THE MARKET

FERTILIZER NEWS AND ANALYSIS

6 November 2008

The Market is a daily fertilizer newsletter produced in London, England. It monitors the worldwide fertilizer business and produces up-to-the-minute reports on the latest prices and developments. Below you will find our latest overview of the international urea, DAP and ammonia markets.

To find out more about **The Market's** accurate and comprehensive coverage of the fertilizer business, please e-mail stephen.mitchell@icis.com

Latest Spot Market Prices
$ per tonne fob

Product	6 November	30 October	Tendency
Prilled Urea Yuzhny	240-250	275-285	Pressured
Granular Urea Mid East	244-246	345-350	Bottoming out
Granular Urea USG s.ton	300-305	306-320	Weak
DAP Tampa	780-830	825-850	Slipping
Ammonia fob Yuzhny	240-285	350-370	Dropping
Ammonia cfr Tampa	400-425	575	Falling
Sulphur fob Vancouver	45-60	60-150	Weaker

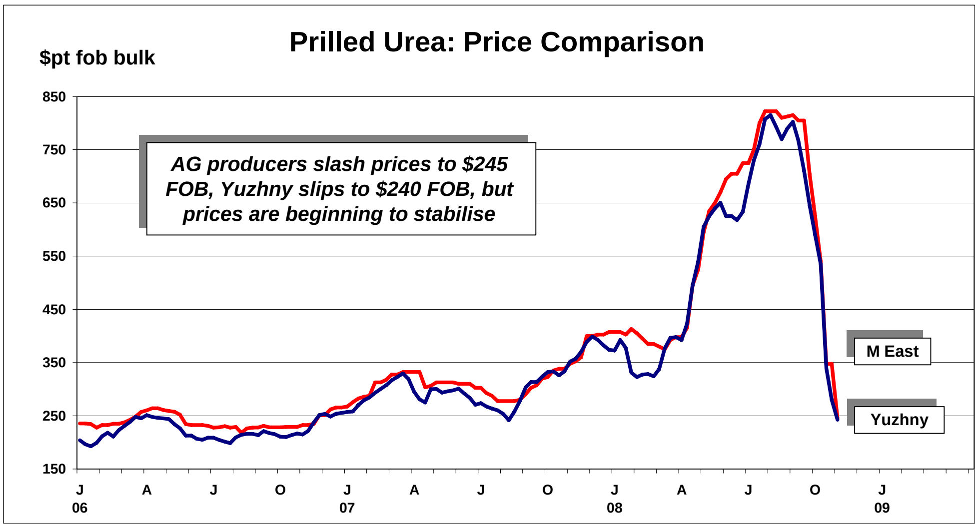
Latest International Business

Urea	Yuzhny		5	240 FOB	N
	Yuzhny			245 FOB	N
	Russia?	Turkey	24	250 FOB 180d	N
	Baltic			230-240 FOB	N
	Baltic	Brazil	25	250 FOB	N
	Saudi A	India	150	245 FOB	N/D
	Qatar	India	140	246 FOB	N/D
	UAE	India	25	246 FOB	N/D
		India	60	253 CFR	N/D
	Iran	India	20-25	246 FOB	N/D
	Qatar	South Korea	5-6	300 CFR	N
Granular	Egypt	Europe	5-10	300 FOB	N
	Kuwait	India	50	244 FOB	N/D
AS	Ukraine	Turkey	5	190 CFR 180d	N
	Korea	Vietnam	20	130 CFR	N
P Acid	?	India	8-10	1300 CFR P2O5	N
Ammonia	Yuzhny		12-15	240-285 FOB	N
	S Arabia	India	23.5	350 CFR	N
		Philippines	8	350 CFR	N
Sulphur	Iran		30	100 FOB	O
	AG	China	100	50-60 CFR	

Urea

Urea prices have bottomed out this week at $240-245/tonne FOB in the Middle East and have slipped to similar levels in the Black Sea. There are signs that the market is stabilising, though; activity has picked up, with 450,000 tonnes sold in India; Turkey buying more urea and inquiries from Latin America, Africa and other Asian markets.

Urea has reached an affordable level relative to crop prices and is competitively priced relative to other nitrogens. Buyers are also more confident, feeling that there is little downside to prices, which have dropped to breakeven levels in Ukraine.



However, while prices are stabilising for November, they may come under renewed pressure in December unless the additional buying is sustained. Prospects for a rebound in prices appear small.

Traders are playing a limited role at present, unwilling to take risks before the year end. Short selling is risky given the extent to which prices have fallen and production cutbacks in many countries. Long positions are equally risky given the uncertain financial status of many buyers.

The coming week will see new tenders in Pakistan for 100,000 tonnes of urea for end-November or early-December shipment and in Ethiopia for 75,000 tonnes. The next Indian tender is also likely to be issued shortly by IPL, for another 600-700,000 tonnes of urea for December shipment.

Middle East producers stand to be the main beneficiaries of this demand, but the exceptionally low level of freight rates makes it feasible to ship from practically anywhere in the world at present. Rates for handysize cargoes on many routes have fallen below $20/tonne, while rates for 20-25,000 tonnes Middle East-west coast India are as low as $5-6/tonne.

North America

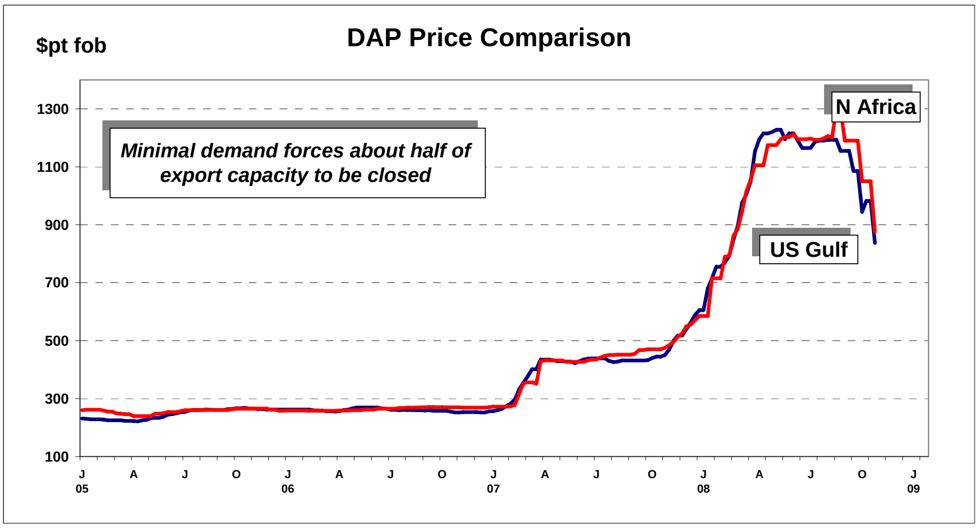
In the **US**, demand for urea remains sluggish. Some suppliers have been offering barges of granular urea at $315-320/short ton FOB Nola but are finding no takers because there are new offers at $305/short ton FOB for prompt tonnage. This has encouraged some buyers to hold out and try to push prices below $300/short ton again.

The latest Sabic panamax has discharged and been priced, reportedly around $310/short ton FOB. CF tonnage has also traded at $310/short ton FOB Donaldsonville recently. Yara has 45,000 tonnes due shortly on the Genco Muse and will have two cargoes in December, rather than the one vessel originally planned.

DAP

There are few producers worldwide who have not been obliged to reduce output of DAP and MAP due to low demand. This week, PotashCorp announced a cutback at its Florida plants and other, smaller US producers are reported to have cut operating rates for DAP.

Based on this, we estimate that about 50% of world export-oriented DAP/MAP capacity is now idle.



With India taking a back seat, there is no identifiable spot demand for DAP cargoes anywhere in the world. Small lots have sold at $750/tonne CFR in southeast Asia, probably based on Chinese DAP.

Elsewhere, it is difficult to determine prices, with even truckload business a rarity in Europe. Suppliers are maintaining price quotes in the face of no sales. Next week's tender for 150,000 tonnes of DAP in Ethiopia should lead to some improved price discovery.

North America

In the **US**, traders are trying to sell DAP barges for prompt delivery, asking for bids but finding zero interest. The last price indication was $700/short ton FOB, but the feeling is that any new business would require offers well below this level to find a buyer.

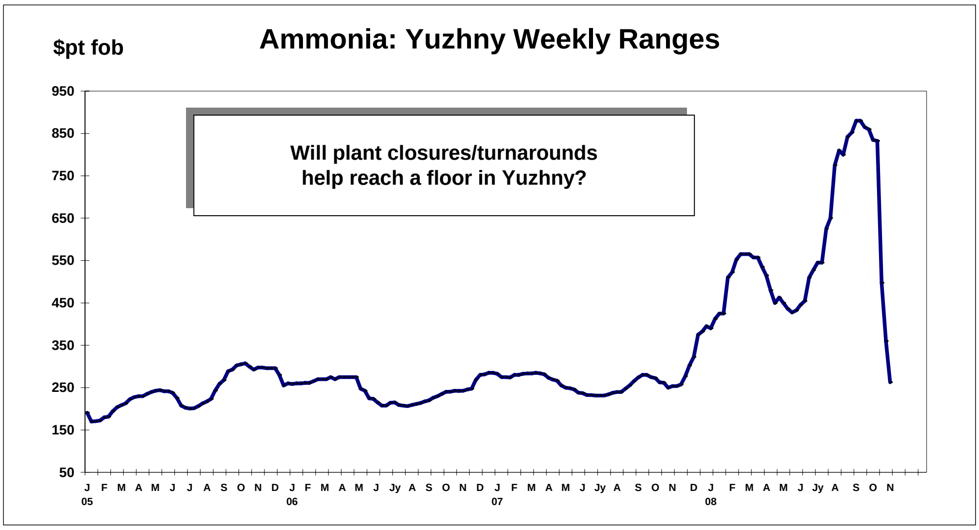
PotashCorp is in the process of curtailing P205 production at one of its White Springs, Florida, plants in response to weak market conditions. The products affected are superphosphoric acid (SPA) and dry phosphate fertilizers (DAP/MAP). It was not revealed by how much rates would be reduced by and it is not known how long production will be reduced for, but rates are not expected to be increased again until there is an improvement in demand.

Production at MissPhos' Pascagoula plant is reported to be running at a reduced rate due to low offtake.

Ammonia

The ammonia market seems to have reached an impasse. Buying is limited, as there is reduced demand from most end-users markets, and ammonia is building up in producers' tanks world-wide. Significantly, the overflow has forced the largest Russian producer, Togliatti, which could potentially make money at $240-250/tonne FOB Yuzhny, to reduce production and halt pipeline pumping because of the high inventories.

Ukrainian producers, who have break-even levels above these levels, are still hesitant, as they can store ammonia at present, but are on the edge of making decisions. However, production cutbacks may not be sufficient to rebalance the market if consumption does not improve over the next few months.



Opinion is divided on the upcoming fall application in the US, which is late, and also on the general outlook for demand. Fearing that demand will be reduced through the first quarter, Trinidad producers are bracing themselves and announcing plant turnarounds.

In the Middle East, producers are also sitting on unsold ammonia but are holding onto the $310/tonne FOB set recently, waiting for further developments in Yuzhny. Industrial and fertilizer demand in Asia is poor and contract holders are delaying deliveries. Turnarounds in Indonesia are about to kick off and producers hope this will bring the market more into balance.

North America

In **Tampa**, negotiations are expected to start at the end of this week to revise the price for second half November. The $575/tonne CFR was fixed initially for the whole of November but suppliers are now prepared to concede a reduction, possibly to $400-425/tonne CFR, given the recent price developments in Yuzhny. Buyers will probably look for a larger reduction, arguing that, even with the announced Trinidad turnarounds, the market is unlikely to get tight.

Predictions differ on the fall application in the US cornbelt that finally began this week, after a few weeks delay. Some suppliers expect that application will still be strong, although it will have to be completed by the end of November. Other sources expect there will be 30% less ammonia going on to fields as farmers are holding back as prices are falling.

In **Trinidad**, Yara's 1,600 tonne/day Tringen 2 plant is being taking offline for maintenance starting 7 November, for about 30 days. The maintenance had been planned for 2009 but was brought forward due to market conditions. PCS brought down its Point Lisas I plant last week for a month and after this restart it will bring down Point Lisas II for a month. Both plants were originally scheduled for maintenance in 2009.

Two plants that Koch Nitrogen markets for are also up for maintenance. The Nitro 2000 plant is already down for a 10-day turnaround. When it comes back it will be run at 70% capacity. The Caribbean Nitrogen (CNC) plant will then be taken down for 15 days, and will also be brought back at minimum rates (70-75%).