

THE MARKET

FERTILIZER NEWS AND ANALYSIS

31 January 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	31 January	24 January	Tendency
Prilled Urea Yuzhny	340-345	363-366	Weaker
Granular Urea Mid East	400-410	400-410	Firm
Granular Urea USG s.ton	405-410	415-419	Softening
DAP Tampa	745-765	745-765	Strong
Ammonia fob Yuzhny	490-530	420-430	Jumping
Ammonia cfr Tampa	545-555	505	Rising
Sulphur fob Vancouver	450-470	450-470	Firm

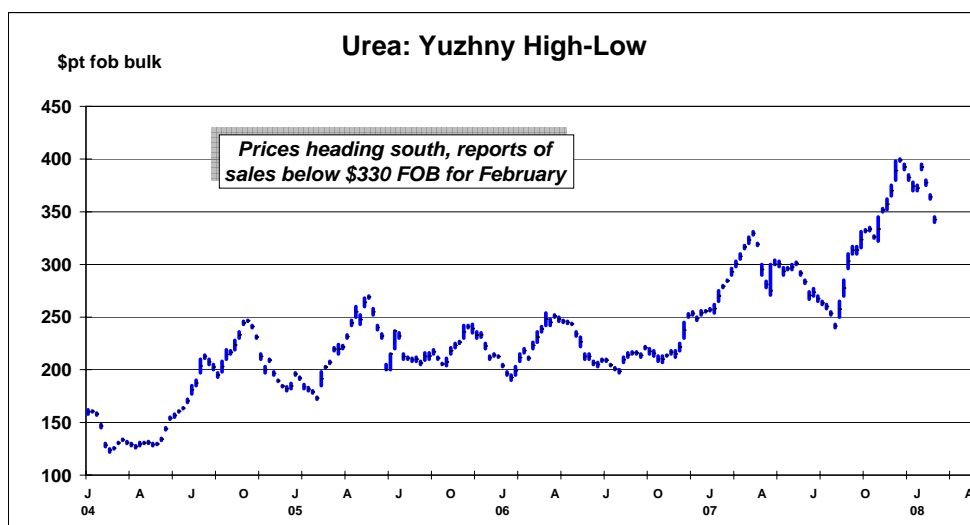
Latest International Business					
Product	Origin	Destination	'000t	\$pt	Ship
Urea	Baltic	Americas	15-20	350 FOB	
	Baltic	St Malo	4	350 FOB	J/F
		Nigeria	100	450-460 CFR	F/M
	Baltic	Mexico ec	25	Lo-400s CFR	F
granular	China	US wc	25		F
AS	Black Sea	Turkey	5	254-255 FOB	
DAP	China	Pakistan	25-30	815 CFR	F
	China	Pakistan	25-30	815-825 CFR	F
MAP	Russia	Belarus	15	740-750 FOB	J-F
	Russia	Latin America	20	730-740 FOB	J-F
TSP	Tunisia	Bangladesh	25-30	860 CFR	F
	Tunisia	Iran	25-30	695 FOB	F
Ammonia	Yuzhny			530 FOB	M
	Yuzhny	US	20-25	580 CFR	F
	Yuzhny/Eur	US	20-40	550 CFR	F
	UAE		15	500 FOB	F
	Bahrain/UA E	India	21	385 FOB	J
	Qatar	India	7-8	441.38 CFR	J
MOP	Israel	Brazil		450-460 CFR	F
	FSU	Brazil		500 CFR	M

Urea

The urea market has continued to weaken in Yuzhny and the Baltic. Traders have put their energy into selling short in any market they could find, rather than buying urea. Low demand has seen prices drop into the \$340s/tonne FOB Yuzhny, with even lower levels reported.

Most buyers do not need urea for February shipment and relatively few new sales have taken place. One buyer in Nigeria is reported to have booked four cargoes; sales have taken place in Mexico and Mediterranean markets. Traders are indicating prices of \$395-405/tonne CFR to Indian buyers, trying to elicit some interest.

At some stage, traders will step in to cover the short sales, but for the moment prices are still weak and most are content to wait.



Tenders for 124,000 tonnes of urea close in Sri Lanka this week. Trammo offered the most competitive price, equivalent to below \$360/tonne FOB China, with most other suppliers offering about \$30/tonne higher.

Chinese urea prices are holding at \$350-355/tonne FOB, but could weaken going forward, given the volumes available for export. The market will go into hibernation next week due to the New Year holiday.

The US granular urea market has lost more ground this week. Distributors who have gone into the market have found bids for barges readily accepted at levels below \$410/short ton FOB Nola. The start of application is still a minimum of 10-14 days away and further price degradation seems likely.

North America

In the **US**, barge prices for granular urea have softened to \$405-410/short ton FOB Nola on the back of weak demand and ample supply. Several traders are taking the profit on barges bought earlier and selling rather than holding on and incurring fleeting costs. Cold weather has pushed back the likely start of application in the southern US and further price deterioration seems likely in the first half of February.

Prilled urea prices have dropped to \$380/short ton FOB Nola, with Grodno and other material offered at that level.

The weakening in US prices – now down \$30/short ton in little more than a month – will deter spot shipments from Egypt and China. FOB prices and freight from these origins are now equivalent to about \$460 and \$440/short ton FOB Nola respectively.

DAP

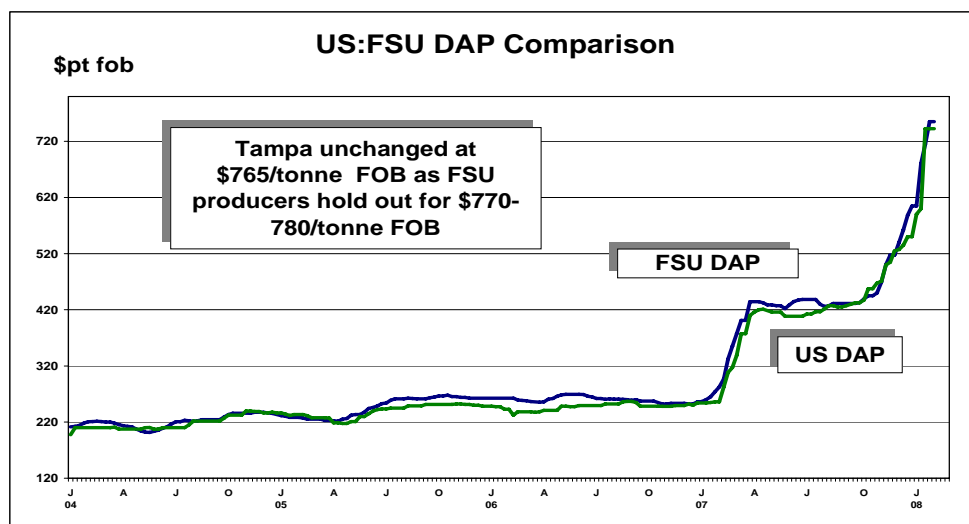
Chinese DAP prices have firmed to \$800/tonne FOB with at least three cargoes sold to Pakistan this week. Chinese producers anticipate that the next round of sales in southeast Asia will exceed \$900/tonne CFR with the introduction of the higher export duty.

At the same time, Chinese DAP production has been severely impacted by winter weather. The Wengfu and Hongfu DAP plants have shut down due to a lack of power. Transport systems have also been hit. The national crisis has diverted political attention away from any announcement on export duties. Chinese exporters believe they can compete internationally with prices rising so fast. The problem is producing sufficient DAP.

The fact that Pakistan is prepared to buy DAP at prices approaching \$850/tonne CFR and very likely well above, sends a worrying signal to Indian buyers in desperate need of product. An agreement is expected soon between IPL and PhosChem, especially as existing contract shipments end in February.

Indian phosphoric acid buyers will receive North African contracts shipments minus a 10% shipping tolerance. Delegations from North and South Africa are in India paving the way for 2008-09 contracts.

Elsewhere, DAP/MAP business has been light. PhosChem withdrew from the market this week, while EuroChem sold its remaining January MAP availability at \$730-755/tonne FOB. In Mexico, Fertinal is negotiating its first DAP sale for February shipment.



TSP tenders have been awarded in Bangladesh and Iran, with GCT seeing FOB levels rise to \$694/tonne, \$70/tonne higher than January prices. Further business in Sri Lanka and Iran will tighten supply.

Overall, the fundamentals of the market remain very bullish. Buying interest is strong while supply is tightening due to outages in China and the US. Producers are pushing for higher prices, with Russian DAP on offer at \$770-780/tonne FOB, North African at \$750-770/tonne and reports of US material on offer at \$780/tonne FOB.

North America

In the **US**, PhosChem has not offered DAP/MAP in the export market this week, given a large forward sales book.

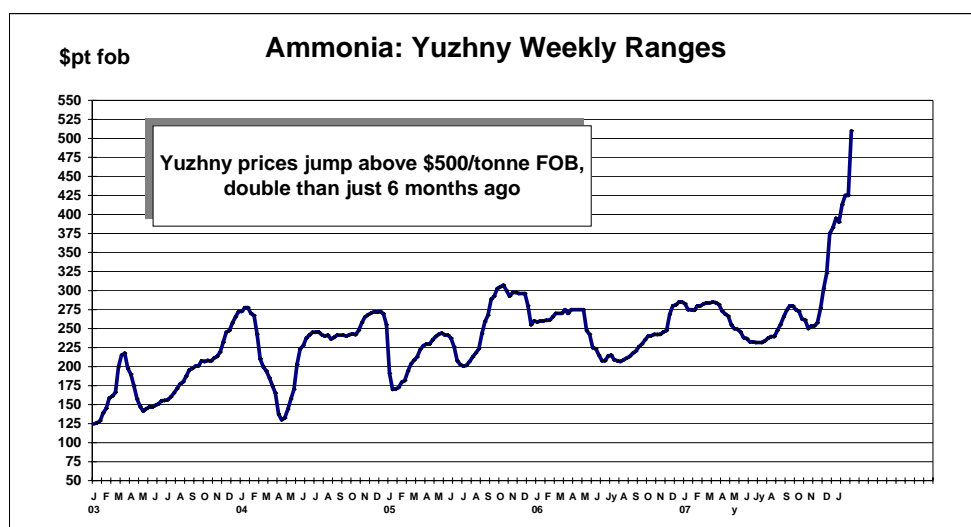
Mosaic has withdrawn from the barge market this week. Traders report DAP barges sold for prompt at \$650-655/short ton.

In Central Florida, Mosaic has sold MAP from Faustina at \$696/short ton FOB.

MissPhos is taking a one-month turnaround to make repairs to a boiler on one sulphuric line at its Pascagoula facility. Production of DAP will be more than halved to 900 short tons/day. Other planned maintenance work will be completed during this period.

Ammonia

Ammonia prices have jumped again this week, breaking the \$500/tonne benchmark in most markets. FSU suppliers are strongly committed for February, with 280,000 tonnes scheduled to move to the US from Yuzhny, and renewed interest from the US, due to production problems in Trinidad, has prompted them to ask for higher prices. While new sales to the US appear to net back to \$465-495/tonne FOB Yuzhny, Stinol has sold fresh tonnage for end-February/first half March loading at \$510-530/tonne FOB, \$90-100/tonne higher than earlier business.



The Tampa price for February contract tonnage is a moving target and suppliers have been quoting \$575/tonne CFR this week, \$25-50/tonne higher than just a week ago and \$110/tonne higher than the January price.

Indian buyers appear to have no choice at the moment but to pay higher CFR prices, as the spot market is firm and a new FOB sale was concluded this week. A Qatari contract cargo suggests a netback around \$400/tonne FOB.

North America

A number of new sales have been concluded over the past week in the **US**, as follows:

- Following bids at \$575/tonne CFR, Nitrochem has sold part of the Hugo N, which is loading in Yuzhny 31 January/1 February, to an unconfirmed end-user at \$580/tonne CFR. Part of the Hugo N is for Koch. CF was reportedly looking for tonnes
- Trammo has sold some quantities to PCS for February arrival at \$550/tonne CFR for delivery to Savannah and Geismar. Part of the tonnage is expected to be shipped from Yuzhny and part from another European source
- The cargo that PCS sold last week for February to CF was reportedly done at \$534/tonne CFR.

Koch will deliver a Caribbean cargo on the Maersk Jewel for Agrium to Stockton on 15 February. Koch has a contract with Calamco for Stockton and may be delivering this cargo

to Agrium under a swap. Trammo will deliver a cargo to Calamco on 17 February that loaded in Oman on the Sylvie on 20 January.

On the back of the above and the firm Yuzhny FOB levels, in **Tampa**, suppliers are understood to have tabled offers as high as \$575/tonne CFR, while a buyer is reportedly bidding at \$545/tonne CFR. The price is expected to be settled on 31 January, with suggestions that it will be closer to the bid than to the offer price.

The strike at Yara's ammonia plants in **Trinidad** is over and the plants have been brought back on the following time schedule:

- Plant 1 was back in production on 26 January
- The largest plant was back in production 29-30 January
- The smaller plant will be back on line on 2 February.

Total estimated loss of production is about 55,000 tonnes. PCS also has production problems and its plant 3 at Point Lisas is expected to remain down for one month, with an estimated loss of production of about 25,000 tonnes.