

United States International Trade Commission

Certain Ammonium Nitrate from Ukraine

Investigation No. 731-TA-894 (Second Review)

Daniel Klett

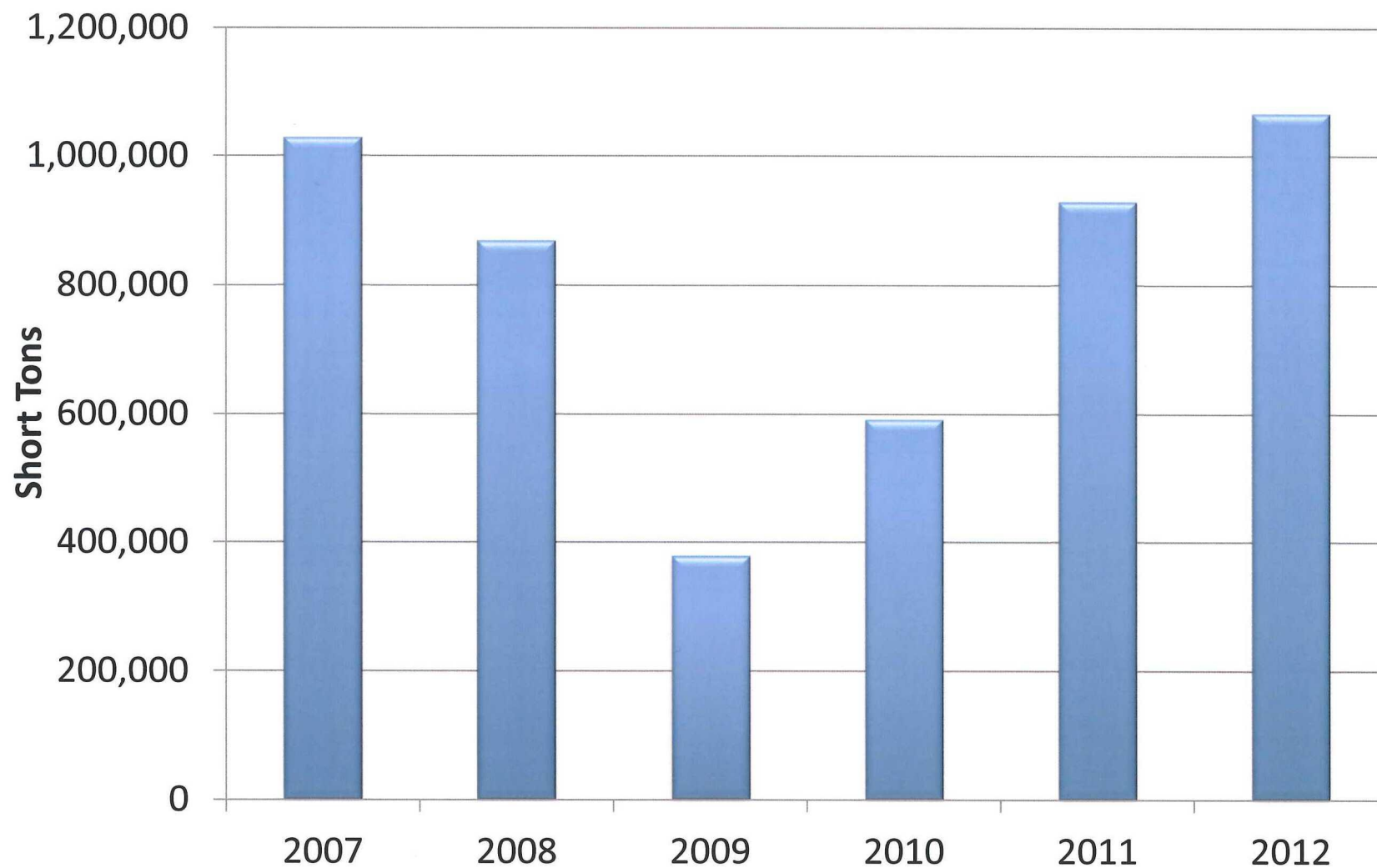
Principal

Capital Trade Incorporated

Hearing Presentation

April 4, 2013

Ukrainian Exports of HDAN Have Increased



Ukraine Plans to Increase HDAN Capacity

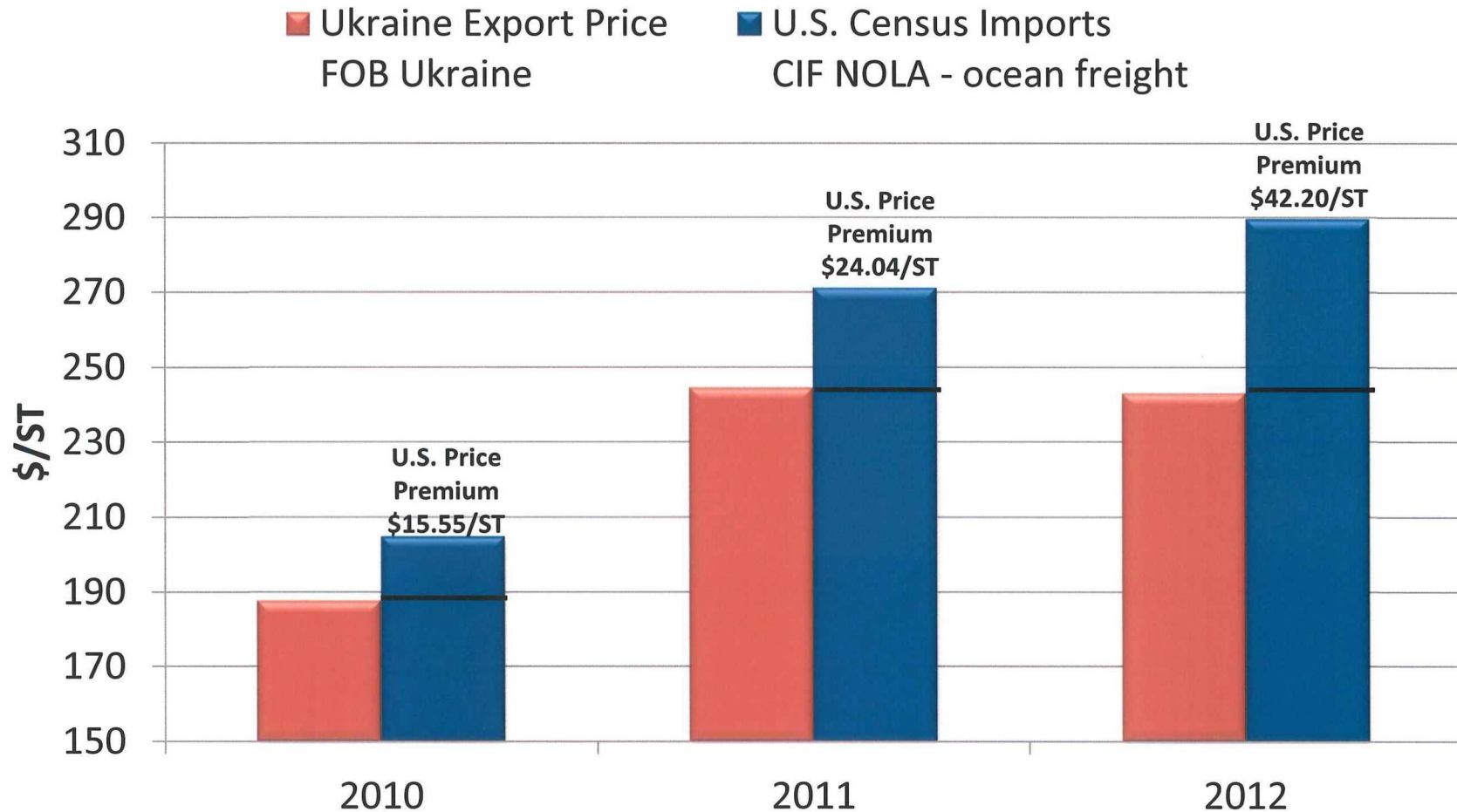
“By mid-2014, owing to the investments, we will raise ammonia production at Stirol up to 4.7 thousand tons a day, **ammonia nitrate – up 900 thousand tons a year** and urea – up to 950 thousand tons a year,” said Mr. Firtash. Group DF website article *Group DF to invest \$1 billion in development of its nitrogen fertilizer producers* (October 19, 2012).

Ukraine Plans to Increase Fertilizer Export Capacity at Nikolayev Port

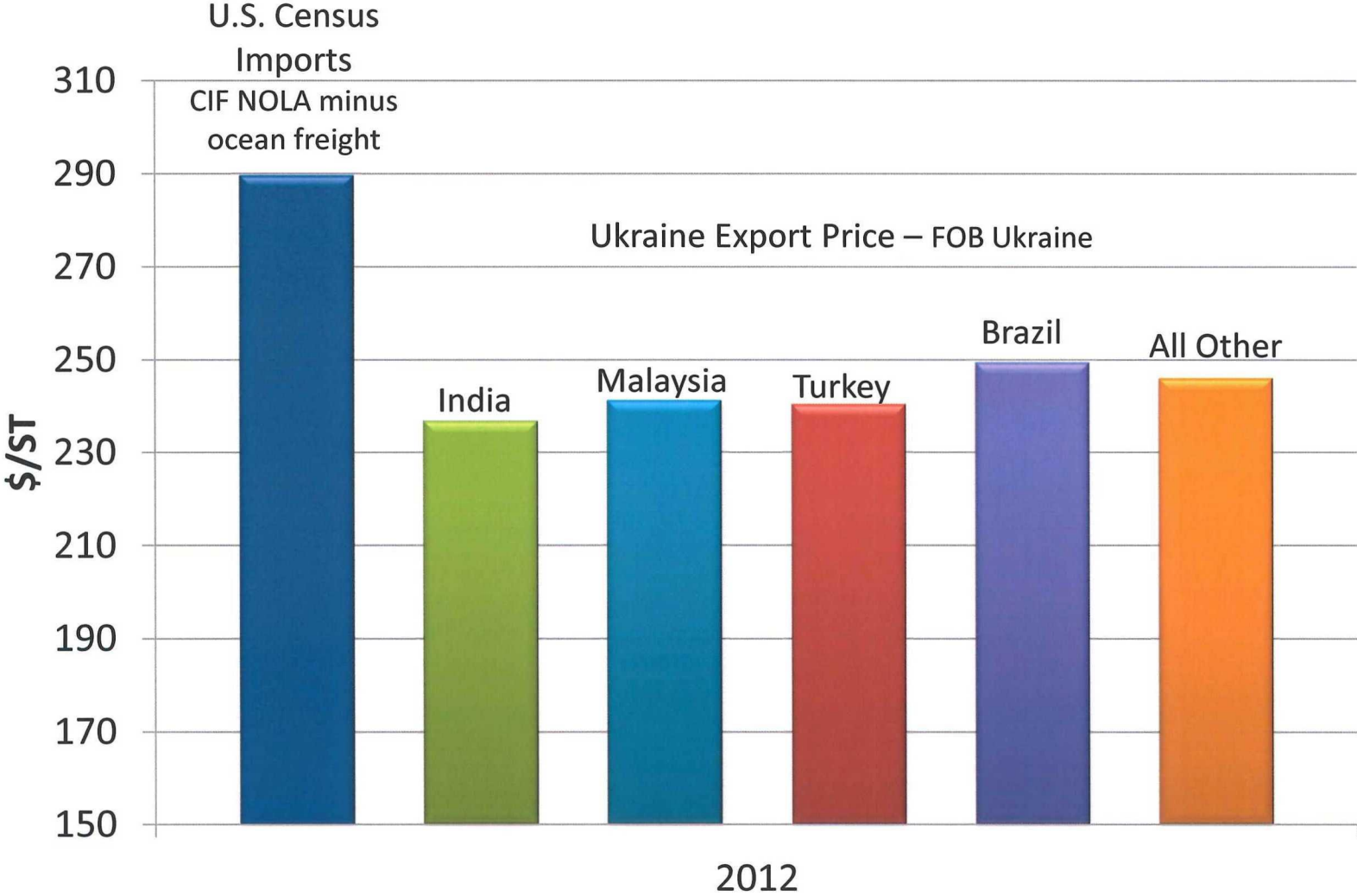
“By the end of 2012, its throughput capacity will be extended to 10 million tons. And if we come to a final agreement with the government, we will have a 20-million-ton capacity eventually.” Dmitry Firtash website article *Titanesque Efforts, Interview with Andrey Blinov and Natalia Kabash in Expert* (May 14, 2012).

“We also plan to expand storage facilities at the port - that will speed up fertilizer exports.” *Petrochemical Production Statistics In Ukraine: Firtash To Invest Us Dollars 2.8 Bln In Ukrainian Petrochemicals Over 5 Yrs* Interfax America, Inc. (November 3, 2011)

Ukraine Has a Strong Incentive to Export HDAN to the U.S. Market



The U.S. HDAN Market Commands A Price Premium Compared to Ukraine's Existing HDAN Markets



Source: CF & EDC Prehearing Brief at Exhibit 34.

Ukraine Has The Ability To Shift Its Exports

Top 10 Export Destinations for Ukraine HDAN, by Year

2007		
World	ST	1,028,571
Turkey	ST	415,485
Morocco	ST	144,192
India	ST	92,151
Argentina	ST	86,712
<i>Costa Rica</i>	<i>ST</i>	<i>39,128</i>
<i>Venezuela</i>	<i>ST</i>	<i>37,536</i>
Hungary	ST	29,319
Australia	ST	27,212
<i>Moldova</i>	<i>ST</i>	<i>23,876</i>
<i>Brazil</i>	<i>ST</i>	<i>22,324</i>
Top 10 Share	%	89.2%

2008		
World	ST	868,786
Turkey	ST	236,412
Morocco	ST	126,692
<i>Egypt</i>	<i>ST</i>	<i>85,041</i>
Brazil	ST	69,705
Argentina	ST	49,139
India	ST	39,640
Costa Rica	ST	32,573
Australia	ST	30,021
Hungary	ST	29,841
<i>Indonesia</i>	<i>ST</i>	<i>24,034</i>
Top 10 Share	%	83.2%

2009		
World	ST	378,144
Turkey	ST	129,369
Egypt	ST	41,081
Hungary	ST	39,607
Australia	ST	26,642
<i>Monaco</i>	<i>ST</i>	<i>18,532</i>
Brazil	ST	17,361
India	ST	16,590
Morocco	ST	15,605
<i>Moldova</i>	<i>ST</i>	<i>12,489</i>
<i>Bulgaria</i>	<i>ST</i>	<i>11,195</i>
Top 10 Share	%	86.9%

2010		
World	ST	591,903
Turkey	ST	197,644
Brazil	ST	90,179
Morocco	ST	67,082
<i>Argentina</i>	<i>ST</i>	<i>46,297</i>
Australia	ST	37,046
<i>Indonesia</i>	<i>ST</i>	<i>36,678</i>
<i>Kenya</i>	<i>ST</i>	<i>29,192</i>
Hungary	ST	23,819
<i>Lithuania</i>	<i>ST</i>	<i>15,432</i>
Moldova	ST	14,608
Top 10 Share	%	94.3%

2011		
World	ST	928,903
Turkey	ST	300,527
Morocco	ST	147,950
Brazil	ST	102,241
India	ST	72,647
Indonesia	ST	42,457
Australia	ST	32,247
United States*	ST	28,528
Moldova	ST	27,854
<i>Egypt</i>	<i>ST</i>	<i>22,861</i>
<i>Mozambique</i>	<i>ST</i>	<i>21,638</i>
Top 10 Share	%	86.0%

2012		
World	ST	1,066,482
Turkey	ST	228,437
India	ST	168,302
<i>Malaysia</i>	<i>ST</i>	<i>142,212</i>
Brazil	ST	121,661
<i>Bulgaria</i>	<i>ST</i>	<i>57,562</i>
Egypt	ST	47,694
Australia	ST	41,473
<i>Poland</i>	<i>ST</i>	<i>35,049</i>
Indonesia	ST	29,243
<i>Argentina</i>	<i>ST</i>	<i>26,784</i>
Top 10 Share	%	84.2%

Countries and volumes highlighted and in bold italics are countries among top-ten export destinations not among top-ten export destinations in prior year.

*This is misclassified in the Ukrainian export statistics, as U.S. Census data show no HDAN imports from Ukraine in this year.

Ukrainian HDAN Producers or Traders Have Established U.S. Importers for other Fertilizer Products

"The primary customers in the sale of fertilizers for export are traders who operate in the international market of mineral fertilizers and assume the risks of marine transportation of products to the country of the end-consumer" - Stirol 2010 Financial Statement

Ukrainian Shipper	U.S. Importer/Consignee	Product
Ostchem	Transammonia	CAN
Cherkassy	Yara	UAN
Stirol	Koch Nitrogen/Mosaic Fertilizer/Yara	AA
Severodonetsk	Mosaic Fertilizer/Transammonia/Yara	AA
NF Trading	Helm Fertilizer	CAN
NF Trading	Mosaic Fertilizer/Transammonia	AA

Imports from Ukraine Would Undersell U.S. Producers Absent an Order

	A	B	C = A + B	D = C + markup	E	F = E - D	G = F / E
	Ukraine Export Price to Non-U.S. Markets	Ocean Freight to U.S.	Constructed Landed Price, U.S. Port	Constructed Sales Price for Ukraine HDAN	U.S. Producers' Sales Price	Underselling of U.S. Producers by Imports from Ukraine	
	\$/metric ton						Percent
Dec-12	278.77	30.18	308.95	[***	***	***	***] %

Imports from Ukraine Would Undersell Non-Subject Imports Absent an Order

	A	B	C = A + B	D	E = D - C	F = E / D
	Ukraine Export Price to Non-U.S. Markets	Ocean Freight to U.S.	Constructed Landed Price, U.S. Port	Average Unit Value of Imports into the United States	Underselling of Non-Subject Imports by Imports from Ukraine	
	\$/short ton					Percent
Jan-12	254.64	43.09	297.73	325.35	27.62	8.5%
Feb-12	241.65	43.77	285.42	313.68	28.26	9.0%
Mar-12	237.13	44.45	281.58	317.19	35.62	11.2%
Apr-12	234.04	29.50	263.55	318.26	54.72	17.2%
May-12	250.35	34.91	285.26	335.50	50.25	15.0%
Jun-12	265.96	34.02	299.98	343.37	43.39	12.6%
Jul-12	243.40	27.35	270.75	334.35	63.60	19.0%
Aug-12	230.91	29.55	260.45	-	-	-
Sep-12	228.26	31.75	260.01	341.10	81.09	23.8%
Oct-12	230.31	29.57	259.87	316.83	56.95	18.0%
Nov-12	253.96	29.57	283.52	-	-	-
Dec-12	252.90	27.38	280.28	307.92	27.64	9.0%
				Total	46.91	14.3%

Ukraine Undersells Russia and Other Countries in Other HDAN Markets

	Ukraine v Russia			Ukraine v All Other		
	Total Comparisons 2010-2012	Ukraine Underselling Instances	2012 Avg. Underselling Margin	Total Comparisons 2010-2012	Ukraine Underselling Instances	2012 Avg. Underselling Margin
Turkey	32	20	14.9%	32	25	21.8%
Brazil	12	8	2.3%	5	5	15.5%
Argentina	3	3	8.0%	5	5	39.5%
Morocco	14	8	7.3%	17	17	24.8%
Total	61	39	10.6%	59	52	22.1%

Source: CF & EDC Prehearing Brief at Exhibits 24, 38-41 (monthly data 2010-2012) and GTIS.

Imports from Ukraine into Turkey Undersell Imports from Georgia

	Ukraine		Georgia		Underselling of Georgian Imports by Imports from Ukraine	
	short tons	\$/short ton	short tons	\$/short ton	\$/short ton	Percent
Jan-10	356	218.82	3,514	199.54	-19.28	-9.7%
Feb-10	27,054	209.42	17,799	240.51	31.10	12.9%
Mar-10	10,265	216.42	23,079	242.78	26.35	10.9%
Jul-10	4,377	156.64	13,814	176.00	19.36	11.0%
Aug-10	23,528	203.82	24,303	198.97	-4.85	-2.4%
Oct-10	10,366	282.95	4,704	267.24	-15.71	-5.9%
Dec-10	52,033	259.25	11,489	301.13	41.88	13.9%
Apr-11	4,222	239.54	2,180	275.50	35.96	13.1%
May-11	2,807	253.25	6,756	296.69	43.44	14.6%
Jun-11	3,829	250.73	4,938	294.85	44.11	15.0%
Dec-11	53,928	304.08	39,044	340.32	36.24	10.6%
Jan-12	38,096	278.42	8,015	335.68	57.26	17.1%
Feb-12	24,152	306.65	7,485	339.73	33.08	9.7%
Jun-12	5,291	331.72	5,578	353.61	21.89	6.2%
Total					32.98	10.6%

Revocation Will Result in a Significant Adverse Impact for the U.S. Industry

- Partial Equilibrium Model (COMPAS)
 - Increase of subject imports – 200,000 and 300,000 short ton scenarios
 - Elasticity estimates from the Prehearing Report
 - Estimated price and volume effects to the U.S. Industry
- Financial Effects
 - Price and volume effects from COMPAS
 - Fixed and variable cost information from CF and EDC
- Price suppression and market share changes from the investigation