Profercy

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20 May 2010

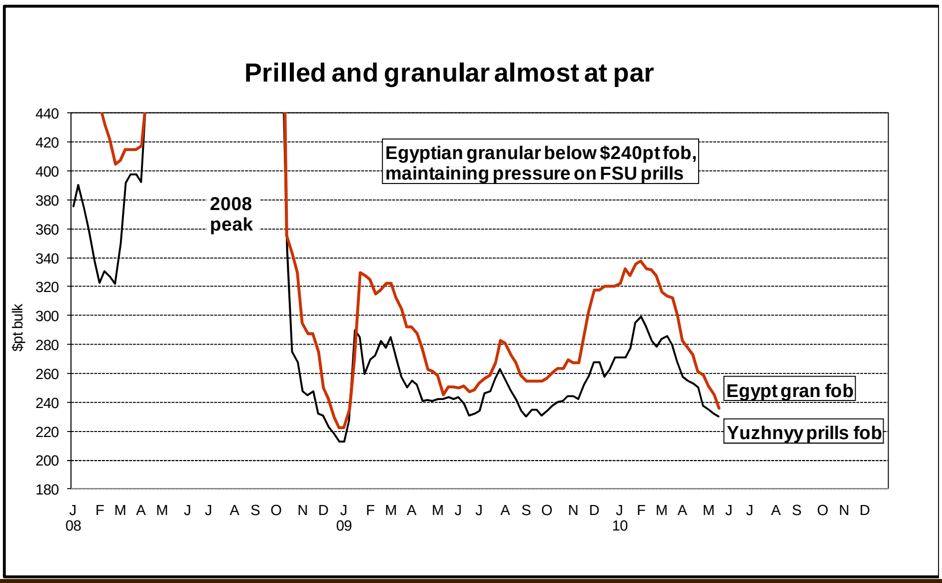
GLOBAL UREA POSITION

In the run up to major new selling opportunities in India/Pakistan the urea market has continued to slide. Efforts to move granular urea from Egypt have not been assisted by the slump in the value of the Euro against the Dollar. Companies holding stock in NW Europe are now offering at levels reflecting $220pt fob Egypt. Granular continues to put huge pressure on prilled prices in the West and FSU prices have fallen again:

- 25,000t of Russian urea sold at $220pt fob Baltic for first half June shipment
- 16,000t of Russian product sold at $225-226pt fob TIS, also for first half June shipment
- Meanwhile, a sales tender in Egypt this week attracted bids in the $230s pt, below last year's price low.
- In the Middle East Iran has sold 25,000t of granular urea at $237pt fob while a sale in Thailand was concluded at $280pt cfr, reflecting around $245pt fob.

With India expected to witness offers around $270-275pt cfr reflecting $225pt fob Black Sea at best, pressure to cut production in Ukraine is building Gorlovka is already down and will stay out through July. Cherkassy is also understood to be planning to close. Other producers may follow.

If Ukrainian exports are cut to around 150,000t/m in June/July and India and Pakistan buy 1.3-1.4m. tonnes of urea combined, a floor for urea prices in the Black Sea and Middle East could soon be found. However, as regards potential upside, this will largely depend on how much FSU production is curtailed and for how long, plus the scale of the export rush from China. Chinese exports will be price dependent to a degree with less exported if levels below $250pt fob are necessary. If this proves to be the case, this could even afford room for a modest June-August bounce in FSU and Middle East prices.



DEVELOPMENTS

KEY PRICES

Prilled urea: $229-231pt fob bulk Yuzhnyy

Granular urea: $240-253pt fob bulk Middle East

Ammonia: $308-315pt fob Yuzhnyy

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Urea Supply
West

Black Sea

Yuzhnyy: In a slow week, small volumes of urea have been sold in the high-$220s/low-$230s pt fob bulk.

Faced with a difficult position for June onwards and potential prices sub-$230pt fob, production is being cut back. Gorlovka intends to keep its urea production down until August while Cherkassy is also set to close. The company has not moved urea to Yuzhnyy or TIS this month. Both concerns have most recently produced 50-70,000t/m. Gorlovka can produce 80-90,000t when all three ammonia lines are running.

In recent developments:

- Trammo is in the freight market for 15,000t for Nigeria and 25,000t for Brazil.
- Keytrade is in the freight market for 23-25,000t for Brazil loading 22-28 May.
- Small 4-5,000t lots have traded at $229-233pt fob over the past week.

The May line up is given below. As can be seen the volume is still relatively small.

Yuzhnyy Export Line Up May				
Vessel	**Kt**	**Dest**	**Shipper**	**Ld**
Atasoy	4	Turkey	Fortrade	C
Halil H	12	India	Helm	C
Atosoylar	4	Turkey	Trammo	C
H Konan	3	Turkey	Trammo	C
Triantafill	6	Italy	Ameropa	C
Transem	55	India	Dreymoor	C
Union T	27	Nigeria	Trammo	C
M Izmir	6	Turkey	Ameropa	C
Z Kansu	7	Turkey	Trammo	C
Praetorius	22	Argentin	Trammo	22-23
Tbn	20	Brazil	Keytrade	
Total	**170**			
Inventory	**40**			
TIS Export Line Up May				
Helga	26	W Africa	Helm	C
H Salin	33	India	Helm	C
Adventurer	10	Mexico	Gavilon + Phosphates	Ldg
Total	**69**			
Yuz/TIS	**239**			

Ameropa will load 20,000t of urea in Yuzhnyy and 10,000t in TIS in early June for Mexico. This may replace a shipment from the Baltic.

Faced with a tough economic climate, Ukrainian producers are lobbying for a cut in gas prices and there are rumours that this is under consideration.

TIS: 9,000t of Russian urea have been sold at $225pt fob for first half June shipment. Kuaz closed a sales tender this week for 7,000t and sold at a reported $226pt fob. However, Kuaz claims the price was $230pt fob.

Novorossisk: Dreymoor will load 20,000t of urea for East Africa. Ameropa has 12,000t to load for Nigeria at $235pt fob. Indagro also has 20,000t to load for Nigeria and 6,000t for Turkey, the latter bought at $228pt fob. Toepfer is still believed to have 25,000t to load, possibly for Brazil

Romania: No new sales from stock have been reported.

Baltic

Urea has been sold for June shipment at $220pt fob. Most June tonnage is unplaced although May is virtually all committed.

Phosagro: 25,000t of urea have been sold for first half June loading at $220pt fob, reportedly to Trammo. This is thought to be for Mexico (Isaosa).

Eurochem: A trader is in the freight market for 20,000t granular urea for early-June shipment to Argentina.

Togliatti: Ameropa has been seeking a prompt vessel to load 25,000t of urea in Riga for Manzanillo covering a recent sale. However, this may now be shipped from Yuzhnyy.

Toepfer has been in the freight market for 25-30,000t of urea Baltic-Honduras or Brazil.

Baltic Shipments May			
Supplier	**Shipper**	**Dest**	**'000t**
Acron		Mexico	22
Citco	Fitco	Brazil	25
	Helm	Mexico	30
	Trammo	C America	25
Salavat	Nitron	El Sal	10
Uralchem		Mexico	25
Phosagro	Agrium	Brazil	25
	June	Mexico?	25
Togliatti	Ameropa	Brazil	25
Eurochem		USA	16
		Canada	7
		Germany	4
Other		Brazil	30
		Total	**269**

Europe/North+West Africa/Mediterranean

Egypt: MOPCO received bids around $230pt fob in this week's sales tender for granular urea, $16pt down on last week. The company was countering around $240pt fob.

50,000t of May tonnage are still reported to be unsold while June is wide open. Further, there are reports that earlier shipments to Sudan have been delayed in some instances. Indeed, efforts to move urea from the Red Sea port of Adabiya are being hampered by high freight rates and the general reluctance of vessel owners to transit the piracy area off Somalia. This has frustrated attempts to ship cargoes to Thailand in recent weeks and also casts doubt on what will be possible ex-Adabiya for India and Pakistan.

In shipping news, Gavilon is in the freight market for 20-25,000t granular urea Damietta-Uruguay/Argentina loading June. Freight inquiries are also evident for small lots into Turkey and Italy plus 10,000t from Adabiyah for Beira.

There has been no further news on possible domestic movement.

Libya: Inventories are building in Libya with the only significant recent export commitment of note 20,000t to the USA for Yara.

Americas

Venezuela: Koch will load 20-25,000t of granular urea for Tepeyac Mexico following last week's sale. Incofe is seeking a vessel to load 15,000t for Caldera.

Urea Supply

East

Middle East

In advance of the round of Indian subcontinent buying urea prices have been under severe pressure. This was demonstrated in Iran with 25,000t sold for June at $237pt fob. While Iranian product is discounted from the norm due to execution difficulties and tightening banking restrictions, the sale does point to the general weakness in the area. The latest spot sales to Thailand reflect $245pt fob Middle East at best after freight and costs are taken into account.

Qatar: New sales/shipments: 33,000t of granular urea will load for Thailand at the end of the month. A cargo is set to load for Australia in June.

Saudi Arabia: Sabic will ship one granular cargo to Thailand at the end of the month. Sabic will also ship 9,000t to Sudan for Midgulf (old sale) and 15,000t to Yemen. It is reported to be offering a spot cargo to the US west coast.

Kuwait/Bahrain: A cargo may have been committed to Australia for June loading.

Iran: PCC closed a sales tender on 13 May for 50,000t of granular urea for first half June shipment. It sold 25,000t to Swiss Singapore at $237pt fob. Swiss also has 25,000t to load booked earlier at $277pt fob. The product is said to be for India although shipment 1-10 June is too late to meet the arrival dates of the IPL tender. A South Korean company is in the freight market for 25,000t granular urea loading prompt for HCMC Vietnam.This is believed to relate to the Daewoo cargo.

Middle East Export Sales May onwards output

Origin	Trader/Buyer	Dest	'000t
Prills			
Qatar	Toepfer	S Lanka	15
	Toepfer	S Lanka	15
S Arabia	Domestic		10
50k/m		Bangladesh	15
	June	Yemen	15
		Total	**70**
		Prod/m	**120**
Granular			
Bah/Kuw	IPL	India	45
130-150k/m	Swiss	Pakistan	50
	June	Australia	25
Oman	Trammo	India	50
100k/m		Thailand	20
Qatar		Thailand	35
150k/m		Bdesh	25
		S Korea	20
		N Zealand	25
		Australia	30
	June	Australia	30
S Arabia		Pakistan	100
220-240k/m		Thailand	50
		Australia	25
	June	Australia	25
UAE		Bangladesh	12
60-65k/m		Sri Lanka	24
	IPL	India	25
	Aug/Sep	S Lanka	48
		Total	**664**
		Prod/m	**699**
		Prilled granular total	**734**
		Prilled and granular prod/m	**820**

China: Prilled urea is being offered ex-bonded store in the low-$260s pt fob. Granular is quoted in the $270s pt fob. Fudao has no product available until July.

Chinese prices are currently too high to compete outside nearby markets. Some contend that the mid-$250s pt fob will be a Q3 floor based on production costs. However, costs for gas-based suppliers are lower than those for coal-based while product already sitting in the ports may have to be liquidated at lower levels. Domestic prices have moved up slightly and are now around Rmb 1,550pt, equivalent to the mid-$260s pt fob for export basis 7% tax.

Indonesia: Pusri is pressing the government for export licences. However, domestic demand is running well and Q3 exports are expected to be minimal.

Urea Demand

West

Europe/Med/North + West Africa

Turkey: Importers continue to buy last minute and are enjoying competitive offers of Egyptian and FSU product, the latter down to $225pt fob Yuzhnyy.

In latest business:

- Toros bought 10,000t of Egyptian granular at $265-266pt cfr bulk Ceyhan including 180 days. The seller was reportedly Trammo.
- Mekatrade sold two Croatian cargoes at in the mid to high-$260s pt cfr including 180 days.
- Igsas booked 6-8,000t of Russian urea, reportedly from Ameropa, at $250pt cfr including 180 days Marmara.

NW Europe: Witt is reported to be offering granular urea from stock in Ghent at Euros 225pt FCA (around $277pt) and reflecting $215-220pt fob Egypt.

Latest figures from Germany illustrate that urea sales were down 35% in the first quarter.

Italy: Granular urea is selling ex-stock at levels reflecting the high-$230s pt fob Egypt. Freight inquiries are evident for further small shipments ex-Egypt to Ravenna and other Italian ports.

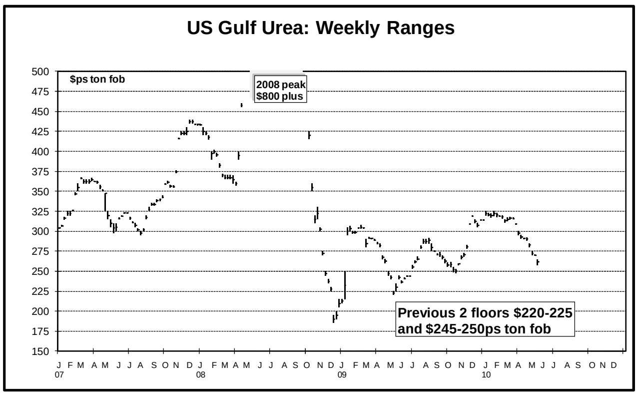
West Africa: Bauche is expected to enter the market shortly for a further 20-25,000t of urea for West Africa. Platinum Nigeria is in the market for a cargo of urea, looking to buy at $220pt fob Black Sea equivalent. Ameropa and Indagro will ship cargoes to Nigeria from the Black Sea while Trammo is also in the freight market for 15,000t ex-Yuzhnyy.

North America

US Gulf: Prompt barges have traded at $258-269ps ton fob this week. At presstime there were reports of a sale at $249ps ton fob, but this may be for the deferred. Koch is believed to have sold three prompt barges in the low-$260s ps ton fob and some tonnage in the high-$250s ps ton fob. Rice buyers are estimated to have around 350,000t of urea to cover which sellers hope will account for unsold product in the US system

CF's latest price list is set at $255ps ton fob Donaldsonville for July and August rising to $265ps ton fob for September and further to $290ps ton fob for December.

On the paper market $242ps ton fob is being bid for August/September with $245ps ton fob offered for Q3.



US Gulf/ec Projected Gran Urea Imports			
Origin	**Shipper**	**'000t**	**Arrival**
Customs Reported/expected		2582	July/Mar
		320	Apr
Russia	Eurochem	30	May
Russia	Eurochem	16	June
	Total	**2948**	

08/09 Identified Granular Imports into Gulf/ec from official statistics		
Month	**'000t**	***R. Total***
July	47	
Aug	279	*326*
Sep	384	*710*
Oct	319	*1029*
Nov	340	*1389*
Dec	170	*1559*
Jan 09	456	*2015*
Feb	341	*2356*
Mar	336	*2692*
Apr	238	*2930*
May	181	*3111*
Total	**3111**	

Corn for July closed just under $3.60/bu on 19 May and December at $3.77/bu.

US west coast: Simplot has yet to cover its granular cargo for Portland. Trammo ex-Oman and Sabic have been offering.

Latin America

Mexico: A cargo of FSU prilled urea is reported to have been sold into the east coast for Isaosa in the high-$260s pt cfr. This reflects the low-$220s pt fob Baltic. Trammo has been linked with the sale.

On the west coast, a buyer is bidding at a very low $275pt cfr for granular urea.

Brazil: Importers are bidding at $260pt cfr for urea for late-May/ealy-June shipment. A trader is reported to be offering granular in the mid-$270s pt cfr reflecting the low-$230ps pt fob Egypt 9June shipment).

Trammo and Keytrade are expected to load cargoes in Yuzhnyy shortly for Brazil, the former with amsul from TIS.

Argentina: Indagro is in the freight market for 20-25,000t of granular urea Klaipeda-Argentina loading early June. Gavilon has been checking freight for 25,000t ex-Egypt for Uruguay/Argentina loading June.

Colombia: MCV has been receiving offers for 20,000t of prilled urea for first half June shipment to Barranquilla. No deal had been reported at presstime.

Urea Demand

East

Asia/Pacific Rim

India: MMTC tenders on 24 May for urea for June/July shipment. If prices are attractive (as seems likely) it is speculated that up to one million tonnes could be bought, potentially leaving Pakistan to face slightly higher offers in its subsequent tenders.

The status of the IPL award to RJ Healthcare (50,000t) remains uncertain.

Pakistan: TCP closes tenders on 5 and 12 June each for 200,000t of urea.

Bangladesh: The new closing date of the BCIC tender for 200,000t of urea is 22 June. High local stocks and storage constraints were behind the decision to delay from 26 May. The Kafco urea plant has resumed production but 3 BCIC plants remain down due to gas being diverted to the power sector.

Sri Lanka: The next tender for urea closes 11 June.

Thailand: A trader has sold 15-20,000t of granular urea at $280pt cfr bulk reflecting $245pt fob Middle East. Importers are still trying to work down high stocks and most are not interested in new cargoes. Local prices are now put at Baht 9,200pt cfr bulk equivalent, around $283pt.

Australia: Sabic, PIC and Qafco have all committe June shipments to Australia with importers there partly looking to average down recent higher-priced spot and contract deliveries.

Philippines: 5-6,000t of Chinese urea have been sold at $290pt cfr reflecting $262pt fob China before margin. Interest is picking up following rains with several buyers checking prices.

Vietnam: Importers are bidding at $280-285pt cfr bagged for Chinese prilled urea in bags with English markings.

Taiwan: TFC closes a tender on 24 May for two 5,000t lots of prilled urea for early-July delivery.

Myanmar: 2-3 local companies are in the market for small lots of urea for June shipment to Yangon.

Malawi: A tender for 80,000t of urea closed on 13 May.

Asia: Reported Urea Imports 10

Country	Kt	Remarks
India	600	April/May arrival
S Korea	203	Jan/Mar up 8%
Thailand	769	Jan/Mar up 63%
Australia	297	Jan/Mar up 82%
New Zealand	84	Jan/Mar = to 2009

UAN SOLUTIONS

The latest UAN sale to Argentina is down $5pt on last done at $190pt cfr, equivalent to around $150pt fob Black Sea. French prices are up, but this is purely accounted for by the decline in the Euro against the Dollar. The general mood in the UAN market remains bearish but production is already cut back in a number of areas which may temper further cuts in FSU prices. Further closures could occur elsewhere, for example in Romania, if prices there slip sub-$160pt fob.

USA: UAN prices are put at $190-195ps ton fob in the Gulf. CF is quoting $6.40 per unit for July and August down from $6.50 May/June. Thereafter the price rises to $7.00/unit for January 2011.

Gavilon has loaded a 12,000t cargo of Acron UAN on the Sea Autumn in Sillamae for the US east coast.

France: UAN is being offered at Euros 145-148pt FCA Rouen for June-September. This is 7% up on the first prices agreed for summer fill, all of which is accounted for by the decline in the Euro against the US dollar over the past two weeks.

Argentina: Eurochem has sold 20-25,000t of UAN to Bunge for June shipment from Novorossisk at $190pt cfr. Eurochem earlier fixed the Maersk Barry for Argentina around $39-40pt basis 1-2.

Romania: Agrium has just fixed a vessel in the low-$20s pt to load 25-27,000t of Romanian product for Rouen. The cargo was bought in April.

Egypt: Abu Qir's sales tender for 6,000t of UAN was awarded to Helm at $165pt fob for prompt shipment to Spain. The Chemical Voyager was reported fixed for Valencia and one other port around $29pt.

NITRATES/SULPHATE

AN has been sold into Turkey for June shipment in the mid-$150s pt fob Black Sea while Brazil has dipped to $205pt cfr. Amsul prices appear to have stabilized in Asia with building inquiry evident from Malaysia. Indonesia is also looking to book additional volumes (albeit at low prices) while there are also some trader short sales still to cover in the region.

Russia: Further to last week Eurochem will load 25-30,000t of AN in Nikolaev in June for India and 5-7,000t in Novorossisk for Malaysia (combined with another product). Uralchem has placed 35,000t in Brazil and is also moving 45,000t of AN south for sale to Turkey.

Keytrade is reported to be in the freight market with an inquiry for 20-25,000t amsul TIS-Malaysia loading mid June. In another freight inquiry, a trader is seeking a vessel to lad 10,000t of Georgian AN in Batumi for Beira.

Turkey: A trader is reported to have sold a cargo of AN for June in the mid-$180s pt cfr including 180 days reflecting $155pt fob Black Sea.

Brazil: Uralchem is reported to have sold AN at $205pt cfr, down $5pt on last done. Indagro has been offering Eurochem product.

Malaysia: PK Fertilizers has bought 20-25,000t of amsul from a trader for July arrival at a reported $132pt cfr bulk. Another trader has 15,000t sold for June shipment.

South Korea: Capro Corp has an estimated 50,000t of amsul to place for June. It is believed to have sold a few small lots on a current trip around SE Asia.

Vostochny: Citco closed a sales tender 19 May for 20-25,000t of amsul for June shipment.

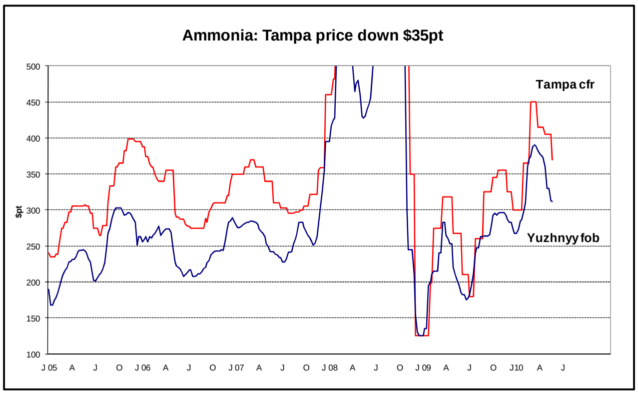
North Korea: China is financing a second aid tender for 60,000t of amsul for June shipment to North Korea.

Indonesia: Gresik is now aiming to buy amsul at well below $130pt cfr.

AMMONIA

Ammonia prices have fallen further over the past week with Ukrainian product reported sold for June just under $310pt fob. Meanwhile, the Tampa contract price has been settled at $370pt cfr, a reduction of $35pt on May.

In Asia buyers have rejected efforts to place spot tonnage from Iran. PCC is reported to have been offering direct into South Korea and other markets to place quickly 40-50,000t of unsold product in Assaluyeh. This activity appears merely to have undermined prices further with serious buying interest now evident only well below $300pt fob Iran.



While the ammonia market does not appear to be set to turn bullish, further downside from current levels in the Black Sea may be limited given the closures in Ukraine and tight availability from the Baltic. As reported last week, demand is healthier than one year ago and the market in the West can probably ill afford the complete loss of Ukrainian product.

Yuzhnyy: Koch has purchased 23,000t of ammonia for June lifting, most probably on the Kent after the vessel completes the next voyage from Ventspils to Morocco. The price is reported to be around $310pt fob.

The May export line up is given below. A total of 330,000t are epected to be loaded. The huge volume scheduled has led to loading delays at the port. The Havis was reportedly held up for 6 days.

Load	*Vessel*	*Kt*	*Dest*	*Shipper*
1	C Nep	40	USA	Trammo
5	Nisyros	19	Turkey Toros	Balderton
6-10	M Swan	15	Israel/Turkey	Trammo
6-10	C Mars	40	USA	Nitrochem
6-10	C Posh	38	USA	Yara
10-16	Havis	40	Belgium	Nitrochem
16	Hesiod	40	France/Finl	Yara
20-22	M Swan	15	Turkey	Trammo
20-25	Nisyros	19	Turkey	Balderton
22-25	Nijinsky	15	Turkey	Trammo
22-25	Kent	23	Morocco	Koch
24-27	Grouper	23	Tunisia	Nitrochem
	Total	**327**		

Yara will load the Herdis in early June, most probably for the USA. The vessel arrives around 26 May.

Tampa: The Tampa price for June has been settled at $370pt cfr. Earlier, Koch was offering product for June at $375pt cfr.

Egypt: Trammo will load a cargo in late May for South Korea.

Iran: PCC has been making efforts to sell ammonia direct in Asia to alleveiate its inventory problem. No sales have been possible with buyers aware that the market is under pressure and there is no need to rush a purchase. PCC is reportedly offering two cargoes around $310pt fob but is now facing interest $20pt lower, this for just one cargo.

Mitsui is currently loading the first of three cargoes booked last week.

Indonesia: The Kaltim 3 ammonia unit is down for maintenance until mid June.

PUBLISHER

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International Prices $per tonne

NITROGEN	20 May	13 May
Urea prilled bulk		
Yuzhnyy fob	229-231	230-235
Baltic – St Petersburg fob	220-222	220-225
Baltic – Fast ports fob	220-225	225-230
Romania fob	245-250	245-250
Libya fob	225-230	230-235
Arab Gulf fob	250-255	250-260
China fob (7% tax, bonded)	260-262	260-265
Mediterranean cfr duty paid	255-265	265-270
Brazil cfr	260-265	265-268
EC Central America cfr	267-269	268-273
WC Central America cfr	273-278	275-280
India cfr	270-275	270-275
SE Asia cfr	280-290	280-290
Urea granular bulk (spot)		
Arab Gulf fob US cargoes	243-252	254-258
Arab Gulf fob non-US	240-250	245-255
Arab Gulf full range	*240-252*	*245-258*
Malaysia fob	265-270	270-275
China fob (7% tax bonded)	270-275	275-280
SE Asia cfr	280-283	280-285
Egypt fob	235-240	245-246
Caribbean fob	245-255	245-265
US Gulf ps ton fob	258-265	269-271
US Gulf metric cfr equiv	285-292	296-298
Nitrates		
AN Baltic fob bulk	160-165	160-170
AN B Sea fob bulk	160-165	165-170
AN France E deld bulk	250-260	250-260
AN UK fot £ bagged	190-195	190-195
CAN Germany E cif blk	190-195	190-195
AN US Gulf ps ton fob	220-230	230-240
UAN		
UAN France E fot	143-147	150-153
US ec cfr	190-195	190-195
US ps ton fob Nola	190-195	195-205
UAN FSU fob B Sea	150-155	155-160
UAN Romania fob	165-168	165-169
Am. Sulphate bulk		
Black Sea fob (white)	80-85	80-85
Black Sea fob (standard)	70-75	70-75
Brazil cfr sight	115-120	115-125
SE Asia cfr	127-132	130-135
AMMONIA	**20 May**	**13 May**
Yuzhnyy fob	308-315	310-315
Arabian Gulf fob (spot)	300-325	305-330
NW Europe cfr duty free/pd	335-345	340-350
North Africa cfr	335-345	340-350
Tampa cfr	370	405
India cfr (spot)	330-340	330-350