

FERTILIZER UPDATE: DECISION TIME COMING?

Snow is flying and temps are falling. It's pretty safe to say that the fall-application season for fertilizer is over. It was not a good one. Ammonia movement was weak and movement of dry products was even weaker.

So where does this leave us? It *potentially* puts the "wolf" at the edge of town so to speak. Here's what I mean.

Fertilizer is a continuous production, seasonal use commodity. (Grain is a seasonal production, continuous use commodity; and energy is a continuous production, continuous use commodity.) The difference is that storage plays a critical role in determining the supply of fertilizer available to the marketplace in-season.

Since we did not have much fall-season movement, we are going to have to cram all of what's needed for the 2009 crop into just the spring season. Depending on how much corn eventually gets planted around the country, we have the potential to see in-season shortages of supply.

At this point, I know what every farmer reading this is thinking: I have sure heard that before. Every time the fertilizer industry wants (needs?) to sell something they bring up the specter of supply shortages. They tell us that the product may not be there when it's needed. They are always "crying wolf" about supply. But it never turns out to be true.

This time it really does have the potential to happen, *if* we plant 88-90 million acres of corn in the U.S. With that much of an increase in acreage and fertilizer demand, there would likely be big, big demand for UAN-solution, and I question whether there is enough storage out there to handle it.

Further, in the few spots where there may be the potential to store additional UAN, the wholesaler and retailer have been beaten down so much by falling prices and valuation write-downs of inventory recently, that they have little appetite for taking on additional risk, since the planting of 88-90 million acres of corn is far from a sure thing.

All of this could setup a scenario where we get into a bidding competition to secure spring supply. I am not saying you need to panic at this point, but keep watching the grain market and keep talking to your local fertilizer retailer. When/if you see a grain price and spring fertilizer cost you can hedge/buy-forward profitably, you should strongly consider it.

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