

# Input Prices Begin To Decline

PRINCETON, KY.

In recent weeks, nitrogen prices have taken a downturn, but what the future holds for input costs remains uncertain, said Lloyd Murdock, soils specialist with the University of Kentucky College of Agriculture.

"Typically, when prices start to go down, they begin to drop in one area first, and then the others follow. So it's going to be a significantly different situation for producers in the coming months," he said.

Prices for nitrogen have declined between 20 and 60 percent since this summer, with urea prices taking the biggest drop. Producers are selling urea to dealers for around \$0.60 per pound, down from \$1 a pound in July. Phosphorus prices have declined by about 20 percent. However, the price of potash remains unchanged.

"Hopefully, the prices will continue to drop to about half of what they were six months ago. It's certainly in the realm of possibility, but who knows," Murdock said.

There are several factors that have led to the drop in costs. The price of nitrogen is linked to the price of natural gas, which has been declining.

Another factor is farmers have scaled back on their use of inputs this fall, which has led to an increase in supply and a lower demand. Mur-

dock said he has heard from several local producers that they either significantly decreased the amount of fertilizer they use or chose to forego a fertilizer application this fall.

The price of corn has also significantly dropped off from this summer's highs. As producers are selecting crops and budgeting for the 2009 growing season, they are finding, with current input costs and the price of corn, it is difficult to make a profit growing corn next year. This could cause many farmers to switch to soybeans.

"Anticipation of less corn being planted next year should put a downward spiral on the price of nitrogen," Murdock said. "The fertilizer industry may need to lower their costs to get producers to grow corn."

While there is a significant amount of pressure to drop prices, it could be some time before producers actually see price decreases. Even with the current drop, input prices remain higher than last year. Many dealers may still be asking for higher prices because they booked their supplies during the summer.

"In July, prices were predicted to go higher, and some dealers went ahead and booked at higher prices to protect themselves and the producers they serve," he said. "They are now stuck with the expensive price of nitrogen and will be reluctant to drop it." △