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NEWS

Urea's big price U-turn

By ANDREW MARSHALL

A RAINY winter in the eastern States cropping belt has sent farmers rushing to secure last-minute orders of urea to topdress their nutrient-hungry crops – less than two months after some distributors were hastily offloading unsold stocks at a loss.

The surge of demand has also coincided with a sudden rush of overseas buying activity since late June, triggering global price rises.

Until two months ago, world demand for fertiliser – particularly urea – had been in a lull following a price spike during the first quarter.

But by last week, export prices for Middle Eastern granular urea from the Arabian gulf climbed above $US300 a tonne (FOB) – up from about $US220 eight weeks earlier.

"Nitrogen fertiliser prices had been about as cheap as we'd seen for a while, after gradually dropping from about $600/t at port early in the season to around $440," said Ian McGregor at McGregor Gourlay Agricultural Services, Warialda in North West NSW.

"Now they're around $470 at port and there's quite a bit more topdressing activity than normal."

Major supplier, Incitec Pivot, also anticipates ongoing demand for nitrogen products into spring from summer croppers keen to take maximum advantage of their full soil moisture profile.

Poor global grain prices early in the cropping season, combined with the late summer price spike, meant most Australian farmers deliberately avoided over-investing in fertiliser at planting, worried low grain prices and doubtful seasonal conditions would leave them well out of pocket by harvest.

Instead, however, most cropping areas have thrived on good winter rainfall, and in July prices bounced dramatically, giving croppers the promise of a big harvest result, but many have less than 70 per cent of their preferred nutrient applications feeding their crops.

Melbourne-based national fertiliser manager with farm services giant, Landmark, Josh McGregor, expected urea prices at port to climb to the mid $500/t mark in the next two months.

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The prices were a sharp turnaround from the position six weeks ago when suppliers – including several newer players in the market – were caught holding too much product and were opting to quit their warehouse stocks at cost prices.

"In south eastern Australia, as much as 160,000t was sitting unsold and at risk of deteriorating in storage at a time when the market would normally only expect to need up to 120,000t," he said.

"Just as soon as the stocks were cleared, grain market conditions changed and demand for urea kept rising here and overseas."

Incitec Pivot's broadacre technical agronomist, Jim Laycock, said the rush of enthusiasm for last-minute topdressing applications of granular and liquid nitrogen fertiliser to carry crops to the end of the growing season was reminiscent of "normal seasons" in the 1990s.

"Quite a few young agronomists haven't experienced this sort of finish to a season before," he said.

"After all this sappy weather, a lot of farmers are keen to compensate their crops for the lack of fertiliser they used early in the season – they want to keep their yield potential strong, or firm up grain protein prospects.

He said if aircraft were available or paddocks were dry enough to handle rigs, demand was likely to get even busier – possibly for up to two months in southern NSW and Victoria.

Topdressing applications of up to 150 kilograms a hectare (in two doses) appeared popular in western cropping areas such as Coonamble and Gilgandra in NSW, while summer croppers would probably revert to using more side-dressing applications after crops established if soil profiles stayed damp.

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– Jim Laycock