



# Crop Input Fundamentals Report

May 2020

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## **North American Agriculture Fundamentals**

- US corn and soybean cash prices have experienced a downward pricing trend due to demand challenges created by Covid-19 in addition to anticipation of increased 2020 supply. Since March we have observed decreased corn use primarily due to weak ethanol demand caused by less travel from social distancing and stay at home orders.
- Current USDA projections are 97 M acres of corn and 83.5 M acres of soybeans. The faster than average planting of corn and soybeans so far in 2020 supports a significant increase in acreage for the 2020/21 season versus the low levels a year ago. We expect that growers will plant less corn than the current USDA forecast (94-96 M acres) and more soybeans (85-87 M acres), due to current crop economics in the US in addition to wet weather in some regions.
- We also are seeing improved prospects for US-China trade post signing the Phase 1 trade agreement and there have been strong purchases in recent weeks and rumored potential for significant incremental purchases of corn, soybeans and cotton, but there is also continued uncertainty about how the US-China trading relationship will evolve in 2020.
- In Western Canada, planting is underway and prices for several crops such as durum wheat and lentils have been strong in recent weeks, while canola prices have remained relatively stable.

## **Global Agriculture Fundamentals**

- The Brazilian soybean harvest of the 2019/20 crop is essentially complete and will likely produce ~121 mmt which is ~4 mmt above 2018/19. The safrinha corn was planted later than average and paired with dry growing conditions, will result in lower production than 2018/19. With the FX variability due to Covid-19 Brazilian soybean growers have been able to sell their crop at record prices, resulting in record profits. We expect strong economics to drive increased soybean acreage for the 2020/21 crop, which will support crop input demand in the coming months.
- Precipitation through Q1 and early Q2 in Australia has provided much needed moisture after two seasons marred with drought conditions. We would expect a rebound in both crop acreage and production for the Australian winter crop.
- Globally, one of the side effects of Covid-19 has been increased trade restrictions. We have seen export restrictions for wheat and rice, which has impacted crop prices. Furthermore, China has imposed an 80% tariff on Australian barley imports, which could impact global barley trade flows and prices.

## **Potash Market**

- Global potash prices have declined in key spot markets throughout 2020 as the delay in Chinese contract settlement kept buyers tentative.
- The contract settlements in China and India are expected to improve market sentiment and spot prices in Brazil appear to have reached a floor and will likely rebound from the levels seen today, supported by good affordability and robust agricultural fundamentals. Canpotex recently announced that it was fully committed through July 2020.
- We have seen strong farm-level demand and wholesale shipments in North America and expect lower channel inventories entering the third quarter of 2020 assuming the continuation of normal weather conditions. The reduction in US crop prices could cause some uncertainties among buyers and impact fertilizer demand in the second half of 2020.
- Declining palm oil prices and weakening currencies have negatively impacted potash demand prospects in Malaysia and Indonesia. We have reduced our projected 2020 global potash shipment range by approximately 1 million tonnes to between 65 and 67 million tonnes to reflect lower expectations in Southeast Asia and lower-than-expected shipments so far in 2020, yet we are still expecting a rebound in demand from the 64 million tonnes shipped in 2019.

## **Nitrogen Market**

- While urea prices have been volatile in recent weeks, we expect North American nitrogen demand to remain strong through the planting season and inland prices have remained more stable. However, we expect weakness in the global economy resulting from COVID-19 to impact global industrial nitrogen demand in 2020, particularly for ammonia.
- Chinese urea exports were down 60 percent year-over-year in the first quarter of 2020, but we expect that strong demand from India, limited new export supplies in other markets and reduced Chinese production costs to drive relatively stable Chinese exports between 4 to 5 million tonnes in 2020.

## **Phosphate Market**

- North American phosphate prices have been firm in the spring season supported by strong demand, but they remain well below previous year levels.
- Chinese DAP/MAP exports were down 10 percent year-over-year in the first quarter of 2020, which supported global dry phosphate prices.

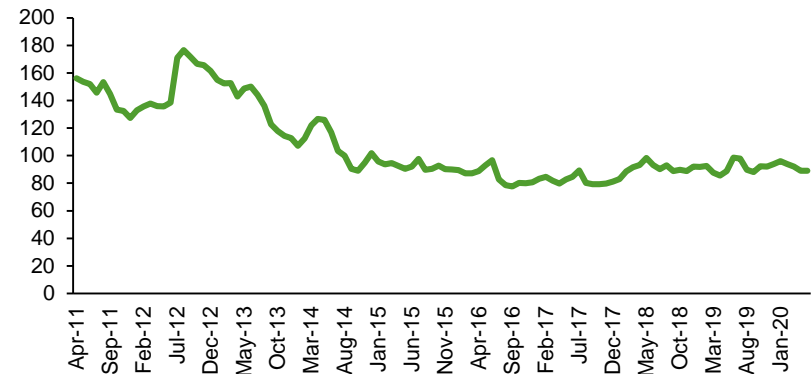
## Key Crop Prices

Monthly Average Cash Prices

	Corn US\$/bu	Soybeans US\$/bu	Wheat US\$/bu	Cotton US\$/cwt	Canola CN\$/t	Brz Soy BRL/t
May-20	2.95	8.32	4.35	56	463	95
Feb-20	3.75	8.73	4.18	67	425	73
May-19	3.59	7.85	3.81	69	450	70

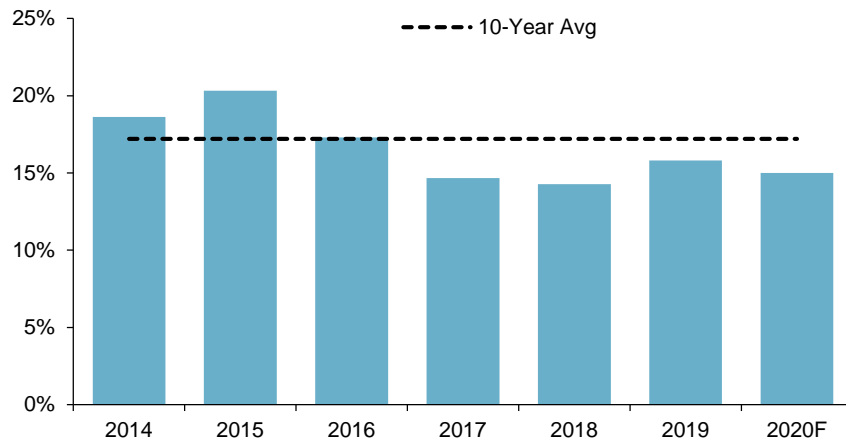
## Crop Price Index<sup>1</sup>

Index 2014-2015 = 100



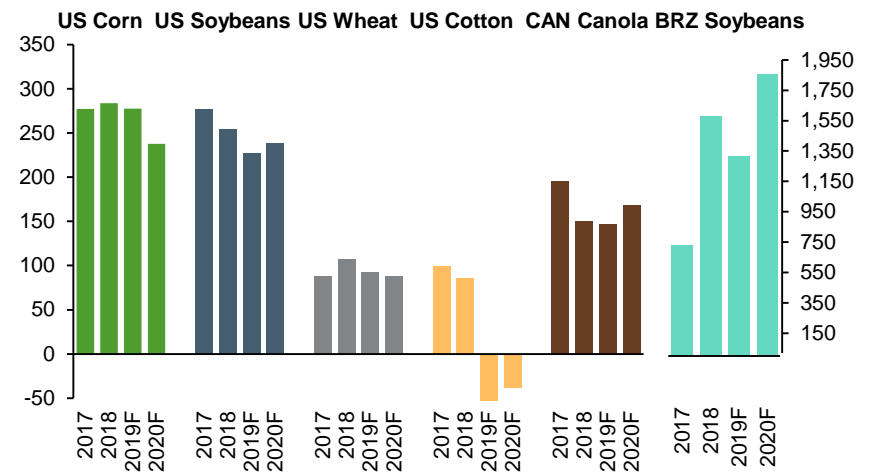
## Fertilizer Cost as a % of US Corn Revenue

Percentage



## Key Crop Grower Cash Margins

Local Currency Margin/Acre



Source: USDA, IMEA, Doane, Nutrien

1. Crop price index is calculated as a weighted average of the price displayed in the Key Crop Prices table, weighted by the production volume of the individual crops.

## Major Market Potash Imports

Thousand Tonnes KCl

Country	Year	Q1	Q2	Q3	Q4	CYTD	CY
US (offshore)	2018	502	361	365	278	502	1,507
	2019	674	275	344	254	674	1,547
	2020	408				408	
Brazil	2018	1,547	2,178	3,455	3,341	1,547	10,521
	2019	2,055	2,245	3,680	2,472	2,055	10,452
	2020	1,752				1,752	
China	2018	2,753	1,715	1,126	1,890	2,753	7,484
	2019	2,952	2,532	2,267	1,373	2,952	9,124
	2020	2,166				2,166	
India	2018	1,346	1,431	713	1,244	1,346	4,734
	2019	1,040	1,431	864	812	1,040	4,148
	2020	859				859	

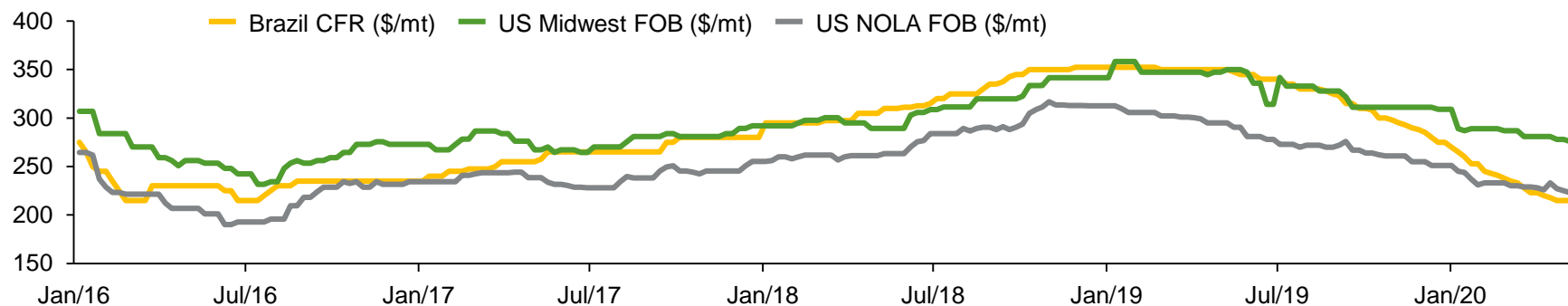
## Global Potash Shipments

Million Tonnes KCl

Country / Region	2015	2016	2017	2018	2019	2020F
China	15.8	14.1	15.2	14.7	16.1	14.5-15.5
India	4.0	3.8	4.5	4.7	4.1	4.0-4.5
Other Asia	8.8	9.0	10.1	10.1	8.3	8.5-10.0
North America	8.6	9.7	10.4	10.6	8.9	9.5-10.0
Latin America	11.0	11.7	12.2	13.4	13.2	13.0-14.0
Other	12.2	12.0	12.8	13.2	13.2	13.5-14.0
<b>Total</b>	<b>60.4</b>	<b>60.3</b>	<b>65.2</b>	<b>66.7</b>	<b>63.8</b>	<b>65-67</b>

## Select Potash Prices

US\$/tonne



## Major Market Nitrogen Imports

Thousand Tonnes

Country	Year	Q1	Q2	Q3	Q4	CYTD	CY
China Urea Exports	2018	294	423	421	1,321	294	2,459
	2019	1,309	459	1,471	1,706	1,309	4,945
	2020	786				786	
India Urea Imports	2018	992	2,141	1,194	2,007	992	6,334
	2019	2,139	1,382	2,333	3,858	2,139	9,712
	2020	1,550				1,550	
US Ammonia Imports	2018	869	779	644	787	869	3,079
	2019	654	587	577	641	654	2,459
	2020	643				643	
US Urea Imports	2018	1,933	1,419	561	1,199	1,933	5,113
	2019	1,452	1,561	633	738	1,452	4,385
	2020	1,122				1,122	

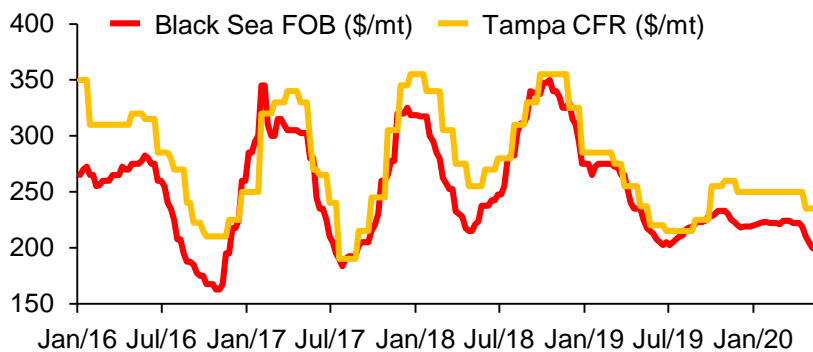
## Key Energy Prices

Monthly Average Prices

	Henry Hub (US\$/MMBtu)	AECO NG (US\$/MMBtu)	EUR TTF (US\$/MMBtu)	EUR Formula (US\$/MMBtu)	China Anthracite (US\$/mt)	Brent Crude Oil (US\$/bbl)
MAY 2020	\$1.78	\$1.49	\$2.10	\$6.10	\$137	\$20.31
FEB 2020	\$1.91	\$1.68	\$3.00	\$6.90	\$146	\$55.66
MAY 2019	\$2.64	\$0.86	\$4.50	\$7.40	\$155	\$71.32

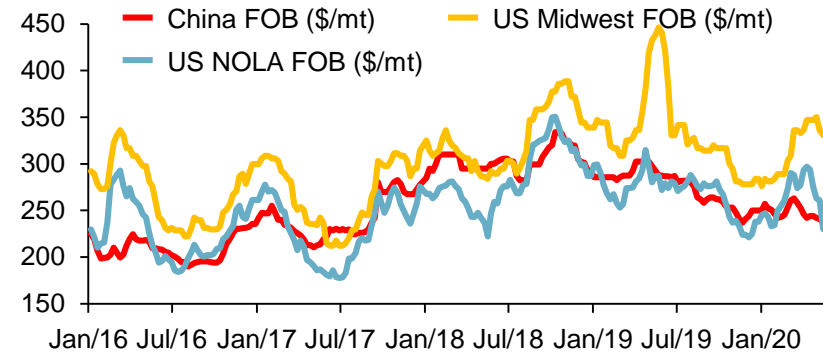
## Select Ammonia Prices

US\$/tonne



## Select Urea Prices

US\$/tonne



## Major Market Phosphate Imports

Thousand Tonnes

Country	Year	Q1	Q2	Q3	Q4	CYTD	CY
US Imports (DAP/MAP)	2018	952	441	554	867	952	2,814
	2019	1,367	345	661	675	1,367	3,047
	2020	669				669	
Brazil Imports (DAP/MAP)	2018	478	612	1,603	988	478	3,681
	2019	620	966	1,493	1105	620	4,184
	2020	861				861	
India DAP Imports	2018	418	2,063	2,001	1,506	418	5,988
	2019	1,032	1,877	1,370	1,034	1,032	5,313
	2020	589				589	

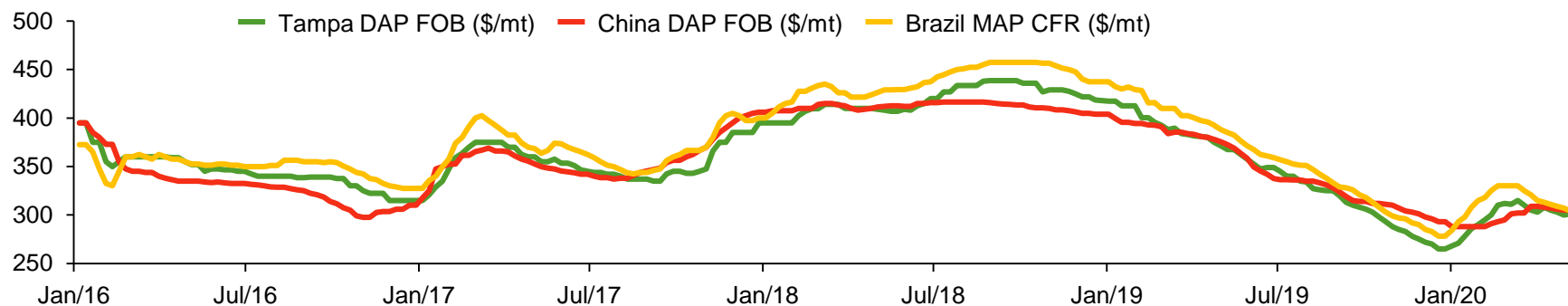
## Key Producer Phosphate Exports

Thousand Tonnes

Country	Year	Q1	Q2	Q3	Q4	CYTD	CY
US Exports (DAP/MAP)	2018	879	778	753	871	879	3,280
	2019	873	1,025	975	881	873	3,754
	2020	873				873	
China Exports (DAP/MAP)	2018	987	2,519	3,117	3,335	987	9,958
	2019	1,550	2,580	2,747	1,990	1,550	8,868
	2020	1,394				1,394	

## Select Phosphate Prices

US\$/tonne





# Thank You!

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