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*Feeding the Future*<sup>™</sup>

# Crop Input Fundamentals Report

May 2021

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## **North American Agriculture Fundamentals**

- Key crop prices have remained strong through the first half of May as global production for the 2020/21 crop year was lower than expected, and Chinese import demand is at record levels due to higher feed demand for the rebuilding hog herd post-African Swine Fever.
- Planting is underway across North America with growers expected to increase area year-over-year for key cash crops like corn, soybeans, and canola. We project that US corn and soybean area may increase by as much as 4 million acres versus current USDA projections. The USDA forecasts that US ending stocks for corn and soybeans will increase slightly in 2021 versus 2020, however stocks are expected to remain tight relative to history; supporting significantly higher season-average-farm-prices and grower profitability.
- US corn and soybean export sales have slowed for the 2020/21 marketing year, as US stocks-to-use ratios are near-record tight for both crops. Marketing year-to-date export sales are at record highs for both crops. New crop 2021/22 export sales have begun and Chinese demand for US corn continues to be strong, with several large purchases announced through the first half of May.

## **Global Agriculture Fundamentals**

- Brazilian soybean exports continue to grow year-over-year on strong Chinese demand and increased production, and a new monthly soybean export volume record was set in April 2021. Drought has impacted safrinha corn production, with some growing regions going a month without rain. Although lower than normal yields are expected, Brazilian corn growers are likely to still receive positive returns due to near-record domestic corn prices.
- Grower sentiment in Australia is positive and early forecasts support winter crop area remaining high as ample moisture has supported planting. Increased canola and wheat prices are providing strength to grower margins and planted area, particularly for canola, is expected to increase year-over-year.
- Global food price inflation is a growing concern with the FAO's Food Price Index now at its highest level since May 2014. In response several major grain exporters such as Argentina and Russia have implemented export quotas in an attempt to control domestic prices.

## **Potash Market**

- Robust agricultural fundamentals and favorable potash affordability continue to support potash use and prices, particularly for granular product. Given strong demand, we continue to expect record global potash shipments in 2021 of 68 to 70 million tonnes.
- In North America, we have seen strong potash application rates this spring, supported by high affordability, increased crop acreage and favorable weather conditions. Nutrien recently completed a successful summer fill program and we subsequently posted a \$30/st price increase for deliveries October or later. With strong participation from our customers, we are now fully committed through September.
- Due to continued strong demand for potash in numerous key offshore markets, Canpotex has announced that it is fully committed on volumes for potash sales into September 2021. This strong demand continues to be supported by solid fundamentals for several major agricultural commodities and a focus on food security in a number of Canpotex's offshore markets.

## **Nitrogen Market**

- Global nitrogen prices have been supported by strong agriculture fundamentals and a resurgence of industrial demand. Tampa ammonia contract prices have more than doubled since December 2020, as an already tight market was squeezed further by global production outages. US urea and UAN prices have also increased driven by the strong demand for the spring application season, coupled with production outages and slower than normal imports in the first half of the fertilizer year.
- Increased feedstock costs in major nitrogen producing regions, particularly in Western Europe and China, are expected to support higher floor prices in the global nitrogen market.
- We project Chinese urea exports in 2021 will be between 4.0 and 5.5 million tonnes, higher than previously anticipated but lower compared to 5.5 million tonnes in 2020. This is a result of higher expected operating rates, as increased urea prices more than offset elevated feedstock costs.

## **Phosphate Market**

- High crop prices, tight availability and the final rulings on US countervailing duties have supported phosphate prices but we anticipate some pressure on historically high production margins going forward due to the significant increase in raw material costs.
- The Indian government has recently announced to more than double its DAP nutrient-based subsidy rates from previous levels, which we believe will be positive for not only Indian DAP import demand, but also global phosphate fundamentals in the second half of this year.

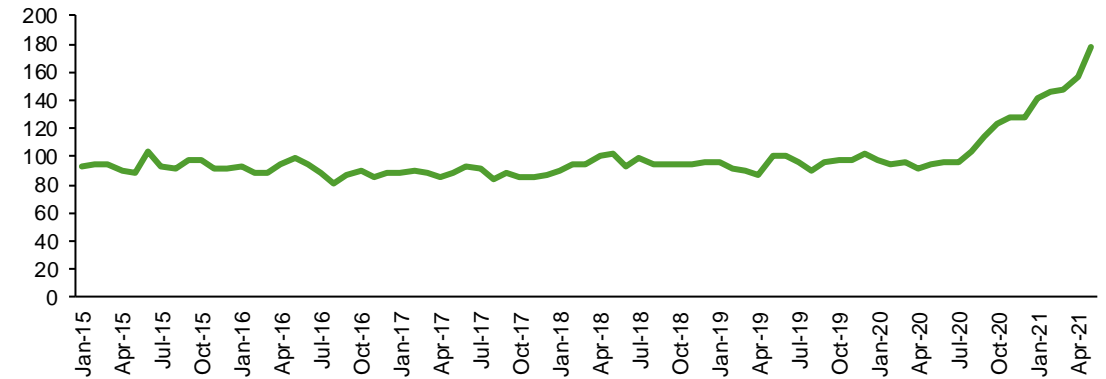
## Key Crop Prices

Monthly Average Spot Future Prices

	Corn US\$/bu	Soybeans US\$/bu	Wheat US\$/bu	Cotton US\$/cwt	Canola CN\$/t	Brz Soy BRL/t
May-21	7.35	16.07	7.15	87	960	165
Feb-21	5.50	13.82	6.41	87	741	149
May-20	3.26	8.41	4.96	58	466	96

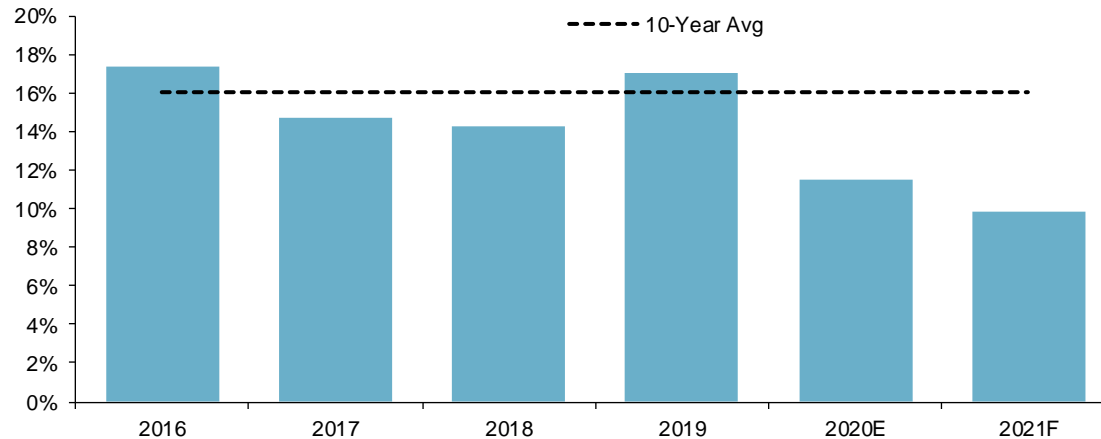
## Crop Price Index<sup>1</sup>

Index 2014-2015 = 100



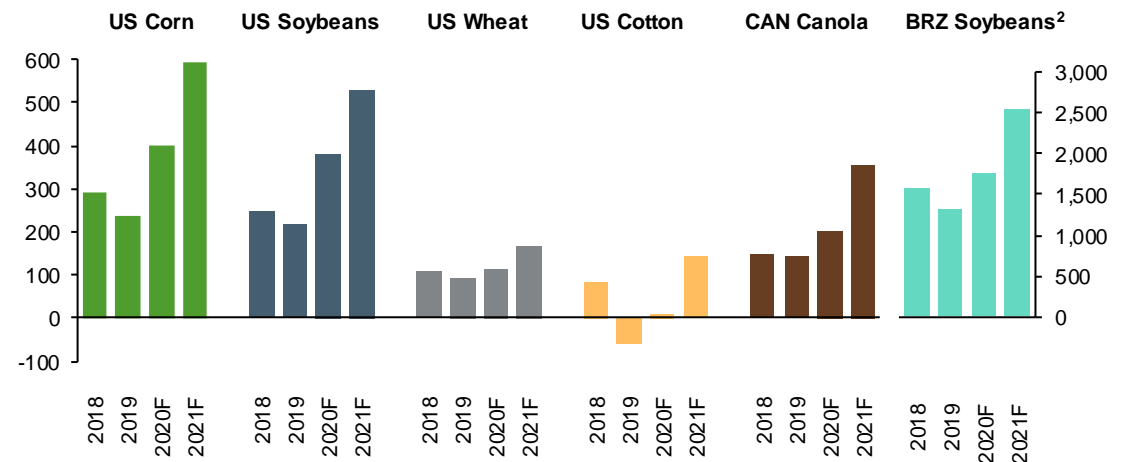
## Fertilizer Cost as a % of US Corn Revenue

Percentage



## Key Crop Grower Cash Margins

Local Currency Margin/Acre



Source: USDA, IMEA, Doane, Bloomberg, ICE, Nutrien

1. Crop price index is calculated as a weighted average of the price displayed in the Key Crop Prices table, weighted by the production volume of the individual crops.

2. Brazilian soybean margins measured on a per hectare basis

## Major Market Potash Imports

Thousand Tonnes KCl

Country	Year	Q1	Q2	Q3	Q4	CYTD	CY
US (offshore)	2019	674	275	374	285	674	1,608
	2020	429	418	311	511	429	1,669
	2021	1,046				1,046	
Brazil	2019	2,055	2,245	3,680	2,472	2,055	10,452
	2020	1,752	2,956	3,529	2,998	1,752	11,236
	2021	2,524				2,524	
China	2019	2,952	2,532	2,267	1,373	2,952	9,124
	2020	2,166	1,726	2,917	2,037	2,166	8,846
	2021	2,592				2,592	
India	2019	1,040	1,431	864	812	1,040	4,148
	2020	857	1,035	1,710	1,497	857	5,099
	2021	896				896	

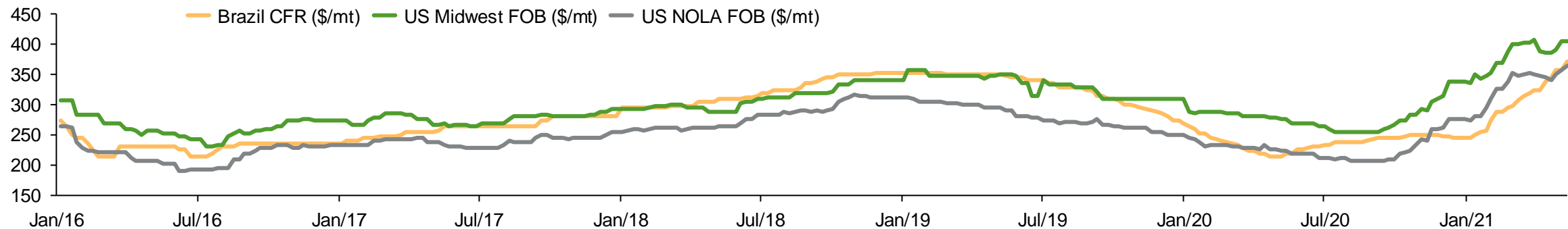
## Global Potash Shipments

Million Tonnes KCl

Country / Region	2016	2017	2018	2019	2020E	2021F
China	14.1	15.2	14.7	16.1	15.8	15.5-16.5
India	3.8	4.5	4.7	4.1	5.1	4.5-5.0
Other Asia	9.0	10.1	10.1	8.3	9.0	9.5-10.5
North America	9.7	10.4	10.6	8.9	10.5	9.5-10.5
Latin America	11.7	12.2	13.4	13.2	14.3	14.0-15.0
Other	12.0	12.8	13.2	13.2	13.8	13.5-14.0
<b>Total</b>	<b>60.3</b>	<b>65.2</b>	<b>66.7</b>	<b>63.8</b>	<b>68.5</b>	<b>68-70</b>

## Select Potash Prices

US\$/tonne



## Major Market Nitrogen Imports

Thousand Tonnes

Country	Year	Q1	Q2	Q3	Q4	CYTD	CY
China Urea Exports	2019	1,309	459	1,471	1,706	1,309	4,945
	2020	786	934	1,210	2,520	786	5,450
	2021	803				803	
India Urea Imports	2019	2,139	1,382	2,333	3,858	2,139	9,712
	2020	1,550	1,718	2,821	4,232	1,550	10,321
	2021	1,058				1,058	
US Ammonia Imports	2019	654	587	577	641	654	2,459
	2020	643	737	484	551	643	2,416
	2021	643				643	
US Urea Imports	2019	1,452	1,561	633	738	1,452	4,385
	2020	1,122	1,854	504	712	1,122	4,192
	2021	1,560				1,560	

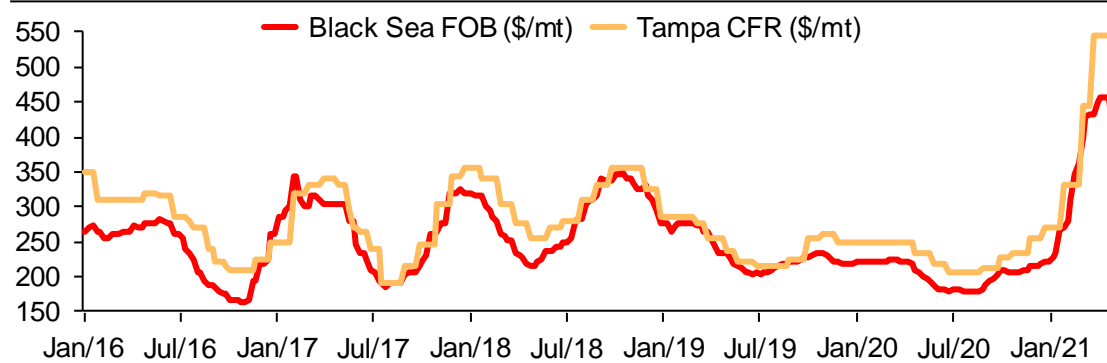
## Key Energy Prices

Monthly Average Prices

	Henry Hub (US\$/ MMBtu)	AECO NG (US\$/ MMBtu)	EUR TTF (US\$/ MMBtu)	China Anthracite (US\$/mt)	Brent Crude Oil (US\$/ bbl)
MAY (MTD) 2021	\$2.95	\$2.29	\$9.36	\$152	\$69.00
FEB 2021	\$5.35	\$2.11	\$5.70	\$152	\$62.28
MAY 2020	\$1.75	\$1.49	\$2.10	\$137	\$29.38

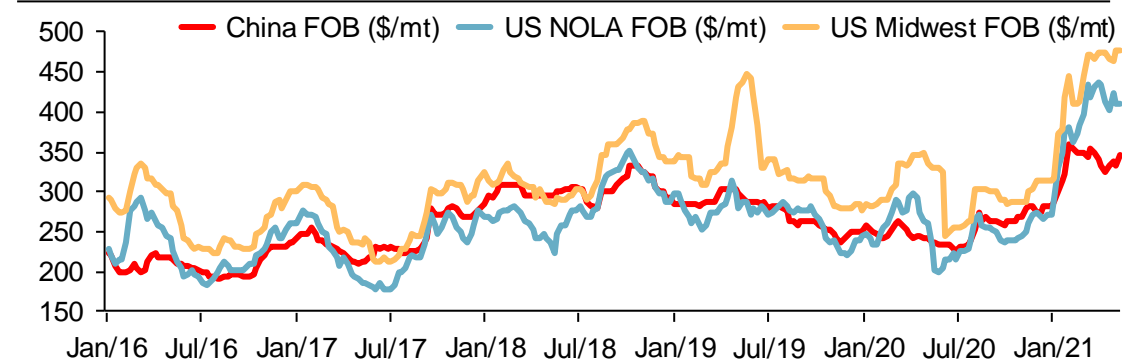
## Select Ammonia Prices

US\$/tonne



## Select Urea Prices

US\$/tonne



## Major Market Phosphate Imports

Thousand Tonnes

Country	Year	Q1	Q2	Q3	Q4	CYTD	CY
US Imports (DAP/MAP)	2019	1,367	345	661	675	1,367	3,047
	2020	669	501	207	609	669	1,986
	2021	839				839	
Brazil Imports (DAP/MAP)	2019	620	966	1,493	1,105	620	4,184
	2020	861	1,614	1,543	1,149	861	5,168
	2021	1,041				1,041	
India DAP Imports	2019	1,032	1,877	1,370	1,034	1,032	5,313
	2020	589	1,227	2,413	1,022	589	5,251
	2021	220				220	

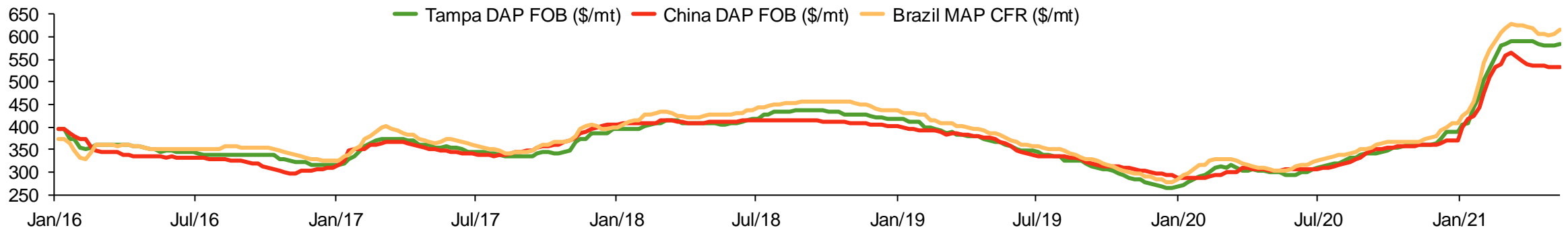
## Key Producer Phosphate Exports

Thousand Tonnes

Country	Year	Q1	Q2	Q3	Q4	CYTD	CY
US Exports (DAP/MAP)	2019	873	1,025	975	881	873	3,754
	2020	873	979	739	620	873	3,210
	2021	685				685	
China Exports (DAP/MAP)	2019	1,550	2,580	2,747	1,990	1,550	8,868
	2020	1,395	1,873	2,817	2,177	1,395	8,263
	2021	1,505				1,505	

## Select Phosphate Prices

US\$/tonne





# Thank You!

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