THE MARKET

FERTILIZER NEWS AND ANALYSIS

28 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	28 February	21 February	Tendency
Prilled Urea Yuzhny	322-326	327-330	Weak
Granular Urea Mid East	385-395	395-400	Softer
Granular Urea USG s.ton	355-372	376-385	Recovering
DAP Tampa	890-900	850	Rising
Ammonia fob Yuzhny	560-570	560-570	Pausing
Ammonia cfr Tampa	580	580	Strong
Sulphur fob Vancouver	470-490	450-470	Firm

Latest International Business

Product	Origin	Destination	'000t	$pt	Ship
Urea	Ukraine	Nigeria	15-20	325 FOB	M
	Ukraine	Turkey	15-20	325-327 FOB	M
	Russia	Spain		325 FOB	M
	Russia	Americas	50		M
	Russia	France/Poland	6	350 FOB	M
Granular	Venezuela	Canada ?		337 FOB	M
	China	US wc	25		F/M
AS	Black Sea	Turkey	15	247 FOB	M
	Korea	Indonesia		310 CFR	M
DAP	US	Australia	20-30	900 FOB	M
	US	Brazil	13	890-900 FOB	M
	Tunisia	Australia	25-30	920 FOB	M
	Lithuania	Europe	28	780-830 FOB	F
MAP	Russia	Europe	26	750-770 FOB	F
	Russia	Belarus	40	840-860 FOB	M
	Russia	Regional mkts	10	760-770 FOB	M
	Russia	Turkey	15	760-770 FOB	M
	Russia	E Europe	15	850-870 FOB	M
Ammonia	Ventspils	US		655 CFR	F
Sulphur	Iran	India?	20	642 FOB	M
MOP	N America	SE Asia	75	600 CFR	Q2

Urea

The prilled urea market remains fundamentally weak due to a lack of activity in major import markets. Yuzhny prices have drifted down to the mid-$320s/tonne FOB this week in limited trading. The line up for March is small and traders with short positions to cover are pushing for levels around $310/tonne FOB.

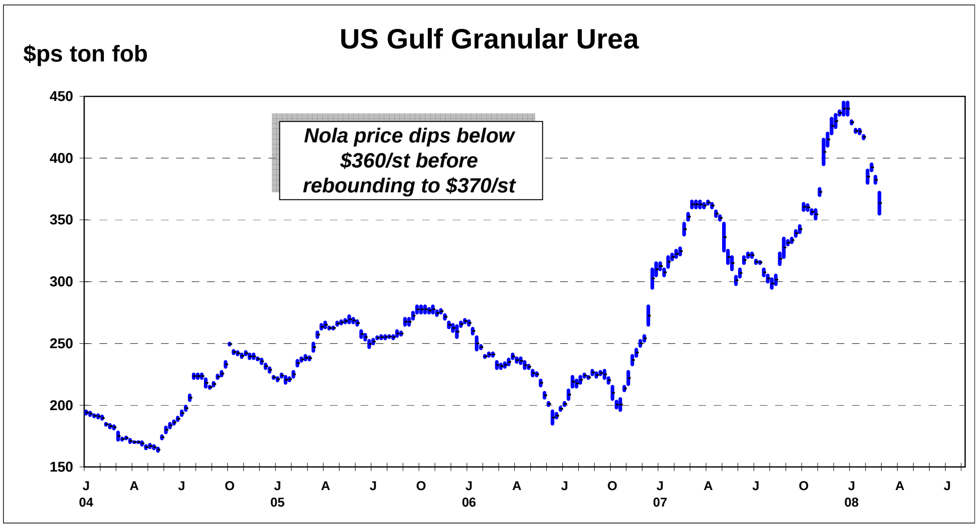
While production cuts will reduce urea supply by about 20% for March, equivalent to 60-65,000 tonnes less, the line up for February is only 260,000 tonnes, which will leave a carryover of 70-80,000 tonnes to March.

The main import markets for Yuzhny urea, such as Turkey, Brazil and India, show no signs of purchasing soon. PBDAC in Egypt will tender next week for 100,000 tonnes of urea, but the tender is open to Egyptian producers who may decide to match import prices.

Sales to Africa and the Americas have put Russian producers in a better position from Baltic ports. Prices achieved are $325-330/tonne FOB and offers are now above $330/tonne again.

With Asian markets quiet, there have been no new sales of Chinese or Middle East urea reported. Traders still have long positions on Chinese urea taken in December, some of which is being used to cover sales in Mexico.

The latest export restrictions on fertilizers in China will have little impact on urea. Price indications for Chinese prilled urea remain at $355-360/tonne FOB.



Granular urea prices dropped below $360/short ton FOB in the US this week, before recovering to $370-375/short ton FOB when CF stepped in and bought multiple barges.

In the forward market, several buyers snapped up urea offered by CF at $350-355/short ton FOB for June delivery. This price is competitive with nitrogen values in ammonia and will probably be below replacement cost for imported urea during the summer months.

North America

In the **US,** granular urea prices jumped by $10-15/short ton in the spot market following the purchase of around 25 barges by CF. CF lost ammonia production at a Canadian plant, which it is expected to replace with product from Donaldsonville at the expense of urea output.

Prior to this, urea had traded down into the mid-$350s/short ton FOB Nola early in the week. It has since recovered to $370-372/short ton FOB Nola.

The scope for further increases appears small, as traders holding barges are likely to sell into any increase, thereby limiting the upside. The start of application in the southern plains has been further delayed by wet weather. Further north, there is still snow on the ground in parts of the Cornbelt.

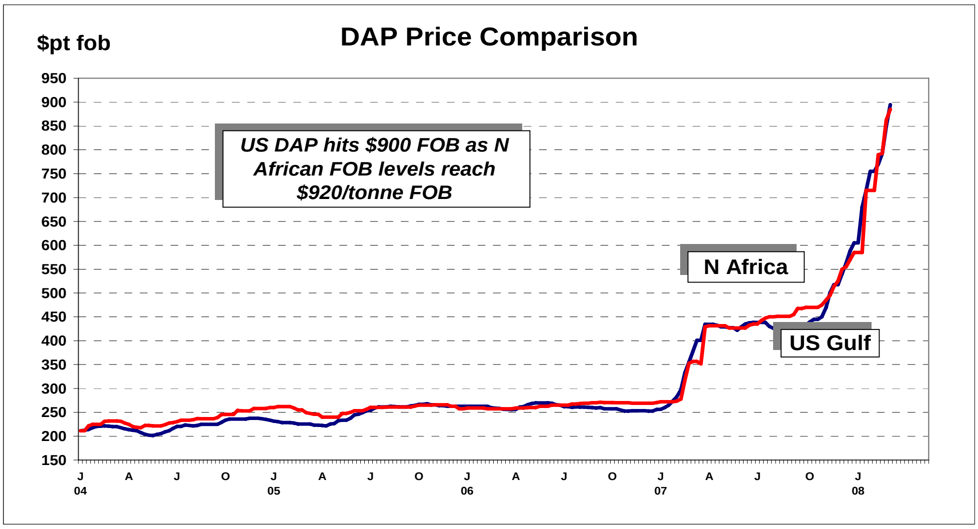
There have been substantial sales of granular urea by CF at $350-355/short ton FOB for June delivery under its forward programme. Buyers believed the price was likely to be below the replacement cost for imported urea in June. CF has now raised prices to $360/short ton for June.

Trammo is in the freight market for a vessel to load 14-15,000 tonnes of urea in Trinidad for Norfolk 20-25 March.

DAP

The DAP market is in overdrive, fuelled by news of an effective export ban imposed by the Chinese government. There is also strong demand emerging in India, Iran, Vietnam, Australia, Eastern Europe and Latin America, plus demand for summer/autumn fill in the US domestic market.

This has seen export prices in Tampa rise to $900/tonne FOB while North African DAP sold at up to $920/tonne FOB. Latest offers of Korean DAP into Vietnam already exceed $1,000/tonne CFR.



Availability of Chinese phosphates for export will be virtually non-existent in March and April as the government prioritises rail shipments to the north of the country. In March-April 2007, China exported nearly 370,000 tonnes of DAP/MAP.

Production is also reduced globally. In China, output is still seriously affected by a lack of power which is also reported to have hit rock output. Russian and Lithuanian producers have seen production fall due to delays in feedstock deliveries and technical problems. Phosphoric acid production in North Africa has been hampered since the start of 2008.

A flurry of Indian DAP tenders totalling perhaps 1m tonnes highlights the strength of demand, but there is considerable doubt in the market as to who will offer. Russian producers are unwilling to offer for April shipment when prices are rising so fast. Nor is Lithuanian product being offered for March/April and it may be that Indian buyers will negotiate privately rather than buy through the tender process. OCP Morocco is similarly adopting a wait-and-see strategy, with no need to chase business with commitments through to mid-March.

Phosphoric acid prices have firmed this week, with reports of Tunisian acid sold at $1,700/tonne FOB to Europe. Indications to Indian buyers have firmed to $1,860-1,900/tonne CFR.

North America

In the **US**, Trammo has sold a US DAP cargo at $900/tonne FOB. The destination is widely reported to be Australia.

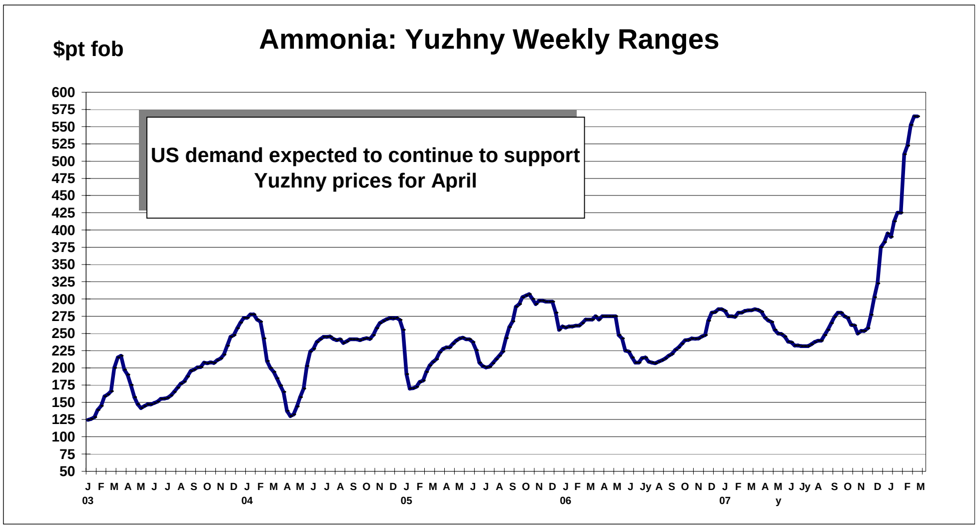
PhosChem has sold 13,000 tonnes of DAP/MAP at $890-900/tonne FOB to Brazil.

Traders have sold prompt spot DAP barges in the domestic market at $805-815/short ton FOB Nola. Mosaic has announced another fill programme at $830/short ton FOB for May-July shipment for pre-pay by 15 June. Sales have already taken place at this level.

Rail cars in Central Florida have been sold at up to $810/short ton for prompt shipment.

Ammonia

US ammonia demand has been in evidence again this week with the sale of a part cargo to the US Gulf at $655/tonne CFR for prompt shipment. Demand is expected to continue strong ahead of the spring season and lend support to Yuzhny values moving into April. Yuzhny numbers were on hold again this week ahead of April pricing discussions. Speculation remains as to whether Yuzhny values have peaked. The strength of April prices will depend on the total line up/requirements for the month.



In the Middle East, net backs from contract deliveries to India have moved higher again, putting numbers more in line with Yuzhny. Spot offers are reported to have risen into the $570s/tonne FOB. In the Far East, numbers are also seen rising with a sale to the Philippines reported at $550/tonne CFR.

North America

In the **US Gulf**, PCS has confirmed the purchase of an ammonia part cargo from Trammo at $655/tonne CFR Geismar for delivery in mid March. The tonnage is being shipped on the Brussels, which completed loading in Ventspils on 27 February.

In **Tampa,** preliminary contract price discussions have begun for March deliveries to Tampa. There are some reports that supplier price ideas are around $640/tonne CFR. Mosaic is looking for a settlement for the whole month of March rather than two halfmonthly agreements as in February. Buyers anticipate the March price will signal the peak value for ammonia shipments to the Tampa market.

Scheduled ammonia deliveries to **Point Comfort** include late February deliveries by Koch and Trammo and two cargoes to arrive during March and two more for April. All shipments were contract volumes but prices for March and April cargoes have not yet been set.

PCS has confirmed the purchase of barge volume of ammonia from Koch at $610/short ton FOB **NOLA** for early March shipment.

CF Industries' joint venture No. 1 Ammonia plant at the Medicine Hat Nitrogen Complex in Alberta, **Canada**, went down briefly during last week for minor repairs. The operator encountered additional damage during the process of re-starting the unit. It was unclear what the extent of the additional damage was, but repairs were expected to be completed by mid-March. The plant has an annual production capacity of 567,000 tonnes of ammonia. The company expects to meet customer commitments from existing inventory and production from the Medicine Hat complex, augmented by supplies from other CF plants located in Donaldsonville, Louisiana.

In **Trinidad**, PCS restarted its plant 3 at Point Lisas last weekend and began producing ammonia on 27 February. The plant went down on 18 January due to technical problems and PCS decided to carry out maintenance at the same time as repairs.