



In Case You Missed It

Insights from the monthly ADM grower call

January 2024

Commodity Grain Update

Brian Henry, Archer Financial Services

Synopsis

- Global S & D picture is not very supportive for commodity grains in general.
- The demise of the South American bean crop has been exaggerated and production is still strong.
- Anticipate U.S. corn ending stocks to be above 2 billion bushels. While exports are good, they won't be enough to tighten the U.S. market with our higher-than-normal ending stocks.
- Wheat market is in search of demand.
- Strength of U.S. dollar is a factor to watch that could continue to cause challenges for corn, bean, and wheat exports.
- Look to extend sales on rallies to reduce exposure as inputs are secured.

Soybeans

- Exaggerated demise of South American bean production has impacted price action in the U.S. over the last month.
- CONAB reduced the Brazilian bean outlook to 155.3 million metric tons due to dry conditions, but that would have been a record just four years ago.
- In terms of U.S. supply, soybean production could be increased by 40 million bushels, but it might be closer to 20-25 million bushels.
- Unlikely the demand side will be reduced. Crush has been very good despite narrowing profit margins.
- Bean exports have been impressive. Early challenges with the Brazilian bean crop pushed China to buy some U.S. supply.

- Concerns moving forward for both old and new crop beans include an adequate crop in Brazil and a pretty significant increase in Argentine production — 25-26 million tons above what they were able to produce last year.
- Cheaper prices out of Brazil could mean the cancellation of Chinese sales from the U.S., increasing supply.
- The increase in Argentine production could also mean crush margins will continue to narrow, dropping the value of soybean meal into the spring.
- Expect a negative tone to continue in the bean market through the end of February into April and sell into rallies.

Corn

- U.S. was competitive in the global export market over the past couple of months, but exports are not at a level that is going to tighten up the U.S. balance sheet for corn.
- Additionally, ethanol margins have taken a little bit of a hit.
- At this point it's hard to pinpoint where demand will be found, especially with cheaper offers from Ukraine and Argentina.
- U.S. may be on the outside looking in when it comes to corn business going into the spring.
- There is uncertainty with China as a buyer. On one hand, they've been reporting a good corn crop, but they've also been selling reserved stocks.
- Looking ahead at new corn crop, the market has some carries in it, so if you see futures of \$4.90-\$5.10, some sales are justified.
- We're heading into the year with ample supply, which will mute rallies to the upside.

Wheat

- Soft red winter wheat tightened up with demand from China.
- Hard red winter wheat could use some additional demand, and hard red spring wheat is in a similar situation.

- Wheat market structure is comparable to corn in the fact the market has a significant short position.
- Modest rallies are going to have to be sold simply because of the sheer amount of global supply and where it is offered, which will keep a lid on upside potential.

Fertilizer Update

Ben Adam, ADM

Synopsis

- Global ammonia values declined \$150-\$200 a ton.
- The urea market is in an erratic pattern with values up \$10-\$15.
- UAN values have pulled back \$5-\$10, but the risk is to the upside.
- Phosphate values rose \$50-\$75 but appear to have hit their peak in the short term.
- Potash and AMS markets remain stable.

Ammonia

- Slowing global economies, namely China, have pressured ammonia values.
- Worldwide, values declined \$150-\$200 a ton.
- Expect pressure to continue into the spring season.

Urea

- In the urea complex, we've seen activity out of India. Values were set pretty low at around \$316 on the West Coast and, \$329 on the East Coast.
- India bought 700,000 tons which was in line with market expectations and helped clean up a lot of Russian product in the marketplace.
- Middle East producers did not participate in the India tender, and the cargoes that were booked will most likely come to the U.S. market for spring arrival.
- The front end of the urea market is up \$10-\$15. Expect the market to remain choppy heading into the spring season.

UAN

- UAN values have come down \$5-\$10 through the Q1 to early Q2 time frame.

- Don't expect a massive pullback in UAN values. The risk is to the upside ahead of spring, as demand surfaces for this product.

Phosphate

- Phosphate market has gone up \$50-\$75 in value and is stalling out at that price point.
- For those with spring needs, you still have time, as further upticks don't seem likely.

Potash

- Potash is a flat market globally.
- Southern hemisphere demand has wrapped up.
- Tons from Belarus and Russia continue to be exported at preconflict levels.
- Canada continues to run at the production rate they were at in 2023.
- We don't expect significant price changes one way or the other.

AMS

- Market remains relatively unchanged with AMS feeling effects of short supply due to limited demand for caprolactam from nylon production. AMS is a coproduct of caprolactam production.
- Market is stable, but we could possibly see upticks as the spring season approaches.

New Products Update

Graig Whitehead, ADM

Synopsis

- ADM Fertilizer offers several alternative fertilizer options to give producers another tool in their toolbox to help save costs without sacrificing yields.
- With around 1,200 biologicals and biostimulants on the market today, ADM has strategically selected products that will provide the highest ROI.

Historical Background of Biologicals

- The biological and biostimulant market has been around for a long time.

- Bad actors in the space have been driven by the fact there is little regulation required when launching a product to the market.
- To date, there has been no regulation around quality control, active ingredients sourcing or concentration, or the number of trials or third-party data available.
- In contrast, commercializing a new herbicide or fungicide would take roughly 10 years and cost around \$1 billion due to regulation.

The Case for Regulation

- The lack of regulation is good news for smaller companies marketing a single product that can't afford added expenses.
- On the other hand, major players know they are large enough to front the capital and push everybody else out of the market if it becomes overregulated.
- Some regulation is needed in the space to instill trust, but it can't be to the point where all innovation is driven out of the market.
- A regulatory framework is currently tabled for the upcoming farm bill.

Current State of the Market

- The current biological and biostimulant market generates about \$9 billion in annual revenue globally.
- The lion's share of the products is sold in Europe where government bodies are regulating or mandating they be used in lieu of traditional fertilizers, fungicides or herbicides.
- The size of the biologicals market is comparable to the insecticide market, however there is a big difference in R & D between these two markets. While there is very little R & D being done in the insecticide market — around \$400 million annually — the biological market represents about \$3 billion worth of R & D.

Alternative Fertilizer Options Available from ADM

- **BiOWiSH® Crop Liquid** enhances beneficial soil microbes, improving nutrient uptake and efficiency.
 - » The product was selected by ADM for its consistency of win rates (approaching 90%) across multiple geographies and crop types through almost a decade of trials.
 - » The cost/acre is reasonable between \$5 and \$7 depending on application rates, and we're seeing about a 4.5%-5% yield increase, especially in corn.
 - » Studies have shown BiOWiSH can enable the reduction of N application rate up to 20% while still maintaining yield, making it a good alternative to consider when traditional fertilizer prices spike.
- **PurYield polymer-coated urea** slows the natural processes of nitrogen conversion and volatilization, making it available to plants over a longer portion of the growing season.
 - » The product stores better than traditional fertilizers because it does not take on as much moisture. Adding this product as a blend can improve the flow and handling coming out of vertical storage tanks in the springtime.
 - » By blending it with traditional urea, farmers can eliminate their side dress application by applying it all up front. The traditional urea is immediately available to the crop and the polymer-coated urea is available to plants 30-45 days later. This helps reduce labor and equipment costs.
 - » Additionally, the product significantly reduces nutrient loss through volatilization.
- **NeoVita™ 43 biostimulant** provides a needed energy source to soil microbes, boosting their ability to promote nutrient availability.
 - » The product is derived from high fructose corn syrup, and the ratio of glucose and fructose within the mixture mimics the signal a corn plant sends the soil to start microbial activity.
 - » Applications are very valuable in cold, wet soils where seeds are staying dormant for longer. The product jump starts microbial activity before the corn plant signals it's time for the soil to release nutrients and start growing.

Questions from Our Growers

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

How is the shutdown of Mexico-U.S. border railway crossings impacting the grain market?

- Since the shutdown began, embargo permits have been issued that allow grain and grain products to resume transit into Mexico.
- Mexico is one of the top three corn buyers out of the U.S. The situation has improved, but it will take some time to work through the backlog before things return to normal.
- In the meantime, expect basis values to struggle.

How does a product like NeoVita 43 make an impact when you're adding a small amount of product compared to the massive amount of soil that's out there?

- The true benefit of the product comes from concentrating it where you need it.
- Multiyear University of Illinois trials show NeoVita 43 consistently boosts yields when it's used in furrow.

What's the cost of NeoVita 43?

- We have a pricing structure with multiple different options. We can sell it in bulk tanker loads or 270-gallon shuttles.
- Like many other products, it's sold on a discounted schedule based on volume commitments.
- Your local ADM Fertilizer representative can help you calculate the cost for your specific operation.

What is NeoVita 43 made of? Is it a straight sugar derivative or are there other products mixed in?

- NeoVita 43 is a straight sugar derivative. We've found this helps eliminate potential mixing issues. It's a clean source and has about the same viscosity as UAN.
- Agitation is recommended if the product remains in the tank due to planting delays.

What can you share about the ADM fertilizer storage program?

- We work with both flat and upright storage structure contractors. They have different storage options and layouts depending on your volume needs and whether or not you need a blender.
- We connect you with the storage company and they help you choose an option custom-tailored to your farm.

What's your opinion on humic acid and fulvic acid?

- Both options have value if they can be managed. While equipment can be a challenge, there are some potential benefits in terms of increasing nutrient availability and soil holding capacity.
- These products are relatively easy to manufacture and are broadly available due to the regulatory environment.

Next Monthly Grower Call

Wednesday, February 7 | 8:00 AM CT

Contact your ADM Fertilizer representative for call information.

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