

# THE MARKET

## FERTILIZER NEWS AND ANALYSIS

24 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](mailto:stephen.mitchell@icis.com)

Latest Spot Market Prices			
\$ per tonne fob			
Product	24 April	17 April	Tendency
<b>Prilled Urea Yuzhny</b>	<b>520-560</b>	<b>480-510</b>	<b>Rising</b>
<b>Granular Urea Mid East</b>	<b>510-530</b>	<b>455-495</b>	<b>Stronger</b>
<b>Granular Urea USG s.ton</b>	<b>460-510</b>	<b>450-460</b>	<b>Stronger</b>
<b>DAP Tampa</b>	<b>1215-1225</b>	<b>1200</b>	<b>Firmer</b>
<b>Ammonia fob Yuzhny</b>	<b>445-480</b>	<b>445-455</b>	<b>Holding</b>
<b>Ammonia cfr Tampa</b>	<b>550</b>	<b>610</b>	<b>Weaker</b>
<b>Sulphur fob Vancouver</b>	<b>670-700</b>	<b>650-670</b>	<b>Strong</b>

Latest International Business					
Product	Origin	Destination	'000t	\$pt	Ship
<b>Urea</b>	Ukraine		20-25	545-565 FOB	M
	Baltic	Europe/N Am	10	550-555 FOB	M
	Libya ?	Syria	30	€378.90 CFR bag	M/J
	Libya	Syria	45	€379.50 CFR bag	M/J
	Baltic	Mexico	25	530 CFR	A
<b>Granular AN</b>	Egypt	Americas	20-30	550-555 FOB	M
	Ukraine		10	540 FOB	J
	Russia	Syria	30	€276.50 CFR bag	
		Syria	30	€276.67 CFR bag	
<b>UAN</b>	Russia	Syria	45	€278 CFR bag	
	Romania		20	345 FOB	M
	Romania		20	370 FOB	J
<b>DAP</b>	Russia	Argentina	25	370 CFR	
	Lithuania	Latin America	10	1140-1150 FOB	M
	US	C America	24	1215 FOB	M-J
	US	C America	7	1220 FOB	M
<b>MAP</b>	US	C America	15	1225 FOB	M
	US	C America	16-17	1235 FOB	M-J
	Lithuania	Latin America	20	1140-1150 FOB	M
<b>Ammonia</b>	Yuzhny			445-450 FOB?	A
	Yuzhny		20-21	480 FOB	M

## Urea

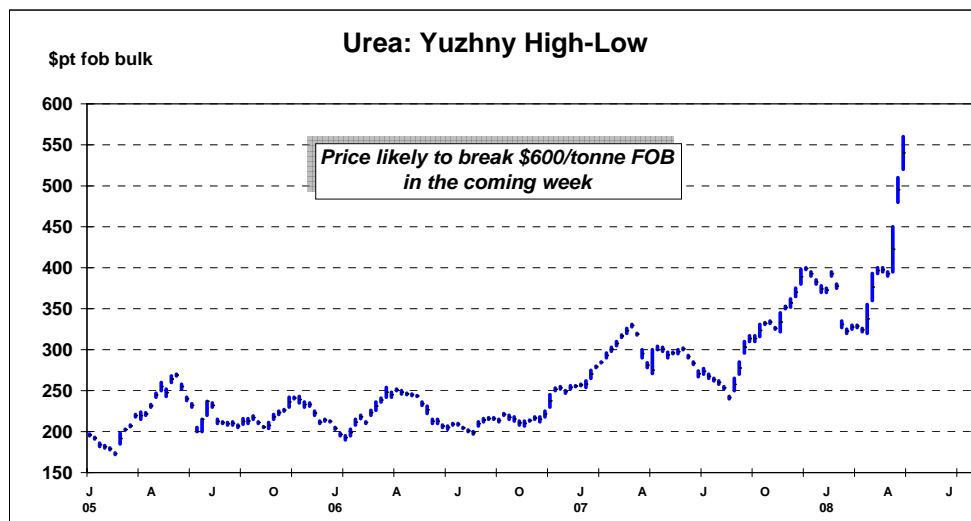
Urea prices continue to spiral upwards. Yuzhny FOB levels have risen by \$40-50/tonne this week and are closing in on \$600/tonne FOB. Egyptian urea has sold at \$550-555/tonne FOB.

Worldwide, urea is forecast to be in short supply through to October, when Chinese exports should resume. Against this background, traders are trying to build or add to long positions wherever they can find urea.

China exported an average of 350,000 tonnes/month of urea between May and September 2007. Removing this quantity from the market means that buyers, particularly in Asia, will be hard pressed to cover all their requirements.

With the STC tender amounting to nothing, the main Indian buyer IPL is now coming into the market for urea for May-June shipment. Suppliers have indicated prices around \$650/tonne CFR in initial discussions, reflecting about \$570/tonne FOB Yuzhny. The Middle East producers have yet to reveal their price ideas.

Buyers in Brazil and Mexico are keen to secure cargoes before tenders in India and Pakistan drive prices higher and there is substantial demand from Latin America for May shipment.



The conditions exist for urea prices to rise much higher in the coming weeks.

Traders are also bidding up prices for other nitrogen fertilizers, based on the continuing surge in urea. This week:

- Cargoes of Romanian UAN have been booked at \$370-380/tonne FOB for June, up from \$320/tonne last week
- AN prices have firmed to \$340-350/tonne FOB
- Ammonium sulphate prices have risen to \$280-290/tonne FOB Black Sea and over \$300/tonne FOB from Korea

In all cases, these prices are well above current netbacks from the main consuming markets.

## North America

In the **US**, granular urea prices have risen sharply this week, with prompt barges trading up to \$510/short ton FOB Nola and asking prices now \$515/short ton. Seven days ago, traders were paying \$460/short ton FOB.

Large traders, as well as Koch, have been buying urea forward, paying \$530-540/short ton FOB for July-September barges. CF has raised its posted price to \$530-540/short ton FOB Donaldsonville for June-July.

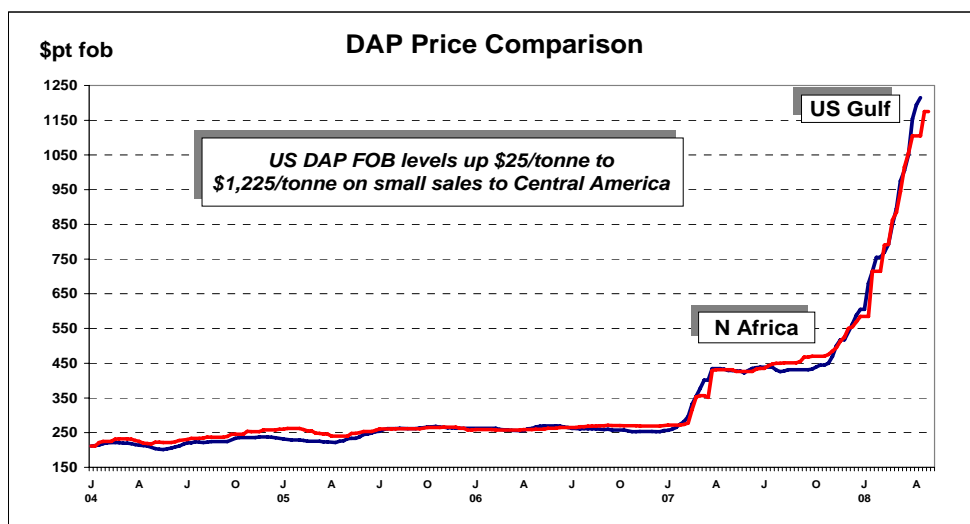
Demand has increased, with some buyers stepping in for the rice season. Some traders have been grabbing any available urea for forward positions, reasoning that prices will rise further by the third quarter.

## DAP

Global DAP/MAP supply remains tight and production costs high, underpinning a stable-to-firm market. However, with the order books full for many producers, a pre-IFA hiatus has developed, stalling significant price increases this week.

A major boost to prices has not materialised following the decision by China to effectively ban DAP and MAP exports for Q2-Q3. This is due to concerns over demand destruction and the fact that only India appears to be driving the market at present.

Latin American demand is subdued, particularly in Brazil which has healthy stocks, although cancellation of Chinese phosphate shipments due to the increased export duty may encourage it to return to the market. US producers have achieved a \$25/tonne increase on DAP sales to Central America this week. Some Russian producers are waiting for Brazil to step in although some DAP/MAP has been sold at up to \$1,270/tonne CFR.



India will buy a further 800,000-1m tonnes of DAP for arrival by November, despite the psychological barrier to paying above \$1,300/tonne at present. It is likely that more tonnes will be secured on a formula basis.

India has bought 100,000 tonnes of Chinese TSP over the past few weeks. Whether this ships in time before the imposition of the increased duty is debatable. Bangladesh has also taken over 150,000 tonnes of TSP from China.

Restrictions on Chinese exports of DAP/MAP appear likely to be extended beyond September. The pipeline in China is reportedly empty. Hence prices globally will remain firm through Q4. However, the period of \$30-40/tonne weekly price hikes seems to be over for now, although the market could well find new impetus once significant Latin American demand emerges and India buys more DAP in Q2 and Q3.

## North America

In the **US**, PhosChem has sold 24,000 tonnes of DAP to Central America and Mexico at \$1,215/tonne FOB. It has sold 16-17,000 tonnes of MAP to the same markets at \$1,235/tonne FOB.

A further 7,000 tonnes of US DAP have been sold at \$1,220/tonne FOB, plus 15,000 tonnes at \$1,225/tonne FOB for May shipment to Latin America.

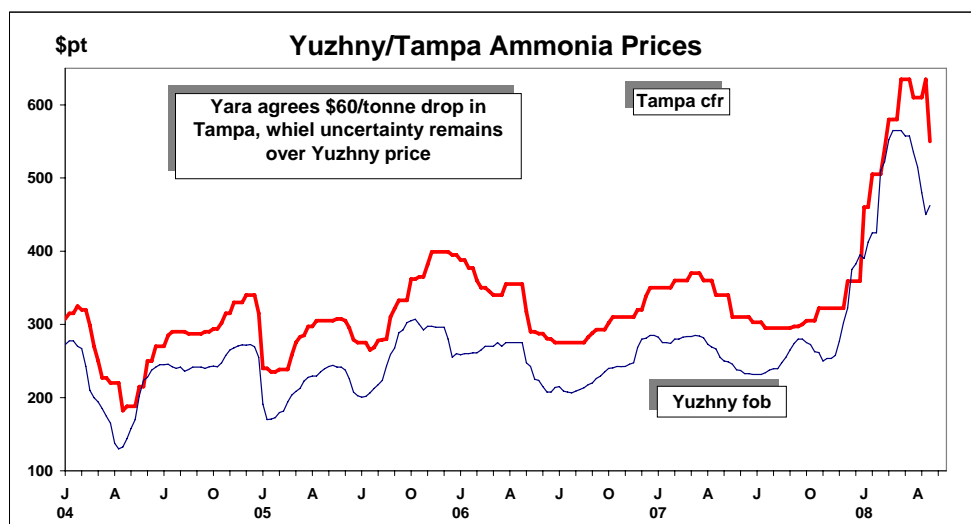
Domestically, traders report sales of prompt barges at \$995/short ton FOB Nola with asking prices now \$1,000/short ton. Liquidity is low due to continued wet weather which has delayed application. However, Mosaic indicates a sale for prompt loading as high as \$1,060/short ton FOB Nola.

In Central Florida, traders have sold rail cars at \$990/short ton FOB for prompt movement. Mosaic has sold forward for June at \$1,070/short ton FOB for DAP and \$15/short ton higher for MAP.

## Ammonia

There were different signals coming from the ammonia market on the exact level of Yuzhny prices this week. While OPZ and Yara appeared allied in thinking prices had dropped to \$440-450/tonne FOB Yuzhny, Gorlovka appeared less bearish and put prices at \$470-480/tonne FOB, with a sale reported for May at the top end of this range. This is also the level that the May settlement in Tampa is equivalent to, based on freight of \$70-80/tonne.

Yara has vessels expected to load over 85,000 tonnes in Yuzhny over the next few days. Even if most of these tonnes are earmarked for the US, a KIP of \$480/tonne FOB is probably too high to make profitable shipments of Ukrainian ammonia. It is likely that Yara will continue to push for lower prices, unless prices of \$440-450/tonne FOB have already been agreed, as some sources report.



The US season is late, but will be strong and, also on the back of May turnarounds in Trinidad and Venezuela, suppliers are confident that importing will restart at some point in May to refill inventories. If this proves correct, the May Tampa price may represent a floor, at least for the time being and will help FSU suppliers to avoid further reductions for a while.

In the East, most players are waiting for some developments in Yuzhny before concluding new business. The lack of spot business means that prices have changed little over the past few weeks and AG producers are still holding for prices around \$500/tonne FOB. However,

this level is not generating much interest at present, particularly for shipment to Europe or North Africa.

### **North America**

In **Tampa**, Yara and Mosaic have agreed a price of \$550/tonne CFR for May contract deliveries. This is \$60/tonne lower than the price agreed for April and \$85/tonne from the peak reached in March.

Prolonged wet weather in the **Midwest** is keeping spring fertilizer application on a slow track. Application started but was stopped in some areas as it was too wet to go into fields. Only 4% of the main corn crop had been planted by 20 April, compared with 2% a week earlier and an average 17% for the same period in the five previous years, according to the US Department of Agriculture (USDA). The weekly USDA assessment measures progress in 18 key states that planted 91% of the corn acreage in 2007. Spring fieldwork largely remained on hold last week in a broad region centred on Iowa and Missouri, according to USDA. But mostly dry weather permitted producers to just start planting corn in a few better-drained sections of the eastern corn belt. Dry weather also prevailed in the upper Midwest, although low soil temperatures substantially limited planting progress.

Market sources say that because ammonia storage tanks are full along the supply chain, there is no trading in NOLA and no interest for refill yet. However, there is a general belief that application will still be fairly good, given the high corn prices.