

Fertilizer

Non-rated

Puny export volume

Selling prices increased despite the lag in export volume

- In Jul, the total fertilizer export volume was 112,705 tonnes (-55% mom and +30% yoy), equivalent to nearly USD75mn (-53% mom and +121 yoy). Although the export volume shrunk in Jul, the export prices were still higher than the Jun level (USD665/tonne vs USD644/tonne).
- In 7M22, Vietnam exported more than 1.1mn tonnes (+42% yoy) of fertilizer with USD722mn (+174% yoy). In which, Cambodia was the largest export market with 298 thousand tonnes (-13% yoy) and more than USD160mn (+33% yoy).
- A noticeable point was that in 7M22, fertilizer exported to Korea rose significantly with 440% yoy in volume (82,457 tonnes).

Producers face risk from cheap imported fertilizer

- Vietnam imported 168,755 tonnes (-32% mom and -68% yoy) of fertilizer in Jul, equivalent to USD67mn (-44% mom and -58% yoy). On average, the imported prices were USD396/tonne (-17% mom and +30% yoy).
- Domestic producers could face the risk of cheap imports when there was a big gap between domestic prices and global prices. For instance, the global urea export price in Jul 2022 was around USD485-650/tonne, equivalent to VND11.2mn-15mn/tonne, while domestic selling price was VND15mn/tonne.

While domestic fertilizer prices went down slightly, global prices had no sign of a bounce back

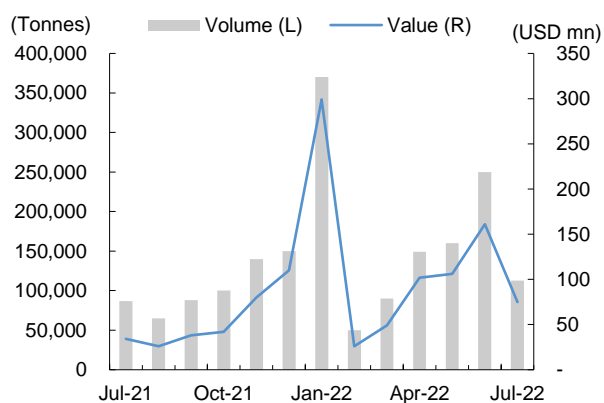
- In Jul, except urea's price was down by 6% mom, both Kali and DAP selling prices increased 6%/6% mom, while NPK's prices stayed at the same level as Jun. however, up to Aug-15, urea/DAP/NPK selling prices decreased at the same level of 3% vs Jul level, while Kali's price was unchanged.
- Observing the global market, DAP in the US market were trading at USD845/tonne (-1% mom) in Jul. Potash was sold at USD535/tonne in Israel and stayed at the same level since Mar 2022.
- Specially, from Jan 2022 to May 2022, NPK Black Sea remained at USD600/tonne. But up to Jun, it inched up 3% mom to USD620/tonne and lasted until Aug. After pike in Mar (USD650/tonne), urea Black Sea steadily fell to USD450/tonne in Jul. However, it jumped to USD610/tonne in Aug (+36% mom).

Opportunity to expand gross margin in 3Q22F

- In Jul, the gas input price decreased by 17% mom to reach USD276/tonne and downed 25% since the peak of USD370/tonne in Apr 2022. Until Aug 22, the average gas price was USD274/tonne. We expect the gas input price in 3Q22F could be around USD265-USD280/tonne (3Q21: USD268/tonne).
- We expect top urea producers such as DPM and DCM could reap this benefit and escalate their 3Q22F gross margin by 0.5%p-1.5%p qoq.

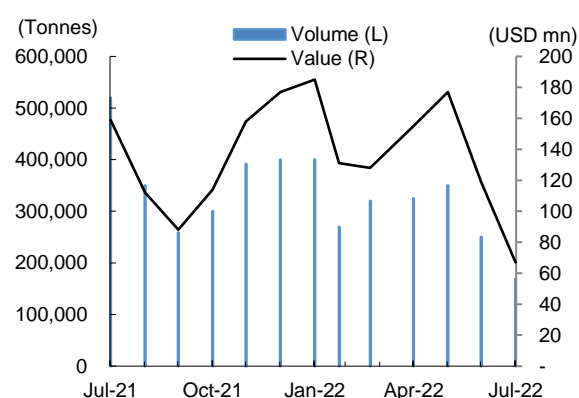
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Figure 1. Fertilizer export volume and value in Jul



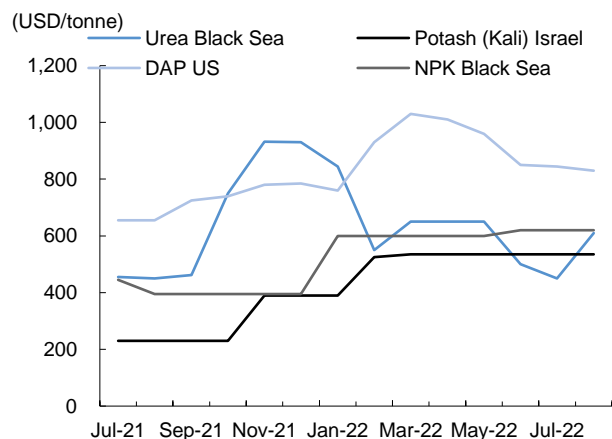
Source: MoIT, KIS

Figure 2. Fertilizer import volume and value in Jul



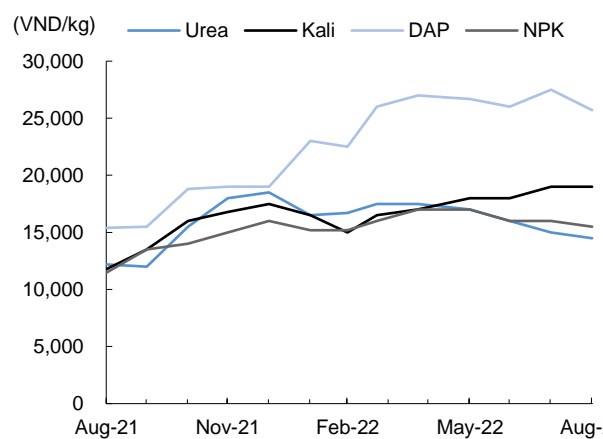
Source: MoIT, KIS

Figure 3. Global fertilizer prices



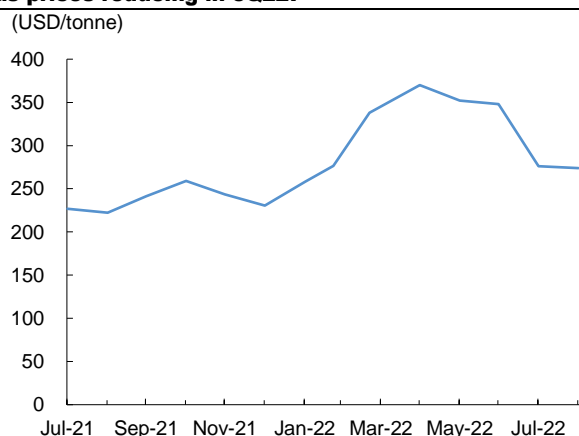
Source: Bloomberg, KIS

Figure 4. Domestic fertilizer prices



Source: Fertilizer prices are collected from the quoted retail markets, KIS

Figure 5. Urea producers could enjoy the benefit from gas prices reducing in 3Q22F



Source: PetroVietnam, KIS

Note: The gas price is calculated based on Singapore FO price

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