THE MARKET
FERTILIZER NEWS AND ANALYSIS

23 August 2007

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.

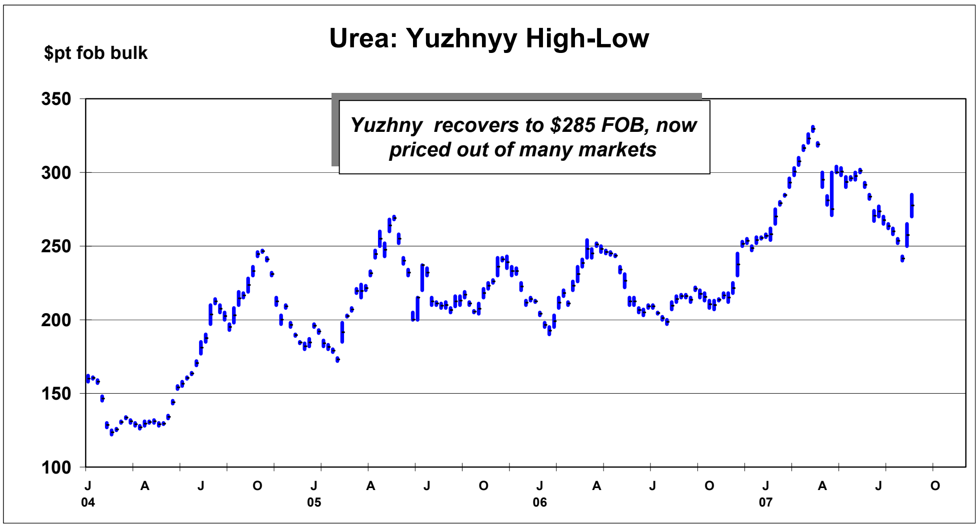
To find out more about **The Market's** accurate and comprehensive coverage of the fertilizer business, please e-mail stephen.mitchell@icis.com

Latest Spot Market Prices $ per tonne fob			
Product	**23 August**	**16 August**	**Tendency**
Prilled Urea Yuzhny	270-285	250-260	Rebounded
Granular Urea Mid East	265-285	265-278	Firming
Granular Urea USG s.ton	323-335	308-320	Rising
DAP Tampa	430-433	430-433	Firm
Ammonia fob Yuzhny	250-265	245-250	Firm
Ammonia cfr Tampa	295	295	Weak
Sulphur fob Vancouver	110-130	110-130	Strong

Latest International Business					
Product	**Origin**	**Destination**	**‘000t**	**$pt**	**Ship**
Urea	Yuzhny		5-10	284-285 FOB	S
	Baltic	Germany	20-25	Lo-270s FOB	
	Baltic	US	25	285 FOB	S
Granular	Egypt		45-47	295-300 FOB	O
	Qatar	Argentina	35	280-285 FOB	A/S
	Indonesia		20-25	Lo-270s FOB	S/O
	China	Bangladesh	25	@ 270 FOB	O
AN	Black Sea	Turkey		190 FOB	S
UAN	Lithuania	UK	10	€165-170 FOB	S
DAP	Unknown	India	50-90	495 CFR	S/O
	China	Pakistan	25-30	515 CFR	O
MAP	Russia	Belarus	10	445 DAF	S
	Russia	Ukraine	15	450 DAF	S
	Russia	Brazil	30	Hi $480s CFR	A/S
	Russia	Brazil	10	494 CFR	A
Ammonia	Yuzhny		20-30	255 FOB	S
	Yuzhny	Morocco	5-10	265 FOB	A
	Iran	Europe	20-23	225 FOB	S
	S Arabia	India	2x7.5	260-262 CFR	S
Sulphur	Iran	China?	20	202 FOB	S
	AG	India	15-18	238.80 CFR 180d	A/S
		India	10-12	242 CFR	A

Urea

Urea prices are firming worldwide. Purchasing by traders to cover short sales has driven urea prices up to $284-285/tonne FOB Yuzhny this week. This is too high to permit new business in Turkey or Brazil, let alone India. However, only about 10,000 tonnes of urea remain unsold in Yuzhny for September, so prices are unlikely to come down in the near future.



Baltic availability is limited by plant turnarounds, which is helping to support prices, and producers there are asking $275-280/tonne FOB. Traders are trying to persuade Latin American buyers to accept these levels. But rising freight rates and the near $40/tonne jump in FOB prices make buyers reluctant to commit.

Traders have bought much of the urea available for October shipment from China and prices have risen into the $260s/tonne FOB for prills, $10/tonne higher for granular.

MMTC of India closes a tender for urea on 24 August for shipment up to 15 October. The requirement is for up to 800,000 tonnes. However, with Yuzhny urea likely to be priced out of the tender and traders holding mainly October positions in China, the Middle East producers are in prime position to sell.

Qafco has sold spot granular cargoes this week at prices in the low-$280s/tonne FOB. Price ideas for India will be higher, but producers have September tonnage to place and will set prices at a level that ensures business is done.

The US is another hot spot in the urea market at present. There is limited availability of granular urea for prompt loading. Inventories are low at dealer level. Competition to buy the barges on offer has driven up prices to $335/short ton FOB Nola. This is equivalent to $364-365/tonne CFR.

North America

In the **US**, granular urea prices have leapt this week, rising from around $320/short ton FOB Nola to $335/short ton at presstime. Distributors have traded the few prompt barges of urea available between themselves at ever-increasing prices. Buying has taken place for upper river destinations and dealers are beginning to book urea against their spring requirements.

With little imported urea on offer, CF has raised its prices for September barges to $340/short ton FOB Donaldsonville. It is offering at $345/short ton for delivery in Q1 2008. Reportedly, it has received and rejected a bid at $337/short ton FOB for Q1.

US granular urea prices are now equivalent to $360-365/tonne CFR, netting back to $305-310/tonne FOB Middle East for panamax cargoes and around $320/tonne FOB for Egyptian urea.

DAP

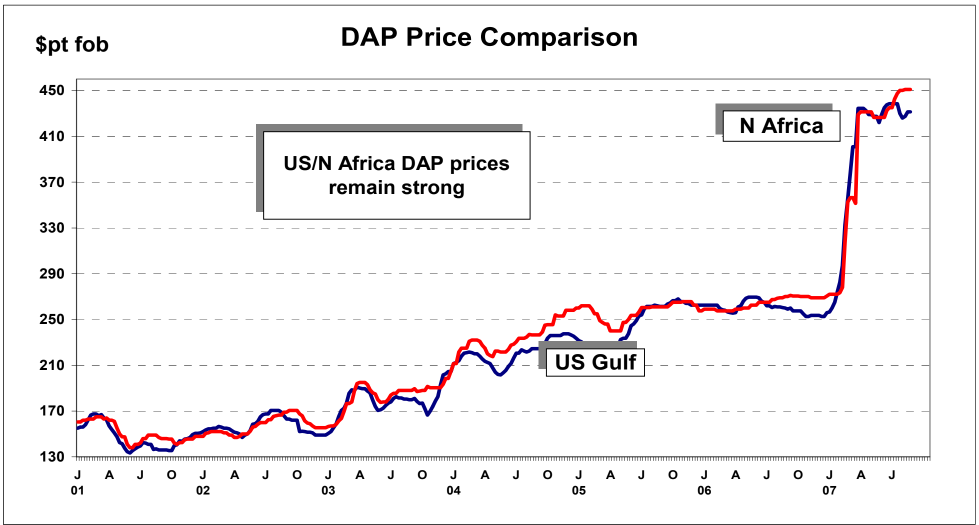
India and Pakistan continue to shape the international phosphates market, with a further 100-110,000 tonnes of DAP sold, split roughly equally between the two markets.

Prices are unchanged at $495/tonne CFR in India and $515-517/tonne CFR in Pakistan, with Australian material commanding a premium in the latter market.

How much more DAP India will manage to buy is debatable. IPL is thought to be in discussions for a further DAP cargo. MMTC of India has issued a tender this week for 50-70,000 tonnes of DAP having received no offers for its last tender. RCF has still not opened offers against its tender that closed on 14 August. A combination of high prices, probable port congestion and a lack of availability will hinder further significant import purchasing. News that India is considering extending its subsidy scheme to MAP and TSP may mean a partial switch to greater MAP imports.

Pakistan could still see further DAP imports, should Fauji decide to retender.

Availability remains very limited into September and beyond from the traditional sources, and traders have been looking at DAP from more unusual locations in order to satisfy demand.



Overall, the market remains very firm, aided by continued reports of strong demand for the winter in the US and Canadian markets. DAP/MAP prices in Latin America have also firmed in the last week with $494/tonne CFR achieved for MAP in Brazil.

North America

In the **US**, Mosaic has no official winter fill programme but is indicating forward prices on rail cars at $385/short ton FOB Central Florida for December-March, in response to heavy demand, particularly in Canada for this period. The producer reports good movement again this week on rail cars and out of warehouses for October-November and December-March.

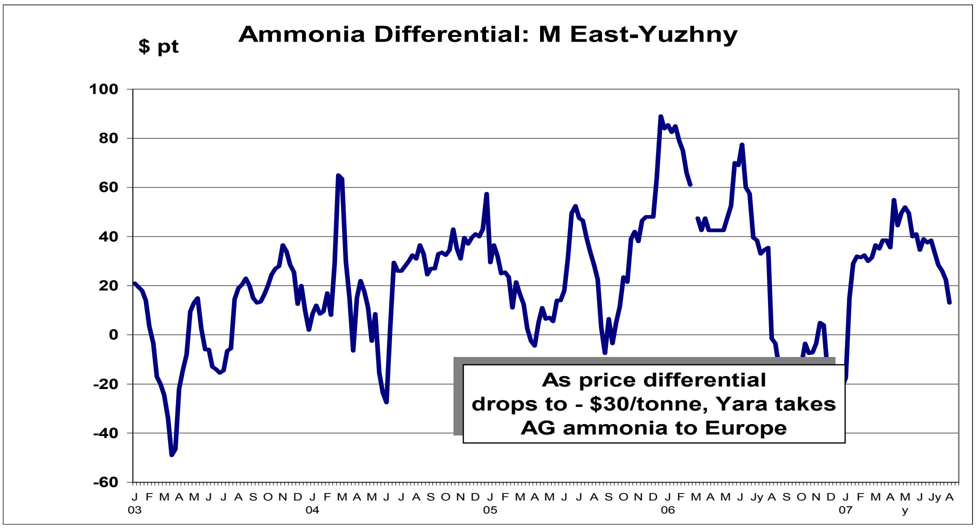
Barges are priced at $405/short ton FOB Nola but Mosaic reports little movement at present.

Mississippi Phosphates has restored diammonium phosphate (DAP) production at its Pascagoula, Mississippi, plant following repairs to one of its sulphuric acid units. Production, which was understood to have restarted in the last couple of days, was nearing 100% of capacity. Total DAP capacity is 2,384 short tons/day.

Ammonia

A supply crunch is evident in Yuzhny at the moment, with a trader paying $265/tonne FOB to complete prompt loading of a vessel. However, there have been no additional sales reported for September, with most tonnage probably bought at $250-255/tonne FOB. Availability is limited also for September, with Eurochem lacking product due to reduced production at the Novomoskovsk and Nevinnomyssk plants.

Prices are expected to remain firm over the next month and US buyers will probably have little choice but to pay higher in the next round of negotiations. More demand is emerging in the meantime from Mexico.



As FSU ammonia is tight and Yuzhny FOB levels are now $30/tonne above AG prices, traders are already looking at moving Middle East ammonia into Europe. While this will help tighten supply in the east and put a halt to the recent slide in Asian prices, it may eventually bring the west back into surplus, particularly when FSU production is fully restored in October. It is therefore believed to be just a temporary occurrence.

North America

Formal negotiations for September ammonia contracts in **Tampa** have not yet begun this week. A producer said that firming values in Yuzhny would reverse the long downward trend, pushing values higher. Additionally, excess inventories in Tampa have been reduced, which is expected to lend support to the market. Another ammonia source, said however, that inventories in Tampa were still fairly high.

Specific price targets have not yet been revealed. While it may prove difficult to raise Tampa prices perfectly in line with current Yuzhny levels, which would mean prices above $320/tonne CFR, we expect that suppliers may concede prices equivalent to the $240-245/tonne FOB paid for late-August/early-September Yuzhnyy tonnage, which arrive in Tampa during September.