**PROFERCY**

# USA

*US nitrogen prices and the Global perspective*

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*Publisher of The Profercy Report*

## World/US Price Comparison

19 June 2009

| Product and origin | Cargo size metric tonne | Fob $mt | Freight $mt | cfr Gulf $mt | Equals $pst fob Gulf | Current Price $pst fob Gulf | Current US price - Import cost |
|---|---|---|---|---|---|---|---|
| **Granular Urea** | | | | | | | |
| Middle East | 35,000 | 260.0 | 30.0 | 290.0 | 266.1 | 244.0 | -22.1 |
| Venez/Trinidad | 20-25,000 | 250.0 | 20.0 | 270.0 | 247.9 | | -3.9 |
| Egypt | 25,000 | 247.0 | 22.0 | 269.0 | 247.0 | | -3.0 |
| Egypt panamax | 55,000 | 247.0 | 17.0 | 264.0 | 242.5 | | 1.5 |
| | | | | | | **Average delta** | **-6.9** |
| **Prilled Urea** | | | | | | | |
| Libya | 20,000 | 232.0 | 25.0 | 257.0 | 236.1 | 235.0 | -1.1 |
| Romania | 25,000 | 242.0 | 30.0 | 272.0 | 249.8 | | -14.8 |
| Middle East | 25,000 | 260.0 | 35.0 | 295.0 | 270.6 | | -35.6 |
| | | | | | | **Average delta** | **-17.2** |
| **UAN** | | | | | | | |
| Russia | 30,000 | 120.0 | 28.0 | 148.0 | 137.3 | 120.0 | -17.3 |
| Romania | 25,000 | 140.0 | 32.0 | 172.0 | 159.0 | | -39.0 |
| Egypt | 30,000 | 142.0 | 30.0 | 172.0 | 159.0 | | -39.0 |
| | | | | | | **Average delta** | **-31.8** |
| **Ammonia** | | | | | | **$pt cfr Tampa** | |
| FSU | 35,000 | 175.0 | 60.0 | 235.0 | | 210.0 | **-25.0** |
| Middle East | 25,000 | 185.0 | 75.0 | 260.0 | | | **-50.0** |
| | | | | | | **Average delta** | **-37.5** |

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

## World Market Status

| Product | Status | Remarks |
|---|---|---|
| **Granular Urea** | **Stable** | Middle East producers have sold in India at just above $260pt fob and prices are stable. Chinese product has sold at $260-265pt fob to SE Asian markets. Egypt has product to sell but Europe is offering returns of $247-250pt fob. US prices would need to move higher to encourage new imports from this source. |
| **Prilled Urea** | **Soft** | India has bought at levels reflecting $230pt fob Black Sea, effectively setting a floor for FSU prilled urea from the southern ports. Plant closures seem likely in Ukraine unless cuts in gas prices are achieved. If closures occcur, prices could increase in July/August. |
| **UAN** | **Fllat** | The UAN market remains flat. US buyers have moved to book large volumes for Q3-Q1 2010 around $120ps ton fob. This coupled with a third export movement has taken downward pressure off the low-priced Gulf market. France is virtually unchanged around Euros 119-120pt FCA.. |
| **Ammonia** | **Weak** | One further drop in ammonia prices is likely for July. A spot cargo has been offered to Tampa at $175pt cfr. Second half July could see the market tighten on US demand and reduced export availability in the West. |

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## Urea

### Market flat

India's latest urea tender brought no real surprises. As expected, the lowest offers were in the $270s pt cfr and Chinese product was not competitive. MMTC made haste to book 330-340,000t at or near offer levels. Middle East/Iranian product accounted for all but 40-50,000t.

The tender outcome illustrates that Middle East prices have found a floor near $260pt fob and levels below this are not expected in July/August. This apparent fact implies that there will be limits to price downside for other suppliers, perhaps $225-230pt fob for FSU product – two sales of Russian urea have been made this week in this range. Ukrainian suppliers cannot absorb such low levels based on current gas costs. Some are now in talks with Ukraine's authorities to permit the direct purchasing and piping of Russian gas at lower levels than the contract agreed in January 2009. If these talks fail, plant closures are expected.

Any cutback in Ukrainian production could eventually push prices up as the market appears more or less in balance at current production rates. Indeed, Indian prices reflect around $230pt fob Yuzhnyy for large cargoes with some trader profit included. If prices do rise, the ceiling would of course be set by Chinese urea – now at $265pt fob reflecting around $290pt cfr ec India.

In the US Gulf the barge market has solidified around $240-245ps ton fob, but is still at a discount to World levels. Egyptian prices are flat around $245-250pt fob with European buyers prepared to pay this price for Q3 shipments. To date around 150,000t have been sold in Europe for this shipment timeframe.

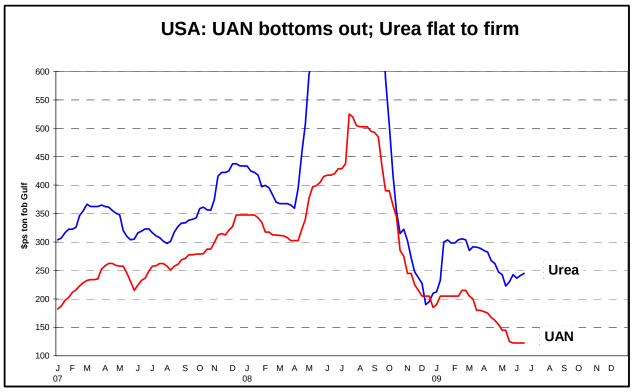
In Latin America Brazilian buyers are bidding at $260pt cfr for prilled urea.  One sale has been reported at this level but there may be only a few more as any cut in Ukrainian production would have both a real and psychological impact on the market in Brazil and Latin America generally. Buyers there might then be impelled to bring forward their purchasing.

**USA**: Granular urea barges have been selling at $245ps ton fob Nola, a $3-5ps ton increase on last week.  There are few barges on the river and the forward line up of new imports remains thin.

**Imports**: Gavilon will load 40,000t in the AG for the Gulf in July. The vessel has yet to be fixed. Given the sales to India (50,000t) and the fact that PIC's complex will run at 50% of capacity in July/August, further shipments to the US may be limited. As yet contracts have not been agreed for 2009/2010. Sabic has sold a further 115,000t in India and this adds to the possibility that its first US shipment could slip into August. Around 30,000t of Trinidad product will be shipped to the US in July.

**Exports**: A freight inquiry is still circulating for 20,000t urea Donaldsonville-Brazil loading 5-10 July.

**TFI Data:** US urea inventory among the sample was down 20% at the end of May compared with end May 2008. However, the Canadian position was markedly different with end May 11% ahead of May 2008. Meanwhile. US customs data related to imports from China in March is being checked as the 159,000 s tons recorded appears too large.




## UAN

There has been heavy buying of UAN in the USA for Q3 into Q1 2010 at around $120ps ton fob Gulf. In total around 700,000s tons are reported to have been sold by the majors, CF, Terra and Koch. This round of buying coupled with a third export shipment to France (105,000t now in total) has helped to stabilise the market at levels which afford producers good margins basis current gas costs. In France a modest Euro1-2pt increase in prices has been witnessed, although this is more related to currency movements rather than any major increase in demand.

**USA**: As the chart below shows, US UAN imports have trended down for over 12 months (since January 2008). The July-April total was just 1.3m. tonnes, half the 2007/08 level of 2.6m. tonnes and one million tonnes down on the previous three-years'

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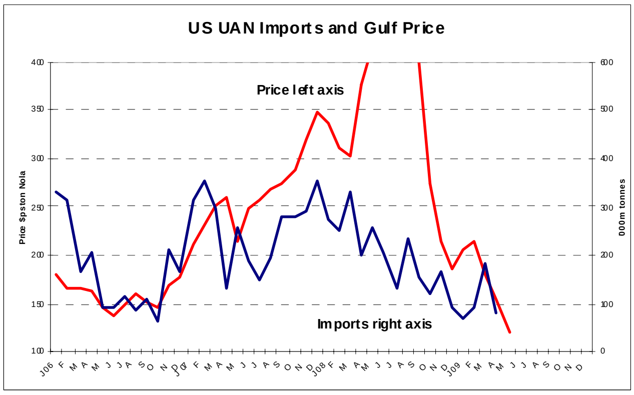
average. Since April, exports of 105,000t to France have added to the problem for traditional UAN exporters, particularly Russia.




While US prices have stabilised, there is concern over the prospects for Q4 with the 1.4m. tonnes/year plant in Trinidad due to start up in November. Much of this tonnage will head to the US, displacing material from other offshore suppliers.

## Profercy Nitrogen Forecast Report

**The following is extracted from the above report published 16 June**:

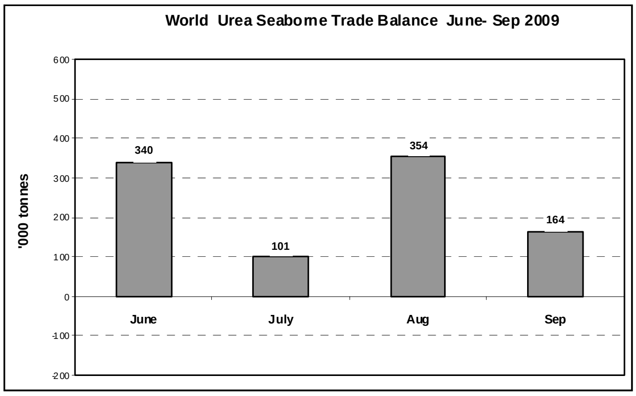
In May Profercy made the following comments:
'Q2 has been a poor period for suppliers. However, downside from current levels is believed to be limited. Q3 could be a period when urea prices hold in a relatively narrow range – for example $230-250pt fob Yuzhnyy.'

The following table was published in May outlining possible market price levels based on Chinese export tax levels. The 10% tax position appears still relevant implying that Chinese urea will not take a large slice of Indian demand. The main competition will continue to be between the Middle East and FSU.

**Q3 - flat**

The trade balance figures suggest that no price take off is likely over the next 90 days. Chinese prices will cap the market in many areas (see table) while the floor will be set by production costs in Ukraine. Based on current production costs Ukrainian producers are barely able to justify continued production at $240pt fob Yuzhnyy and levels of $230pt fob or below would be difficult to accommodate for long.

Ukraine's producers are lobbying for lower gas prices but have already received an effective benefit basis the $228.80/'000 cbm border price agreed for the year with the government. While lower Russian gas prices in Q3 and Q4 for Ukraine and its urea producers cannot be ruled out, it is worth noting that the trade balance forecasts assume no major disruption to Ukrainian production occurs. Thus, it can be argued that any cut in gas price would not affect the urea market in anything other than a psychological way.




Note that the July/September surpluses are virtually all accounted for by Chinese exports, product that will likely only be available over $260pt fob.

**Price Matrix**

| | Destination | No tax $pt | 10% tax $pt |
|---|---|---|---|
| | ***China fob*** | 240-250 | 264-275 |
| *reflects* | India cfr | 270-280 | 294-305 |
| *reflects* | M East fob bulk both grades | 255-265 | 279-290 |
| *reflects* | Black Sea | 230-240 | 254-265 |
| | ***China fob*** | 240-250 | 264-275 |
| *reflects* | Thailand cfr granular | 260-270 | 284-295 |
| *reflects* | Egypt fob granular | 230-240 | 254-265 |
| *reflects* | France cfr granular | 255-265 | 279-290 |
| *reflects* | Caribs fob granular | 220-230 | 244-255 |
| *reflects* | US Gulf cfr | 235-245 | 259-270 |
| *reflects* | US Gulf ps ton fob | 210-220 | 231-242 |

**For further details of The Profercy Report and Profercy Nitrogen Forecast contact: fertilizers@profercy.com**