

## MARKET SNAPSHOT

# Crop Inputs

June 28, 2023

### Executive summary

Crop input costs have improved for agriculture producers. Several drivers, including economic headwinds and slower than expected growth, are pressuring energy and transportation costs. Fertilizer prices are mixed, but down notably from 2022 levels.

### Industry drivers

#### Economic headwinds weigh on demand

Recent bank failures, falling consumer wealth, declining retail sales and a contracting manufacturing sector have led to lower demand and caution in both the energy and transportation industries. For more information on general macro-economic conditions, refer to our [Quarterly Economic Update](#).

#### Energy prices down

West Texas Intermediate (WTI) crude oil prices surged after announced production cuts by the Organization of the Petroleum Exporting Countries (OPEC), but began falling due to the following headwinds:

- Shifting interest rate expectations (higher rates may increase the likelihood of a recession).
- Lower than expected demand, particularly from China.
- A peace deal negotiated between Iran and Saudi Arabia.
- Increasing Russian exports.
- Moderate strengthening of the U.S. dollar.

The outlook for energy prices is uncertain. Much will depend on OPEC production levels and global economic growth, which is expected to soften. Surveys suggest strong demand for leisure travel this summer; however, falling consumer wealth presents a significant headwind and the impact to energy prices remains uncertain.

#### U.S. Crude Oil and Diesel Prices



**Despite production cuts by OPEC, crude oil prices were down on the quarter.**

**Diesel inventories remain low, but falling demand is weighing on prices.**

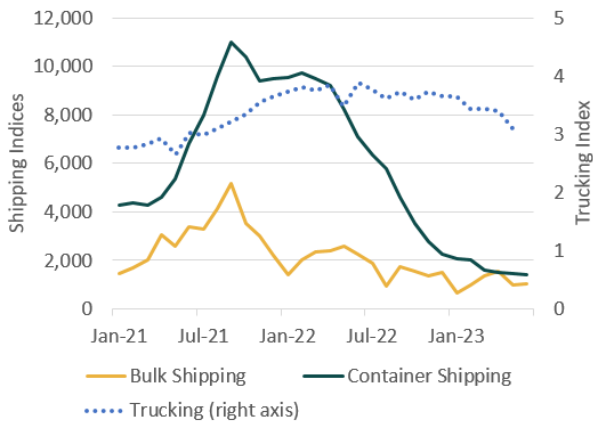
Source: Energy Information Agency.

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## Freight costs down

Declining retail sales and inventory drawdowns have driven freight rates lower. Economic uncertainty, lower than expected Chinese demand and an increasing supply of trucks and bulk shipping vessels have supported this trend. Operating costs remain high and some analysts expect inventory restocking to increase freight rates later in the year.

### Freight Rate Indices



**It's unclear how far trucking rates can fall given elevated operating costs.**

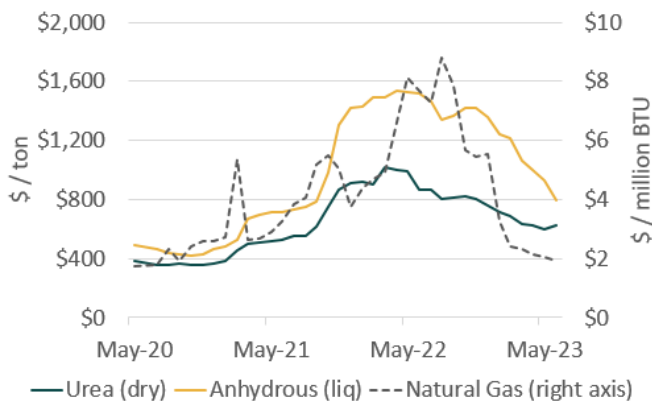
**Analysts are closely tracking China's economy to determine if/when shipping rates will recover.**

Source: Freightos Baltic Index, Baltic Dry Index and Cass Freight Index.

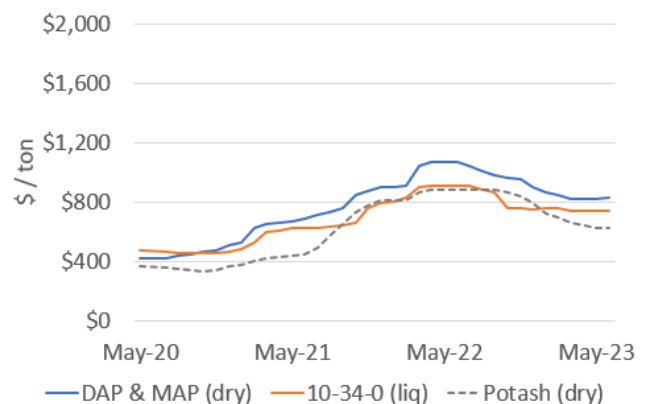
## Fertilizer prices mixed

There are multiple drivers in fertilizer markets. In 2023, increasing application levels and spring planting led to strong demand in North America. Urea prices rose in response, but they may soon fall due to weak demand in Europe and Asia. Ammonia prices continue to fall; however, low production and export levels out of Europe and Russia may soon reverse this trend. Potash and potassium demand exceeds supply due to constrained exports out of Belarus, Russia and China. Many analysts expect China to loosen export restrictions on phosphate over the next several months.

### Nitrogen Fertilizer and Natural Gas Prices



### Phosphate and Potash Fertilizer Prices



Source: DTN Retail Fertilizer Trends. Liq: Liquid Fertilizer. Dry: Dry Fertilizer.

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