



PROFERCY USA

US nitrogen prices and the Global perspective

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| 31 July 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 | 275.0 | 25.0 | 300.0 | 275.2 | 287.5 | 12.3 |
| Venez/Trinidad | 20-25,000 | 285.0 | 20.0 | 305.0 | 279.7 | | 7.8 |
| Egypt | 25,000 | 282.0 | 23.0 | 305.0 | 279.7 | | 7.8 |
| Egypt panamax | 55,000 | 282.0 | 18.0 | 300.0 | 275.2 | | 12.3 |
| Average delta | | | | | | | 10.1 |
| Prilled Urea | | | | | | | |
| Libya | 20,000 | 255.0 | 25.0 | 280.0 | 257.0 | 300.0 | 43.0 |
| Romania | 25,000 | 270.0 | 30.0 | 300.0 | 275.2 | | 24.8 |
| Middle East | 25,000 | 275.0 | 30.0 | 305.0 | 279.7 | | 20.3 |
| Average delta | | | | | | | 29.4 |
| UAN | | | | | | | |
| Russia | 30,000 | 142.0 | 28.0 | 170.0 | 157.2 | 140.0 | -17.2 |
| Romania | 25,000 | 155.0 | 32.0 | 187.0 | 172.6 | | -32.6 |
| Egypt | 30,000 | 155.0 | 30.0 | 185.0 | 170.8 | | -30.8 |
| Average delta | | | | | | | -26.9 |
| Ammonia | | | | | | | |
| FSU | 35,000 | 245.0 | 55.0 | 300.0 | | \$pt cfr Tampa 260.0 | -40.0 |
| Middle East | 25,000 | 225.0 | 70.0 | 295.0 | | | -35.0 |
| Average delta | | | | | | | -37.5 |

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

| World Market Status | | |
|---------------------|--------|--|
| Product | Status | Remarks |
| Granular Urea | Firm | It has been another week of price gains. Egyptian product has sold for August at \$282pt fob bulk and \$285pt fob is now being asked. Middle East producers offered over \$280pt fob in India and are comfortable for August. Chinese prices have gained to \$265-267pt fob and supply is tight. The outlook for August is firm. |
| Prilled Urea | Firm | Latin American buyers have paid \$260-263pt fob for FSU prills while new product is being offered at \$265pt fob Black Sea. FSU product is too expensive for India but this is of no immediate concern with Brazil active. Chinese prices have gained to \$260-265pt fob. |
| UAN | Firm | Supply cuts and a slight increase in demand have maintained a firm undertone to the market. Romania has sold at \$155pt fob and is now targeting 160pt fob. Demand has emerged from Argentina for the first time this year and a few cargoes could be bought. |
| Ammonia | Firm | FSU product has sold at \$248-250pt fob Black Sea. Supply is tight for August and these levels will be passed on to end users in Turkey, North Africa and Europe. |



The Profercy USA Report

Urea

Market tight for August shipments

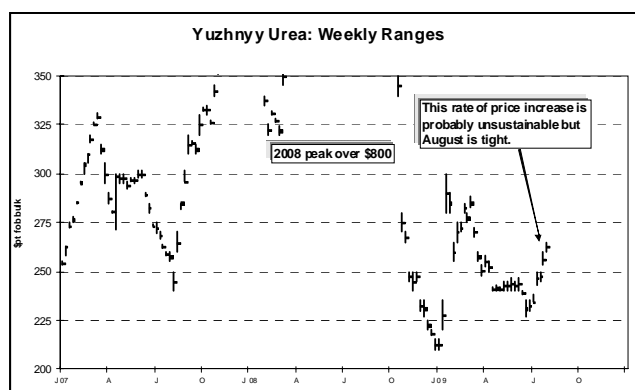
The urea market is tight for August tonnage with many producers committed for the month. India's tender brought higher prices, although the gain was not as great as expected for the tonnage booked - \$10pt above last done. India does need to buy more than the 150,000t acquired so far but may delay in the hope that the current price run up will ease as September comes into view.

Other positive developments this week include:

- A sale of Egyptian product at \$282pt fob bulk
- FSU prills sold in Brazil at \$290pt cfr bulk
- US Gulf barge prices have risen to \$285-290ps ton fob
- Chinese prilled offers have increased to \$263-265pt fob bulk and granular has sold at \$265-267pt fob bulk.

The US market is bullish at present with few barges available in the Gulf. However, this position can only improve in September as import volumes build from a low level. With buyer confidence still low, this leads to the prospect of the Gulf market taking a breather as Q3 develops.

To conclude, the urea market has clearly moved away from floor levels and these are not expected to be witnessed again this year. However, forecast demand alone does not appear strong enough to sustain an unbroken price run up over the next 90 days as a whole.



North America

US Gulf: Granular urea prices moved up to \$285-290ps ton fob for prompt at the SW meeting in Texas. A prilled barge was also placed at a high \$305ps ton fob.

While current prices are firm, the fact that Q4 paper trades took place down to \$258ps ton fob at the conference again undermined confidence in the forward position. Buyers feel some sort of correction will occur in September/October although there is recognition that the market is on a much firmer footing than was the case in Q2. Further, and with regard to September, the inflow of imported product will increase but the volumes are down on 2008. Moreover, inventory is low following the purging of the US system in late Q2.

CF has announced that it will reduce UAN production in favour of urea which could be available for export.

UAN

The price rally has continued with Romanian product sold this week at \$155pt fob and Russian over \$140pt fob. The increase is owed to supply cutbacks (Eurochem, Acron), covering in by traders for France and a general feeling among buyers that UAN is good value.

Although UAN prices are off the floor, the rebound is subdued compared with that seen to date for AN.

Ammonia

Russian ammonia has sold this week at \$248-250pt fob Black Sea for August shipment. As the price suggests, product remains tight for August shipment and higher cfr values appear guaranteed worldwide next month.

On the plus side for buyers, supply will improve in August. In the US Terra is restarting its idled unit at Donaldsonville in early August while BASF's Antwerp unit is scheduled to restart. In Russia Togliatti could have five units running by end August.

Thus, while August tonnage is tight, the position could ease in September, potentially bringing to a halt the recent rapid run up in ammonia prices. However, as with urea, prices are not expected to retreat to the floor levels witnessed in Q2. Oil prices are high and this will continue to impact European production costs in the second half. Consequently, any significant fall in ammonia prices would likely result in a new round of production cutbacks.

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