

GROWERTALKS

Features

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New Volatility in Fertilizer Costs

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What's causing the surge in pesticide and fertilizer prices?

Soluble 20-20-20 has gone from about \$13.00 a bag to around \$25.00 a bag. The price of Roundup doubled in a 30-day period. Potassium nitrate has gone from \$11.00 to \$18.00 to \$24.00 to \$28.00 to \$35.00, just in the last eight months. I've been told that if I wanted to buy a truckload of potassium nitrate right now, I couldn't do so at any price. Growers think their fertilizer suppliers are employing predatory pricing in a time where growers aren't really in a position to raise their prices.

I haven't seen this kind of gyrations in price and availability of grower staples in my 32-year career. What the heck is going on? There are a number of things happening. One is that developing countries are expanding their agricultural production and, therefore, their fertilizer usage. There are three main suppliers of potash in the world and two major suppliers of phosphate. Prices of these commodities are based on supply and demand, and since demand is way up, the suppliers are selling bulk raw materials pretty much to whom they choose. Many fertilizer manufacturers who had contracts for potash have been told they now only get an allotment of what they contracted for, and often that allotment comes rather slowly. Producers in certain parts of the world are willing to pay higher prices for raw materials than we've traditionally seen in the U.S. There aren't exactly shortages of phosphate and potash, but the situation seems analogous to the price of oil. We have plenty of oil, but because of high demand and limited production, the price has skyrocketed. Fertilizer is the same way. Sulfur-coated urea-based fertilizers were running \$18.00 to \$19.00 per bag, and now they're in the mid \$30s. The price of phosphorous acid has risen \$1,000.00 a ton, and therefore Roundup and Alette have shown huge price increases. Prices of phosphate and potash go up almost every week, sometimes every three days. Atrazine and other common pesticides and herbicides have gone way up as well, depending on what raw materials are used in their manufacturing. China is buying up large quantities of potash, and Russia recently privatized their vast potash resources. Whether they'll sell any to us remains to be seen. Many specialty products are made from muriate of potash. Sulfur has gone up even more than nitrogen. Today it's very hard to get Epsom salts, EMJEO or kieserite, all important magnesium sources. In micronutrients, copper and zinc have gone way up due to industrial usage of the metals in electronics and other industries. Zinc has stabilized, but copper is still rising. A lot of manganese comes out of China, and China has instituted a 135% agricultural export tax, which is just now coming into effect. There have also been production problems in Mexico.

What does this mean to the grower of petunias in Peoria? No. 1, things may get worse before they get better in terms of fertilizer price and availability. Add to this the cost of plastics and media, and everybody is getting squeezed. The weaker growers may get hurt quite a bit and BMPs for some types of production could go out the window. Some producers are keeping potassium nitrate out of turf and landscape fertilizers and are saving the nitrates more for vegetable and greenhouse use. Eggs have gone up 69.2% in the last two years and flour is up 48%. The price of a finished plant is going to have to go up soon to maintain any type of profit margin for the grower.

Biofuel production is a factor, but not a driving force. The cost of oil and the weak dollar are a factor here, but they mostly affect the finished fertilizer blender. Raw fertilizer materials are primarily sent by ship, barge and rail, but the fertilizer suppliers that you buy from are being forced to blend more costly and less plentiful ingredients, and they then have to ship to their distributors and ultimately to your greenhouse, burning diesel fuel that's well over a dollar a quart. Oil is expensive partly because the dollar is weak. The weak dollar also affects your cost of imported fertilizer ingredients.

What's going to happen? Things may ease up after the spring planting season, when prices are expected to stabilize. They may increase again in the fall when Brazilian, Australian and Chilean planting kicks in.

What should you do to make it through these difficult and unpredictable times? Watch your costs, as always. If you don't need copper or manganese in that fertilizer blend, don't include it. Monitor your fertility carefully. Houses aren't selling and new construction is down, which is hurting sales of some items. Food and fuel are way up, and inflation is probably greater than the government is telling us it is. Keep an eye on your open accounts, as payments to you may be slowed from struggling customers. Finally, someone is going to have to convince the box stores that plant prices will need to go up.

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