## Rabobank Fertiliser Quarterly Q3: Price support, but limited upside

**Fertiliser prices are slowly rising from the floor prices witnessed earlier this year, driven by both intentional and unintentional supply reductions. Seasonal demand, mostly from China, India and the US, is unlikely to cause any prolonged rise in prices for the fertiliser complex, while risk averse sentiment in global commodities is leading to reluctance towards stock accumulation across the fertiliser chains. Rabobank believes that bearish commodity prices will have limited impact on input use in the short term, while the medium-term picture could see farmers reducing fertiliser applications as margins come under more pressure.**

**Regional Outlooks:**

* **United States:** Congested barge and rail markets are prompting increased fertiliser prices in the US.Logistical bottlenecks are likely to become the key driver for US fertiliser prices due to higher barge freight costs and rail companies struggling with backlogs. Fertiliser stocks have decreased throughout the supply chain and retailers will now be looking to replenish ahead of autumn application, leading to an increase in demand and, consequently, prices.
* **Brazil:** With improved fertiliser imports in the first half of the year, comfortable stocks will limit the need for Brazil to import significant volumes this quarter. Rabobank expects Brazilian fertiliser demand to increase between 3% and 5% in 2014. Farmers are most likely to reduce input use in Safrinha corn and, to a lesser extent, soybeans
* **China:** Urea prices in China continue to edge higher, driven by imminent autumn applications starting this month. With stronger seasonal domestic and global urea demand, Chinese prices could continue to find support this quarter, but they are not likely to be very sustainable going forward. Oversupply is still looming over the Chinese urea markets and is likely to provide bearish undertones to global prices when seasonal demand fades.
* **EU:** European fertiliser markets are still not very active. With Europe becoming more active from September onwards, there could be more upward price pressure in already thin global potash markets. Some pre-planting and supply fill buying is occurring, but major nitrate application will not occur until spring. A weaker euro is making imports in US dollars more expensive.
* **India:** India will likely be the main driver of global urea demand in the coming months. Tight supply outside of China and managed supply in China will likely increase India’s import price for urea. By contrast, India’s potash and phosphate demand might fall during the next quarter. This is in part due to further depreciation of the Indian rupee adding pressure on importers’ margins and the impact of weak monsoon rains, which are on average 66% behind year on year volumes, capping prices.

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