

THE MARKET

FERTILIZER NEWS AND ANALYSIS

20 March 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

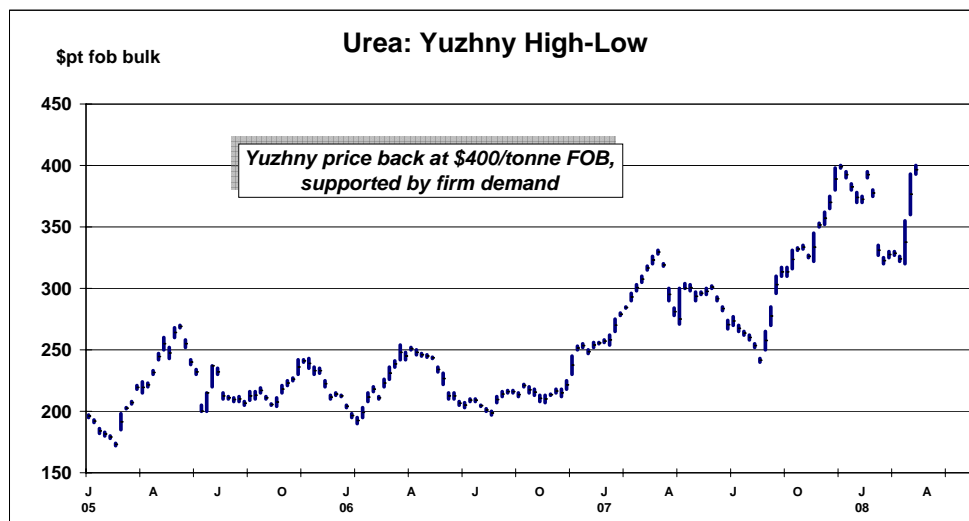
Latest Spot Market Prices			
\$ per tonne fob			
Product	20 March	13 March	Tendency
Prilled Urea Yuzhny	393-400	360-393	Rising
Granular Urea Mid East	380-404	380-390	Higher
Granular Urea USG s.ton	358-372	355-365	Holding
DAP Tampa	1050	1000-1010	Strong
Ammonia fob Yuzhny	550-565	550-565	Weaker
Ammonia cfr Tampa	635	635	Bearish
Sulphur fob Vancouver	500-520	470-490	Firm

Latest International Business						
Product	Origin	Destination	'000t	\$pt	Ship	
Urea	Russia		25	383-385 FOB	A	
	Russia		25	395 FOB		
	Russia		25	390s FOB		
		India		50	440 CFR	A-J
		China	India	75	441-444 CFR	A-J
		Saudi Arabia	India	75	404 FOB	A-J
		Qatar	India	75	405 FOB	A-J
		China/Bdesh	India	75	445 CFR	A-J
		China	India	50	443 CFR	A-M
		China	India	75-90	441-443 CFR	A-J
	China	India	75	441 CFR	A-J	
AN	Russia	C America	15	310 FOB	A	
AS	Russia	Mexico	20-25	215 FOB	M	
UAN	Romania	USwc	30	350s CFR	A	
DAP	US	C America	6	1050 FOB	A	
Ammonia	S Arabia	Morocco	23	High 590s CFR?	A	
	S Arabia	India	13	528 CFR 60d	M	
	Qatar	India	8	541.50 CFR 60d	M	
Sulphur	Iran	India?	25	666 FOB	A	
	Taiwan	Philippines	15	700 FOB	A	
MOP	FSU	India	750	625 CFR	A-M	

Urea

MMTC of India has bought about 625,000 tonnes of urea over the past week at prices reflecting \$380/tonne FOB China and \$404-405/tonne FOB Middle East. The speed and size of the purchasing has reinforced the bullish tone of the market. STC and IPL will tender over the next 2-3 weeks to buy another 1.3m tonnes of urea for April onwards shipment.

Ukrainian producers have sold urea at up to \$400/tonne FOB this week. While most has been placed with end-users already, traders have taken small long positions on Yuzhny urea, possibly in anticipation of Indian demand.



Chinese export prices have also risen, driven higher by strong domestic demand. Traders are being asked to match domestic prices, which are equivalent to \$410-415/tonne FOB.

Buyers worldwide are now faced with prices as high as the peak levels seen in December 2007. It remains to be seen whether they will retreat from the market in the hope of higher prices.

The main difference now is that Indian buying is just starting, whereas in December it was just ending. Waiting in the hope of lower prices could well prove to be a mistake.

The granular urea market is less active. US prices are stuck in the \$360s/short ton FOB Nola and Middle East producers are starting to accumulate inventories. Koch has sold Venezuelan urea at \$380/tonne FOB this week. Egyptian producers have sold more small cargoes at \$410/tonne FOB for France.

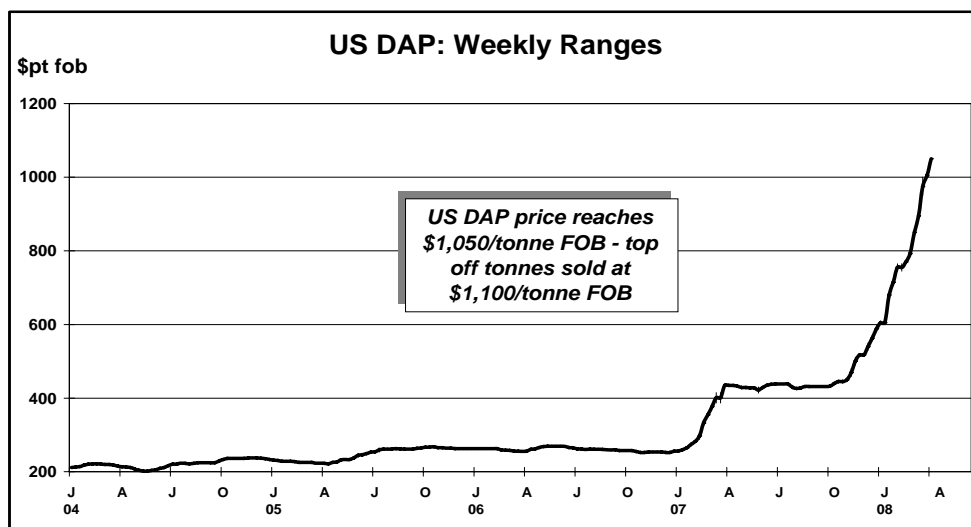
North America

In the **US**, prompt urea price ideas are \$365-367/short ton FOB Nola. After a small run up in prices at the end of last week, another bout of cold, wet weather has cut buying interest. The Mississippi river is open up to Dubuque, but urea for the corn area is not required until April. Re-exports are being considered, but traders holding barges are still hopeful that prices will spike when demand starts in earnest.

Warehouse prices are at \$405-410/short ton FOB Inola/Catoosa. Terminal operators have raised their prices by \$5/short ton. High water has closed the Arkansas River, while Koch is short of urea at Inola due to delivery problems from its Enid plant.

DAP

DAP prices continue to rise thanks to tight supply and high crop prices mainly. Up to \$1,100/tonne FOB Tampa has been paid for top off tonnes into Central America this week. North African and Russian producers are offering at similar FOB levels. On the paper market, US DAP has traded at \$1,195/tonne FOB for July shipment.



Demand is strong. Indian and Vietnamese buyers are scouring the market for product, and there is wide expectation that Latin America will drive the market higher after the Easter break. Low inventories in Turkey suggest that Lithuanian and Tunisian product will find an outlet in this market mid-year. Traders are not counting on Iran to buy phosphates under the next tender, but further business remains a possibility.

Supply is tight and buyers will find little relief from China. The duty on exports may be extended beyond the spring season to prevent the current domestic shortage happening again in 2009. Chinese producers have turned away Indian buyers this week, while Pakistani buyers are realising that they will have to secure product from elsewhere.

How long will DAP/MAP prices continue their ascent? No-one knows. But it is highly likely that levels will continue to increase as crop prices still support them and sulphur costs are rising.

The overall tone of the market remains bullish, although a failure to solve subsidy issues in key large Asian markets could see at least a deceleration in the rate of price rises due to demand destruction. Offtake in Pakistan is already down due to high prices, and the market is expected to remain on the sidelines through April. Even in the US, there are pockets of resistance to such high prices.

The effect of the US credit crunch and the knock-on effect on the global economy could be more immediate. Crop futures prices fell this week, as funds sold positions to raise cash. Some fertilizer buyers are finding it harder to secure credit for increasingly higher value fertilizer cargoes. However, the fundamentals of the agricultural sector are too strong for a major downturn in fertilizer prices in the short term.

Moroccan phosphoric acid has been sold this week at \$2,085-2,125/tonne P₂O₅ CFR into Brazil and Europe, sending strong signals to Indian buyers. There are even rumours that the Indian fertilizer minister may visit Morocco to intercede in the negotiations.

North America

In the **US**, PhosChem has sold 6,000 tonnes of DAP to Central America at \$1,050/tonne FOB Tampa. It has also sold a small top off lot at \$1,100/tonne FOB, which is the export association's current target for new business.

In the US domestic market, Mosaic has sold DAP rail cars at \$900/short ton FOB and barges at \$920/short ton FOB Nola. It has since raised offers to \$950/short ton FOB for rail cars and \$970/short ton FOB Nola for barges but has yet to sell at the new level.

DAP sellers have encountered resistance from wheat farmers in the Oklahoma region to the latest high prices.

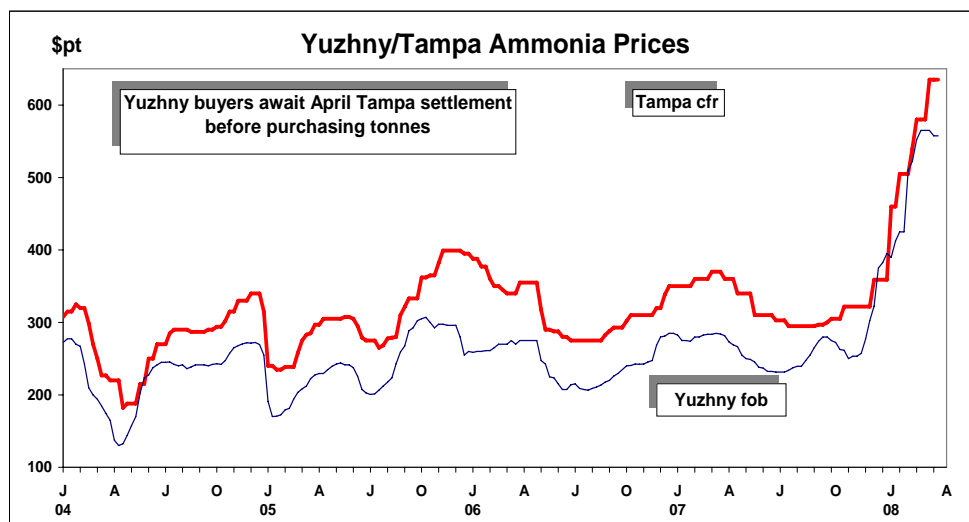
US DAP production reached 585,000 short tons in February, according to TFI data. This was 18% down on January and 7% down on the same month of 2007, thanks to continued production problems at Pascagoula. Closing inventories were 463,000 short tons, down 18% on January's level but up 8% on the same month of 2007. Producer disappearance totalled 684,000 short tons, down 2% on January but up 14% on February 2007.

Part of the downturn in DAP production can be attributed to increased MAP output. MAP production was 441,000 short tons in February, up 7% on January but down 9% on February 2007. Closing inventories were 362,000 short tons, up 10% on January and 12% on February 2007. Producer disappearance totalled 407,000 short tons, up 8% on January but down 15% on February 2007.

Exports of DAP were 281,900 short tons in February, up 7% on the same month of 2007, according to TFI data. Shipments to Australia accounted for the largest share, with 84,454 short tons (30%), followed by India with 52,783 short tons (19%) and Japan with 49,772 short tons, 18% of the total.

Ammonia

A bearish sentiment remains in the ammonia market this week. Some Yuzhny tonnage is reported committed for early April loading at \$555-565/tonne FOB, but in general buyers appear to be waiting to see the April settlement in Tampa before making their purchases. Expectations are that Yuzhny values will drop for later April lifting, however a key factor for this will be the outcome in Tampa. Suppliers are understood to be using a rollover of the March price of \$635/tonne CFR as the starting point in negotiations. Buyers meanwhile are looking to set a new lower price for April.



Yuzhny suppliers, however, are still offering April tonnage at the higher levels and looking to the current rebound in urea prices to cut back ammonia availability and hold up prices. Additionally, there is already a large baseload for shipment to the US in first half April.

In the Middle East, suppliers are still looking to achieve higher levels, but recent contract shipments to India have seen prices netting back to around the \$500/tonne FOB level. Latest spot business has also not hit the prices suppliers were hoping for.

North America

In **Tampa**, preliminary discussions regarding the April contract price have begun. Producers were seeking to settle on a price before the holiday weekend, but there was speculation that buyers might prefer to wait. No formal price nomination has emerged, but producers were understood to be looking for a rollover of the March contract price of \$635/tonne CFR Tampa.

Keytrade is reported to have sold a cargo to CF Industries to be delivered by the Herakles, loading in Yuzhny 20-21 March for delivery to **Donaldsonville**, Louisiana. The price is rumoured to be around \$660-670/tonne CFR.

The Easter holidays and abundant stocks have limited the activity in the US ammonia market. Prompt prices were stable in the US **Midwest** as traders, suppliers, and farmers awaited good weather to begin the spring application season. Sources speculated the season may not start until mid April in corn growing regions in the midwest.

Forward buying in the **Cornbelt** has taken place this week, with prices rising by around \$20/short ton to around \$700/short ton FOB terminal for fall application.

In **Alaska**, Agrium has announced that current economics are not sufficient to proceed with a gasification facility to supply coal-based syngas to its Kenai nitrogen facility. The mothballing of the facility will be completed shortly.

CF Industries has completed repairs and resumed full production at the No 1 Ammonia Plant at its joint venture Medicine Hat Nitrogen Complex in Alberta, **Canada**. The plant, one of two at the site, went down in late February when damage to internal components was discovered after a brief maintenance outage. Start up procedures began on 13 March, production started on 14 March and was ramped up over the weekend. The No 2 Ammonia Plant was not affected and continued production.