

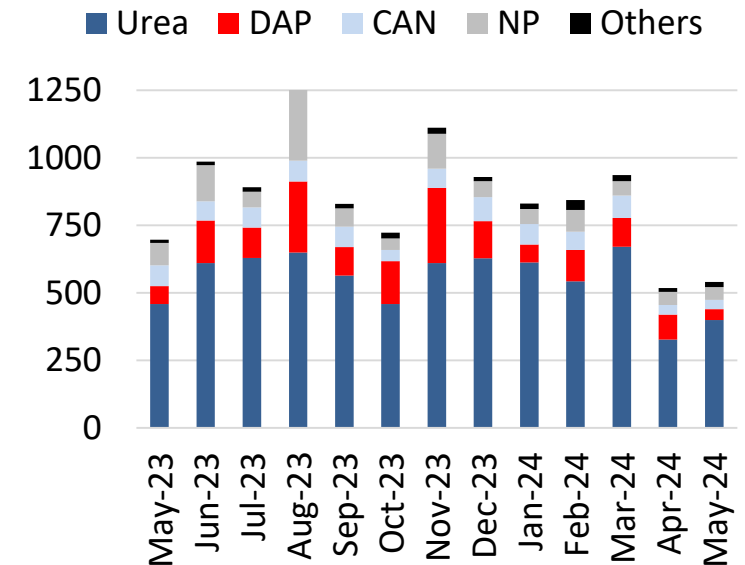
Fertilizer Sector

Wheat Price Crises Elevates May-24 Urea Inventory Further

14 June 2024

- Urea stock build-up in May-24.** Due to anticipated reversals in urea price hike, wheat prices falling below their minimum support price, and seasonal factors, the May-24 urea inventory build-up reached a year high at 425 KT (up 16/53% M/M / Y/Y). This occurred despite a 12% decline in production and a 22% increase in offtakes M/M. The major decline in production came from EFERT (due to EnVen turnaround) and Fatimafert, both companies faced a production decline of 41% and 51%, respectively. The total offtakes for the month clocked in at 400 KT (up/down 22/13% M/M / Y/Y).
- Phosphate offtakes soften.** Despite lower prices, DAP and NP offtakes in May-24 declined by 56% and 3% M/M, respectively, primarily due to seasonal factors. Total DAP offtakes reached 41 KT, with FFBL holding the highest market share, while total NP offtakes amounted to 47 KT, with FATIMA leading the market share.
- International fertilizer prices.** During May-24, international Urea prices showed an upward trend, rising from USD 312/ton to USD 337/ton. In contrast, international DAP prices experienced a declining trend, falling to USD 516/ton (down 11% M/M).
- Local Phosphate prices decline.** In May-24, Phosphate prices experienced a decline in the local market due to a drop in international prices. Local DAP prices decreased by 5.1% M/M, reaching PKR 11,553/bag, while NP prices decreased by 1.9% M/M, amounting to PKR 7,721/bag.
- Outlook.** The ongoing wheat price crisis raises concerns for the upcoming wheat season. However, there is hope that the demand for fertilizers, especially nitrogen, will recover during the remaining Kharif 2024 season. According to NFDC, the total urea demand for Kharif 2024 is estimated at 3,289 KT, (3,322 KT SPLY) while the demand for DAP is projected to be 813 KT (756 KT SPLY).

Chart 1: Fertilizer offtake volumes 'KT'



Source: NFDC, Optimus Research

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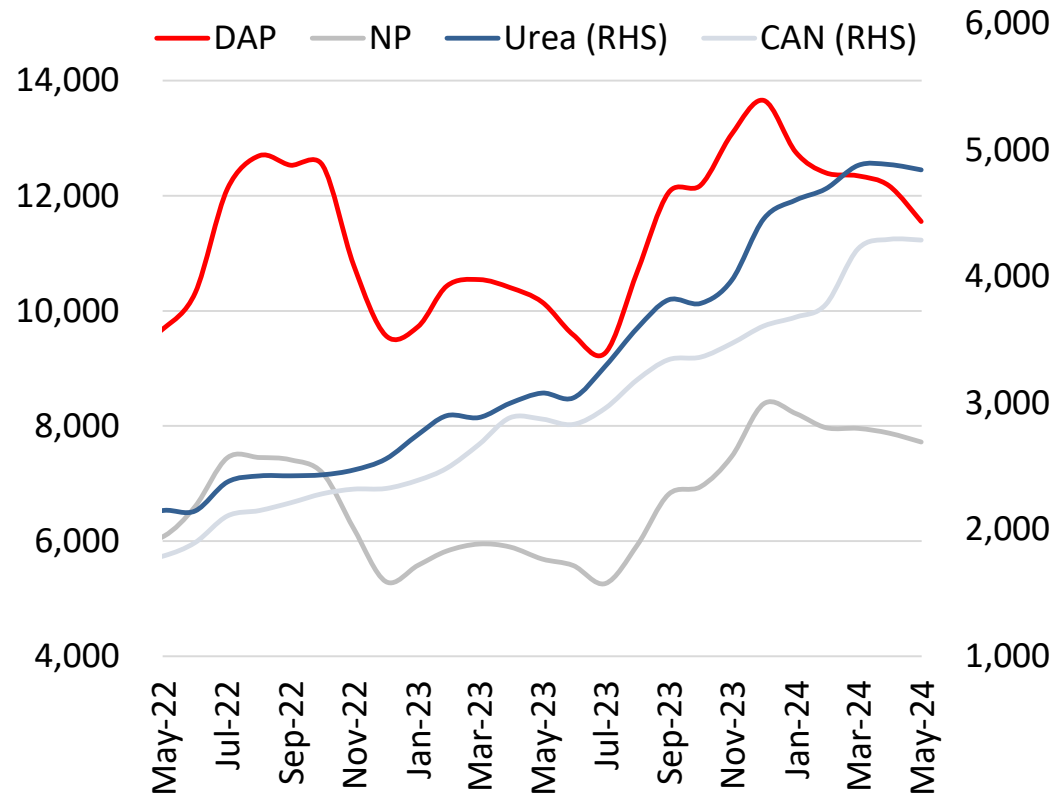
Fertilizer Industry At A Glance

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KT	May-24	May-23	Y/Y	Apr-24	M/M	5MCY24	5MCY23	Y/Y
Urea								
Opening Inventory	368	242	52%	174	111%	104	249	-58%
Production	462	493	-6%	524	-12%	2,711	2,509	8%
Imports	-	-	-	-	-	173	-	-
Total Availability	830	735	13%	697	19%	2,988	2,758	8%
Offtake	400	459	-13%	328	22%	2,555	2,491	3%
Closing Inventory	425	277	53%	368	16%	425	277	53%
DAP								
Opening Inventory	117	285	-59%	78	50%	25	436	-94%
Production	79	74	6%	66	20%	322	185	74%
Imports	63	34	85%	64	-1%	309	69	346%
Total Availability	259	394	-34%	208	25%	656	690	-5%
Offtake	41	66	-39%	93	-56%	422	361	17%
Closing Inventory	219	333	-34%	117	87%	219	333	-34%
NP								
Inventory	153	396	-61%	232	-34%	153	447	-66%
Production	89	62	43%	80	12%	409	263	55%
Total Availability	243	458	-47%	312	-22%	562	711	-21%
Offtake	47	83	-43%	49	-3%	287	328	-12%
Closing Inventory	273	396	-31%	232	18%	273	396	-31%
CAN								
Inventory	71	14	410%	71	0%	38	2	2142%
Production	76	72	6%	74	3%	370	307	20%
Total Availability	147	86	71%	145	1%	408	309	32%
Offtake	34	77	-56%	35	-3%	295	302	-2%
Closing Inventory	114	9	1173%	71	61%	114	9	1173%

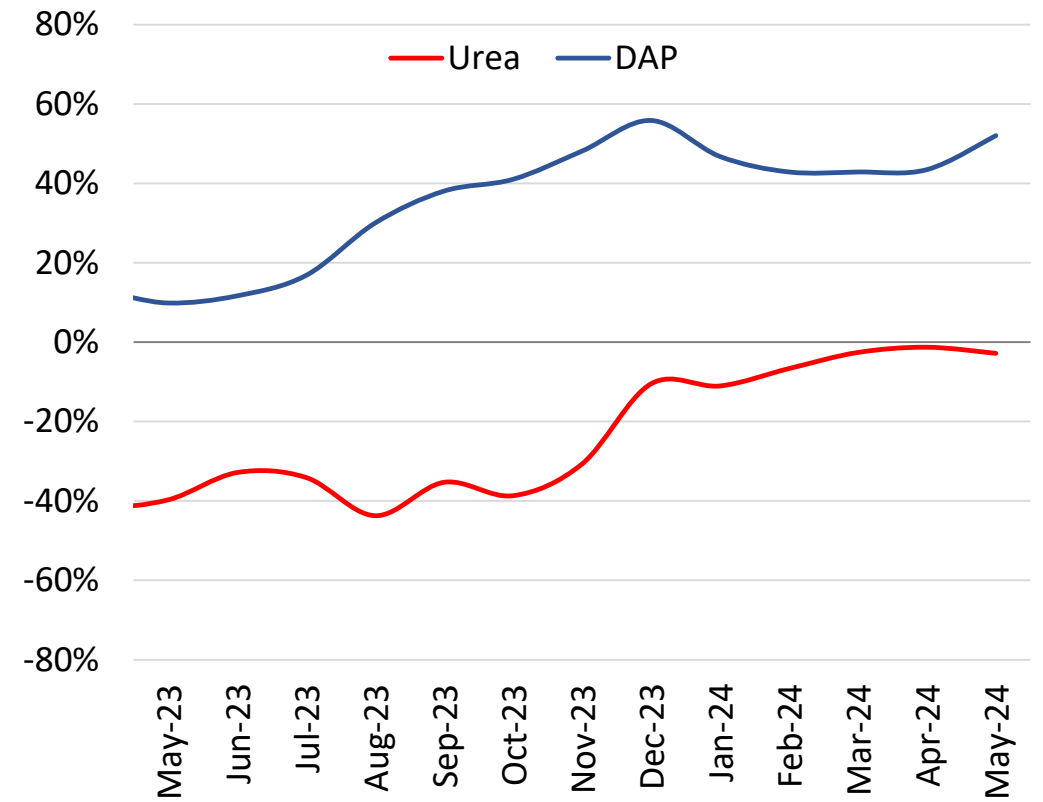
Source: NFDC, Optimus Research

Chart 2: Domestic DAP Prices decreased M/M (PKR/bag)



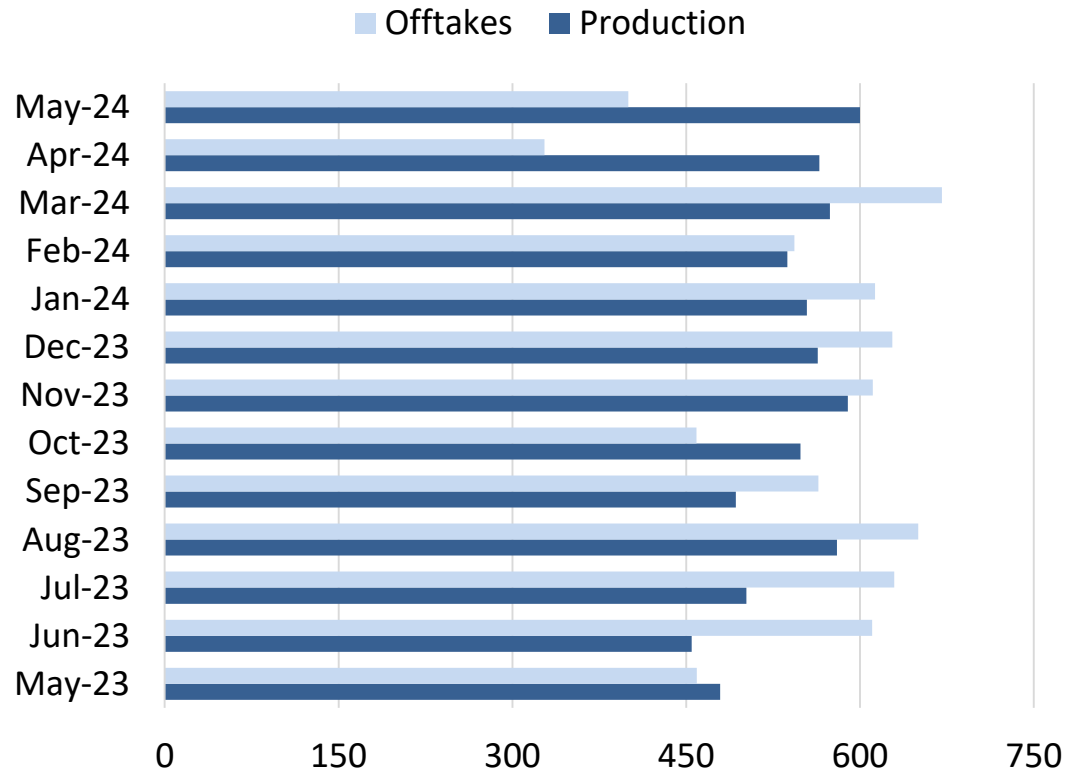
Source: NFDC, Optimus Research

Chart 3: Urea International/Local Discount Rose to 3%



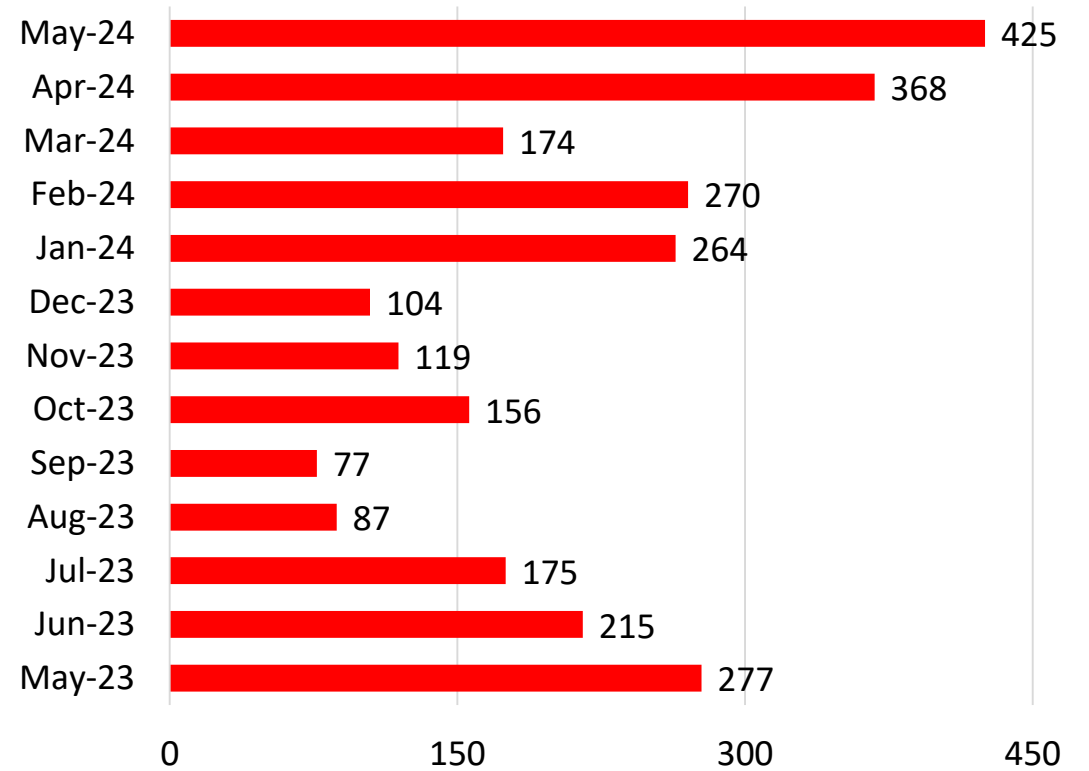
Source: NFDC, Optimus Research

Chart 4: Monthly Urea Production Increased in May-24 (KT)



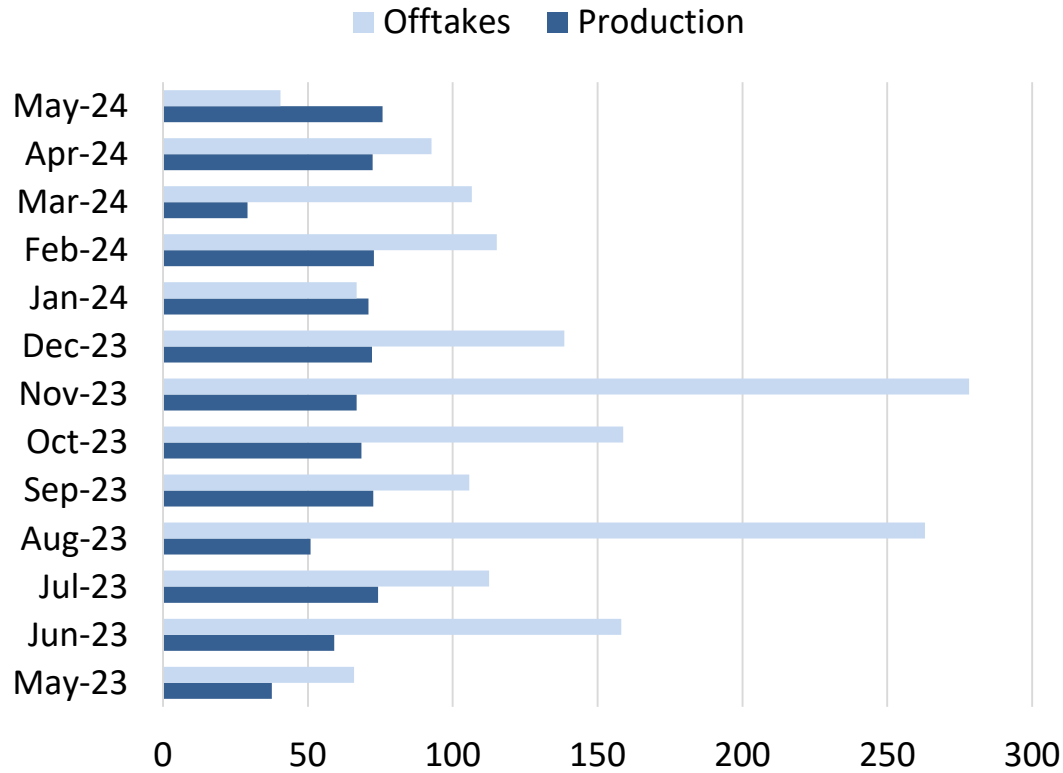
Source: NFDC, Optimus Research

Chart 5: Monthly Urea Inventory Rises (KT)



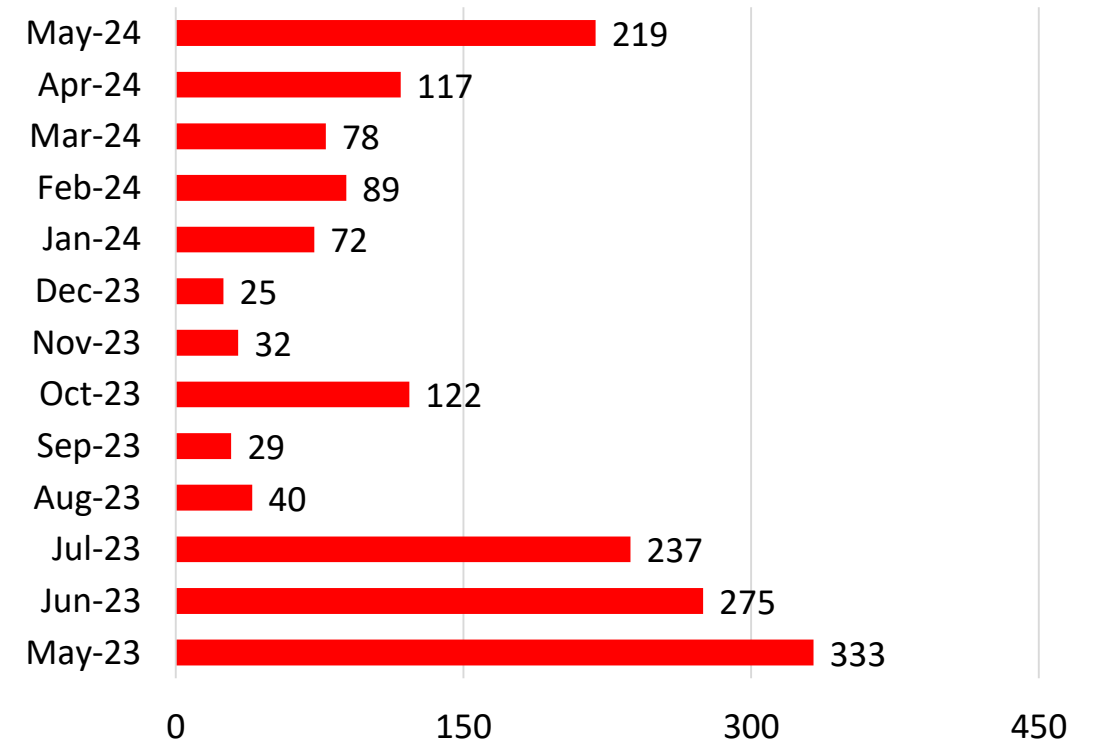
Source: NFDC, Optimus Research

Chart 6: Monthly DAP Offtakes Dropped by 56% (KT)



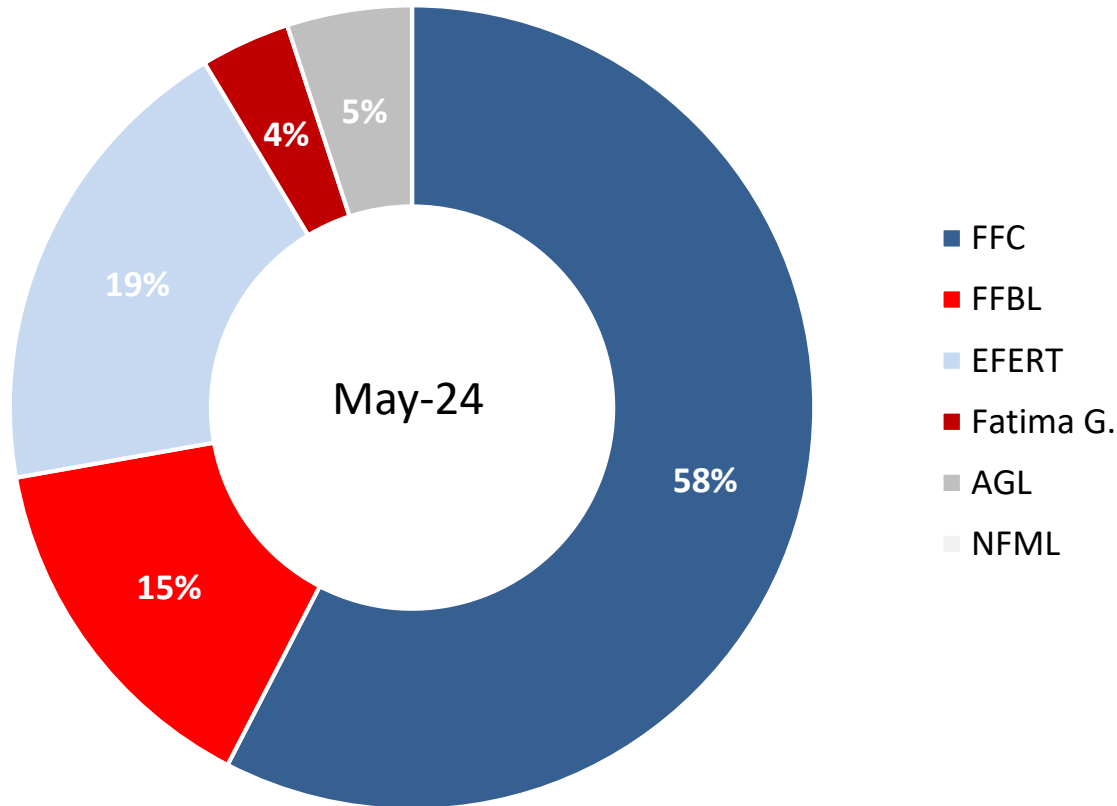
Source: NFDC, Optimus Research

Chart 7: DAP Inventory Increased M/M in Apr-24 (KT)

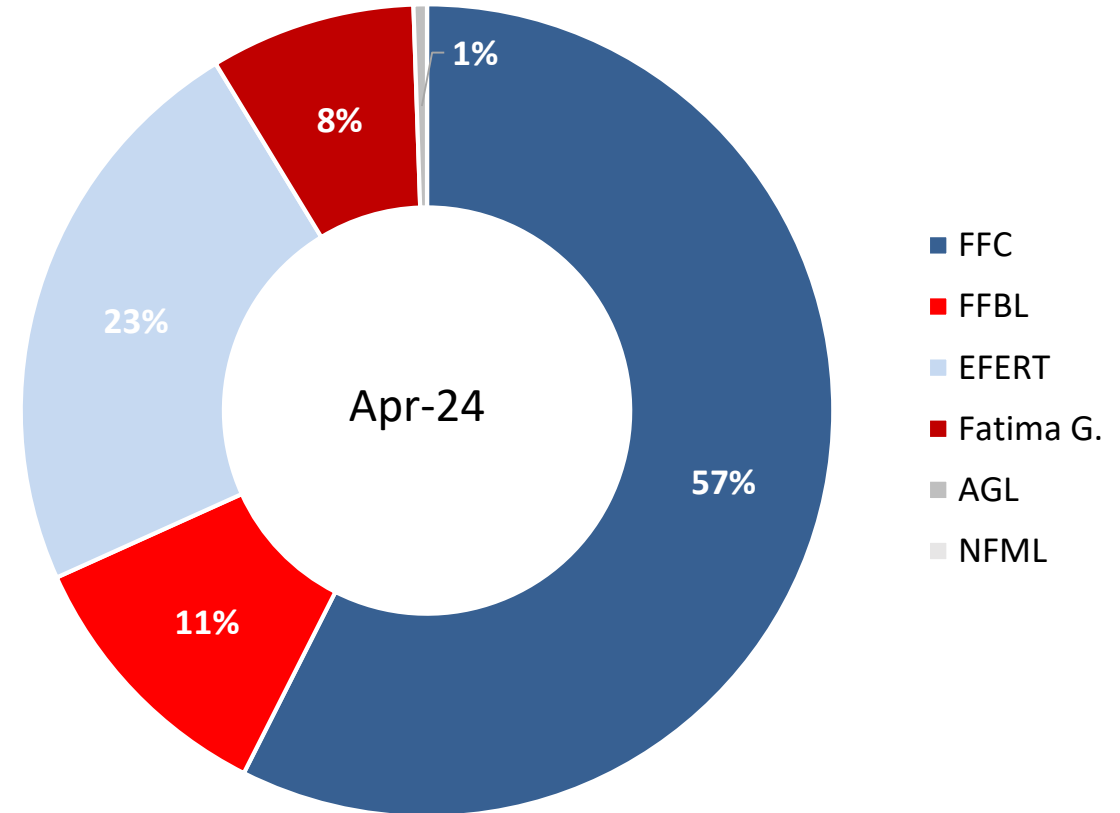


Source: NFDC, Optimus Research

EFERT's Urea Offtake Market Share Decreased to 19%



Source: NFDC, Optimus Research



Source: NFDC, Optimus Research

Analyst Certification

The research analyst for this report, Areeba Nasir, certifies that: (1) all of the views expressed in this report accurately reflect her personal views about the subject; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this report.

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