

THE MARKET

FERTILIZER NEWS AND ANALYSIS

10 April 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	10 April	3 April	Tendency
Prilled Urea Yuzhny	395-450	390-395	Rising
Granular Urea Mid East	410-415	380-404	Stronger
Granular Urea USG s.ton	362-410	360-365	Rebounding
DAP Tampa	1200-1230	1190-1200	Strong
Ammonia fob Yuzhny	460-500	500-530	Weaker
Ammonia cfr Tampa	610	610	Steady
Sulphur fob Vancouver	650-660	550-610	Strong

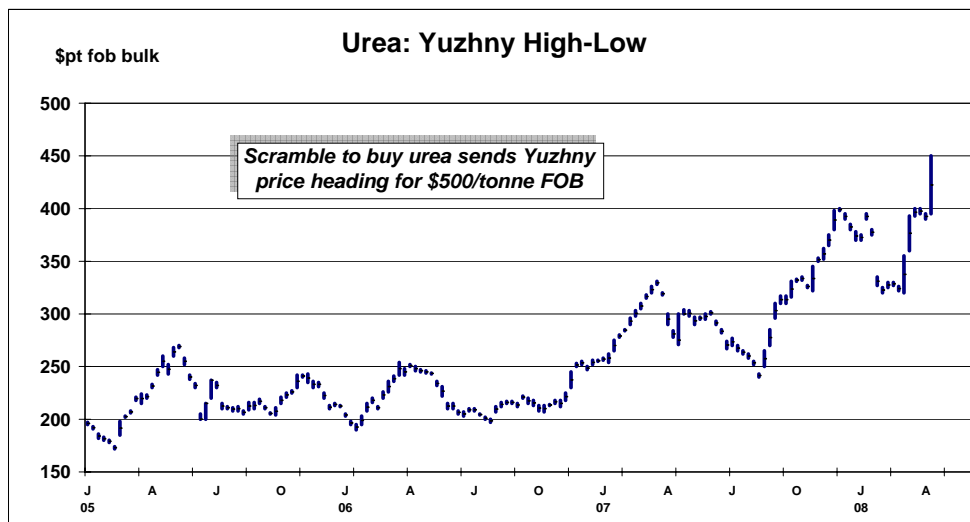
Latest International Business					
Product	Origin	Destination	'000t	\$pt	Ship
Urea	Ukraine		25	418 FOB	M
	Ukraine		10	450 FOB	M
	FSU	Brazil	10	445 CFR	A
	Libya		20	395 FOB	A/M
	Libya		20	395 FOB	A/M
Granular	Egypt	Africa	40	435 FOB	A/M
	Egypt	Europe	10	425-430 FOB	A
	Venezuela	Mexico ?	25	395 FOB	A
AN	Black Sea		10	300 FOB	M
AS	Ukraine	Brazil	10-15	180-185 FOB	
	Belarus		20	251 FOB	A
UAN	Russia		20-25	310 FOB	A/M
	Russia	Argentina	20	330 CFR	A
DAP	Russia	Thailand	15	1240 CFR	A
	Russia	Argentina	?	1200 CFR	A
MAP	US	Australia	30	1230 FOB	A
Ammonia	Bangladesh	India	8.7	529 CFR 25d	A
	S Arabia	India	3.1	543 CFR 60d	A
	S Arabia	India	5	529 CFR 15 d	A
Sulphur	Taiwan	China?	15	720 FOB	M

Urea

The urea market was thrown into chaos this week by the news that China will effectively block exports from late April. News emerged 8-9 April that the Chinese government would impose an additional 100% export tax on exports of all fertilizers. This led to a scramble to buy urea from other origins.

Yuzhny prices started the week around \$405/tonne FOB Yuzhny and accelerated to \$450/tonne FOB. Ukrainian producers are asking \$500/tonne FOB for the next round of sales and there are unconfirmed reports that a trader has paid this price.

Middle East producers were indicating price ideas of \$450-460/tonne FOB at presstime.



Prices will go much higher. Cutting Chinese exports will remove an average of 450,000 tonnes/month of urea from the market, based on 2007 exports. This is equivalent to 20-25% of monthly supply from the main export origins.

The impact will be especially severe in Asian markets, notably Southeast Asia and the Far East, where importers have come to rely on Chinese urea for practically all their requirements.

Buyers in South and Central America, who rejecting offers at \$450-460/tonne CFR last week, are now clamouring for cargoes. However, traders are reluctant to offer firm in the current volatile market. Price indications for Latin America are \$530-540/tonne CFR at best.

Producers are also holding back offers to benefit from the rapid escalation in prices. There are no offers of urea from Baltic suppliers, for example.

The Chinese news has finally helped to lift US urea prices from their trough. Granular urea prices have moved from \$362/short ton FOB early in the week to \$400/short ton FOB for May positions.

North America

In the **US**, granular urea prices have bottomed out following the news from China and the jump in international prices. Large buyers came back in and bought barges at \$365-370/short ton FOB Nola for April and subsequently \$380-385/short ton. Since then, buyers have paid \$400-410/short ton FOB Nola for barges and prices are continuing to rise. Urea has traded on the paper market at \$450/short ton for June.

A trader has bought 20-25 barges of granular urea for re-export from the US Gulf to Latin America. Two Middle East cargoes scheduled for the US have also been diverted to other markets. Yara is shipping 45,000 tonnes of Qatari material to Brazil and a Kuwaiti vessel for CHS will not be shipped.

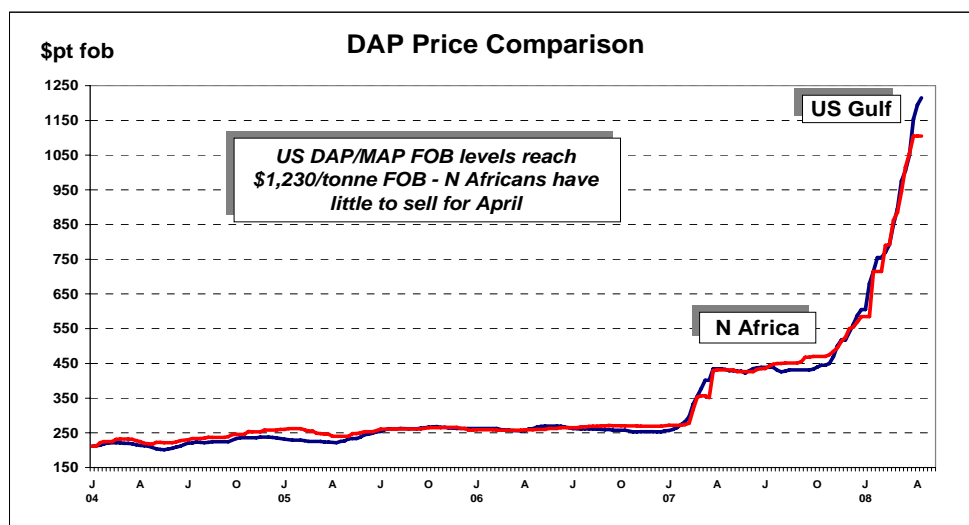
Demand within the US remains low. Wet weather in the southern plains as well as further north is making movement up the river system very slow. It also delaying planting of corn and fertilizer application on wheat. Urea demand may benefit from lower usage of ammonia.

CF was expected to issue a new price for granular urea for forward delivery on 10 April.

DAP

China's imposition of a 100% export duty on DAP, MAP and TSP over and above the existing duty will, provided it is applied for the rest of the year, take 3-3.5m tonnes from DAP/MAP export supply in 2008. Global DAP/MAP trade in 2007 reached 17.7m tonnes, hence the announcement could equate to a 20% cut in worldwide availability.

The key question is how long this additional duty will apply. Short term, the effect may be minimal as China has been exporting small quantities in February and March and the majority of its exports in 2007 were shipped in the second half of the year. There will be a psychological impact, but it remains to be seen whether this creates another significant run up in DAP prices globally. Regional markets have already reacted, with traders reporting bids at \$1,300/tonne CFR in southeast Asia.



The most active market this week has been India, which is moving to secure as much imported DAP as possible. Offers totalling around 250,000 tonnes were received under the IFFCO tender at prices reported in a \$1,235-1,340/tonne CFR range. Another tender has also been announced for 150,000 tonnes and a further tender for the same amount is outstanding. In theory, this could result in around 500,000 tonnes of DAP being purchased over the next few weeks. With domestic production still behind target, India may need to secure another 1m tonnes of DAP.

Elsewhere the market has been comparatively quiet. PhosChem has sold MAP to Australia at \$1,230/tonne FOB.

There are more reports this week of increasing price resistance, most notably in Mexico, where expectations are that DAP demand could be down by as much as 50-60% this year. Brazil and Argentina remain on the sidelines.

Looking forward, it is undeniable that global supply will be reduced. The question remains whether the level of demand destruction as a result of higher prices more than offsets the reduced supply. This seems unlikely in the short term, especially as Chinese product in trader hands dries up over the coming weeks. Producers remain bullish, especially when facing high feedstock costs, hence there is little chance that prices will turn down.

North America

In the **US**, PhosChem has sold 30,000 tonnes of MAP to Australia at \$1,230/tonne FOB. It offered one DAP cargo under the IFFCO tender in India, thought to be at a similar FOB netback to the MAP sale this week.

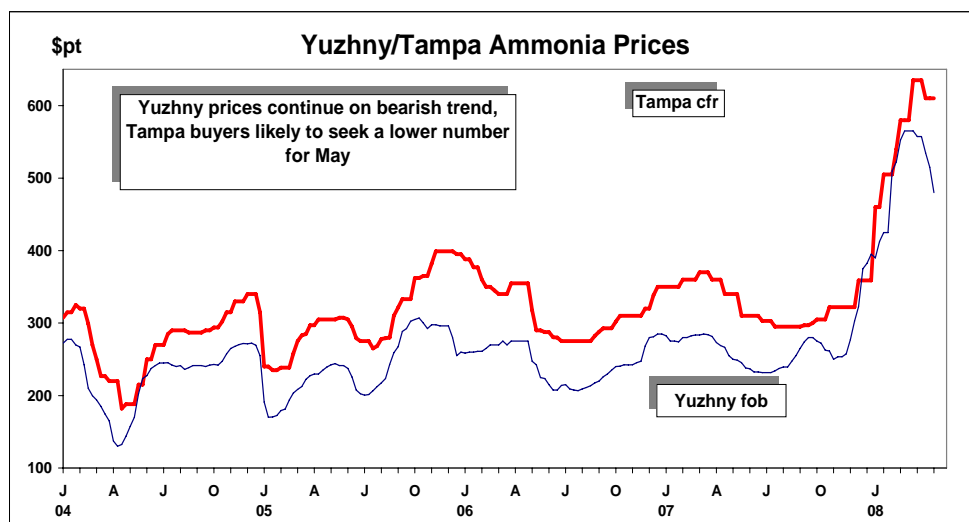
Keytrade is understood to be putting together DAP barges for an export cargo to India. With domestic prices perhaps \$100/tonne below export parity, US producers facing a slow domestic market will move to place more tonnes into the export market, especially now that Chinese availability has been drastically reduced.

Domestically, the DAP/MAP market remains subdued as there is plenty of product in warehouses. Mosaic has sold some DAP barges for June shipment at \$1,020/short ton FOB Nola. Prices for prompt barges have firmed to \$925-932/short ton FOB Nola but there is a brisk trade in dealers selling barges back into the market.

Mosaic has sold some central Florida rail cars at \$1,000/short ton FOB.

Ammonia

There has been very little price discovery in the ammonia market over the past week. Yuzhny suppliers have enough tonnage in the line-up for April, with five large vessels to load for Yara and Nitrochem and a number of mid-sized cargoes, not to feel under a tremendous pressure to concede much lower prices. However, the tone was still bearish, with traders rumoured to be unwilling to pay prices above \$450/tonne CFR. At presstime, there were unconfirmed reports that large volumes may have been sold at \$450/tonne FOB Yuzhny, with a number of new vessels popping in the Yuzhny line-up.



Indian and US demand are slow at present and surplus ammonia is also said to be emerging from Europe. Middle East producers have some surplus ammonia and will have to reduce their prices to compete in Morocco or Europe, against offers from Yuzhny and possibly Ventpils.

On the other hand, the shutdown announced by PCS in Trinidad may bring some substitute demand for May. If the weather improves and application season kicks off in the US, domestic prices may rise further and give support to import prices, in particular if further import demand emerges. Booming urea prices should also support ammonia prices, as producers would try to maximize urea production. However, if the rumoured low levels in Yuzhny are confirmed, Tampa buyers will argue for a sharp price decrease for May.

North America

In **Tampa**, buyers and sellers are likely to watch developments in Yuzhny prices before starting to discuss May contract levels. A price reduction is certainly expected from the \$610/tonne CFR agreed for April but the extent of it may vary quite considerably.

In the **Midwest**, \$700/short ton FOB has been paid for pre-paid ammonia for the fall. According to some suppliers, however, much higher prices would stop some of the interest. There has been some ammonia movement from terminals this week, but weather conditions have still not supported wide scale application. Spot barge business for ammonia has been very quiet with no trades reported above the \$610/short ton FOB Nola level. There is speculation that barge prices will start to soften once clear price direction for imported material emerges.

In **Trinidad**, PCS has announced that it will take the Point Lisas 04 ammonia unit out of service on 2 May to replace an internal heat exchanger in the ammonia converter. The outage is expected to take 28 days and means PCS will lose about 56,000 tonnes of ammonia production.