



PROFERCY

US nitrogen prices and the Global perspective

USA

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20 March 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	295.0	30.0	325.0	297.8	291.0	-6.8
Venez/Trinidad	20-25,000	295.0	15.0	310.0	284.2		6.8
Egypt	25,000	300.0	20.0	320.0	293.3		-2.3
Egypt panamax	55,000	300.0	15.0	315.0	288.8		2.2
Average delta							0.0
Prilled Urea							
Libya	20,000	255.0	25.0	280.0	257.0	285.0	28.0
Romania	25,000	280.0	30.0	310.0	284.2	estimate	0.8
Middle East	25,000	295.0	35.0	330.0	302.4		-17.4
Average delta							3.8
UAN							
Baltic (Russian)	30,000	160.0	32.0	192.0	177.2	180.0	2.8
Romania	25,000	180.0	37.0	217.0	199.9		-19.9
FSU	30,000	160.0	37.0	197.0	181.7		-1.7
Average delta							-6.3
Ammonia							
FSU	35,000	285.0	60.0	345.0		\$pt cfr Tampa 275.0	-70.0
Middle East	25,000	290.0	75.0	365.0			-90.0
Average delta							-80.0

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

China's 110% export tax has blocked further exports of urea.

World Market Status		
Product	Status	Remarks
Granular Urea	Weak	Egyptian prices have slipped to \$300pt fob. The drop in prilled prices over the past week plus concern over EU ammonium nitrate prices for April have stalled further buying in Italy and France. In Asia granular urea prices have slipped to \$320pt cfr Vietnam, reflecting well below \$300pt fob Middle East.
Prilled Urea	Weak	A further \$15-20pt has been shaved off FSU prilled urea prices over the past few days. Russian product is being offered at \$250-255pt fob and seems set to move lower as producers chase limited sales opportunities. India is not expected to be a major demand factor in April.
UAN	Weak	Egypt's latest sales tender brought a \$10-15pt cut in price with product sold to cover short sales in France and lost output from Lithuania. International activity remains at a very low ebb and further price reductions are expected in April.
Ammonia	Firm short term	Traders and buyers have had to pay up for prompt tonnage over the past week. However, demand will ease in April as European production in particular will increase dramatically due to low gas prices.



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Urea

Urea prices are falling fast. Russian prills have sold for early-April shipment this week at \$257pt fob and offers as low as \$250pt fob are now reported from the Baltic. Ukrainian prices have yet to drop below \$260pt fob but will need to do so to compete with Russian product in Latin America and Africa.

There have been no new spot sales of Middle East product. However, with FSU product now \$40-50pt below recent fob levels in the Arabian Gulf, freight differentials for the Indian subcontinent, SE Asia and East Africa clearly do not support such a large premium.

With European demand slowing, in part because importers are awaiting news of nitrate prices for April, Egyptian granular urea prices have slipped to \$300-308pt fob. Traders checking sales possibilities in Canada and elsewhere are indicating levels well below \$300pt fob for the next round of purchases.

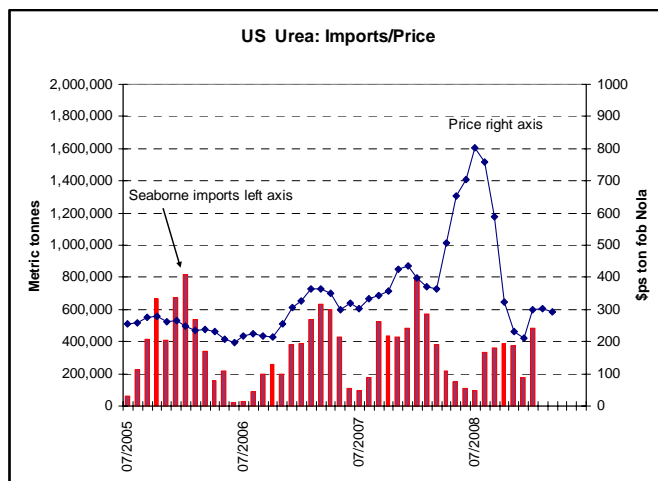
The US market remains in a slow phase and, thus far, sellers' hopes of prices running up to over \$300ps ton fob have been dashed. Even though the market is perceived to be short, there is no panic among buyers/farmers. Further, international market developments are not helping.

India appears increasingly unlikely to be the demand saviour of the urea market in the short term. Stocks are reported to be sufficient for now (there are no reports of shortages in the Indian press) and the Department of Fertilizers, aware that international prices are falling, is targeting a level of \$250pt cfr or below - \$210-220pt fob Black Sea. Whether this will prove possible remains to be seen but, without India, Global demand remains thin indeed.

USA: Urea imports were 654,000t in January, 29.5% down on January 2008 but still the highest monthly total of the current fertilizer year. Canadian deliveries increased by 28% to 170,000t while deliveries from offshore were 483,000t, down 39%. Offshore deliveries were at their highest levels since February 2008.

The largest offshore supplier was Saudi Arabia, 157,000t, followed by Kuwait/Bahrain, 126,000t. Argentina and Malaysia featured as suppliers of one cargo each, 23,000t and 22,000t respectively, the latter to the west coast.

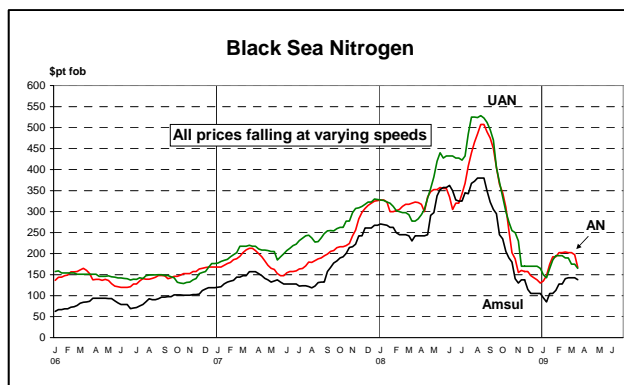
The total volume of granular urea imported into the Gulf and east coast from July 2008-January 2009 is estimated to be 1.9m. tonnes versus 2.2m. tonnes in the previous year. Based on known shipments, offshore imports to the Gulf and east coast are expected to total 2.7m. tonnes through end April compared with 3.2m. tonnes July 2007-April 2008.



Other Nitrogen Products

Lower urea prices continue to undermine returns for other products. AN prices have dipped to \$165-170pt fob (Russian product) while UAN has fallen to \$180pt fob Egypt, sub \$180ps ton fob US Gulf.

The chart below illustrates the fact that all prices are in retreat with ammonium nitrate having fallen the fastest over the past week. Sales of this product into Turkey have been made at levels reflecting \$160pt fob Black Sea, \$45-50pt below the February peak.



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