

Fertilizer Focus



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Productivity and performance are ensuring a viable US market

The US fertilizer industry remains robust and is strongly positioned for long-term success

Written by

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As US fertilizer industry leaders closed the latest planting season, they collectively agree two bright spots stand out. First, employee productivity reached an all-time high. Second, safety performance in an industry that already outperforms its manufacturing sector peers, improved. These achievements, despite operating within constraints of the Covid-19 pandemic, exemplify the industry's resilience to outside challenges, as well as realistic market conditions.

Favourable weather helped too. Planting in most regions occurred on schedule, if not early. This signalled that the spring numbers for the industry will come in strong, with 60% of the total US nutrient use attributed to corn and soybeans.

"TFI members from around the country reported a successful spring," Corey Rosenbusch, TFI president and CEO, says. "Getting the fertilizer industry declared as an essential industry by the Department of Homeland Security helped keep operations running smoothly as Covid-19 spread. Our members

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innovated during this time and implemented advanced procedures from shift work to teams that minimize interactions to touchless transactions."

Michael Peyton, president and CEO of Helm Fertilizer Corporation, echoes Rosenbusch.

"Seeing how dedicated and efficient our employees are has been a real bright spot during this Covid-19 time as office staff continues to work from home. In fact, another pleasant surprise is that we've not been negatively affected much, if at all," Peyton says.

Optimism reigns

Peyton says while nitrogen, phosphate and potash prices have shown weakness this season due to

oversupply, he believes supplies will even out by year-end. Plus, he notes that an estimated 94 mn acres of corn being planted is a bright spot for fertilizer consumption.

Folks at Morral Companies are equally optimistic. Rodney Gilliland, vice president sales and supply, says some of its trade area had a great run this spring while others, especially in Ohio had delays.

"Earlier in the spring when 80% of the corn in the US had been planted, Ohio was just more than 50%," Gilliland says. "This still fits the five-year norm, so we believe the year will be on par with historic patterns."

When challenged with Covid-19, Morral quickly met the requirements dictated by the state health director. Gilliland says its teams stepped up and created a two-platoon system that

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kept teams separated so they could always meet dealer and grower needs even if an employee tested positive. They were able to work through the season without anyone testing positive.

Micronutrients are on track to have a successful year and long-term outlook, as well.

“We had our best spring for fertilizer sales in our 10 years of being in business,” Bill Anders, president of Nutrient Agri Products, says. “Our challenge was getting enough product when customers needed it. We were still delivering some truckloads of zinc late in the spring. It was a good planting season for us.

“Covid-19 caused an interruption on some ingredients for feed and fertilizer, which caused ripples throughout the country,” Anders says. “We actually had to cancel several containers of boron from Brazil because they weren’t going to arrive until July, which is too late in the season.”

Rosenbusch says members of the Micronutrient Manufacturing Association, a TFI partner, report having a strong spring and look to a strong year overall.

“Generally speaking, the micronutrient sector has experienced compound annual growth rates near 7% over a 10-



(top) Bill Anders, President, Nutrient Agri Products.
(above left-right) Rodney Gilliland, Vice President Sales and Supply, Morral Companies; Allan Gray, Executive Director for the Center for Food and Agricultural Business, Purdue University; Michael Peyton, President and CEO, Helm Fertilizer Corporation; Corey Rosenbusch, President and CEO, The Fertilizer Institute

year period up to several years ago,” he says. “Micronutrient use increased between 1-5% in 2019.”

Market realities

While news is good now, it is important to realize this is the second disruptive year in a row for fertilizers, which means redefining the norm. Last year’s loss of 8-10 mn acres to flooding was essentially a short-term shock, but this year’s Covid-19 shock will have longer-term effects.

Allan Gray is the executive director for the Center for Food and Agricultural Business at Purdue University. He says there are strong supplies of macronutrients around the world.

“We now have slower economies,” he says. “Life is slower and it’s not going to speed up tomorrow or in the next two months. It’s going to gradually come back over the next 6-18 months. With overall demand decreased and large supplies on hand, the fertilizer market will experience some challenges.

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“In addition, we’re not blending ethanol into gasoline as fast as we were and that’s a reflection of overall demand for gasoline still being soft. Even as the US eases restrictions, we still have an approximate 40% reduction in activity prior to Covid-19 arriving. When you run at 60% capacity, it affects operations all the way through the chain. Of course, we’ll reduce the numbers of cattle, hogs and poultry in the system to reflect this, but it will naturally reduce demand for corn and soybean meal.”

Gray says this will keep pressure on corn and soybean prices. Plus, the strength of the US dollar is significantly higher relative to primary competitors, such as Argentina and Brazil, which makes US commodities comparatively expensive.

He adds that as Covid-19 barges through Brazil, the economy and supply chains will experience substantial disruption for an extended time. Some ports have been periodically shut down at times and the meatpacking industry there has been hit similarly to the US meatpacking sector. If the US gets its supply chains back online, there may be opportunities to help meet Brazilian protein demand.

“Another positive aspect is that we appear to be looking at a good growing season,” Gray says. “This will really matter if we have to replace a lot of fertilizer next year because this crop is a big one and takes up a lot of nutrients. This will help the fertilizer market because farmers are focused on nutrient use and they’re going to replace what their crops use.”

Opportunities

Caution may be the watchword, but it doesn’t overshadow opportunities. Helm is seeing benefits from its 2019 acquisition of CGB Fertilizer and it started a new division this year.

“Acquiring CGB was a big growth step for us, Peyton says. “We went from 8-16 terminals at once, so we’re still getting our arms around it. We recently opened a specialty fertilizer division, which we see as a real growth opportunity. Sandro Pippobello joined the Helm team to lead this division from our Tampa office.”

Specialty, enhanced efficiency fertilizers and micronutrients continue proving their worth and their use is growing.

“There has been a lot done to increase awareness of micronutrients, particularly tied to the 4R Nutrient Stewardship principles,” Rosenbusch says. “For example, we ran educational programmes for agronomists last year reaching nearly 6,000 people who can help demonstrate, communicate and educate about the importance of micronutrients.”

The industry and growers have taken notice. Certainly, micronutrients increase sales opportunities. They also increase ways agronomists and representatives can work with growers.

“Data continues to suggest that the remaining weakest link in the chain is the micronutrient or the foliar nutrient that will help a good crop be a great crop,” Gilliland says. “We’re gathering data and providing products made from the highest-grade raw materials so that they will appropriately tank mix with many of the pesticides. These products increase the opportunities we have to work with growers who are carrying

out soil analysis. When we have good data, we can provide the appropriate solution to a planned or unplanned time of stress and find ways to keep a crop growing to its potential.”

Micronutrients

Anders says growers are turning the page on micronutrients. “If you look at the animal feed side of things, there was a lot of research about feeding bypass amino acids to cows and essential amino acids to pigs in the 1980s and 1990s,” he says. “We realized that some people didn’t believe in it. After a powerful industry campaign, feeding amino acids became common and animal performance improved. Our industry is at a similar point. We believe that if every grower used as much zinc, manganese or other micronutrient as needed, our suppliers could not keep up. If you look at the way we’ve mined the ground and not put micronutrients back in, it’s going to take a lot of ingredients and time to get caught up.

“TFI is doing a good job with the 4R program helping to create awareness and understanding of micronutrient,” Anders adds. “There are needs for dry and liquid products. The entire industry is doing the right thing.”

These opportunities, combined with the industry’s economic underpinnings, make for a sound industry outlook.

“The fundamentals of TFI members’ businesses are strong,” Rosenbusch says. “Their balance sheets and financial performance are solid. There will be short-term impact from pandemic-related events and weather challenges, perhaps, but the fertilizer industry is well-positioned to weather the storm long-term.” ■