



# PROFERCY USA

*US nitrogen prices and the Global perspective*

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*Publisher of The Profercy Report*

23 October 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
<b>Granular Urea</b>							
Middle East	35,000	265.0	27.0	292.0	267.9	248.0	-19.9
Venez/Trinidad	20-25,000	256.0	23.0	279.0	256.1		-8.1
Egypt	25,000	265.0	25.0	290.0	266.1		-18.1
China panamax	55,000	267.0	30.0	297.0	272.4		-24.4
<b>Average delta</b>							<b>-17.6</b>
<b>Prilled Urea</b>							
Libya	20,000	232.0	25.0	257.0	236.1	255.0	18.9
Romania	25,000	250.0	30.0	280.0	257.0		-2.0
Middle East	25,000	265.0	30.0	295.0	270.6		-15.6
<b>Average delta</b>							<b>0.4</b>
<b>UAN</b>							
Russia	30,000	142.0	28.0	170.0	157.2	135.0	-22.2
Romania	25,000	150.0	32.0	182.0	168.1		-33.1
Egypt	30,000	145.0	30.0	175.0	161.8		-26.8
<b>Average delta</b>							<b>-27.4</b>
<b>Ammonia</b>							
FSU	35,000	295.0	60.0	355.0		<b>\$pt cfr Tampa</b> 355.0	<b>0.0</b>
Middle East	25,000	300.0	80.0	380.0		Nov price	<b>-25.0</b>
<b>Average delta</b>							<b>-12.5</b>

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

World Market Status		
Product	Status	Remarks
<b>Granular Urea</b>	<b>Firm</b>	The market is relatively solid although the high returns reflected by Pakistan for M East suppliers are out of line with other areas - Thailand, SE Asia and any points West. Egyptian product is around \$265pt fob and will head for Europe rather than the USA in November. US prices remain the lowest worldwide.
<b>Prilled Urea</b>	<b>Firm</b>	Black Sea urea prices have edged higher with sales made to traders at \$242 up to \$245pt fob this week. These prices only work for Pakistan and Latin American markets reflect much lower returns - sub \$235pt fob bulk. Chinese prices are up at \$263-265pt fob.
<b>UAN</b>	<b>Firmer</b>	UAN prices have picked up with Romanian product sold over \$150pt for November shipment to Europe. Russian product has also been booked for the US at levels reflecting \$170pt cfr east coast, around \$154ps ton. The weaker dollar is aiding movement to France.
<b>Ammonia</b>	<b>Stable</b>	The Tampa price increased by \$10pt for November deliveries. This is widely viewed to be the peak of the market. FSU supplies will increase in November due to NPK plant shutdowns.



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### Urea

Pakistan has continued its heavy round of buying over the past week with prices paid reflecting over \$270pt fob Middle East and over \$240pt fob Yuzhnyy. Black Sea prices have increased as traders have competed for tonnage to cover sales to India and Pakistan. \$242-243pt fob Yuzhnyy has been paid and there are rumours that \$245pt fob may have been achieved.

While Pakistan has paid close to \$300pt cfr bulk for urea, markets elsewhere have not offered such benefits for producers.

- Latin America is slow and is not offering returns above the low-\$230s pt fob Baltic. Buyers there certainly will not book Black Sea product at over \$240pt fob at this stage.
- The US market is quiet (even if short of inventory) with barge prices reflecting around \$270pt cfr for granular. Q1 2010 prices are healthier but still only reflect \$285-290pt cfr. The current US price represents sub-\$250pt fob for Egyptian granular urea and below \$245pt fob for Middle East product (35-40,000t shipments).

Thus, cfr prices are now massively out of line and, while the market has a good foundation, it is unlikely in the short term that demand in other areas will improve sufficiently to enable producers to match the high netbacks reflected by Pakistan. This certainly appears to be the case with regard to the Middle East.

Despite the possibility of the current price run up losing momentum and even fob levels easing in some areas (the Middle East for example), producers are generally in a very comfortable position, especially in Ukraine. If prices do stabilize or even ease back in the Black Sea as November develops, there should be no collapse as, generally, the Global demand outlook for urea is promising and, as indicated before, the overall price trend is expected to be positive well into Q1 2010.

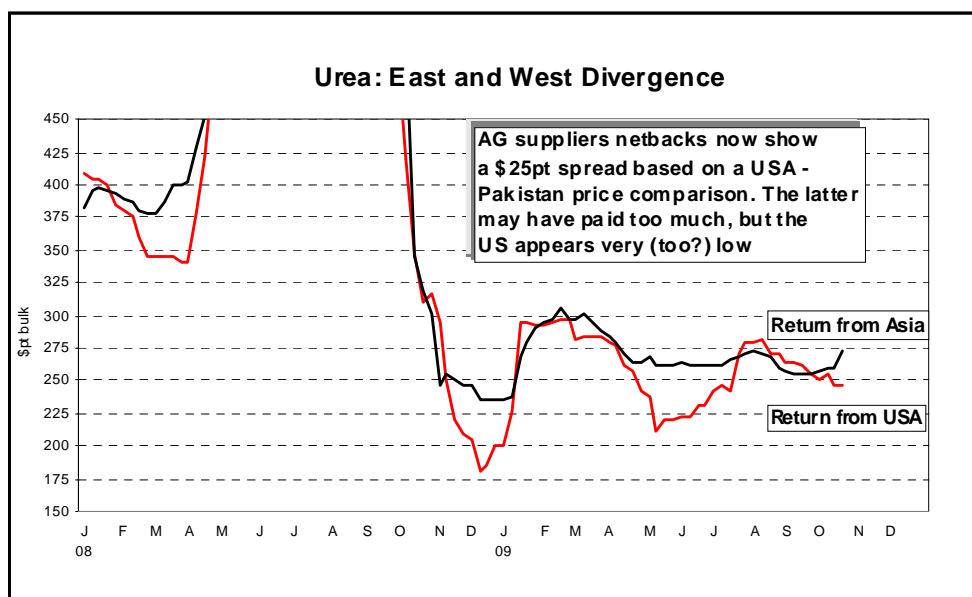
**US Gulf:** Granular urea prices are flat in the high-\$240s ps ton fob. Efforts are being made to buy lower but seller resistance is evident. The product from the just-arrived Sabic vessel was committed at a reported \$251ps ton fob. For Q1 2010 physical barges have traded at \$265ps ton fob.

Corn prices have had a good week with December trading close to \$4/bu on 22 October.

### UAN

UAN prices are picking up with levels over \$150pt fob paid in the Black Sea for product for Europe. Romania appears sold out through November while Egypt is also committed for the next 30 days.

US prices are also improving with barge quotes put around \$135ps ton fob Gulf. Product has been booked for November shipment to the US comprising two cargoes from the Baltic and possibly one from the Black Sea.



### Ammonia

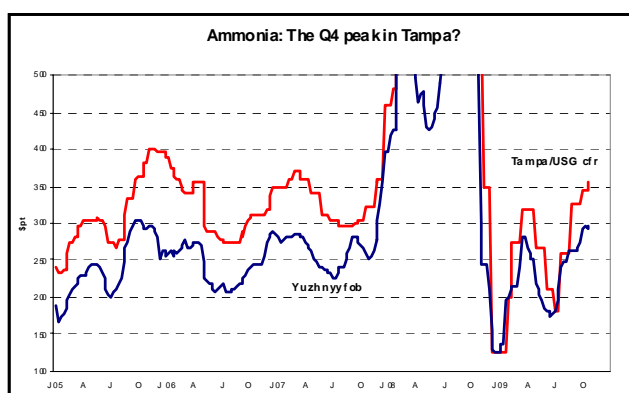
Ammonia prices have edged higher in the Black Sea to approach \$300pt fob. However, levels well above \$300pt fob are necessary to encourage a significant increase in Ukrainian production. Elsewhere, the latest spot inquiry in India has offered returns over \$300pt fob for Middle East product. The Indian cfr price is now almost in line with Tampa.

As regards the US, the Tampa price for November has been increased by \$10pt to \$355pt cfr. While this increase reflects that



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the market is tight for now, it is believed that this may well be the peak for Tampa on the current price run. Supply appears to be increasing in some areas. Ukrainian availability has improved with two producers moving ammonia by railcar to Yuzhnyy while production cutbacks in the NPK sector also seem set to release more FSU ammonia into the market. One further point is that DAP margins are under pressure and the ability of the industry to absorb further cost increases could be called into question. This includes India where domestic DAP production is becoming more marginal compared with importing DAP.



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