



PROFERCY

US nitrogen prices and the Global perspective

USA

fertilizers@profercy.com

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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	265.0	25.0	290.0	266.1	242.0	-24.1
Venez/Trinidad	20-25,000	240.0	18.0	258.0	237.1		4.9
Egypt	25,000	255.0	20.0	275.0	252.5		-10.5
Egypt panamax	55,000	255.0	15.0	270.0	247.9		-5.9
Average delta							-8.9
Prilled Urea							
Libya	20,000	242.0	25.0	267.0	245.2	240.0	-5.2
Romania	25,000	240.0	30.0	270.0	247.9		-7.9
Middle East	25,000	270.0	35.0	305.0	279.7		-39.7
Average delta							-17.6
UAN							
Russia	30,000	135.0	28.0	163.0	150.9	145.0	-5.9
Romania	25,000	150.0	30.0	180.0	166.3		-21.3
Egypt	30,000	150.0	30.0	180.0	166.3		-21.3
Average delta							-16.2
Ammonia							
FSU	35,000	210.0	60.0	270.0		\$pt cfr Tampa 267.0	-3.0
Middle East	25,000	240.0	75.0	315.0			-48.0
Average delta							-25.5

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

World Market Status		
Product	Status	Remarks
Granular Urea	Weak	A flurry of spot buying for Thailand has stabilized Egyptian granular prices at \$260pt fob for May. Middle East prices are also stable short term. However, the lack of new business in Europe and the US in May is expected to result in further price weakening as June approaches. Granular urea is now being offered from the US at \$240pt fob.
Prilled Urea	Weak	FSU producers are still holding prices above \$240pt fob but are selling little. With granular urea from the US now hitting markets in Latin America, the outlook for FSU prices has deteriorated. Middle East prilled is stable for now but this is considered a short term position.
UAN	Weak	There is no floor in sight for UAN. French prices now reflect \$135pt fob Egypt at best, in line with the price applied to the Russian sale to Australia last week. US production costs are around \$80ps ton and the prospect of exports is real.
Ammonia	Weak	Ammonia prices have crashed in North Africa this week with Morocco having purchased a cargo some \$40-50pt below the latest price settled in Tampa. Further declines are expected.



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Urea

US market under water.....

Wet weather is hitting hopes that inventories of urea will be cleared during the current season. Companies holding barges on the Gulf are offering granular in the mid-\$240s ps ton fob and prills at a similar level but with no interest evident. The next sale is expected to be markedly lower. Warehouse prices are put around \$285ps ton.

Exports of urea from the Gulf now appear inevitable. Movement of product offshore coupled with the fact that no new tonnage will arrive from offshore in June/July, has created some interest in locking in product for Q3 on the paper market. Bids are at \$215ps ton fob but no sellers are prepared to match this level at this stage. This low price would reflect \$230pt cfr, an extremely low \$210pt fob Egypt and \$200-210pt fob Middle East.

.....export options sought to clear the Gulf

As regards exports, Keytrade is in the freight market for granular urea for export from Donaldsonville. Reports indicate the product is on offer at \$240pt fob reflecting \$218ps ton fob Nola for barges.

At \$240pt fob US origin urea will provide fierce competition for FSU prilled urea suppliers in Latin America. Egyptian granular, currently at \$255-260pt fob, will also be uncompetitive.

Given the competitive pricing, it is clear that at least 100,000t of granular urea could be shipped from the Gulf over the next couple of months.

Pakistan price test

The health or otherwise of the Global urea market will be portrayed fully in a tender in Pakistan on 9 May for 260,000t. In the run up to the tender the mood in the trade was turning increasingly bearish. Pakistan last purchased at \$282pt cfr and it is considered unlikely that it will have to pay a higher level this time around. Indeed, should suppliers/traders offer higher prices, TCP could undermine this position by deciding to retender.

India has yet to make a move for urea but is expected to issue a tender next week.

While India and Pakistan are important demand factors in the World market, alone they will not support prices and, thus, the overall outlook is still for lower Global urea prices as summer approaches.

Ammonia

The only way is down

Prices are collapsing. Latest sales of Russian ammonia have been made well below \$200pt fob and it seems that the only way to halt the price slide will be for further ammonia plant closures to take place.

Togliatti in Russia is certainly expected to reduce production in June. Middle East production will keep running but prices there are also set for a sharp adjustment. Latest spot business in India reflects \$230-240pt fob, well below the contract prices set for May deliveries.

From a demand standpoint there is little prospect of the market being saved in the short term. Reduced DAP operating rates in the USA are not going to help while European producers are running on cheap gas and will not consider switching to imports at anywhere near today's price levels.

The latest levels concluded in North Africa, around \$220-225pt cfr, are \$40-50pt below the levels agreed in Tampa for May deliveries. At a time of falling DAP prices this will not go unnoticed by Florida's phosphate producers.

The above is extracted from **The Profercy Report**. For further details of the reports available from Profercy contact: fertilizers@profercy.com

