THE MARKET
FERTILIZER NEWS AND ANALYSIS

21 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<br>$ per tonne fob | | | |
|---|---|---|---|
| **Product** | **21 February** | **14 February** | **Tendency** |
| Prilled Urea Yuzhny | 327-330 | 325-330 | Pressured |
| Granular Urea Mid East | 395-400 | 395-408 | Holding |
| Granular Urea USG s.ton | 376-385 | 390-395 | Bearish |
| DAP Tampa | 850 | 785-800 | Rising |
| Ammonia fob Yuzhny | 560-570 | 535-570 | Pausing |
| Ammonia cfr Tampa | 580 | 540-580 | Strong |
| Sulphur fob Vancouver | 450-470 | 450-470 | Firm |

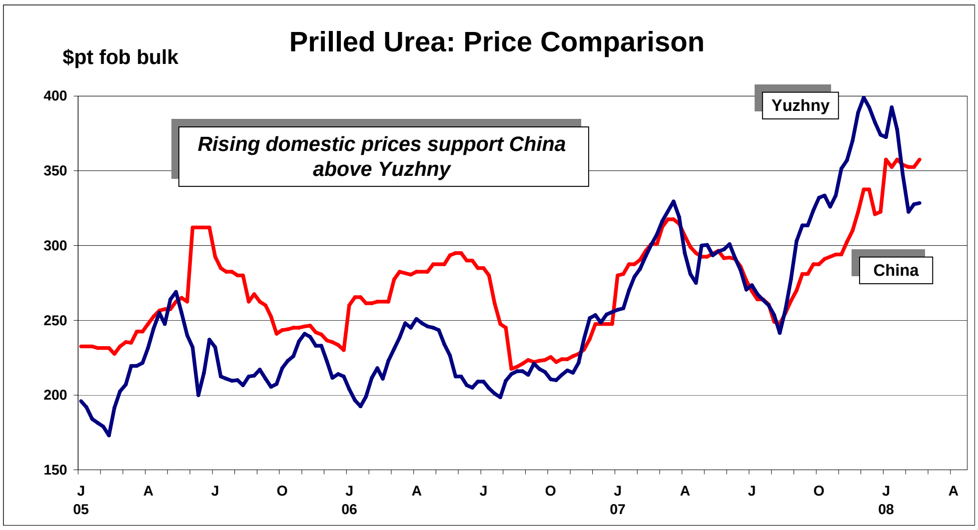
| Latest International Business | | | | | |
|---|---|---|---|---|---|
| **Product** | **Origin** | **Destination** | **'000t** | **$pt** | **Ship** |
| **Urea** | Yuzhny | W Africa | 25 | 330 FOB | M |
| | Yuzhny | Turkey | | high-320s FOB | F |
| | Russia | Africa | 7 | 323 FOB | |
| **AS** | Belarus | | 20 | 227 FOB | M |
| | Yuzhny | Turkey | 6-8 | 290 CFR 180 | M |
| **AN** | Turkey | Turkey | 6-9 | 303 FOB | F |
| | Black Sea | Argentina | 20 | 380s CFR | M |
| **UAN** | Egypt | US | 25 | 293 FOB | F |
| | Russia | US | 25 | 330 CFR | M |
| **DAP** | Russia | Pakistan | 25-30 | 900 CFR | M |
| | US | Brazil | 36 | 850 FOB | F-M |
| | Morocco | Brazil | 50 | 870-875 FOB | F-M |
| **TSP** | Morocco | Brazil | 30 | 770-775 FOB | F-M |
| | Tunisia | Brazil | 60 | 650-670 FOB | F |
| | Lebanon | Latin America | 25-30 | 722 FOB | F |
| **Ammonia** | Oman | US | 23 | 575 CFR | F |
| | Yuzhny | US | 15-20 | 625 CFR | F |
| **Sulphur** | AG | Cochin | 15 | 676.20 CFR | F/M |
| | Iran | Vizag | 15 | 679 CFR | M |
| **gMOP** | Russia | US | | 525 FOB Nola | F |

## Urea

Urea prices remain under pressure in the West due to low demand in key markets. Yuzhny prices are turning down again, with more business done at $330/tonne FOB and a few sales netting back below that to Turkey. Urea has traded on Direct Hedge at $320/tonne FOB for March.

However, the action taken to reduce output by producers in Ukraine and Russia is helping to prevent a rapid fall. Yuzhny and Baltic urea prices are the lowest in the world and do not have to come down to compete with other origins. Black Sea urea is also practically the same price as ammonium nitrate.

In fact, urea from other sources, notably China, is starting to look over-priced relative to Yuzhny. A strong domestic market is supporting Chinese prices at $355/tonne FOB at present. But there is no new export business at this level and prices will probably have to adjust downwards in due course.




One important reason for the weakening in urea prices since January is the US. A glut of imported urea at a time when offtake is low has forced prices down and sellers continue to outnumber buyers. Prices for granular urea barges have slipped to $380-385/short ton FOB Nola for physical tonnes and there has been a lot of activity on the paper market at $370-382/short ton FOB.

Prices could improve in March and April but a number of sellers are trying to liquidate now rather than wait and take their chance.

## North America

In the **US**, bearish sentiment predominates and the urea market is weakening. Prompt barge offers have slipped as low as $376/short ton FOB Nola, but there were some sales earlier in the week closer to $385/short ton FOB. However, buyers are reluctant to take more urea even at these levels. Agrium, Yara, Koch and Toepfer are all sellers of granular urea.

Bad weather has limited movement to field and buyers feel they can wait until early March to buy, in preparation for the mid-March opening of the upper Mississippi River system.

On the paper market, granular urea has traded at $370-372/short ton FOB Nola from March all the way through June.

Sales are taking place out of warehouses at around $410/short ton FOB Inola, which is equivalent to $385/short ton FOB Nola.

Prilled urea prices have dropped in line with granular. Barges of Grodno urea have traded at $365-366/short ton FOB Nola, down from the low-$370s/short ton last week.

Traders holding barges believe that supply will tighten in the upper Midwest in the coming weeks, due to inadequate supply in this region. Although imports were heavy in December-January, arrivals from February onwards will be much lower as prices have been too low to pull in spot cargoes.

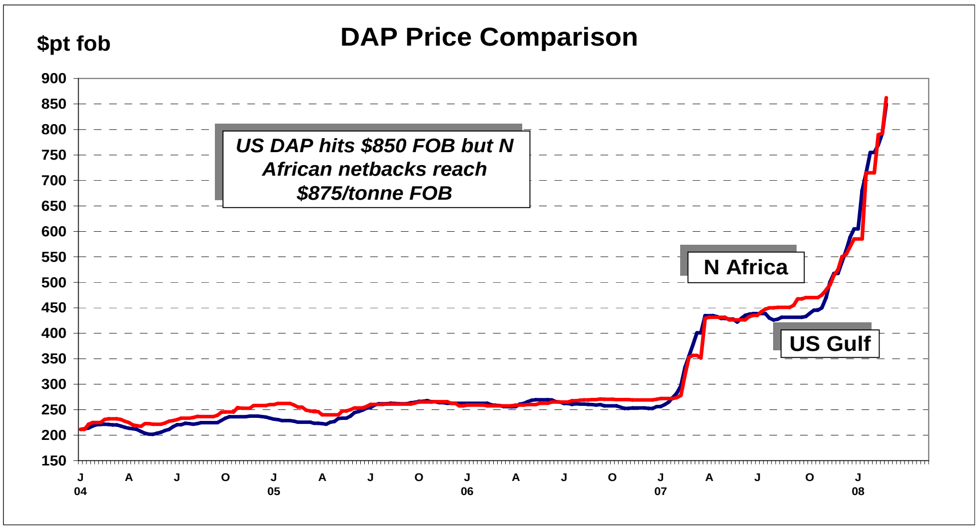
US urea imports were 658,000 short tons in December 2007, taking the total for July-December 2007 to 3.22m short tons. This compares with imports of 2.27m short tons in July-December 2006. US urea production was 229,000 short tons in January 2008, 7% lower than in December.

Adding in US urea production, overall supply for July-December is 4.6m short tons, up by 850,000 short tons over the same period of 2006.

## DAP

The virtual withdrawal of Chinese DAP from international supply has had a profound psychological effect in firming the market, encouraging buyers to pay up for the available DAP and MAP.

This has seen Tampa DAP prices rise by $50/tonne in a single deal this week, to $850/tonne FOB. Moroccan DAP prices have soared by almost $100/tonne to $870-875/tonne FOB also on business in Brazil.




It will take some time to ascertain exactly what the longer term effect of the 35% export duty on Chinese phosphates will be, and supply could yet resurface from second-half 2008. For now, export availability is limited to offers of small lots to regional markets at over $900/tonne FOB.

US domestic demand is another key driver; barge prices have increased by a further $20/short ton to $760/short ton FOB Nola this week.

Producers in North Africa and Russia are turning away from the European DAP arena as the season winds down to concentrate on deep sea markets, most notably Pakistan. At least one cargo of Russian or Lithuanian DAP has been sold there this week, plus a cargo of Moroccan TSP.

Indian demand has also resurfaced, with RCF issuing a DAP tender for 585,000 tonnes. However, RCF has been unsuccessful in securing DAP in previous tenders, and it remains to be seen whether it will buy this time.

TSP prices have also risen dramatically, tracking movements in DAP, with $770-775/tonne FOB achieved for Moroccan TSP into Brazil.

### North America

In the **US**, PhosChem has sold 36,000 tonnes of DAP/MAP in Brazil netting back to $850/tonne FOB Tampa.

Mosaic has announced a fill programme for May-August delivery, with DAP barges priced at $780/short ton FOB Nola. It has sold some barges at this level for June shipment.

Rail cars in Central Florida have been sold at $760/short ton for prompt shipment.

MissPhos has reported that a converter on one of the two sulphuric acid plants at its Pascagoula DAP facility failed after a weld rupture. Process gases were released but air monitoring has revealed no detectable gas concentration off site, with on-site levels below thresholds of concern. Two people received burns but were later released after treatment. An investigation is underway. Production was already halted on the sulphuric acid line due to previous boiler problems and DAP output is running at just under 50% of capacity.

Data from the TFI Record shows that the US produced 716,000 short tons of DAP in January, down 12% on December but up 5% on January 2007. A loss of output at MissPhos and reports of lower granulation rates due to a lack of sulphur are thought to account for the downturn in production.

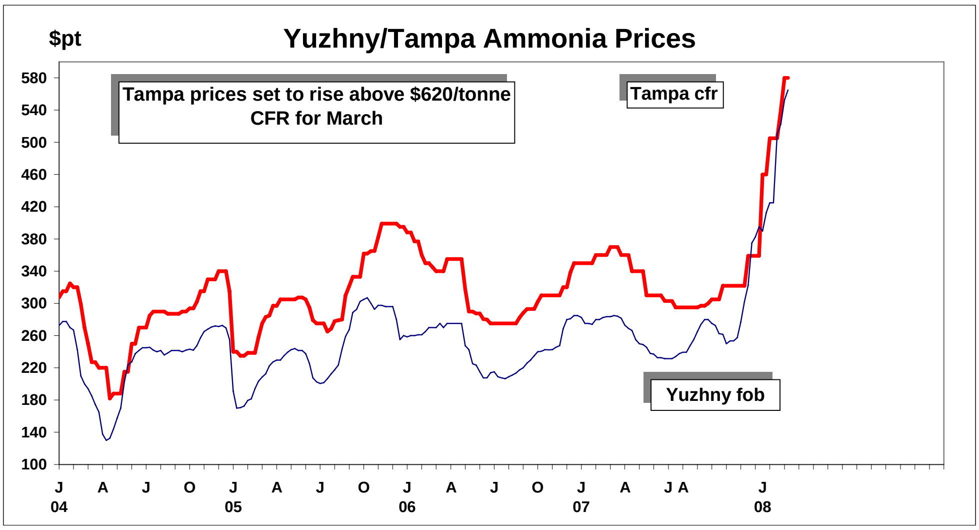
DAP closing inventories grew by 3% over December to reach 562,000 short tons in January. This up 40% on January 2007. Producer disappearance fell 3% over December 2007 to reach 698,000 short tons in January, down 6% on January 2007.

Data from the TFI show that the US exported 353,945 short tons of DAP in January 2008, down 11% on the same month of 2007. The major recipient was India, which received 128,340 short tons (36%), followed by Argentina with 52,168 short tons (15%), Peru 51,347 short tons (15%) and Mexico 49,937 short tons (14%).

## Ammonia

The ammonia market has paused this week, with little new business reported worldwide. There has been no new purchase reported in Yuzhny this week and there is already growing speculation that prices may be nearing the ceiling. However, it remains to be seen whether prices will start to drop and to what extent. For the time being, this seems unlikely because positive indications are still coming from the US about forthcoming demand. Also, traders have bought forward for March but they probably have yet to agree CFR levels with end-users and will want to avoid prices dropping before then.

Prices in other markets still need to adjust upwards, as they are lagging behind Yuzhny. Spot offers of Middle East ammonia are reported at $560/tonne FOB, but contract cargoes are still giving netbacks of $448-462/tonne FOB. CFR prices in Asia are rising accordingly. The lower prices compared to Yuzhny, together with the poor outlook for Indian demand, has already prompted AG suppliers to move 40-46,000 tonnes to Europe and the US over the past two weeks.




In Tampa, prices for March are likely to rise to rise into the $620s/tonne CFR from the current $580/tonne CFR, on the back of recent sales to the US Gulf and firmer Yuzhny prices. There is speculation that the March price may represent the peak.

## North America

In **Tampa,** there is no agreement yet on the March contract price. Buyers will probably look at the recent Trammo sale to Koch to pin the number down, but suppliers will probably seek a higher value as the Trammo cargo is for February arrival. Yara was reportedly asking $630/tonne CFR last week.

Trammo has sold a part cargo off the Hemina, which loaded in Yuzhny on 10 February, to Koch at $625/tonne CFR. The cargo is probably going to be delivered to **Taft**, but there is an option to discharge in Tampa/Mississippi River. The balance on the vessel is expected to be discharged at Geismar for Trammo system and PCS. The vessel is expected to arrive on 1 March, as it has been delayed by bad weather in the Bosporus. In the meantime, it has emerged that Mitsui is shipping a Middle East cargo to **Donaldsonville** on the Gas Oriental, sold to CF Industries some time ago at a reported $575/tonne CFR. Freight is estimated around $100/tonne.

In **Trinidad**, PCS should restart its plant 3 at Point Lisas around 26 February. The plant went down for technical problems on 18 January and PCS decided to carry out maintenance at the same time as repairs. The total loss of production is estimated at around 40,000 tonnes.