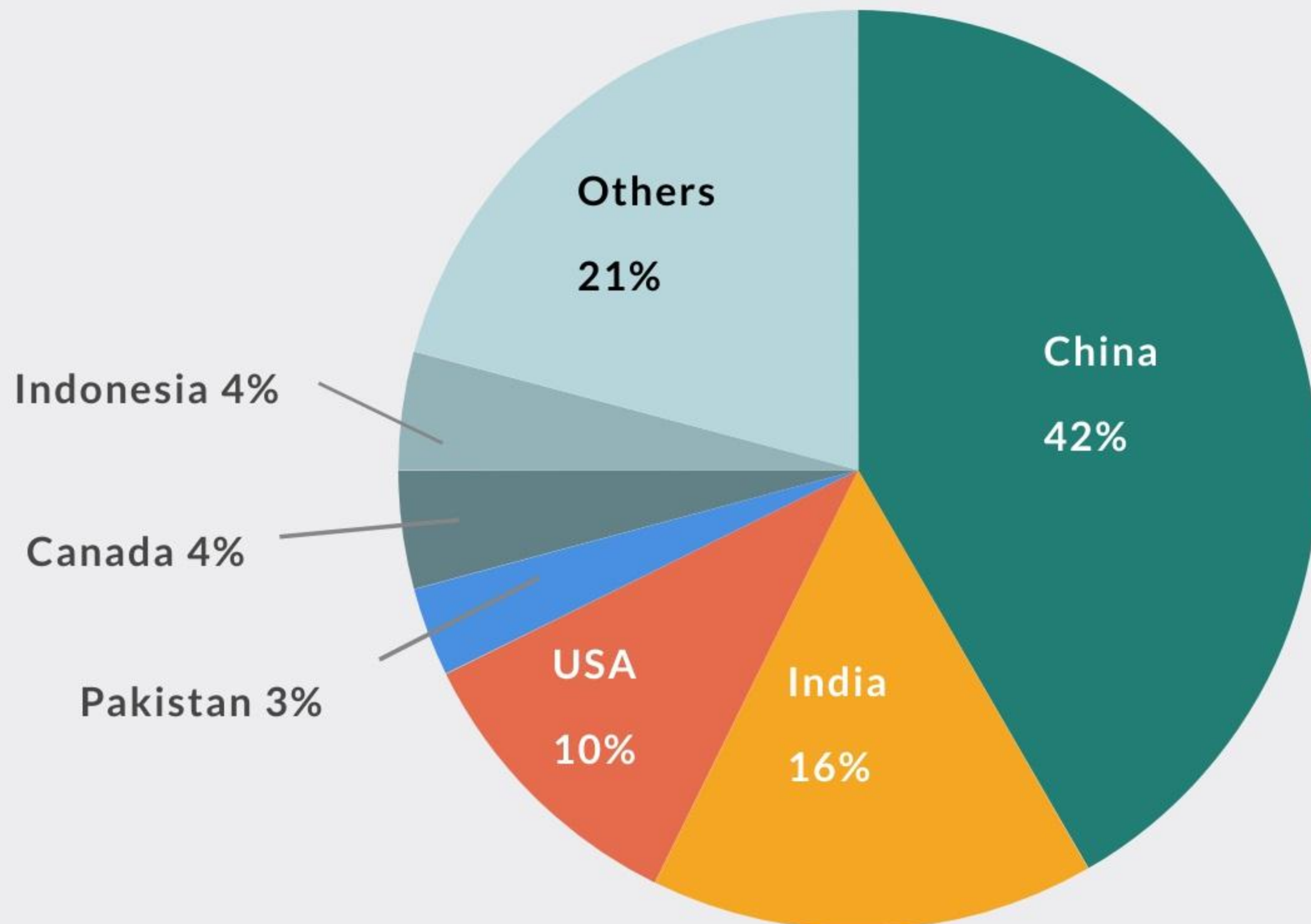




# Urea Market Q4 Outlook

Navigating through the pandemic

## China dominates in urea production for 2020 (est)



China is estimated to produce around 40-45 million mt of urea in 2020, amid the economic impact posed by the coronavirus pandemics.

This was followed by India at 15-18 million mt, then USA at around 9-10 million mt.

## More exports ahead



Despite the pandemic, China is expected to ship around 4.5-4.8 million mt in 2020, similar to 2019 level, due to growing Indian and Southeast Asian market,



Recent extreme weather in China also pushed for more urea exports due to less domestic demand.



Much of the Chinese urea exports were concentrated at port of Yantai, Shandong province.

It handles around 70% of the total export fertilizers with urea account 98% of the fertilizers.



However, the urea exchange was located at Zhengzhou, Henan province, where futures prices were traded and wholesale prices for the domestic market.

## India, a growing urea consumer



Although India produces fertilizers it is also a major urea buyer in spot market recently.

For instance, MMTC's tender in August snapped up around 1.7 million mt of urea lent support to the global market.

Then, RCF booked a record 2.184 million mt of urea in October, which lent support to the global market.



Besides India, Brazil is touted as the next major buyer in Nov 2020 for their planting season in Feb next year.

However, a weak BRL and significant volumes booked earlier in the year has subdued current spot buying activity.



Indian buyers normally restock ahead of farming season, Kharif around April-May and Rabi at the Sep-Oct period.

## Previously in Q3 ...



Market was muted, typically in the thin demand period of the year.



However, the market was supported by back to back Indian purchasing tenders in quick succession.



After the Indian buying spree, urea prices started to decline and returned to normalized trade flows.

Market Volume	YoY 2019	YTD 2020	YoY 20 vs 19
Ferts US	2,162,500	2,177,200	1%
Ferts Middle East	1,315,000	525,000	-60%
Ferts Brazil	0	462,500	/
<b>Ferts Total</b>	<b>3,477,500</b>	<b>3,164,700</b>	<b>-9%</b>

In view of the bearish Q3 2020, most of the trading volumes of fertilizers had declined as compared to previous year.

## China's 14th Five Year Plan and impact on exchanges

01

More access to China's onshore futures markets, allowing foreign investors to lend out their holdings of shares to trade in Chinese exchanges.

02

Combining the existing Qualified Foreign Institutional Investor (QFII) schemes, which are designed to simplify and speed up the process of international investors' access to Chinese markets

03

Hence, some trade sources expect the Zhengzhou Commodity Exchange (ZCE) to follow the footsteps of Dalian Commodity Exchange (DCE) in allowing more international investors approved by China Securities Regulatory Commission (CSRC)

## Till then, no changes and details are not confirmed yet..

### ZCE's trading days

Monday to Friday (except public holidays).

### ZCE's trading hours

1st sessions: 9 am to 11:30 am  
2nd session: 1:30pm to 3:00 pm at Beijing Time

### Last trading day

The 10th trading day of the delivery month.

### Last Delivery day

The 13th trading day of the delivery month.