

MEDIA RELEASE

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Fert prices to remain unpredictable

Fertiliser industry leader Larry Bilodeau, chief executive of Ballance Agri-Nutrients, says the global outlook for agriculture is very good, but the unstable financial climate will continue to cause unpredictable price fluctuations in fertiliser commodity markets.

Just back from the International Fertiliser Association conference, Mr Bilodeau says the fertiliser market is optimistic about demand recovering in the year ahead, but participants are all too aware of the impact the financial crisis and subsequent recovery could have on the way fertiliser commodities trade over the next 12 months.

'International fertiliser prices appear to be in a holding pattern at present. Although market fluctuations are still occurring we aren't seeing the dramatic swings in prices we experienced in 2008 and 2009,' says Mr Bilodeau.

'However, longer term, pricing remains impossible to predict, with external influences at play, such as the instability of various economies such as the United States, Asia and Europe, unpredictability of agricultural harvests due to climate change, rising demand for biofuels, and the risk of world food shortages.'

Urea is currently at the bottom of a cycle and is likely to be there for the next few months. Longer term, international prices are expected to stabilise and return to more traditional levels. Lower global DAP stocks are likely to cause price pressures near term, but increased world DAP capacity with new producers coming onboard should cap significant increases in the medium term.

'On the home front, in addition to unpredictable international raw material costs, the volatility of the New Zealand dollar and dry bulk shipping rates will continue to have an impact on domestic fertiliser prices, with volatility being coined as the new reality. Our challenge is how we manage that volatility to provide security of supply to our farmer shareholders,' says Mr Bilodeau.

Inventory planning for the spring season is well underway, and the co-operative's inventory management software and planning processes have been designed to ensure there are optimum levels of stock on hand to meet market demand. Mr Bilodeau says the instability in the global marketplace has changed the way key fertiliser industry players manage their inventory, with a shift from purchasing in larger quantities, to buying less more often.

'Traditionally fertiliser companies would stock pile significant quantities to meet expected demand, but now everyone seems very reluctant to hold any more inventory than necessary,' Mr Bilodeau notes.

'Fertiliser companies in some countries are opting to face stock outs rather than risk being caught holding the high-cost inventory that hurt their businesses when the market crashed last year.'