

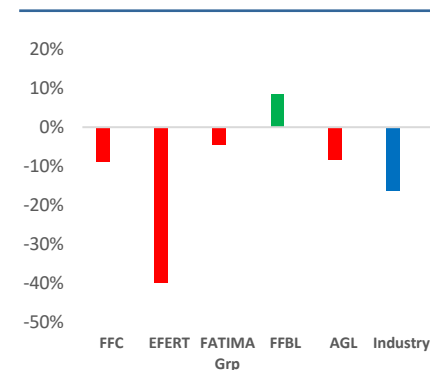
Fertilizer Sector
Offtake Update

Pakistan Research

Fertilizer: Offtake remains depressed in October-22

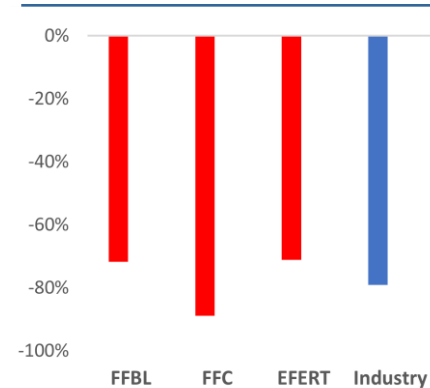
- As per the data released by NFDC, Urea offtake declined by 16% YoY to 430k tons in Oct-22, while DAP offtake took a decline of 79% YoY 71k tons. For 10MCY22, Urea offtake increased by 1% YoY to 5.2mn tons, while DAP offtake remained lower by 48% YoY to 676K tons.
- Within the urea segment, EFERT posted the highest decline of 40% YoY followed by FFC 9% YoY, AGL 8% YoY and FATIMA 4% YoY during October-22. While FFBL urea offtake grew by 9% YoY.
- During October-22, DAP offtake continued its downward trajectory declining by 79% YoY. Company wise data shows that FFC's DAP offtake declined by 89% YoY, followed by FFBL 72% YoY and EFERT 71% YoY.
- During Oct-22, domestic urea prices averaged at PKR 2,396/bag, up ~33% YoY. While, DAP prices remained elevated at PKR 12,529/bag, up ~81% YoY.
- Higher than normal rains and flash floods have severely damaged agro-economics of the country. With the delayed sowing of the Rabi crop, we believe the fertilizer application during rest of the CY22 remain subdued. However, with the announcement of agriculture package for the farmers, increase in wheat support price and revision in the international commodity prices can uplift the fertilizer offtake going forward.

Urea offtake growth YoY (Oct-22)



Source: NFDC, Akseer Research

DAP offtake growth YoY (Oct-22)



Source: NFDC, Akseer Research

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

| Period | Oct-21 | Sep-22 | Oct-22 | MoM | YoY | 10MCY21 | 10MCY22 | YoY | Current Inv. |
|-----------------|------------|------------|------------|-------------|-------------|--------------|--------------|-------------|--------------|
| Urea: | | | | | | | | | |
| FFC | 203 | 201 | 185 | -8% | -9% | 2,024 | 1,980 | -2% | 31 |
| EFERT | 161 | 164 | 97 | -41% | -40% | 1,906 | 1,619 | -15% | 71 |
| FATIMA | 79 | 79 | 75 | -4% | -4% | 666 | 803 | 21% | 114 |
| FFBL | 44 | 36 | 48 | 33% | 9% | 426 | 415 | -3% | 13 |
| AGL | 26 | 29 | 24 | -18% | -8% | 149 | 282 | 90% | 15 |
| Imported | - | - | - | - | - | - | 100 | NM | 205 |
| Industry | 514 | 508 | 430 | -15% | -16% | 5,170 | 5,200 | 1% | 449 |
| DAP: | | | | | | | | | |
| FFBL | 118 | 19 | 33 | 76% | -72% | 632 | 414 | -35% | 336 |
| FFC | 49 | 6 | 5 | -2% | -89% | 164 | 62 | -62% | 43 |
| EFERT | 67 | 19 | 19 | 0% | -71% | 265 | 175 | -34% | 59 |
| Others | 109 | 19 | 14 | -28% | -87% | 483 | 158 | -67% | 56 |
| Industry | 342 | 63 | 71 | 14% | -79% | 1,544 | 810 | -48% | 493 |
| CAN: | | | | | | | | | |
| FATIMA Group | 106 | 41 | 57 | 37% | -47% | 779 | 652 | -16% | 27 |
| Industry | 106 | 41 | 57 | 37% | -47% | 779 | 652 | -16% | 73 |

Source: NFDC, Akseer Research

Industry urea offtake declined by 16% YoY in Oct-22:

Industry urea offtake decreased by 16% YoY to 430k tons in Oct-22. The decline in offtake is due to the destruction caused by the recent floods to the agricultural lands of the Sindh, south Punjab & Balochistan. Urea production also declined by 13% YoY to 468k tons due to the closure of EFERT Base Plant for ~60 days and FFC Plant-I for 20 days for schedule maintenance. Cumulatively for 10MCY22, urea offtake increased by 1% YoY to 5.2mn tons.

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DAP offtake declined by 79% YoY to 71k tons in Oct-22:

Higher local DAP prices coupled with delayed Rabi crop sowing season resulted in lower DAP offtake of 79% YoY to 71k tons in Oct-22. Local DAP prices averaged at PKR 12,529/ bag during Oct-22. In order to give relief to the farmers, DAP manufacturer (FFBL) agreed to slash DAP prices to 10,200. This will enhance DAP fertilizer application in the ongoing Rabi season.

Sector Outlook:

Federal government announced a Kissan package in order to facilitate farmers. Around 1.2mn bags of certified seeds would be provided to farmers in flood affected areas free of cost. Along with this, DAP fertilizer price has also been reduced to PKR 10,200. Moreover, government also decided to fix the electricity tariff on tube wells. These measures would likely increase the fertilizer application in the ongoing Rabi season. We have assumed urea of 6.6mn tons (up 4% YoY) and DAP offtake of 1.4mn tons (down 25% YoY) in CY22.

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