

What in the World with Fertilizer Prices?

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You know that we live in a global economy these days. We are influenced by events that occur all over the world. Most recently, fertilizer prices have doubled and tripled as demand outstrips supply from world's farmers. Despite pressures of profitability, the value of California agriculture, if we were an independent country, would rank between fifth and ninth in the world... ahead of our neighbors in Canada and Mexico –an impressive statistic!

Escalating food and fertilizer prices have brought about conditions we have never experienced before. As nations search for answers to these high prices, many countries have responded by limiting exports of food and discouraging fertilizer exports with high tariffs.

The United States is a large importer of fertilizer- (currently the largest importer of nitrogen fertilizer in the world) importing more than 50% of our supply from overseas. Over 90% of our potash is imported from foreign countries. Last year we imported nearly a million tons of urea from China during the last year, a country that recently halted sales of their fertilizer on the international market.

There are several factors that have combined to cause this intensified competition to lead to escalating prices.

- California farmers are competing with farmers around the world for nitrogen (N), phosphate (P) and potash (K). Domestic U.S. fertilizer production has declined significantly in the last decade. For example, between 2001 and 2006, the global demand for N increased by 14%, phosphate by 13%, and potash by 19%.
- Higher energy prices and demands for transportation have caused shipping and distribution costs to rise for ocean freight, rail, barge, and truck. Since virtually all of the fertilizer used in California comes from out of state or overseas, transportation costs are significant factors.
- The value of the U.S. dollar has decreased significantly- increasing the cost of all imported items, including fertilizer. Foreign producers raise the price of their fertilizer sold in U.S. dollars to counteract the decline in the value of the dollar. For example if a fertilizer is priced at \$500/ton and the dollar declines in value by 35%, the price will be increased to \$770 to maintain the equivalent in the local currency. (35% drop in Canadian/U.S. exchange rate between 2003 and 2007)
- U.S ethanol demand has encouraged farmers to grow more corn. Corn is generally the largest consumer of fertilizer nutrients to grow profitable yields. Although fertilizer prices have increased significantly, the price change is on par with changes in crop prices for many commodities.
- The world has an additional 70 million people to feed each year! The productivity of agriculture has been amazing, but continuing to grow ever-more food on fewer acres every year is only possible with significant intensification; including better nutrient management.

With increasing attention on getting the most out of applied fertilizers, the value of a highly qualified Certified Crop Advisor has never been higher. Every CCA has credentials to show they have a thorough knowledge of plant nutrition, fertilizer management, and cropping systems to get the most value from expensive inputs.

Answers to Common Fertilizer Questions

- **What are the top three fertilizer-utilizing crops in the US?**
Corn, wheat, and soybeans
- **Why is fertilizer important to agricultural production?**
Humans, animals, and plants all rely on a safe, healthy supply of food and nutrients (like N, P, and K) for proper growth and development. All crops require nutrients. Depleting the native soil fertility by harvesting crops without nutrient replacement is not sustainable.
- **What are the top three fertilizer-consuming countries in the world?**
China, India, and the U.S. respectively
- **What happened to domestic N fertilizer production?**
High natural gas prices resulted in the permanent closure of 26 U.S. ammonia plants since 1999, causing domestic production to fall by over 40% since that time. The U.S. now relies on nitrogen fertilizer imports for half of new nitrogen supplies.

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