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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the First Quarter 2019 CF Industries Holdings Earning Conference Call. My name is Justin, and I'll be your coordinator for today. (Operator Instructions)

I would now like to turn the presentation over to your host for today, Martin Jarosick with CF Investor Relations. Sir, please proceed.

Martin A. Jarosick ***CF Industries Holdings, Inc. - VP of IR***

Good morning, and thanks for joining the CF Industries First Quarter Earnings Conference Call. I'm Martin Jarosick, Vice President, Investor Relations for CF. With me today are Tony Will, CEO; Dennis Kelleher, CFO; Bert Frost, Senior Vice President of Sales, Market Development and Supply Chain; and Chris Bohn, Senior Vice President of Manufacturing and Distribution.

CF Industries reported its first quarter 2019 results yesterday afternoon. On this call, we'll review the CF Industries results in detail, discuss our outlook and then host a question-and-answer session.

Statements made on this call and in the presentation on our website that are not historical facts are forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or implied in any statements. More detailed information about the factors that may affect our performance may be found in our filings with the SEC, which are available on our website.

Also, you'll find reconciliations between GAAP and non-GAAP measures in the press release and presentation posted on our website.

Now let me introduce Tony Will, our President and CEO.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Thanks, Martin, and good morning, everyone. Last night, we posted our financial results for the first quarter of 2019 in which we generated adjusted EBITDA of $305 million after taking into account the items detailed in our earnings release. We're really pleased with this performance, especially against the backdrop of another first quarter with cold and wet weather that delayed the application season even more so than last year. Despite lower sales volumes, we exceeded our first quarter adjusted EBITDA from last year as selling prices were significantly higher for urea, UAN and AN.

We also operated extremely well. We set a quarterly production record for urea, and our ammonia production was our third-highest ever. Most importantly, we continued to work safely as our rolling 12-month recordable incident rate remained at 0.6 incidents per 200,000 work hours.

As we have said many times in the past, we plan our business on a 6-month increment. Weather patterns may move product shipments out of one quarter and into another, but we run our plants 24/7/365, and over the course of a year, we're going to ship everything we make. We believe this year will be no different. April saw much-improved shipments, and we are now ahead of where we were a year ago on volume.

As Bert will outline shortly, we expect high demand for nitrogen due to increased corn acres in the United States, amplified by low ammonia applications last fall. At the same time, we expect continued disruptions to barge and rail transportation due to the lingering effects of weather. This is testing the industries logistics capabilities to move upgraded product to farmers when and where they need it. We believe these challenges play right into our strengths. We have significant in-region production, unparalleled logistics capabilities and an expansive distribution network. These position us well as the spring application season progresses.

Longer term, these same operational advantages, along with our structural advantage of operating in an import-dependent region and our access to low-cost North American natural gas, will continue to drive our cash-generation capability.

Before I turn it over to Bert, I want to comment on the expected impacts of the European Commission's announcement of provisional duties on imports of UAN. We strongly disagree with the Commission's conclusions, which we believe ignore the market fundamentals of a globally traded commodity like UAN. CF purchases natural gas, our primary input, at prevailing market prices. We use that in our highly efficient plants to produce UAN and then sell it at prevailing market prices. The key difference between CF and Eastern European producers is that we have newer, more efficient, more reliable, more climate-friendly and lower-GHG plants than they do. We also have access to low-cost North American natural gas. That said, we fully expect that these duties will impact global UAN trade flows and that it'll take some time for the industry to adjust.

Fortunately, CF has more options than many others, and we have been taking appropriate steps to mitigate the financial impact to our company. We exported roughly 850,000 tons of UAN to Europe last year, and this is how we think about realigning those tons going forward: we'll make more granular urea and less UAN, which will absorb between 300,000 to 700,000 tons of that, depending upon the specific production mix decisions we make. We continue to build demand in South America and leverage our relationships there, and so we expect to increase our exports into that region. Finally, in the last 6 months, we have leased additional access to UAN space within North America.

Based on those -- based on these actions that Bert and Chris and their teams have taken, we can easily realign those tons that we previously sent to Europe without a significant financial impact. In the short term, we also benefit from an increase in corn acres in North America, which, coupled with poor fallout ammonia applications, will significantly increase UAN demand here this year. So net-net, we're well prepared to deal with the loss of access to the European market.

With that, let me turn it over to Bert, who'll talk more about the spring application season. Then Dennis will cover a few financial items before I offer some closing remarks. Bert?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Thanks, Tony. As has been well documented, wet and cold weather delayed fertilizer applications in North America. However, in April, the weather was favorable for fieldwork and fertilizer applications. Currently, it's wet in the Midwest and fieldwork is slow.

Over the past several weeks, we saw significant activity at many terminals from Eastern Nebraska to Western Illinois and Northern Missouri. To give you a sense of the movement, on 1 day in April, our Albany, Illinois terminal loaded 263 trucks. To do this, it loaded trucks for 24 hours straight for more than 5,000 tons of ammonia at just 1 terminal. And this week, urea truck shipments at Port Neal reached nearly 10,000 tons in 1 day, a record for the facility.

Applications have begun to shift north and east more recently, as would be expected. In fact, CF's ammonia shipments are now ahead of last year's pace. We continue to expect nitrogen demand in North America to be strong during the first half of the year driven by an increase in planted corn acres in the United States. And though we've had a late spring, it is not too late for farmers to catch up on applications and plantings given the technology they use. If farmers switch to another end product, we have all 3 ready and positioned. As of this week, corn plantings were on pace with 2018.

We also anticipate strong demand for upgraded products this spring in order to make up for the lighter-than-normal fall of 2018 ammonia applications. We believe the industry's ability to supply all of this volume in a timely manner will be challenged. Most significantly, barge transportation has been disrupted by the aftereffects of the winter and spring rain. Barges are moving slowly, and we don't expect regular access to Minneapolis for a couple of weeks. This is the latest opening in at least 30 years. This has 2 effects. First, prompt urea barges in New Orleans so far into the second quarter have been in high demand. Barges need to be moving north for spring applications. Pricing has reflected this as NOLA urea barges' pricing approached $300 last week before retreating this week to $270.

Second, products already in region is trading significant premium to New Orleans barge prices. CF has benefited from this due to our strong production at our Port Neal facility and inventory in position. We have also leveraged Donaldsonville's logistics flexibility by railing urea into the Upper Midwest in anticipation of the high demand.

All of these factors should enable us to capture higher prices across most segments compared to the second quarter of last year. The first quarter was challenging because of the weather, but these challenges play into our company's strength. We're well prepared for the next 2 months and as a team, assets and flexibility to meet our customers' needs.

With that, I'll turn the call over to Dennis.

Dennis P. Kelleher ***CF Industries Holdings, Inc. - Senior VP & CFO***

Thanks, Bert. In the first quarter of 2019, the company reported net earnings attributable to common stockholders of $90 million or $0.40 per diluted share. EBITDA was $301 million and adjusted EBITDA was $305 million. Our first quarter 2019 net earnings of $0.40 per diluted share included a $0.13 per share net income tax benefit. This was a result of the net income tax credit of $30 million recognized during the quarter.

As Tony and Bert have described, our results in the quarter were higher than a year ago as higher product prices overcame lower sales volumes, supporting strong cash generation.

During the first quarter, net cash provided by operating activities was $306 million. We returned $127 million to shareholders during the quarter, including $60 million to repurchase approximately 1.5 million shares and $67 million in dividend payments.

Due to the seasonality of the fertilizer business, we evaluate our company's performance against our peers on a rolling 12-month basis. Looking at the most recent period with all reported financials, you can see on Slide 6 that CF generated $1.5 billion in operating cash flow in 2018. After deducting capital expenditures and distribution to noncontrolling interest, we generated $936 million, significantly higher than our peers in both an absolute sense and as a percentage of our April 30, 2019, equity market capitalization. This demonstrates CF's free cash flow power, which we believe provides ample flexibility to repay $500 million in debt on or before its maturity date in May 2020 and deploy excess cash in line with our long-standing capital allocation philosophy; that is to pursue growth within our strategic fairway, and in the absence of these opportunities, return excess cash to shareholders through dividends and share repurchases.

Capital expenditures for the first quarter of 2019 were $80 million. For the year, we continue to expect to spend approximately $400 million to $450 million. We ended the quarter with $671 million of cash on the balance sheet. This does not include $55 million in proceeds received in April on the sale of our Pine Bend dry bulk storage and logistics facility in Minnesota.

With that, Tony will provide closing remarks before we open the call to Q&A.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Thanks, Dennis. Before we move onto your questions, I want to thank everyone at CF for their great work in the first quarter. They operated safely, made the most of the opportunities and helped us to be well positioned for the remainder of the first half of 2019.

When we spoke to you on this call 1 year ago, urea prices at New Orleans were about to hit their low point of the year at roughly $200 per ton. Today, New Orleans barge prices are about $270 per ton, and our price for urea in the Midwest is over $370, more than $100 per ton premium, reflecting the logistical challenges the industry sees currently.

We are also benefiting from lower natural gas prices. The cost of natural gas at Henry Hub in the first quarter was lower than a year ago, and through the end of 2019, Henry Hub natural gas futures remain well below $3 and below 2018 prices. Added to that is the benefit we receive from basis differentials in Alberta and Oklahoma. These factors highlight the operational and structural advantages that we enjoy and that will drive our long-term cash-generation capability.

With that, operator, we will now open the call to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question will come from Adam Samuelson from Goldman Sachs.

Adam L. Samuelson ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

So I guess I want to dig a bit more into the European Union tariffs on UAN and just the impact both on the company and how you're adjusting and as well just more a high-level market impact. In the quarter, you shifted the capacity utilization and the production more heavily to urea versus UAN. Is this a -- I mean I know there's more room to go based on the flexibility you have at Donaldsonville, but is this a decent representation of what the forward product mix looks like? Or is it even more skewed urea versus UAN? That's the one question.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

I mean it's really a question of where prices for the various products are trading. If we make more UAN, it uses both ammonia that would otherwise go into the nitric acid, the AN piece of it and urea. If we dial back UAN and make more urea, we're getting urea and some excess ammonia out of it. So what Bert and Chris are doing is they're looking at the relative values of the various product prices, where we sit in the inventory, what the demand profile looks like and then are trying to optimize what the production mix looks like. And as we talked about in the comments in the script, we've got sort of pretty ample room to move probably between something like 300,000 to 700,000 tons of what we historically ship to the EU into granular instead and make that just disappear. We've also got exports and more tank space. And it doesn't necessarily have to show up as granular, it can also go out the door as either urea liquor or DEF, which -- the demand for that continues to grow. So when we built the projects, we built a lot of flexibility into the product mix side, and Bert and his team have done a great job of continuing to open up additional markets for us. That effort has been on its way -- or underway for like last 4 or 5 years. So we -- I think even though it's disruptive and it removes a little bit of our flexibility, it's something that we're in a position to manage going forward.

Adam L. Samuelson ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

And along those lines and as part -- I mean your flexibility will impact this certainly. But I mean, historically, you UAN has commanded a premium on a nutrient basis to urea given kind of the value it adds to the farmers from a flexibility perspective and the added transportation logistics costs for the liquid product. Does that change at all as the market reorients itself and trade flows readjust?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

I mean I think they're going to kind of bounce back and forth for a while as the market sort of adjusts the new trade flows and people figure out what sort of product mix that -- because other people have flexibility, particularly the Russians have some flexibility between NPKs and AN and other options as well. So I think what you'll see is those relationships kind of bounce around a little bit. Long term, I think there needs to be a premium in UAN in order for people to justify putting the incremental capital into acid plants and a UAN plant because otherwise, if it doesn't command a premium, what you'll see is people stop putting maintenance into acid AN plants and just produce granular going forward. So I think long term, eventually, you've got to see that return. But I don't know whether long term in this context means 3 months, 6 months or 1.5 year. But it -- we feel pretty comfortable that it'll get back there. And in the near term, we've got a lot of options in terms of how we deal with it.

Operator

Our next question comes from Joel Jackson from BMO Capital Markets.

Joel Jackson ***BMO Capital Markets Equity Research - Director of Fertilizer Research & Analyst***

A couple of question. Last year, during the Q1 release, you did talk about that you should expect that similar volumes in the first half of the year as the year before. You didn't have that commentary in this release. You did think you can -- maybe that it's not too late to catch up. Could you give a little more color? Do you think you can get the same volume as last year? First half of the year, sorry.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes. Joel, I'll turn it over to Bert to give you some specific commentary here in a minute. But through April, we're ahead of where we were on volume shipments last year. And so yes, May -- or the first quarter was a little bit behind, but we've more than caught that up through April. So we're very comfortable with where we sit from a demand profile. But Bert, why don't you...

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Yes, just looking at it from an agronomic point of view, if you're planting corn or nitrogen-consuming crops, which we still are estimating 92 million to 93 million acres to be planted, no matter the short cycle or long cycle, we still to have a month left of fieldwork and time to get the crop in, which is plenty of time. We've proven that the market can move -- or the farm community can move in a matter of days to weeks with new equipment that's available. And so if you plant, you're going to apply nitrogen. P&K I think are a little more directly at risk depending on what was put down in the fall, but we have a lot of fall to make up that was lost in terms of ammonia. That will be made up as well as if we do have to transition from ammonia to UAN or urea, we think that there's sufficient supply, at least from CF. And we would plan to drain our inventory to pick up all that volume in Q2. And so I think it's just understood that we would move that volume in the first half, and so that's probably why it wasn't stated.

Joel Jackson ***BMO Capital Markets Equity Research - Director of Fertilizer Research & Analyst***

That's great. And my second question is on pricing. So we see where the Midwest premium is trading now. We see that you realized for urea and UAN some of your largest premiums to NOLA benchmarks for your realized prices for years. So should we expect in the second quarter elevated realized pricing versus benchmark NOLA?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Well, as we went through the first part of the year, we positioned product in the interior. We have the tanks for UAN as well as ammonia. And we have the dry storage for urea, the barge capacity to move it, the rail capacity to move it and the relationships in place to receive it if it's even not in our own control. So with that being said, yes, there is a premium to NOLA today and has been -- and it has been expanding. I think it's also expanding for P&K, and that's the reflection of proper planning and distribution. And so I do think you'll see that carry through into -- for Q2 realizations, a nice spread.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

It's a nice conversation to have as opposed to us trying to defend the notion of an in-market premium being sustainable when people a few years ago were talking about that's getting wiped out, and the fact of the matter is the evidence doesn't support that thesis. Like we're trading in $100 in-market premium right now because of supply disruptions and other issues, and that's kind of what we've said all along, and we really enjoy the benefit of our network as a result of that.

Operator

Our next question comes from Ben Isaacson from Scotiabank.

Benjamin Isaacson ***Scotiabank Global Banking and Markets, Research Division - MD and Head of Commodity Research***

On the logistic challenges, and you talk about your in-region production and transportation and distribution network, how -- their advantages, can you talk about that $100 premium? And how much of that do you benefit from? And how much of that is a cost?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Well, the costs haven't really changed. There -- I think there was some disruptions in Q1, which I think I have been communicated to the market, relative to flooding that took place that limited some rail service from the BN and UP as well as just poor service from the CP coming out of Canada. That has been corrected. The barge logistics, there's been a lot of accumulation of barges at the northern end of the -- for river opening. And -- but I think part of it is just a dislocation. Some tons were sold short and not supplied, and so a bit of a squeeze got put on. And also I just think that with the additional acres and the timing, that moves to our advantage with our assets in place and our short moves from where our assets are in the heart of the Cornbelt. And so that spread has expanded, and we've followed that and taken advantage of it.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

But I think also, Ben, on that point, the big issue is we've got a lot of rolling stock. We've got access to multiple rail lines. We've got our own barge network and our contracts in place, and traders and people that are bringing tons over don't have access to that. And so what the end market premium is really kind of reflecting is that there is instantaneous challenges of moving products from the Gulf or other import ports into the interior, and we've got an ability to move diesel tons into the interior. We've also have Port Neal and Verdigris and other in-market plants that are already there. And so from the coast, it's probably -- or from diesel, it's $30 to $40 to move most of those tons kind of up into the Cornbelt. And so the spread between that price and what we're realizing today is sort of just the arbitrage that Bert was talking about earlier of either short squeezes or inability for traders to move tons because they don't have access to logistics.

Benjamin Isaacson ***Scotiabank Global Banking and Markets, Research Division - MD and Head of Commodity Research***

Great. And just quickly, my second question is maybe just to expand on Joel's question. You talked about how you are -- through April, you're ahead of you where you were a year ago. And I think you mentioned for ammonia specifically, but what about urea, UAN and ammonium nitrate?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes. I mean shipments in aggregate are up at this point year-on-year. So we feel very comfortable, both with kind of how demand is shaping up for this year, what our inventory position is, what our book looks like, and again, where prices are and where gas is, we're well ahead of what last year looked like. So all of that's shaping up to be a really solid first half for us.

Operator

Our next question comes from Michael Piken from Cleveland.

Michael Leith Piken ***Cleveland Research Company - Equity Analyst***

Wanted to touch base a little more in terms of the outlook for Chinese exports. You said that you're looking for relatively flat levels of Chinese exports year-on-year. Where do you see them on the cost curve? And where do you see the Europeans right now?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Yes. Relative to China, they're producing, due to some of the shutdowns and lower operating rates, we estimate in the 53 million to 54 million metric tons per year run rate. They did export more in Q1. We believe that was a reflection of a couple of issues, one being the higher prices than Q4 that were realized, and then product moved into position and exported in January and February as well as possibly some of the Iranian tons that have come in and have been re-exported. And so for that reason, we're fairly confident with where pricing is worldwide and where it's -- whether you're looking at the Arab Gulf, Asia price, NOLA price and the cost curve with their cost generally driven by coal. Gas today is around $5 in China. The forward strip, especially for Q4 -- late Q3 and Q4, is back in the $7 to $9 range. And so that would curtail, you would expect, if we stay at this current pricing level. And so that's why we feel fairly comfortable estimating in the 2 million ton range for China to export.

Michael Leith Piken ***Cleveland Research Company - Equity Analyst***

Okay, great. And then if you could talk a little bit about your expectation for the Iranian urea in terms of how much product is theoretically available at this point? And if you think India, who's been aggressive in tenders, or is it China or where could the product theoretically go? And what's your expectation?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

I mean our expectation is that all of that production finds its way out in the public marketplace. For -- there's enough people and the world demands that product, and there's enough people kind of willing to chase the dollars that -- we're just planning on all of that production coming out. So we don't believe, all of a sudden, there's going to be some huge disruption to the supply side. That said, if the U.S. actually does get tough on sanctions and makes it more difficult, there's possible upside there for us, but we're certainly not planning on it.

Bert, you have other...

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

No, I agree. I think the surprise was the tonnage that has gone to Brazil that was bartered for soybeans or corn. That was a new development. I think we're seeing further restrictions, and especially the sanctions that were announced recently. The tighter full-on sanctions for oil, which will transition to urea, we believe, does make it difficult for those extraneous markets. And then I think there is an issue to the sustainability of their production with an inability to work with the providers of services and products and materials that, longer term, if this stays, would make that probably a question mark on production.

Operator

Our next question comes from Mark Connelly from Stephens Inc.

Mark William Connelly ***Stephens Inc., Research Division - MD & Senior Equity Research Analyst***

So a big seed company surprised us recently by saying that it sees corn acres moving back to soy, or maybe moving back to soy. I'm curious what your market intelligence says about the extent of that risk.

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Yes. At this point, I think it's too early to tell. You can -- if you look at the -- really, it's an economic decision on the corn-to-bean spread and that's still attractive to corn. And I -- if I were to look at it and being able to yield it on trend with corn and/or soybeans, looking at what the difficulties could be out there with soybeans and the production that's expected to come out of South America and already has as well as the consumption in China with the possible impact of the African swine fever that -- what that could be or communicate to demand. So I think a safer choice would be to stay with corn. I don't think -- we have gone through wet years, we've gone through dry years. And as Tony articulated and Dennis and I did also, that there's still plenty of time to plant, and we believe that people will make an economic choice.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

I mean the other thing I'd add to Bert, if I can, Mark, is if you look at stocks to use, soy is really high and corn is actually kind of down to 2012 or below levels. And so as we just look at our own, we don't have the intel that the seed guys do. But as we look at our order book and where product prices are for nitrogen, as we look at what the in-market premium is and the urgent demand for our products and just kind of what the overall shipment pattern has been, despite it being a pretty tough first quarter, we're very comfortable with kind of the -- what the acreage numbers looks like and what we see developing for the first half of the year.

Mark William Connelly ***Stephens Inc., Research Division - MD & Senior Equity Research Analyst***

Yes. That makes a lot of sense to me. I don't know how easy it is separate this out, but how are you thinking about transportation costs this year versus last and first half versus second half? We obviously go hit a lot with transportation last year, but now we got all this logistics noise. So I'm just curious if you can figure out what's happening and whether we're going to see a benefit in the second half.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

I would say it's probably roughly flat, maybe up or down, just -- up a little is what I'm getting the nods around the table on. But I think it's -- whatever small amount gets moved there, if you think about it on a per MMBtu kind of costs in terms of the gas content of the product, we're going to see net a favorable impact in terms of the price that we're buying gas at relative to the distribution cost. So net-net, on a COGS basis, in terms of moving those tons into market, they ought to be at a lower aggregate cost. I think we're also seeing a movement in the form of transportation. We're seeing a little less barge availability just given what's going on in terms of the river. And as Bert talked about, ice locks still in the northern part, inability to access Minneapolis and so forth. So we're seeing a bit more rail and probably a bit more truck, less barge, so that's a little bit higher mode cost. But I think it's not going to be one of those things that jumps off the pages all of a sudden, wow, I'm shocked that this number is what it is.

Dennis P. Kelleher ***CF Industries Holdings, Inc. - Senior VP & CFO***

I guess, Mark, the only other thing I'd add is as I said in my prepared remarks, we think of our business as a 6-month business at least, more like a year. And I've been in this company now for 8 years, and I've never seen a so-called typical first quarter, typical second quarter in what we sell and where we sell. It differs every year, and that changes the mix on transportation, so.

Operator

Our next question comes from Chris Parkinson from Crédit Suisse.

Graeme Marc Welds ***Crédit Suisse AG, Research Division - Research Associate***

This is Graeme Welds on for Chris. Piggybacking on earlier question around the global cost curve. You mentioned the fact that you expect gas prices in China to increase as we go through the year. I was just kind of curious, you had a slide a couple of quarters back that kind of spoke to the average range that you saw for NOLA pricing kind of based on the global cost curve. I'm curious if there are any updates on that. Or kind of roughly where those ranges would kind of shape out based on what you're seeing now?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes. I mean I'll give you just a quick bit, and I'll toss it over to Dennis. But we publish kind of an estimated cost curve for the year only about once a year, and it's one of those things that changes very dynamically. I mean, obviously, the day that it's published, which tends to be October, it's already out of date because the stuff moves very quickly. Obviously, because of a fair bit of glut of LNG, gas prices in Europe, for instance, are lower than the normal sort of oil index basis would have traditionally had them pegged at. But if you look at the forward curve for an NBP and TTF, it's got it going back to $7 plus by the fourth quarter. So we think in the near term, there's a little bit of dislocation. But honestly, if you look at where the price curve was that we published last October, it projected a price range of like $260 to $300, and we traded within that range and we're still within that range today. So even though it's kind of a little bit older and some of those bars have moved, it's not like wildly inaccurate. That's still where urea is trading today.

Dennis P. Kelleher ***CF Industries Holdings, Inc. - Senior VP & CFO***

I just want to just expand a little bit on Tony's point. If you look at Western Europe or Eastern Europe where you've got gas- or oil-linked contracts, if you look at those forward curves into the next 2 years or so, what you see is that the gas price restores to its sort of, if you will, relationship to oil around 60% to 65% price on an energy equivalent basis. So although we see this sort of anomalous period right now with an LNG glut because of the warm winter in Asia affecting Europe, both Eastern and Western, the market certainly expects the historical relationship between oil and gas to be restored in the relatively near term.

Operator

Our next question comes from Steve Byrne from Bank of America.

Luke Emerson Washer ***BofA Merrill Lynch, Research Division - Research Analyst***

This is actually Luke Washer on for Steve. I wanted to touch on the logistics challenges in the Upper Midwest. I appreciate the detail there. But do you see -- and I know you talked about your in-region production, but do you have any urea in barges that are -- it can't get to the Upper Mississippi? You talked about challenges in Minnesota because of these lot closures and flooding. And is there any risk that some of your product was -- could be challenged in getting to the retail channel a little bit too late?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

No. I think for how we manage our relationships with our customers, who are the retailers and the wholesalers, we're actively selling that product on an FOB-basis NOLA. And if we send barges upriver, selling them along the way, and then we have barges -- the only place that we receive CF material is in Minneapolis, which, Tony mentioned, we've been supplying by rail. We do have barges set to go up to Minneapolis, but we also supply Cincinnati, which is a rented facility, by barge. That has not been constrained. And so when you look across our network in Medicine Hat where we ship up by rail and truck, Port Neal also, as I mentioned, we shipped 1 day of 10,000 tons by truck. That's not constrained at all. So we leverage each of those points with each of the modes possible in order to operate them efficiently, safely and with an economic opportunity available to us.

Operator

Our next question comes from Andrew Wong from RBC Capital Markets.

Andrew D. Wong ***RBC Capital Markets, LLC, Research Division - Associate Analyst***

I just wanted to ask about capital allocation plans. So beyond your current repurchase program and the debt payments that you have planned, what thoughts do have on just growing the business either organically, through debottlenecks, expansions or maybe just looking externally and adding to your business?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes. I mean we always look at all kinds of things, whether it's organic or inorganic. And I don't see us doing a big sort of bold brownfield or greenfield kind of expansion like we did back in 2012 because assets traded -- are trading below replacement cost. So there's no reason to go out and do that kind of thing. What you have seen is the industry undertaking a fair bit of upgrade kind of projects. So Coke and Nutrien and Dakota Gas and others have taken on urea projects and other things that have been converting more ammonia into urea. And those are -- it doesn't change the nutrient balance from an S&D standpoint, but it improves economics for those people that do it, largely because there's very expensive transportation logistics cost around ammonia. And then when you have weather vagaries in the fall and in the spring, sometimes, you're not able to move as much ammonia as you want in the ag space. And so it's just more predictable and reliable if you've got upgraded products. So we certainly would think about a debottleneck or 2 on some upgrades. I don't know that we need a lot more ammonia right now just because we've got a lot of ammonia as it is, but I could envision us thinking about doing debottlenecks on some of the upgrades and converting more ammonia into upgraded product. And we're constantly looking at logistics plays and other things to make our existing network more efficient, whether it's exporting out of D-ville or moving product into the interior, giving us a different access to multiple modes of transportation so we can -- our different lanes and so forth. That's kind of what we are thinking about. And on the inorganic side, it's always a question of is it cash flow accretive or are there other alternatives? And if there's something that we can find that fits within our capabilities that way we can leverage our skills and create some value that's cash flow accretive, we think about it. But in the absence of that, we're very comfortable continuing to drive and improve our existing network.

Operator

Our next question comes from Don Carson from Susquehanna Financial.

Donald David Carson ***Susquehanna Financial Group, LLLP, Research Division - Senior Analyst***

Tony, a question on offshore ammonia. We've seen the Tampa price just hit $237 for May, which is a 20-month low. So what's going on in offshore ammonia? Is this pressure from just lower-cost product out of, say, Iran? Or the lower global cost curve? And what does this imply for your export opportunities in ammonia at these kind of price levels?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

When you look at what has been taking place in ammonia globally, there has been additional supply that has come on. The Russian plant that came on recently, it's a full-world scale. There are other in terms of new additions. But with -- we have also seen a weakness in phosphate, and so -- and a little bit less industrial demand not only in North Africa but in -- with Mosaic shutdown of Faustina -- or not Faustina, excuse me, of the Florida asset. And so with less available demand at this point and additional supply, pricing had to, I think come down to a level of where it has and that's also reflective of some of the gas movements that we've seen globally. We do expect that to improve, obviously, as gas prices modulate or move back to what Dennis talked about on a global comparison to it's -- to the energy equivalent of oil as well as some of the other high-cost plants coming off and increased demand. As phosphates and industrial demand improve, we see that improving.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

But obviously, Don, at current prevailing prices, ammonia exports into the industrial space are kind of our last resort. So that goes into the math as we think about mixed decisions on UAN versus urea and whether we've got options domestically to take more of that product or be forced to export some of it. And ammonia exports right now don't look good for anybody regardless of where you are.

Donald David Carson ***Susquehanna Financial Group, LLLP, Research Division - Senior Analyst***

Okay. And then as a follow-up, there's some talk north of the border of extending the carbon tax to industrial uses of natural gas. If that happens, what does that do for the competitiveness of Alberta production? And could that raise the price floor in the Midwest given all the urea and ammonia that's coming down from Western Canada to the Cornbelt?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes. I mean I -- carbon is one of those things, and we spend a fair bit of time talking to regulators on both sides of the border about this, which is as long as any regime that's put in place is applied to imports as well as local production, then it just raises the bar for everybody, and ultimately, it's passed onto the consumer. And the problem is if you just apply it for domestic production and don't apply it to imports, then what you're doing is shifting production and jobs offshore and you're going to end up effectively closing domestic manufacturing, and that's just poor economic policy because it's carbon leakage. We operate some of the most efficient plants in Canada. There's already a tax regime on carbon in Alberta, and we're working with the regulators up there. It's obviously changing dynamic given the new parties in power in the provinces, and that's a shifting dynamic. But I don't anticipate that it's going to have a dramatic effect one way or another on pricing in the U.S. or in Canada or in terms of our financial results.

Operator

Our next question comes from P.J. Juvekar from Citi.

Daniel William Jester ***Citigroup Inc, Research Division - VP***

It's Dan Jester on for P.J. So with all the talk on the call about the in-market premium and logistics challenges, I'm wondering if you could just comment why you chose to sell your Pine Bend facility in-market logistics facility. And just maybe longer term, is there an opportunity for a bit of investment in sort of the Upper Midwest to capture a few extra incremental tons, whether it's storage or logistics more broadly?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes. I mean we view Pine Bend the same we do, for instance, our phosphate business back in the day and so forth, which is are we the best economic owner for it or is somebody else? Are we getting maximum value? What's the return on capital employed as we think about what the market value is worth? And can we solve that in a different direction? That asset was a legacy from the period of time where we were a co-op and we were sourcing all kinds of product for our member owners and holding it there and moving it around. And it became sort of incrementally less valuable to us when we sold our phosphate business because we used to move a lot of phosphate there and also became incrementally less important when we built the urea plant at Port Neal because that gave us access to that same region on a truck-reach basis. And the fact of the matter is, we were just underutilizing that space. There was over 200,000 tons of space there and we were using about 20 of it. And so it didn't make sense for us to continue to own it. The agreement that we reached with Mosaic gives us access to be able to continue to put tons through that facility, and they are a much better economic owner of that asset. It's good for them, it's good for us. And so like any other decision we make, this is strictly who is the right owner.

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

And looking at it, we were already working with Mosaic and a few others, providing services. And we just didn't see ourselves as a service provider in that space. As Tony said, they were the best economic owner and kind of reverse flow that we become a service taker and moving our product on an as-needed basis. So we have an agreement to move our urea up through Pine Bend but utilizing the space that we need, and then Mosaic has the rest for P&K. And we have 130,000 to maybe a little more tons of space at Port Neal as well as space in Medicine Hat. We have been out, not acquiring but leasing and opening up new space for our UAN throughout the Midwest, so that has been accretive to us also.

Daniel William Jester ***Citigroup Inc, Research Division - VP***

Great. And then just a quick one for Dennis about the free cash flow conversion from EBITDA. You've got this nice chart in your slide deck. I'm just wondering, over the cycle, is that 2/3 of EBITDA into free cash flow a reasonable benchmark? Or has there been a onetime factors over the past year or 2 which has boosted that?

Dennis P. Kelleher ***CF Industries Holdings, Inc. - Senior VP & CFO***

I think the question is where does it -- where do you sit with sort of your operating cash flow and sort of EBITDA. If you think about our CapEx, what we said is we intend to be sort of around $400 million to $450 million a year, that's kind of flattish. So that piece of equation that we're showing doesn't change. Obviously, as the EBITDA and cash flow of the -- of our company, CF, changes, it changes as well for our noncontrolling interest distribution, which is to CHS. And obviously, they own a piece of our biggest subsidiary, CFL, so that's going to move up and down. So what I'd say is it's -- a lot of the pieces are going to move up and down with EBITDA in that equation except for CapEx. So that fixed portion will have a somewhat muting effect on that.

Operator

And our next question comes from Vincent Andrews from Morgan Stanley.

Jeremy Noah Rosenberg ***Morgan Stanley, Research Division - Research Associate***

This is Jeremy on for Vincent. So I wanted to start on the Chinese export, just wanted to circle back on that. Now we've seen some data that suggests that China may even be considering importing urea in the near term. Does the kind of expectation for flat urea exports depend on that dynamic?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

No. I think that has been a reflection of kind of where market pricing was in Q1. You saw the Qataris move some prilled urea into China into the northern ports I think -- and as well as the Iranian tonnage that has been moved up into the same area and where the preponderance of production is in the South. And so I don't think that's an unreasonable expectation over time that as these inefficient plants to go offline or cost to transport become more market-based that you would see additional imports or incremental imports into China during that Q1 as they're ramping up into their peak consumption season. I think that's a positive for the market.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

I also think it demonstrates a real commitment on the part of central government around their environmental policy, which is urea production, particularly in China, which it tends to be largely coal based, carries a very large environmental footprint, whether it's scarce water usage, particulate matter emissions and so forth. And I think with the question that they're rightfully asking is, is this something we need to be doing given the toll it's taking on the environment. And I think the answer is no. There's plenty of freely traded urea out there. They're importing soy, they're importing corn, they're importing other things. Why go out of their way to be self-sufficient or excess on urea production when it just carries a big toll. And I think you're seeing a recognition that, that doesn't really make a lot of sense.

Operator

Our next question comes from Charles Neivert from Cowen.

Charles Nathan Neivert ***Cowen and Company, LLC, Research Division - MD and Senior Research Analyst***

Just one question. Given the fact that things seem to be delayed and that maybe there's a chance that some of the N that would typically go down pre-plant is going to go -- isn't going to get don't. Does it look like there's going to be a longer-than-normal side-dress season? Or larger than amount of normal product going in on side-dress, and therefore, maybe getting pricing and volume that extends out maybe even into early 3Q this year as opposed to normally sort of ending during the late part of 2Q?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes, for sure. I mean I think you're spot on. Just because it's not in the pre-plant does not mean that you lose that. You get the post-plant, side-dress, top-dress. The application technology that's available as well as this is why we're aligned with the retail network and why the retail network adds value and why we want to have these relationships with our customers like CHS and GROWMARK and Nutrien and people like that, Helena, that are active in the market dealing with these issues. They can run 24/7 and will and will move from end-to-end to make sure that, that product gets applied and the crops are fed. So I can see us going well into -- not well into but into July for sure. And we normally do with the pivot season in Nebraska and the irrigated acres does go into July. I would bet more of that -- more tons move that direction because of this later application.

Operator

Our next question comes from John Roberts from UBS.

John Ezekiel E. Roberts ***UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst, Chemicals***

It's a bit of a tangential question, but does IMO 2020 affect some of the global trade in fertilizers late this year? It's a lot of ocean-going product, obviously, and they've got a sort of time, I guess to switch over in their fuels that's there. So will maybe some shipments occur earlier in the year so they're not the right at the year-end deadline when the shipping companies have to deal with that issue?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Go ahead, Bert.

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Well, we've experienced similar issues with positive train control and the changes that are required legislatively or by government bodies, and this is something that the industry has been watching. I'm not sure if there'll be delays or extensions allowed, but it is a big change going from the bunkering system that we have today and how either vessels are retrofitted or just junked and new vessels are built to accommodate these issues. I think that we -- for us, there's more to come.

John Ezekiel E. Roberts ***UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst, Chemicals***

Okay. You're not hearing anything at this point about maybe doing shipments earlier in the year just to avoid a year-end kind of logistical challenge possibly?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

No. I mean I think the issue, though, is the industry runs 24/7/365, and so it's hard to kind of "preship" stuff because it's not that you're running on a shift basis and building a bunch of inventory disgorging it. You got to ship it as you produce it, and so there really isn't that kind of opportunity to do that in any meaningful way.

Operator

And ladies and gentlemen, that is all the time we have for questions for today. I would now like to turn the call back to Martin Jarosick for closing remarks.

Martin A. Jarosick ***CF Industries Holdings, Inc. - VP of IR***

Thanks, everyone, and we forward to speaking with you in the next few weeks. And then we'll see many of you at several conferences over the next month.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes today's program. You may all disconnect. Everyone, have a great day.

THOMSON REUTERS

EDITED TRANSCRIPT

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the First Half and Second Quarter 2019 CF Industries Holding Earnings Conference Call. My name is Amanda, and I'll be your coordinator for today. (Operator Instructions).

I would now like to turn the presentation over to your host for today, Mr. Martin Jarosick, with CF Investor Relations. Sir, please proceed.

Martin A. Jarosick ***CF Industries Holdings, Inc. - VP of IR***

Good morning, and thanks for joining the CF Industries First Half and Second Quarter Earnings Conference Call. I'm Martin Jarosick, Vice President Investor Relations for CF. With me today are Tony Will, CEO; Dennis Kelleher, CFO; Bert Frost, Senior Vice President of Sales, Market Development and Supply Chain; and Chris Bohn, Senior Vice President of Manufacturing and Distribution.

CF Industries reported its first half and second quarter 2019 results yesterday afternoon. On this call, we'll review the CF Industries results in detail, discuss our outlook and then host a question-and-answer session.

Statements made on this call and in the presentation on our website that are not historical facts are forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or implied in any statements. More detailed information about factors that may affect our performance may be found in our filings with the SEC, which are available on our website.

Also, you'll find reconciliations between GAAP and non-GAAP measures in the press release and presentation posted on our website.

Now let me introduce Tony Will, our President and CEO.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Thanks, Martin, and good morning, everyone. Last night, we posted our financial results for the first half of 2019, in which we generated adjusted EBITDA of $936 million after taking into account the items detailed in our earnings release. Adjusted EBITDA increased 23% over the first half of 2018 and 63% over 2017. Meanwhile, sales volumes have remained constant at 9.8 million product tons in each of the years 2017, '18, and '19.

Weather impacts significantly the timing of fertilizer applications, often forcing shipments out of 1 quarter and into another, but sales volumes have remained constant over the first halves of the years. This really demonstrates the uniqueness and power of the CF Industries business model that despite the most extreme weather on record and uncertainty in shifting of planted acres by crop type, our first half sales volume has been steady each of the past 3 years ever since our capacity expansion project started up at the end of 2016.

North America has some of the best, most-productive farmland in the world. And it will be planted each year, if at all possible, even in a year like this one. As it is planted, it requires nitrogen fertilizer, the only nondiscretionary nutrient.

This year also demonstrates why quarterly comparisons year-over-year are less meaningful than the comparability of first half results as quarterly volume is impacted by weather but first half volumes remains constant.

Our terrific results were driven by 2 factors, higher year-over-year nitrogen prices and outstanding execution by the CF team. Nitrogen price increases were underpinned by a tightening global supply-demand balance. We also benefited from higher-than-normal in-region premiums due to weather-related logistical issues that limited product supply at some inland locations. Meanwhile, the CF team and network performed exceptionally well during the first half. We set an all-time record for ammonia production. We took advantage of our system's flexibility to favor higher-margin urea production over UAN, leading to all-time record urea production and shipments. And we leveraged our distribution terminals and our logistical capabilities to reliably deliver for customers.

Most importantly, we continued to work safely. Our 12-month rolling recordable incident rate remained at 0.6 incidents per 200,000 work hours despite the high level of activity that included a record 5.7 million product tons shipped during the second quarter.

As we've stated, we believe that we will generate superior free cash flow through the cycle compared to most of our global competitors. As shown on Slides 6 and 7 of our deck, over the last 12 months, our free cash flow was the industry's best at nearly $1 billion.

It is clear that not all EBITDA is created equal. Many of our competitors' cash from operations is consumed back into their business to keep the lights on and the plants running. While we convert a significantly higher percentage of ours into available free cash flow, this efficiency of EBITDA conversion into free cash means that although most industry participants' equity is a valued within a similar band of trading multiples off EBITDA, investors in CF Industries are rewarded with significantly higher free cash flow yield than for any of the other industry competitors.

Why is that important? Because we use that industry-best free cash to increase shareholder accretion in our business as measured by tons of nitrogen capacity per 100,000 shares.

As seen on Slides 9 and 10, over the last 24 months, we have driven approximately 9% accretion for shareholders by investing in attractive growth, returning cash to shareholders through share repurchases and dividends. And we were also able to significantly reduce our outstanding debt levels at the same time. We believe that we are well positioned to build on this track record over the next several years.

As Bert will describe in more detail, there are a number of factors supporting our positive outlook. First, we expect strong nitrogen demand in North America over the next 2 years as farmer economics strongly incent corn plantings.

Second, the forward curve for the North American natural gas remains very attractive compared to the rest of the world. This will continue to provide CF Industries a significant cost advantage, keeping us on the low end of the global cost curve.

And third, we expect global demand growth for nitrogen to outpace net capacity additions over the next 4 years, further tightening the global supply-demand balance. Because of these 3 critical drivers, we see tremendous opportunities ahead for us that will continue to support our generation of substantial free cash flow.

With that, let me turn it over to Bert, who will talk more about how we delivered these strong results and our outlook for next few years. Then Dennis will cover the financial items, before I offer some closing remarks. Bert?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Thanks, Tony. The first half of 2019 demonstrated the tremendous flexibility of our manufacturing and distribution system and the skill of CF's people. We shipped 9.8 million tons in the first half, including a company record 5.7 million tons in the second quarter, achieved higher prices compared to year ago and ensured our customers received product when and where they needed it.

We're very proud of this performance given an extremely challenging spring application season, historic flooding, disruptive planting, applications and rail and barge transportation in many parts of the United States.

Our focus under these conditions was to be a reliable supplier to our customers. We did this in 3 ways. First, we had strong production at our facilities, including shifting our production mix to favor urea over UAN to capture higher margin opportunities. We also benefited from having inland production sites given the transportation challenges. Our Port Neal, Iowa facility ran very well, which enabled record urea shipments that achieved higher-than-normal premiums to prices in New Orleans.

Second, we've positioned product well at our distribution terminals in advance of the spring season. This was critical to our ability to shipped 1.2 million tons of ammonia, a quarterly record for the company despite a limited window for application. Third, we put transportation flexibility to full use to overcome river closures during the flooding. We procured extra railcars that enabled us to a rail a significant volume of urea from our Donaldsonville, Louisiana facility to Minnesota in order to capture higher margins. We also secured additional barges that allowed us to focus on river terminals along the Ohio River, which remained open through spring. Additionally, we had record levels of truck shipments.

All of this activity continued through July as nutrient applications went much later than normal across the United States. This is why we didn't launch our UAN fill program until earlier this week, the latest we have ever done so.

As we look ahead, we believe that industry fundamentals are very favorable over the next several years. We expect farmers to have a strong price incentive to increase corn planting significantly in the United States over the next several years. We believe that the U.S. will have around 85 million planted corn acres this year, much lower than anticipated heading into 2019. Additionally, late planting will lead to lower yield. As a result, we expect ending corn stocks to be at their lowest levels since 2013. It should take several years of higher corn acres to return to normal ending corn stocks.

Forward curves for North American natural gas continue to be extremely favorable compared to 2018 and to the rest of the world. Natural gas production in the U.S. averaged a record 88 bcf per day during the second quarter, which is almost a 10% increase over the second quarter of 2018, supporting continued low natural gas prices in the region. With Henry Hub forward price curves averaging well below $3 per MMBtu through 2025, we expect our production cost advantage to remain robust for the foreseeable future.

Globally, we anticipate continued strong demand for urea in Brazil and India. We also continue to expect that global demand growth will be above net capacity additions over the next 4 years given the limited number of projects currently under construction, including none in North America.

The flexibility we've built into the CF system served us and our customers well during a challenging spring season. We're looking forward to the rest of the year, continuing to work with our customers and preparing for the strong demand we expect in the years ahead.

With that, let me turn the call over to Dennis.

Dennis P. Kelleher ***CF Industries Holdings, Inc. - Senior VP & CFO***

Thanks, Bert. In the first half of 2019, the company reported net earnings attributable to common stockholders of $373 million or $1.67 per diluted share. EBITDA was $973 million, and adjusted EBITDA was $936 million.

There are 2 items affecting our first half result that I want to highlight. Our net earnings included an after-tax gain of $35 million recognized during the second quarter on the sale of the company's Pine Bend dry bulk storage facility in Minnesota. Our net earnings also include a previously announced net incentive tax credit of $30 million recognized in the first quarter.

During the first half, net cash provided by operating activities was $693 million, and free cash flow was $453 million. We repurchased about 4.2 million shares for approximately $178 million under our current $1 billion share repurchase program. We also distributed $133 million in dividend payments.

Cash and cash equivalents on the balance sheet at the end of the quarter were $858 million. Since the end of 2018, we've added $176 million of cash to the balance sheet, even as we have returned $311 million to shareholders through share repurchases and dividends. This demonstrates CF's free cash flow power, as Tony described earlier.

Our strong cash generation has provided us the flexibility to repay $500 million in debt on or before its maturity in May of 2020. It has also allowed us to deploy excess cash in line with our long-standing capital allocation philosophy that is to pursue growth within our strategic fairway and in the absence of those opportunities, return excess cash to shareholders through dividends and share repurchases.

Capital expenditures for the first half of 2019 were $154 million. For the year, we continue to expect to spend approximately $400 million to $450 million. As we noted in the press release, we expect ammonia production in the third quarter to be somewhat lower than the first and second quarters as we enter the heaviest period of [planned] maintenance for the year.

With that, Tony will provide some closing remarks before we open the call to Q&A.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Thanks, Dennis. Before we move onto your questions, I want to thank everyone at CF for their great work in the first half of 2019. They put all of the capabilities we've talked about for years into action to enable us to deliver for our customers and to generate strong financial results. Most importantly, they operated safely.

I also want to recognize the team at our Ince, U.K. facility, who won the Stephen R. Wilson Excellence in Safety Award for their innovation that protects people and equipment while servicing high-voltage switchgear.

As I close, I want to offer a special thank you to Dennis Kelleher on his final earnings call with us. As you know, Dennis is retiring from CF on September 1 after 8 successful years as our Chief Financial Officer. Dennis has been a tremendous leader in our company and an invaluable partner to me and to our whole senior team.

As the scale and complexity of our business has grown, he has played a pivotal role in all of our significant initiatives; our major capacity expansions; our capital return program; our M&A transactions; our balance sheet management and navigating some of the most challenging Nitrogen industry conditions in over a decade. We will miss him and wish him continued success.

Dennis, thank you.

Dennis P. Kelleher ***CF Industries Holdings, Inc. - Senior VP & CFO***

Thanks, Tony, appreciate it.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

As we announced, Chris Bohn will be appointed Senior Vice President and Chief Financial Officer. Chris is very familiar to many of you, having led our Manufacturing and Distribution group for the last 3 years, in addition to holding other senior roles in the company since joining CF in 2009. Chris brings deep knowledge of CF and the marketplace to the role and will provide continued strategic leadership as we capitalize on our future opportunities. Chris and Dennis have been working closely together the past several months, and we expect a seamless transition.

CF's future is bright. Our unique and powerful business model has enabled us to generate and return to shareholders nearly $1 billion in free cash flow over the last 12 months. With our structural and operational advantages along with the favorable industry fundamentals we see ahead, we are well positioned to drive substantial cash generation and long-term shareholder value creation in the years ahead.

With that, operator, we will now open the call to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Adam Samuelson of Goldman Sachs.

Adam L. Samuelson ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

So I guess, Bert, Tony, Dennis, just interested for just market dynamics as we come out of spring, and what this quarter and the spring kind of have shown about the U.S. marketplace. Thinking about the premium that urea has kind of captured to UAN specifically, you obviously shifted the production pretty sharply towards urea. But still with UAN and some more limited export opportunities, how do you see that marketplace evolving over the next 12 to 24 months?

Do you just see things rebalancing as people who can flex to urea and the nitrate premium returning? Just seems unusual for that to trade at such a sharp discount on a nutrient ton basis for a prolonged period of time.

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

It's interesting you pointed out the market dynamics. And what we've seen over the last several years, those dynamics in play and again, back to the creativity and the flexibility of the CF system. We've seen heavy springs, where we've applied -- and falls where we've applied a lot of ammonia. And the past fertilizer year, being fall to spring, limited ammonia and what was going to happen, and how were those end tons going to make it to the ground.

And so when you look at what we've done and what the market has done when we look to future dynamics, what has shifted these tons has been more weather-driven not necessarily agronomic decision-making driven. And so we're seeing small shifts over time, urea to UAN, UAN to urea. But when they can apply the products, they choose the product that is economically or system advantageous for that producer.

And so that's where you see the balance that we have in our system with all the products that we make, all the markets that we have access to, all the rail lines, pipelines is very good for us. Specifically focusing on UAN and why it is trading at a discount today, and it is, is I think is a reflection of the EU antidumping duties. That has forced additional Russian tons to come to the United States. And during the indecision time, probably additional Trinidadian tons to come to the United States.

And as well as CF, we have focused on building out greater access to the North American market for CF, and that has happened. So we have repatriated more tons to the coastal regions as well as additional tank spacing that we thought would be good for our system where we had holes. And then I think what you're going to see over time is as the Trinidadians have a lower penalty rate, will probably focus more of their tons to the EU, and then we'll see what happens with the market overall. We'll still be active in South America and some of the other areas that we're developing.

So I think right now, it's natural that UAN would trade at a discount to urea. I think over time, as it balances, we'll come back until anticipate UAN to trade at a parity or premium. And the interior spreads that you mentioned, this is something we have articulated year after year that we believed that was something that was structural to the United States and achievable as well as maintainable. And this year, we proved that in spades, where these expansions just went way out, and we profited from that.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

And Adam, I'd add to that -- kind of what Bert was saying. I think one of the things that the EU antidumping duties did is it led to some globally inefficient behavior. So you've got a set of EU producers that are basically running full, that on a purely economic basis, ought to have been shut down or at least largely curtailed, so that the lower-cost Russian and Trinidadian tons and even our tons could have backfilled into that marketplace.

But sort of the real kind of irony, I guess, on all of this is, what you've seen is UAN prices to the European farmers, in particular the French farmers, has gone through the roof. And UAN pricing in the rest of the world has been relatively maintained. And so what Brussels really did is put a huge tax on the European farmers and turned around and given it to the inefficient European producers, some of which are owned, ironically, by Russian entities.

So they've kind of taxed the French farmers and funneled the money back into the Russian oligarchs' pockets, so it's kind of a weird twist the way that worked. But as Bert said, we've got a lot of different levers to pull, and we're navigating it as best as possible.

Operator

Our next question comes from the line of Joel Jackson of BMO Capital Markets.

Joel Jackson ***BMO Capital Markets Equity Research - Director of Fertilizer Research & Analyst***

A question about ammonia. I think that the feeling was, I think, ammonia inventories are higher in the country and so I think the play was to be exporting a lot of ammonia in June into July and August, I guess, exports, higher netbacks -- excuse me, lower netbacks. Your ammonia netbacks were incredible in the quarter, Q2, because of the Midwest inland premiums.

How should we think about that export dynamic? How you're dealing with it and sort of the convergence of maybe some lagging inland premiums but also having the export at lower netbacks?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

So when we look at ammonia, we look at a balanced portfolio always. And so we're constantly focused on the highest netback, which is our ag business, and you see that we did very well and the team executed extremely well. Part of that is in the preparation of where we place the tons and utilizing our terminals and our logistical capabilities. Part of that was Chris and the plants running extremely well.

And so we were prepared. I'm not sure if our other market participants were as prepared as we were. And so we did execute and did achieve very good netbacks. But look, there is a system. When you look at the total consumption of ammonia per year -- on a fertilizer year, fall to spring, it's around 4 million to 4.4 million tons of ammonia. And from fall, we knew -- know that number was low, and we expect that the spring number was also lower than normal. So there is less -- or there was less ammonia consumed.

And so all of our system that's the inventory that's higher than normal but manageable. And we believe we executed extremely well based on that industrial export ag. And then spot sales during the quarter positioned us to get to fall and then participate in that ammonia season and capitalize on it.

We will be exporting, we have exported, we exported more on a year-to-date basis than last year, and like you said, that's to be expected. But I don't see that significantly higher. And so premiums are good, market is good, and we expect good things for this fall.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

I mean I think the other thing I'd add to that Joel is, as Bert said, because the ammonia system ran so well and set an all-time production record in the first half, we're really pleased with the volumes that Bert and the team got down on the ground from an ag perspective because ammonia still represented a great value to farmers compared to the -- on a nutrient basis compared to ammonia or UAN and urea.

But historically, Q3 is always our lowest-volume and typically lowest-priced quarter for ammonia. And then when you get back into the application season in Q4, you see more of that ag business come through again. And so I wouldn't expect that to be anything different this year than it is in every other year. And as Bert said, we've got the right plans in place to be able to manage the inventory.

It also helps that we're entering the period of the year where we've got most planned maintenance and some downtime. And so the combination of some incremental exports, some of the industrial business that we've taken on as well as the planned maintenance, we feel very comfortable with managing the inventory situation.

Operator

Our next question comes from the line of Christopher Parkins (sic) [Christopher Parkinson] of Crédit Suisse.

Harris J. Fein ***Crédit Suisse AG, Research Division - Research Associate***

This is Harris Fein on for Chris. Just given the current energy price stack and construction cost, can you update us on your views on brownfield versus greenfield economics for both U.S. and global players?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes. I mean I think, what you'd see is in limited locations, it's actually is labor cost and your ability to lock in fixed cost labor is as important if not more so in some cases, than absolute gas cost as you'd expect new capacities to be added where it is being added. So places like Nigeria, Iran and Russia are places where you can actually get fixed labor cost. And in a place like that, current economics if you can get reasonable gas cost and manage with -- manage the political risk situation, I'd expect there to be some level of build in those locations. And I think you've seen kind of that -- those announcements here and there including people like EuroChem and others looking at incremental units.

I think the challenge in North America is that the labor cost because it's on a reimbursable basis and not on a LSTK basis, no one is willing to take that risk is that urea prices would have to rise quite a bit over where they are today for someone to really take a serious run at it. And if anyone's talking about or directionally thinking about it, it just means they're completely inexperienced in terms of dealing with major construction projects over here or just not that financially astute because we just don't see the current price stack as being supportive of new builds here in North America.

By the way, if you find someone that wants to build, we'll sell them a plant for the cost of new construction.

Operator

And our next question comes from the line of Vincent Andrews of Morgan Stanley.

Vincent Stephen Andrews ***Morgan Stanley, Research Division - MD***

Sorry, I am still laughing at that.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

It's a fair offer, Vincent.

Vincent Stephen Andrews ***Morgan Stanley, Research Division - MD***

I believe it. Anyway, so my question is this, we've seen Chinese exports pick up year-to-date. And on one end, that's a good thing because obviously you needed higher prices in order to get the exports out of the country. But on the other hand, Chinese production is supposed to be declining for environmental reasons and so forth.

So how do you reconcile those 2 things? And do you have any visibility on how much other shadow capacity might be there and sort of what incremental prices would be needed to get it out? Or just in general, how you're thinking about the market?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

I'll give you the general and then let Bert, kind of, dive into more of the specifics. I think what you're seeing is, based on where coal prices are, we absolutely believe that Chinese coal-based capacity is the marginal production capacity globally, particularly given where gas price is in Europe today.

And so we do think that there is a fair bit of capacity that gets campaigned. And it runs for a portion of the year or runs at slightly below 100 -- or somewhat below 100% rates for portions of the year. And what -- that's why their operating rates, depending upon what publication you look at and what the denominator they use, is somewhere in the 60% to 70% range. So we do think that there is a fair bit of capacity that can turn on and economically, will turn on when it's profitable to export. And so I do know that there's a sort of a bear thesis out there that says upside in pricing is somewhat limited because of this overhang or this shelf-up capacity.

And I'd say, yes, there probably is some truth to that. I don't see urea going back to $450 or $500 anytime soon. I just -- I think that bids in way too many plants in the interim, and people can find a way to make reasonable money as price comes up.

But the price indications from India, from Brazil, from the world in total in terms of the demand side bid in that production in the China, and the world really needed those tons. And I think as our first half results indicate, even if price doesn't go up dramatically, we're very comfortable operating in this sort of environment we can generate a lot of cash.

And I do think our view over the next 4 years is a somewhat tightening S&D balance going forward, which means that we don't see prices retreating versus where they are today. They may not double, but they're not going to retreat.

And so I think the overarching view is, I think China will be there to export when the world demands those tons, it'll be sort of the flywheel that gears up or down depending upon what global demand is. And it's really going to be cost curve-driven because they're much more economically -- or active in the much more economically rational way now. Bert, you got...

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Yes. Just some key points about that issue is that 5 years ago, where China was producing 71 million, 72 million metric tons to today at 52 million metric tons, they do have a domestic consumption base, which is the largest in the world of approximately 50 million tons -- I would say 48 million to 50 million tons. And so the disposable incremental ton that will be exported has been consistent in the numbers that we've been talking about the last couple of years is 2 million to 3 million tons, and this year, that looks to be 3 million to 3.5 million tons.

So on a global exportable ton of around 45 million metric tons, you're talking about an additional 1 million tons. And so I don't think bear or bull case, it's no fun being a marginal producer, and United States used to be in that position in the early 2000s. And so I don't think they can gear up a system to be a major exporter when it's idle a portion of the year.

And let's not forget that a portion of those tons that are being exported today are Iranian tons. And so many Panamaxes have been loaded in Iran and discharged, and that's a loose word, into China and then reexported or move to -- or reflagged to other locations. And so I'm not sure all of that 3.5 million tons is really Chinese.

And so if that is the case, and let's say 1 million tons of Iranian product has been moved in, then we're still back to that original thesis of 2 million to 2.5 million tons, and that's digestible by the international market.

Operator

Our next question comes from the line of Don Carson of Susquehanna.

Donald David Carson ***Susquehanna Financial Group, LLLP, Research Division - Senior Analyst***

I just want to go back to the very high in-market premiums we saw this year. I recall seeing you sold some product out the gate at Port Neal for 400 when NOLA was below 300. Does that become headwind next year on pricing along with somewhat lower gas costs offshore? So could you quantify what that in-market premia benefit was to you in EBITDA this year?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

So we did experience a very nice position in our in-market premium. And what we're seeing over time is, like I said earlier, that premium expands and contracts. And so it has maintained over the years with this new capacity because we're an import market. And you're bidding in tons that have freight and have costs. And so as you have difficulties moving tons or as you have delays or advancement of the season, let's say we have an early season next year, those issues come into play and come into value.

You're exactly right in terms of a tailwind on gas. Gas been as low as $2.15 on -- in Henry Hub. And on a basis wave, that's below -- that's actually very cheap in Canada and in some of the places that we produce like in Oklahoma. So those are tailwinds. I don't necessarily see this issue as a headwind in terms of the in-market premium. I don't think there's something to execute.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

I mean I think Don, in that regard, the U.S. remains an import-driven marketplace, and we need to attract still a fairly sizable amount of tonnage coming here, particularly when Bert's team is exporting out of diesel, even requires more tonnage come in this direction. And it's always a question in terms of where those exporting regions go with their tons when they're looking for the best netback. And so the U.S. has to bid those tons away from India, from Brazil, from Europe, from other places in order to get them here and then someone's got to get them into the marketplace. And what we've seen during periods of time, even during fairly, what I'd call, normal operating conditions, is you get some spikiness in market depending upon the particular year in question, and then it has to do with availability of product, when and where people are applying and planting because there's a high urgency factor when they're doing the fieldwork.

And so that's one of the benefits that we have with in-market plants and the distribution network that we've developed, which is we typically can capture some of that when it pops up. It just happened this year. It was a little bit more prolonged. But we've had river issues in the past. We've had rail line embargoes on some of the major rail carriers, other things like that, that have created these kind of opportunities on a more spot basis.

This year, I'd say, it was a little more widespread. But that is kind of the power of our system, which is we can capture that when the opportunities present themselves.

Dennis P. Kelleher ***CF Industries Holdings, Inc. - Senior VP & CFO***

Yes, Don, the other thing I'd add is, you asked about the cost curve. If you think about lower gas price internationally, and let's just focus on LNG in Western Europe. Western Europe is not the marginal producer, and I think that we -- that's proven by the fact that this is taking high prices that we're seeing currently to get tons out of China that are produced by coal people -- coal-based manufacturing. So that really hasn't changed much. And if you looked at our slide on -- in the deck, you'll see that the cost per ton of ammonia, whether it's using a -- whether you're using anthracite coal in China, which is basically the marginal producer today or TTF gas on a forward basis average for the year, we still have a very substantial cost advantage and we expect that to be maintained.

The gas prices we saw earlier in the year in Western Europe like $4 ourselves at our plant gate. I think if you think about it, the Great Britain, the marginal MMBtu being seaborne LNG at $4 plant gate our plants, it's very clear that in that value chain, there are people who are not getting paid. So we don't view those prices as sustainable and if you look at the forward curve, in fact, it rises quite significantly above that.

Operator

And our next question comes from the line of Mark Connelly of Stephens.

Mark William Connelly ***Stephens Inc., Research Division - MD & Senior Equity Research Analyst***

Tony, a couple of quarters back, you commented about non-U. S. producers making some suboptimal decisions about where they were shipping and international parity. And clearly, since that time, the opportunities into the U.S. haven't been that good. But as things normalize, do you think we're going to continue to see producers favor the U.S. over markets where they might have better economics?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes. Mark, I think in a lot of cases, the U.S. acts as a little bit of a clearing house for some of the tons where there is timing differences between when there's enough inventory for exporters to send it out and where the demand regions actually need to consume it.

So I think that during those shoulder periods, NOLA will probably trade at a bit of a discount to international parity just because there's not that much demand in some of those regions. And then I think there's other times of the year where NOLA's going to trade at parity if not a bit of a premium if there's high demand periods like we saw earlier this year.

I also think the trade flows are realigning a bit better than where we were a couple of years ago. I think there were an awful lot of traders and importers in the U.S. that really lost a lot of money over the last couple of years. And I think you've seen a number of the big names dramatically scale back trading operations and some of that activity in response to that. And I think there's just more discipline because the people in the channel that are taking inventory positions, it's not to their benefit to see prices fall after they've already committed. So

I think people are being a little bit more responsible about the volume of tons they're bringing in. And the inland price, back to the earlier comment from Don, it wouldn't surprise me to see a little bit of our a gapping out between inland price and NOLA price just if you end up with NOLA being kind of, again the liquidity clearing house for the world during periods of time.

I don't think you'll see that price necessarily reflected back inland because you don't have the bad behavior that existed before. So I think there's a lot more rationality taking place and that's a good thing.

Operator

And our next question comes from the line of Stephen Byrne of Bank of America.

Luke Emerson Washer ***BofA Merrill Lynch, Research Division - Research Analyst***

This is actually Luke Washer on for Steve. I wanted to touch on the farmer in North America. Did you see a shift in ammonia applications to side-dress this half? And did growers -- do you think growers applied more than normal perhaps due to wet weather in anticipation for some that would be lost? And just general commentary on if you saw any changes in the farmer behavior compared to last year would be appreciated as well.

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

So regarding North America, yes, we did see a shift to side-dress, and we had ammonia going out into July for side-dress. So the change in behavior was a behavior driven by economics as well as weather and decision-making. There comes a point in time where you have to plant and get your seed in the ground no matter what crop you're planting. And when I states as well as, I guess, even northern corn states are trying to put the seeds in the ground in mid to late June, you better have the nitrogen there and ready to go.

What happened was, they came to the point where you couldn't do a preplant application wait and then plant. They had to get the seeds. So we saw a lot of movement late in June and early July of ammonia as side-dress and once you had emergence. And so did they apply more? No, I don't think so and we can see this from some of our own crop inspections and work with other people and just information on how much N was applied on average in some of the places that we watch. And you're see that hold to historical averages.

The interesting thing for me is going to be yield. That USDA is still projecting a high acre number as well as a much higher yield number than we think is possible. And I still think they're 166, and I think you'll be lucky to be at 160. And it's going to significantly impact the stocks-to-use ratio coming into this harvest season. And so...

Luke Emerson Washer ***BofA Merrill Lynch, Research Division - Research Analyst***

And also harvest today is where -- I mean they're at, what, 91.5 million. Where do you think that's...

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Our internal number is probably 84 million, 85 million. And so that's what's really still to play. And again, getting back to the nitrogen, what was applied and was taken up by the crop will be represented in yield. And so we'll see. But I don't think more of [oversupply] this year than any other year.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

I mean the other, I think, point to highlight is, the side-dress of ammonia extending out is not unprecedented. Before we've had kind of late wet springs and you see ammonia application on the side-dress that -- through the I states in particular, that has moved out through June and into July. And as Bert said, if you look at the total amount of nutrient tons that went down, it's more reflective of the kind of numbers that we're thinking about from acreage, not in "overapplication" of nitrogen in any way.

Operator

And our next question comes from the line of Ben Isaacson of the Scotiabank.

Benjamin Isaacson ***Scotiabank Global Banking and Markets, Research Division - MD and Head of Commodity Research***

Can you hear now?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes.

Benjamin Isaacson ***Scotiabank Global Banking and Markets, Research Division - MD and Head of Commodity Research***

Just a quick question on ammonium nitrate. I noticed your volumes were down year-over-year and everything else was so strong. Was that deliberate? And maybe you can just talk a little bit about how that market is doing right now.

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

When you look at ammonium nitrate for CF, we produce in the U.K. as well as at Yazoo City. And so as we talk about flexibility, this is now on the North American side, Yazoo City, Mississippi. The flexibility we have at that specific site is we make agricultural-grade ammonium nitrate, industrial-grade ammonium nitrate, nitric acid, UAN, ammonia and DEF. So that's a very versatile plant for us. And so during this period, we saw some opportunities in some of the other products that we were able to segment and move tons to that direction. The other side is the U.K. assets. We have 2 plants there that are -- that make ammonium nitrate and NPKs. And in that side of the business, we focused less on exports and decided to produce at a different mix. We also make ammonia at that location -- make and sell ammonia at those locations.

And so that was a little bit of the balance change, but not -- I don't think it was a big shift.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes, and I actually think first half volume was up, not down. So...

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Q2 was down.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

So it was Q2 that was down, but overall, it was -- first half was up. And again, we really think about this business in halves, not in quarters. Because I think there's pretty good shipment in Q1.

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

When in the U.K., their ag season started [really]

early, so...

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes. Think about halves, not quarters.

Operator

Our next question comes from the line of P.J. Juvekar of Citi.

P.J. Juvekar ***Citigroup Inc, Research Division - Global Head of Chemicals and Agriculture and MD***

Dennis, first of all, congratulations on your retirement.

Dennis P. Kelleher ***CF Industries Holdings, Inc. - Senior VP & CFO***

Well, thanks.

P.J. Juvekar ***Citigroup Inc, Research Division - Global Head of Chemicals and Agriculture and MD***

I have a comment and a question. My comment is, first of all, kudos to you guys for executing in this difficult environment. I mean how did your urea volumes go up? If you have 10 million [prevent] plant acres and supposedly it was so wet that farmers couldn't get the tractors out, all the urea volumes you've sold, do you think all of that was applied on the ground? Or do you think some of it is sitting in some of the bins at distributors?

And then secondly for Tony, with your strong free cash flow, any thoughts on M&A possibilities?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

So first of all, thanks for the comment. I think the whole team did an outstanding job this spring. And we do well when things are good, but really when it's challenged -- when there are challenges out there, it's when the flexibility of the network really -- and the capability of the people really shine. Bert, do you want to handle the urea, did it go down or inventory question?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

So in looking at the whole system, obviously, we're up quarter-on-quarter 6 months on 6 months and feel very good about that. Again, it goes back to a lot of the discussion that we had in the prepared remarks and as well as some of this Q&A, the whole issue of preparation.

And when it became apparent to us that the ammonia season would be challenged, we called in extra railcars. We'd already gone to maximum urea. But an interesting side note that we didn't realize was how do you move all that urea just from the plant to the logistical asset, barges, railcars.

And I give the team a lot of credit with coming up creative ways working with ARTCO, our barge, to fleet as well as power enough barges and get extra barging capacity. So we started working on this in April. And with a flooded river or at least the high river at that point slowing barge movement, we focused on getting those barges up into places where we could unload them and not send them up to St. Louis where they -- we thought they would be embargoed and they ended up being so.

But another side note is, we had record truck shipments. So another issue to work with our customers and truck providers, we had urea during the peak of demand. We know some of urea -- our urea went 1,200 miles to meet spot demand. That just means trucks are driving a long distance. We designed the Port Neal facility to load up to 10,000 tons a day by truck and that happened.

So when you take all of these individual movements in the totality as well as building inventory from Q1 to Q2 on purpose, that set us up to be in place and back to how we executed and achieved some of these record-high prices and premiums because we were a supplier that had product and could deliver on time.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

And -- but I think, P.J., your question about did it go to ground versus is it sitting in a shed someplace, our experience with UAN, which is the vast majority of product that we shipped out in July was for prompt delivery and application, which is why we didn't launch the UAN fill program until just earlier this week because we were still seeing demand at spring pricing level, indicates that people weren't stuffing this product into bins and tanks because typically, there is a price reset when you leave the application season and moving to the shoulder season.

So all the stuff that we were selling through June and even into July was at spring pricing indicating to us that all of it was going to ground. There was no one that was going to put that stuff into a warehouse because that's a long hold period for relatively firm pricing.

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Our channel checks for urea and UAN, ours as well as our customers' is low. And we believe that, that's representative, like you just said, Tony, on all this immediate demand. But you just talked about for UAN, it was the same issue for urea. We do think, based on knowledge of barge and barge loadings and -- that there is a high level of P&K in the market but not of urea or UAN, especially on the river.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

And P.J., on your second question around free cash flow and how we think about that. We have a very, very high conversion rate of EBITDA into free cash on this asset base, and so it puts a high bar out there for us in the way of acquisitions. Because our focus really is cash flow per share. That's what we want to drive accretion on.

And so are we interested in growth? Absolutely. Are we interested in M&A? Sure. Does it have to be accretive on a cash flow per share since basis after we're all said and done? It absolutely does. So we're looking at things, but if it doesn't pass that test, then we're not going to execute it. And by the way, we've got great other options, which is share price that yields a free cash flow yield that is still 2 to 3x better than anybody else in the space. So I think we've got a long way to go in terms of our own share price, and we don't feel like there's a gun at our head that we have to go and do something that is dilutive.

Operator

And our next question comes from the line Duffy Fischer of Barclays.

Sean Matthew Gilmartin ***Barclays Bank PLC, Research Division - Research Analyst***

This is Sean Gilmartin on for Duffy. Just real quickly, could you maybe give us you take on how we should start thinking about your overall volumes in the back half here in 2019, kind of, given the late start in planting and maybe the potential for a late harvest?

And I know you mentioned kind of your 2019 view on corn acres. And I know Nutrien kind of pegged next year's corn acres around 95 million. Curious, if you had a view there.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes, I mean I think on the, Duffy, (sic) [Sean] on the tonnage, if you just look back the last couple of years, we're sort of between 19 million and 20 million product tons given sort of what the maintenance schedule looks like in the particular product mix. That's not a bad estimate because we basically are -- as long as the plants aren't down for maintenance, they're running 24/7 and over the course of a year, we ship what we make.

So just like the first half of each of the last 3 years where we've been in 9.8 million, the back half has been relatively consistent as well. So I think that's a pretty good guide for what the volumes are going to look like second half.

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

I'm pleased with our order book. I think we're in good position with our products. We are in good position when managing inventories and the production rates. We talked about ammonia being a little high, but we have so many option at our disposal that I agree you, Tony that, that will manage the market demands.

However, I think your point on a late harvest is interesting. I was just in Canada last week and then driving to Michigan and Ohio and did some walks and runs as I'd go through cornfields, and I was shocked at what I saw with knee high to waist high and fields in need of nitrogen and not that many heat degree days left. So the likelihood of having that driven by a frost date, and if we were to have an early frost, you're not going to see maturities and so that product can be cut for silage or just will be a low yielding.

So the latest harvest, it depends on dry down and then how much people want to spend on propane. And so the 2020 acres, we're bullish. I think 95 million is a low end. And I want to give a higher end. But when you look at stocks-to-use ratio, where we are, we're back to 2013-type levels where corn was up to $7. Now corn today is trading in the $4.10 range.

So what could corn go to? I think it's going to go up, but it's going to be -- I think people are waiting to see on these harvest results, acreage results. But it's a positive economic proposition for a farmer today to focus on corn for 2020 and those acres will be available. And especially the acres that weren't planted on the preventive plant or the silage acres, those will be planted early. So you're going to see ammonia going down just, I think, just as we do normally. And if we have a late harvest or dry down, then we'd have ammonia generally always applied in December. That could happen again.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

I mean I think it's also fair to say that we're probably more bearish on both yield and acres than USDA or in fact than a lot of people are. So to us, that's acres next year. Both corn price where it goes off the board this year after harvest and acres next year are going to be, in our opinion, stronger than where the market's pegging it today.

Operator

And our next question comes from the line of Andrew Wong of RBC Capital Markets.

Andrew D. Wong ***RBC Capital Markets, LLC, Research Division - Associate Analyst***

So I guess just following on to that, sounds like from your commentary, you expect pretty strong nitrogen demand in North America over the next several years, not just next year. And again, it's pretty clear, next year's going to be a really big corn acreage year. But I'm curious about your thoughts on how the crop balance sheet and the pricing changes over the next several years given your confidence on providing some of that guidance so far out?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes. I mean I think when you look at stocks to use down in the mid-single digits, which is where we believe there -- it's going to end this year, that you need 95-plus million acres just to get back to where you began this year, which is also a relative low. And so we had this year, at least initial intentions, being in sort of 92 million, 93 million acres. And I would expect if next year's 95 million, you're probably back in the 92 million to 93 million the year after because I just think the price signals are there.

I also think we expect ongoing and continued weakness in beans and whether that's because African swine fever culling of the hog population or ongoing kind of trade concerns or just other related issues and also bumper yields and other growing regions on the bean side. I think you end up with very, very strong incentives on certainly a midterm basis -- short and midterm basis for farmers to grow corn.

And so we're -- that really is a backdrop against our bullish view of corn and also nitrogen demand in North America. Bert, you got...

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

No, I agree. I think your numbers are spot on and we're going to see a positive market.

Operator

And our next question comes from the line of John Roberts of UBS.

John Ezekiel E. Roberts ***UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst, Chemicals***

Congrats to Dennis as well and also to Christopher.

Dennis P. Kelleher ***CF Industries Holdings, Inc. - Senior VP & CFO***

Thank you.

John Ezekiel E. Roberts ***UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst, Chemicals***

I wanted to go back to your earlier comment that prices are not high enough for expansions. Was that directed just toward greenfields since Nutrien announced some small expansions recently. And I would guess your new plants have some pretty low-cost incremental debottleneck opportunities.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes I mean, clearly what I was talking about, John, with respect to expansions are putting in a whole new ammonia/urea complex, not incremental debottlenecks. Because I think generally speaking, once you've got infrastructure in place, the debottleneck is going to have much favorable economics to building a whole new plant. And it was really, whether it's a greenfield or a brownfield, building a new ammonia plant and then upgrade the facility. But we're certainly evaluating similarly debottleneck opportunities and additional flexibility.

I think this year, in particular, highlights the value of product flexibility and the more leverage Bert can pull in order to manage what the product slate mix look like, the better off our returns are. And given our strong cash flow and ability to invest some of that into some high-return projects that add flexibility to the network, but are still fairly low cost in terms of the scale of a new plant is a great return.

So we're looking at that kind of stuff too. But most of that can be accomplished within the framework of our normal CapEx budget. When we say $400 million to $450 million that includes some growth capital in there. And I think that's a pretty good number for us going forward and gives us some upside in terms of both product mix, flexibility, margin and absolute tonnage.

Operator

Our next question comes from the line of Jonas Oxgaard of Bernstein.

Jonas I. Oxgaard ***Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst***

Early on, you talked about the economics of new plants and completely agree that, right, the economics for a urea plant doesn't really make sense today. But we've also seen that LNG prices have fallen so much and urea is now the most profitable use of natural gas.

And so a 2-part question. Are you seeing any indications from places like Trinidad that they're going to allocate more natural gas towards urea over LNG, so reversing the trend for the last several years?

And second, what do you think the risk and outlook for places like Iran or Trinidad to sanction urea just to find the least bad version to get rid of -- no, to export their methane?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Yes. I mean I think Trinidad in particular has had some challenges with respect to gas availability at the low-cost that they had promised long-term contracts on. And so when most of those Caribbean-based contracts have come for renegotiation, they've been reestablished at fundamentally different kind of profit sharing as well as floor price than initially envisioned. And it's not clear to me that there's enough new gas available in terms of the supply price that they're willing to offer that would incent capacity going into Trinidad.

Again, I think that you're much more likely to see that in the places like Nigeria and Russia and so forth.

Relative to, if there is some sort of a reallocation of the hydrocarbon molecules in some of those region so that they can generate more tax revenue, I think you don't have to look very far to figure out that the returns on urea are far superior to methanol today. And if there was going to be some sort of, as you say, embargo or what not, I think you'd see some rationalization of methanol operating rates in favor of urea.

But there aren't a lot of urea plants in those regions that are sitting idle today. Everything is running full on. So it's really more of a 4-year fix because, you'd to build a new ammonia/urea complex, and that's a long time in the future to be looking at that.

You certainly could go through a methanol cycle but that reverses course in that time horizon. So I don't -- that's not one of those things that we look at and are terribly worried about.

Operator

And our next question comes from the line of Michael Piken of Cleveland Research.

Michael Leith Piken ***Cleveland Research Company - Equity Analyst***

Just wanted to touch base a little bit on Iran and your expectations for 2019 Iranian exports, I mean they are sending a lot of product into Brazil, we'd heard. So just your thoughts there on how you see the potential for exports trending not just this year but over the next couple of years.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes I mean, Michael, I think look, our view has always been that there's too much money at stake for those plants to run -- or not run. But they're going to run and they're going to find some way to get those tons out whether it's send them to China and reexport them, send them direct to India or Brazil and barter, do something in the way of an exchange. Our view is those plants have been running and will continue to run. And I think the only time where you may see any sort of upset in that process is if they go down for maintenance or turnaround issues and are not able to get either technical support or a catalyst or the critical vessels to bring them back online.

And so I think that's really where you might see a pressure point. But that's a little bit longer wavelength. That's not this quarter or next quarter. I wouldn't anticipate. So I think those plants have been running and they continue to run. Bert, do you...

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Yes, it's just there have been nefarious behavior. You've seen these tons, as Tony mentioned, for a price people will do certain things and those prices have been below. So they are not very attractive business for the Iranians. But they have been creative in bartering, reflagging, reexporting from China and I do think their tonnage will be lower as a result if these sections continue, but they've been creative so far.

Operator

Ladies and gentlemen, this is all the time we have for question for today. I would like to turn the call back to Martin Jarosick for closing remarks.

Martin A. Jarosick ***CF Industries Holdings, Inc. - VP of IR***

Thanks, everyone, for joining us, and we look forward to seeing you at the conferences over the next few months.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program. You may now disconnect. Everyone, have a great day.

THOMSON REUTERS

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the 9-Month and Third Quarter 2019 CF Industries Holdings Earnings Conference Call. My name is Kevin, and I'll be your coordinator for today. (Operator Instructions)

I would now like to turn the presentation over to your host for today, Mr. Martin Jarosick, CF Investor Relations. Sir, please proceed.

Martin A. Jarosick ***CF Industries Holdings, Inc. - VP of IR***

Thank you, Kevin, and good morning. Thanks for joining the CF Industries 9-Month and Third Quarter Earnings Conference Call. I'm Martin Jarosick, Vice President Investor Relations for CF. With me today are Tony Will, CEO; Chris Bohn, CFO; and Bert Frost, Senior Vice President of Sales, Market Development and Supply Chain.

CF Industries reported its 9-month and third quarter 2019 results yesterday afternoon. On this call, we'll review the CF industry's results in detail, discuss our outlook and then host a question-and-answer session. Statements made on this call and in the presentation on our website that are not historical facts are forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or implied in any statements. More detailed information about factors that may affect our performance may be found in our filings with the SEC, which are available on our website. Also, you will find reconciliations between GAAP and non-GAAP measures in the press release and presentation posted on our website.

Now let me introduce Tony Will, our President and CEO.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Thanks, Martin, and good morning, everyone. Last night, we posted our financial results for the first 9 months of 2019, in which we generated adjusted EBITDA of $1.3 billion, after taking into account the items detailed in our earnings release. These results reflect higher year-over-year global nitrogen prices, lower natural gas costs and continued strong execution across all elements of our business.

I especially want to highlight the great work of the CF team. Throughout this year, we have run our assets well, managed through logistical challenges and ensured our customers received product when and where they needed it. Most importantly, we did it all safely. Our 12-month rolling recordable incident rate was 0.61 incidents per 200,000 work hours, significantly better than industry averages. Our team's great work, combined with positive industry fundamentals, drove a 21% increase in adjusted EBITDA compared to this point last year, and we continue to efficiently convert the EBITDA we generate into available free cash flow.

On a trailing 12-month basis, our free cash flow is $830 million, which today provides our investors with an industry-best free cash flow yield of 8%. As we've said before, we believe we will generate superior free cash flow through the cycle compared to most of our global competitors. That's because our cash generation capability is built on an enduring set of structural and operational advantages. Our structural advantages are clear: access to low-cost North American natural gas, operating in the import-dependent North American region, the largest and best production and distribution network in North America and the long-term demand growth for nitrogen. We also consistently focus on increasing our operational advantages to drive further margin growth. We do this by investing in our assets and people, and actively managing the company through the cycle. The cumulative effect of this disciplined choices that we make is clearly evident in our performance. We have the highest ammonia plant asset utilization in North America. We have reduced controllable cost per ton since 2016. We have among the lowest SG&A expense as a percent of sales in our industry, and we have driven significant reduction in our fixed charges, which Chris will discuss in more detail.

Slide 9 demonstrates the impact of our superior cash generation. Over the last 2 years, we have dramatically reduced our outstanding debt, increased our shareholder participation of the business through share repurchases and accretive growth, while also returning significant cash to shareholders in the form of dividends. These actions have both strengthened our balance sheet and driven nearly 10% accretion for shareholders since 2017. Looking ahead, we expect to build on this track record in 2020 and beyond. We believe our operational performance will consistently deliver sales volumes between 19.5 million and 20 million product tons each year. We continue to project that global demand for nitrogen will outpace net capacity additions over the next 4 years, further tightening the global supply and demand balance.

Additionally, the forward curve for North American natural gas remains very attractive compared to the rest of the world. We believe these factors, along with our operational excellence and strong balance sheet will continue to drive superior cash generation and shareholder returns in the years ahead.

With that, let me turn it over to Bert, who will talk more about current market conditions and our outlook. Then Chris will cover our financial position before I offer some closing remarks. Bert?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Thanks, Tony. The CF team continued to perform at a high level during the third quarter, positioning us well for the remainder of the year and spring 2020. First and foremost, we met customer needs in July as the spring application season in North America was drawn out due to poor weather earlier in the year. Following the extended spring, we focused on building a good order book. This included a well-received UAN fill program, which launched about a month later than normal and was met with strong demand. Demand for other products was positive as well, and we essentially shipped what we produced in the third quarter. As a result, we ended the quarter at seasonally low inventory levels. This gives us flexibility in the months ahead as the fall and spring application seasons develop.

Looking at spring, we continue to anticipate strong corn plantings in the United States. The current soybean-to-corn futures ratio supports higher U.S. corn plantings in 2020 and is comparable to last year's ratio at this time. We are ready for the fall application ammonia season to begin which has already started in some areas. We believe our customers are expecting a positive fall ammonia season, given expected strong corn acres and attractive nutrient pricing. As always, the weather will drive how positive the fall season will be. If a good application window opens, we believe farmers will take advantage of it. If a good window does not open, we have ample storage capacity to position product to meet customer needs in the spring. We expect that the remarkable stability we saw in the global nitrogen prices this year will continue into 2020. Global demand has been healthy overall and has required additional tons for marginal producers in China to be bid into the market.

As you can see on Slide 13, our global cost curve projection for 2020 suggests that the average price per ton for urea delivered to the U.S. Gulf will be similar to 2019. Longer term, industry fundamentals remain positive. As Tony said, we continue to expect that global demand growth will be net above capacity additions over the next 4 years, given the limited number of projects currently under construction. We believe that low-cost North American natural gas will become an even bigger advantage for CF in the years ahead. Average annual NYMEX Henry Hub futures from 2020 to 2023 are all lower than 2019 NYMEX settlements through October of $2.65 per MMBtu. Not only will this keep the majority of our production firmly at the low end of the global cost curve, it should also support margins compared to 2019. As the global supply and demand balance continues to tighten in the years ahead, we believe that our margin advantage will grow even more. CF is well positioned for the rest of 2019 and into 2020. We look forward to working with our customers in the near term and positioning the company for the industry dynamics we see developing over the longer term.

With that, let me turn the call over to Chris.

Christopher D. Bohn ***CF Industries Holdings, Inc. - Senior VP & CFO***

Thanks, Bert. In the first 9 months of 2019, the company reported net earnings attributable to common stockholders of $438 million or $1.97 per diluted share. Our EBITDA and adjusted EBITDA were both approximately $1.3 billion. Our trailing 12-month net cash provided by operating activities was approximately $1.5 billion and free cash flow was $830 million.

Cash and cash equivalents on the balance sheet at the end of the quarter were over $1 billion. Since the beginning of the year, cash on the balance sheet has increased by $337 million after investing $297 million in sustaining capital expenditures, repurchasing about 5.7 million shares for approximately $250 million, issuing $200 million in dividend payments and distributing $186 million to noncontrolling interest.

Given our liquidity position, which as of yesterday was approximately $1.2 billion in cash and cash equivalents, our strong cash generation and positive outlook into 2020, we announced earlier this month that we will redeem the remaining $500 million in senior notes due in May 2020. Additionally, last night, we announced that we will redeem $250 million of our 2021 senior secured notes in December. Retiring this debt is the latest step in the balanced approach we have taken over the last 2 years to manage the company, prudently allocate capital and return to investment grade. These actions will produce -- reduce our gross debt by $1.85 billion. They also support our focus on reducing fixed charges in order to provide us the greatest long-term capital flexibility through the cycle.

As you can see on Slide 10, our annualized fixed charges in 2020 will be $186 million lower than they would have been without the steps we have taken since 2017. This includes reducing annualized interest payments by about $121 million, which achieves our goal of annual interest payments below $200 million. It also includes lower level of dividend payments due to share repurchases as well as the elimination of the cash distribution to Terra Nitrogen unitholders.

Additionally, we have focused our capital expenditures on safety and reliability. Not only has this supported our industry-leading asset utilization rates, but has also kept our capital expenditures for the past few years at around $400 million per year. These actions, along with the industry recovery from the trough conditions of 2016 and '17 have greatly improved our credit metrics. As a result, we believe we have built a strong case to earn investment-grade ratings.

With that, Tony will provide some closing remarks before we open the call to Q&A.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Thanks, Chris. Before we move on to your questions, I want to provide some summary comments to frame how we're thinking about the future. We had a great first 3 quarters of 2019, with adjusted EBITDA increasing 21% year-on-year. On a last 12-month basis, we generated $830 million of free cash flow, which is truly a fantastic year. We also have the highest conversion efficiency of EBITDA to free cash flow in the industry. With all the free cash that we generated in the last 12 months, we have returned approximately $750 million to shareholders through share repurchases and will have retired an additional $750 million of debt by the end of this year. That accomplishes our objective of bringing our balance sheet back into investment-grade metrics and drops our annual interest expense well below $200 million per year going forward.

Looking ahead, we're excited about our outlook for 2020. While there are always moving pieces, we think that overall 2020 will be similar to 2019. As we've explained, we expect our sales volumes to be similar from year-to-year. Our 2020 global cost curve projects average nutrient prices to be in a similar range as 2019. And the NYMEX Henry Hub forward curve suggests that natural gas costs in 2020 will be lower, which all means we expect another fantastic year in 2020. And since we have already repaired our balance sheet, all of the free cash flow we generate will be available for us to deploy for value-creating growth or to return to shareholders.

This company is a highly efficient cash-generating machine. We've driven over 10% accretion for our shareholders in the last 2 years by investing in accretive growth and share repurchases while fixing our balance sheet at the same time. With our balance sheet now investment grade, we look forward to driving additional shareholder value by continuing to invest in accretive growth and further share repurchases.

With that, operator, we will now open the call to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question comes from Adam Samuelson with Goldman Sachs.

Adam L. Samuelson ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

So I guess, first, Tony, Bert, I'd be interested just to get some perspective just on the near-term kind of market dynamics as we think about the fall. I mean you've seen urea prices fall somewhat counter seasonally in the last month or so and NOLA started to trade at a pretty healthy discount to some offshore destinations and just get your views on the drivers of that and kind of what would get that -- get that back to parity? And then I just have a follow-up after on the decision to repay the debt, if we could.

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

So when you look at the market today, as we look at the 9-month performance of CF and the industry overall, we've seen a fairly stable market, operating in that $240 to $260 short ton NOLA range and on a metric ton, probably the same $240 to $270 FOB year of Gulf-type range. And so coming off of those numbers in the last month or so has been a bit of a surprise, but I do think this goes to -- it's a global market, and we've bid in some tons due to some of the India tenders and some of the changes. You've seen the India number -- volume purchased increase but as well seen the Chinese export numbers increase. And so what we would have predicted a 2 million to 2.5 million ton export coming out of China has turned out to probably will be a 4 million to 4.5 million ton export, so a doubling coming out of China.

Why is that happening? Looking at the cost of production there with energy costs being coal, it's down about 8%. And then you look at the RMB, the devaluation, averaging probably around 7.10 now. So it's another 5%. It has allowed the Chinese producers and some of the higher-cost producers to sell at around $250 a metric ton FOB. So those tons have made it into the market, and you've had low gas costs in Europe through the summer and through Q3. So combined, you probably had higher operating rates globally, which has pushed the exportable ton, there's not a finite but kind of an average of 45 million metric tons that are traded annually, a few more tons into that market mix.

And so we have traded below international parity recently, and we think that's an anomaly. We're probably significantly below where -- we've been averaging, let's say, $10 over the last year, and that number today, at $210 to $215 a short ton, is probably $20 to $30 below the international market. We see increased demand coming -- or continued demand coming from India, another tender or 2, so another 1.5 million tons demanded there. Brazil is behind on their imports, another 1 million or more tons needed in Brazil. And then we think Europe will step in, and we're looking at a very positive 2020 with 93 million to 94 million, maybe even 95 million acres of corn. So that incremental demand -- and I'm trying to figure out what will happen with the ammonia season that could go to upgraded products and push then urea higher. So I don't think this market lasts -- could last through this quarter, but that's -- our position is that we're able to bridge over that. We have inventory space available. We think there's a lot of buying left to be done, and then we'll see what happens in the spring.

Operator

Our next question comes from Christopher Parkinson with Crédit Suisse.

Christopher S. Parkinson ***Crédit Suisse AG, Research Division - Director of Equity Research***

Given the magnitude of your cash flow generation. Can you just remind us of 4 capital allocation priorities outside of share buybacks, including any potential for low-risk, high-return brownfield as well as the potential for M&A? Just on the latter, are there also -- there have been -- there's been some news of a few potential assets floating around in the U.S. as well as Europe. So can you just comment on your willingness to do something a bit larger as well as your general stance on asset bases outside of the U.S.?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes, Chris. I mean look, I think from a capital allocation perspective, we have said for a long time we want to get the balance sheet back into investment-grade metrics. And with the recent announcement, I think we're there. We've got -- managed our annual fixed charges down to a level that it's very comfortable, even in sort of trough conditions of '16, '17, we'd still be net pretty significantly cash-flow-positive during those kind of trough conditions. And we think that, that's representative of an investment-grade rating, and we're very comfortable with the sustainability of the balance sheet through kind of down cycles. So once that was behind us, then we look at, obviously, sustaining capital to maintain what is the highest operating rates in the industry on our ammonia plants, is this number one, call for capital; number two would be, if we've got accretive growth where we can buy assets in a way that we believe creates value for our shareholders, then that would be number two. And in the absence of doing those things, then I think we look to return cash to shareholders in the form of share repurchases as our preferred mechanism, given that we already have a pretty robust dividend that's in place today. So that's kind of our priorities.

We're relatively open to geographic expansion. I do think when you start clustering assets together, you're able to better realize synergies from larger network effects than if you've got them spread around. But I think at the end of the day, it all comes down to as long as there's a set of assets that we believe we can run well and really leverage our organizational capabilities against, then we'd be open to considering a number of places. But it all really depends upon price point. And they've got to be at a place where we feel it's creating value for shareholders because our alternative is to buy back more of what's already the best asset base in nitrogen of the world, which is our own share. So instead of overpaying for poor quality assets, we just buy more of our own.

Operator

Our next question comes from P.J. Juvekar with Citi.

P.J. Juvekar ***Citigroup Inc, Research Division - Global Head of Chemicals and Agriculture and MD***

Just quickly, Bert, I think you talked about increased China exports and falling coal prices, do you think that puts a lid on urea prices in the range of whatever you talked about, $250 per metric ton? And then a question on your cost curve. Your cost curve is delivered prices to the U.S. Is that the right way to look at the urea market in your mind? Because most of the Chinese exports go to India. So maybe I can get your thoughts on that?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

So regarding increased China and is that a lid, this is a constantly changing and evolving discussion. If you go back several years to the peak of exports where they were dominating 35%, 38% of the global trade. That was a significant impact, and we saw the impact of that driving NOLA prices down to $150 a short ton in the United States. And so when you look at some of the changes that are taking place in China, I think it's a positively evolving issue. The recent devaluations due to all these trade conflicts or questions, is that sustainable? Is that desirable? I don't know. I would say they would probably be better off trading in a range where they were, in the $680s. But when you look at what's happening in China with capacity coming off the peak capacities, where today our estimate is probably 80 million tons of capacity. There's estimates as low as 70 million.

And then the operating rates has hit 70% per the publications. We think they're operating in the 65% to low-60 range. So that makes available today, probably 52 million to 53 million metric tons. And then when you look at what -- ag is fairly constant. Industrial, also fairly constant, and it's the export swing volume. So we don't see the capability to move a significant amount of tons. And as we say many times in some of our investor discussions, if you idle these assets over a period of time and don't idle them appropriately, it's very difficult and very expensive to bring those assets back into production. And I don't think that's an attractive thing to do, basically export energy from China and continuing to pollute both water and air. So I think that China is stable at that range of 2 million to 4 million tons. And I think economically, it is not attractive today to export at these levels.

And yes, on the cost curve, your second question, we do look at it because we're primarily a North American producer and participant. And so that's the market we really want to focus on with 90-plus percent of our tons staying in North America. But you're right, those Chinese tons are basically staying in Asia. They are trade restricted now to North America. At their peak, probably 1.5 million tons came to North America. That's not happening, it won't happen. So I think that -- again, as India has been fairly consistent at 6 million to 8 million tons, they're probably going to draw 1 million to 2 million to 3 million tons from China if the Iranian sanctions go away, maybe some from Iran and the rest from the ARM Gold for North Africa. And then we see the world market balancing in that still 45 million metric tons of export demand, and that does drive the global cost curve.

Operator

Our next question comes from Vincent Andrews with Morgan Stanley.

Vincent Stephen Andrews ***Morgan Stanley, Research Division - MD***

Just wondering if you have any sort of latest thoughts on the potential for the Indian capacity to come back. There have been some moving parts on some of those facilities going forward, some of them not. And then there appears to be more lower-cost gas available to them. So just your latest and greatest thoughts there would be helpful.

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Yes, just as the previous question, that's also an evolving issue in our industry and with Prime Minister Modi's decision to be India-centric and India-driven and Indian -- and industrial policy revamping -- and it's not a revamp. We visited, and we've been following these plant additions, and we'll be there next year. These are new constructions, basically.

Now you have plants that today are new and idled. The Matix plant is still not running. And there are pipelines to be built and infrastructure to support these plants. So will they come on? We have them in our S&D going forward. And I think that will be a hit to imports, probably going down a couple of million tons. But the long-term projections today, natural gas globally is inexpensive. The North American shale producers have done a good job of driving that down globally, which has positively impacted Europe and some in Asia, specific to China. And I think India will be a net beneficiary in the short term. Longer term, that's not going to be the case. And so it gets back to the cost curve. And is the Indian government willing to subsidize these plants to an extraordinary amount or not? And we believe they won't. And so I think that this import demand will continue to be in a range, probably, let's say, 5 million to 8 million tons, but that's in 2 or 3 more years. So more to come.

Operator

Our next question comes from Ben Isaacson with Scotiabank.

Benjamin Isaacson ***Scotiabank Global Banking and Markets, Research Division - MD and Head of Commodity Research***

On the one hand, you talk about new supply not keeping up with demand growth; and on the other hand, when we look at coal prices in China, they've gone from, I think $12.80, a couple of years ago to $11.80 at the start of the year, now they're at $10.80. Can you talk about how you see coal prices developing? Why have they come down? And does the government really manage this within a range, how low can they actually go?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

When you look at coal costs, I mean, that's another globally traded commodity, and that's driven by several things: one, the cost of production; two, the cost to move the product; and 3, the cost to receive the product. And so the downturn in Chinese costs both domestically, but the portion that they are bringing in from Australia and any other place that they could, we don't believe can stay as low as it is. And so we don't see a further decrease much broader from the range we're operating in today. The other issue driving costs up are the changes to bunker fuels and fuel costs and shipping, which we see positively going -- positively for us going up.

And then I think over time, it's the issue of what is the right energy source for a global economy that's growing. And is coal the right source? There are still additional plants going in. But longer term, we believe that, that would be less, and there's been announcement that China is trying to increase their gas production through their shale opportunities. And we would say that, that would probably be a fuel source of the midterm future. So we'll see how that goes.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

I mean I think the other thing I would add to that is, with LNG prices having fallen dramatically on an MMBtu equivalency, coal price has to come down in order to be viable. And China, at the end of the day is still a coal-driven economy. And so back to Bert's point, while there is, I think, a bunch of external factors that are -- have provided some pressure on coal, there is increasing demand for coal utilization. And we think, ultimately, that ends up supporting prices there. So we're not terribly concerned about the top end of the cost curve doing something dramatic.

Operator

Our next question comes from Duffy Fischer with Barclays.

Patrick Duffy Fischer ***Barclays Bank PLC, Research Division - Director & Senior Chemical Analyst***

Just a question around demand in North America. So starting in the fourth quarter last year, we all talked about the bad fall application season, we talked about the short window in the spring. Given the crops we planted this year in North America, how much do you think we shorted the North American market on nitrogen? And then if we get the bump to, let's say, your $94 million midpoint acres of corn next year, how much more does that add? So kind of 2 buckets of incremental nitrogen growth over the next 12 months versus the last 12 months, if you could help break those 2 buckets out?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

So looking at North American demand, it's a use it or lose it type. We say nitrogen is the only nutrient that is absolutely necessary, and you can't carry it through from one season to the next. So you're right, last year Q4 was not a good ammonia season, and we've had a couple of those in a row, and we needed to make that up in the spring. When we moved in the spring of 2019, it was wet, it was difficult and ammonia did get down at some form and fashion, but a lot of that moved to upgrade, urea and UAN.

So the total N applied, I don't have that number in front of me. But I don't think we shorted it. What I do believe is that we exited Q2 with low inventory throughout the system, both retail and producer and imported inventory. And so when we're looking today and out the window in Chicago, it's snowing. It's not conducive to ammonia application today, at least in our backyard, but we've generally applied ammonia through early to mid-December in most years, and we would look for a warming trend. And the temperatures look conducive in Iowa and Nebraska and Southern Illinois to get that season done.

But as I said in my prepared remarks, if that eventuality is -- we're unable to do that, we believe, at least at CF, we have the ability to make it through into spring, and that makes that even much more of a challenge. And then that adds value to our distribution and in-market production assets and our logistical ability to move product quickly into the market, and I know there's going to be a timing game. So that's what I would say, we -- the corn-to-bean ratio is attractive for this 94 million acres of corn. And with what's going on in the protein market, I think that's going to continue to be attractive.

Operator

Our next question comes from Mark Connelly with Stephens Inc.

K. Tong ***Stephens Inc., Research Division - Research Associate***

This is Joan Tong on for Mark. Just question -- quick question on nitrogen application practice, in general. It seems like nitrogen application is a key area of focus in digital ag as well as some of the ag tech trend. Are you seeing any of those new technology or newer products affecting the way farmers are buying or applying nitrogen or affecting their interest in pre-buying?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

When you look at these new technologies and the new biostimulants or biologicals or different things, everything is in the testing phase, and it's in the theoretical, and they're starting to put out what that could be in the practical. And so for us, no, we have not seen changes in application.

What we are seeing, and this is over years with precision ag; with the education around when to apply; and the 4 Rs, which is the right place, the right time, the right product at the right rate, you're seeing very good farming practices. And there's a whole education going on in our industry, which we are funding and supporting. And that is also focused on watershed improvements and the issues of just good environmental practices. And that's being, I think, spread amongst companies amongst groups and especially with custom applicators, such that you don't see fall application of ammonia starting until about right now when the soil temperatures are at the right -- the optimal temperature and moisture profile to hold that nitrogen. And so we looked at these positive changes. And if they were to achieve what they're promoting, these new technologies, we see that as accompanying nitrogen consumption and then you'll have a yield boost, which I think is good for the farmer and good for the low-cost North American producer or farmer being able to compete in the global economy.

Operator

Our next question comes from John Roberts with UBS.

John Ezekiel E. Roberts ***UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst, Chemicals***

Back to the earlier question on capital allocation. New plants typically have some low-cost debottleneck opportunities. When you get to the first major downtimes coming up for your new plants, do you think we'll see some capacity expansions kind of on the order of magnitude of 10% or more?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

John, no, I think the issue right now is based on operating rates globally of ammonia plants and where Tampa ammonia price has been settling lately, we look at ammonia debottlenecks as not a terribly interesting proposition from a standpoint of a return on investment. Now that said, there is a significant uplift in margin per nutrient ton going from ammonia into the upgraded products, urea or UAN, and we are looking at potentially debottlenecking on the upgrade side. But that -- the benefit of that is it doesn't add any nutrient ton capacity to the global S&D, it just changes the form of nitrogen. And those kind of debottlenecks are, I would say, relatively efficient from an overall cost perspective and largely fit within our $400 million to $450 million a year. It wouldn't take us outside of that band. So I think those are certainly things that we're looking at and considering, but it doesn't really change the cash flow dynamic on the business or what we've talked about.

Operator

Our next question comes from Joel Jackson with BMO Capital Markets.

Joel Jackson ***BMO Capital Markets Equity Research - Director of Fertilizer Research & Analyst***

In the Democratic primary, there's been a bit of a switch of the frontrunners. And one of the frontrunners that could win here has expressed the concern about fracking. We could see a change in fracking in the states in the next little while if couple of things work out that way. Have you started thinking about what your risk appetite may be for gas hedging? Or how you have to change your strategy if it's a change in that kind of political stance? And would you want to get ahead of some of that?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes. I mean I think there's a real question as to whether or not the authority that's being espoused by that individual actually exists within that office or whether that requires -- that's a -- I think at some level, that's more of a Supreme Court-related issue because it's more of a state's rights versus federal government thing. So it's not obvious to us that, that power actually exists within that office, but that's for other people, I think, to decide. And I'd say, that is a huge kind of macro U.S. economy kind of decision if it was made. It would affect not only our business but the economy as a whole. And I don't expect -- I think it's a lot of rhetoric, actually. I don't actually expect something like that to show up.

Operator

Our next question comes from Steve Byrne with Bank of America.

Steve Byrne ***BofA Merrill Lynch, Research Division - Director of Equity Research***

Tony, you were just talking a little bit about nutrient tons shifting. I just wanted to ask a little bit more about -- if you look at your gross margins by product, it looks pretty slim in ammonia. Do you have the ability to shift more out of ammonia? Or at this time of year, you need to move some ammonia just because it's a product that you can move now? And also related to ammonia, just wanted to ask you about the impact of the Magellan pipeline closure, does that have maybe a differential impact on your competitors in terms of distribution costs, more so than it does for you? And does this lead to a higher corn belt ammonia price longer term?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes, Steve. I mean I think a couple of things are going on. I would focus more on the 9-month numbers for ammonia than I would on the third quarter because the third quarter really has virtually no agricultural ammonia. And so all of the ammonia that moved in the quarter were really driven off of industrial kind of contracts, which tend to be much more Tampa-based pricing, in general. And the Tampa price has been pretty low, which why -- which is why we're not that excited about further ammonia debottleneck because they just -- they don't pay out.

We do run our upgrade plants kind of at 100% capacity. And so that's why if we're going to be able to shift more ammonia into upgrade, we're going to have to be doing some of the debottlenecks that were asked about earlier, I think, by John. But we have a great in-market distribution network for ammonia. And you saw that in the second quarter when we moved a lot of that volume and got very good price realization and very good ton movement.

Clearly, I think what you've seen is with the Magellan pipeline going down, you've had Koch and Enid announce a big urea debottleneck expansion, which again is reducing the amount of excess ammonia that they have. You've seen other people make moves away from anhydrous into upgraded products. We have the benefit at Verdigris of being able to barge ammonia out of that plant, either for use elsewhere in the system or to be able to export it. And so I think we still have a fair bit of flexibility relative to the plants and other people are making moves to try to reduce their dependence and cost structure of moving ammonia around the system. But the -- our in-market terminals do provide a really nice lift for us during the application season. But the spring tends to be the big application. As Bert mentioned earlier, as we look out the window here in Chicago, it's snowing, so I'm not sure we're going to see much of a fall application season this year. But what you don't get in the fall in the way of ammonia just puts increased value on the upgraded tons as we get into spring.

Christopher D. Bohn ***CF Industries Holdings, Inc. - Senior VP & CFO***

And the only thing I would add, Steve -- this is Chris, is that as you look at the ammonia segment, as Tony mentioned, looking at the 9 months is more -- probably more indicative. But if you look at the adjusted gross margin, you'll see that really a large part of that was depreciation, and it's pretty much in line with the prior year quarter. Additionally, the tons are up a little bit. As Tony mentioned, that Q3 is a higher maintenance period. So we had slightly higher ammonia output than we would have in a typical quarter.

Operator

Our next question comes from Jonas Oxgaard with Bernstein.

Jonas I. Oxgaard ***Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst***

From what I can tell at current ammonia prices, your Trinidad plant is running at negative margins, and that looks like it's going through into your equity line as well. Is there room for renegotiating the raw material pricing? Or how are you thinking about that in the current environment?

Christopher D. Bohn ***CF Industries Holdings, Inc. - Senior VP & CFO***

Yes. I think for the most part, Jonas, the Trinidad plant that you're seeing at the negative margin is related to a tax amnesty program that we, along with our joint venture down there in that partnership, agreed which was related to withholding taxes from the year 2011 through current, and that was about a $16.5 million settlement that related to our portion of that. I think when you look at the Trinidad asset, it's still producing at a cash margin, given that the cash cost of natural gas down there is related to ammonia as well.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

And we're actually one of the few people that have -- look, we announced, I think, about a year ago that our 5-year extension with NGC, National Gas Company of Trinidad had been extended. And so the price at which we're buying is commensurate with historical kind of Carib-based gas deals. Most of the other producers on the island have annualized through their contracts and have had to renegotiate. So we're -- we believe we're in a favorable cost position relative to the other producers on the island. And as Chris said, I think the results you're seeing there and that's a -- is a onetime tax issue as opposed to an ongoing operating performance issue.

Operator

Our next question comes from Michael Piken with Cleveland Research.

Michael Leith Piken ***Cleveland Research Company - Equity Analyst***

Wanted to talk a little bit more about the UAN situation. I know you guys had a good fill program, but it seems like efforts to increase prices have been a little bit challenging going forward. How are you sort of thinking about the fill program kind of going -- or not the fill program, but UAN sales going forward, in terms of the timing and what we might expect in fourth quarter versus next year?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Yes. So we -- as I said in my prepared remarks, we were pleased, and continue to be pleased, with the fill program. Because of spring planting being late and wet, we were -- we carried applications well into late July and inventory was fairly low when we launched the program in the last week of July, first week in August. And we built a healthy book which allows us to operate the plants full and utilize our distribution assets, railcars, trucks, barges as well as vessels because we're still participating in the international market.

And so as we look into, I would say, today, we're looking into Q1, I think we're very well positioned. As I mentioned, our inventory has continued to stay low. We have low gas costs. And UAN has been range-bound in NOLA. It has traded close to what the publications are talking about, maybe a little bit on the high side. But as we look towards spring, we believe that the interior -- and it's already reflecting this, a larger margin spread in the interior. So we're constructively positive, UAN and the demand. And again, just as in last year, if the ammonia is unable to go down, it makes it very challenging to get that much in onto the ground. And so we're planning to participate in that market.

Now we've done some things, you're correct, the UAN, the sanctions in EU, which we've been communicating about. So you can see from our numbers, we've cut our exports almost in half, the majority of that being decreased participation in Belgium and France and the EU markets. And we've repurposed a lot of those tons to different places, and we've been expanding our distribution reach in the United States. And so we think we're prepared for the future. And if that future is heavily reliant on North America, we think we will do that and do that well, but continuing to participate in a small way -- or smaller way in the international market.

Operator

Our next question comes from Don Carson with Susquehanna Financial.

Donald David Carson ***Susquehanna Financial Group, LLLP, Research Division - Senior Analyst***

Just a question on your price outlook for next year. You talked, Bert, about how you thought prices might be flat, but was that a NOLA comment because there's some very strong pricing in the corn belt this year due to all the river issues? Are you expecting a repeat of that in 2020? And then just quickly, are you taking advantage of some of these higher offshore netbacks in urea by increasing your exports out of diesel currently?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

So looking at the price outlook, we were fairly benign in our comments saying that we're projecting 2020 to look fairly close to 2019. And that's due to the review of the cost curve and what we think is capable and where tons will move and the puts and takes of the business. So yes, it was more of a NOLA comment. River close has already taken place. River close means that barges can no longer traverse up to the northern territories, and if they do, they are stuck up there until spring and they have to pay storage. So where we are, again, we think inventories are low, and a lot of P&K is in inventory space, which makes it a little bit difficult for urea to get into the dry spaces. So we think that will be a positive outcome for us. We have a lot of space available to our -- to ship to in our Pine Bend and Medicine Hat in Port

Neal production and storage facilities.

But when you look at the -- for your question on exports, we're off about 50% from our exports from comparing 2018 to 2019, and the values just weren't there relative to what we could achieve in North America. If these values continued to stay where they currently are over the last month, then we would participate more in the export market. We're ambivalent to where our tons go, it's margin-driven. So if we can get $1 or $5 more overseas, we'll load it up, and we can ship a lot of product out of Donaldsonville.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

And Don, the question about the in-market premium, which did kind of blow out during the spring, given logistical challenges and how we're viewing that kind of next year. I think given the in-market distribution and production that we have, we always expect to at least capture kind of the transportation spread but what we find typically during high demand periods or short replenishment windows is that that's when the power of that network really shines. And the last couple of years have seen more volatility as opposed to more smoothness in terms of the operations and what's required and demanded and what the market is willing to pay for. And I think that there's a little bit of more of the same kind of that's just embedded in terms of how the spring runs, particularly when right now you've got NOLA trading at such a discount to the international space.

What that really means is that very few imports are coming this direction because if you're an exporter out in the Middle East or some place else, you can get better values by going to other parts of the world. So North America is not paying enough to attract imported tons at this point, which means that, that's going to further sort of stress the system relative to be able to resupply in the market, and again, that's when our network shines. So from our perspective, the fact that during the low demand volume quarter, Q3, prices lag a little bit relative to the international markets, net-net, that's sort of not a bad thing.

Operator

Our next question comes from Brandon Dempster with Consumer Edge Research.

Brandon Dempster ***Consumer Edge Research, LLC - Analyst***

I just wanted to talk about maybe what you think is the range or the price point rather in North America that you'd have to hit or maybe sustain that would bid in greenfield capacity? And maybe that's thinking more in a 3- to 5-year horizon?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Well, I just -- I just don't see it happening. And again, anyone that's interested in building one, come send them our way, and we'll sell them a plant at replacement cost. I'm happy to do that. I think you got to get urea prices sustainably up north of $350 on average for a full year to even think about it. And then if you're going to do that, you're still better off building in Nigeria or Russia than you are building over here just because labor costs are so uncontrollable here.

Christopher D. Bohn ***CF Industries Holdings, Inc. - Senior VP & CFO***

And I think just to build on Tony's comment, that's a sustainable price above $350 in order to get something that's in low teens type of return for what they would be spending on labor and equipment.

Operator

Ladies and gentlemen, that's all the time we have for questions today. I would like to turn the call back over to Martin Jarosick for closing remarks.

Martin A. Jarosick ***CF Industries Holdings, Inc. - VP of IR***

Thanks everyone for joining us, and we look forward to seeing you at the upcoming conferences.

Operator

Ladies and gentlemen, this does conclude today's presentation. You may now disconnect, and have a wonderful day.

THOMSON REUTERS

EDITED TRANSCRIPT

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the CF Industries Holdings Fourth Quarter and Full Year 2019 Results and Conference Call. My name is Michelle. I'll be your coordinator for today. (Operator Instructions)

I would now like to turn the presentation over to the host for today, Mr. Martin Jarosick, with CF Investor Relations. Sir, please go ahead.

Martin A. Jarosick ***CF Industries Holdings, Inc. - VP of IR***

Good morning, and thanks for joining the CF Industries' full year and fourth quarter earnings conference call. I'm Martin Jarosick, Vice President, Investor Relations for CF. With me today are Tony Will, CEO; Chris Bohn, CFO; and Bert Frost, Senior Vice President of Sales, Market Development and Supply Chain.

CF Industries reported its full year and fourth quarter 2019 results yesterday afternoon. On this call, we'll review the CF Industries results in detail, discuss our outlook and then host a question-and-answer session.

Statements made on this call and in the presentation on our website that are not historical facts are forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or implied in any statements. More detailed information about factors that may affect our performance may be found in our filings with the SEC, which are available on our website. Also, you'll find the reconciliations between GAAP and non-GAAP measures in the press release and presentation posted on our website.

Now let me introduce Tony Will, our President and CEO.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Thanks, Martin, and good morning, everyone. Last night, we posted our financial results for the full year 2019, in which we generated adjusted EBITDA of $1.6 billion, a nearly 15% increase over 2018. We efficiently converted our EBITDA into cash, generating over $900 million in free cash for the year.

As shown on Slides 6 and 7 of our materials, we are the most efficient converter of EBITDA into cash in the industry. Additionally, we have the best free cash flow yield. These results reflect the impact of lower year-over-year natural gas costs for the company, higher product price realizations and outstanding execution by the CF team. We operated our plants extremely well all year and set a new quarterly ammonia production record in the fourth quarter.

For the full year, we produced more than 10.2 million tons of ammonia and delivered sales volumes of 19.5 million product tons. Most impressively, we did all these safely. Our 12-month rolling recordable incident rate at the end of 2019 was 0.48 incidents per 200,000 work hours. This is the lowest year-end rate ever at CF. We are tremendously proud of this achievement, and I want to thank everyone at CF who makes safety their top priority every day.

In 2019, we delivered a 1-year total shareholder return of 13%, which was well above each member of our fertilizer peer group for the year, as you can see on Slides 9 and 10. We have outperformed our peer group index over 1, 3, 5, 7 and 10 years for total shareholder returns, and we were the single best-performing company overall but one of these time periods. We believe this consistent long-term outperformance relative to our peers reflects the enduring structural and operational strengths of our company.

Our structural advantages are clear. We provide a nutrient that is nondiscretionary and for which demand continues to grow. We are among the lowest cost producers of nitrogen in the world due to our access to low-cost and plentiful North American natural gas, and we operate in import-dependent regions.

We also have created operational advantages for our company by investing in our assets and our people. We have the highest ammonia utilization rate in North America, and our production sites have the flexibility to switch quickly between products to meet demand and maximize profits. We also have outstanding logistics capabilities in North America's most extensive distribution network. These advantages have enabled us to efficiently generate significant cash flow.

Since the beginning of 2017, we have deployed nearly $4 billion in cash to strengthen our balance sheet, increase shareholder participation in our nitrogen business and return cash to shareholders. We believe we are the best-positioned company in the industry to continue to build on this track record of creating long-term shareholder value in the years ahead.

Looking forward to 2020, we remain focused on safe and reliable operations and disciplined management of the company. As we've said before, we believe our operational performance will consistently deliver sales volumes between 19 million and 20 million product tons each year, and we expect to do this with one of the lowest controllable cost structures per product ton in our industry.

With that, let me turn it over to Bert, who will talk more about current market conditions and our outlook, then Chris will cover our financial position before I offer some closing remarks. Bert?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Thanks, Tony. Since the start of the second half of 2019, low global energy prices have supported higher industry operating rates and increased nitrogen supply availability. This pressured global nitrogen prices in the latter part of 2019 and into 2020. Global demand in the second half of 2019 was a bright spot, highlighted by strong urea imports into India and Brazil.

India tendered for a record volume of urea during the year due to favorable growing conditions and flat domestic production despite the start-up of new capacity. This demand, along with the effect of lower energy prices and favorable exchange rates, brought additional Chinese urea exports to the market, exceeding our expectations entering the year. Demand from India should remain strong in 2020, with the next India urea tender expected in March or early April. We also expect urea imports and demand in Brazil to increase over 2019, supported by the recent idling of a Petrobras ammonia-urea complex and additional planted corn acres in that country.

Just like the rest of the world, North America saw a lower year-over-year nitrogen prices throughout the fourth quarter. This has been reflected in North American nitrogen prices as we begin the year. Urea barge values at New Orleans at the start of 2020 were $220 per ton compared to $275 per ton at the start of 2019. Barge prices have appreciated recently as the industry has begun to take stock of potential spring demand. However, even with the increase, prices today are still lower year-over-year. Additionally, UAN prices in North America are lower than at this point last year and priced at a discount to urea due to an influx of imports as trade flows adjust to the impact of European Union tariffs.

We expect strong nitrogen demand in North America during the upcoming spring application season, which we believe will support prices. Last year, we saw record prevent plant acres in the U.S. and a weak fall ammonia season due to poor weather. Despite a challenging year, however, farm income has improved for most farmers and input costs are at decade lows. This should result in an increase in planted corn acres as a whole over 2019 as farmers see typical planting conditions. We believe this should favor demand for nitrogen.

Crop futures continue to support an increase in the planting of nitrogen-consuming crops. We estimate planted corn acres in the United States will be in the range of 92 million to 94 million acres. We also expect positive demand for spring ammonia as well as upgraded products, which typically see greater demand following poor fall ammonia seasons. We are well prepared for the active spring application season we see ahead.

While our expectations are for normal planting conditions, each spring brings new opportunities for CF to leverage our extensive logistics and distribution capabilities. We are ready for whatever arises and look forward to working with our customers for a successful spring application season.

With that, let me turn the call over to Chris.

Christopher D. Bohn ***CF Industries Holdings, Inc. - Senior VP & CFO***

Thanks, Bert. For the full year of 2019, the company reported net earnings attributable to common stockholders of $493 million or $2.23 per diluted share. Our EBITDA and adjusted EBITDA were both approximately $1.6 billion. Lower natural gas costs year-over-year were a substantial factor in our financial performance in 2019. This was especially true in the second half when significantly lower natural gas prices compared to 2018 supported our results despite lower product prices.

Looking ahead to 2020, we expect natural gas costs to continue to provide a tailwind, particularly in the first half of the year. This should be -- this should partially offset the impact of lower year-over-year product prices. Our full year net cash provided by operating activities was approximately $1.5 billion, and free cash flow was $915 million.

In 2019, we continued to deploy capital in line with our long-standing priorities. We redeemed $750 million in debt, lowering our gross debt to $4 billion. We returned $265 million to shareholders through dividends, and we repurchased 7.6 million shares for $337 million. As a result, cash and cash equivalents on the balance sheet at the end of the year were $287 million. This is in line with our stated target of $300 million to $500 million of cash on the balance sheet. Given our significantly reduced fixed charges and our undrawn $750 million revolver, we believe this provides the liquidity we need to run the business through this cycle.

Looking ahead to 2020, we will continue to pursue the balanced approach we have taken to manage the company, prudently allocate capital and return to investment grade. This includes increasing shareholder participation in our underlying business. Since the end of 2017, we have increased shareholder participation by nearly 10% through growth initiatives and repurchasing nearly 8% of our outstanding shares, as you can see on Slide 12. Given the current share price and our strong free cash flow generation, we believe our shares are the most attractive investment in our industry.

Returning to investment grade also remains a priority. We entered the year with greatly improved credit metrics and financial flexibility compared to just a couple of years ago. Since the beginning of 2017, we have lowered our debt by $1.85 billion and have reduced our fixed charges by approximately $190 million on an annual basis. We are committed to redeeming the remaining $250 million of our 2021 senior secured notes on or before the maturity date. We believe this will further strengthen our case for investment-grade. We will also achieve our goal of a strong and flexible balance sheet that is well positioned for the future.

With that, Tony will provide some closing remarks before we open up the call to Q&A.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Thanks, Chris. Before we move on to your questions, I want to thank everyone at CF for their great work throughout 2019. Their focus on safety, operating reliability and delivering for our customers continues to drive our success as a company.

As you've heard from Bert and Chris, lower global energy costs have pressured product prices in both Q4 of 2019 and Q1 of 2020 compared to the prior year periods, and we expect this trend to continue through the first half of the year despite the expected increase in corn acres. The impact of lower year-over-year product prices should be partially offset by lower gas costs, but our results are much more sensitive to movements in product prices than they are to movements in gas costs, as you can see on Slide 13.

So as we sit here today, in the early part of 2020, with most of the year still to play for and understanding the highly volatile and sometimes unpredictable nature of global commodity prices, we would expect that full year 2020 EBITDA would fall somewhere within the range of our 2018 and 2019 results, but our focus is on free cash flow rather than EBITDA. And as a reminder, in both 2018 and in 2019, we generated over $900 million in free cash flow. So given that, we would expect to continue executing on our capital deployment priorities of regaining investment grade while continuing our share buyback program, investing in the most attractive shares in the industry.

Longer term, our company remains among the best positioned in the world. Our structural advantages are clear. We produce the only nondiscretionary nutrient, nitrogen. We have access to low-cost North American natural gas, and we operate in import-dependent regions. We believe these advantages will continue to drive strong free cash flow generation through the cycle and enable us to build on our track record of creating superior long-term shareholder value compared to our competitors.

With that, operator, we will now open the call to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Christopher Parkinson of Crédit Suisse.

Christopher S. Parkinson ***Crédit Suisse AG, Research Division - Director of Equity Research***

Regarding the UAN market, can you just talk about the evolution of global trade flows and how you see them kind of moving in 2020, including out of the U.S. and then also the progress you've made in Latin America regarding your market development efforts? And if you could hit on that as well as just the U.S.'s net position from your perspective, it would be greatly appreciated.

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

The UAN market has been growing. We believe that it is a very good product due to its flexibility and adaptability and blendability, and we're seeing that growth taking place in South America, as you mentioned. So the changes that have taken place to the global market are the recent UAN European Union sanctions that came in place at the tail end of 2019.

Last year, we exported -- we continued to export into Europe. And this year, I don't think we will, and that has really blocked a lot of the Russian or most of the Russian product as well as Trinidadian. We don't believe that this is a fair nor just nor correct result, and we think that there'll be some issues and contentions and disputes regarding what the decision was. But what that has caused is a disruption in the flows. And so our position is that it takes a while for those flows to rebalance for different companies to make different products and to develop different markets.

We've been focused on that end of the situation, developing different markets since we brought up the production in 2000 -- or before we brought up the production in 2017. So we've been working in South America as well as what we were shipping in Europe. And our growth markets have been Argentina, Brazil, Colombia, Mexico, Chile, shipping to all those. And not much of that existed outside of Argentina 5 years ago. And we project that, that will be a 1-million ton market in 2020 and growing every year from there on out.

When you look at UAN as a balanced product to CF's portfolio -- well, we start with ammonia then we make different subproducts. And so what we've been able to do because of the decisions we made in construction -- constructing the new facilities was we had tremendous flexibility of maximizing urea or UAN or subproducts like DEF and nitric acid, and we are utilizing those capabilities today and producing less UAN. So you've seen a reflection of CF bringing less UAN into the market, rebalancing our customer portfolio, pursuing more business on the East and West Coasts, developing some new terminals in interior as well as what I just explained in South America.

So we're -- we feel like we're well prepared. You're going to see us continue to execute and focus on growth and opportunities, and we believe that UAN is a very good product. And on a price differential, where it's under urea today, we believe that, over time, we'll rebalance and be equal to or greater than urea.

Operator

Our next question comes from Stephen Byrne of Bank of America.

Steve Byrne ***BofA Merrill Lynch, Research Division - Director of Equity Research***

Yes. Just maybe continuing on this topic, Bert. When you look out at the spring demand in the U.S., you look at, say, channel inventories, you look at the lineup of imports coming into the U.S. Do you see the potential that urea in the spring could get short? And conversely, do you expect UAN to remain long? And how have your outlooks for these products affected your forward sales book for these products?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

And so I'm always optimistic, but I always play a defensive game, and that's preparing for eventualities and not to put the company in a negative position. So it's a combination of what you just explained. Channel inventories, we think, are adequate, especially for the first round as products starts moving to the ground.

But when you look at what we've -- what has happened with ammonia, ammonia being the building block, not only of producing the upgraded products, but to the farm community, ammonia has always been a baseload for the I states as well as Nebraska and some of the outlying states. And that has generally been about a 4-million ton product per year, moves through our terminals and the other providers' terminals. We had a poor fall ammonia season, so that N needs to transition to spring. And so we're projecting to have a healthy demand for ammonia, around that 4-million ton range; urea, around 11 million to 12 million tons; UAN, exceeding 15 million tons. And so for a global market, North America is 3/4 of UAN demand today, right around that number.

And so looking at what has come in, we have received too much UAN into the market, and that's reflected in pricing, especially on some of the coastal markets. And so what do we need to balance? Well, we've added capacity and others have added domestic capacity. And so there's probably about a 2-million ton requirement of UAN imports, and we're probably a little bit over that. And again, that's reflected in pricing.

Urea, we're importing 4 million to 5 million tons. And if you look at what's been brought in to date and what's in the lineup, we still have substantial needs to meet, and we're preparing for that demand to materialize with our interior storage and production and positioning product. And so we have a good order book on, and we're going to continue to build on that order book and have product in place for that second round and third round when people need just-in-time inventory. So our outlook is positive for the spring, especially for the interior.

Operator

Our next question comes from John Roberts of UBS.

John Ezekiel E. Roberts ***UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst, Chemicals***

Could we get your thoughts on the new Gulf Coast ammonia project and what that may mean for reinvestment economics? Do you consider that kind of a one-off situation or the sign that we're -- we might see some future expansion from the industry more broadly?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Yes. My perspective is that if you're air products, this is a great project because they get to get better utilization of their existing hydrogen production along the pipeline to get to expand their pipeline and build a new SCR. And as long as you've got a credit-worthy offtaker, you can get very good returns on that kind of business. So I can absolutely understand why your products wants to do it.

I think if you are the back-end of the ammonia process, it's less clear as to this project to actually makes sense. And our understanding is the sponsors, who are the offtakers from air products, suggest that they need a dramatic increase in ammonia pricing, kind of getting Tampa up north of $350 per ton in order to make a reasonable rate of return on that kind of project. And today, Tampa isn't anywhere close to that number.

So my hope is that they actually earn a great return on that project because that would suggest that the rest of our business is coming along really well, but it's a bet on the come. And based on where global energy prices are and the amount of ammonia production is in the world, it's hard to see that. But that's certainly not a bet that I would be making today, and it's hard for me to believe that there's a lot of people stepping up in line to double down on that.

Operator

Our next question comes from Don Carson of Susquehanna Financial.

Donald David Carson ***Susquehanna Financial Group, LLLP, Research Division - Senior Analyst***

Yes. Bert, just trying to get a sense of how much of the fall ammonia application season we missed and what the implications are for additional demand this spring? How much do growers have to make up? How much do you think they'll make up in ammonia versus urea or UAN?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Yes. Looking at the fall of '19 compared to the fall of '18, in the fall of '18, we had a wonderful run in Canada, in the northern tier, weaker in the southern tier. In '19, it was kind of weak everywhere. The north never got started -- Canada, North Dakota, in that area, Minnesota, just due to cold wet and then snow. And that was delayed in the south, but then we had a warming trend in December and got some loads out in the southern Illinois area. So really, throughout most of the Midwest, Iowa is okay.

What we expect is that for a precise number. I would say, several hundred thousand tons need to move into spring, and probably that will be made up with upgraded products. We're expecting a normal spring for ammonia, which we didn't have in '19. And where product is priced today, urea is a little bit higher, and UAN is a bit of a value right now as well as ammonia. So it's going to be interesting to see what value plays, what tradition plays, what practices farmers will apply in 2019, and that's why our balanced approach seems to work pretty well.

Operator

Our next question comes from Joel Jackson of BMO Capital Markets.

Joel Jackson ***BMO Capital Markets Equity Research - Director of Fertilizer Research & Analyst***

I had a question with some of your price realizations for urea and UAN. The last 4 or 5 quarters, you've achieved really good price premiums to somewhat arbitrate NOLA benchmarks. In '17 and '18, you, especially for UAN, what you're realizing versus the NOLA benchmark was kind of flipping up and down between a premium and a discount. This goes back to maybe some of the numbers you would have seen a few years ago. So I guess I wanted to ask, is there something going on that -- in terms of your book and the market that -- and for an export dynamic that lets you now achieve sort of a better premium than -- sorry, good consistent premiums to these benchmarks? Or maybe help me understand the dynamic?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Yes, Joel. I mean my flippant response would be the team. And -- but I actually want to give credit to the team. We've -- over the years, have built an internal team of talent and diverse talent and with an effort towards utilizing different skills and languages and experiences, and that takes time. And we've put some people in some positions that have really done a great job. And I like the way our incentive program works, where we, as a team, everybody works towards the same goal, which is the betterment of CF Industries. So we're all rowing in the same direction. That really helps with focus on -- if urea or UAN, those product leaders are more focused on what's better for CF. We have that conversation every day.

The other issue is the river. And there have been logistical issues, which we identified early or have been able to capitalize on later because of our distribution system and unique logistical assets. And so it helps to put the company in that position as we prepared it in the past. And then -- so what we're seeing is we have differentiated production in Canada and Northern Iowa as well as the Donaldsonville, so that we have arbitraged exports against imports. And when that is advantageous to the company, we've chosen to export. So a combination of all those factors have put us in a good spot.

Operator

Our next question comes from Vincent Andrews of Morgan Stanley.

Jeremy Noah Rosenberg ***Morgan Stanley, Research Division - Research Associate***

Hey, guys, this is Jeremy Rosenberg on for Vincent. I just want to ask 1 on China. Just thinking about all the headlines we've been seeing on the coronavirus. I want to get your thoughts on -- if that could potentially weaken domestic urea demand in China and free up even more tons for export? I know I saw your export expectations were brought up from 1 million to 3 million tons to 2 million to 3 million tons, but just thoughts on coronavirus there?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

So the impact, as we see it, is unfolding. What was announced yesterday with the additional deaths and disclosures is scary because it's probably spread farther, further and deeper than we're understanding. So what is the impact of that? It's the ability to operate the demands today that are being made to please show up to work from the Chinese government for your national duty is troubling when you're risking potential injury to you or your family members.

So our take on the virus today -- its impact is on logistics and production. Will the mines open their short coal today? And inventory levels from our reports are at low levels. And so the ability to move and to keep that moving -- and then that extends into feed and just-in-time deliveries of feed for protein growth. And so the potential as you unravel this thing, where does urea shipments-to-exports rank in the pantheon of needs is probably not very high.

And so I think it's going to be not much urea comes out of the Hubei province, it's more phosphate. So I think the first price differential will be on phosphates because of limited exports when China has been the marginal producer in that area. But overall, we're predicting fewer exports out of China anyway, and this will just further exacerbate that situation. And that's why we're more comfortable and confident with the tightening of the market. China was the marginal producer and more tons did come out than we had expected in 2019. We don't see that repeating in 2020.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes, I completely agree. I think, if anything, this is going to be a negative impact on supply from -- coming out of China as opposed to negatively impacting demand. Because on the demand side, people are still going to eat. So -- and as Bert says, whether it's coalmines or urea plants, those are the places where I think you're going to see a reduction in labor hours. So we would expect it to be kind of -- nothing like this is ever a net positive. But from a humanity perspective, but relative to urea supply, it probably will tighten it up.

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

And I'd say we're positive in protein exports to China and then positive to feed grains and oil seeds from the United States and Brazil. So it's going to be -- again, the thing has to unfold, but those are the areas that I would see needs materializing from China.

Operator

Our next question comes from Mark Connelly of Stephens.

Mark William Connelly ***Stephens Inc., Research Division - MD & Senior Equity Research Analyst***

We've seen some increases in freight rates in a number of markets. I'm curious if that's having any impact, or if you expect it to have impact on where urea products are going, whether it's yours or somebody else's?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Yes. The IMO impact is being felt. And you're right, there were some increases. We saw more substantial increases in the liquid rates coming out of NOLA as we looked at some exports to South America at the turn of the year. And then that, we believe, will have further costs. So we think the net benefit, because we're such a domestic producer, is increased costs for those coming to the United States. And so is that a $10, $20? We've seen some substantial bids in the short term. Does that balance out longer term? But I think it will add structural costs, and that would add to our cost curve for those bringing tons into NOLA or the -- either West or East Coasts. So for us, it's a net positive.

Operator

Our next question comes from Jonas Oxgaard of Bernstein.

Jonas I. Oxgaard ***Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst***

Looks like natural gas prices in North America are now at borderline -- absurdly low levels. Is there any thoughts about trying to lock in these kind of low rates long term? Or are you continuing to do spot? What's the strategy?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Yes. No, good question. Where gas is traded today is about $1.85. It's been as low as $1.76 at Henry Hub. The basis way to CF, it's even lower. So it's a very nice place to be, and we're very thankful for being a North American producer locking in North American gas.

But you're right. The question is, do you lock in? Or do you play it -- the daily or a combination thereof? And that's what we have chosen to do is to play a combination. There's a time period during the year where risk mitigation is the responsibility of the natural gas procurement team, and that's winter. November, December, January, February, and sometimes into March, we have cold weather and high demand, and you're pulling gas from the storage cavities that are placed throughout the United States. Then sometimes basis blows out, like we've seen in these polar vortex years, where it could be $50 to $100 over the spot price.

And so a combination of protecting the company is prudent, but a combination of realizing that there -- excess gas availability and limited places for it to go until pipelines get built out or increased demand in power generation or LNG exports materialize. Net-net, we're at the positive end of that curve. And so you've seen us achieve better realized values than the market has predicted, and that's because we played a balanced game of how we acquire that gas for the company. I can't...

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

But I think, as we sit here today, Jonas, we're getting close to the end of winter, although it's snowing in Chicago. But as you look at the number of cold days left, with -- it's been a mild winter. Storage levels have increased. Gas production has -- continues to be very high. In our view, there's probably a price pressure coming instead of this is the low point. And so we're -- we are very positive in terms of buying daily or month ahead as opposed to taking long-term lock positions.

The other issue, though, is in terms of the forward curve, you can't lock 2 years out or 3 years out at today's values because the curve starts increasing. And so that's why, as Bert said, there's a bit of a mixed bag in terms of how you approach it. But structurally, we're very optimistic about low gas costs through the balance of the year.

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

What I do like is the forward spread to Europe and to Asia on the NBP and JKM. If you look at that, we expand out to a $2 to $3 spread just based on forwards for each of the markets. That's -- again, when you throw in the previous question on freight rates, puts us at a very good cost position for the western markets, being North America and South America, and positions us well for the future.

Operator

Our next question comes from P.J. Juvekar of Citi.

P.J. Juvekar ***Citigroup Inc, Research Division - Global Head of Chemicals and Agriculture and MD***

So you mentioned lower energy prices incented nitrogen production last year. As we start 2020, it seems like energy prices are even lower. What does that mean for global production this year? And then I just want to make sure I heard you right. I think, Bert, you said that you expect more imports of grains and pork into China as a result of this virus outbreak. I just want to make sure I heard that right.

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

So the question was speculation, and so the answer was, I think, a line of potential outcomes. And a potential outcome clearly would be increased -- because the question was if urea production is unable to produce at the rate that they need and then move that into the market as they're entering their spring peak demand, which is about now, that would be a yield impact of corn, wheat and vegetables and fruits, therefore, the need would be to augment or replace that value -- carbohydrate value and protein value with imports. That's where I was going with the thinking.

Regarding your question on -- yes, increased N production happened as well as increased output and exports in that export curve, but as a combination or a reflection of higher prices. As we enter 2019, the NOLA price was $275. As we enter 2020, it was $220 for urea. The Chinese tons that came out and went to India at 1 tender averaged $280 a ton metric FOB. The next tender was $260 a metric ton FOB.

So energy prices were lower and product prices were higher. And guess what happened? Over time, product prices fell to a level that doesn't make it attractive enough, we believe, for some of those extraneous or excess tons to make it in the market. Therefore, a correction takes place and a slowdown, which we're seeing in production. China has run based on, let's say, 78 million tons of static capacity, has run between 55% and 70%.

And that's how we get to our numbers of what was produced, exported and consumed internally. And that, and some other questions, I think, with like Brazil, the Petrobras plant shutting down, and some others that are experiencing higher gas values and an inability to bring in this low-value LNG, will correct the market. And so I just think that's where we're going to be and where our expectations to trade at higher values as we progress year-on-year.

Operator

Our next question comes from Michael Piken of Cleveland Research.

Michael Leith Piken ***Cleveland Research Company - Equity Analyst***

I just wanted to talk a little bit about your strategy on UAN here in the U.S. And I know you had the initial summer fill program, and you had a recent fill program. Maybe you could talk to us about kind of how that program sort of reached your expectations and how you sort of balanced the needs of some of your customers and making sure they're not underwater versus the need to keep imports out? I know it's always a tricky balance.

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Yes. We are a North American participant. A large 90-plus percent of our volume is directed, focused and attended to this market. And we do participate in the export market, and we've built some great relationships. But we utilize that as arbitrage when the value is attractive or timing is attractive, for example, when we're in a low-demand period in some of those places or in higher-demand periods.

So our UAN strategy is and has been focused on the United States. However, in previous years, before our capacity expansion, there are areas due to logistical difficulties, we had -- we weren't able to reach. And so we added capacity. We have rebalanced our system and then have worked with some of our logistics providers to access some of those markets, and then started targeting places where we should participate. And we're adding some tanks in California, converting some tanks in other areas that are already owned, leasing some tanks in other areas where we think we should be participating.

And Cincinnati is a good example. We were not active in Cincinnati. Today, we're -- it's several hundred thousand tons for CF, a very good market. We will continue to grow in areas like that, utilizing our domestically produced tons where we're logistically favored, and then the remainder is what we'll export. So we feel pretty good about that.

We work with our customers. We have extensive customer list from a few hundred tons per year to 1 million tons per year. And you're right, that conversation is we want our customers to make money. They need to make money, and that's because the business that they're in is serving the farmer. We serve the wholesaler, the retailer, the co-ops that serve those farmers.

And so that's a combination of conversation and understanding where they are and what farmer economics are to make sure our products are appropriately priced and generally against imports. That is our competitor. And the position -- and then our marginal ton in some of the coastal markets we're competing directly with, Russian and Trinidadian production, we'll continue to do that.

Operator

Our next question comes from Adam Samuelson of Goldman Sachs.

Adam L. Samuelson ***Goldman Sachs Group Inc., Research Division - Equity Analyst***

Yes. Maybe continuing in UAN and in slightly different light. And Bert, Tony, I was hoping to get your thoughts on the UAN cost curve, I mean, it's obviously a different focus. Trinidad, U.S., Russia are the principal producers. With NOLA prices kind of where they are in the $110 to $120 range, are some of those producers now underwater? I mean how do we think about capacity rationalization there that might be getting forced at these price levels and/or, just on the other side, the demand response domestically of UAN trading at such a big discount to urea? I'm just trying to think about how this price disparity kind of closes over time.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes. I mean, I think -- Adam, I'll give you sort of my quick take, and then I'll throw it over to Bert for the real answer. But my view on this one is the companies that are -- or the region that is probably the most at risk from an economic standpoint, I think, is going to be Trinidad because most of the favorable Caribbean gas-indexed contracts are kind of rolling off or have rolled off and the renegotiation with NGC has happened at higher price levels. You've seen a couple of plants on the island actually close as a result of not being competitive anymore. And given that Europe is no longer really a destination option for that production, I think that puts a pretty big challenge on those plants.

Relative to Russian production and in the U.S., we're still fine. If you look at UAN, the margin structure is still, well, superior to that of ammonia. And on a dollar per nutrient ton, it's still a very attractive product for us to make relative to having excess ammonia. The -- I think anyone, though, that has an ability and flexibility in their system to upgrade into different product types, like we do, into producing more urea, urea liquor, DEF and nitric acid and not making UAN, that turns out to be a great margin opportunity for us. And I think some of the Russian producers are making more AN and doing some other things with upgraded products as well.

So our view is the -- over the longer term, I think you're right, given where values are today to a farmer, you might see incremental growth in terms of switching toward UAN in the near term over the longer-term because it is a more capital-intensive process to make UAN than it is urea. You've got to earn a fair rate of return on that incremental capital, otherwise, people stop investing in it.

And so we would expect margins to kind of -- once you get through the trade flow rebalance to get back to, as Bert said earlier, kind of net neutral between UAN and urea or even positive UAN. So I think this is kind of like what we saw in '16 and '17, where the new capacity came on and it took 1 year or 2 to -- for trade flows to rebalance and for us to really kind of get our sea legs under us. And the same thing is going on right now globally with UAN in the European anti-dumping situation. Bert?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Yes. No, I think it's good.

Operator

Our next question comes from Ben Isaacson of Scotiabank.

Ziad Saada ***Scotiabank Global Banking and Markets, Research Division - Associate***

This is Ziad on for Ben. Just maybe dragging back to the inventories you were talking about earlier, I believe you were describing them as like adequate inventory levels now and how the system kind of demands about 4 million tons of ammonia. Could you talk maybe a little bit about what those inventory levels are specific to that in light of the weak application season specific to ammonia, where farmers have been consuming other end products to kind of make up for that?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Well, the ammonia system from an inventory standpoint is there's a cap on it because it's really sitting, for the most part, with 3 major producers. Coke, Nutrien and CF are the ones that have the cryogenic storage tanks or terminals in-market. And while there's some storage at plant locations, generally speaking, it's not more than 50,000 or 100,000 tons.

And so the vast majority of the inventory sits with the 3 producers, and there's a limit in terms of what that looks like. So in order to get the 4 million tons out, you actually need relatively -- given a weak fall, you need to be able to resupply some of those tanks. So if you end up in a situation where weather is not cooperating in terms of being able to dump the tank and then resupply it and get more than 1 turn in the spring, it's going to push farmers toward upgraded products simply because you can't get the amount of nutrients that you need to -- from the ammonia system.

That said, given the weak fall, we think the tank situation is relatively full and ready to go. So I think in terms of whether you get to the 4 million tons is really dependent upon kind of how early the fields open up to begin ammonia application and how long that lasts for. And if you have a situation like we had last spring, you're not going to see anywhere close to 4 million tons go down.

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

And when you look at the -- how that system is balanced, it's in a combination with your -- our and others' industrial customers and those that have a ratable 360-day demand. And we supply that as well as exports. So we've been exporting and then rebalancing the system through shipments to our terminals or our plants, and that gives a benefit -- or we had the benefit of our logistical options. We have the ammonia barges. We have the ammonia pipeline. We have our own railcars, and we lease or work with our truck providers to move that product. So we feel very good about whatever will take place in the spring that we'll be ready.

Operator

Our next question comes from Andrew Wong of RBC Capital Markets.

Andrew D. Wong ***RBC Capital Markets, Research Division - Associate Analyst***

So with investor interest in ESG picking up a lot over the last couple of years, can you just maybe highlight what CF can do or maybe has already done to raise its profile in that area?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes. I mean, I think from an ESG perspective, there's 4 or 5 plants here that we're focused on. The first is that nitrogen is actually a product that is very beneficial to, from a global perspective, carbon emissions. And the reason for that is, even though agriculture, sort of, it depends upon which agency you look at, is estimated somewhere between 25% and 30% of -- responsible for 25% to 30% of aggregate greenhouse gas emissions, the vast majority of that comes from land use. And so as you are cutting down carbon sequestering for us in order to cultivate those acres, you're releasing a lot of carbon and you furthermore don't have the mechanism to further sequester carbon going forward.

And so the use of nitrogen allows you to increase crop density and increase yield per acre, which means that, in order to feed the world's population, you need less acres in use. And net-net, the world is a much lower-carbon footprint by producing and using nitrogen than you are not producing nitrogen and cutting down trees in order to feed the growing population. So that's #1, which is actually our product on a net basis is beneficial instead of negative.

The second issue is, particularly with our new plants, we're among the lowest carbon-intensity producer globally. And with our plants turning on, you've got Chinese coal-based plants that shut down and that, again, is sort of good from a global perspective. So I think this is one of those questions you have to ask writ large instead of very locally.

Now in addition to that, we're very focused on responsible use of the product and have invested heavily in kind of the 4-hour plus program, which is teaching farmers best management practices to both reduce nitrogen loss to the environment but also reduce volatilization in a way that creates nitrous oxide or other emissions that are high from a carbon-intensity perspective.

And then finally, we are investing in our asset base in order to further reduce what our footprint looks like on a sort of act locally kind of basis. And so I think if you look across all of those things that we're doing, we have an exemplary, yes, ESG standpoint. And we're reporting on a comprehensive GRI basis from a transparency and disclosure perspective. We're one of a very few number of companies that actually reports on the GRI index on a comprehensive basis instead of just on a spot or line item basis. So we feel very good about our ESG profile.

Operator

Our next question comes from Jeff Zekauskas of JPMorgan.

Jeffrey John Zekauskas ***JP Morgan Chase & Co, Research Division - Senior Analyst***

Since the beginning of the year, the price of Brent has gone from, I don't know, $68 a barrel to $54. How much of a difference do you think that makes to the global nitrogen fertilizer cost curve? And secondly, in the fourth quarter of 2019, there were very large imports of urea into India. And how do you see India urea imports in the first half of 2020 and for the year versus the year ago period?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Jeff, let me handle the first part of the question, and I'll throw it over to Bert to deal with India, which is, as you think about Brent coming down, there's no doubt that anyone that's receiving oil indexed-based LNG or gas is in a more favorable position today than they were a year ago.

That said, the real marginal production costs globally is still Chinese anthracite coal. And Brent price does not really affect the Chinese anthracite coal price directly. And in fact, as Bert indicated, whether it's coronavirus or other things going on, you've seen actual coal price strengthen a little bit. So the high end of the cost curve has gone up or stayed flat relative to what looks like a bit of a windfall for some other people in more third or early fourth quartile. So it's not really affecting global pricing today, the fact that Brent has come down. Bert, you want to deal with the Indian situation?

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Sure. So with India surprised to the upside, importing close to 10 million tons, when you include the OMIFCO tons, so almost a 30% increase over the previous year. Production stayed relatively flat, about a 2% to 3% increase, and stocks are a little bit higher so a healthy consumption base, good monsoon seasons and then good demand. Big country, and they've got to feed themselves.

And some exciting things are taking place in India with the Modi government regarding investments, infrastructure and in terms of an educated population, a growing population. So when I look at -- we look at, going forward, we expect another tender, probably in late March, early April and kind of running on the same pattern, whether being equal of continued import and being the largest importing country in the world.

There are 2 plants that are set to come onstream at the -- kind of this year, early next year. And generally, those plants have been late. And then there have been issues with feedstock supplies, and so not sure when that overall production will come on. But there are some old -- especially the naphtha-based plants, are suspect. And so even with the increased production in 2019 -- or run rates, they have been fairly stable in their production, really, over the last 5 to 8 years.

And so we see good things. And we've mentioned both India and Brazil in our prepared remarks on -- in terms of growth, growth of demand and not necessarily too much of an increase in supply.

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Yes, the one thing with respect to that is, despite new production coming on in India that -- Bert mentioned this earlier, you saw aggregate production within India remain relatively flat. And so that means, whether it's because of production problems that the older plants or just the fact that they're not economic to run them relative to being importing, you haven't seen this negatively impact India's imports. And so that, I think, is a very optimistic time around global S&D balance going forward.

Operator

Our next question comes from Chris Willis of Exothermic Global.

Christopher Willis; Exothermic Global;Principal

I was just curious with the length in the market, and I recognize there's a pretty big spring, potentially, in the offing. Why wouldn't you just cut back some ammonia production, maybe idle some production in the fall and idle -- throttle back a little bit in some of your derivative products just to tighten things up a bit as we move into the spring? And I'm just wondering about the -- what was the rationale behind doing a tender in the UAN market?

W. Anthony Will ***CF Industries Holdings, Inc. - President, CEO & Director***

Chris, I'll handle the first one on the production side, and then I'll let Bert talk about our UAN programs. We're among the lowest absolute cost producer globally. And so our assets should be the last ones to turn off, not the first. And there is enough production out there on a global basis that, if we were to curtail, I wouldn't expect that to move the market a bit because there's sufficient supply elsewhere in the world.

And so our business model is all around asset utilization. Our uptime and production efficiency and onstream factor is among the highest in the world and, certainly, the highest in the U.S. And because we're able to achieve those kind of levels, we basically get kind of the equivalent of an additional ammonia plant worth of production compared to the asset utilization rates that our North American competitors are able to achieve. So that's a huge competitive advantage when you think about the capital that goes into it.

And even at the low prices that we're seeing out there for ammonia, it's still a very attractive product from a margin standpoint for us. And again, we're -- we would be kind of the last producer to shut down, not the first. And on a full year basis, last year, we still generated 21% gross margin in our ammonia segment, which is pretty remarkable that -- in a lot of businesses that talk about that being a depressing situation, for an industrial business to achieve 21% gross margin for the full year is pretty outstanding result.

Bert A. Frost ***CF Industries Holdings, Inc. - SVP of Sales, Market Development & Supply Chain***

Regarding to the UAN tender, we are always seeking ways to effectively communicate with our customers different messages and treating our customers equally. And so there are times when some people are willing and ready to buy and want to. And so announcing a tender where we have a specific period where we're receiving quotes or offers, and we go through that then select what's attractive with kind of a price point in mind, allows us to have a conversation directly with customers as small as several hundred tons and up to several thousand or even larger than that. And so we've utilized that now for the second time at different points, and it's, I think, a unique forum to have that conversation that sparks further conversations.

This isn't a static market. Because we're a commodity that is used to make a commodity, but we're buying it. But you have all these interactions as well as logistical interactions, and time and values are different at different times. And that's why we want to interact as much as possible and have that dialogue to make sure we're positioning our company correctly.

Operator

Ladies and gentlemen, that is all the time we have for questions for today. I would like to turn the call back to Martin Jarosick for closing remarks.

Martin A. Jarosick ***CF Industries Holdings, Inc. - VP of IR***

Thanks, everyone, for joining us today. We look forward to your follow-up calls and seeing you at the upcoming conferences.

Operator

This concludes today's presentation. You may now disconnect. Everyone, have a great day.