



# PROFERCY USA

*US nitrogen prices and the Global perspective*

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*Publisher of The Profercy Report*

28 May 2010		World/US Price Comparison					
Product and origin	Cargo size metric tonne	Fob \$mt	Freight \$mt	cfrr Gulf \$mt	Equals \$pst fob Gulf	Current Price \$pst fob Gulf	Current US price - Import cost
<b>Granular Urea</b>							
Middle East	35,000	240.0	45.0	285.0	261.6	245.0	-16.6
Venez/Trinidad	20-25,000	240.0	25.0	265.0	243.4		1.6
Egypt	25,000	230.0	30.0	260.0	238.9		6.1
China panamax	55,000	260.0	45.0	305.0	279.7		-34.7
						<b>Average delta</b>	<b>-10.9</b>
<b>Prilled Urea</b>							
Libya	20,000	220.0	30.0	250.0	229.8	235.0	5.2
Romania	25,000	240.0	35.0	275.0	252.5	nominal	-17.5
Middle East	25,000	240.0	47.0	287.0	263.4		-28.4
						<b>Average delta</b>	<b>-13.5</b>
<b>UAN</b>							
Russia (Baltic)	30,000	165.0	30.0	195.0	179.9	190.0	10.1
Romania	25,000	160.0	35.0	195.0	179.9		10.1
Egypt	30,000	160.0	32.0	192.0	177.2		12.8
						<b>Average delta</b>	<b>11.0</b>
<b>Ammonia</b>							
FSU	35,000	300.0	60.0	360.0		\$pst cfr Tampa 370.0	10.0
Middle East	25,000	300.0	80.0	380.0			-10.0
						<b>Average delta</b>	<b>0.0</b>

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

World Market Status		
Product	Status	Remarks
Granular Urea	Soft	Pressure to place Egyptian granular urea continues. Traders have been shorting sales in Turkey and Brazil sub-\$230pt fob bulk equivalent while Q3 offers into NW Europe reflect \$220pt fob. In Asia Middle East prices were cut sharply in India to \$247-248pt fob with India countering around \$10pt lower.
Prilled Urea	Soft	Black Sea prices have fallen sharply with \$218pt fob conceded for first half June tonnage. Baltic prices are also down at \$215pt fob and below chasing business in Brazil. Chinese product has sold sub-\$250pt fob ex-bonded store but July is offered \$10pt higher.
UAN	Soft	Traders are bidding at \$130ps ton fob US for mid-year product to cover short sales taken in France. This aggressive approach is based on expectations of the usual sharp drop in US prices in the summer months and the likely enthusiasm of producers to build order books.
Ammonia	Soft	Ammonia prices are easing down, albeit at a slower pace. Iranian product has sold around \$300pt fob while Ukrainian product is put around the same level with no new business to report.



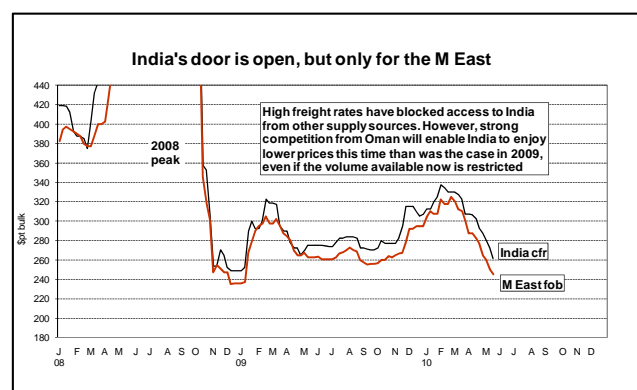
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### Urea

#### Prices slump in West

While India and Pakistan should provide good outlets for Middle East product, albeit at low prices, no such luxury exists for suppliers West of Suez. Frozen out of Asia by high freights and competitive Middle East pricing, FSU and Egyptian producers are competing hard for business in Europe and Latin America. Prices are falling. In latest developments:

- 15,000t of Russian urea have been sold in Brazil at around \$215pt fob Baltic equivalent
- 20,000t of Ukrainian urea have been sold at \$218pt fob for first half June shipment
- Egyptian granular urea has been sold into Italy and Turkey at sub-\$230pt fob while \$220pt fob is being offered in NW Europe for Q3
- US prices have slipped sub-\$250ps ton fob Gulf with observers there expecting a slide to \$220ps ton fob mid-year. This is around \$240pt cfr Gulf, \$210pt fob Egypt equivalent.



On the positive side for the nitrogen market, new nitrate prices in France are higher than was anticipated and some interest in granular urea is beginning to develop as a result. However, this alone will not change overall market direction. Major buying by India and Brazil/L America are much more important factors. Some believe the current headline cfr price in India, around \$260pt cfr Kandla, could be a floor for the year. If this proves the case, it would imply that the Black will find support at \$205-210pt fob and Egypt at \$215-220pt fob. Based on \$265-270pt cfr east coast India, Chinese product would need to be \$230-235pt fob. This compares with an absolute low of around \$240pt fob China last year. The lower the price witnessed by China, the less will likely be exported.

If the India netback theory is correct, urea prices may not be too far from the floor. June is set to be a crucial month which may finally bring the 5-month price slump to an end.

**US Gulf:** Urea prices are sliding fast on the Gulf. Prompt barges of granular urea are now put at \$238-240ps ton fob Nola although business was concluded earlier in the week at \$249ps ton fob.

Barges in position upriver are achieving a premium, selling in the low-\$260s pt fob Gulf equivalent. Warehouse prices also reflect higher returns, \$255-265ps ton fob Gulf.

CF has cut its prices for Q3 to \$250ps ton fob for July and August. \$260 ps ton is listed for September rising to \$285ps ton fob for January 2011. Meanwhile, a trader has been offering physical barges for Q3 in the high-\$230s ps ton fob Nola while on the paper market \$238ps ton fob has been bid for the same period.

### UAN

#### Market soft

The general tone of the UAN market remains weak. However, the biggest price adjustment still to come is in the USA where traders are already bidding around \$130ps ton fob for mid-year export tonnage for Europe. This is well below bids for Q3 in the paper market. With production cut back elsewhere, Poland, Lithuania, Egypt and Romania, the US may be the only viable source to cover short sales in France.

French prices are holding in slim pre-IFA business. The new AN prices announced on 27 May imply that UAN is underpriced in France which is positive for the market.

**USA:** There is some interest in prompt UAN for shipment to the east coast. Growmark is reportedly in the market with ideas around \$190-195pt cfr. Acron is offering around \$200pt and a freight inquiry is evident for 16,000t Sillamae east coast loading early June, rated at \$28-29pt. As regards July arrivals, buyers' price ideas are around \$160pt cfr east coast, reflecting a very low \$130pt fob Baltic.

CF has cut its UAN prices to \$6/unit for June through August. The company is looking to build a forward order book. Traders short for France for June-September delivery have been bidding around \$130ps ton fob (\$143pt fob).



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### Ammonia

#### Big drop over, but some further price slippage expected

Ammonia prices are continuing to drift lower in thin trading. The latest spot sale of Iranian product is believed to have been concluded around \$300pt fob while Black Sea prices are now, arguably, sub-\$300pt fob. Nearby demand is covered in the West with no interest in spot tonnage in NW Europe, Turkey covered for most of June and OCP Morocco also comfortable until late June. In India, the latest spot inquiry implies a price sub \$300pt fob Middle East.

Although the ammonia market is weak, production is being cut back with Gorlovka running just one line and OPZ due to close one unit in early June for at least two weeks. Ukrainian producers are lobbying for a \$36/'000 cbm cut in gas prices for Q3, but even if granted this would keep most producers costs over \$300pt fob Yuzhnyy (excluding OPZ).

#### For further details of

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