

Fertilizer

Non-rated

Export recovery

Export recovery but there is a risk from cheap import fertilizer

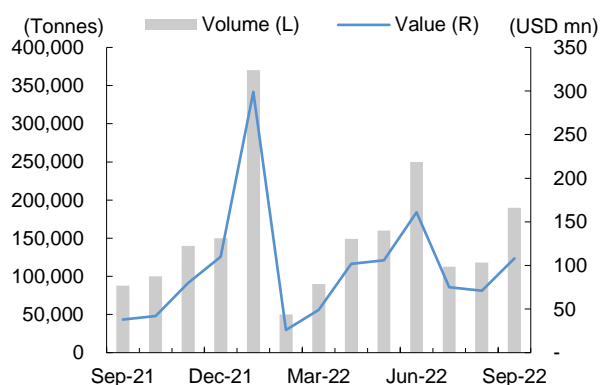
- In Sep, total fertilizer export volume was 190,000 tonnes (+61% mom and +116% yoy), equivalent to USD108mn (+52% mom and +184% yoy). On average, the export price was about USD568/tonne (-6% mom but +32% yoy), equivalent to VND13.6mn/tonne. Urea export prices in the world were around USD360-600/tonne in Sep. In 9M22, Vietnam exported nearly 1.3mn tonnes of fertilizer, +48% yoy.
- Vietnam imported 250,000 tonnes (+2% mom and -3% yoy) of fertilizer in Sep, equivalent to USD101mn (-11% mom and +15% yoy). On average, the import price was USD404/tonne (-12% mom and +19% yoy), equivalent to VND9.7mn/tonne.
- In the domestic market, at the beginning of Oct, urea is trading at around VND14.700-15.900/kg, increasing compared to Sep (about VND14.500-15.000/kg).
- In the global market, fertilizer selling price has risen. In Sep, urea/NPK Black Sea jumped 9%/17% mom to reach USD580/620/tonne, while the Potash Israel stand still at USD535/tonne since Mar 2022. The global urea export price at the beginning of Oct is around USD359-USD590/tonne (equivalent to VND8.7mn-14.2mn/tonne).
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Gas input price is on the downtrend

- We estimate the gas input price in Sep was USD235/tonne, which fell by 13% vs Aug level. In 3Q22, the gas was estimated at USD260/tonne (-27% qoq but +13% yoy). Therefore, big urea producers such as DPM and DCM could completely expand their gross margin by 3.0%p to 5.5%p in 3Q22.
- Normally, the fourth quarter will be the peak period of the fertilizer industry when the whole country enters the Winter-Spring crop. We expect domestic urea prices could bounce back again in Nov 2022 at VND16,500/kg, +10% vs Sep level. We estimate the gas input price in 4Q22F could be USD227/tonne (-13% qoq and -10% yoy).

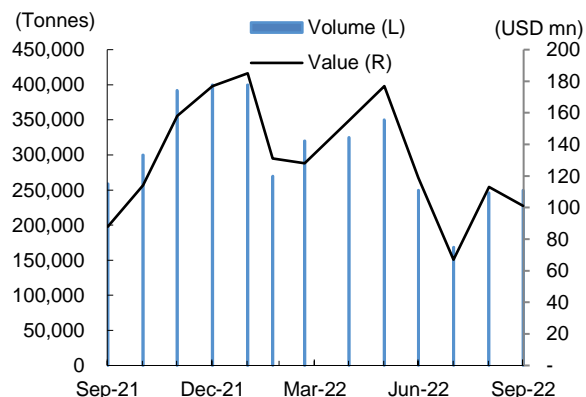
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Figure 1. Fertilizer export volume and value in Sep



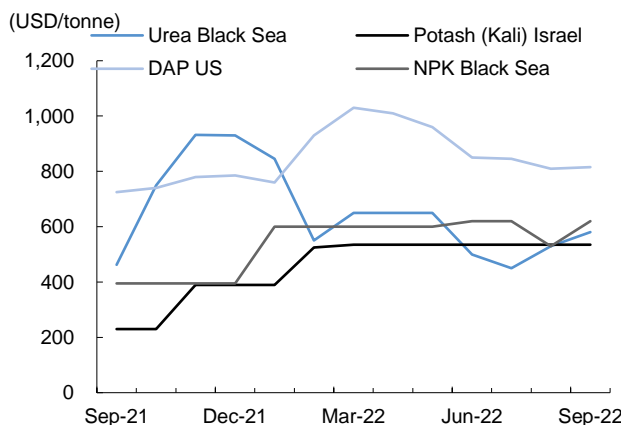
Source: MoIT, KIS

Figure 2. Fertilizer import volume and value in Sep



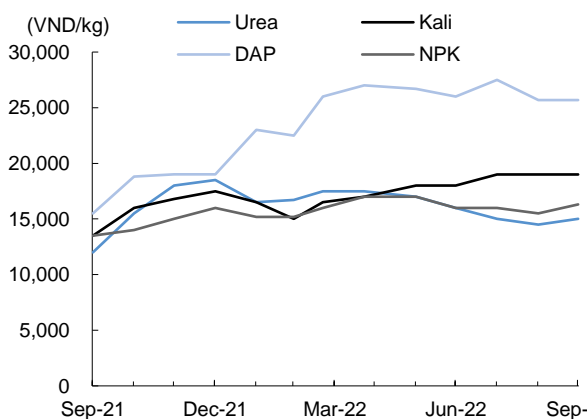
Source: MoIT, KIS

Figure 3. Global fertilizer prices



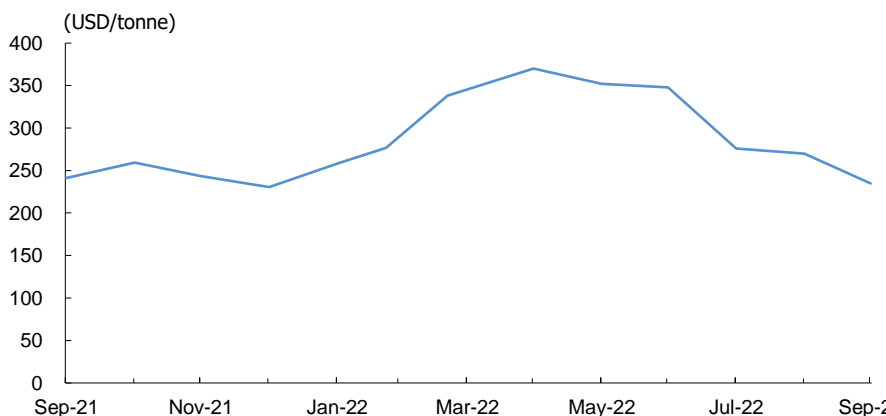
Source: Bloomberg, KIS

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 next months



Source: Bloomberg, KISVN

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