

FERTILIZER PRICES: Varied at retail level, but stable overall

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mon exchange like stocks, currencies or grains, so it's more difficult to get a read on prices."

Erickson said that because fertilizers are heavy, bulky commodities, their transport involves expense, time and logistical constraints.

This means prices don't always adjust quickly and can differ depending on the supply and demand situation at a particular location and time, he said.

"Prices quoted on a ship in the Baltic or sitting on a barge in New Orleans can be much different than prices found here in the Midwest," he said.

Not only do prices vary around the world, they also vary locally, Erickson pointed out.

"This is a result of the dramatically varied wholesale prices paid by retailers," he said. "Many retailers with good credit and available storage, who were hoping to avoid even higher prices, locked in some supplies for their customers during last summer's highs. Other retailers who waited paid much lower wholesale prices."

According to the U.S. Department of Agriculture, in 2008 about 47 percent of the nitrogen and 45 percent of the potash imported into the United States, for use on the spring-planted 2008 crop, was imported between July and December 2007.

"This import pattern suggests that at least some fertilizer suppliers in the Midwest purchased significant quantities of fertilizer for import for the 2009 crop at wholesale prices significantly higher than current prices," said Alan Miller, Purdue Extension farm management special-

ist. "As a result, retailers understandably are likely trying to develop pricing strategies which will allow them to recover as much of their investment in the inventory as possible, to avoid incurring large financial losses."

This year, more than ever, crop producers should check pricing with more than one dealer and get a feel for the assurance of supply when it will be needed most, Erickson said. He cautioned producers to carefully weigh the benefits of altering their relationship with a long-term trusted supplier.

Producers trying to get a feel for the direction prices may go in the future should look at wholesale prices, Erickson said. He noted, however, that it's not necessarily an indicator of what retail price should be at a given point in time.

"There is some concern about having a delivery crunch this spring, because less fertilizer was applied last fall in the Corn Belt than in several years," Erickson said. "The economic uncertainties are a big reason for this, but also the wet fall conditions in some parts of the Midwest."

"This means there are higher fertilizer supplies in distribution channels, but many are worried about supplies this spring. Fall nitrogen applications are not as common in the Eastern Corn Belt, so while the distribution channels here are accustomed to supplying more preplant and in-season applications, the push back to spring applications in other parts of the Corn Belt could strain the networks as a whole."

So what are prices expected to do and what factors come into play?

Miller said that wholesale fer-

tilizer prices in the U.S. for nitrogen and phosphate fertilizers could bounce back from current lows in the spring, but nowhere near the previous price peaks.

The amount fertilizer prices could come back depends on several factors, Miller said.

"Price prospects for commodities produced in the United States; the price of corn between now and when the crop is in the ground; declining fertilizer prices, which would stimulate demand are all factors that

will affect the price of fertilizer," Miller said. "Also, nitrogen prices at New Orleans have returned to levels that would bring natural gas prices into play once again as a major potential factor in the marketplace for nitrogen fertilizers."

New Orleans is the main entry point for fertilizer into North America.

Natural gas prices have been relatively low recently, and increasing gas prices could lead to higher nitrogen prices, espe-

cially if the remainder of this winter were to be colder than normal, Miller said.

He said other factors that could influence the price would be an improvement in the U.S. economy, which could stimulate demand for fertilizers, and if major potash producers in Canada made a public announcement indicating they would curtail potash production to reduce the supply to match the demand and ultimately try to prop up prices this spring.

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