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USA

US nitrogen prices and the Global perspective

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Publisher of The Profercy Report

26 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
Granular Urea							
Middle East	35,000	260.0	25.0	285.0	261.6	244.0	-17.6
Venez/Trinidad	20-25,000	250.0	20.0	270.0	247.9		-3.9
Egypt	25,000	249.0	20.0	269.0	247.0		-3.0
Egypt panamax	55,000	249.0	15.0	264.0	242.5		1.5
Average delta							-5.8
Prilled Urea							
Libya	20,000	232.0	25.0	257.0	236.1	235.0	-1.1
Romania	25,000	242.0	30.0	272.0	249.8		-14.8
Middle East	25,000	260.0	30.0	290.0	266.1		-31.1
Average delta							-15.7
UAN							
Russia	30,000	120.0	28.0	148.0	137.3	127.0	-10.3
Romania	25,000	142.0	32.0	174.0	160.9		-33.9
Egypt	30,000	142.0	30.0	172.0	159.0		-32.0
Average delta							-25.4
Ammonia							
FSU	35,000	175.0	55.0	230.0		\$pt cfr Tampa 175.0	-55.0
Middle East	25,000	190.0	70.0	260.0		expected	-85.0
Average delta							-70.0

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

World Market Status		
Product	Status	Remarks
Granular Urea	Stable	Egypt has sold over 100,000t of urea to traders for Europe in the high-\$240s pt fob. This, coupled with sales to India and Brazil will support prices for balance July tonnage. Middle East prices are flat. A 6.5% duty has been put on Venezuelan urea sold to the EU from August which will make the US/L America a more attractive proposition.
Prilled Urea	Soft to stable	India has kept buying at levels reflecting \$230pt fob Black Sea, effectively setting a floor for FSU prilled urea from the southern ports. Plant closures seem likely in Ukraine unless cuts in gas prices are achieved. If closures occur, prices could increase in July/August.
UAN	Flat	The UAN market remains flat although a slight increase has been evident in the US Gulf following the heavy round of buying for Q4 into Q1 2010 evident in recent weeks. French prices are flat, again with heavy forward buying having taken place in Q1 2010 delivery.
Ammonia	Near floor	Tampa is expected to settle at \$175pt cfr for July but this could well be the low for the year. European demand is building as NH3 production has been cut in Belgium/Germany while nitrate production levels are high.



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Urea

No breakout from sideways price move

India's MMTC has taken its purchasing to 500-600,000t over the past week with additional cargoes booked from Egypt, Bangladesh and, possibly, the Black Sea. Prices for all the additional tonnage sold are in the established range of \$272-276pt cfr, again illustrating that, even with India, demand is only sufficient to keep urea prices flat.

Further evidence of the market's stable nature has been on hand in the West.

- In Egypt 100,000t of granular urea have been sold for July in the high-\$240s pt fob, mostly to traders covering earlier sales in Europe.
- US prices are holding at \$245ps ton fob with demand for the rice season and some refill activity evident.
- In Latin America Chinese granular urea is being offered at levels reflecting \$260-265pt fob.

As the above suggests, Chinese urea has yet to make a big impact. The 10% export tax is confirmed and, thus, Chinese producers have refused to consider approaches below \$260pt fob for July shipments of either prilled or granular urea. If, as expected, Chinese prices do not drop sharply permitting this product to encroach into India and Pakistan, this will continue to support netbacks in the Middle East and, to a lesser extent, the FSU through July.

As regards the FSU, the best hope of a price run up appears to lie with supply cutbacks in Ukraine. With the gas position unchanged, closures are being planned for July. If these occur, these could put a

squeeze on availability of prills in the West, a squeeze that could be intensified if reports of an additional major sale to India by Fedcominvest prove correct.

As indicated earlier, if FSU prices do rise due to cutbacks, Chinese urea would likely set a ceiling for the market around \$285-290pt cfr India.

US Gulf: Granular urea prices are holding steady at \$245ps ton fob with demand from the rice areas still evident. Some refill activity is also taking place at these levels.

Imports: Gavilon is now reported to have agreed 6-8 35,000t cargoes with PIC Kuwait commencing August for one year. It is reportedly bidding in the low-\$20s pt for a COA. Gavilon will load 40,000t in the AG for the Gulf in July. Around 30,000t of Trinidad product will be shipped to the US in July.

UAN

USA: Following the major sales reported last week, UAN is being offered at \$130ps ton fob Gulf, up \$10ps ton from the low. Sales have taken place up to the high-\$120s ps ton fob.

It is now reported that as much as one million s tons of UAN has been committed forward by domestic producers and Helm ex-Trinidad through early 2010.

Ammonia

There are now clear signs that the ammonia market is bottoming out with the absence of Russian product beginning to be felt in the West. Further, production cutbacks in Europe are beginning to take effect while at the same time demand for processing into nitrates is running full blast - early season pricing in France and Germany has been sufficiently low to result in strong sales by the European majors.

To a degree buyers already recognize that the floor is close with expectations that the Tampa price may not stay at \$175pt cfr for long, even if this level is agreed for July.

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