

Fertilizer

Upbeat on the gas input price

Average export price dropped in Aug

- In Aug, total fertilizer export volume was 117,973 tonnes (+5% mom and +81% yoy), equivalent to USD71mn (-5% mom and +173% yoy). In contrast, the export price declined by 10% mom to reach USD602/tonne.
- In 8M22, Vietnam exported to Cambodia the most with nearly 340,000 tonnes (46%), followed by Malaysia with 55,000 tonnes (14%).
- In global markets, in Sep, the urea FOB price in China is USD369/tonne, and that in Russia is USD600/tonne. Offering at a higher exporting price, Vietnam loses its competitive edge to beat China in the Asia markets which are China's main exporting markets.

Pressure from cheap import fertilizer

- Vietnam imported 246,015 tonnes (+46% mom and -100% yoy) of fertilizer in Aug, equivalent to USD113mn (+69% mom and -99% yoy). On average, the imported prices were USD459/tonne (+16% mom), equivalent to VND10.9mn/tonne)
- Although the import price increased, import volume jumped 46% mom proving that demand for imports was still high in the context that domestic and import prices had a big gap (VND15mn vs VND10.9mn).

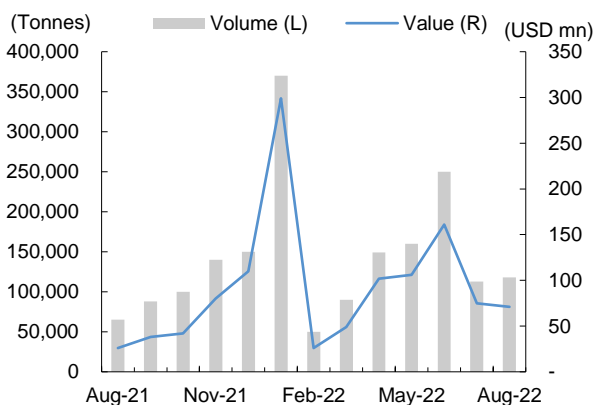
Domestic prices moved sideways amid the off-peak season

- From Jul up to Sep 9th, urea's selling price moved around VND14,500-VND15,000/kg, while Kali stayed at the same level of VND19,000/kg. NPK is trading at VND16,300/kg (Sep 9th), inched 5% vs Aug level but stay nearly the same as Jul level.
- Observing the global market where political tension between Russia and the EU continues, urea Black Sea soared 18% mom in Aug (USD530/tonne) and increase continuously in Sep with USD600/tonne (+13% vs Aug level).
- At the same time, on Sep 9th, NPK Black sea is trading at USD600/tonne, rising by 13% vs the Aug level. However, potash Israel is sold at USD535/tonne and remained at the same level since Mar 2022.

Upbeat on gas input price

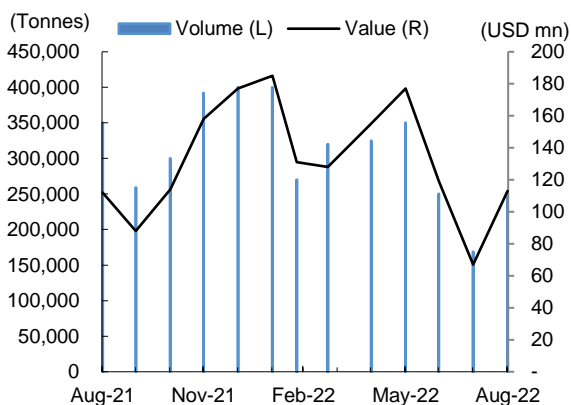
- We estimate the gas input price in Aug was USD270/tonne (-2% mom and +21% yoy). Until mid-Sep, the average gas price is USD241/tonne, down 11% vs the Aug level. We expect the gas input price in 3Q22F could be around USD260-USD280/tonne (3Q21: USD268/tonne).
- Within one month remaining in 3Q22F, based on the export data, we think domestic urea producers may not be able to boost their export volume. And also, with the low domestic demand as the Summer-Autumn crop passed, the business results of urea producers may not be brisk in 3Q22F. However, with the fall in input material prices, we think the top urea producers such as DPM and DCM could still escalate their 3Q22F gross margin by 0.5%p-1.5%p qoq.

Figure 1. Fertilizer export volume and value in Aug



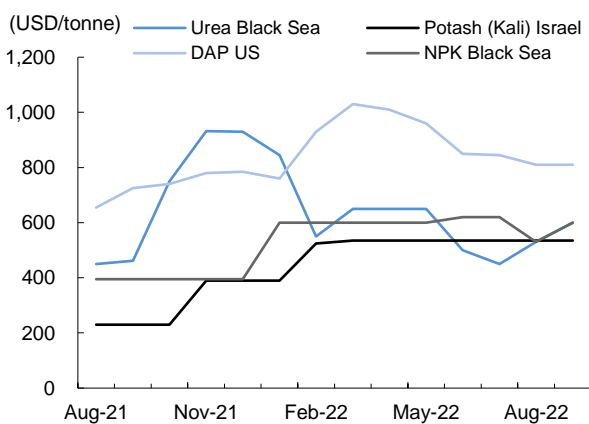
Source: MoIT, KIS

Figure 2. Fertilizer import volume and value in Aug



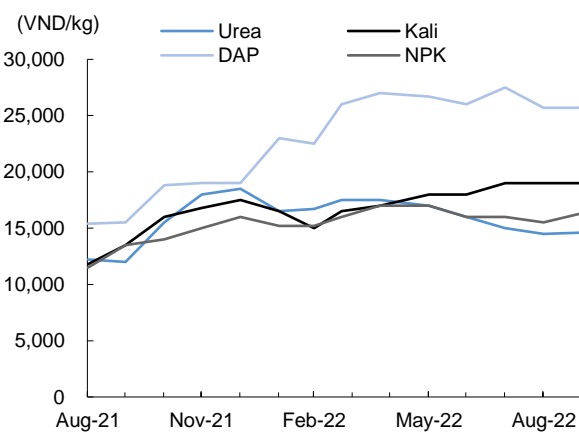
Source: MoIT, KIS

Figure 3. Global fertilizer prices



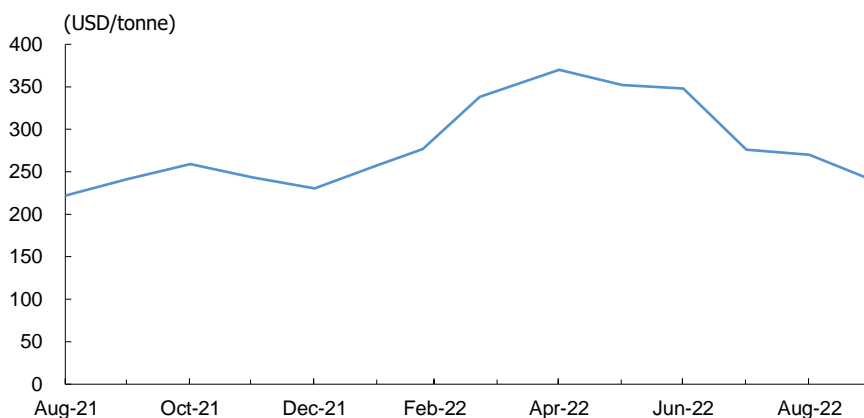
Source: Bloomberg, KIS

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 lower gas prices in 3Q22F



Source: Bloomberg, KISVN

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