



PROFERCY

US nitrogen prices and the Global perspective

USA

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05 June 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
<b>Granular Urea</b>							
Middle East	35,000	262.0	25.0	287.0	263.4	236.0	-27.4
Venez/Trinidad	20-25,000	240.0	18.0	258.0	237.1		-1.1
Egypt	25,000	247.0	20.0	267.0	245.2		-9.2
Egypt panamax	55,000	247.0	15.0	262.0	240.7		-4.7
<b>Average delta</b>							<b>-10.6</b>
<b>Prilled Urea</b>							
Libya	20,000	242.0	25.0	267.0	245.2	235.0	-10.2
Romania	25,000	245.0	30.0	275.0	252.5		-17.5
Middle East	25,000	262.0	35.0	297.0	272.4		-37.4
<b>Average delta</b>							<b>-21.7</b>
<b>UAN</b>							
Russia	30,000	135.0	28.0	163.0	150.9	125.0	-25.9
Romania	25,000	140.0	30.0	170.0	157.2		-32.2
Egypt	30,000	140.0	30.0	170.0	157.2		-32.2
<b>Average delta</b>							<b>-30.1</b>
<b>Ammonia</b>							
FSU	35,000	185.0	60.0	245.0		\$pt cfr Tampa 210.0	<b>-35.0</b>
Middle East	25,000	195.0	75.0	270.0			<b>-60.0</b>
<b>Average delta</b>							<b>-47.5</b>

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

World Market Status		
Product	Status	Remarks
Granular Urea	Stable	Egyptian granular prices are stable at \$245-250pt fob Med ports. Some buying interest for Europe has surfaced due to the weakening dollar and good buying of nitrates in the UK, France and Germany. Middle East suppliers are comfortable for June/early July. US prices are still too low to attract new tonnage in the short term.
Prilled Urea	Stable	FSU prices are holding at \$235-240pt fob Baltic and above \$240pt fob in Yuzhnyy thanks to 'subsidized' buying for India/Pakistan by one company with ships and a terminal to employ. The market is generally in balance with Brazilian demand starting to emerge.
UAN	Soft	The weak dollar has resulted in a further Euros 5pt drop in French prices. 70,000t of US product are heading for France and more exports could occur. Current French prices reflect \$120-125ps ton fob US Gulf, in line with US price levels.
Ammonia	Weak	Russian ammonia is no longer viable at current price levels of \$180-185pt fob. However, the impact of the supply cutbacks will not be felt until demand begins to rebuild. This is expected in July/August.



## The Profercy USA Report

### Urea

#### Market flat

The urea market continues on a steady path. Buying activity in Latin America and Asia is holding prices at current levels but is insufficient to support a strong upward price move.

Russian urea has sold this week at \$235-238pt fob Baltic for Mexico and Brazil. The prices just about work for traders who still have no real access to Black Sea (Ukrainian) urea, most of which is heading to India at higher fob levels. Product has been sold at \$245-250pt fob Black Sea over the past week. Egyptian granular urea has been selling well at \$245-248pt fob for European markets (aided by a weaker dollar) and in the mid-\$250s pt fob Red Sea for Pakistan, India (covering earlier sales) and Thailand. Significantly, Thai prices are up for June shipments and now afford returns well over \$260pt fob for Middle East suppliers.

Chinese prilled urea is being offered for July at \$270-275pt fob inclusive of 10% export tax, which is not expected to be removed. This likelihood has removed one major area of concern for producers elsewhere, although it is clear that, in the current demand environment, Chinese prices will put a ceiling on the market in general.

In addition to likely Chinese export prices, one other topic of discussion at present is whether Ukrainian gas prices will be cut in Q3 if, as expected, a much lower price is agreed for Q3 imports from Russia. However, the cut would need to be huge to reduce the price currently paid by Ukrainian plants. Further, most Ukrainian urea units are running and thus, the impact of any gas price cut would likely only affect producers' margins rather than volumes available ex-Black Sea.

The upshot of all the above is that urea prices appear range-bound. No break out from this is anticipated until demand from Latin America and India/Pakistan is supplemented by major new buying for North America and Europe.

**US Gulf:** After rising to \$245-250ps ton fob early in the week, granular prices have slipped back with offers in the high-\$230s ps ton fob for June. Rice buyers have withdrawn while there is still insufficient faith in good fall fill demand emerging in

the coming weeks. The paper market is also discounting the forward months. However, whether physical prices will ease significantly is open to question as new imports will be few in number and volume during June-August. Further, there are few unsold barges on the river and warehouses are out of product in many locations.

CF is quoting \$250ps ton fob for July/August, \$255ps ton for September and \$260ps ton for Q4. It is believed to have built a good forward book for July/August.

**Imports:** Koch is in the freight market for 20-25,000t of granular urea Venezuela-Wilmington/option ec or wc Mexico loading mid June. The company has booked around half the last Qafco cargo en route to the Gulf for Yara, suggesting the Venezuelan cargo may head for Mexico.

The corn price for July was at \$4.32/bu on 3 June with forward months rising to \$4.55 for December and \$4.660/bu for March 2010. The US gas price was around \$3.77/mmBtu for July.

### UAN

#### Dollar weakness lowers French price

Major exports of US UAN to Europe have emerged over the past week. Two 35,000t cargoes have been sold into France. There, prices have dipped to Euros 115pt FCA Rouen, largely due to the weakness of the US dollar. In the Black Sea, latest sales of Romanian UAN have been made in the \$140-145pt fob range.

