Fall 2018 fuel and fertilizer prices:

What's the fall outlook for fuel and fall fertilizer pricing?

The overall expectation for fertilizer is slightly higher than similar timeframes a year ago. Defining "slightly higher" is hard to do, one person's "slightly higher" might be $5 a ton, another might think a $30 a ton increase is slight. There are so many variations with different pricing strategies that work off of timing, volume, freight rates and other factors that in reality… any price comparisons year to year or between customers aren't likely to be direct comparisons. So we'll talk generalities.

New production of NH3 might help offset producers working to increase margins from the low levels they say they faced last year, and some global production issues that are supposedly limiting supply to a degree. So it looks like summer fill (so also most likely summer pre-pay) prices could be a little higher than last fall in many areas, maybe 5% or a little more. We typically expect the best pricing to be during the summer pre-pay season and rise from there, but the rate of the rise is hard to predict. Looking at trends in natural gas prices and corn prices, one wouldn't expect a huge surge in pricing through the fall, but locking in NH3 earlier rather than later tends to be a good call.

MAP and DAP are likely to be up in general from 2017, so far it looks like around 8-10%, but maybe less. The US is a big producer so if export demand is strong, domestic pricing can rise. On the other hand, depending on global situations, wholesalers can sometimes import phosphates for less than they can buy them from US production. So like any other commodity in the relatively young global market… what we think now can look all wet in a month or two. But for now, things appear to be relatively stable. New global production will likely mean steady MAP/DAP pricing for summer, into fall and hopefully into the next season or longer.

Potash production is in the hands of a relatively small number of producers compared to other fertilizers, so that market could shift quickly if a few of them move in sync, we've seen that happen before. But for now things seem stable, so it is looking like summer fill and prepay pricing will be a little higher than last year's relatively low fertilizer prices, maybe in that 4-6% range.

The new electronic logging device regs for the trucking industry are likely going to have some sort of impact on pricing of our ag inputs. Freight rates could increase as efficiency decreases, and/or there could be some hiccups in deliveries with drivers running out of hours. There are some exceptions for agriculture, but they need some clarification. Even if they are clarified and ultimately allow for more efficiency in moving ag products, the overall impact of the ELD's is still likely to trickle into the ag realm in my opinion. It may be negligible, like a dollar or two per ton. On the other hand, if there are terminal issues or other glitches in the system that impact ag trucking, we may be reading more about ELD's and their impact.

Fuel seems a little more challenging to predict according the retailers and wholesalers I work with, but they give it their best shot and then work with customers to make buying decisions. For example, in my region some of the fuel suppliers are recommending we lock in a good portion of fall diesel needs now (if we haven't done it already) and hope it drops a little over the next month or two… but be ready to pay for/lock in the rest if the market starts showing signs of going up. Unfortunately the pricing is higher than last fall, but we are being told not to hold our breath waiting for those levels to return. Drying gas needs are in the same realm, with dealers pointing out that LP often follows the same pricing trends as crude oil. So if not locked in, much like diesel, they recommend locking in 40-50% or more now and be ready to lock in the rest on short notice.

How do they compare to 2017 and previous years?

Unfortunately, most of our fert and fuel are up from 2017 looking month to month.

Are there things farmers can do to reduce upside price risk for fuel and fertilizer?

For the most part, to lock pricing in, farmers fully or at least partially pre-pay the contracts for fall fert and fuel to lock in price protection. Different suppliers may have variations of programs where you can bracket in price ranges with partial pre-payment, and some will offer discounts for volume, multiple product line bundling, creative financing offers and other programs. So maintaining a good working relationship with your suppliers is a great way to stay up to date on pricing and programs.