

Fertilizer Rebound Depends on Break From Crummy U.S. Weather (1)
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By Ashley Robinson

(Bloomberg) -- After three straight miserable planting seasons in the U.S., demand for fertilizer will rebound, depending on -- what else? -- the weather.

"I haven't seen before where we've had a poor fall in 2018, a poor spring in 2019 and then again a poor fall in 2019," Alexis Maxwell, research director at Bloomberg Green Markets, said in a telephone interview. "The industry is expecting a lot of pent-up demand" for fertilizer applications, she said. Midwest soil faced erosion after the stretch of adverse weather wiped out efforts to spread fertilizer. The industry pegs U.S. corn acres at 90 million to 94 million acres next season, and farmers will look to crop nutrients including ammonia to boost yields.

"We're going to get demand improvement," Jonas Oxgaard, an analyst at Sanford C. Bernstein in New York, said in a phone interview. "If the only thing we're seeing is normalization, so we go back to the trend line, that's still a pretty good outcome."

Fertilizer prices may ease in 2020 as new global sources of supply emerge. EuroChem Group AG and OCP Group are expected to boost potash output, and 4 million metric tons of urea capacity are forecast to come online, Maxwell of Green Markets said. Prices dropped in 2019 in tandem with lower costs for natural gas and Chinese coal, benefiting producers including CF Industries Holdings Inc. and Sinochem.

The potash slump spurred some companies to curtail supply. Companies including Nutrien Ltd., Mosaic Co., and Uralkali PJSC took a combined 2.9 million tons out of production, according to Green Markets. That failed to bolster prices much, Richard Bourke of Bloomberg Intelligence said last week in a report. Curtailments continued on Thursday, with Mosaic announcing plans to further decrease its U.S. phosphate production. "A third consecutive disappointing application season in North America has led to continuing high inventories and price weakness," Mosaic Chief Executive Officer Joc O'Rourke said. "Mosaic will not produce at high rates when we are unable to realize reasonable prices."

Prices may remain soft as "supply growth is exceeding

demand growth in the coming year,” while input costs probably will stay low, Maxwell said.

Favorable spring weather in the U.S. Midwest may turn the tide, she said. Prices dropped in 2019 as the wild conditions in the Corn Belt pushed fertilizer shipments to other markets, spurring a glut.

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