

THE MARKET

FERTILIZER NEWS AND ANALYSIS

27 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

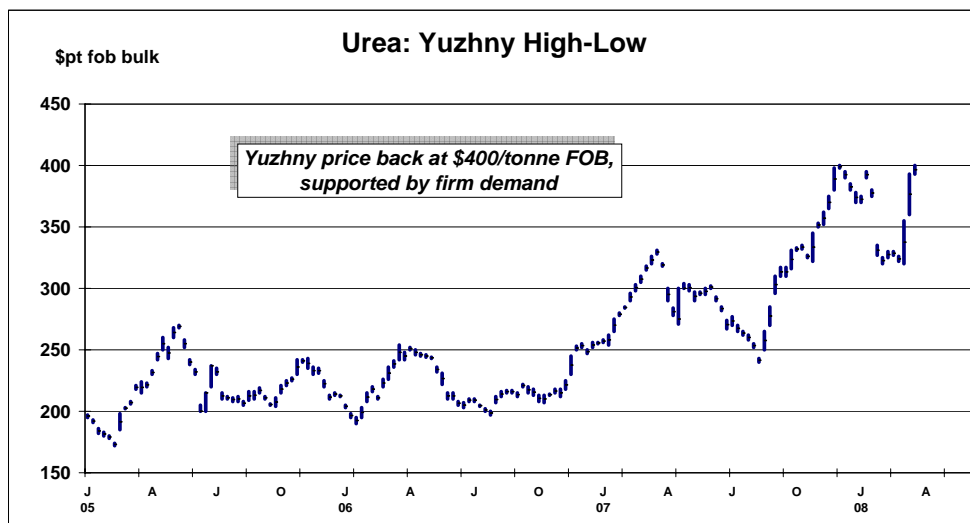
Latest Spot Market Prices \$ per tonne fob			
Product	27 March	20 March	Tendency
Prilled Urea Yuzhny	395-400	393-400	Firm
Granular Urea Mid East	380-404	380-404	Steady
Granular Urea USG s.ton	360-365	358-372	Sluggish
DAP Tampa	1150-1157	1050	Bullish
Ammonia fob Yuzhny	530-540	550-565	Bearish
Ammonia cfr Tampa	610	635	Weaker
Sulphur fob Vancouver	520-540	500-520	Firm

Latest International Business					
Product	Origin	Destination	'000t	\$pt	Ship
Urea	Ukraine		40-45	395 FOB	A
	Romania			Mid-420s FOB	A
	Estonia		5	395 FOB	
	Belarus		3.5	€228 DAF	A
	Belarus		3.5	€230 DAF	A
	Belarus		3.5	€236 DAF	A
	Black Sea	Turkey	16-20	450 CFR	A
AN	Ukraine	Egypt	15	325 FOB	A
UAN	Egypt		25	285 FOB	A
	Romania		11	310 FOB	M
		Argentina		Mid-340s CFR	
DAP	China	Japan?	5	1,250 FOB	A/M
	S Korea	Vietnam	6	1,200 CFR	A
	Morocco	Spain	5-6	1,110 FOB	A
	Russia	L America	27	1,000 FOB	A
	US	C America	5	1,150 FOB	A
	US	Brazil	6	1,157 FOB	A
MAP	Russia	L America	30	1,000 FOB	A
	US	Brazil	7	1,157 FOB	A
Ammonia		Tampa		610 CFR	A

Urea

Following sales last week at \$400/tonne FOB Yuzhny, Black Sea urea business has continued around this mark or slightly below. Turkish buying this week has supported the firm price level. Traders have also started buying to cover previous shorts and to go long in anticipation of demand from Latin America and to prepare for large scale Indian buying.

This week India's STC announced a tender to buy an unspecified quantity of urea under long term contract. Moreover, Brazilians are actively checking the market ahead of the coming season. These two factors have strengthened urea pricing sentiment.



Chinese prices are still firm, buoyed by ongoing strong domestic demand. Chinese prilled urea is priced around \$415/tonne FOB for April, including the 35% export tax. With this in mind, Yuzhny urea is likely to play a larger part in the next round of Indian purchasing than it did in the previous one.

Baltic sellers are equally bullish and prefer to wait for movements from Latin America, rather than selling in the short term below \$400/tonne FOB.

Despite strength elsewhere, the US market is yet to show any vigour, as ongoing wet weather continues to delay fertilizer application. Additionally, with high water levels afflicting the major rivers, buyers are in no hurry to purchase as they will not get the product for some time even if buying prompt. As a result, the barge market remains sluggish, with prices around \$360-365/short ton FOB Nola.

North America

In the **US**, continued cold, wet weather has put back fertilizer application. Excessive ground moisture has prevented urea being applied, due to the muddy conditions, while strong winds ruled out application from the air. Added to this, high water levels are creating problems on the Arkansas and Ohio rivers as well as further up the Mississippi/Missouri. The barge market remains flat with price ideas estimated at \$360-365/short ton FOB Nola.

Warehouse sales continue but Inola and Catoosa have been impacted by the flooding and subsequent high flow on the Arkansas as barges struggle to make their way upriver. Flooded reservoirs have flowed over into the river. As a result, some suppliers are undertaking swaps business.

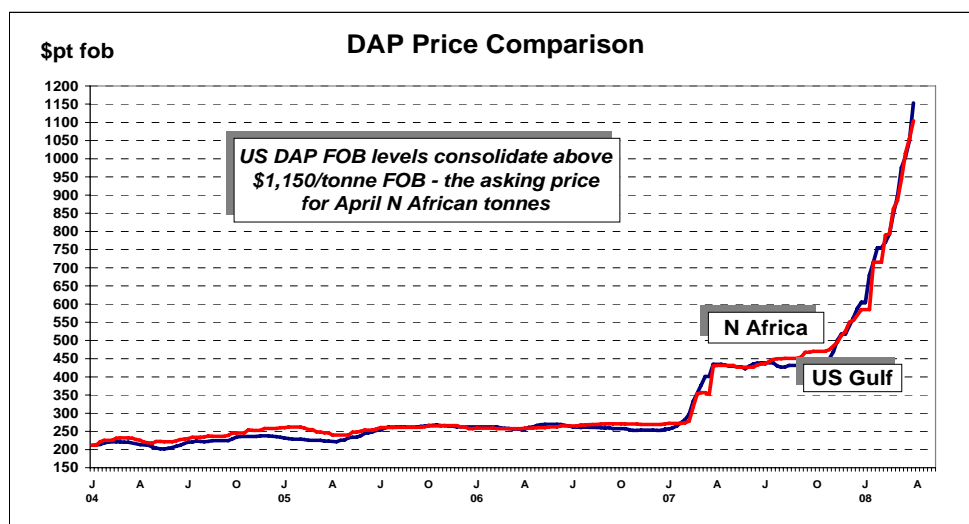
A log jam has formed at Rosedale and a shortage at Catoosa, which might lead to a strengthening in the terminal price there.

There is also ice on the river at Minneapolis and other parts of Minnesota, and a scheduled 5-day lock repair closure at lock 25, just north of St Louis. However, the impact is not major as it is not the season in this region yet.

DAP

Phosphate market activity has quietened but the tone remains extremely bullish with concerns over crop futures prices having eased this week.

Tampa FOB DAP and MAP prices have risen to \$1,150-1,157/tonne with business in Central America and Brazil. North African producers have consolidated sales at \$1,110/tonne FOB and asking prices for April have risen to \$1,150/tonne. Russian DAP and MAP prices have risen to \$1,000/tonne FOB from the Black Sea. North African price indications for TSP are now at \$990-1,000/tonne FOB.



The North Africans have tonnes to sell for April, while API is sold out on DAP and MAP and PhosAgro has just one DAP cargo left to place.

Supply from China has been severely curtailed. Export levels of DAP and MAP were down significantly in February. Moreover, the government has announced a 30% duty on TSP and there are rumours that the duty on DAP, MAP and NPKs could rise to 45%. Against this background, small lots of Chinese DAP have been sold at \$1,250/tonne FOB.

Demand is set to strengthen in key markets. India is actively seeking product from all the main sources, and the paucity of supply is highlighted again by the lack of offers in the latest RCF tender.

Pakistan importers face the dilemma of whether to step into the market very early for the winter season to gain a head start on Indian buyers.

Buying activity in Latin America is also expected to drive the market in April, once the issue of the export tax on soyabeans and the resultant farmers' strike in Argentina is resolved. In the meantime, this is suppressing fertilizer demand. Given current FOB levels, April offers could reach \$1,250-1,275/tonne CFR and above.

North America

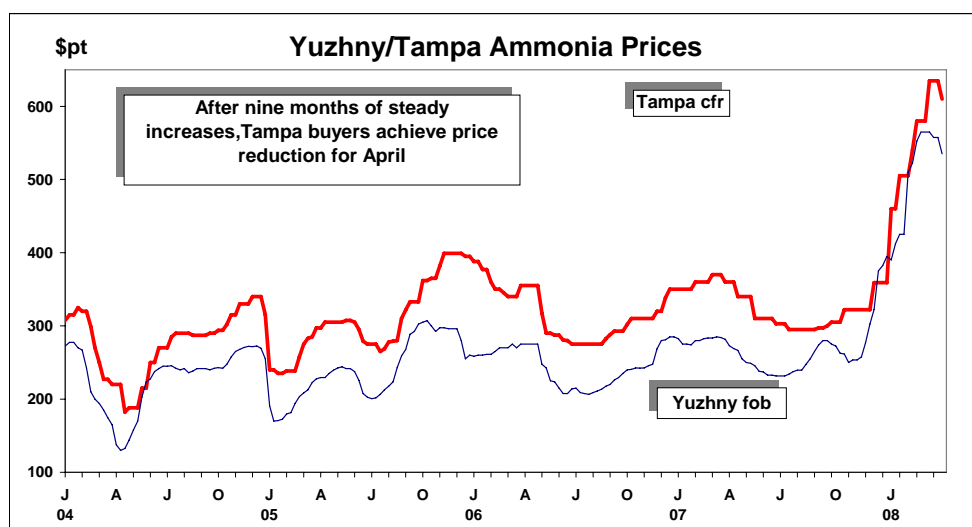
In the **US**, Trammo has sold 5,000 tonnes of US DAP to Central America at \$1,150/tonne FOB for April shipment. PhosChem has sold 6,000 tonnes of DAP and 7,000 tonnes of MAP to Brazil netting back to \$1,156.50/tonne FOB. It is attempting to sell the balance of the cargo.

DAP barges are at \$910-920/short ton FOB Nola for prompt shipment, rising to \$950-960/short ton for second half May-June shipment. The market is illiquid at present, with few barges in trader hands.

MissPhos has resumed 100% production following its outage due to problems on a sulphuric acid line.

Ammonia

The ammonia market is heading south and producers are under pressure to reduce prices in most areas. The first clear signal of a downward trend has come from Tampa this week, where the price for April was agreed at \$610/tonne CFR. The \$25/tonne reduction is the first to take place after nine months of steady increases. The delayed application season in the US is also expected to result in reduced import requirements in future months and further price reductions are likely.



This is obviously exerting further pressure on FSU producers who still have to price most of their April ammonia. The settlement in Tampa may set a floor to prices, at least for the time being, but further reductions are likely to be inevitable, particularly if the gloomy forecasts circulating on ammonia usage in the US, once the season kicks in, prove correct and farmers switch to urea/UAN. However, supply reduction in the FSU and Algeria, together with strong urea/AN prices may give some support to hold ammonia prices.

Unscathed from price reductions for the time being, Middle East producers continue to hold netbacks around \$500/tonne FOB and lack of spot tonnage for April may protect them from the bearish trend elsewhere. Supply is relatively tight in Asia and CFR prices are still relatively low to avoid competition from outside the AG.

North America

In **Tampa**, Yara has agreed a price of \$610/tonne CFR with Mosaic and CF Industries for April contract deliveries. This is \$25/tonne lower than the March price and represents the first price reduction since July 2007. Over the past nine months, prices in Tampa inexorably rose by \$340/tonne to reach their peak in March at \$635/tonne CFR. The softer tone developed in Yuzhny over the past few weeks, but in particular expectations of a reduced application in spring because of the bad weather have led to the reversal in the price trend.

In the **Midwest** and corn belt, spring application has not started yet and is expected to be delayed further in some areas because of the bad weather. Heavy rains caused some flooding in the US agricultural heartland last week, while other areas received fresh snow

and sleet. More rain is expected in some areas over the next few days. However, application was said to be starting at presstime in the western cornbelt. The tanks at various terminals are full, as large volumes were bought/imported in the first quarter of the year and more cargoes are still scheduled to arrive during April. If large volumes of ammonia are not be applied because of the delay in the season, like some sources estimate, there will be little need to refill before the end of the summer. Current prices are reported at \$680-710/short ton ex-terminal.