



# PROFERCY USA

*US nitrogen prices and the Global perspective*

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*Publisher of The Profercy Report*

14 May 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
<b>Granular Urea</b>							
Middle East	35,000	245.0	46.0	291.0	267.0	269.0	2.0
Venez/Trinidad	20-25,000	245.0	25.0	270.0	247.9		21.1
Egypt	25,000	245.0	30.0	275.0	252.5		16.5
China panamax	55,000	275.0	45.0	320.0	293.3		-24.3
						<b>Average delta</b>	<b>3.8</b>
<b>Prilled Urea</b>							
Libya	20,000	230.0	30.0	260.0	238.9	255.0	16.1
Romania	25,000	245.0	35.0	280.0	257.0		-2.0
Middle East	25,000	245.0	47.0	292.0	267.9		-12.9
						<b>Average delta</b>	<b>0.4</b>
<b>UAN</b>							
Russia (Baltic)	30,000	165.0	30.0	195.0	179.9	195.0	15.1
Romania	25,000	165.0	35.0	200.0	184.4		10.6
Egypt	30,000	165.0	32.0	197.0	181.7		13.3
						<b>Average delta</b>	<b>13.0</b>
<b>Ammonia</b>							
FSU	35,000	310.0	60.0	370.0		\$pst cfr Tampa 405.0	35.0
Middle East	25,000	310.0	80.0	390.0			15.0
						<b>Average delta</b>	<b>25.0</b>

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

World Market Status		
Product	Status	Remarks
Granular Urea	Soft	This week has brought another round of price reductions for granular urea. Middle East product has been on offer in Thailand at \$245pt fob equivalent while Egyptian prices have also fallen to \$246pt fob. The same netback has been achieved for a Venezuelan cargo sold to east coast Mexico. The outlook remains bearish.
Prilled Urea	Soft	Russian urea has been sold into Latin America over the past few days at levels reflecting \$220-225pt fob Baltic. Higher freights are squeezing returns in what remains a buyers' market. In Asia, Chinese urea is uncompetitive at current asking levels over \$260pt fob.
UAN	Soft	Traders are attempting to increase prices in France due to the weakness of the Euro. This may prove possible but, generally, UAN remains soft. There is speculation that a sharp drop in summer prices in the USA will lead to major export activity from the Gulf.
Ammonia	Soft	Latest sales to India point to Middle East netbacks around \$310pt fob. FSU prices are also down which has prompted both OPZ and Gorlovka to cut production. This may help to balance the market in June.



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### Urea

#### Price slide continues

Urea prices are down again on thin business in most areas. There is still no sign of a real price floor in sight in any of the major export areas. In latest activity:

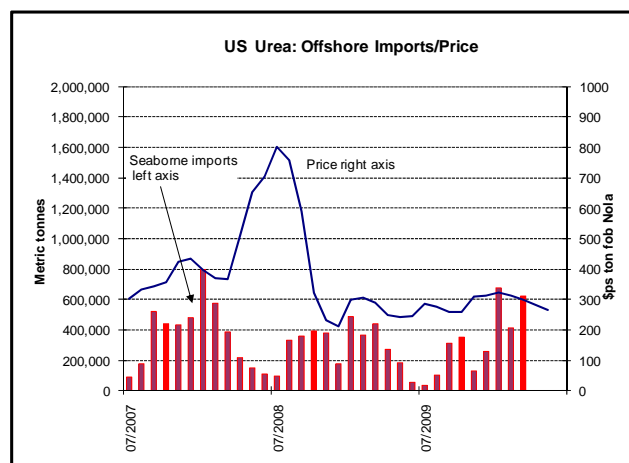
- Middle East granular urea has been offered into west coast USA sub-\$245pt fob
- Egyptian granular urea has sold at \$246pt fob, equivalent to \$230pt fob Yuzhnyy for dutiable FSU prills in Turkey with no account taken for quality. The steady decline of the Euro against the US Dollar is a major negative factor for Egyptian granular urea in EU markets.
- Russian urea has been sold into Latin America at \$225pt fob Baltic fast ports, \$220pt fob St Petersburg.
- US prices are slipping with prompt barges now put in the \$265-270ps ton fob Nola range.
- Chinese prices are lagging with suppliers there unable or unwilling at this stage to consider selling at or below \$260pt fob. China could lose market share to Middle East product in Southeast Asia/Bangladesh.
- Pakistan has announced a tender for 200,000t of urea but this will not close until 5 June implying shipments second half June at the earliest. India continues to frustrate the market.
- Countering all the price negative news above, there are reports that the Ukraine gas price will increase from 1 July, potentially raising the floor for most suppliers to well over \$230pt fob.

Despite the last point, which could influence the eventual floor price of FSU urea, for now producers are generally unable to build strong forward order books as last-minute buying of base quantities is the norm. This is a major negative short term as it means unsold tonnage carries from one month to the next, held in producer inventory. This is likely to be the case again when May draws to a close.

**US Gulf:** Prompt granular urea barges are put around a weak \$270ps ton fob but the real position is difficult to assess due to the lack of new business. On the paper market \$235ps ton fob is being bid for Q3 against \$241ps ton fob offered.

**US urea imports** were 771,000t in March, the second highest total of the fertilizer year. July through March imports were 4.14m. tonnes, just down on the 4.24m. tonnes of 2008/09. Canadian deliveries were up slightly at 1.25m. tonnes (1.12mt in 08/09) and offshore imports down from 3m. tonnes to 2.89m. tonnes.

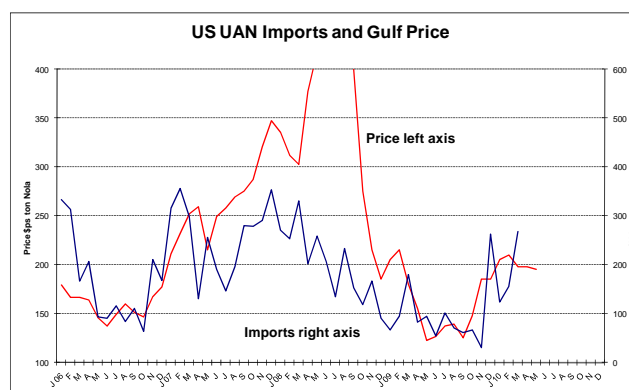
March saw around 600,000t of granular urea arrive in the Gulf/east coast with Oman the largest supplier (142,000t), China 138,000t and Kuwait 86,000t. Imports slowed in April and are expected to be limited this month and in June.



### UAN

#### US exports may feature in Q3

UAN buyers are now concentrating their efforts on ending the season with limited or no stocks. Attention is turning to the potential downside for UAN. With production costs sub-\$100ps ton, it is felt that the 2009 floor levels of \$120-125ps ton fob Gulf will be tested with some even believing sub-\$100ps ton fob is possible. Further, in 2009 around 300,000t of UAN were exported from the Gulf and exports are expected again this year suppliers look to move summer production.





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US UAN imports were 268,000t in March, up 49% on March 2009. The 9-month total was 1.14m. tonnes, down almost 100,000t on July 2008-March 2009.

### Ammonia

#### More closures announced

Ammonia prices have fallen further in India with a new spot sale concluded this week at \$305-310pt fob Middle East equivalent. In the FSU ammonia prices are also down with Russian product sub-\$300pt fob Ventspils and Yuzhny nominally put at \$310-315pt fob with no new business to report.

The price drop in Yuzhnyy has, significantly, resulted in the closure of the only operating plant at Gorlovka while OPZ is also planning an early turnaround on one line. Given that gas prices are expected to increase from 1 July, it possible the plant will not restart. In Iran meanwhile, containment issues rather than gas prices have reportedly forced the closure of the new ammonia unit at Pars. This was operating independently of the urea unit scheduled for July start up, thereby boosting ammonia supply in the area and hitting prices hard.

The potential loss of most Ukrainian product again for the first time since September 2009 could set a price floor and perhaps prove a problem for buyers as summer approaches. Ukrainian producers may not rush to resume production if there are no guarantees that prices will stay well above breakeven.

In second half May 2009 ammonia was below \$200pt fob Yuzhnyy with only Russian product available. Prices bottomed out in mid June at \$170-180pt fob when Russian producers themselves started to cutback. Given that demand for ammonia is above year-ago levels, the loss of Ukrainian ammonia alone this year could have more of an immediate impact on the market.

For further details of

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