PROFERCY USA

US nitrogen prices and the Global perspective

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27 August 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 $pst fob Gulf	Current US price - Import cost
Granular Urea							
Middle East	35,000	300.0	25.0	325.0	297.8	295.0	-2.8
Venez/Trinidad	20-25,000	308.0	18.0	326.0	298.7		-3.7
Egypt	25,000	335.0	25.0	360.0	329.6		-34.6
China panamax	55,000	300.0	35.0	335.0	306.9		-11.9
						Average delta	**-13.3**
Prilled Urea							
Libya	20,000	280.0	25.0	305.0	279.7	290.0	10.3
Romania	25,000	298.0	30.0	328.0	300.6		-10.6
Middle East	25,000	295.0	30.0	325.0	297.8		-7.8
						Average delta	**-2.7**
UAN							
Russia (Baltic)	30,000	230.0	25.0	255.0	234.3	220.0	-14.3
Romania	25,000	240.0	35.0	275.0	252.5		-32.5
Egypt	30,000	235.0	32.0	267.0	245.2		-25.2
						Average delta	**-24.0**
Ammonia						**$pt cfr Tampa**	
FSU	35,000	367.0	60.0	427.0		425*	**#VALUE!**
Middle East	25,000	345.0	80.0	425.0			**#VALUE!**
						Average delta	**#VALUE!**

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

World Market Status

Product	Status	Remarks
Granular Urea	**Firm**	Strong European demand for granular urea is underpinning Egyptian prices. Bids are at $330-335pt fob for September tonnage. Middle East prices are also up on buoyant Latin American demand while Chinese and Indonesian product is also being easily placed in markets outside Asia, chiefly Latin America and Australia.
Prilled Urea	**Easing**	FSU prices have retraced over the past week due to uncertainty over the lifting of product booked from Ukraine for September shipment by a trading company. However, the reversal is probably temporary as buyers are entering the market to exploit the opportunity this presents.
UAN	**Firm**	The French market is continuing its advance with 30% N prices now close to Euros 200pt FCA Rouen. Egyptian and Romanian product is selling quickly and at ever higher prices, $235-240pt fob. Argentina and Canada remain in the market for spot cargoes.
Ammonia	**Firm**	Ammonia is tight for September and FSU prices seem set to exceed $370pt fob. Europe is short of product due to outages, planned and unplanned. Tampa has yet to be set for September - $425 is expected

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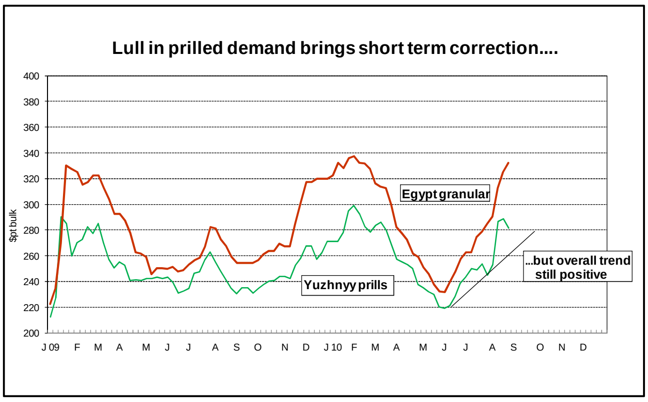
Urea

Prills poor short term, granular in good shape

While fundamentally sound, the urea market overall has been relatively directionless over the past week. Traders looking to cover short sales, some booked prior to the huge price run up in early August, have been bidding at levels in the low to mid-$270s pt fob for FSU product, without success to date. Prilled buyers, for example in Brazil, have joined the bargain hunt, bidding traders at levels reflecting sub-$270pt fob. Again, no low sales have been confirmed. In the East, Chinese prills are solid at around $285pt fob following the huge sales to India.

Granular producers have been insulated from the problems facing the prilled sector (fears over non-payment or shipment execution are not a concern):

- Indonesian product sold at $293.25pt fob, some for Australia where product is tight and demand for nitrogen buoyant due to high grain prices
- Middle East granular has sold for September shipment to Latin America at $300pt fob
- Egypt has been bid $330pt fob and may have sold at $335pt fob

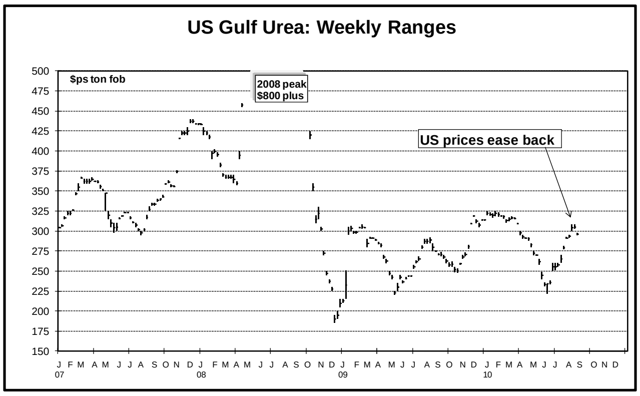


The negatives for granular, which could restrain further price advance short term, are a low US market – now reflecting $320pt cfr, and Thailand, $300pt cfr at best. The main positive for granular is Europe. Nitrates are tight and are expected to remain so through year end. Major price increases have been announced in UK and are expected in Germany, Benelux and France. The speculation is that Euros 25pt increases will be witnessed for AN/CAN which, based on price relationships with urea since mid 2009, would equate to $310-320pt fob Egypt for granular urea, not far from today's levels. If Egyptian prices hold at high levels, this should support other suppliers. Further, the huge differential with prilled urea, could/should lead to some product switching to the cheaper grade, preventing any major correction in prilled prices worldwide.

US Gulf: Prompt granular urea prices have eased back to $293-295ps ton fob. Product has been sold for September at $295ps ton with some buyers believing this is a fair price even though the import line up is not excessive.

US prices are well below replacement cost from all origins. Perhaps in recognition of this, bids for Q4 on the paper market are at $295ps ton fob. Q1 2011 is bid at $310ps ton fob.

Another positive factor for urea is that switching from UAN is in evidence among swing buyers. UAN is at a heavy, $15-20ps ton, premium to urea on a nutrient basis.



Granular imports: Trammo is in the freight market for 35-40,000t to load in Oman for Fairless Hills and Savannah.

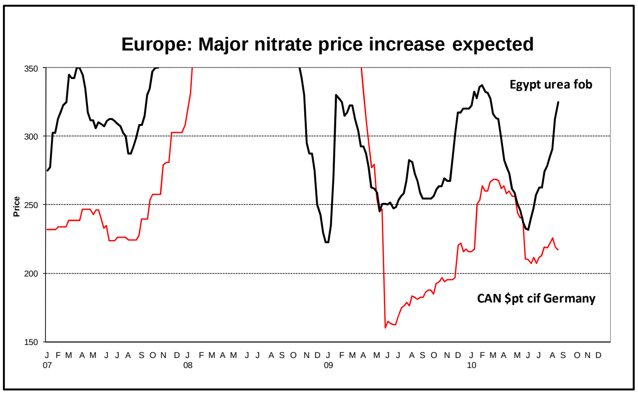
Nitrates

No end to price run up in sight

UAN prices are edging up. Egypt has sold 20,000t this week at $235pt fob ($10pt above last done) while Romania has sold close to or at $240pt fob. French prices are heading for Euros 200pt FCA Rouen for 30% N. Argentina and Canada are in the market for spot cargoes.

NW Europe: New prices for AN and CAN are due to be announced next week. Speculation in France is that AN will increase to Euros 245pt delivered

merchant in bulk for September and CAN to Euros 200pt. Benelux/German CAN prices are expected to gain Euros 25pt to Euros 195pt cif. UK AN prices were increased £30pt for October.
Nitrates are tight across Europe. In the UK the price increase has been taken up and a similar situation is expected to prevail in France and Germany when the new levels are announced.



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