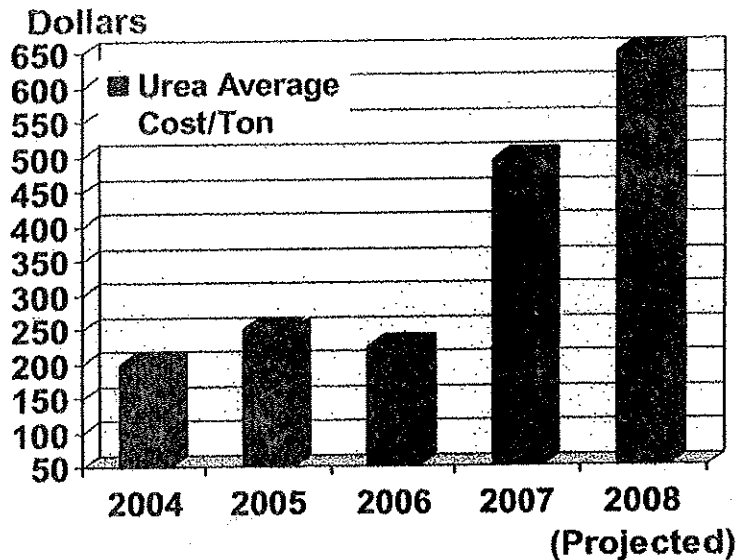


TechTips

Future Fertilizer Pricing Outlook

With the rising manufacturing costs of raw materials, the fertilizer industry is facing record cost increases. The cost of producing Urea, in particular is the likely reason for the dramatic cost increase. Urea is a major component of both turf and agricultural grade fertilizers. In recent months, the cost of Urea per ton has almost doubled. This along with the increase in fertilizer demand and shipping cost are the reasons for rise in fertilizer costs.



Driving Factors:

There are many factors that influence the price of urea and other fertilizer raw materials including:

Natural gas: Natural gas is the primary raw material used to produce ammonia. Ammonia is used to produce all nitrogen fertilizers; therefore, natural gas prices have a direct influence on the price nitrogen fertilizers and a direct impact on urea costs. Approximately 33 million British thermal units (Btu) of natural gas are needed to produce one ton of ammonia. Natural gas accounts for up to 85 percent of ammonia production cost. Annual US production of ammonia and ammonia producing facilities has declined steadily since 2000 while the demand for fertilizers has steadily increased. US ammonia imports have increased from 3.9 to 8.4 million tons from 2000-2006.