

THE MARKET

FERTILIZER NEWS AND ANALYSIS

1 May 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	1 May	24 April	Tendency
Prilled Urea Yuzhny	600-610	520-560	Soaring
Granular Urea Mid East	580-600	510-530	Rising
Granular Urea USG s.ton	510-610	460-510	Firming
DAP Tampa	1225-1230	1215-1225	Strong
Ammonia fob Yuzhny	445-460	445-480	Holding
Ammonia cfr Tampa	550	550	Weaker
Sulphur fob Vancouver	670-700	670-700	Firm

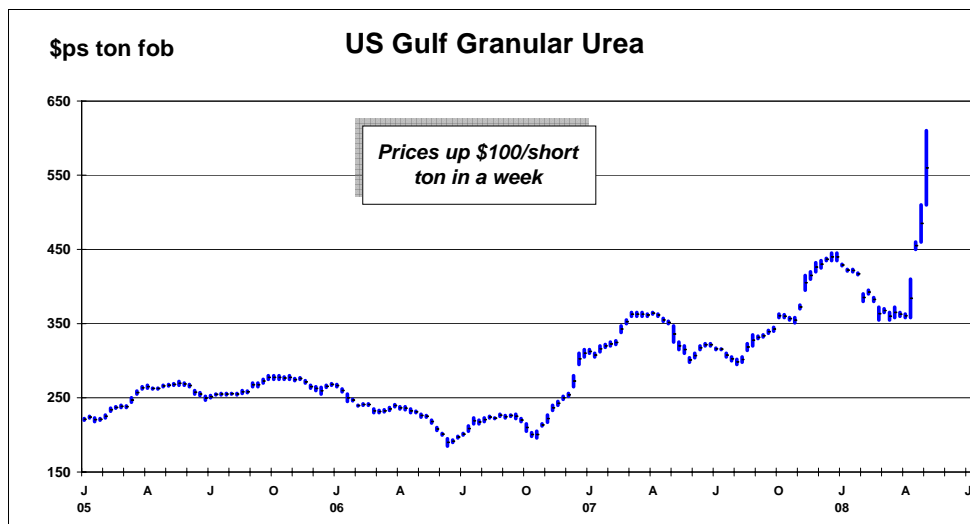
Latest International Business					
Product	Origin	Destination	'000t	\$pt	Ship
Urea	Romania			635 FOB	M
	Russia	Lat America	20	575 FOB	M
	Russia	Lat America	20	590 FOB	M
	Romania	Turkey	6-7	590-595 CFR	
	Black Sea	Mexico	25	655 CFR	M
	Russia	Col/Peru	26-27	570 FOB	M
Granular	Egypt	France	15	620 FOB	M
	Egypt	UK	10	530-540 FOB	M
	Qatar	SE Asia		580s FOB	M
	China	Chile?	20	720s CFR	M
	US	Chile	12	720s CFR	M
	US	Chile	12	725 CFR	M
	Italy	Argentina	20-25	660 CFR	M
DAP	US	S America	15	1225 FOB	M
	US	C America	7	1230 FOB	M
	Tunisia	Vietnam	25	1350-1360 CFR	M
Ammonia	S Arabia	India	14.5	535 CFR 60d	A
	Bdesh	India	5	531 CFR 15d	A
	S Arabia	India	15	529 CFR 25d	A
	Qatar	India	5	547 CFR 60d	A

Urea

The chaos caused by the Chinese export ban continues to reverberate through the urea market. Latin American buyers have purchased around 10 cargoes/part cargoes of urea for May shipment, jumping in to secure tonnage ahead of India.

Traders are supplying the urea from China, the US, Baltic and Black Sea ports and Italy. Trammo, Keytrade and ConAgra have sold about 40,000 tonnes of granular urea for re-export from the US Gulf, and Trammo is re-exporting a 20-25,000 tonnes of Venezuelan urea from Italy.

The re-export business has helped to firm prices in the US, where granular urea prices have risen to \$610/short ton FOB for prompt barges.



In Yuzhny, producers have sold at \$610/tonne FOB for May, but are asking \$630-650/tonne FOB for remaining May tonnage. Netbacks on the trader sales to Latin America have moved up to \$570-580/tonne FOB, but are still lagging replacement costs. With prices have moved up so much during April, traders have to ship on time to avoid losing the cargo or being renegotiated. This has made them more prepared to sell at below replacement cost.

The withdrawal of Chinese exports has pushed the urea market into huge deficit for the May-September period. Based on normal levels of import demand, there is not enough urea in the world to cover requirements through Q3. Some demand will be deferred to Q4, high prices will probably kill some demand, but even so urea will be a sellers' market for several months to come.

The rise in FOB levels in Yuzhny, which is being shadowed by other exporters, is taking prices closer to the level at which Chinese urea exports could resume. The crossover point should be somewhere between \$650/tonne FOB Yuzhny and \$700/tonne FOB, which reflects current Chinese domestic prices.

However, sources in China believe that the government will move to block exports should they become viable again, whether through an even higher tax or other means.

North America

Traders have sold three cargoes of granular urea for re-export from the **US** this week. Keytrade, Trammo and ConAgra have sold cargoes for shipment to Latin America at prices netting back \$565-570/short ton FOB Nola.

Prices in the US market leapt by \$60-70/short ton on the news that around 40,000 tonnes of urea (30 barges) would be shipped out in May. Granular urea barges traded at \$610/short

ton for May-June on Thursday, up from \$590-595/short in midweek and \$540/short ton at the start of the week.

From a position where inventory appeared adequate, there are concerns that urea will be short. Reduced ammonia application due to the late start to the season will favour urea and UAN solutions. Buyers have an estimated 400,000 short tons still to cover for the rice season. There is a scramble for barges and there are few companies prepared/able to offer for May-June delivery at present.

Koch has been buying barges this week to cover requirements at Houston and Enid. The Enid plant went down for 2-3 days this week. Koch will load 20,000 tonnes in Venezuela in May for the US Gulf or east coast.

On the west coast, Agrium received offers for 20-25,000 tonnes of granular urea for June delivery to Sacramento, but did not buy.

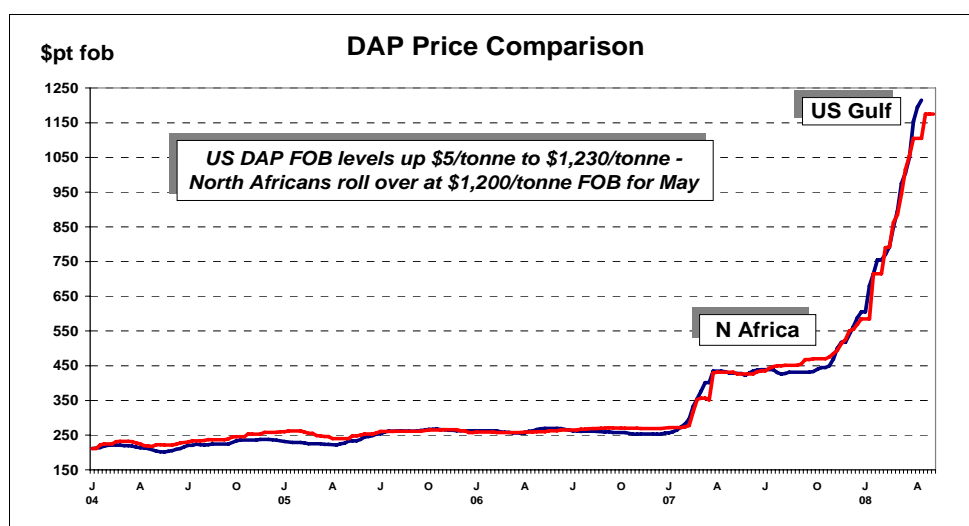
DAP

With the market adopting a wait-and-see approach, India is once again the main focus of attention with Trammo sourcing DAP from all available sources to sell five cargoes there. India aside, the market is illiquid and lacking direction. But it is still fundamentally firm.

Brazil is baulking at offers of DAP/MAP above \$1,300/tonne CFR and all three Russian/Lithuanian producers have withdrawn from the market, waiting for demand to return in Latin America. In recognition of the market hiatus pre IFA, North African producers have rolled over DAP FOB levels at \$1,200/tonne for May.

Tampa has risen marginally this week to \$1,230/tonne FOB, on the back of new sales into Central and South America.

The highest CFR prices recorded this week were in Vietnam, where Tunisian DAP has been sold at \$1,350-1,360/tonne. US material is also on offer at similar prices.



The supply side will undoubtedly tighten through May. IFFCO India has intimated that it will have to cut DAP production rates soon due to high input costs and financial pressures. In China, Wengfu has said that there is virtually no chance of any Chinese DAP/MAP being available for export until October at the earliest. Other producers have reportedly already cut production due to high sulphur costs and also to support domestic DAP prices.

India is looking to buy DAP for the rabi season, and further sizeable quantities will be secured during the IFA conference. Brazil will also step in at some stage.

This, combined with Turkey emerging to take Lithuanian and Tunisian tonnes, and further tightening of the market as Chinese supply dries up points to a further round of price rises in mid-May.

North America

In the **US**, PhosChem has sold 15,000 tonnes of DAP at \$1,225/tonne FOB to South America. It has also sold 7,000 tonnes at \$1,230/tonne FOB to Central America.

Keytrade is reported to be offering a cargo of US DAP to Vietnam.

Domestically, few DAP barges are available for spot purchase and no business has been reported this week. Mosaic is offering DAP at \$1,090/short ton FOB in the river with a \$25/short ton premium for MAP. It reports no sales.

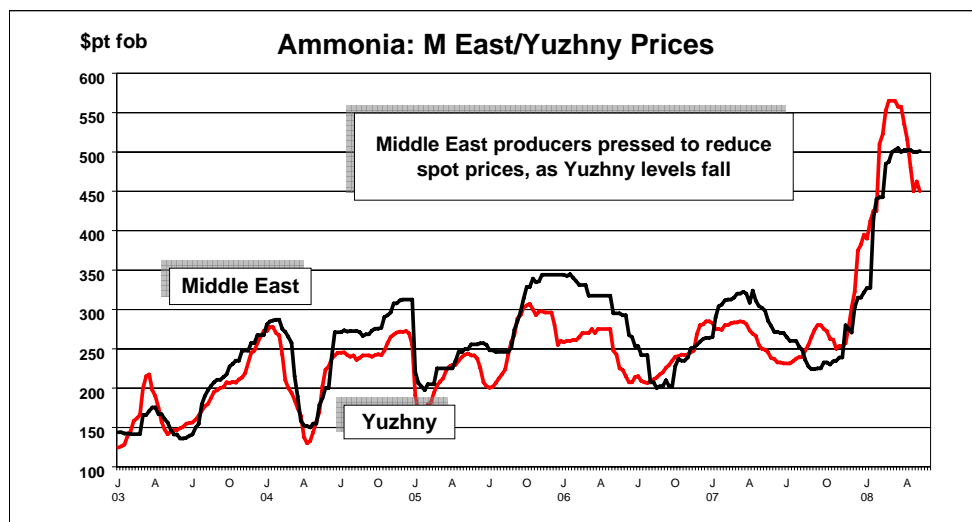
Demand remains lacklustre in states such as Oklahoma due to high prices. Further wet weather is expected in this region, which will hinder application. Warehouse prices are around \$1,000/short ton, but this is still below replacement cost.

Interest for DAP/MAP may pick up once the Arkansas river reopens.

In Central Florida, the market is illiquid, with traders indicating that \$1,000/short ton FOB is possible, up \$10/short ton from last week. Mosaic has sold a MAP cargo at \$1,095 for forward shipment.

Ammonia

The saga over the new Ukrainian KIP appears to be over, with the new number of \$420/tonne FOB announced this week, \$20/tonne lower than what was proposed last week. The new level has reinforced buyers' beliefs that prices will drop further as May progresses, while sellers insist that nothing has been concluded so far below \$460/tonne FOB. As suppliers will be busy shipping tonnage delayed from April in the first ten days of the month, they may be able to hold prices at these levels for a while. For second half May shipments, the key factor will be the price that US buyers are prepared to pay for June arrival and the level of demand.



While they are maintaining formula prices for contract shipments to India around \$500/tonne FOB, Middle East producers are under pressure to move surplus tonnage on the spot market. With the slide in Yuzhny prices, reduced demand from Morocco and Indian demand still failing to recover, traders argue that there is no market to go but possibly the US. And to be competitive there, FOB levels would have to drop below \$450/tonne FOB and possibly more, considering the uncertainty over CFR prices for June arrivals in the US.

In Asia, the main market to feel the effect of falling prices in Yuzhny is Korea, as contract formulas have Yuzhny as a reference price. Prices in markets like Taiwan and Thailand tend to follow more price developments in India, as these mostly determine netback levels in southeast Asia.

North America

In **Tampa**, having heard news of the new KIP for May shipments from Yuzhny, buyers are preparing their arguments for a further drastic reduction for June deliveries. A large buyer mentioned that prices could drop another \$50/tonne or more from the current \$550/tonne CFR, which was already probably already \$10/tonne too high.

In **New Orleans** and elsewhere, there continues to be a standstill due to the slow start of the season and no new business has been reported. In the **Midwest**, there has been some ammonia moving in Indiana and Kentucky, and in southern Illinois, but further rain is expected at the end of the week-end. Buying for refill is definitely going to be late this year, but it will happen and sources already report inquiries for summer. One supplier report prices of around \$800/short tonne for fall. Current prices have not been eroded by the slow start of the season and are still reported at around \$705/short ton ex-terminal. The prepay numbers were much lower and importers will be keen to dispose of the tonnage before the end of the season, probably at the end of June.

In the **US Gulf**, CF Industries was reported to have entered the market last week for May-June deliveries but no details of purchases emerged.

Terra Industries has announced that it expects to restart its idled Louisiana nitrogen fertilizer plant at Donaldsonville in August and take 10-14 days to boost output to capacity. Terra is planning to restart the unit to replace 350-400,000 tonnes/year of imported ammonia. Terra has a contract with Yara, under which it takes 30-35,000 tonnes/month. The company mothballed the plant in December 2004 due to high natural gas prices, which made it economically unviable to run the unit. Since then, prices for imported ammonia have increased substantially and domestic US production has become more economical than imports.