



PROFERCY

USA

US nitrogen prices and the Global perspective

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25 September 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	255.0	30.0	285.0	261.6	262.0	0.4
Venez/Trinidad	20-25,000	256.0	23.0	279.0	256.1		5.9
Egypt	25,000	252.0	25.0	277.0	254.3		7.7
Egypt panamax	55,000	252.0	20.0	272.0	249.8		12.2
<b>Average delta</b>							<b>6.6</b>
<b>Prilled Urea</b>							
Libya	20,000	230.0	25.0	255.0	234.3	255.0	20.7
Romania	25,000	245.0	30.0	275.0	252.5		2.5
Middle East	25,000	255.0	30.0	285.0	261.6		-6.6
<b>Average delta</b>							<b>5.5</b>
<b>UAN</b>							
Russia	30,000	137.0	28.0	165.0	152.7	130.0	-22.7
Romania	25,000	145.0	32.0	177.0	163.6		-33.6
Egypt	30,000	145.0	30.0	175.0	161.8		-31.8
<b>Average delta</b>							<b>-29.3</b>
<b>Ammonia</b>							
FSU	35,000	275.0	60.0	335.0		<b>\$pt cfr Tampa</b> 325.0	<b>-10.0</b>
Middle East	25,000	300.0	80.0	380.0		Aug price	<b>-55.0</b>
<b>Average delta</b>							<b>-32.5</b>

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

World Market Status		
Product	Status	Remarks
Granular Urea	Stable	Venezuelan granular has been sold to Canada or Mexico around \$256pt fob, slightly down on last done. Countering this, Chinese granular has been sold for November shipment at \$266-270pt fob, an improvement on early September. While prills have been under pressure this week, the granular sector is under more control.
Prilled Urea	Soft short term	Delays in buying for India have resulted in a slip in FSU prilled urea prices to \$230-232pt fob Black Sea, \$225-230pt fob Baltic. However, Indian buying should now commence, which together with a Pakistani import requirement of 600,000t for Q4, should lend renewed price support.
UAN	Soft	As expected US exports have resurfaced with 40,000t sold to Argentina at levels reflecting sub-\$130ps ton fob. French prices have weakened with the decline greater than that reflected by the sliding dollar alone. The market is seeking a floor level which may be in the low-\$120s ps ton Nola.
Ammonia	Firm	Supply is tight through October and prices have again moved ahead. \$300pt fob has been paid in the Middle East and Indonesia. There will be no early respite for buyers. Tampa will increase for October.



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### Urea

#### Indian buying delays cost producers

Although India bought over 800,000t of urea in its latest tender for shipment by end October, the market in the West has been behaving as though no large volume of FSU product was sold. Various issues have blocked real purchasing of the tonnage sold to India to date which has undermined FSU prices in both the Black Sea and Baltic. In Yuzhnyy, product has been sold this week close to \$230pt fob while traders have sold into Latin America at levels reflecting below \$230pt fob Baltic. Thus, buyers in other markets are benefiting from the lack of buying for India as traders with positions and producers have had to chase limited alternative sales opportunities.

US granular prices are continuing to drift down although barges for movement prior the mid-October river close are still commanding the mid-\$260s ps ton fob Gulf. Thereafter, prices are in the \$250s ps ton fob. Companies short on the paper market are keen to push prices lower - November has traded at \$253ps ton fob.

The upshot of the above is that the Global market for urea appears generally soft. However, there are positives. FCI now has 1/cs for 160,000t of urea from India's IPL and should be able to begin buying shortly. IPL is also expected to announce a new tender - possibly by Monday. Pakistan and Bangladesh need to buy heavily while European and North American demand for new shipments should increase as Q4 develops. Profercy's next trade forecast will be issued early next week. Consistent with last month's report, the trade balance figures do not suggest a collapse in prices is possible. Indeed, the figures suggest that the market will be tighter beyond October, even with Chinese exports factored in.

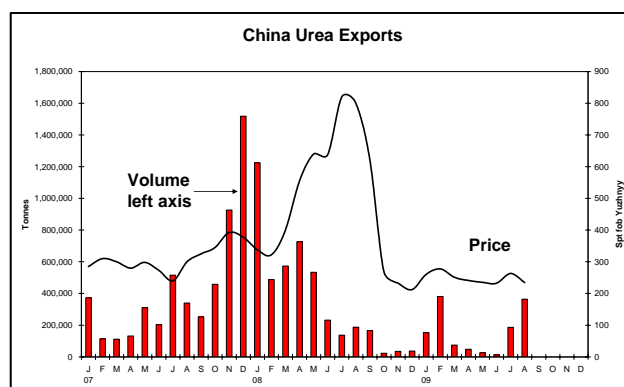
**China:** Traders have been booking urea for November/December shipment from China to cover earlier awards in Bangladesh. Over 100,000t of prills and granular have been booked with prills at \$257-258pt fob bagged and granular at \$266-270pt fob.

In addition, a US major is in discussions with CNAMPGC for granular urea for November/December shipment to the US Gulf/wc Americas.

Chinese coal-based producers face production costs of around \$250pt fob including 10% export tax. As reported last week, 40 coal-based plants are currently shut down for economic reasons (around 8m. tonnes/year). The \$250pt fob breakeven price appears to set a floor for Chinese export values in November/December.

**Chinese urea exports** were 364,000t in August, double the August 2008 figure. Main destinations were Vietnam, 113,000t and India, 66,000t.

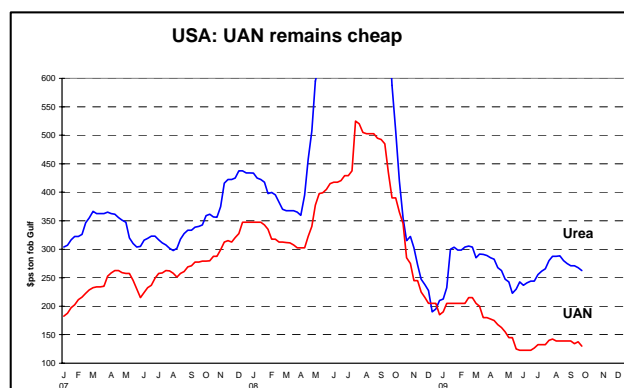
The August figure brought the y-t-d total to 1.24m. tonnes, down 70% on 2008. The above implies that around 400,000t of the one million tonnes of urea sold during the low export tax-period should load this month. Much of the urea sold in tenders to Bangladesh is now expected to be moved in November/December.



### UAN

#### US dominates in Argentina

As expected the parlous state of the US UAN market has prompted further export sales from the Gulf. 40,000t have been placed in Argentina at prices reflecting sub-\$130ps ton fob after freight and costs.





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In France the market is also dire, with prices down a further Euros 4-5pt to Euros 118pt FCA Rouen. The weak dollar is masking this drop to a degree but the reduction is not offset by this factor alone.

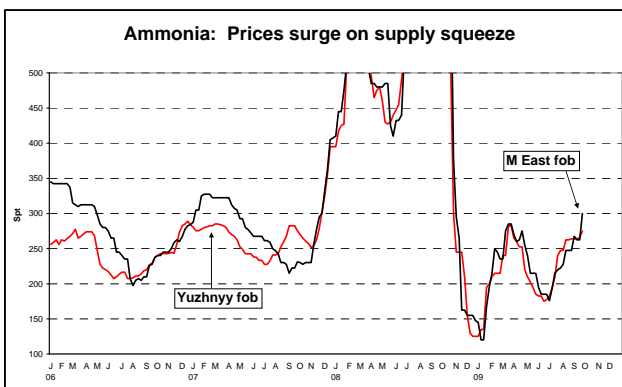
To encourage forward buying of UAN in the US levels around \$120ps ton fob are considered necessary by some observers. This may occur unless major buyers move to lock in tonnage soon.

### Ammonia

#### Supply squeeze continues

Ammonia is in tight supply worldwide. This week product has been bought in the Middle East and Indonesia at \$300pt fob to cover contract commitments in India and the Far East. In the FSU, availability from Yuzhnyy remains restricted with no major Ukrainian exports evident. As a result, prices are soon expected to exceed \$290pt fob. 65,000t of FSU product will move from Yuzhnyy to Europe in the coming weeks to replenish Yara tanks in France and the Netherlands. Russian product via Ventspils is not increasing significantly in volume although weak urea and AN prices could result in some marginal improvements if producers opt to upgrade less.

In the USA an increase in the Tampa price for October is assured. The big question is by how much. FSU price developments would support an increase to \$350pt cfr but \$340pt is considered a more likely number.



For further details of  
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