

THE MARKET

FERTILIZER NEWS AND ANALYSIS

7 February 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	7 February	31 January	Tendency
Prilled Urea Yuzhny	320-325	340-345	Bearish
Granular Urea Mid East	400-410	400-410	Firm
Granular Urea USG s.ton	390-395	405-410	Rebounding
DAP Tampa	765-775	745-765	Rising
Ammonia fob Yuzhny	495-550	490-530	Strong
Ammonia cfr Tampa	540	545-555	Firm
Sulphur fob Vancouver	450-470	450-470	Firm

Latest International Business					
Product	Origin	Destination	'000t	\$pt	Ship
Urea	Russia	Nigeria	25-30	Mid-\$320s FOB	F
	Russia	Turkey	20	Mid-\$320s FOB	F
	Russia	Nigeria	?	Hi- \$320s FOB	F
	Russia	Mexico		\$380 CFR	F
DAP	US	Brazil	10	\$775 FOB	F
	Tunisia	Italy	5-6	\$810 FOB	F
	Tunisia	Ireland	5-6	\$810 FOB	F
	Morocco	France		\$760-770 FOB	F
TSP	Tunisia	Latin America	25	\$670 FOB	F
Ammonia	Yuzhny			535-550 FOB	M
	Yuzhny		11	560 FOB	M
Sulphur	Iran	China?	20	620 FOB	F/M
MOP	FSU	West Europe		€330 CIF	F
	Canada	SE Asia		525 CFR	Q2

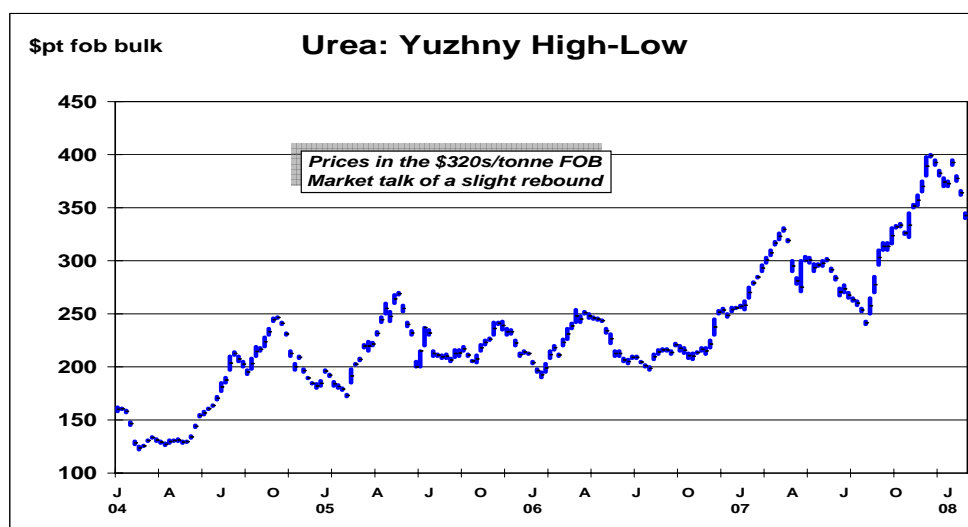
Urea

The urea market remains bearish in Yuzhny and the Baltic, where prices have dropped to the low/mid-\$320s/tonne FOB, a fall of \$20-30/tonne since last week.

Sales have taken place in Nigeria and some Mediterranean markets. While in Mexico traders have sold product at \$378-380/tonne CFR, which would net back to the low/mid-\$310s/tonne FOB Yuzhny.

Opinion is split as to when the market will now rebound. On the one hand, India is not expected to enter the market until March. With many buyers absent from the market, some traders believe that there is still some way for urea prices to fall.

On the other hand, some demand is reported to be emerging in markets such as Turkey and other parts of Europe. Traders are also moving to cover short positions. Producers appear to have found new resolve and are refusing to sell below \$320/tonne FOB in Yuzhny.



There is also more confidence in the US domestic market, where granular urea barges rebounded from \$390/short ton FOB Nola to \$395/short ton in anticipation of stronger demand for the spring season. Some traders are envisaging prices moving back towards \$400/short ton.

How long the potential rebound lasts is debatable. Even then, there are reports that India will import less urea than originally envisaged due to higher than expected carryover stocks.

North America

In the **US**, barge prices for granular urea initially softened this week to as low as \$390/short ton FOB Nola before rallying to \$392-395/short ton with multiple barges sold in this range. There is greater confidence that the market is on a firmer footing, with buying for the spring season allowing prices to edge up towards \$400/short ton FOB Nola.

Prilled urea prices are stable at \$380/short ton FOB Nola.

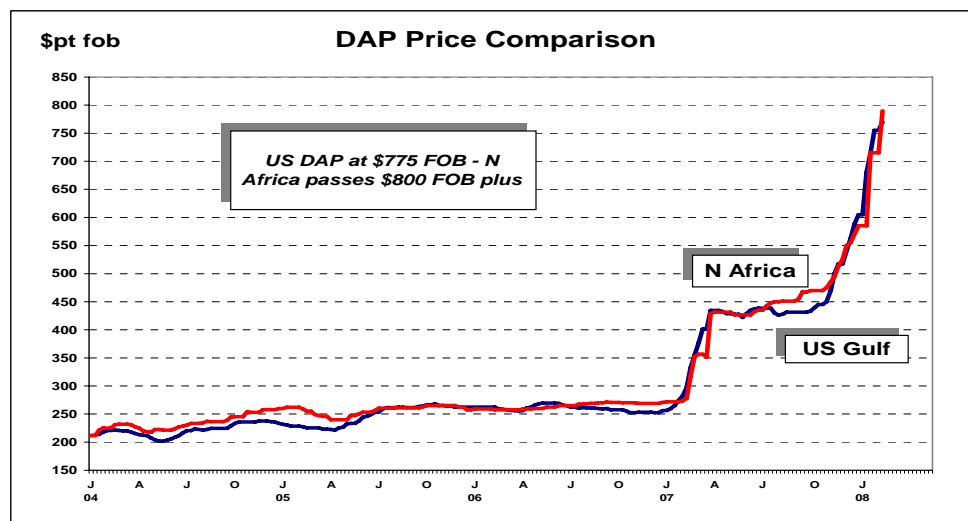
DAP

A combination of seasonal festivities in China and Brazil, plus fertilizer conferences in Cairo and Orlando, meant that business this week was thin.

Nevertheless, the DAP market is increasingly tight. China's increased export duty to 35% for DAP/MAP/NPKs is likely to mean less supply and global producers are running at reduced rates due to a lack of sulphur.

PhosChem has withdrawn from the market citing little availability before Q2 and granulation rates in North Africa will be hit by sulphur supply problems in February.

Prices continue to rise. There are reports of US DAP sold at \$775/tonne FOB, while GCT has sold small lots at \$810/tonne FOB to Europe. It is also reported that PhosAgro has revised up its target prices for late-February/early March shipments to \$800-820/tonne FOB. EuroChem seems likely to follow suit.



Meanwhile, the strength of demand continues to rise inexorably. Ethiopia has issued a tender for 75,000 tonnes of DAP – a surprise move given that it has already secured over 250,000 tonnes in recent tenders. Importers are active in Pakistan where a Tunisian cargo looks likely to be placed. Iran will tender again soon for TSP and DAP.

The major upwards thrust to prices will come from India, which looks likely to begin its import programme for the kharif season in February. Security of supply is of paramount importance to the Indian government, and the attitude is that finance will be found to ensure DAP supplies continue and that contracts are put in place as soon as possible.

Producers will be very reluctant to lock in tonnes at a flat price for the term of the contract, and it may be that more flexible contracts are drawn up to take account of rising input costs and spot market DAP prices.

North America

In the **US**, a cargo of US DAP has been sold to Brazil. The netback is thought to be in the mid-\$770s/tonne FOB Tampa. PhosChem is offering one DAP lot in Central America at \$785/tonne FOB.

PhosChem has little DAP for export uncommitted until April and is unwilling to price so far forward at present.

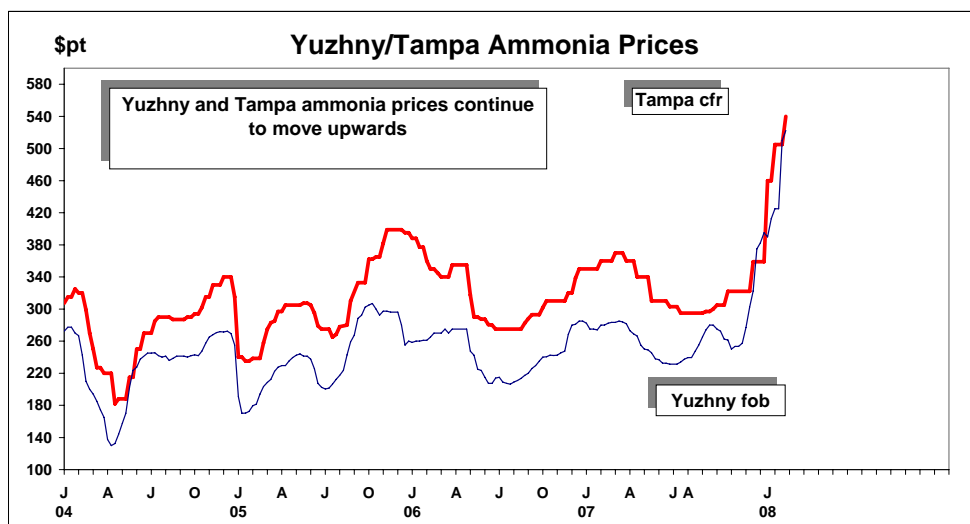
Mosaic has raised its asking price for DAP barges to \$700/short ton FOB Nola but has yet to sell at that price. Traders have sold numerous barges this week at \$660-675/short ton FOB Nola.

In Central Florida, Mosaic has sold DAP at \$680/short ton FOB. Some product is said to be available below this level from resellers at perhaps \$35/short ton cheaper.

Ammonia

Yuzhny ammonia prices have continued to rise on the back of strong demand, with prices above \$560/tonne FOB now deemed achievable. However, how much longer this upward trend can last is coming into question given reports this week that Ukrainian producers have reduced urea production which has freed up ammonia availability for export. Additionally, Libyan ammonia availability is also expected to be higher following the shutdown at one of urea lines there.

The Tampa ammonia price for first half February has been agreed at \$540/tonne CFR, but continued strong demand from the US and further price rises in Yuzhny mean that the price for the second half of the month will be higher again.



In Asia, it has been a quiet week due to the Lunar New Year and also due to an industry conference in the Middle East. However, sentiment remains firm with Sabic targeting at least \$530/tonne FOB for a spot cargo it has on offer.

North America

In **Tampa**, Yara concluded a first half February price with CF Industries at \$540/tonne CFR Tampa late last week. Mosaic is still mulling an offer from suppliers at the same price, but is understood to be looking for a full month settlement rather than just the first half of the month.

Given that prices continue to rise in Yuzhny, expectations are that Tampa prices could rise another \$80-100/tonne over the next 30-35 days.

Terra reported in its Q4 financial results on 7 February that it plans to restart its **Donaldsville**, Louisiana, ammonia plant during the third quarter of 2008. The output at this facility will replace 400,000 tonnes/year of purchased imported ammonia. The facility will undergo turnaround and start up activities during the first half of the year. The unit ceased production in December 2004, however, Terra has maintained the plant for a potential restart.

Once this plant returns to capacity there will be an impact on import demand into the US and will take away additional spot buying by Terra. It is noted, however, that ammonia plants usually take a while to get back to full capacity once they have been restarted, so it will take a while before the full impact on the market can be assessed.

In **Trinidad**, Yara's ammonia plants were all back up and running on 2 February following strike action. Approximately 60,000 tonnes of ammonia production were lost.