Retail Fertilizer Prices are Lower this October than the Two Previous Falls

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Farmers applying fertilizer this fall are in for some good news. Retail fertilizer prices for Illinois, as reported by USDA Agricultural Marketing Service, show that anhydrous and urea prices are $632 (45%) and $336 (41%) per ton lower this October as compared to October 2022 (see Figure 1). Anhydrous and urea averaged $1,403 and $829 per ton in October 2022, while the average prices of anhydrous and urea this October are $771 and $493 per ton, respectively. While welcome, these prices are still higher than those in October 2020 (represented by the black shaded columns in Figure 1) of $432 and $353 per ton, respectively.

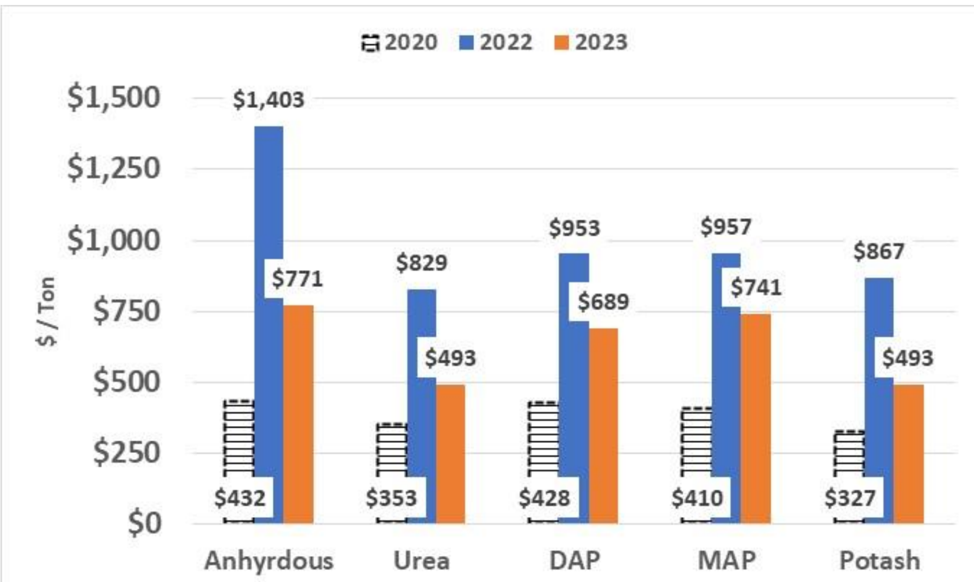

Figure 1. Illinois Average Retail Fertilizer Prices ($/ton) for October 2020, 2022, and 2023.
Source: USDA-Agricultural Marketing Service. *Illinois Production Cost Report.*

Potash prices are also down $374 per ton (43%) from October 2022 to this October (Figure 1). The October 2023 average potash price dipped below $500 per ton but is still higher than the average price in October 2020 of $327 per ton. Phosphate prices are also 28% (DAP) and 23% (MAP) lower this fall as compared to October 2022 (Figure 1). The average DAP and MAP prices are still $261 and $331 per ton, respectively, higher than their retail prices in October 2020.

Why Haven't Prices Returned to 2020 Levels?

Part of the reason fertilizers have yet to return to the 2020 levels is logistic problems that increase the cost of transportation from river ports to in-land facilities upriver. The low water levels on the

Mississippi River have slowed barge traffic by reducing the loading drafts and number of barges towed. Grounded barges also slowed river traffic in September. Similarly, imports of Canadian potash face the obstacles of tightening railcar and truck capacity, which will keep prices firm this fall.

Prices are also buoyed by domestic demand for fall applications. DTN reports that retail locations surveyed in late September believe that increasing fall demand may outpace available supplies during the fall fertilizer demand period.

Another factor keeping fertilizer prices from returning to 2020 levels is the strong fertilizer demand in South America. Brazilian farmers are also expected to apply additional nutrients to compensate for the expensive costs and reduced levels applied last fall. Fertilizer demand will increase from Brazil's expanded planted area this year.

A 20% tariff on imported fertilizers from Morocco also supports phosphate prices. Morocco is one source for imported phosphates, and the American Farm Bureau Federation, along with 62 other ag groups, have sent a letter to the commerce secretary to reconsider this tariff to provide potential price relief for farmers. In addition, Sen. Todd Young joined in a letter asking the Commerce Secretary to revise the calculations for the countervailing duties on phosphate fertilizers from Morocco.

Looking into 2024, the futures markets and university enterprise budgets show soybeans to be more profitable than corn. While Indiana farmers may not adjust their crop rotations, the increase in soybean planted areas across the country will support phosphate and potassium prices. Projected profitability also suggests that the U.S. corn area will decline from this year, and there will be less demand pull for nitrogen fertilizer.

Implications for Farmers

Lower fertilizer prices are welcome after the fertilizer bills paid for the two previous falls. While fertilizer prices are lower, 2024 corn and soybean profitability is expected to tighten as corn stocks are rebuilding, which will lower the price potential for corn. The October *WASDE* pegs the 2023-2024 corn and soybean marketing year average prices at $4.95 and $12.90 per bushel, respectively. These prices are $1.59 and $1.30 a bushel lower than last year’s average prices. The soybean market continues to have tight stocks; however, rebuilding corn stocks will be a headwind for soybean price potential, barring a weather event in South America this fall and winter.

After completing harvest and fall fieldwork, farmers should update their cost and production information for the 2023 crops to refine the break-even prices needed to make marketing decisions based on profitability potential. Farmers should also develop their 2024 enterprise budgets to be able to monitor the 2024 corn and soybean harvest futures contracts for risk management opportunities. With projected tight profit margins, farmers should consider the benefits of removing price risk on a percentage of expected 2024 production when these opportunities arise.

Farmers should also calculate the cost of storing the 2023 crop into spring. The interest cost of storage is becoming a more significant component of carrying costs, and farmers should compare the benefits of paying down debt this fall to the cost of storage and expected future revenue.