

In Case You Missed It

Insights from the monthly
ADM grower call | March 2024

Commodity Grain Update
Daniel Overberg, ADM

Synopsis

- Moving into 2024, demand uncertainty dictated price action as beans and corn continued their lower trajectory.
 - » The market has responded with **6%-8% rallies on corn and beans**, but a catalyst is needed to move prices higher.
- Record exports out of Russia and the Ukraine continue to subdue the wheat market.
- While wheat balance sheets have tightened up, corn and beans are starting to become a little bit looser.
- Several factors are contributing to the underlying volatility in the market:
 - » South American Production — Production has nearly doubled over the past decade. Anticipated increases in acreage and efficiencies means they will continue to compete with the U.S. on exports.
 - » Stocks-to-Use Ratio — Corn and beans are back to levels we haven't seen since 2019. Assuming another normal production cycle, the risk is back to the downside.
 - » Chinese Demand — Total Chinese import demand has increased, but that trend could start to plateau with reduced demand for protein due to population decline and economic conditions.

- » Election Cycle — In addition to the U.S. election, approximately half of the world's population is going to be having a major regional or national election. This injects uncertainty into the markets.
- » Weather — Rumbblings of a transition from El Niño back to La Niña as early as July could have implications on growing conditions.
- Looking at the 2024-2025 balance sheet, the risk is growing carryouts.

Global Fertilizer Update
Chris Lawson, CRU

Synopsis

- Nitrogen prices have corrected since 2022 but will continue to fluctuate based on seasonal demand.
- Phosphate prices are inflated. A price correction is likely into the summer, but to what extent is the question.
- Potash prices are close to reaching their floor, but there's not much upside risk at the moment.

Nitrogen

- Nitrogen prices rose over the past two months and are currently fluctuating based on seasonal demand.
- Urea prices at NOLA are moving up. By July, we could see prices come down \$50-\$100/ST in the gulf.
- As northern hemisphere seasonal demand starts to slow, we're expecting a correction in urea and ammonia prices due to a comfortable supply picture globally.
 - » European production has recovered, and lower gas prices are supporting profitable production again.
 - » Anticipating China will return to the export market by May. Potential exports of Chinese urea and phosphate would help loosen up the global market.
 - » Steady production out of the Middle East, Central Asia and West Africa is contributing to the stable nitrogen supply, which will help move prices lower.

Phosphate

- Phosphate levels have held up at a very high level — well above pricing a few years ago.
- At the end of 2019, DAP/MAP barges were trading below \$300/ST at NOLA. Right now, we're well above \$600/ST.
- China is a much larger exporter of phosphates than it is of urea. We're starting to see signs that barriers are being lowered to where we may see a decent amount of phosphate volume coming out of China.
- Supply restrictions out of Morocco is helping tighten the market.
- The market could correct itself toward the second half of the calendar year, but there is some upside risk that won't happen.

Potash

- Potash prices have come down with plenty of global supply in place.
- We're seeing more supply coming out of Russia, Belarus and Canada.
- NOLA prices are currently at \$315-\$320, and we expect pricing to remain relatively steady over the next six months with very little upside risk.

Domestic Fertilizer & Logistics Outlook

Noah Bishop and Brian Flaska, ADM

Synopsis

- Domestic supply picture is tight across many product categories driven in part due to logistics issues.
 - For those that need urea for June or later for top-dress application, visit with your ADM rep about availability and pricing to possibly secure your needs. For those needing urea prior to June, the market is tight, and prices will likely be stable to higher at terminals as demand comes forward.
 - **Secure UAN tons,** not only to lock in what could be advantageous pricing, but also to secure supply given the **market is really tight, even more so than urea.**
- Same story for MAP and DAP. Recommendation is to look at securing spring needs.
 - Logistics issues are impacting potash and sulfur supplies. As demand starts to surge, work with your supply partners to understand where you might see local interruptions and resupply becoming available.
 - Be mindful of logistics and understand what Plan B or Plan C looks like for your operation.

Urea

- **Recommendation:**
 - » If you haven't already done so, procure spring needs now. There is little potential downside for prompt urea tons due to tightness in the market and prospects for an early spring.
 - » For top-dress needs, talk to your ADM rep today about procuring urea. We are seeing discounted values for deferred buying.
- Last month, prices of prompt urea barges at NOLA were \$360/ST, trading at a discount to other global markets. Prices have since risen by \$40/ST.
- Our prediction that the U.S. would not attract many spot cargo imports since then has proven correct, and we've seen a decrease in the number of expected imports into the U.S. Gulf, which has led to further tightening in U.S. and Canadian supply.
- Vessel and environmental delays have caused some of the inbound supply to slip beyond original expectations.
- Additionally, production issues at various locations scattered across the U.S. and Canada have contributed to the tight supply situation.
- Adverse weather in the Midwest over the coming 10 days, where we expect to see some precipitation and cooling temperatures, could lead to some slightly softer values, **but interior prices will continue to detach from NOLA due to an array of logistical issues.**
- The NOLA market has been strongly inverted over the last month, as buyers have been opting for just-in-time purchases and delaying forward buying. This enhances the risk profile for traders and distributors in the deferred market, which in turn leads to backwardation and enhances spot price levels.

- If we continue to see this lack of forward buying and just prompt demand, we could see this inverse roll forward after planting.
- **We don't expect discounted global prices to impact the U.S. market until late April at the earliest,** and perhaps May in the barge market, which won't translate to softening interior values until June.

UAN

- **Recommendation:**
 - » Secure UAN you need today, not only to lock in what could be advantageous pricing, but also to secure supply given the market is really tight.
- We've seen lackluster imports over the last several months and the production situation across the U.S. and Canada is similar to urea.
- Supply is slightly tighter on UAN than urea, but a lack of liquidity or prompt buying has caused prices to remain stagnant. However, we have seen some increases over the past two weeks.
- **Price decreases are unlikely until June, but generally we expect to continue to see upward pressure on UAN values.**

Phosphates

- **Recommendation:**
 - » Procure spring needs now. A tight supply and demand balance on both MAP and DAP will lead to little reprieve in terms of lower prices as we move into spring.
 - » Looking beyond planting season, we tend to expect some degree of softening on phosphates in the U.S. market, but the degree to which prices will fall for summer fill will largely depend on buying habits as well as volume from India, Brazil and China.
- Phosphate market has firmed, with little arriving to the U.S. in time for spring if the vessel hasn't already left port.
- Light imports from November to January led to low beginning stocks for spring application.
- **Much like urea, the industry is counting on just-in-time delivery to meet commitments, which is causing an inverted price market.**

- Many cargoes for both MAP and DAP have delayed arrivals due to logistics issues. These delays have intensified due to the early spring demand.
- Right now, the North American market is very insulated from price decreases in the international market for spring.

Potash

- **Recommendation:**
 - » Logistics issues are creating a potentially tight supply for spring. Even though there is little upside at NOLA, procure spring needs today.
- **Overall global supply remains healthy, but buyers will start to see a price disconnect between local markets and NOLA.**
- The early start to spring, coupled with less-than-ideal execution rates from the Class I railroads, has put the system behind.
- It will be challenging for the system to get caught back up as load capacity on the Class I railroads increases during the spring run.

Sulfur

- **Recommendation:**
 - » If you haven't done so already, secure spring needs now.
- We've seen a **\$50 rally in sulfur** throughout much of the system.
- We're starting to see better domestic utilization rates coming, but production likely won't hit the system in time to over supply the market.
- Buyers are starting to step forward only to realize there's not a lot of good supply options available.
- Similar to potash, we expect to see some logistics challenges and spot outages as the season gets going.
- Coming out of spring, we expect to see a reset.

Logistics Update

- We continue to see vessel loading times slow down. Some of the rains have been causing delays with unloading of vessels.

- Boats are getting rerouted to alternative berthing sites due to limited space and crane work as a byproduct of inbound lineups.
- Many distributors are waiting on vessels, and when you see a day or two delay on a vessel, that rolls into the unit train lineups that deliver product to many of the interior systems.
- Delays on the unit trains could impact supply and demand in various regions, the mix of products on those trains could be altered, which may not be conducive to local needs.
- **The first barges are flowing into St. Paul and the entire Mississippi River opened up March 15. However, it does take time for barges to fill in and charge the system up.**
- There is ample supply coming, but the timing is such that there may be a slight interruption at the onset.

Questions from Our Growers

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

If I'm covered for spring and have my fertilizer needs locked in, what are some recommendations you would make for thinking about fall and spring of next year?

- Talk to your sales rep and take a look at deferred pricing if some of the geopolitical issues at play concern you.
- We expect to see some form of a price reset going into summer fill, and the risk is to the downside into fall. Recommendation today is to hold off on buying until we get through spring.
- There will likely be some better pricing opportunities ahead, but if you can profitably hedge your fertilizer purchases with a grain sale, then look at doing so.
- It's also a good time to consider investing in on-farm fertilizer storage to secure supply.

What's the status of the UAN production facility in Wever, Iowa?

- The process is ongoing, but it's still in a relatively early stage. There haven't been any updates about government approval, but the general expectation is that it will go through.
- If the facility is approved, it could help alleviate some of the tightness in the domestic market down the road.

What is a good method for balancing interest rates and locking in fertilizer early?

- ADM Fertilizer offers 12-month advance purchase. A number of forward pricing offerings don't require full prepayment, so you can lock in deferred prices up to 12 months down the road without fully paying for that fertilizer.
- That's a unique way you can lock in prices that are attractive while managing cash flow on the front end and rates in this high-interest environment.

Where do you think MAP and DAP pricing will be for summer fill?

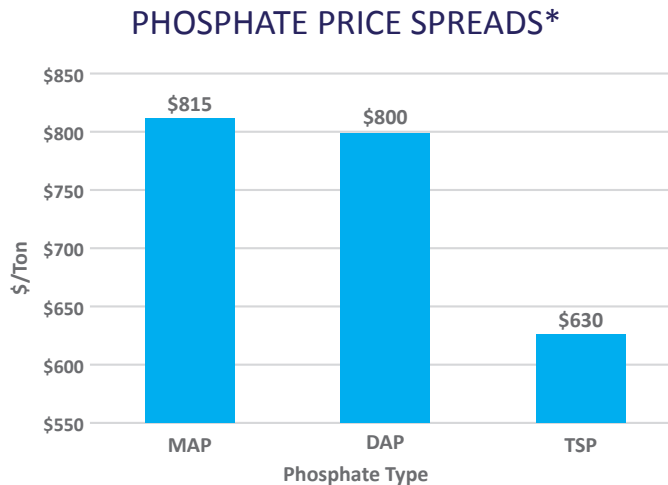
- Our general expectation is the risk is to the downside for summer fill pricing, with some slight upside risk due to geopolitical issues.

What are your recommendations looking ahead at the grain market in 2025-2026? Is there a risk prices will lower?

- If we continue to grow global carryout and stocks-to-use, it's going to be more of a front-end loaded phenomenon, where we'll continue to widen spreads like we've seen for 2024 option months.
- Right now, we're at about a 13-cent carry December 2024 to December 2025. If we do see a reset to lower prices with normal production, we'll see calendar spreads widen. And if we start knocking on the doorstep of \$5 corn and \$12 beans when we look at November 2025, you could start dipping your toe in at 5%-10%.
- Even if we do have a pretty decent sell off, new crop option months for 2025 will be insulated with spreads widening in response to global supply increases.

Are there advantages to using TSP instead of MAP or DAP?

- We have seen some nice price spreads between TSP and DAP or MAP this spring.
- If you are comfortable using it from an agronomic perspective, we would recommend talking to your ADM rep about it.



Significant price spreads exist between TSP and MAP or DAP.
Talk to your ADM rep about its potential fit for your farm.

*Current prices delivered to central Iowa.

What is ADM doing to be proactive to limit negative fertilizer perceptions and regulation?

- Food is fundamental to feed a growing population as we continue to lose arable land.
- We need to be more efficient to feed the world, and that will require synthetic fertilizers.
- We have teams in Washington lobbying our position to support the industry.

Is ADM in the business of paying farmers for regenerative agriculture practices right now?

- ADM offers its re:generations™ program to pay farmers for certain regenerative ag practices.
- Talk to your local ADM rep about opportunities in your region or visit ADMadvantage.com/regen.

Watch for an email or text announcing the next grower call.
Contact your ADM Fertilizer representative for call information.

✕ @ADM_Farm_Direct
ADMadvantage.com/buy-fertilizer

©2024 ADM
MENA24