Higher natural gas prices have contributed to higher nitrogen fertilizer prices and reduced domestic production. The following figure shows the relationship between natural gas prices and the farmer price for nitrogen fertilizer.

Higher gas prices in 2000–2001 also led to a 25 percent reduction in domestic production of nitrogen but, despite this decline, the supply of nitrogen fertilizer was adequate to meet farmers’ demand in 2001. Demand was met because U.S. nitrogen production was supplemented by a 43 percent increase in nitrogen imports and a 7 percent decrease in agricultural consumption of nitrogen fertilizer.

The federal government does not set natural gas prices, and it has a limited role in managing the impact of natural gas prices on the U.S. fertilizer market. Three federal agencies—(1) the Federal Energy Regulatory Commission, (2) the Commodities Futures Trading Commission, and (3) the Energy Information Administration—are responsible for ensuring that natural gas prices are determined in a competitive and informed marketplace. Moreover, the federal government has no role in controlling fertilizer prices, but the U.S. Department of Agriculture (USDA) does monitor developments in the agricultural sector, including fertilizer markets, that could affect farmers. Also, in 2001, USDA collected additional survey information in response to concerns about the price and availability of nitrogen fertilizer.