



PROFERCY USA

US nitrogen prices and the Global perspective

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21 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	270.0	25.0	295.0	270.6	275.0	4.4
Venez/Trinidad	20-25,000	275.0	20.0	295.0	270.6		4.4
Egypt	25,000	265.0	23.0	288.0	264.3		10.7
Egypt panamax	55,000	265.0	18.0	283.0	259.7		15.3
Average delta							8.7
Prilled Urea							
Libya	20,000	240.0	25.0	265.0	243.4	285.0	41.6
Romania	25,000	262.0	30.0	292.0	267.9		17.1
Middle East	25,000	270.0	30.0	300.0	275.2		9.8
Average delta							22.8
UAN							
Russia	30,000	152.0	28.0	180.0	166.3	142.0	-24.3
Romania	25,000	162.0	32.0	194.0	179.0		-37.0
Egypt	30,000	162.0	30.0	192.0	177.2		-35.2
Average delta							-32.2
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	The weakness in the prilled sector is creating a gloomy outlook for granular urea prices as September approaches. European buyers are expecting Egyptian netbacks to fall below \$260pt fob and are in no rush to book new cargoes. Middle East suppliers need spot sales for September/October and will face increasing pressure to reduce quotes.
Prilled Urea	Weaker	Traders have sold FSU urea sub-\$240pt fob Black Sea in Turkey. The cut in Ukrainian gas prices has removed concern that producers will reduce output as the floor price has fallen to an estimated \$220-230pt fob and possibly even lower if just variable costs are taken into account.
UAN	Peaked	As expected, UAN prices have peaked in the Black Sea. Romanian and FSU product are expected to obtain lower returns for September/October shipments. Most Latin American demand is covered and the US market continues to lag. France is slow at present due to the holiday period.
Ammonia	Firm	The market remains tight in the West. However, any increase in Ukrainian supply, which is possible for small volumes later in September, could tip the market balance and lead to lower prices for October deliveries.

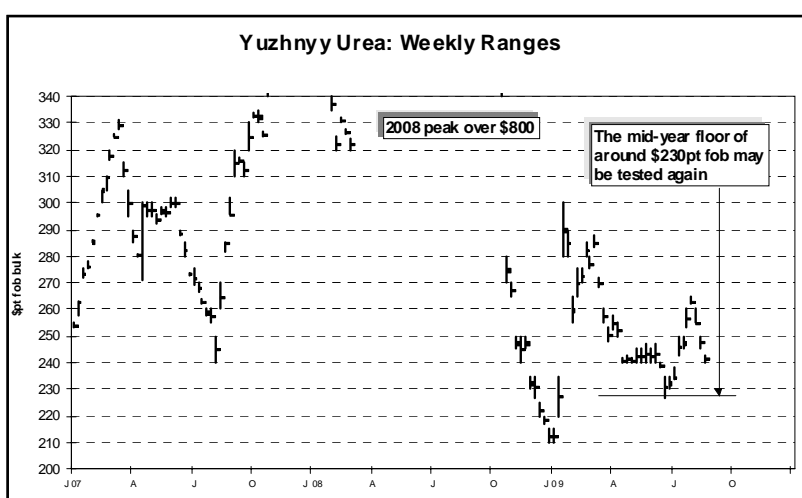


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Urea

Urea prices slide in the West

Prilled urea prices have continued to slide in the West. The lack of August business in India/Asia has hit the market hard and latest small sales into Turkey and Latin America have been made at levels reflecting \$238-242pt fob Yuzhnyy. There is no immediate relief in sight. Further, the market has been dealt a psychological blow by the cut in gas prices in Ukraine which has lowered the export price floor below \$230pt fob for some factories.



Baltic suppliers remain more comfortable than their Black Sea counterparts but will have to face the reality of lower prices as September approaches. Middle East producers have sold spot tonnage this week over \$275pt fob. However, prices there are out of line with China (\$260pt fob) and the Black Sea. The next major piece of Asian business (for example a tender in India) will bring fierce competition from Yuzhnyy, potentially undermining Middle East price levels.

Egyptian granular prices are holding for now but new business in Europe will probably only be possible sub-\$260pt fob. US granular prices are high for prompt (limited business only) but are heavily discounted for the deferred. Bids for September barges are around \$270ps ton fob Gulf.

Having dropped the most, Black Sea urea prices are clearly nearest the floor. However, with Brazilian buyers on the sidelines for now, there still appears to be further downside. What may be required to establish a floor is some large-scale movement to Asia. India offers the best hope and, despite the drought, some Indian sources still believe a tender

could be held soon for more September onwards tonnage. If this occurs and FSU product is sold, this could tempt buyers in Latin America and Europe back into the market. Other Asian buyers, for example Vietnam and the Philippines, could also be tempted to book Black Sea product, particularly as Chinese prices are not collapsing and the window for low-tax export sales from there is closing.

US Gulf: While spot prompt barges of granular urea have traded around \$290ps ton fob, the outlook for September is weak. Barges from incoming vessels are put at \$275-280ps ton fob with bids around \$270ps ton fob. As the table shows, imports are not flooding into the US in comparison with earlier years, but the lack of confidence in the market is hitting forward price prospects. This is also despite the fact that dealer inventories are low.

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

Imports: The first cargo of Kuwaiti/Bahraini urea for CHS is not expected to load until October.

Corn for September remains relatively flat, trading at around \$3.20/bu at press time.

US Gulf/ec Projected Gran Urea Imports			
Origin	Shipper	'000t	Arrival
Reported/expected			
PIC	Gavilon	40	Aug
PIC	Gavilon	40	Sep
Venezuela	(Q3 08 level)	86	Q3
Trinidad	(Q3 08 level)	101	Q3
Sabic		40	Aug
Egypt	Trammo	25	Aug/Sep
Sabic		45	Sep
Qafco		45	Sep
Egypt	Agrium	25	Sep
Total		447	
08/09 Identified Granular Imports into Gulf/ec from official statistics			
Month		'000t	R. Total
July		47	
Aug		279	326
Sep		384	710
Total		710	



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Canada: Inquiries for granular urea cargoes are beginning to surface with CFQ, Sylvite and Agrico expected to buy over the next 30-45 days. Some price checking has already been in evidence with buyers' ideas sub-\$280pt cfr.

Ammonia

Ukrainian ammonia has been sold again this week over \$260pt fob while the sale to the US reported last week at \$330pt cfr affords an even high netback. Product remains tight nearby and although the Ukrainian gas price cut could tempt some Ukrainian product into the market, a flood is not expected as the new gas price does not appear to support production for export sub-\$300pt fob for most producers.

In the Middle East a spot cargo is being offered at \$265pt fob, but this may prove too high for the Asian market. In the US, the Tampa price for September is expected to be settled next week. Obviously, a major increase over the \$260pt cfr level set for August is anticipated in the light of last week's spot sale.

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 back on line and greater European production in evidence. However, for the time being, suppliers still have the upper hand in price negotiations.

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