No downturn expected for fertilizer prices

Impact of high natural gas costs lingers

By Andrew Overbeck

Fertilizer prices, after their sharp recent rise, are expected to remain high, and industry experts say the record cost of natural gas is the primary culprit.

It has been a tough several months for fertilizer manufacturers, formulators and distributors as natural gas prices rose 500 percent to more than $10 per million British thermal units (MMBtu), squeezing already-thin margins.

Natural gas is a major cost component in the manufacturing of nitrogen fertilizer. As a general rule, every 50-cent increase brings a $10 increase per ton of urea.

GAS PRICES TO SPIKE IN FALL

At press time, urea was averaging just over $100 per ton in ports along the Gulf of Mexico, a primary point of production and importation. Natural gas prices, meanwhile, had receded to below $4/MMBtu. Fertilizer producers see no drop in prices in the coming months, however, because natural gas remains at double its historical levels and will likely spike again in the fall.

Moreover, manufacturers are still generating product using higher-cost urea purchased before prices softened.

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