | 8:00 AM CT

Contact your ADM Fertilizer representative for call information.

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