

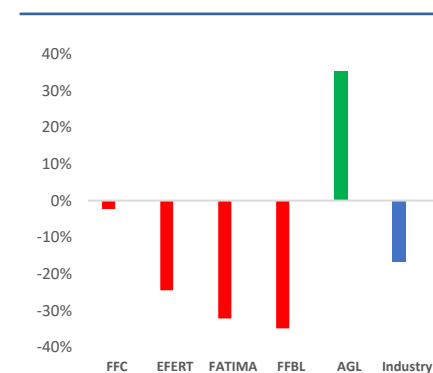
Fertilizer Sector Offtake Update

Pakistan Research

Fertilizer: Urea offtake down 17% YoY to 418k tons in May-22

- As per the data released by NFDC, Urea offtake shrunk 17% YoY to 418k tons in May-22, while DAP offtake stood at 94k tons, down by 46% YoY. For 5MCY22, Urea offtake grew by 14% YoY to 2.5mn tons, while DAP offtake plunged to 437k tons, declining by 18% YoY.
- Within the urea segment, FFBL posted highest decline of 35% YoY followed by Fatima group (-35% YoY) and EFERT (-24% YoY) during May-22. While FFC's urea offtake declined by meagre 2% YoY in May-22. Only Agritech Limited (AGL) reported a growth of 35% YoY.
- During May-22, domestic urea prices averaged at PKR 2,046/bag, up ~20% YoY. Similarly, DAP prices also continued their upward trend and increased to PKR 9,703/bag, up ~77% YoY.
- We expect urea offtake to remain elevated at ~6.3mn tons during CY22 due to improving agro-economics, low water availability and probable cross-border movement due to higher delta between international and domestic prices. DAP offtake is expected to remain dull in CY22 due to higher price.

Urea offtake growth YoY (May-22)



Source: NFDC, Akseer Research

Fertilizer May-22 Offtake and Inventory ('000) tons

Period	May-21	Apr-22	May-22	MoM	YoY	5MCY21	5MCY22	YoY	Current Inv.
Urea:									
FFC	183	182	179	-2%	-2%	884	992	12%	104
EFERT	200	157	151	-4%	-24%	912	857	-6%	114
FATIMA	48	65	32	-50%	-32%	219	347	58%	97
FFBL	58	33	38	14%	-35%	166	188	14%	29
AGL	13	21	17	-19%	35%	28	125	NM	23
Imported	-	-	0.3	NM	NM	-	0.3	NM	100
Industry	501	459	418	-9%	-17%	2,209	2,510	14%	467
DAP:									
FFBL	69	35	55	55%	-20%	207	205	-1%	171
FFC	30	3	14	NM	-54%	64	42	-35%	8
EFERT	27	20	16	-21%	-40%	84	93	11%	75
Others	48	37	10	-74%	-80%	177	97	-45%	116
Industry	173	95	94	-1%	-46%	533	437	-18%	370
CAN:									
FATIMA Group	80	57	51	-10%	-36%	397	323	-18%	38
Industry	80	57	51	-10%	-36%	397	323	-18%	38

Source: NFDC, Akseer Research

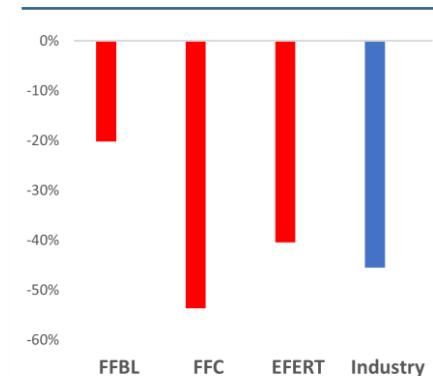
Industry urea offtake declined by 17% YoY in May-22:

Industry urea offtake decreased by 17% YoY to 418k tons in May-22. This is the first decline in last three months as farmers were pre buying urea in the previous months on fears of price hike owing to expected shortage.

Government fixed urea price at PKR 1,850/bag:

During May-22, local urea prices crossed PKR 2,000/bag after an increase of more than PKR 150/bag by some of the fertilizer players. The government took notice of rising urea prices in the local market and fixed urea price at PKR 1,850/bag to provide maximum relief to farmers in the ongoing Kharif season till July 07, 2022. This resulted in halt in urea supply for a week from fertilizer manufacturers as they were not comfortable to sell urea at government capped prices. Later on, after a commitment by government to settle industry's outstanding dues of sales tax and subsidy receivable, fertilizer companies agreed to fix urea price.

DAP offtake growth YoY (May-22)



Source: NFDC, Akseer Research

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Sufficient urea available in the industry:

The government set aside PKR 15bn subsidy for RLNG based plants in the latest budget while PKR 6.0bn has been set aside for import of urea. That said, there will be no shortage of urea in the remaining months. While, current inventory levels are in a comfortable position at 467k tons.

DAP demand declined by 46% YoY to 94k tons in May-22:

Industry DAP offtake recorded a significant decline of 46% YoY to 94k tons in May-22. This is due to rising international DAP prices. During May-22, DAP price averaged at PKR 9,703/bag, while it is currently trading above PKR 11,500/bag in the local market. For 5MCY22, DAP offtake declined by 18% YoY to 437k tons on the back of elevated prices.

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