

MEDIA RELEASE

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Fertiliser price pressures building

With the global financial crisis now settling into a slow recovery, international pressures are returning to fertiliser pricing.

Ballance Agri-Nutrients Chief Executive Larry Bilodeau explains that during the past year prices have been near or below cost for some manufacturers. He says these unsustainable prices, combined with an inventory pipeline that has been empty for some time now, has led to upward price pressure.

'Making longer-term pricing forecasts is still problematical, but all the indicators show that pressure is starting to mount on international prices for fertiliser products,' says Mr Bilodeau.

'We were able to seize on a weakness in international prices for phosphate rock to offer our customers a 20 percent price reduction in our main superphosphate products in December, but it could prove to be short-lived.

In the past two months, international DAP and urea prices have risen significantly, with DAP skyrocketing as much as 45 percent. Sulphur, an ingredient in superphosphate, is also heading for uncertain territory.

'Much of the pressure on prices is coming from companies around the world replenishing their inventory pipelines, which they have deliberately allowed to run low over the past 18 months. The Northern Hemisphere crop-planting season will begin soon, and there is a rush to replenish the supply chain in time.

'The market is driven by demand, and at present is already ahead of forecasts for mid 2010 for many fertiliser commodities. The expectation for most fertiliser products is upwards – but to where?'

Mr Bilodeau says that although he can't predict precise price movements, he is confident prices won't reach the lofty heights experienced at the end of 2008, and anticipates that they will start to settle or possibly come down once inventory pipelines are filled and the Northern Hemisphere spring season is over.

Before the global crash, fertiliser prices were on a steady climb because of the demand for more and better quality food to feed a growing world population. This required a commensurate growth in fertiliser use.

With demand for plant nutrients returning to near normal levels, he says that the main importers of urea – India, USA, European Union, Thailand, Brazil, Mexico and Australia - are all forecast to return to at least the levels taken before the financial crisis.

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World demand for the major phosphate and potash products is also forecast to advance sharply in 2010.

Despite rising prices Mr Bilodeau is convinced that the fundamentals are still strong for farming, as commodity prices go hand-in-hand with fertiliser costs.

He says that New Zealand's role in food production is vital.

'I am optimistic about the long-term future of New Zealand farming and fertiliser use. The world's food bank requires replenishment each year, exacerbated by continuing growth in the large developing countries of Asia, and a growing and more affluent population.

'Our food producers are well placed to respond quickly to these growing needs.'