



PROFERCY

US nitrogen prices and the Global perspective

USA

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14 August 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	289.0	13.8
Venez/Trinidad	20-25,000	285.0	20.0	305.0	279.7		9.3
Egypt	25,000	270.0	23.0	293.0	268.8		20.2
Egypt panamax	55,000	270.0	18.0	288.0	264.3		24.7
Average delta							17.0
Prilled Urea							
Libya	20,000	247.0	25.0	272.0	249.8	300.0	50.2
Romania	25,000	265.0	30.0	295.0	270.6		29.4
Middle East	25,000	267.0	30.0	297.0	272.4		27.6
Average delta							35.7
UAN							
Russia	30,000	150.0	28.0	178.0	164.5	145.0	-19.5
Romania	25,000	167.0	32.0	199.0	183.5		-38.5
Egypt	30,000	165.0	30.0	195.0	179.9		-34.9
Average delta							-31.0
Ammonia							
FSU	35,000	262.0	55.0	317.0		\$pt cfr Tampa 260.0	-57.0
Middle East	25,000	247.0	70.0	317.0		Aug price	-57.0
Average delta							-57.0

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

World Market Status		
Product	Status	Remarks
Granular Urea	Weaker	Egyptian producers are now looking to place September tonnage and are facing interest from traders sub-\$270pt fob, down from \$280-282pt fob. Europe is slow due to the vacation period and competitive pricing for local AN/CAN. Middle East suppliers are comfortable for August but will need new spot business in September
Prilled Urea	Weaker	As expected FSU prices have slipped with the Black Sea bearing the brunt. Product has been sold at \$248pt fob Yuzhnyy in thin trade. Brazil has received offers sub-\$280pt cfr reflecting \$245pt fob Black Sea. Black Sea prices may soon be workable in Asia which will lend support.
UAN	Peaked	UAN is tight nearby but producers may be pushing prices too high. \$170pt fob is being asked in Romania which does not/will not work for Europe, the USA or Argentina. Thus, there is a growing conviction that prices have now peaked at export points. However, the US is still lagging.
Ammonia	Firm	The inevitable sharp increase in US prices has taken place with a cargo sold for September arrival at \$330pt cfr Gulf. There will be no early respite for buyers as the market is tight well into September.



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Urea

FSU and Egyptian prices correct

FSU prices have fallen sharply over the past few days. Ukrainian product is has been sold at \$248pt fob with 90,000t still to place for August. Russian suppliers are better placed with August sold out. However, there are no bids evident for September tonnage over \$250pt fob Baltic. Egyptian granular prices are also under some pressure with a little August tonnage still open and September unsold. Prices there are now put around \$270pt fob.

In the East, India took advantage of traders' willingness to liquidate Chinese tonnage eventually purchasing close to 500,000t. Chinese prices have themselves eased back a little with prills on offer at \$260-262pt fob. The cfr prices concluded in India reflect \$265-270pt fob Middle East, levels the AG suppliers were not prepared to match in this inquiry.

As illustrated by the above, it is the highest urea prices that are adjusting down, partly to levels matching what is possible in India/Asia. There does not seem to be a general Global collapse in progress. Few believe that the market has entered another long term downtrend as:

- Brazil still needs to buy heavily and will not stay out of the market for long. Other Latin American demand is expected to surface once prices reach attractive levels.
- The USA has low urea inventories and even as prices slip back from current highs, levels sub-\$250ps ton fob are not expected. The country will absorb contract shipments from the Middle East through the rest of year irrespective of price. Corn prices remain above \$3/bu.
- Indian demand is covered for now but new demand will emerge shortly for more September/October shipments.
- European buying interest is expected to resurface in September.
- Chinese tonnage is heavily committed and logistical problems mounting.

US Gulf: Prompt barges of granular urea have traded this week at \$290-292ps ton fob with some buyers keen to lock in small volumes prior to the Arkansas River lock closure (25 August-6 September). Warehouse prices are put at around \$320ps ton. Further out, physical barges have traded for October at \$275ps ton fob. The weaker forward position

illustrates the belief among many that the imminent arrival of Middle East product in late August/early September will cool the market. Further, those committed to take product from these vessels could well look to drive prices down to improve overall economics.

Koch's Enid plant will close for 9-10 days from 15 August.

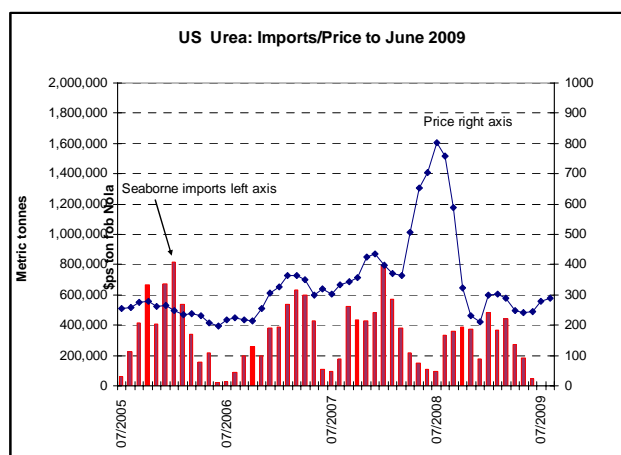
Imports: The first Sabic vessel arrives early September. Half the vessel is understood to be for Gavilon. CHS is expected to lift its first PIC cargo in September/October.

Corn for September is relatively flat, trading at around \$3.30/bu at press time. This is despite a relatively negative USDA crop forecast for corn released this week.

Urea imports 2008/09: 230,000t of urea were imported in June, 20% above June 2008. Canada supplied 176,000t and Qatar 50,000t.

The June total brought the June-July figure to 5.184m. tonnes, 13% down on the 5.958m. tonnes of FY 2007/08. The breakdown was as follows:

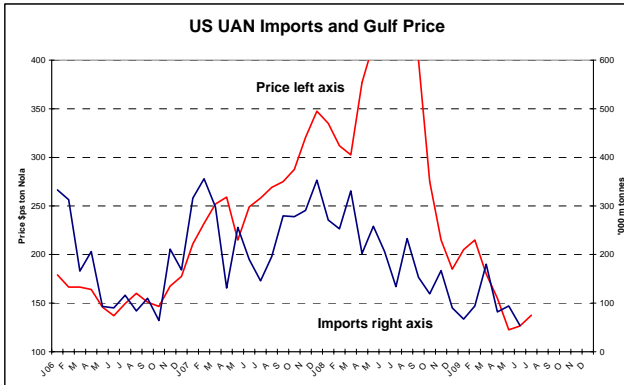
US Urea Imports ('000t)			
	2008/09	2007/08	Change
Total	5184	5958	-13%
Canada	1663	1587	+ 5%
Offshore	3518	4371	-20%



US UAN imports were just 54,000t in June. The fertilizer year 2008/09 total was 1.467m. tonnes, less than half the 3.065m. tonnes imported in FY 200708.



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Ammonia

The market remains tight. A small volume of Ukrainian ammonia has been sold this week over \$260pt fob while in the Middle East \$247pt fob has been paid for a September cargo. In the USA product has been sold at \$330pt cfr for September arrival.

While August and first half September tonnage will be tight (there is little chance of inventory build up at producer level) the position could ease as September develops with plant restarts in Russia, Ebic Egypt back on line and greater European production in evidence. However, for the time being, suppliers will clearly have the upper hand in price negotiations.

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