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US nitrogen prices and the Global perspective

USA

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13 April 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	280.0	25.0	305.0	279.7	283.0	3.3
Venez/Trinidad	20-25,000	275.0	18.0	293.0	268.8		14.2
Egypt	25,000	285.0	20.0	305.0	279.7		3.3
Egypt panamax	55,000	285.0	15.0	300.0	275.2		7.8
Average delta							7.2
Prilled Urea							
Libya	20,000	250.0	25.0	275.0	252.5	285.0	32.5
Romania	25,000	270.0	30.0	300.0	275.2		9.8
Middle East	25,000	280.0	35.0	315.0	288.8		-3.8
Average delta							12.9
UAN							
Baltic (Russian)	30,000	160.0	32.0	192.0	177.2	175.0	-2.2
Romania	25,000	170.0	37.0	207.0	190.8		-15.8
FSU	30,000	160.0	37.0	197.0	181.7		-6.7
Average delta							-8.2
Ammonia							
FSU	35,000	260.0	60.0	320.0		\$pt cfr Tampa 318.0	-2.0
Middle East	25,000	260.0	75.0	335.0			-17.0
Average delta							-9.5

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	Granular urea prices are starting to slip again. Egyptian product has fallen to the \$280s pt fob bulk while Middle East material is put at \$280pt fob at best. Thai prices are in retreat, with buyers seeking \$30-5-310pt cfr for prompt tonnage. In the US, the physical market is being undermined by low-priced offers for May/June in the paper trades.
Prilled Urea	Weak	FSU producers are facing a dearth of inquiry for prilled urea for late-April/May lifting. Sales into Turkey and the Far East reflect levels well below \$245pt fob Black Sea/Baltic. As pressure from granular spreads into prilled markets, further cuts in prilled prices are expected.
UAN	Weak	The international market is completely inactive with few if any possibilities open for placing spot tonnage. French prices have slipped a further Euros 1-2pt and are heading below Euros 160pt FCA Rouen. US movement is slow; the Gulf price is nominally put around \$175ps ton fob.
Ammonia	Peaked	FSU product has been sold into Turkey \$20-25pt below last done, illustrating that the world market is past its best for suppliers. In the US, the next settlement in Tampa (for May) will likely be sharply down.

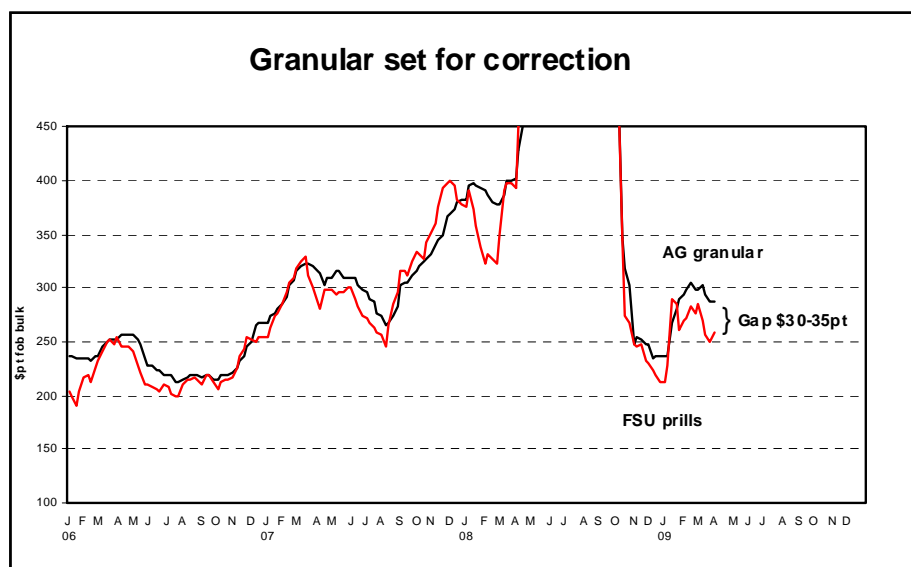


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Extracted from the Profercy Forecast 7 April 2009 – Q2 Bearish

The chart below illustrates that the current gap between FSU prills and Middle East granular is large. Given the forecast surplus for granular, it is assumed that the gap will be closed by prices for the premium grade adjusting down.

While most of the future price downside is expected to be exhibited in the granular sector of the market, FSU prills may not escape unscathed. This is because granular urea should take business away from prills, particularly in the Indian subcontinent. Thus, further reductions in FSU prices could occur for May shipments which, in turn, will add to pressure on granular.



As mentioned in earlier reports, it is felt that some further production shutdowns/extended turnarounds will be necessary in the West to halt the downward price trend over the next 60-90 days. These have already occurred in Romania and all eyes are now on Ukraine to gauge at what point export production will be trimmed.

One complicating factor with regard to this is that there are reports from Ukraine that the government has promised lower gas prices to industry for Q2. Current gas costs put the breakeven cost of production around \$250pt fob Yuzhnyy and any cut in gas prices would clearly reduce this figure.

Turning to the USA, a forecast price of \$255pt fob Middle East would reflect around \$250ps ton fob Gulf, this is based on freight of around \$19pt for 40-45,000t cargoes. This may be too high to represent a post-season floor for urea in the US Gulf. Indeed, with US gas prices at low levels, it is possible that US-produced urea could enter the export arena in mid year (one cargo of urea has just been lined up for re-export from the Gulf to Central America.)

Conclusion: Q2 appears to be a bearish period for urea and the trade balance figures imply that the general level of prices will fall with current, high granular netbacks set to drop the most.

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