

# In Case You Missed It

## Insights from the monthly ADM grower call | February 2024

Commodity Grain Update  
Brian Henry, Archer Financial Services

### Synopsis

- Exposure for both corn and beans is to the downside. Modest rallies should trigger some selling of new and old crop.
- Corn prices could go lower in search of demand, dragging down new crop values. Upside potential is capped by ample supply and not enough demand in the export market to impact supply.
- The bean market needs to find demand with global supplies increasing. Several factors indicate the market is poised to test the low side.
  - Significant increase in South American bean production.
  - Increased use of used cooking oil in U.S. biodiesel production.
  - Global and U.S. vegetable oil prices are stabilizing.
  - Chinese imports are hinting at plateauing.
  - U.S. soybean acreage is expected to increase.
- Exports of spring wheat and red winter wheat have been decent. Any movement in U.S. wheat futures is capped by cheaper global values.

## Global Fertilizer Update BK Morris, Fertilizer Weekly

### Synopsis

- We've seen softer urea prices with the U.S. trailing other global markets \$30-\$35 a metric ton. Outcome of a pending India tender will likely impact cost and supply for spring.
  - If the tender comes soon, it will likely mean suppliers will be searching for destinations to ship their urea once the tender is completed, and that could soften prices at least in time for top-dress.
  - If the tender comes closer to planting, it would have a bullish impact on urea prices in North America.
- The international market has been buying nitrogen, and there isn't much left for U.S. exporters to capture. In terms of urea, that could benefit U.S. end users with fewer domestic exports. Prices for April are forecasted around \$380-\$390.
- Competition for DAP in the Northern Hemisphere is a bullish sign for prices. There likely isn't much more upside for phosphates, but don't count on lower import costs. Prices for March are forecasted in the \$350s.
- We have a modestly bearish outlook on potash. There is a huge global supply right now, and overseas suppliers are waiting for the right moment to access inland markets.

## Domestic Fertilizer & Logistics Outlook Nick Peterson, Noah Bishop and Brian Flaska, ADM

### Phosphates

### Recommendation

- MAP prices will remain firm through spring.

- DAP prices could come down \$10-\$15/ton if you're willing to wait until late March or April.
- Consider TSP as an option for your phosphates. They are discounted about \$100/ton relative to DAP today.

### Synopsis

- The U.S. is at a premium to international markets for MAP and DAP.
- We have good availability of phosphates domestically, but the issue will be resupply to terminals.
- MAP supply will be tighter than DAP for the U.S. and Canada due to limited supply, with no imports from Chinese, Moroccan, or Russian products into the U.S. and only Moroccan sales into Canada.
- The MAP/DAP spread has tightened substantially since the fall from a \$100-\$110 premium of MAP over DAP to somewhere closer to \$30 a ton.
- TSP is the cheapest source of  $P_2O_5$ , running at a discount to DAP by about \$100/ton compared to approximately \$70/ton, where it usually runs.

### Urea

#### Recommendation

- With no guarantee of a price correction into early spring, look to cover your urea needs for the 2024 crop today.
- For buyers who can wait or split-apply nitrogen, there may be better purchasing opportunities by waiting until the end of spring.

#### Synopsis

- Urea prices around the globe rose quickly in January from \$310/ton NOLA to \$360/ton in two weeks, driven by strong global demand and shipping delays.
- The market is expected to remain very firm for the next 20-30 days.

- Firm domestic urea prices into spring would be supported by very little carryout stock, limited cargo coming to the U.S. and shipping delays through the Suez and Panama canals.
- Domestic prices relative to the international market today do not suggest we would be attracting spot cargo, which could result in further tightness in North America.
- We could see price depreciation into the last half of the spring due to reduced global demand and our ability to offer liquidity.

### AMS

#### Recommendation

- Talk to your ADM representative about locking up your AMS needs for spring.

#### Synopsis

- We continue to see domestic supply production operate below historic capacities, which will tighten supply.
- Expect price appreciation into spring.
- AMS remains relatively cheap, as compared to historical spreads to urea.

### Potash

#### Recommendation

- With supply readily available, the upside will be limited. The most significant risk will continue to be disruption or lag times to the North American logistics system. Talk to your local ADM representative to discuss your farm's specific needs.

#### Synopsis

- Potash remains readily available in both the U.S. and Canada. NOLA premiums to Brazil should continue to attract offshore production into the U.S.
- Today, geopolitical issues are not disrupting imports or historical production output.
- As we approach spring, the market will shift away from a supply market to a logistics/JIT market.

## Logistics

- An early spring and broader planting window may help stabilize prices, but be mindful of logistics issues. Given some of the logistical problems the industry has experienced, the U.S. terminal system recharge still needs time to get caught up.
  - Vessels are taking longer to transit from global production to the U.S.
  - While some parts of the river are experiencing high water levels, the lack of meaningful snowmelt raises questions about river-level stability going into spring.
  - Rail shipment transit times continue to lag versus historical transit times.
- Now is an excellent time to contact your fertilizer representative to secure the product before logistics issues impact local markets.

## Questions from Our Growers

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

### With natural gas so cheap, why isn't urea any cheaper?

- As a leading natural gas producer, the U.S. is not a meaningful driver of global urea prices. When looking at how the cost of natural gas impacts the international price of urea, it's always at the margin or the most expensive ton to produce.

### What percent of the urea that we use is made domestically?

- Generally speaking, we import just about one-third of our urea needs. We utilize about 13 million tons annually and import about 5-6 million tons.

### What opportunities are there for urea prices to decline, considering the North American production capacity versus usage?

- In the long term, we see a relatively high correlation between crop commodity prices and global urea prices. In the short term, other factors, such as export policy, production issues, and price and demand mismatches, are at play.
- Overall, the global urea price continues to impact nitrogen pricing in the U.S., and it always will, with producers charging as much as the market will bear.

### What can you share about UAN pricing, particularly from a Canadian perspective?

- Early spring season activity is bringing buyers forward for additional UAN coverage. Expect further price increases as the season evolves, and more buyers step in to cover late needs.