



PROFERCY

USA

US nitrogen prices and the Global perspective

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| 27 November 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 | 305.0 | 30.0 | 335.0 | 306.9 | 310.0 | 3.1 |
| Venez/Trinidad | 20-25,000 | 307.0 | 20.0 | 327.0 | 299.7 | | 10.3 |
| Egypt | 25,000 | 305.0 | 28.0 | 333.0 | 305.1 | | 4.9 |
| China panamax | 55,000 | 290.0 | 45.0 | 335.0 | 306.9 | | 3.1 |
| Average delta | | | | | | | 5.4 |
| Prilled Urea | | | | | | | |
| Libya | 20,000 | 245.0 | 25.0 | 270.0 | 247.9 | 270.0 | 22.1 |
| Romania | 25,000 | 285.0 | 35.0 | 320.0 | 293.3 | | -23.3 |
| Middle East | 25,000 | 275.0 | 35.0 | 310.0 | 284.2 | | -14.2 |
| Average delta | | | | | | | -5.2 |
| UAN | | | | | | | |
| Russia (Baltic) | 30,000 | 195.0 | 22.0 | 217.0 | 199.9 | 190.0 | -9.9 |
| Romania | 25,000 | 200.0 | 25.0 | 225.0 | 207.1 | | -17.1 |
| Egypt | 30,000 | 205.0 | 25.0 | 230.0 | 211.7 | | -21.7 |
| Average delta | | | | | | | -16.2 |
| Ammonia | | | | | | | |
| FSU | 35,000 | 287.0 | 60.0 | 347.0 | | \$pt cfr Tampa 325.0 | -22.0 |
| Middle East | 25,000 | 290.0 | 80.0 | 370.0 | | Nov price | -45.0 |
| Average delta | | | | | | | -33.5 |

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

| World Market Status | | |
|---------------------|--------|--|
| Product | Status | Remarks |
| Granular Urea | Firm | The US is now paying the best prices worldwide for granular urea. Further spot tonnage has been booked from Egypt at up to \$300pt fob. Other markets are waking up with Italy short due to a plant outage and Asia's main consumer Thailand vying for December/January shipments at ever increasing numbers. The outlook remains very firm. |
| Prilled Urea | Firm | FSU prilled urea prices have surged to \$260pt fob Black Sea as high granular prices have encouraged buyers to move for the cheaper grade. India has yet to announce a tender but needs to buy. Rising Chinese prices make the Black Sea the cheapest potential supply option. |
| UAN | Firm | Spot demand from Argentina coupled with major inquiry for the US have lifted Romanian UAN prices above \$200pt fob. French buyers are also receiving significantly higher quotes for spring 2010 and will witness even higher levels as the year draws to a close. |
| Ammonia | Stable | As expected the Tampa price retraced \$30pt for December, down to \$325pt cfr. Other buyers will now look for lower prices for December shipments, including Morocco and India. |



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Urea

Market lifts off - worldwide

Urea prices are soaring upwards. A frenzy of buying activity has been evident over the past few days bringing back memories of what a real bull market is like. Traders are booking granular at virtually any reasonable price for shipment to North America while prilled prices have also shot upwards with buyers who can choose opting for the much cheaper grade. The general tightness has been exacerbated by an unexpected outage in Italy and news that a major turnaround is scheduled in Venezuela. In the east, Chinese production has been cut at a time when product is heavily committed for December. Domestic prices have moved up as winter storage buying has moved into full swing adding to the difficulties of traders/buyers seeking December tonnage.

All of the above has occurred without India entering the market. Talk of shortages abounds in India and has become an issue in parliament. India needs to buy but the system appears frozen for the short term. This is not expected to last and a tender is expected to be announced shortly. Some sources indicate this will be down to a meeting on 4 December. Meanwhile, one agency has been trying to line up tonnage in advance of any tender but buying ideas of \$290pt cfr are totally unattractive to traders and suppliers alike. Latest price developments include:

- Indonesia - granular sold at \$297pt fob for December
- China - Granular quoted at \$290pt fob and prills over \$280pt fob
- Middle East - US prices reflect \$300pt fob for granular
- USA - Barges have traded at \$310ps ton
- prompt, \$320pst fob Feb 2010

- Egypt - Granular has sold at \$300pt fob and is on offer at \$310-315pt
- Yuzhnyy - Bids for prilled urea are close to \$260pt fob

As the above illustrates, the strength of the granular sector is now influencing prilled prices strongly. This illustrates that all urea is tight, irrespective of grade. In the coming months there appears to be little chance of a price damaging inventory build up in any major export area. Higher prices are guaranteed and the major question facing the market is not whether prices will rise but by how much.

UAN

Black Sea above \$200pt fob

UAN prices in the Black Sea have risen above \$200pt fob with a Romanian cargo sold this week at that level. In the US Q1 prices are at \$200ps ton for railcars. In France, Euros 135-140pt FCA Rouen is being offered for spring 2010.

Higher prices have tempted some additional production back to the market with one Ukrainian cargo sold for December shipment. Further, Lithuania and Poland can make money at these levels and, thus, over the coming months, export volumes could increase. However, these volumes seem likely to be insignificant given the prospects for further heavy purchasing by the USA and France. Higher prices seem assured.

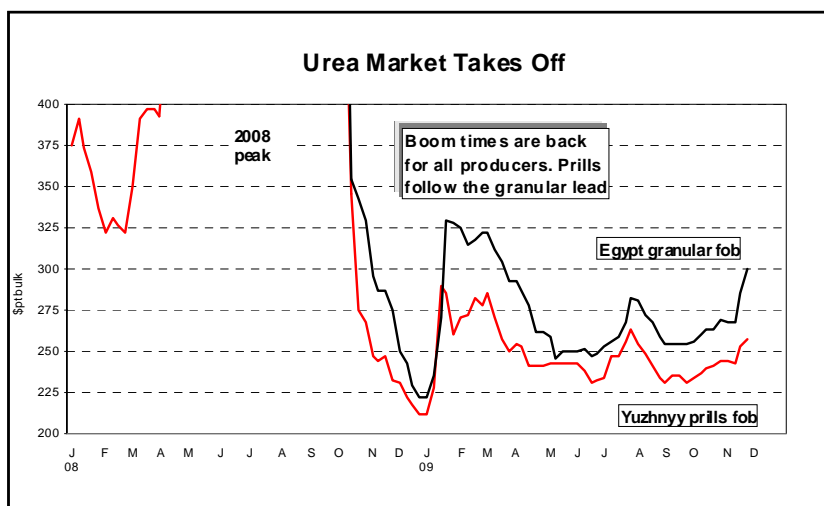
Ammonia

Tampa slides \$30pt

As expected ammonia prices have softened with the Tampa conclusion for December \$30pt down on November at \$325pt cfr. In the FSU prices are also under some pressure for December with sales reported this week around \$290pt fob. One producer has been unable to place product and this will now be carried into late December.

In Asia the latest spot tender brought a marginal reduction in prices to \$337-338pt cfr. However, there are reports of a subsequent sale at a lower level reflecting below \$285pt fob Middle East.

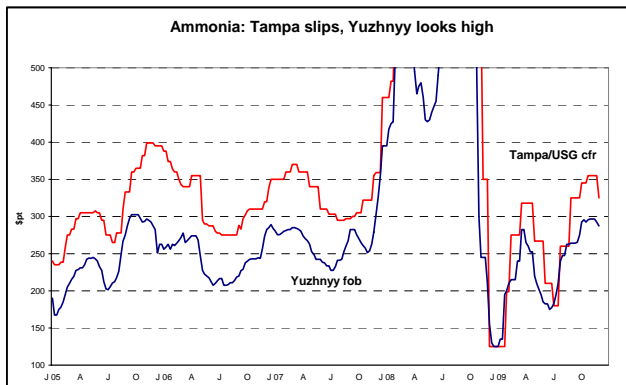
The drop in ammonia prices is not expected to be disastrous for low-cost producers as there is strong support from the downstream processing side, for nitrates and phosphates. Rossosh for example is





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building up its NPK production which will reduce ammonia availability in December. Global industrial demand for ammonia is also rebounding. Further, in January the prospect of an increase in Ukrainian gas prices is looming, an increase that could raise the gas cost of ammonia alone in Ukraine to \$340pt – this is before other costs and movement to the port are taken into account. Whether Ukraine ends up paying this price remains to be seen.



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