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USA

US nitrogen prices and the Global perspective

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15 January 2010		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	315.0	37.0	352.0	322.3	320.0	-2.3
Venez/Trinidad	20-25,000	333.0	20.0	353.0	323.2		-3.2
Egypt	25,000	333.0	28.0	361.0	330.5		-10.5
China panamax	55,000	320.0	43.0	363.0	332.3		-12.3
Average delta							-7.1
Prilled Urea							
Libya	20,000	275.0	28.0	303.0	277.9	315.0	37.1
Romania	25,000	305.0	35.0	340.0	311.4		3.6
Middle East	25,000	300.0	45.0	345.0	316.0		-1.0
Average delta							13.2
UAN							
Russia (Baltic)	30,000	207.0	22.0	229.0	210.7	190.0	-20.7
Romania	25,000	215.0	28.0	243.0	223.4		-33.4
Egypt	30,000	210.0	25.0	235.0	216.2		-26.2
Average delta							-26.8
Ammonia							
FSU	35,000	285.0	60.0	345.0		\$pt cfr Tampa 300.0	-45.0
Middle East	25,000	330.0	80.0	410.0		Jan price	-110.0
Average delta							-77.5

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

World Market Status		
Product	Status	Remarks
Granular Urea	Firm	As expected European demand has resulted in a further major jump in Egyptian granular urea prices with 60,000t sold this week in the low to mid-\$330s pt fob. A Venezuelan cargo also sold at \$333pt fob for a non-US destination, possibly Mexico. In Asia, Chinese granular is well committed and most major tonnage has been sold.
Prilled Urea	Stable/firm	It has been a relatively slow week for prilled urea. However, returns for sales to Turkey are close to \$270pt fob Yuzhnyy while there are reports that a 40,000t sale has been made to a trader over \$270pt fob Yuzhnyy, possibly to cover business in India.
UAN	Firm	Romanian UAN has sold at \$215-217pt fob over the past week with Europe the destination. An Egyptian cargo also achieved \$210pt fob, again for shipment to Europe (France). A Russian cargo has been booked for the US west coast but no price details were available at press time.
Ammonia	Firm	Prices have raced ahead in the Middle East with a spot cargo sold for February at \$330pt fob. FSU supply is tight due to pumping delays. Prices have risen to \$285-295pt fob in the Baltic.



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Urea

Egyptian granular boosted by Europe

The urea market remains fundamentally firm. However, this week business has been relatively slow in the West with prices generally viewed as stable in most areas. Egypt is the exception where 60,000t of granular has been sold for shipment to Europe over \$330pt fob.

The latest Egyptian price is well ahead of returns possible in the US where granular for January dipped to \$318ps ton fob Nola briefly this week. Significantly, this encouraged some heavy purchasing by one or two buyers and over 40,000t of January barge tonnage has been scooped up at up to \$322ps ton fob.

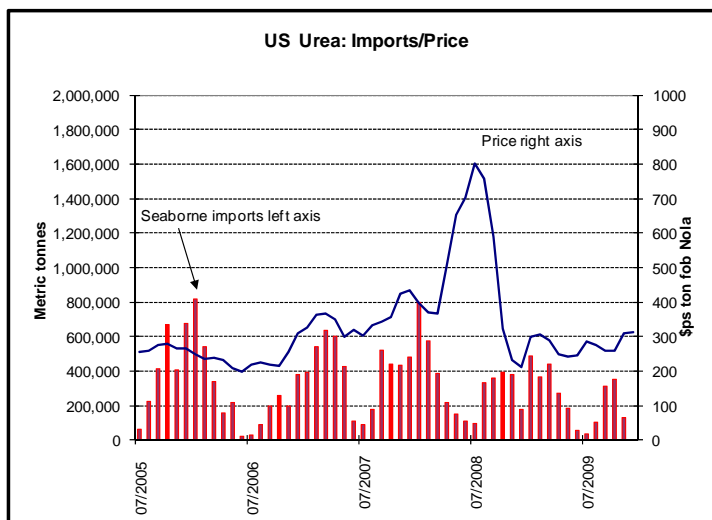
As regards prills in the West, slightly higher returns have been possible in Turkey, close to \$270pt fob Yuzhnyy, but traders generally have yet to feel comfortable booking long positions over this price. The differential with granular is now huge and some buyers are considering the cheaper grade. However, a massive flight from granular is unlikely, particularly in Europe, which augurs well for Egyptian granular price prospects in February/March

In Asia, Chinese prilled prices have moved back towards \$300pt fob while granular is tight and quoted at \$320pt fob and above. Over 100,000t have been sold this week in Thailand, the Philippines and the Americas clearing most available tonnage. As regards India, latest news indicates a tender may be possible for February/March shipments. However, after the frustration of the last tender, no real confidence can be attached to the expectation that India will buy in the short term.

Despite the slight confusion over immediate price prospects and the fragmented nature of this week's business, the next major move in urea prices generally is expected to be up. Some demand has been pushed back by uncertainty and weather-related factors (in Europe and the US) but this will no doubt re-emerge as Q1 develops. Thus, the price outlook for suppliers remains positive.

US Gulf: Granular urea prices eased below \$320ps ton fob for January in the early part of the week. This triggered a rush of buying with two companies booking over 40,000s tons at \$319-322ps ton fob. CF alone is reported to have booked 30,000s tons.

Despite the negative fallout from this week's USDA report, the forward position remains tight. Imports remain down on last year (see table) while agricultural commodity prices are still healthy. Further, the latest prices paid in Egypt for granular urea shipments to Europe imply US prices will need to rise to attract additional volumes.



Urea imports were 306,000t in November, down 38% on November 2008. Of this total, 178,000t were supplied by Canada. Venezuela and Qatar supplied 50,000t each and Trinidad 27,000t.

The figures for July-November in thousand tonnes were as follows:

	2009/10	2008/09	Change
Total	1578	2144	-26%
Canada	655	593	+10%
Offshore	923	1551	-40%
USG est*	826	1389	-40%

- Granular to US Gulf/east coast

UAN

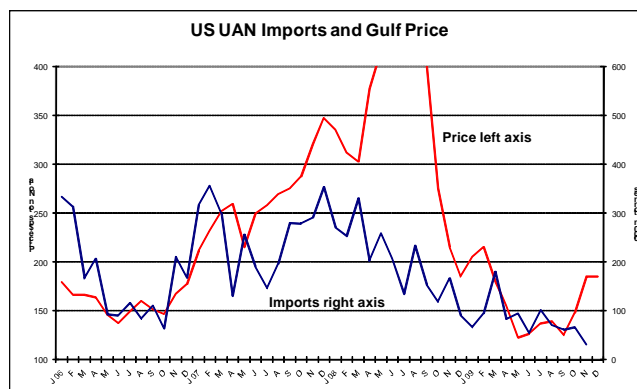
Romanian price hits \$215-217pt fob

UAN prices are firming up again with latest sales in Romania at \$215-217pt fob and US prices up to \$190ps ton fob Nola. Buyers on the east coast of the US have been receiving offers in the \$225-230pt cfr range but these are now expected to increase.

US UAN imports were just 31,000t in November, all from Canada. The January-November total was 903,000t, 61% down on 2008. The chart below outlines the slump in import volumes since the peak of Q4 2007/Q1 2008.



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Ammonia

Sharp price gains in Middle East

Ammonia prices have rebounded dramatically this week on the back of buoyant Asian demand and supply shortfalls in the West. In the Middle East \$330pt fob has been paid for a spot cargo for February shipment. This follows on from sales into South Korea at \$365 and then \$375pt cfr ex-Australia and Indonesia.

In the West almost two weeks of zero tonnage being pumped to Yuzhnyy by Togliatti has created a severe supply squeeze at a time when demand for ammonia is building in Europe. Further, urea is now being produced at the new MHTL UAN facility in Trinidad and full-scale production of UAN is imminent. This removes 60,000t/m of merchant ammonia from the market. This will hit not only Morocco but also the US. FSU shipments to the US have been negligible over the past 6 weeks (just one cargo) with Yara increasingly moving its product to Europe and Nitrochem covering North Africa/Belgium. New shipments to the USA look set to be few in number over the coming weeks given the demand build up in Europe and catching up exercise necessary in Yuzhnyy. This sets the platform for a sharp increase in Tampa contract prices for February.

For further details of

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