



PROFERCY USA

US nitrogen prices and the Global perspective

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18 December 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	310.0	32.0	342.0	313.3	310.0	-3.3
Venez/Trinidad	20-25,000	310.0	20.0	330.0	302.4		7.6
Egypt	25,000	320.0	28.0	348.0	318.7		-8.7
China panamax	55,000	320.0	45.0	365.0	334.1		-24.1
Average delta							-7.1
Prilled Urea							
Libya	20,000	250.0	25.0	275.0	252.5	290.0	37.5
Romania	25,000	290.0	35.0	325.0	297.8		-7.8
Middle East	25,000	295.0	40.0	335.0	306.9		-16.9
Average delta							4.3
UAN							
Russia (Baltic)	30,000	195.0	22.0	217.0	199.9	185.0	-14.9
Romania	25,000	195.0	25.0	220.0	202.6		-17.6
Egypt	30,000	198.0	25.0	223.0	205.3		-20.3
Average delta							-17.6
Ammonia							
FSU	35,000	270.0	60.0	330.0		\$pt cfr Tampa 300.0	-30.0
Middle East	25,000	280.0	80.0	360.0		Jan price	-60.0
Average delta							-45.0

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

World Market Status		
Product	Status	Remarks
Granular Urea	Firm	Despite the slight wobble witnessed in the prilled urea sector, granular urea prices are firm with traders paying high prices for product for shipment to Europe ex-Egypt. Europe and the USA will compete for granular in January and this is expected to lead to even higher prices as the New Year gathers momentum
Prilled Urea	Stable	Chaos in India has briefly undermined the prilled market and prices have been marked down \$10pt. However, the bloodletting now appears to be over and there is renewed interest evident in booking long positions for January shipment from the FSU.
UAN	Stable	The uncertainty in the urea market coupled with a strengthening Euro have resulted in a brief drop in UAN prices over the past two weeks. Romanian and Egyptian product has traded just below \$200pt fob. However, the reductions are considered temporary. Demand will resurface in January.
Ammonia	Weak	The Tampa contract price for January was settled at \$300pt cfr, \$25pt down on December. Tampa may now be at or close to the floor but FSU prices still need to adjust a little lower.



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Urea

Prills wobble, granular steadfast

The prilled sector of the urea market has floundered over the past week due to the short-term loss of effective Indian demand. Traders with product partly lined up for India have had to sell their tonnage in Turkey, Italy and Latin America at levels down to \$250pt fob Yuzhnyy equivalent. Baltic prices have also suffered with prices now put at \$245-250pt fob. Asian cfr prices have also eased back with Vietnamese buyers out of the market and not prepared to pay over \$310pt cfr at this stage. This is well out of line with current Chinese price ideas, which remain over \$300pt fob for January due to the strong domestic market.

In contrast to the position for prills, granular prices have fared well due to this product's greater reliance on liberalized and more predictable markets. For even though US prices have dipped temporarily, European buyers have been prepared to pay \$317pt fob for Egyptian product for December shipment. Further, in Asia Thailand has bought granular at \$330pt cfr reflecting over \$300pt fob Middle East. Meanwhile, forward US prices still offer good returns for Middle East product, over \$315pt fob for urea to ship in January and arrive February/March.

The \$60-65pt spread between prilled urea ex-Yuzhnyy and Egyptian granular is too large. It could be argued that granular is over priced, but with nitrate prices strong in Europe and the US still seemingly short for Q1 arrival, it is difficult to envisage any major drop in granular prices. Thus, the conclusion is that prills are too cheap and any buyer with the choice will no doubt move for the cheaper grade over the coming weeks.

USA: Granular urea for prompt movement has slipped back to \$305-310ps ton over the past few days. However, the position for January onwards is much more upbeat with bids at \$315ps ton for January and \$320-325ps ton fob for February and March.

Thus, despite the recent price correction, the outlook for the US market remains positive. Based on known shipments, imports through end February will be down 450-500,000t on 2008/09 implying the market will, if anything, be short in Q1 overall.

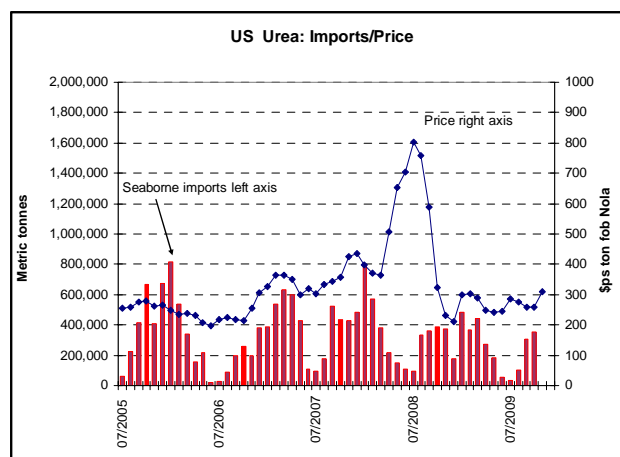
Urea imports were 444,000t in October comprising 93,000t from Canada and the balance from offshore. Granular deliveries to the Gulf were 286,000t

comprising 92,000t from Qatar, 65,000t from Oman, 61,000t from S Arabia, 44,000t from Bahrain and 24,000t from Venezuela/Trinidad.

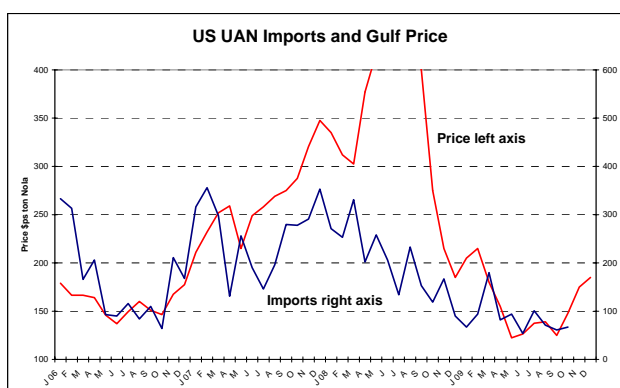
The July-October comparison in '000t is as follows:

	2008	2009	Change
Total	1,653	1,271	-23%
Canada	479	478	-
Offshore	1,174	794	-32%
Offshore gran Gulf*	1,029	699	-32%

* Estimated



UAN imports were just 67,000t in October comprising 34,000t from Canada and 33,000t from Russia. The July-October total was 300,000t, less than half the 639,000t of 2008.



UAN business remains thin with current, December, prices put in the \$180-185ps ton fob range. Forward prices are at much higher levels, \$200ps ton fob for February/March while \$210ps ton fob has traded for April 2010.



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Ammonia

Tampa dips \$25pt

Sluggish demand in the West coupled with the increased outflow of ammonia from Trinidad has brought renewed pressure on prices over the past week. This has culminated in the Tampa contract price for January being settled at \$300pt cfr, a \$25pt reduction from December.

In the Black Sea Ukrainian ammonia has been sold for January at a reported \$270pt fob. Asia appears more stable but here too prices are under some pressure. Additional volumes continue to emanate from UAE while all plants are running well obviating any need to move product from the West.

The latest conclusion in Tampa reflects below \$250pt fob Black Sea, a level that would prove completely unworkable for Ukrainian suppliers in January. As such there is an argument that the Tampa price may be near the floor – it has dropped \$55pt from its peak. However, there is no early sign of the extra product from Trinidad being cut back as the start up date of the UAN facility remains uncertain. Thus, for the short term at least, there appears no reason for buyers to be concerned that prices will suddenly rebound in the weeks ahead.

For further details of

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