Global N-P-K

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Today’s Speaker

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Neil Fleishman is the Senior Industry Analyst for Green Markets. Previously, he worked at the Susquehanna Int. Group as a trading desk Sector Specialist covering both the industrial and energy markets for the firm. He also has experience as a portfolio analyst for Evergreen investments.

Neil developed three Green Markets Global Supply & Demand Models for nitrogen, DAP/MAP and potash, exclusive new research that gives users unprecedented visibility into global commodity markets. He also authored Cost Curve & Analysis research on urea, potash and phosphates, detailing how supply and demand will effect pricing dynamics.

Along with these models, Neil regularly provides custom consultations on fertilizer supply and demand, and is a featured speaker at numerous industry events.

Neil holds a B.S. in Business Administration (Finance concentration) from Drexel University, and is a Chartered Financial Analyst.
Global Outlook

Fertilizer is cyclically over-supplied across all major N-P-K markets.

- Potash (MOP)
- Phosphate (DAP/MAP)
- Nitrogen (Ammonia/Urea)

Macro Themes suggest potential headwinds.

Lower utilization levels leading to increased interest in consolidation (M&A).

Producer Discipline is key theme.
Major Macro Themes

- Stronger Dollar vs. major fertilizer markets.

Source: Bloomberg
Major Macro Themes

- Commodities Markets Broadly lower.
- Moves by China weigh on sentiment.
Major Macro Themes

- Global GDP estimates continue to drop.
- Long run fertilizer demand is highly correlated to GDP.

Source: Bloomberg
Major Macro Themes

- Fertilizer prices and global agriculture prices have trended lower this year.
- This fits into broader macro themes of lower global commodity pricing.

Fertilizer Prices Trended Lower in 2015

Source: Green Markets, Bloomberg
Potash (MOP)

- Potash prices pressured on supply and competition for market share.
- Macro is now weighing sentiment; threatening year end demand.

Source: Green Markets
Potash (MOP)

- Over-supply on recent Brownfield with Greenfield now in sight.

Global Potash Supply and Demand

Source: Green Markets
Potash (MOP)

- K+S one of the higher cost producers.

Global Potash Cost Curve 2015

Source: Green Markets
Potash (MOP)

- Strong contract volume from China and India.
- Increased competition with Russia and Belarus running close to full capacity.
- Strong exports from Canada on strike from ICL/loss of Russian mine.
- Increased imports into North America, Belarus in focus with potential legislation in the works.
- M&A in focus: Already consolidated market makes large transactions difficult.
- GreenField capacity start-ups in focus with K+S and Eurochem ramping in the coming years.
Phosphate (DAP/MAP)

- DAP trending sideways; producers showing some signs of discipline.

Source: Green Markets
Phosphate (DAP/MAP)

- Producers showing discipline.
- Utilization outlook could stabilize with continued project delays.
Phosphate (DAP/MAP)

- Lower cost MENA capacity in the drivers seat.

2015 Global DAP/MAP Cash Costs per mt (nutrient)

- ROW
- India
- China
- Middle East (ex Saudi Arabia)
- North America
Phosphate (DAP/MAP)

- Strong Indian demand this year.
- Brazil not picking up into year end.
- Strong Exports from China again.
- Decreased exports from North America.
- Main supply growth still coming from MENA (OCP); while potential projects in North Africa likely at risk.
- China capacity appears to be peaking.
- Discipline from largest producers.
Nitrogen

- Urea prices trending lower as global supply is increasing.
Nitrogen (Urea)

- Global capacity increasing rapidly

![Global Urea S&D Graph](image-url)

- World Capacity
- World Demand
- Capacity Utilization, %
Nitrogen

- Urea to see increased localization of production.

**Global Urea Import/Export Balance of Key Regions**

The export market is set to become more competitive as capacity growth.
Nitrogen

- China producer discipline key to direction of pricing as capacity rises.
- Their seat as a swing producer at risk in the medium/long term.

**Global Urea Cost Curve 2015**

Source: Green Markets
Nitrogen

• Urea prices fading in North America.
• China urea exports continue.
• Capacity expansions are now imminent and already weighing on sentiment.
• China’s position as a global swing producer at risk in the long run.
• Over-supply leading toward consolidation talks.
• CF/OCI in the media and the combined company would control ~10% of global urea capacity outside China and ~30% of UAN capacity.
Ammonium Sulfate

AS Pricing has seen general softness in recent years on increased Chinese (CPL) capacity.

Prices appear to have stabilized and demand is growing (North America in particular).
Ammonium Sulfate

- AS utilizations appear to have bottomed out.
- After recent rapid expansion by China new sources are limited.
Brazil

- Brazilian currency weakness dragging on imports.

Source: Ministerio da Industria e do Comerico Exterior
India

• Surprising to the upside particularly in Phosphates (DAP).

Source: India Ministry of Chemicals and Fertilizers
China

- Exports tracking strongly again this year.
- Vat tax and Yuan devaluation muddy outlook.

Source: CNCIC
China

- China MOP imports started well; strong contract volume.
- Could taper into year end (Vat tax and yuan).

China MOP Imports (Through August)

![Graph showing China MOP imports through August from 2010 to 2015.](chart.png)

Source: CNCIC
Conclusions

• Potash – Greenfield is on the way.
• Phosphate - Producer discipline key/projects looking more uncertain.
• Nitrogen – Increased localization of production; China as swing producer in focus.
• Ammonium Sulfate – utilizations to increase.
• Macro-risks appear to be rising leading toward uncertain fall applications.
• Consolidation likely to continue across the N-P-K spectrum.
Thank You

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