

Fertilizer Market Outlook

LACA Annual Meeting
Alexandria, Louisiana
February 10, 2011

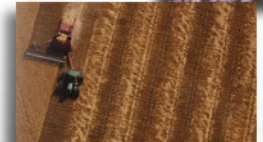
Kurt M. Guidry

Professor

Department of Agricultural Economics

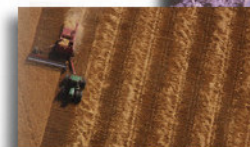
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Market Factors

- Increased Commodity Prices in 2010
- Extremely Favorable Supply and Demand Situation For Many Commodities
- Favorable Weather For Fall Fertilizer Applications
- Tightening Domestic Fertilizer Supplies
- Higher Energy Costs



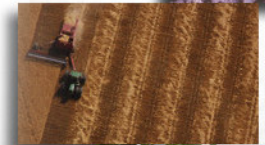
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Commodity Markets

- Many Commodities With Record Or Near Record Ending Stocks
- Growing Demand (Domestically and Internationally)
- Favorable Exchange Rates Supporting Export Demand
- Competition For 2011 Acres



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US Supply and Demand Estimates, 2010-11 Marketing Year

	Wheat	Corn	Sorghum	Soybeans	Rice	Cotton
Total Supply	3,294	14,175	387	3,495	297.8	21.27
Total Use	2,476	13,500	350	3,355	245.0	19.35
Ending Stocks	818	675	37	140	52.8	1.90
Avg Farm Price	\$5.70	\$5.40	\$5.50	\$11.70	\$12.40	\$0.815

Source: USDA, World Agricultural Supply and Demand Estimates, February 2011

Commodity Futures Prices, February 9, 2011

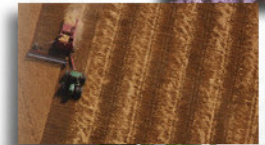
<u>Commodity</u>	<u>Contract</u>	<u>Closing Price February 9, 2011</u>	<u>Closing Price Last Week</u>	<u>Closing Price Last Year</u>
Corn	Sep-11	\$6.60	\$6.36	\$3.87
Corn	Dec-11	\$6.14	\$5.98	\$3.91
Soybeans	Nov-11	\$13.97	\$13.75	\$9.13
Wheat	Jul-11	\$9.45	\$9.15	\$5.10
Rice	Sep-11	\$16.67	\$16.32	\$13.75
<u>Cotton</u>	<u>Dec-11</u>	<u>\$1.2455</u>	<u>\$1.1837</u>	<u>\$0.7226</u>

Source: DTN Online

Estimated 2011 Crop Profitability Comparison

<u>Item</u>	<u>Corn</u>	<u>Cotton</u>	<u>Soybean</u>	<u>Sorghum</u>	<u>Rice</u>
Total Direct Expenses	\$459.59	\$534.79	\$275.58	\$255.19	\$499.29
Average Yield	145.8	864	39	91.6	61.3
Breakeven Price	\$3.15	\$0.62	\$7.07	\$2.79	\$8.15
Current Expected Price	\$6.44	\$1.15	\$13.83	\$5.70	\$13.00
Returns (@ 20% Rent)	\$383.49	\$367.05	\$211.03	\$213.54	\$238.09

What Will Acreage Look Like In 2011 And What Are The Implications For Fertilizer Demand



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Projections For 2011 Crop Acreage

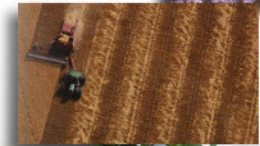
	2010	Informa		Farm	Cotton
<u>Commodity</u>	<u>Acreage</u>	<u>Economics</u>	<u>NPKFAS</u>	<u>Futures</u>	<u>Council</u>
Corn	88.20	90.76	92.00	89.93	N/A
Soybean	77.40	77.57	77.50	77.42	N/A
Cotton	10.97	13.00	11.50	N/A	12.51
<u>Wheat</u>	<u>53.60</u>	<u>56.10</u>	<u>77.00</u>	<u>59.22</u>	<u>N/A</u>

Estimated Fertilizer Use Change (2010 to 2011)

	N	P	K
Corn	371.91	156.31	226.38
Soybean	1.52	4.37	7.60
Cotton	124.49	58.82	95.76
Wheat	682.93	336.21	294.19
Total	1,180.85	555.72	623.93
% Change	6.60%	5.12%	3.93%

Factors Impacting Fertilizer Prices

- Increased Fertilizer Demand - Will Producers Apply More?
- How Much Demand Was Met In Fall?
- Will Imports Improve Domestic Supply Situation
- World Price Vs Domestic Prices
- Energy Costs
- Higher Commodity Prices



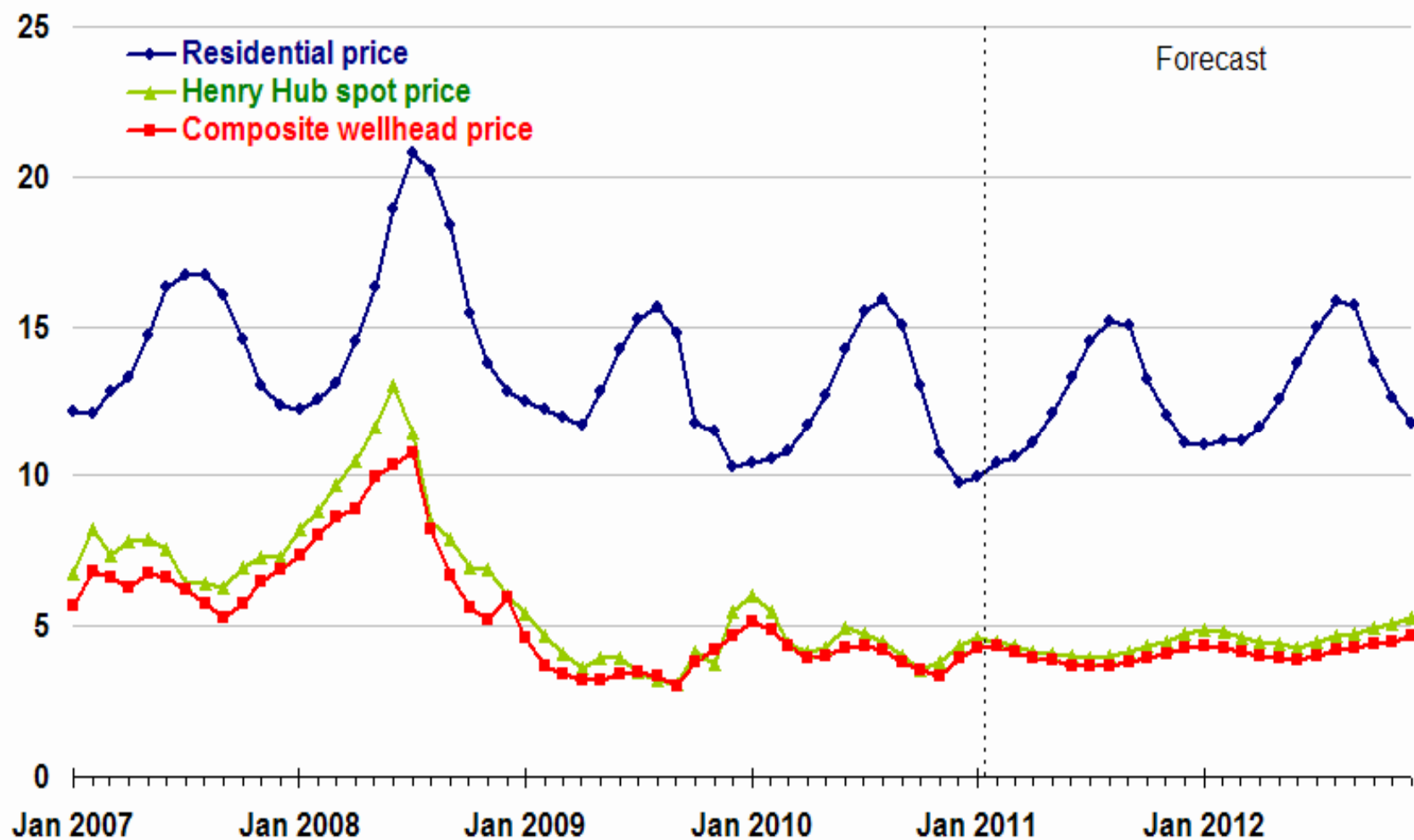
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Natural Gas Prices

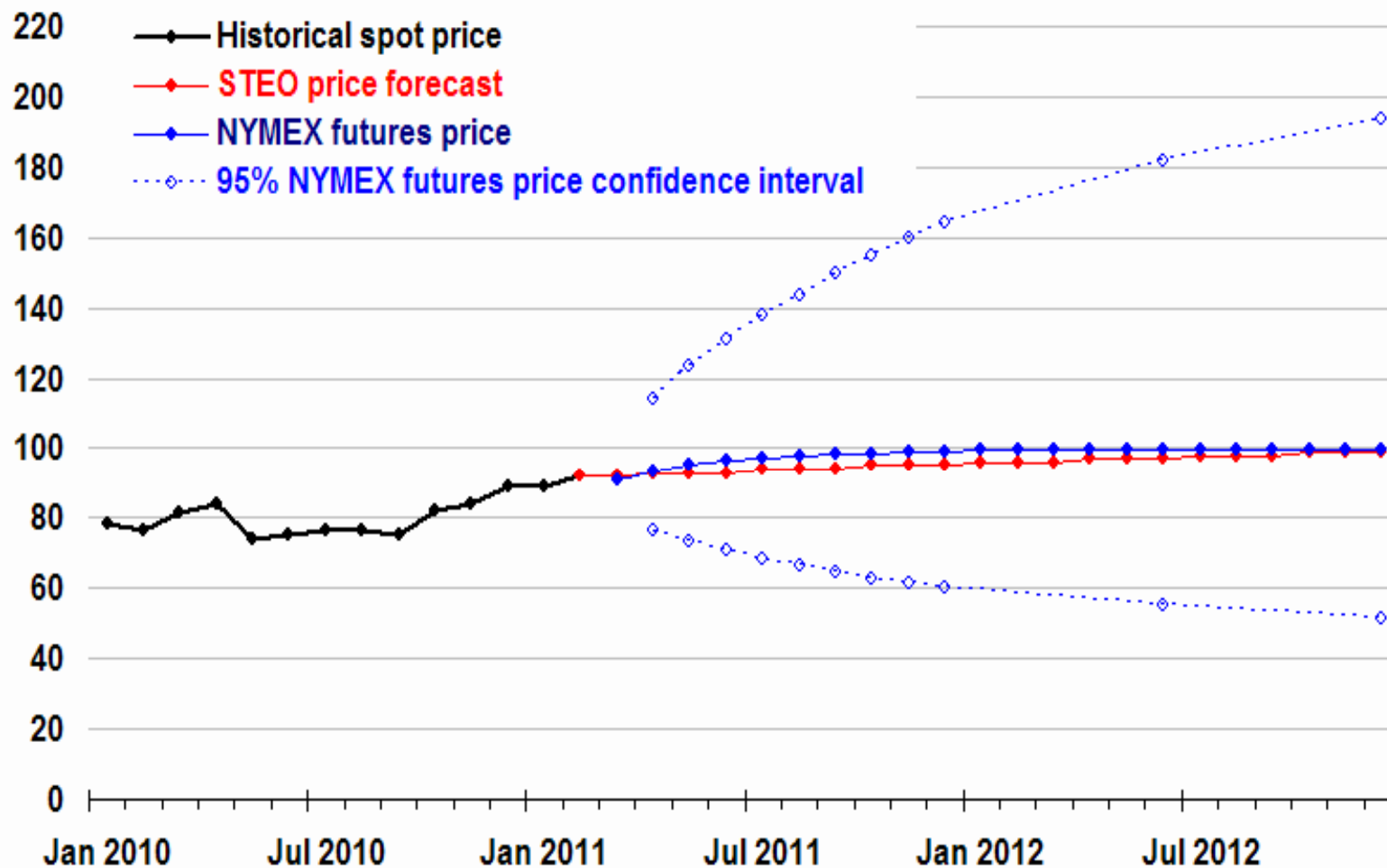
dollars per thousand cubic feet



Source: Short-Term Energy Outlook, February 2011

West Texas Intermediate (WTI) Crude Oil Price

dollars per barrel

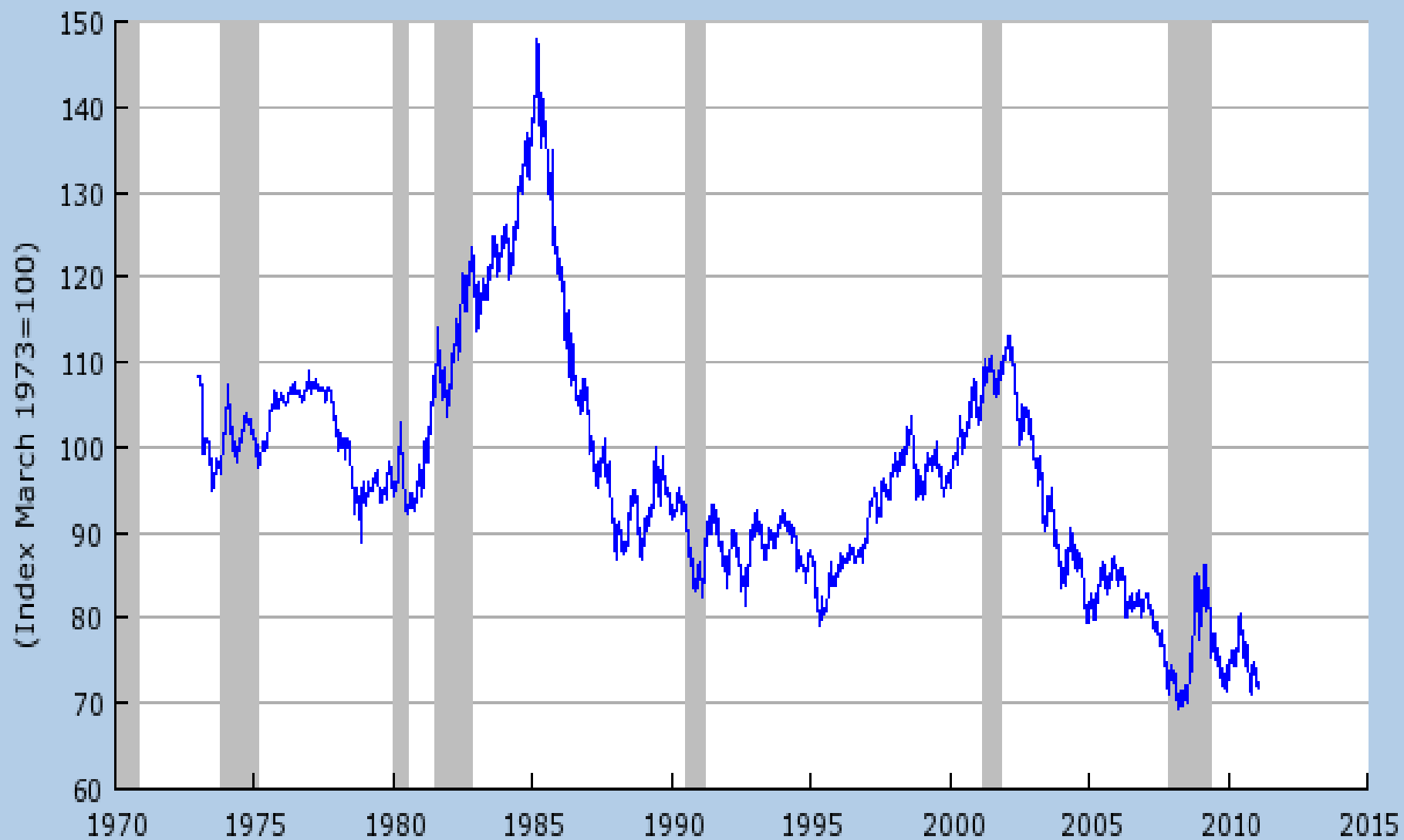


Note: Confidence interval derived from options market information for the 5 trading days ending February 3, 2011

Intervals not calculated for months with sparse trading in "near-the-money" options contracts

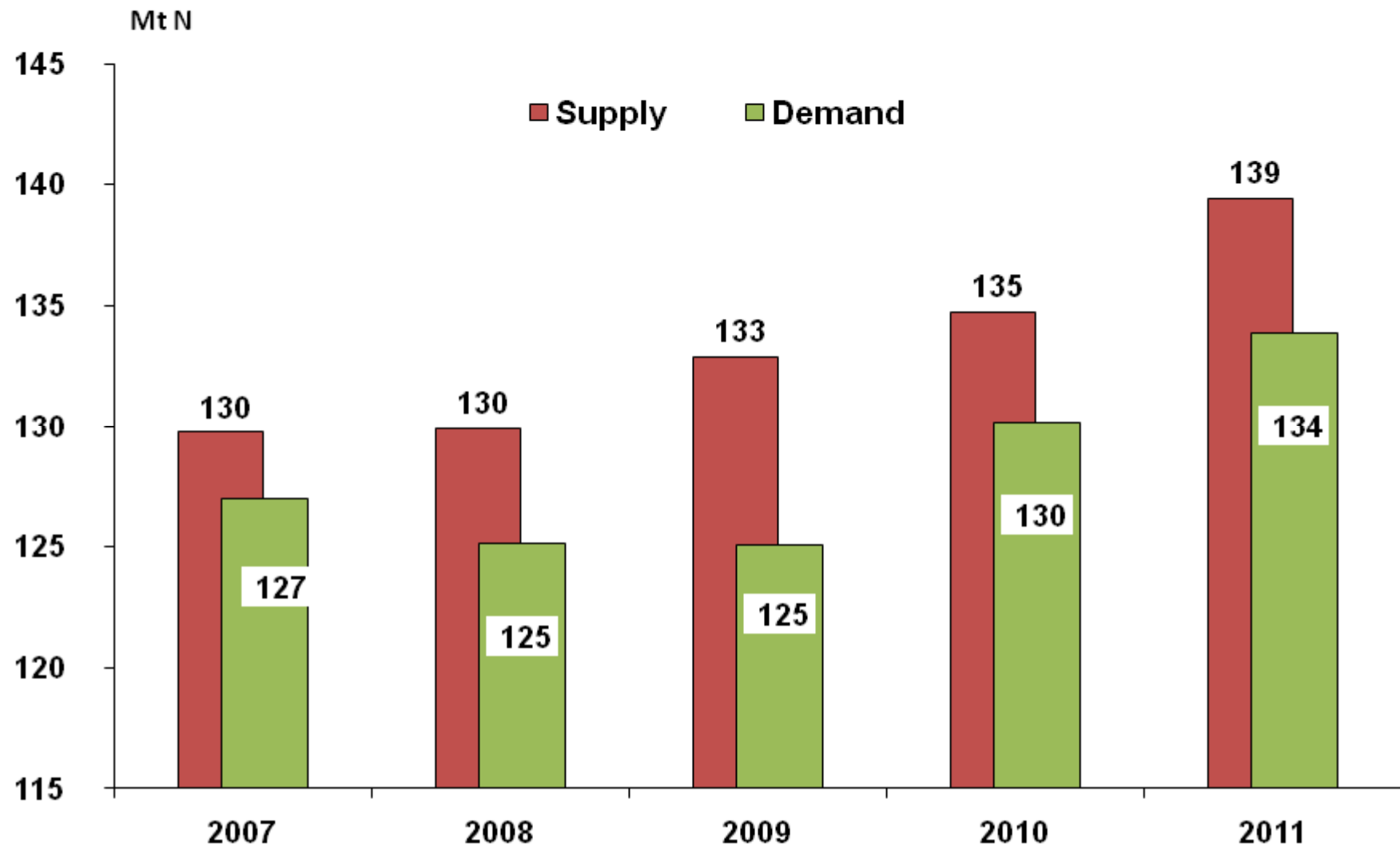
Source: Short-Term Energy Outlook, February 2011

Trade Weighted Exchange Index: Major Currencies (DTWEXM)
Source: Board of Governors of the Federal Reserve System

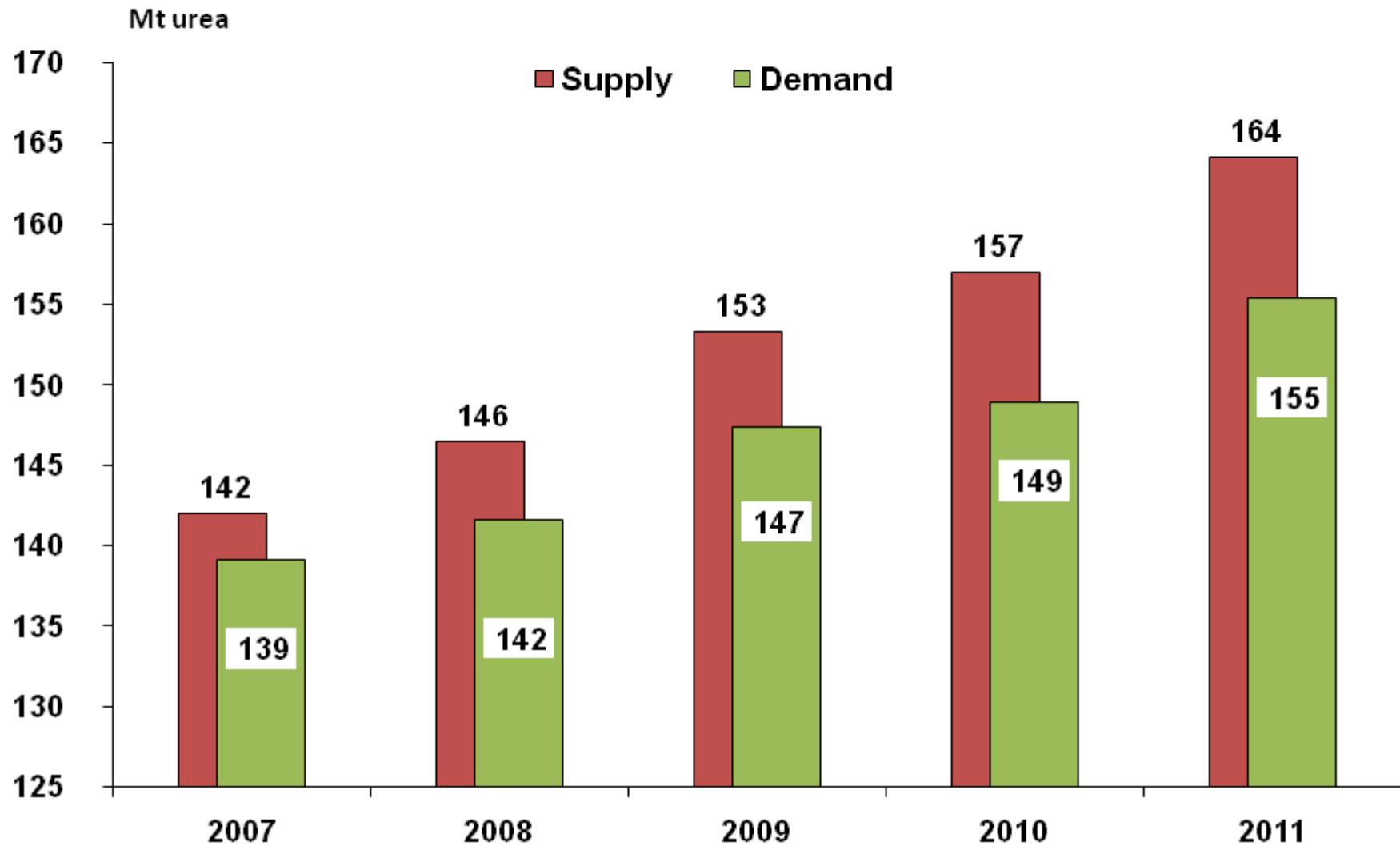


Shaded areas indicate US recessions.
2011 research.stlouisfed.org

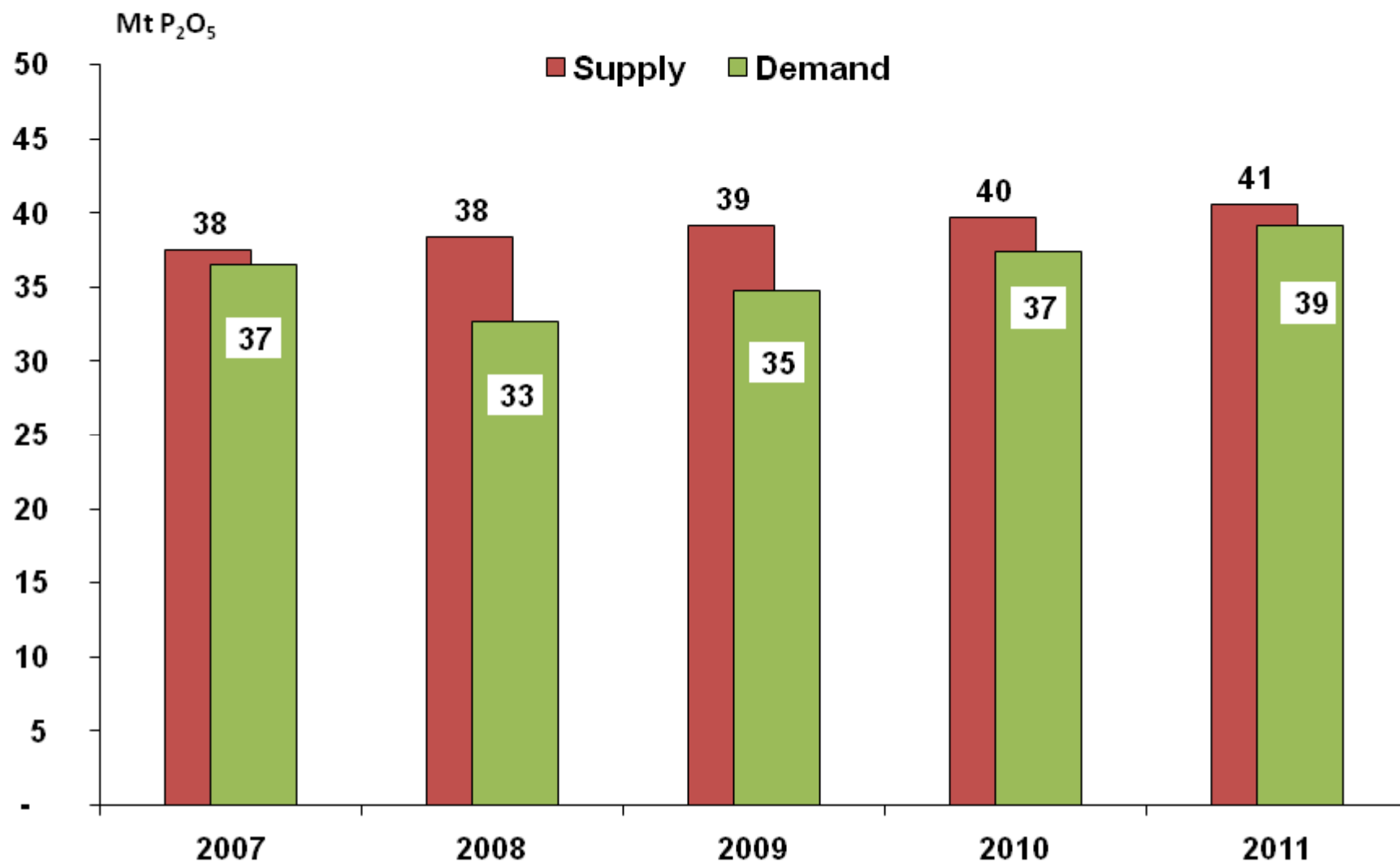
Global Supply/Demand Balance: Nitrogen 2007-2011



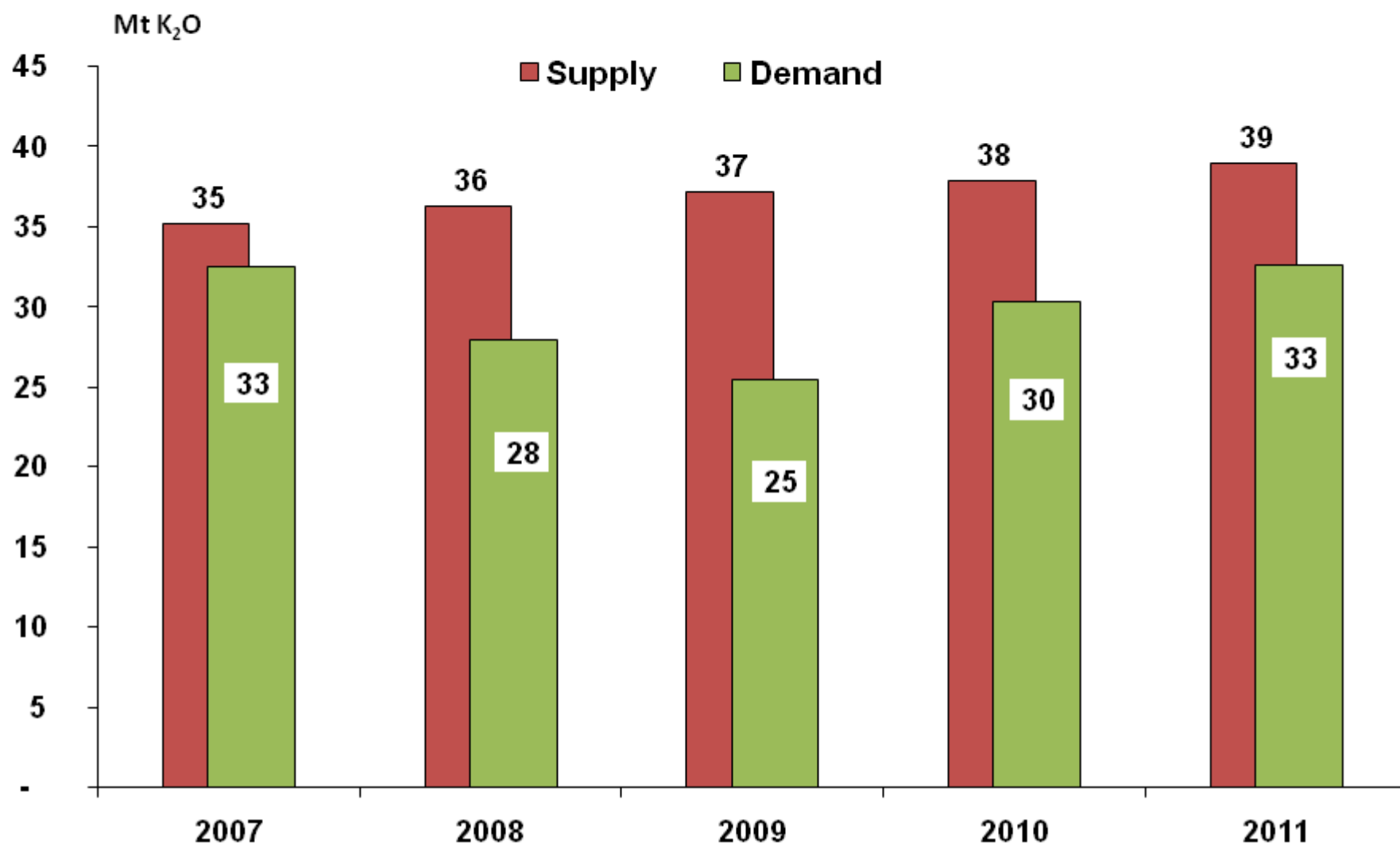
Global Supply/Demand Balance: Urea 2007-2011



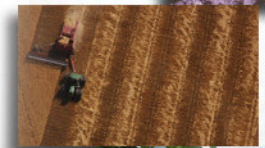
Global Supply/Demand Balance: Phosphoric Acid 2007-2011



Global Supply/Demand Balance: Potash 2007-2011



Current Prices and Price Projections

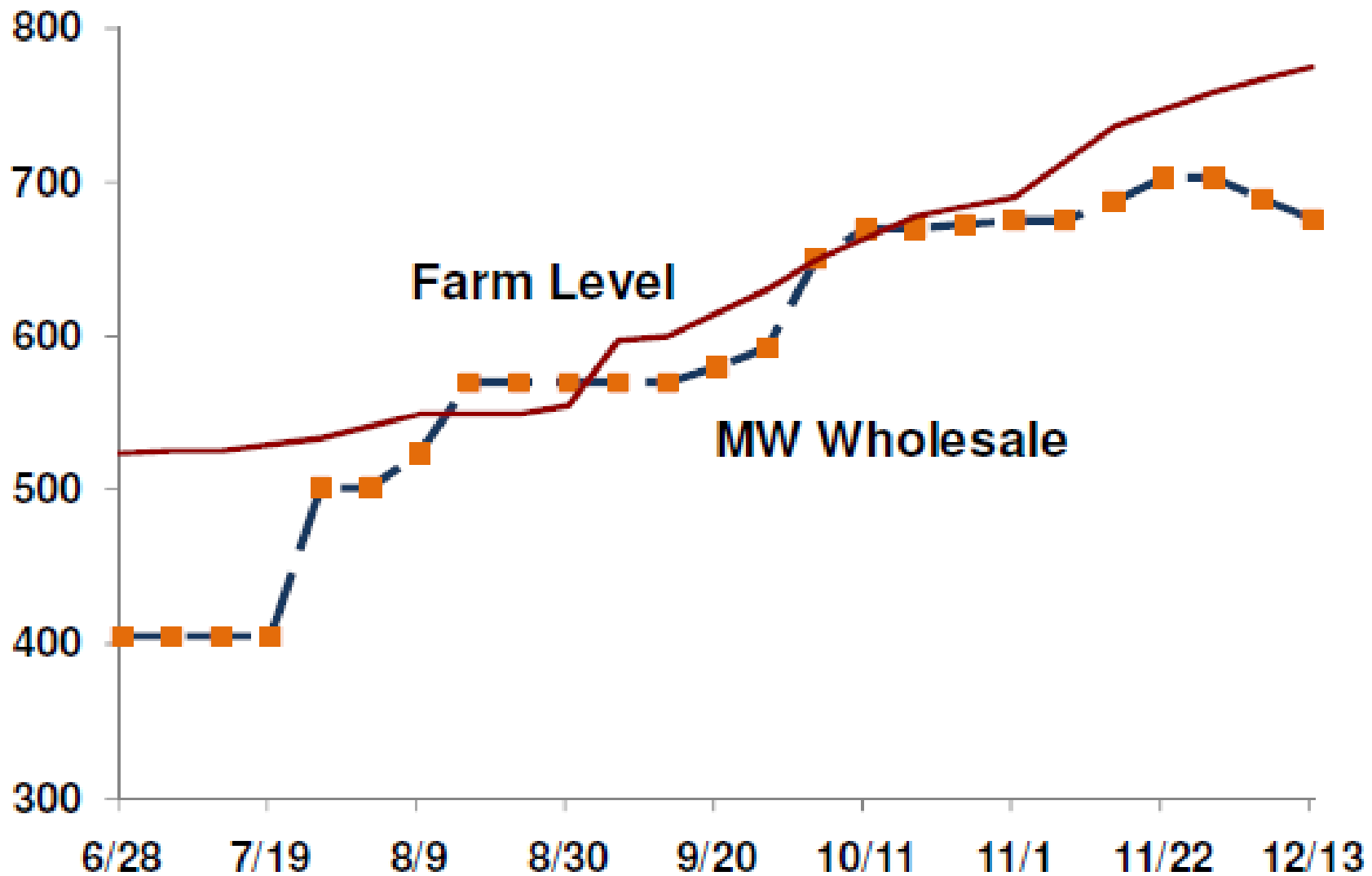


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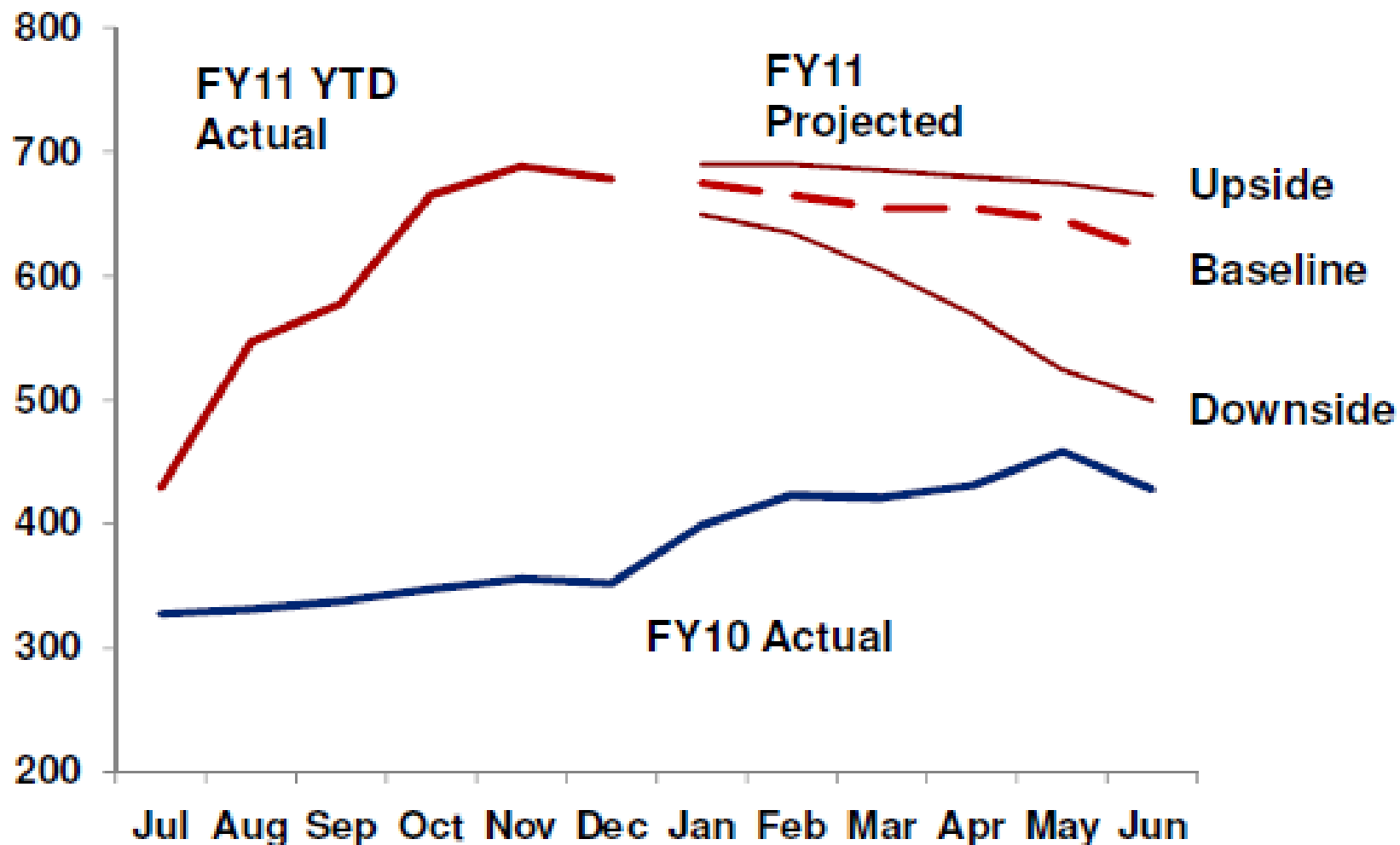


U.S. Midwest Ammonia Prices (\$/ton)



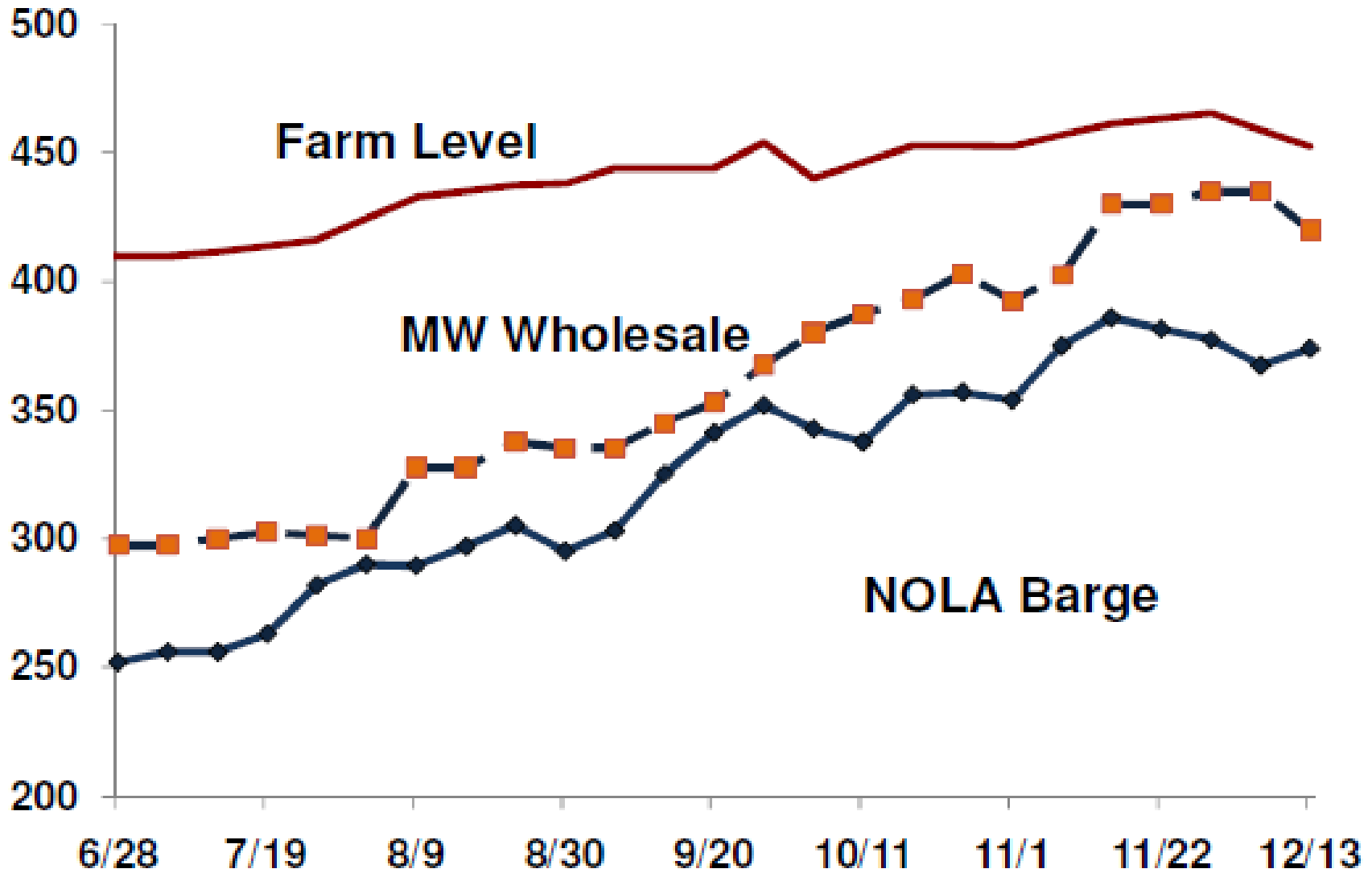
Source: NPK, Fertilizer Advisory Service

U.S. Midwest Ammonia Prices (\$/ton)



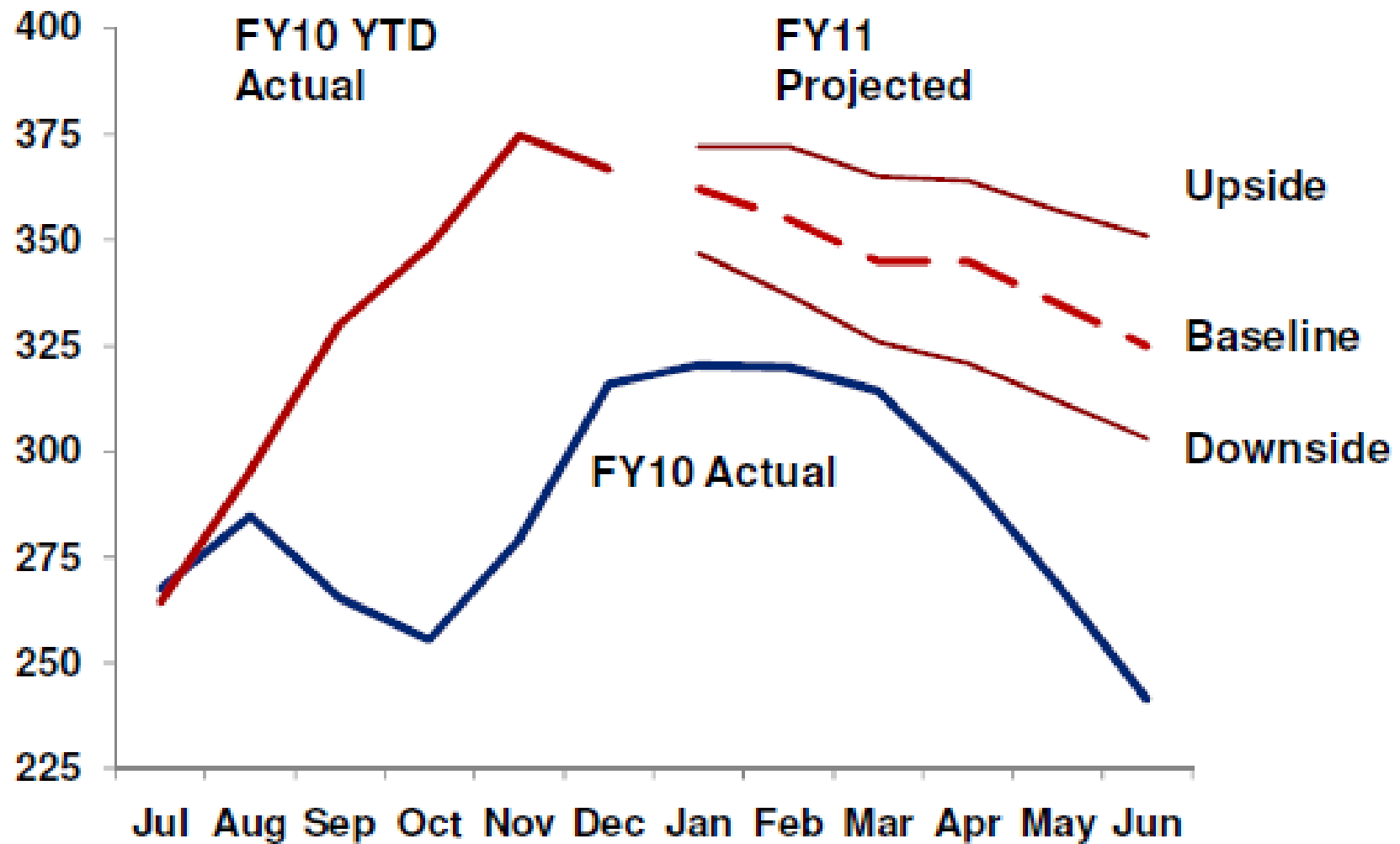
Source: NPK, Fertilizer Advisory Service

U.S. Urea Prices (\$/ton FOB)



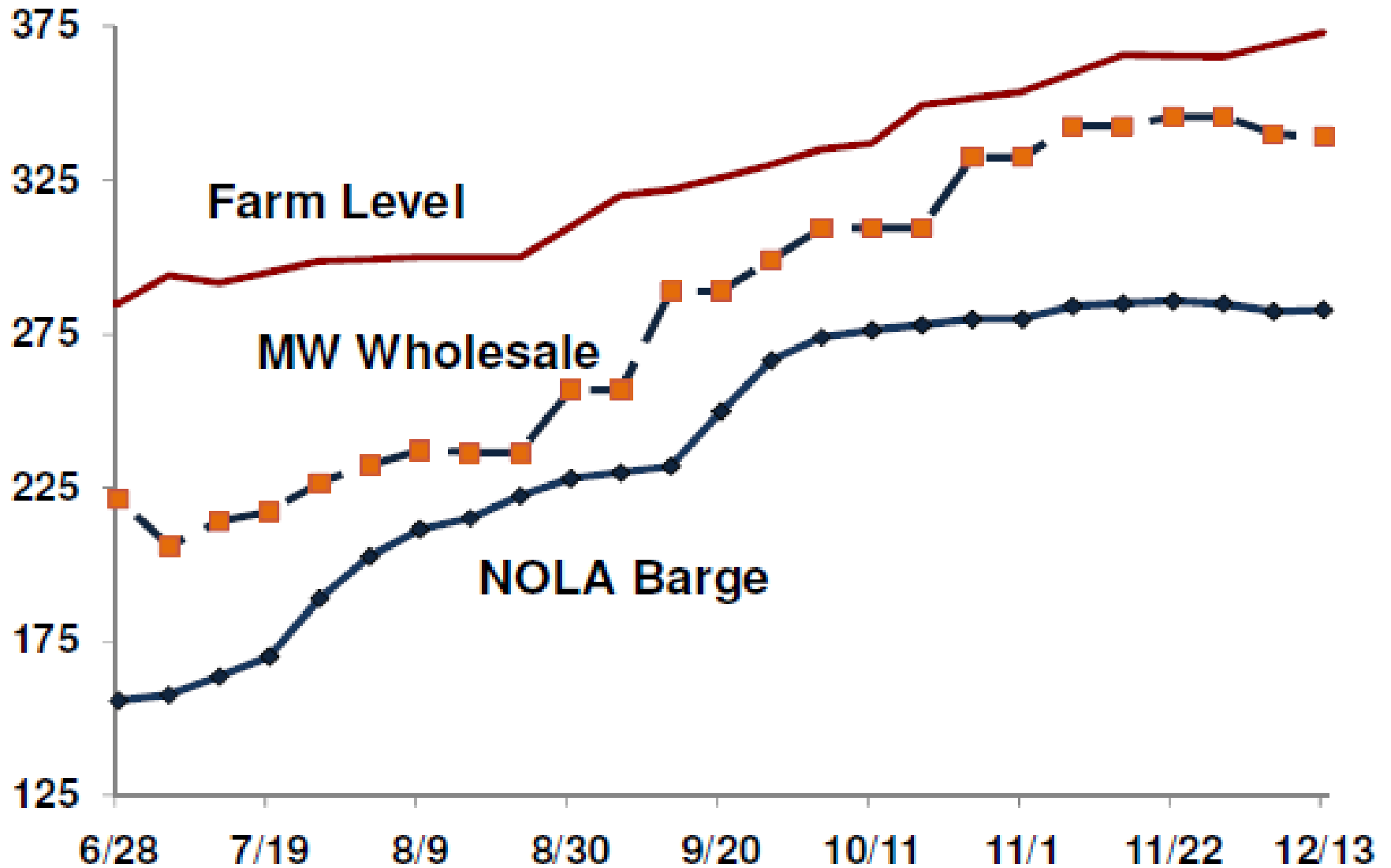
Source: NPK, Fertilizer Advisory Service

Urea Gulf Price Outlook (\$/ton)



Source: NPK, Fertilizer Advisory Service

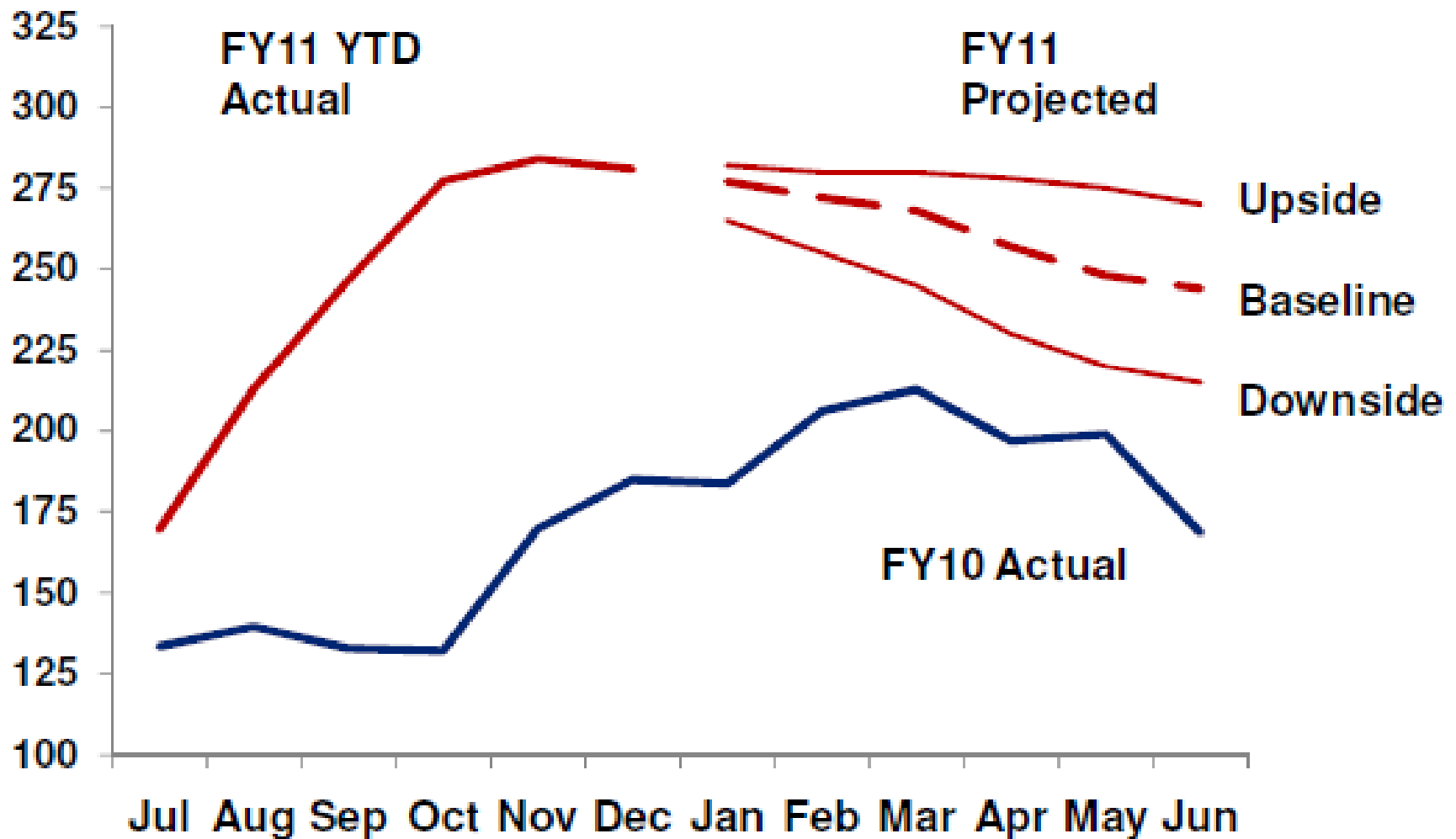
U.S. UAN 32% Prices (\$/ton FOB)



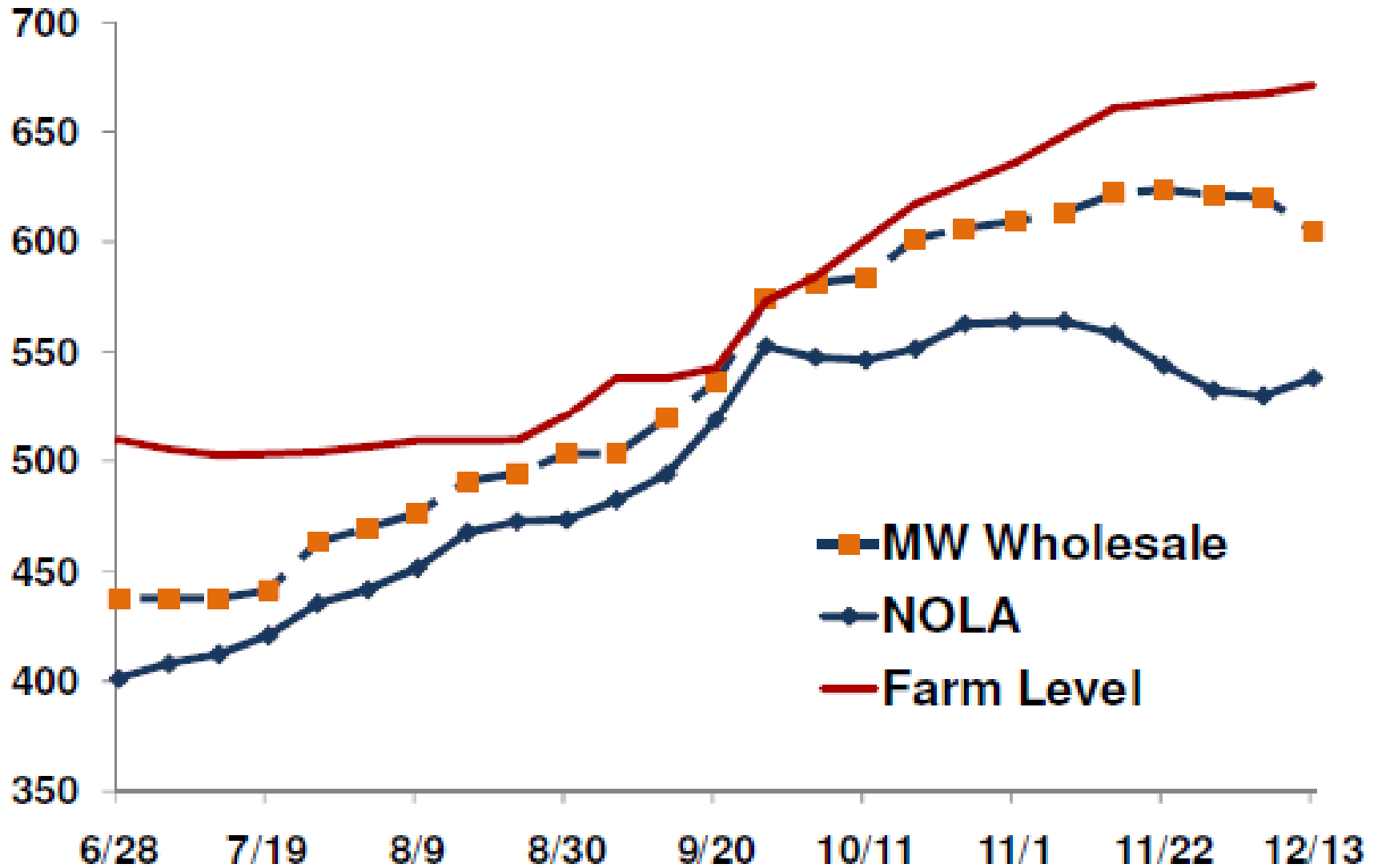
Source: NPK, Fertilizer Advisory Service

U.S. Gulf UAN Barge Price Forecast

(\$/Ton – 32%)



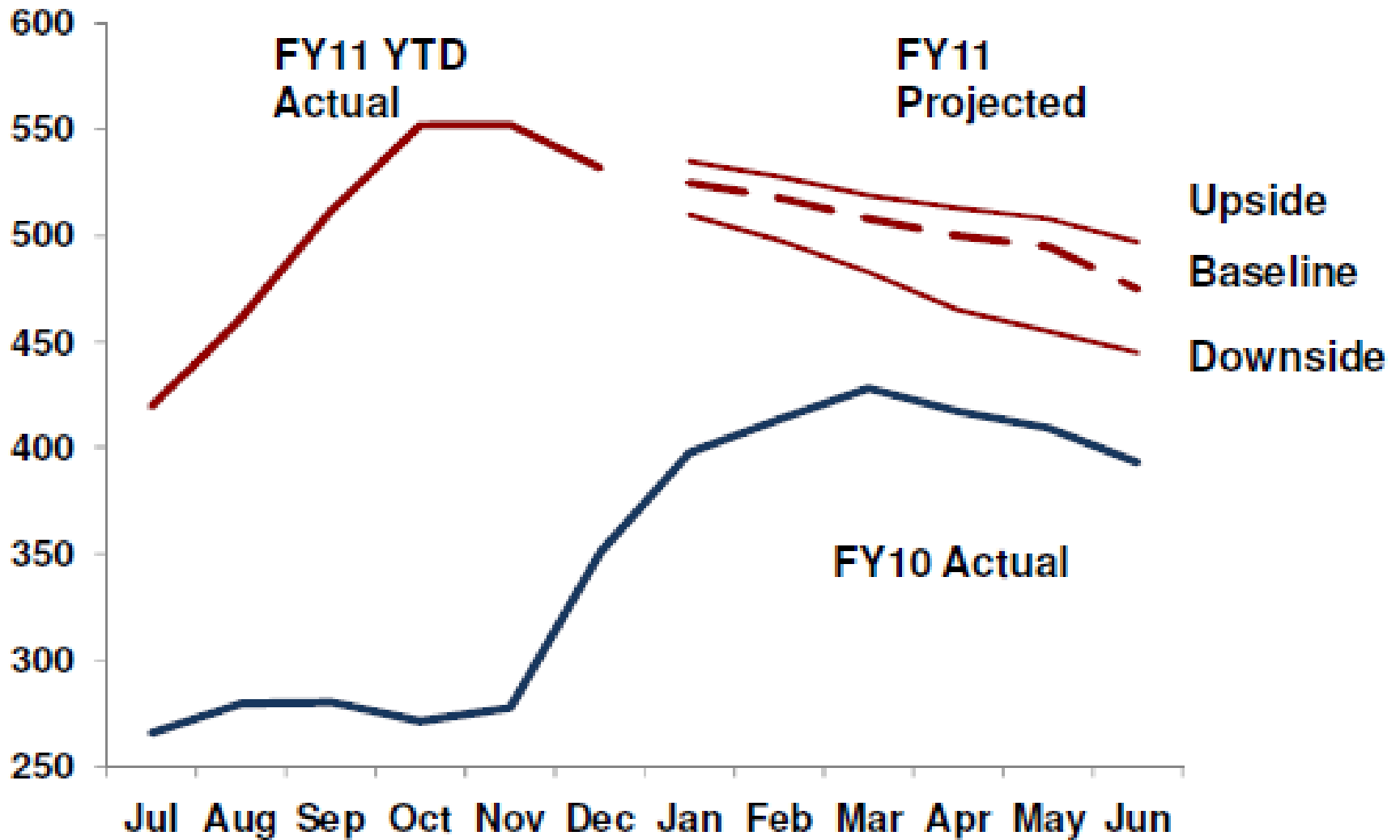
U.S. DAP Prices (\$/ton FOB)



Source: NPK, Fertilizer Advisory Service

U.S. DAP NOLA Barge Price Outlook

(\$/ston)



Source: NPK, Fertilizer Advisory Service

Market Price Outlook

	Week Beginning:				End of Month Projections					
Product	11/22	11/29	12/6	12/13	Jan	Feb	Mar	Apr	May	Jun
Ammonia										
Midwest Dlr.	703	703	688	676	675	665	655	655	645	625
Midwest Farm	747	759	767	775	753	745	740	730	710	685
Granular Urea										
Gulf Barge	382	378	368	374	364	352	350	347	335	325
Midwest Dlr.	429	434	434	424	419	401	396	390	376	362
Midwest Farm	463	465	459	452	459	446	446	445	426	412
UAN 32%										
Gulf Barge	286	285	283	283	277	275	268	257	248	244
Midwest Dlr.	346	346	340	339	341	337	326	311	298	289
Midwest Farm	365	365	369	373	374	371	360	346	332	289
DAP/MAP										
Gulf Barge	544	533	530	538	525	518	508	500	495	475
Midwest Dlr.	624	621	620	605	609	596	580	568	555	530
Midwest Farm	663	666	668	671	652	634	616	603	590	565
Potash										
Midwest Dlr.	515	514	513	517	515	512	505	495	485	470
Midwest Farm	534	542	548	554	555	557	555	545	535	520

Source: NPK, Fertilizer Advisory Service

Farm Futures Outlook Tells Different Story

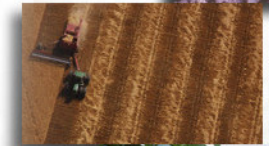
- **Ammonia**

- **Will Imports Soften Supply Tightness**
- **April Contracts At Gulf \$5 Over Spot**



- **Urea**

- **Forward Month Prices \$12.50 Higher Than Spot**
- **Model Shows Another \$80 - \$100 Upside**



- **DAP**

- **Forward Month Prices \$2.00 Higher Than Spot**
- **Model Shows Another \$100 - \$120 Upside**



- **Potash**

- **Model Shows Another \$150 - \$200 Upside**

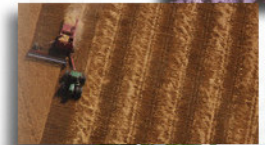
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Summary

- **Difficult To See Significant Downside Potential**
- **Who Will Win – High Domestic Price Vs Lower World Price**
- **Will Producers Be Enticed To Increase Per Acre Use Due To High Commodity Prices**
- **As Commodity Prices Continue To Forge Higher, Will Fertilizer Prices Move Lower?**

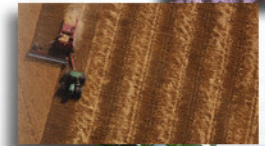


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Thank You
Any Questions?



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