

Iowa farmer questions fertilizer availability for 2011 planting

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ALLAMAKEE, Iowa — Aside from rising fertilizer costs fueled by increasing demand, Allamakee corn grower Don Elsbernd still wonders whether enough fertilizer would be available to farmers — especially since more corn acres should be added this year.

"Prices for many crops have been rising in response to demand and those prices are sending the message that we need more production not only here in the U.S., but around the world," he said. "We will be competing with other producers around the world for the available supplies of fertilizer."

With fertilizer prices sharply increasing since last spring, U.S. farmers are likely to see the costs of potash (K), nitrogen (N) and phosphorous (P) continue to skyrocket thanks to strong demand, as farm analysts had predicted for the 2011 planting season, which would also affect available supply.

According to Harry Vroomen, vice president of economic services at The Fertilizer Institute (TFI) in Washington, D.C., world demand for K will continue to usurp demand for N but only equal P demand for the next year. Last December, he said he expected increases to reach 17 percent for K, 6 percent for N and 18 percent for P worldwide. "If you haven't locked in (prices), do it as soon as possible," he said.

While some K is in the United States — 85 percent is imported — Vroomen said two-thirds of the world's K exports come from Canada, Russia and Belarus. After U.S. supplies of K hit a record low in August 2008, prices for all fertilizers spiked, which was also when corn and soybean prices hit record highs, he said.

Dave Coppess, executive vice president of sales and marketing for Heartland Co-op in West Des Moines, Iowa, said his company completed its fall fertilizer season last year with strong demand, tight supplies and price escalation.

"Ag retailers were very conservative about filling their warehouses last summer based on the experiences of 2008-2009," he said. "The summer of 2008 we filled everything to the rafters, expecting a world shortage of fertilizer. Then the world recession smacked us in October 2008. Farmers only bought about 70 percent of what was positioned and ag retailers experienced huge inventory write-downs at the end of their fiscal year."

Consequently, Coppess said, the supply channel came into play last fall, with modest inventories — at retailers and throughout the entire distribution chain.

"We had a fall weather pattern that allowed for an early harvest and a long fall fertilizer season," he said. "Coupled with lower-than-normal soil test levels, we experienced extreme demand by farmers on a supply channel that relies on global logistics for product. The old just-in-time processes fell well short of expectations."

Nationally, Coppess said, there's a strong expectation that more corn acres will be planted. "Our early seed sales would indicate corn acres will remain stable with only a slight shift to more corn," he said. "Farmers like their crop rotations and prices are favorable for both corn and soybeans."

"We're not anticipating a dramatic shift at this time; however, the last 10 percent of the acres usually aren't decided until April or May, based on weather and markets at that time."

Globally, Coppess said urea ammoni-

um nitrate (UAN) had gained strength in January with no signs of slipping until after the spring planting season — and anhydrous ammonia continued to be "a victim of local supply logistics."

"The infrastructure is old and continues to experience operating challenges that create supply disruption," he said. "The farmer's ability to apply NH₃ in a speedy fashion puts additional constraints on a supply system that was built 20 to 30 years ago."

That's why nitrogen source continues to be driven by farmer preference, Coppess added. "The Midwest is the only place in the world that relies so heavily on direct applied anhydrous ammonia," he said. "It is the cheapest source of N and many farmers believe it produces higher yields compared to liquid or dry N."

"Personally, (I think) a pound of N is a pound of N, regardless of source. With the strong demand for NH₃, we've witnessed ag retailers narrowing the price

variance between NH₃ and UAN from a traditional 12 cents per unit to 10 cents per unit difference to balance the N source and fully utilize their UAN capacity. This also eases some of the pressure on the NH₃ system."

Regardless of which method farmers ultimately implement, like Coppess, Elsbernd questions whether U.S. infrastructure has the capacity to handle the volumes of fertilizer farmers will need, which would again determine availability.

"In 2010, we experienced times when our supplier ran out of product," Elsbernd said. "This was caused by the very late fall we experienced in 2009, which moved a lot of fertilizer application from the fall into the spring, creating a lot of bottlenecks."

"Hopefully, this will not be repeated in 2011 because we had a great fall in 2010. However, this situation demonstrates the need to continually work to improve infrastructure needs for commodity production."