

THE MARKET

FERTILIZER NEWS AND ANALYSIS

8 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	8 May	1 May	Tendency
Prilled Urea Yuzhny	620-630	600-610	Firmer
Granular Urea Mid East	600-630	580-600	Rising
Granular Urea USG s.ton	610-618	510-610	Firm
DAP Tampa	1225-1230	1225-1230	Strong
Ammonia fob Yuzhny	432-440	445-460	Weaker
Ammonia cfr Tampa	550	550	Bearish
Sulphur fob Vancouver	680-700	670-700	Firm

Latest International Business					
Product	Origin	Destination	'000t	\$pt	Ship
Urea	Romania			645 FOB	J
	Russia	Inc Uruguay	25	600 FOB	M
	Russia	Uruguay	10	690 CFR	M
Granular	Egypt	Euro/L.Am	15		M
	Egypt	Thailand	5-10	690 CFR	M
	China	Chile	20-25	760 CFR	M
	China	US?	20-25	720 FOB	M
UAN	Ukraine		25	400 FOB	J
		Argentina	20-25	410-415 CFR	J
	Romania	US/Arg/Eur	20-25	435-440 FOB	J
DAP	US	India	200	Formula	J-O

	Tunisia	Vietnam	25-30	1200-1210 FOB	M
MAP	Russia	Open	25	1250 FOB	M
	Russia	India	20-25	1150 FOB	M
Ammonia	Yuzhny	US/	35-40	432-435 FOB	M
	Ventspils/ Yuz	US	40-60	formula	M
Sulphur	Vancouver	Mexico	42-44	Around 680 FOB	M
	California	Mexico	20-25	Around 680 FOB	M
	Libya	US Gulf	10		M
	Virgin Isles	US Gulf	5		M

Urea

The rate of price increase in the urea market has slackened this week, not surprisingly after four weeks in which FOB levels have risen by more than 50%.

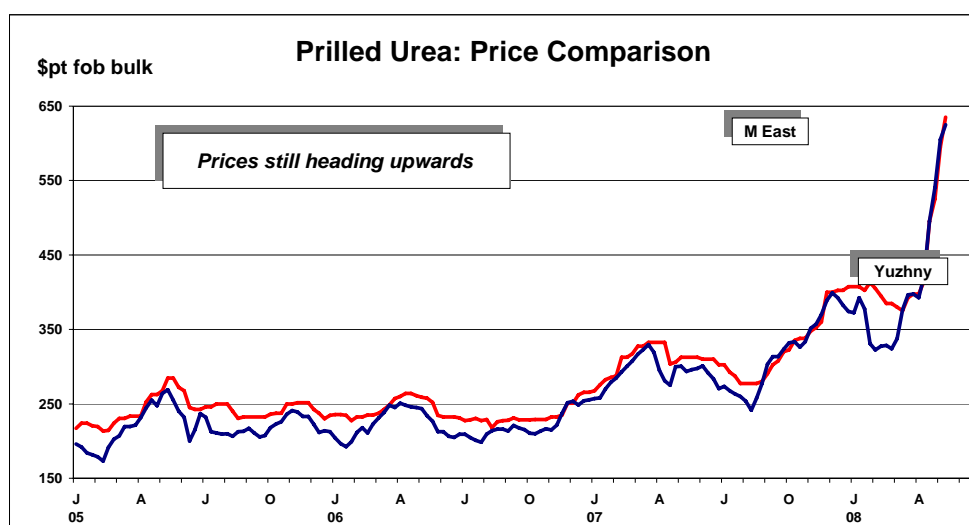
On the demand side, the next round of Indian buying now looks likely to be for June shipments rather than May. Indian sources indicate that STC will revive its attempts to buy urea under formula prices before IPL comes into the market. Pakistan will also most likely tender in June now rather than May.

On the supply side, producers have held back May tonnage not wishing to sell too soon in a rising market. This means that there are several cargoes still to place from the Baltic and Black Sea.

Finally, traders have been unable to sell close to replacement cost at any time over the past 3-4 weeks. One sale in South America appears to netback just over \$600/tonne FOB this week, but that is the first and is still \$25-30/tonne below replacement cost.

Yuzhny prices have edged up to \$630/tonne FOB this week. Producers are asking \$650/tonne FOB for urea for June loading, so far without finding any takers.

Middle East producers are reported to have received bids at \$650-660/tonne FOB for bagged urea for Bangladesh.



Chinese urea is gradually disappearing from the market. Prilled urea prices have risen to \$680/tonne FOB, based on the 35% tax, too high for southeast Asian markets. One cargo of granular urea is reported sold at \$720/tonne FOB, however.

60,000 tonnes of DAP/MAP to sell for May but is waiting for further market direction before committing its tonnage. OCP has also delayed its sales for May, and has yet to commit any tonnes this month.

The lack of Chinese DAP/MAP has already seen Asian CFR prices rise rapidly, most notably in Vietnam, which has had to take tonnes from non-Chinese sources. Looking forward, a number of factors look likely to add impetus to market prices beyond the southeast Asian arena.

Demand in India for around 850,000 tonnes of DAP will continue to drive the market. This will combine with the re-emergence of Brazilian and Argentine MAP/DAP demand in mid June, at which time the lack of Chinese availability will be much more keenly felt.

Pakistani buying may also resurface once the outcome of the country's budget is known. The start of an, albeit weaker, Turkish import season and further demand in Africa for July/August shipment will also keep prices firming.

Demand in the North American market will also resurface once the weather improves, kick starting a new round of price rises and absorbing US DAP barges that had been on offer in the export market.

North America

In the **US**, PhosChem has sold 200,000 tonnes of DAP to India on a formula basis for June-October shipment. It is not actively pushing DAP exports at present, with current indications around \$1,240/tonne FOB for small lots.

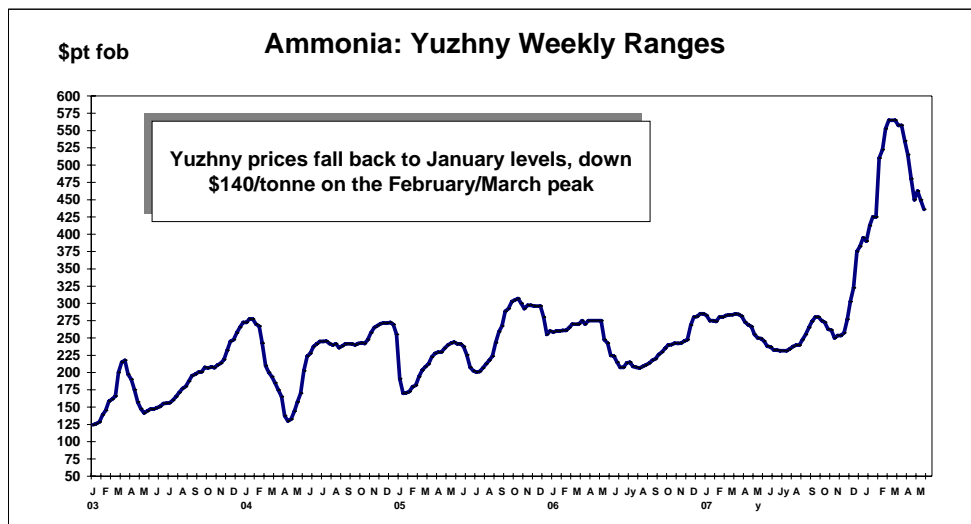
The domestic barge market is illiquid this week, with high prices and delays to corn planting delaying further offtake. Most contract buyers are moving product to warehouses.

Mosaic has sold some MAP in central Florida at \$1,095/short ton FOB for prompt shipment.

Ammonia

A new low of \$432-435/tonne FOB was achieved in Yuzhny this week for Ukrainian ammonia, with the sale by Gorlovka of its May availability. Despite the record high prices of other nitrogen products, ammonia prices have fallen \$140/tonne over the past two months. This is mainly due to reduced US buying, following an unusually strong first quarter. FSU producers will now try to put a halt to the price slide, even resorting to supply cutbacks. Turnarounds in Ukraine, Algeria and Trinidad should help bring the market more in balance and indeed, this has already prompted some replacement purchases from the US. However, there is still a general bearish tone to the market and some additional price adjustments may still take place before prices start to stabilize.

The course of the US spring application, which is finally taking off, and the outcome of the Tampa negotiations for June will determine whether prices stay flat or rebound a little. The current Tampa level of \$550/tonne CFR would give returns of \$460-565/tonne FOB Yuzhny, depending on cargo size, but this is likely to be dropped for June arrivals.



Middle East ammonia is overpriced at present and this is becoming increasingly evident despite efforts by producers to hold levels around the \$500/tonne FOB netback level achieved from contract shipments to India. As demand is still relatively subdued from India, there are some Middle East cargoes moving to the Far East, which suggest netbacks of \$450-470/tonne FOB depending on destination. Korean CFR prices are dropping in line with the Yuzhny levels, with one cargo scheduled to be shipped from Iran there next week. Southeast Asia FOB levels also appear to be under pressure, as buyers in Taiwan and Philippines are bidding below \$500/tonne CFR.

North America

In the **US**, the pace of planting the US corn crop picked up last week but was still a long way behind the five-year average for this time of the ammonia application season, according to the US Department of Agriculture (USDA). USDA's weekly survey showed 27% of the crop was planted as of 4 May, up from 10% a week earlier but well behind the five-year average of 59%. The survey covers 18 key states that planted 91% of the corn acreage in 2007.

The delay in the ammonia application has triggered speculation that the delay might encourage some farmers to switch to soybeans, even though corn prices have been holding at historically high levels in recent weeks. A switch to soybeans would reduce ammonia demand and boost interest in urea/UAN.

However, according to ammonia suppliers, the slow start to US corn planting would not push many farmers to switch to soybeans because market signals still favour corn. Despite the delay in planting, the supply/demand situation is still tight and there is a positive outlook for ammonia demand. Farmers already made significant investments months ago in ammonia and are unlikely to give up the chance to capitalise. If they switched to soybeans, that investment would be wasted. According to a major ammonia producer, there is still time to apply ammonia and the opportunity for a strong spring is still there. The sustained strength of corn prices would encourage farmers to continue to pre-pay for ammonia, even if at higher levels.

Suppliers say that movements have finally started from various terminals and interest for refill for summer is strong. Ammonia has already been pre-paid for the autumn season. **Midwest** ammonia supply is tightening, with prices now up to \$800-810/short ton ex-terminal. The **Nola** market, though, is still quiet.

In **Tampa**, negotiations have not yet started for June contract deliveries and no price ideas have been floated by suppliers. The price is certainly expected to be reduced from the \$550/tonne CFR agreed for May, but it may not drop by as much as the \$50/tonne hoped for by the largest buyers.

In the meantime, PCS has agreed to take tonnage off three vessels that Trammo will ship from Yuzhny and Ventpils in May (the Sombeke, the Courcheville and the Touraine) to replace tonnage that it will lose in **Trinidad**, due to the turnaround at one of its plants that started on 2 May.