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Outlook for the Asian Ammonia & Urea Markets

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CRU Fertilizers

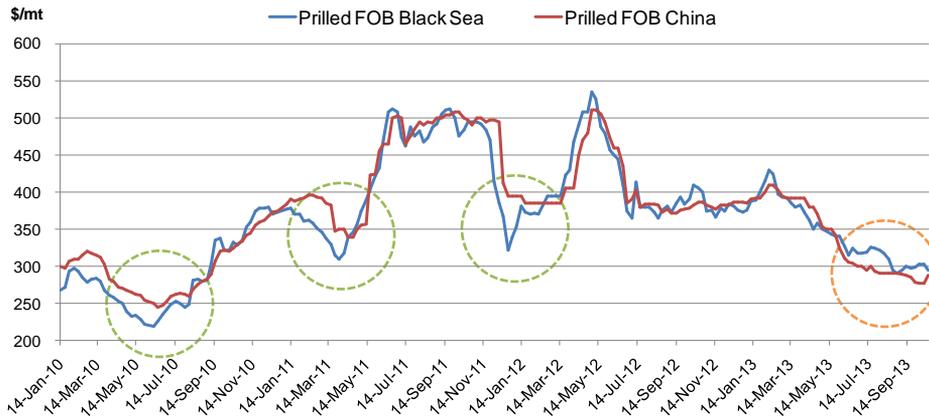
IFA Crossroads Asia-Pacific 2013
6 – 8 Nov 2013, Bali

Outline



- **Recent market developments**
- Outlook for demand, supply and trade in Asian market
- China focus: Potential change to 2014 export policy
- Conclusions

Recent Urea Price: what factors have changed the price performance when prices hit bottom?

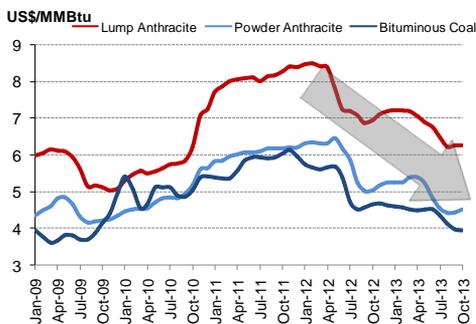


- FOB Black Sea had been lower than FOB China when urea prices reached bottom...
- ... but it was changed during the Chinese export window in Jun - Oct 2013

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Data: FertilizerWeek, CRU

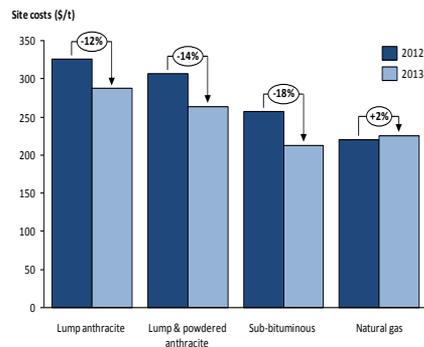
Chinese urea site costs reduced significantly by a dramatic drop in coal prices



- Urea site costs based on coal cut back in 2013
- ...except producers based on natural gas
- Gas-based urea has less advantage than cost based on bituminous coal.

Main drivers of coal price fall:

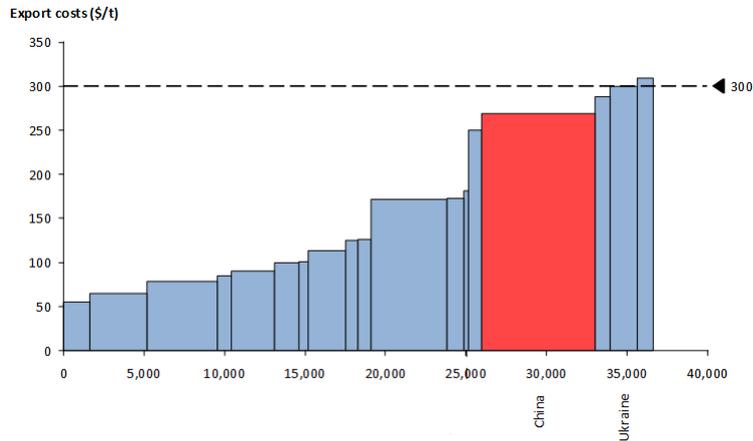
- Surge in coal imports
- Market oversupply
- Weak demand in relevant industries
- High inventory in power generation plants



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Data: CRU

Chinese export cost still at the high end, but a bit lower than Ukrainian cost in Q3 2013



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Data: CRU

Outline



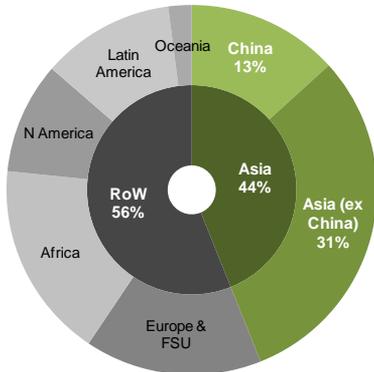
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Shares of global crop areas and nitrogen demand China over-applies, other Asian regions mostly balanced

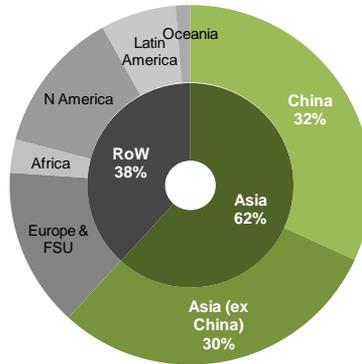


Share of Crop Area, 2012



Total Asia – 578 million ha.

Share of Nitrogen Demand, 2012



Total Asia – 69 million tonnes N

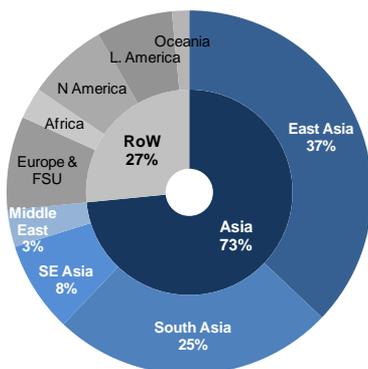
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Data: CRU

Asian Demand Outlook: urea consumption grows by 17 million tonnes from 2013-2018

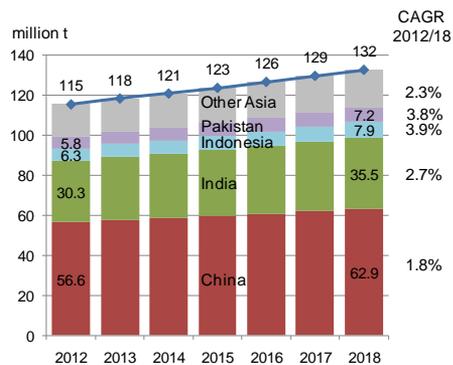


Urea Demand, 2012



Total Asia – 115.3 million tonnes

Asian Urea Demand



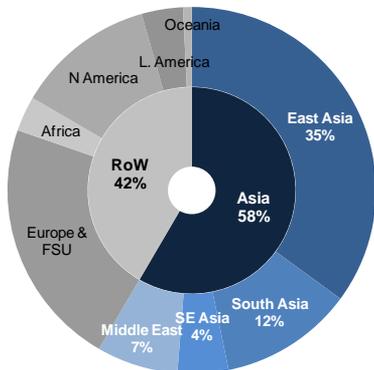
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Data: CRU

Asian Demand Outlook: ammonia consumption grows by 12.5 million tonnes from 2013-2018

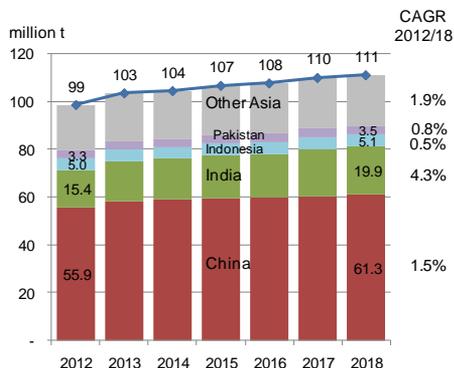


Ammonia Demand, 2012



Total Asia – 98.6 million tonnes

Asian Ammonia Demand



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Data: CRU

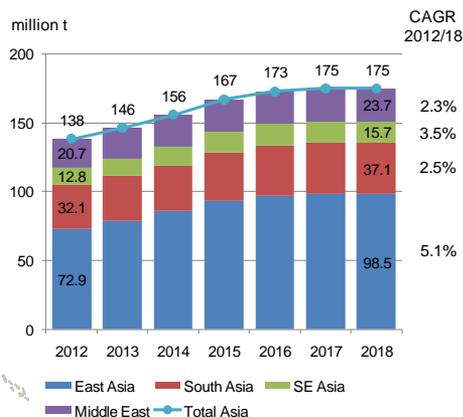
Asian Supply Outlook: urea capacity grows by 36.6 million tonnes from 2013-2018



64% of Global Growth to 2018



Asian Urea Capacity



Notes: including adjustments for closures, expansions, new supply

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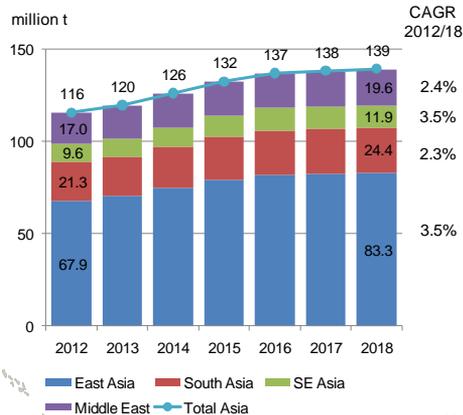
Data: CRU

Asian Supply Outlook: ammonia capacity grows by 23.5 million tonnes from 2013-2018



61% of Global Growth to 2018

Asian Ammonia Capacity



Notes: including adjustments for closures, expansions, new supply

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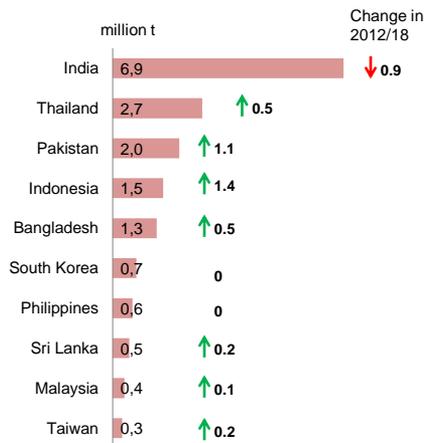
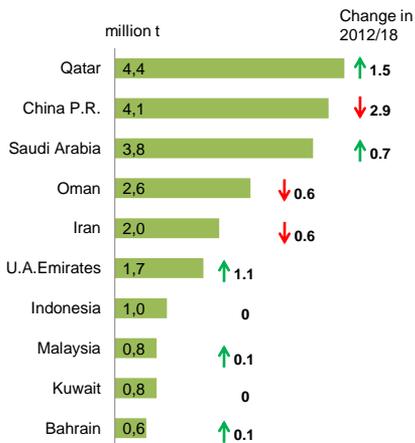
Data: CRU

Asian Trade Outlook: top 10 urea exporters and importers in 2018



Asian top 10 exporters in 2018

Asian top 10 importers in 2018



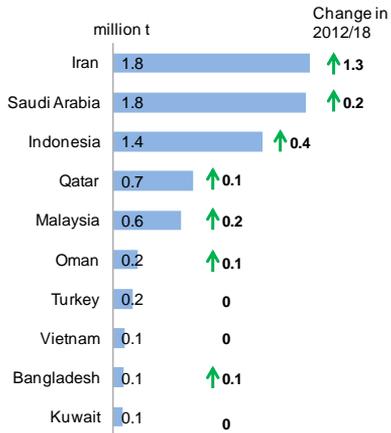
Data: CRU, GTIS

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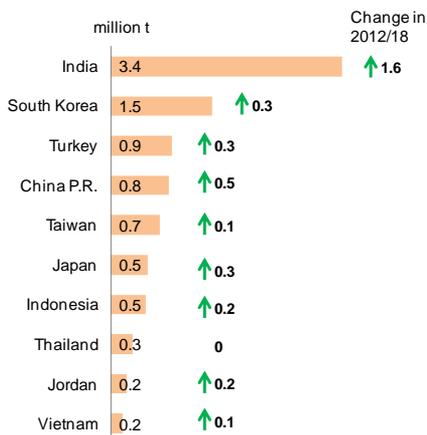
Asian Trade Outlook: top 10 ammonia exporters and importers in 2018



Asian top 10 exporters in 2018



Asian top 10 importers in 2018



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Data: CRU, GTIS

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China's export policy may be revised in 2014

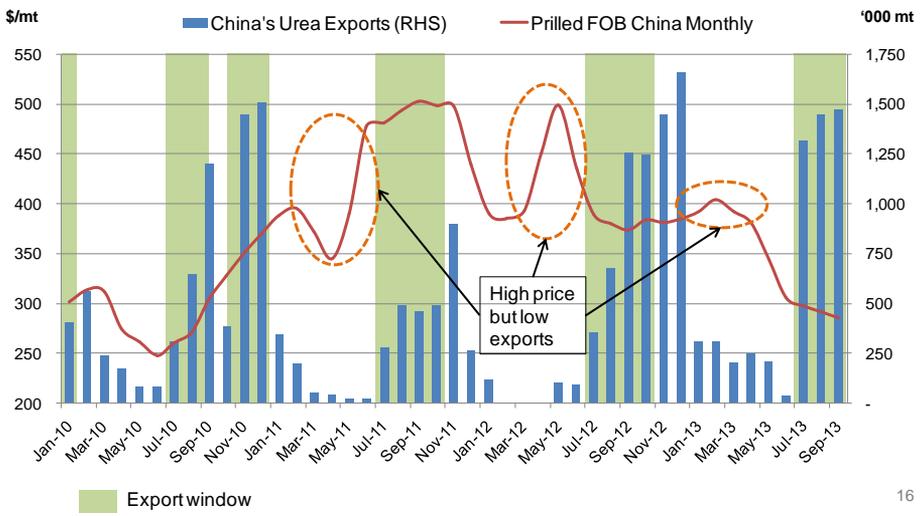
Exports in high season : From prohibited to restricted



	2014	2008 - 2013
Key point	Restricted in the high season	Prohibited in the high season
Main driver	Oversupply in N industry	CPI pressure
Target	Exportable in the high season	No exports except cargo in bonded warehouse
Bottom line	Price affordable & Sufficient supply	Price affordable & Sufficient supply

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Hope of Chinese players: how to seize more chances of price spike and export more in the high season?



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Data: CRU, GTIS

Different Scenarios for China's 2014 urea export policy

Scenario	Government	Producers & Traders	Assessment
Cancel export window restriction completely			Impossible
A uniform but "modest" tax-rate in the whole year, say 10%			Unlikely
Expand export window			Possible
A reduced and fixed tax-rate in high-season, say 20-30%			Probable
Combine the above two			Low Possible

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Conclusions

- **Asia** will maintain the largest share in the world's urea and ammonia market
- The capacity expansion in **South Asia** by 2018 will not be able to outstrip the demand increase
- **SE Asian** demand will be covered by its own capacity expansion, China and the Middle East
- There will be a severe oversupply in **China** in the medium term
- **China's 2014 export policy** could be revised, in order to relieve the oversupply situation.

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Sulphuric Acid Market Outlook – published every 3 months

Phosphate Fertilizer Market Outlook – published every 3 months

Potassium Chloride Market Outlook – published every 6 months

Phosphate Rock Market Outlook – published every 6 months

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