

August 27, 2021

Monthly Fertilizer Offtake

July - 2021: Urea offtakes clock in at 622kT, +8%y/y

For the month of June, Urea sales were down by -10%*m/m* to arrive at 622kT whereas DAP sales were up by 2.8x *m/m*. Overall for 7MCY21, Urea sales are up by +8%*y/y* to arrive at 3500kT whereas DAP sales were down by -6%*y/y* to arrive at 794kT. Pricing power of key manufacturers remain strong with gap between international and domestic Urea prices hovering at ~ PKR 3000/bag, a discount of 65% from local prices. On the other hand, DAP margins are hovering at a high of ~ USD 200 with domestic DAP prices recently witnessing a raise of PKR 200 in to arrive at PKR 6000/bag.

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Jul-21 - Fertilizer Offtakes for 7MCY21 clock in at 470kT, down by -6%y/y

As per the latest published data by National Fertiliser Development Centre (NFDC), total nutrient offtake was registered at 470K tons, down by -6%*y/y*.

Urea offtakes propped by +8%y/y to arrive at 622kT

Urea off ticks exhibited a growth of +8%*y/y* with FFC and FFBL leading the growth chart (+113%*m/m* & +57%*m/m* respectively) while FATIMA and EFERT witnessed a downtick in sales (-28%*m/m* , -18%*m/m* respectively). Similarly on a cumulative basis, Urea sales for 7MCY21 are up by 8% to arrive at 3500kT as compared to 3246kT in same period last year. The increase is primarily attributable to i) better farm economics with improvement of +52%/+46%/2x registered in net income per acre for Wheat, Sugar and Cotton CY21 ii) anticipation of PKR 50/bag price hike in Aug'21. However on a sequential basis urea volumes contracted by -10%*m/m* owing to seasonal factors arising from end of Kharif sowing season.

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Drastic Surge in DAP prices drags DAP volume to 193kT (+2.8xm/m, -14%y/y)

Cumulative DAP sales posted a growth of 2.8x(-14%y/y) to arrive at 193kT during the month of Jun'21. This takes 7MCY21 DAP sales to 323kt as compared to 356kT during same period last year, down by -7%y/y. On a sequential basis, FFC, EFERT and FFBL witnessed a growth in offtakes of 3xm/m (-89%y/y), 4x m/m, (-12%y/y), and 100%m/m, (-91%y/y) respectively.

Sequential growth in offtakes is driven by i) low base effect from the previous months sale of 68kT ii) Pre-buying by dealers with onset of Rabi season with expectations of further hike in domestic DAP prices. On the other hand, decline on annual basis is largely led by i) record high DAP prices of ~ PKR 6000, up by +65%y/y, mitigating the impact of PKR 1000 DAP subsidy ii) Closure of RLNG plants in July.

Outlook

On the pricing front we expect Urea and DAP prices to remain up beat. The gap between local and international Urea widens with local prices standing at a high of ~PKR 1,780 allowing fertilizer manufacturers to retain strong pricing power to pass the impact of rise in gas prices or other input costs. On the other hand, global demand and supply situation for DAP keeps International DAP prices on an upward trajectory which are hovering at a high of ~ USD 600 in Jul'21. This allows FFBL to capitalize on the high margins which are currently around ~ 200 USD.

Furthermore, closure of RLNG plants till sep'21 will further impede fertilizer production amid an ongoing supply glut.

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Exhibit: Monthly Fertiliser Offtake

July 2021

Urea--Company Wise

in Ktons	Jul-21	Jun-21	m/m	Jul-20	y/y	7M2021	7M2020	y/y
FFC	237	247	-4%	111	113%	1,368	1,382	-1%
EFERT	240	256	-6%	334	-28%	1,408	1,203	17%
FATIMA	78	99	-21%	95	-18%	402	340	18%
FFBL	50	54	-7%	32	57%	269	297	-9%
Others	17	0	n.m.	3	498%	17.0	24	-30%
Total	622.0	690.0	-10%	575	8%	3,520	3,246	8%

DAP--Company Wise

in Ktons	Jul-21	Jun-21	m/m	Jul-20	y/y	7M2021	7M2020	y/y
FFC	26	1	28x	17	49%	91	60	53%
EFERT	36	12	3x	334	-89%	132	181	-27%
FFBL	93	23	4x	32	193%	323	356	-9%
Others	0	0	n.m.	3	-100%	16	3	480%
Total	193.0	68.0	184%	226	-14%	795	846	-6%

Source: IGI Research, NFDC

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Exhibit: Monthly Fertilizer Offtake and Production
July 2021

Offtake								
in Ktons	Jul-21	Jun-21	m/m	Jul-20	y/y	7M2021	7M2020	y/y
Urea	622	690	-10%	575	8%	3,520	3,246	8%
DAP	193	36	330%	226	-31%	794	846	-6.1%
CAN	71	51	40%	86	-17%	489	379	29%
NP	70	30	134%	88	-20%	354	368	-4%
NPK	7	4	65%	5	21%	44	40	9%
Total	925	777	19%	980.2	-6%	5,201	4,879	7%

Source: IGI Research, NFDC

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Exhibit: Urea sales and historic average

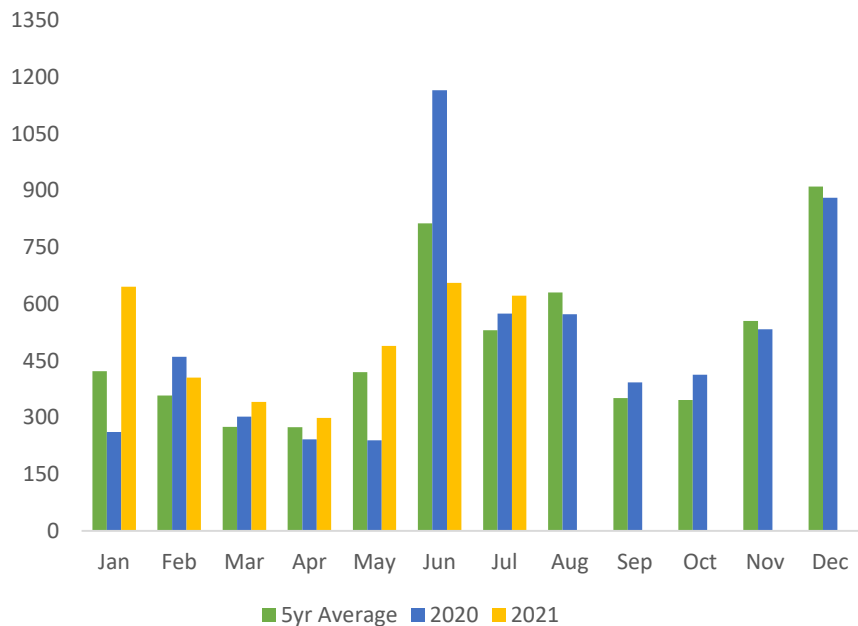
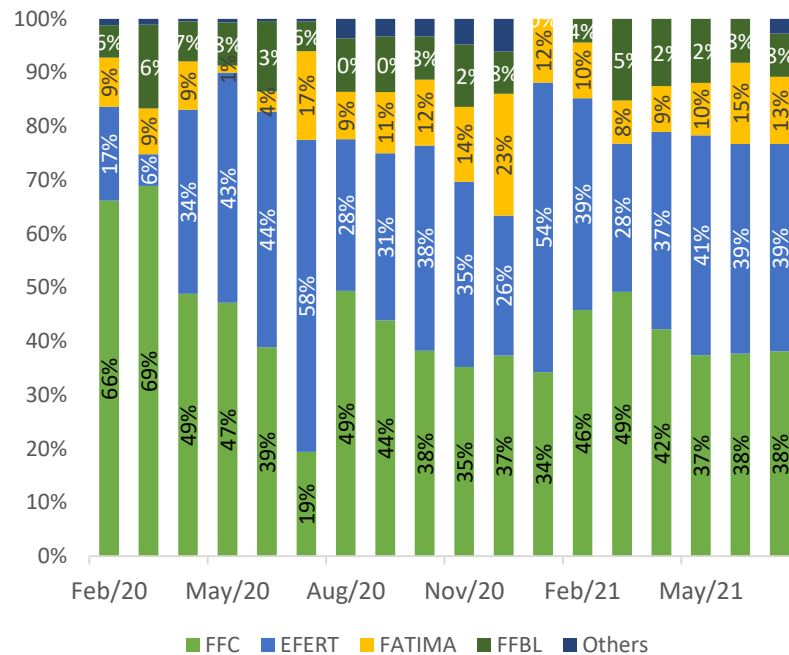


Exhibit: Urea market share company-wise



Source: IGI Research, NFDC

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Exhibit: Dap sales and historic average

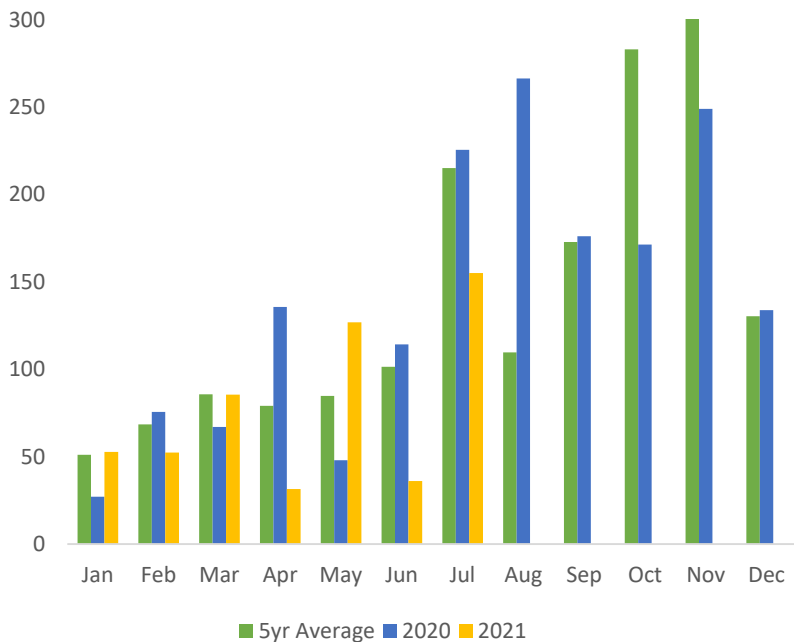
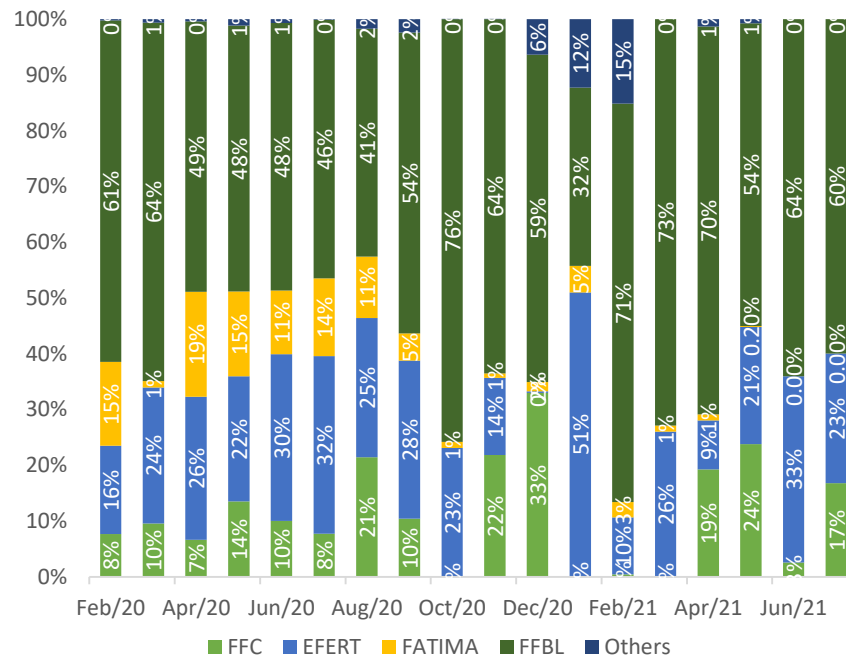


Exhibit: Dap market share company-wise



Source: IGI Research, NFDC

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