Day Break

Thursday, March 31, 2022

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Sector Update

Fertiliser

Feb-22 Urea sales up +30%y, While DAP sales down by 37%y

- As per the latest published data by National Fertiliser Development Centre (NFDC), for the month of Feb-22, industry Urea sales are up by +30%y arriving at 527k.T. Whereas, DAP and CAN sales are down by 37%y to 55.4k.T and 15%y to 69.9k.T respectively.
- Company-wise, FFBL and FATIMA led the growth chart with sales up by +2.2xy and +56%y respectively. FFC and EFERT witnessed an increase of +14%y to 212.3kt and +6%y to 169.8 k.t, respectively.
- For DAP sales, FFC and EFERT sales stood at 13kt and 13.1kt, significantly up from last year same period. However, FFBL sales declined by 60%y to 14.8kt. Total industry sales dropped by 37%y to 55.4kt. We attribute this decline in sales owing to higher DAP prices.

Feb-22: Urea sales while Dap sales dropped significantly

As per the latest published data by National Fertiliser Development Centre (NFDC), for the month of Feb-22, industry Urea sales are up by +30%y arriving at 527k.T. Whereas, DAP and CAN sales are down by 37%y to 55.4k.T and 15%y to 69.9k.T respectively.

This brings, 2m'22, total industry Urea sales to 1,125k.T (up by +7%y), DAP sales to 168k.T (down by 1%y) and CAN sales to 146k.T (down by 24%y).

Exhibit: Monthly Fertiliser offtake

k.tons	Feb-22	Feb-21	y/y	2m2022	2m2022	y/y
Sales						
Urea	526.8	406	30%	1,125	1,055	7%
DAP	55.4	88	-37%	168	170	-1%
CAN	69.9	82	-15%	146	191	-24%
NP & NPK	73.2	82	-11%	127	182	-30%
Total	**725.4**	**658**	**10%**	**1,566**	**1,598**	**-2%**

Urea sales up by +30%y to 527kt

Company-wise, FFBL and FATIMA led the growth chart with sales up by +2.2xy and +56%y respectively. FFC and EFERT witnessed an increase of +14%y to 212.3kt and +6%y to 169.8 k.t, respectively.

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The increase is urea sales we believe is attributable to i) anticipation of further Urea price hike, and ii) better farm economics. On sequential basis urea volumes contracted by - 12%m owing to seasonal factors arising from end of Rabi sowing season.

Total urea production during the month stood at 520kt along with opening inventory of 27kt. This takes monthly urea availability to 547kt (excluding 50kt imported urea), which brings closing inventory to one of the lowest level of 19kt.

Exhibit: Monthly Fertiliser offtake

k.tons	Feb-22	Feb-21	y/y	2m2022	2m2022	y/y
Urea - Sales						
FFC	212.3	186	14.4%	437	407	7.5%
EFERT	169.8	160	6%	378	508	-25.5%
FATIMA	65.5	42	56.5%	155	119	30.9%
FFBL	39.3	18	2.2x	73	18	4x

DAP sales suffered, amid rising prices; down by 37%y to 55ktkt

For DAP sales, FFC and EFERT sales stood at 13kt and 13.1kt, significantly up from last year same period. However, FFBL sales declined by 60%y to 14.8kt. Total industry sales dropped by 37%y to 55.4kt. We attribute this decline in sales owing to higher DAP prices.

Overall industry production during the month stood at 70.4kt along with imported and opening inventory total availability during the month stood at 314kt, which brings DAP inventory reached at 259kt.

Exhibit: Monthly Fertiliser offtake

k.tons	Feb-22	Feb-21	y/y	2m2022	2m2022	y/y
DAP - Sales						
FFC	13.0	0	564x	19	0	241.1x
EFERT	13.1	5	2.5x	36	32	12.6%
FATIMA	1.9	1	33.4%	3	4	-26.1%
FFBL	14.8	37	-60.3%	77	54	41.6%

Outlook

Going forward, we expect DAP sales could come further under pressure due to higher commodity prices. As of latest, domestic DAP prices as per Pakistan Bureau of Statistics have reached PKR 9,326/bag compared to PKR 4,687/bag last year. Recently urea manufacturers have increased urea prices by PKR 80/bag taking the market retail prices to PKR

1,973/bag (sona). We believe, there is still ample of room for producers to further increase urea prices ahead of Kharif season, given international prices hovering in the region of US$ 550-600/t translating to equivalent price of PKR ~5,000/bag.

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