



PROFERCY USA

US nitrogen prices and the Global perspective

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Publisher of The Profercy Report

13 March 2009		World/US Price Comparison					
Product and origin	Cargo size metric tonne	Fob \$mt	Freight \$mt	cfr Gulf \$mt	Equals \$pst fob Gulf	Current Price \$pst fob Gulf	Current US price - Import cost
Granular Urea							
Middle East	35,000	300.0	30.0	330.0	302.4	292.0	-10.4
Venez/Trinidad	20-25,000	295.0	15.0	310.0	284.2		7.8
Egypt	25,000	310.0	20.0	330.0	302.4		-10.4
Egypt panamax	55,000	310.0	15.0	325.0	297.8		-5.8
Average delta							-4.7
Prilled Urea							
Libya	20,000	270.0	25.0	295.0	270.6	285.0	14.4
Romania	25,000	300.0	30.0	330.0	302.4	estimate	-17.4
Middle East	25,000	300.0	35.0	335.0	306.9		-21.9
Average delta							-8.3
UAN							
Baltic	30,000	170.0	32.0	202.0	186.3	195.0	8.7
Romania	25,000	190.0	37.0	227.0	208.9		-13.9
FSU	30,000	170.0	37.0	207.0	190.8		4.2
Average delta							-0.3
Ammonia							
FSU	35,000	240.0	60.0	300.0		\$pt cfr Tampa 275.0	-25.0
Middle East	25,000	275.0	75.0	350.0			-75.0
Average delta							-50.0

Notes: Prices quoted are spot. Freight rates are estimates.

China's 110% export tax has blocked further exports of urea.

World Market Status		
Product	Status	Remarks
Granular Urea	Soft	European interest is cooling. Latest bids for Egyptian granular for April shipment are at a maximum of \$310pt fob and indications for Canada are well below \$300pt fob. In Asia, Thai demand is past its best and spot prices there now reflect \$305-310pt fob Middle East at best. No new spot shipments to the US have been reported.
Prilled Urea	Soft	As expected, the poor demand outlook for April coupled with an end to most trader short covering has caused a sharp drop in FSU prilled urea prices over the past week. New sales have been made at \$270pt fob bulk and lower indications are in evidence from traders for new purchases.
UAN	Soft	The market is weak. Acron Russia has filled its storage and is expected to shut down. There are also reports that Romanian production has been cut again. A sales tender in Egypt on 16 March is expected to bring bids well below last-done levels of \$190-195pt fob.
Ammonia	Firm short term	Traders and buyers have had to pay up for prompt tonnage over the past week. However, demand will ease in April as European production in particular will increase dramatically due to low gas prices.



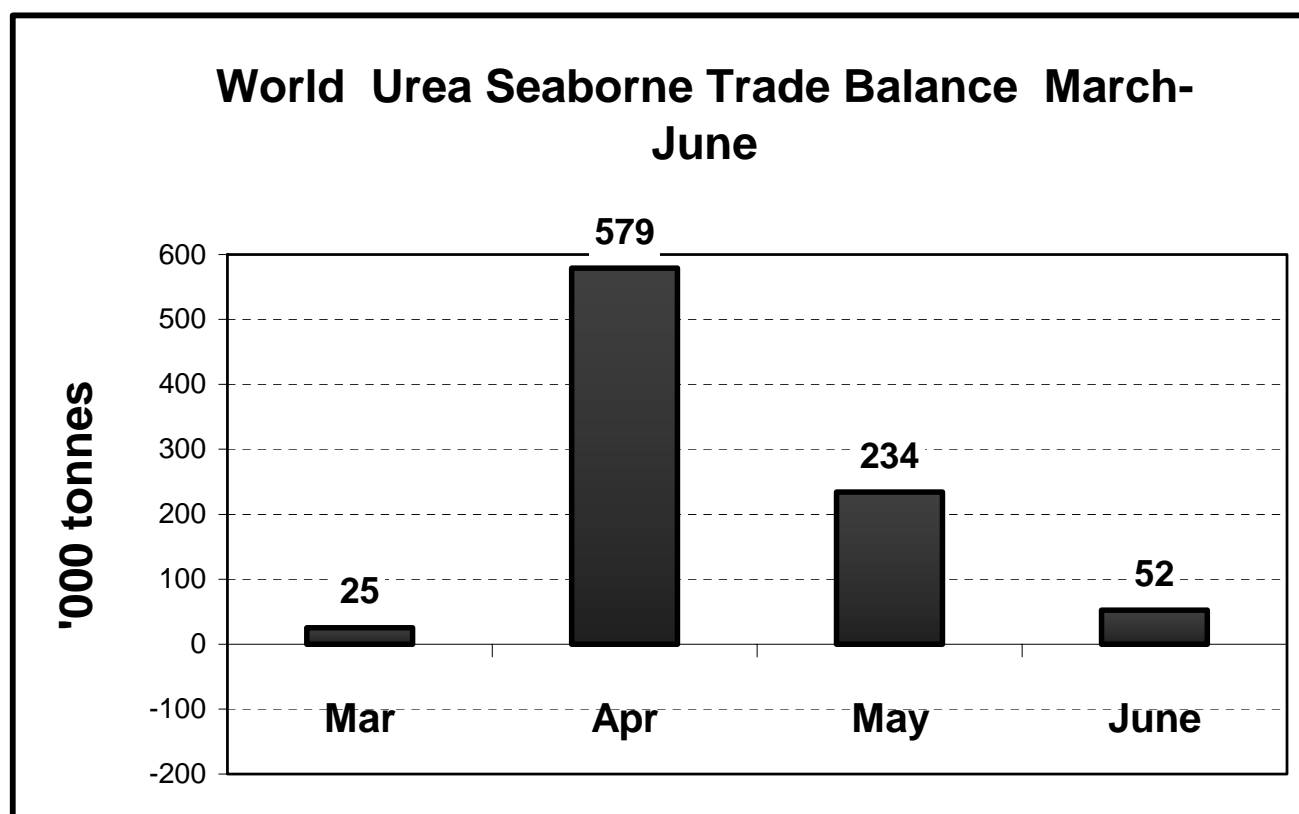
Extracted from:

The Profercy Forecast

9 March 2009

Challenging times ahead

Q1 is drawing to a close and it appears that a difficult and challenging period for producers is about to begin. Forecast demand levels for late March through Q2 appear insufficient to support prices at current levels and, moreover, it would appear that another round of production cutbacks (perhaps extended turnarounds) will eventually be required to bring the market back into balance.



Demand Assumptions

India: Latest speculation in India is that the elections running from 15 April to 15 May will likely delay the import process still further during this traditionally slower period for domestic demand. Thus, in the forecasts import demand has been reduced to 100,000t for April (could still be too high), 400,000t for May and 500,000t for June.

Pakistan: A tender for 50,000t of urea closed on 7 March. Over 300,000t were offered firm and just one award made to an unknown company at a low price. Pakistan is attempting to renew its soft credit agreement with Saudi Arabia for urea.

Thailand: Demand for new tonnage has diminished over the past week as product arriving in April may be too late for the season. Thai importers are currently more interested in moving



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existing stocks and, as yet, farmers have yet to rush for major volumes. This, itself is causing some concern. Thai import demand will be significant in Q2 but is not expected to match 2008 levels. Profercy is forecasting around 150,000t/m in April and May and 250,000t in June.

Europe: The later than expected start up of the Ferrara granular urea plant in Italy provided a bonus for Egyptian granular urea for March shipment with product sold up to \$325pt fob. Italian imports to date this year from Egypt, Qatar, Venezuela and Argentina appear to have hit close to 200,000t. Germany has also remained slightly active. However, the main run of European demand does appear to be near an end and, although buying for France should be evident in April/May, other markets are expected to slow. AN prices are under pressure in the EU markets with lower levels evident in UK and France. This will also likely hit potential demand for granular urea.

USA: On paper the US is short of imported urea. However, hand-to-mouth buying, the restart of Koch's Enid plant and discounted offers on the forward paper market for April onwards have undermined both confidence and prices. At \$310-315pt cfr US prices are trailing Europe and Asia and for this reason no spot tonnage is being lined up for shipment to the Gulf. Imports will arrive in April but these will broadly comprise the last contract shipments from the Middle East (Qatar and Kuwait) and material from Venezuela and Trinidad. This may help support local prices as movement accelerates in April/May but will likely have no discernible impact on the World market.

Latin America: Brazil has low urea inventories but buying is running at a relatively modest level. During March two Russian cargoes are being shipped while two granular cargoes have been booked from Egypt (April shipment possibly) and Venezuela. As stated before, the main buying period for Brazil appears several months away.

Potential Price developments





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Based on the above figures and assumptions, the urea market is potentially 15% oversupplied for Q2 with the biggest potential surplus in April. Demand levels are expected to be too low to halt the price slide and production cutbacks are expected to be necessary to bring the market back into balance in May/June. Production economics suggest that the main area of potential export supply reduction is Ukraine, Romania and Eastern Europe generally. Cutbacks of 200,000t/m in Ukrainian export supply in May/June may be necessary to slow and then halt the decline.

As mentioned above, Ukrainian production economics point to cutbacks gathering pace sub-\$250pt fob. Russian production from plants located far from the ports, for example Salavat, would be threatened at levels approaching \$200pt fob.

Q2 – the bearish scenario

Taking a floor price range of \$220-230pt fob for FSU urea (low, but still above December 2008) would imply the following levels for urea from other origins and in other markets. The figures are based on estimates of current freight rates:

Price Matrix Q2 2009

	Quote	Low	High	Current range
	FSU fob	220	230	270-280
<i>reflects</i>	India cfr	260	270	315-322
<i>reflects</i>	Middle East prilled/granular	245	255	275-305
<i>reflects</i>	Thailand granular cfr	265	275	325-335
<i>reflects</i>	US Gulf granular cfr	280	290	310-315
<i>reflects</i>	US Gulf ps ton fob	250	260	285-290
<i>reflects</i>	Venezuelan granular fob	265	275	290-300
<i>reflects</i>	Egypt granular fob (basis US)	255	265	320-325
<i>reflects</i>	Brazil cfr FSU prills	245	255	300-310
<i>reflects</i>	Mexico ec cfr FSU prills	250	260	300-310

A key point to make with regard to the table above is that even at \$250-260ps ton fob Gulf, US production would likely be extremely profitable. Gas prices are hovering around \$4/mmBtu affording a production cost around \$120ps ton ex-plant. Indeed, should US demand for urea prove low in mid year, US production could easily be competitive in Latin American markets, as was the case in 2006.

For further details of Profercy's services, contact fertilizers@profercy.com