NITROGEN, PHOSPHATE, POTASH:
AN OUTLOOK FOR FERTILIZER IN 2007

Sebastian Braum [1/]

Fertilizer prices in the U.S. are driven by global and domestic factors. Growing demand for grain worldwide, both for human consumption and for animal feed, has led to the lowest level of grain stocks ever. This has forced grain prices higher, which in turn increased the demand for macronutrient fertilizers and especially nitrogen fertilizer. In addition to the traditional grain uses, biofuels made from commodity crops are further increasing demand for grains and therefore fertilizer. Most of this growth in agricultural production and fertilizer demand comes from developing countries, with Brazil, China, and India having the most impact. At the same time, nitrogen production in the U.S. has experienced a steep decline as a result of rapidly rising natural gas prices. Consequently, U.S. nitrogen plants have become swing producers, dependent on the domestic price of natural gas. A large proportion of nitrogen fertilizer is now imported.

Phosphate and potassium have also been experiencing growing worldwide demand as grain production in the U.S. and overall ag production in developing nations expands. Most production areas in the developing nations are deficient in P and K, requiring substantial increases from current P and K application rates to reach their full production potential.

The most likely scenario for fertilizer prices in the U.S. in 2007 is stabilization at current levels. Due to the potential for supply shortages, both nitrogen and potassium may however see further price increases.

[1/] Manager (PhD), Agronomic Services & Market Support, Yara North America, Inc.