

THE MARKET

FERTILIZER NEWS AND ANALYSIS

5 June 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

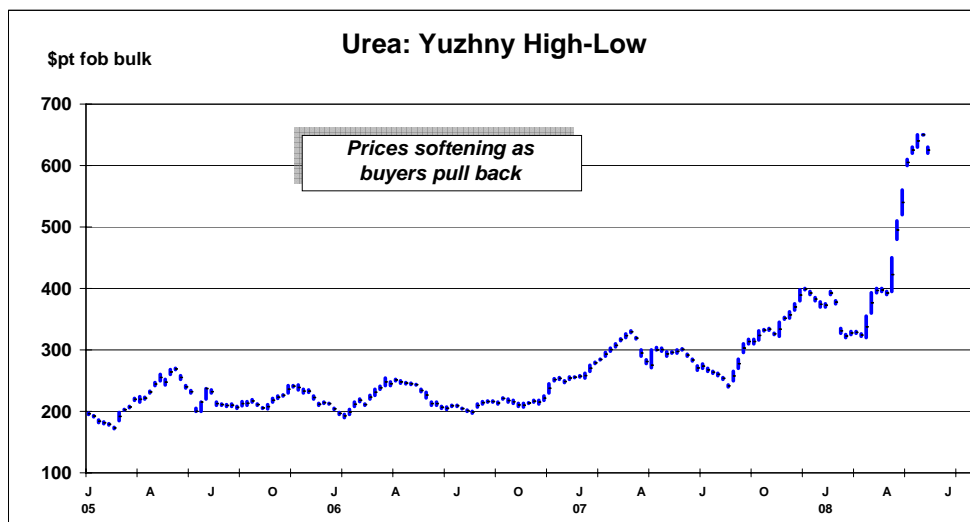
Latest Spot Market Prices \$ per tonne fob			
Product	5 June	29 May	Tendency
Prilled Urea Yuzhny	620-630	645-650	Softer
Granular Urea Mid East	640-710	640-690	Firm
Granular Urea USG s.ton	660-668	605-655	Stronger
DAP Tampa	1200-1230	1200-1230	Drifting
Ammonia fob Yuzhny	440-450	427-440	Firmer
Ammonia cfr Tampa	510	510	Steady
Sulphur fob Vancouver	680-700	680-700	Firm

Latest International Business					
Product	Origin	Destination	'000t	\$pt	Ship
Urea	Baltic		7.5	631 FOB	J
	Romania	Turkey/Med	5-6	660s FOB	J
	Indonesia		20	738 FOB	J/Jy
Granular	Egypt	Greece	3	720 FOB	J
	Kuwait	Thailand	25	705-710 FOB	J
	S Arabia	Philippines?	20+	710 FOB	J
	China	Thailand	6	Low-750s CFR	J
	US	Chile	15		J
UAN	Egypt	Europe	25	435 FOB	J
DAP/MAP	Morocco	Latin America	55	1220-1225 FOB	J
MAP	Russia	India	47	1275-1280 CFR	J
TSP	Morocco	Latin America	45	1025 FOB	J
Ammonia	Yuzhny			445-450 FOB	J
	Iran	Europe?	2x23.5	425 FOB?	J/Jy
	Iran	India	10	435 CFR 15d	M
	Iran	India	20	475 CFR 60d	J
	Bangladesh	India	11	459 CFR	J
	S Arabia	India	11.5	455 CFR 60d	J
	S Arabia	India	3.5	460 CFR 60d	J
MOP	Russia	SE Asia	30 x3	1000 CFR	Jy/A
	Russia	Bangladesh	30	950 CFR	J

Urea

A week with little new business in the urea market has seen rumours abound and prices soften a little in the Black Sea. Yuzhny urea is pegged at \$620-630/tonne FOB, with producers unable to sell at the previously done \$650/tonne FOB and accepting that lower number are needed to sell the remaining June tonnage.

Pressure is also evident in the Baltic, where Russian producers are finding buyers scarce at asking prices of \$620-630/tonne FOB.



Indian buying remains a guessing game. Inactivity has fostered rumours of pre-tender purchases by IPL, which cannot be confirmed. STC continues to slow-pedal on its tender and Indian sources state that stocks are adequate and permit further delays to buying.

In the absence of Indian buying, the prilled urea market in the West will continue to trade sideways or lower.

East of Suez, one trader paid \$738/tonne FOB for 20,000 tonnes of Indonesian prilled urea this week. This is \$40-50/tonne higher than quotes for small cargoes of Chinese urea still available from bonded warehouse. PIM was unable to find a buyer for the second 20,000 tonnes it had to sell at the same price.

Granular urea producers are facing a much tighter market and seeing far higher returns than for prills. Middle East producers have sold cargoes to southeast Asia at netbacks close to \$710/tonne FOB. Egyptian urea has traded at the same price.

Trammo has bought another 15,000 tonnes of granular urea in the US for re-export, thought to be for Chile. Prices in the US market have risen to \$665-666/short ton FOB Nola, equivalent to \$733-734/tonne before the cost of loading and still the cheapest source of urea for Latin American markets. Re-export business totals about 80,000 tonnes so far.

North America

In the **US**, granular urea barges are trading at \$665-666/short ton FOB Nola for prompt loading. Trammo and Koch are buying barges to put re-export cargoes together. Trammo is understood to have sold 15,000 tonnes in Latin America at a price reflecting \$685-686/short ton FOB Nola. Prices for July barges are \$675/short ton FOB and \$680/short ton for August.

So far, it is estimated that about 65,000 tonnes of granular urea have been purchased for re-export – 40,000 tonnes by Keytrade and 12-13,000 tonnes each by Trammo and ConAgra.

A further 30,000 tonnes or so have been taken out of the river system by Agrium for California.

In addition to this, there is a substantial requirement for the rice season, which is running about three weeks late.

Combined, this demand is likely to leave the US system cleaned out of urea in July and setting the base for rising prices in the coming months as importers have to restock at higher levels.

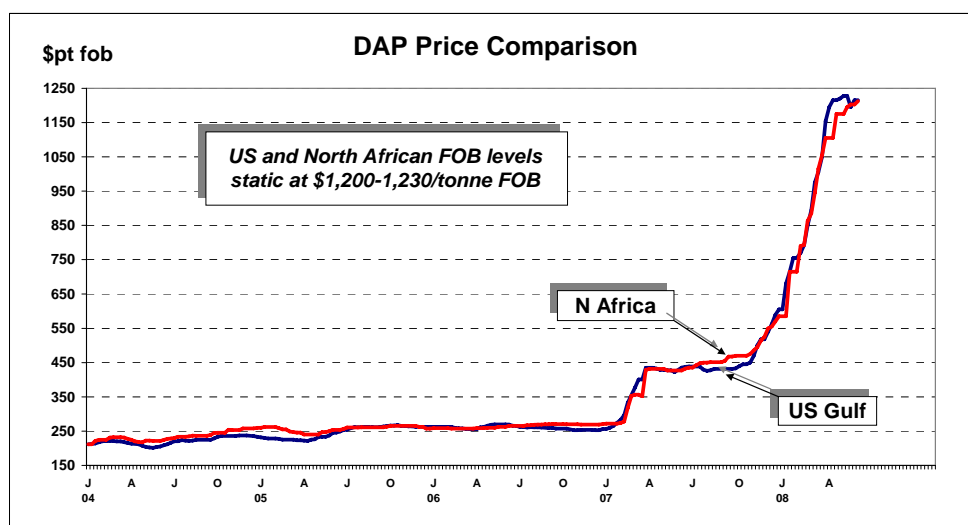
Few new import cargoes are scheduled to arrive before August.

DAP

The global phosphates market is drifting sideways with activity restricted to additional demand in India, which has bought 47,000 tonnes of Russian MAP this week at prevailing CFR prices around \$1,275-1,280/tonne. India has also issued a tender for an unspecified quantity of DAP for July-November shipment.

Latin America is calm. OCP has placed some DAP/MAP with regular partners but Brazil is inactive due to high inventories and Argentina is still in the throes of the farmers' strike, with demand further subdued by a lack of moisture.

There are few other outlets for producers. Iran cancelled its tender, while Turkey has yet to commit to imports from Tunisia. European importers are resisting offers of North African DAP at \$1,225/tonne FOB for June.



Even so the market remains short in the medium term, with Chinese producers still indicating that there will be no further DAP/MAP exports this year. This will underpin prices, but the market hiatus looks set to continue for another month until Latin America returns, a clearer picture emerges of the subsidy situation in Pakistan and India steps in for an additional 600-700,000 tonnes of DAP for rabi.

Mosaic has said it will restart some of its previously indefinitely closed phosphoric and sulphuric acid production facilities later this year. Further details are scant and the company has since described the project as a debottlenecking exercise. Increased granulation may ensue, depending on sulphur supply, but the overall impact on output is expected to be minimal.

North America

In the **US**, DAP barges have traded at \$989-993/short ton FOB Nola. Mosaic is understood to have sold some barges on a formula basis in the \$980s/short ton FOB, subsequently resold by traders at higher levels. Barge availability is limited.

Warehouse stocks have been depleted, especially north of St Louis in the Cornbelt as dealers took May commitments. However, interest in replenishment has been limited, due to high prices and the fact that warehouse prices have not kept track with barges.

MAP is in short supply, despite the inventory build and slow domestic season. US producers have favoured DAP production due to the lower phosphoric acid requirement.

With domestic barge prices subdued, interest for re-export is still considerable. Trammo is in the freight market to load 65,000 tonnes of DAP to load in the Gulf in July. Panamax freight to India is put at \$100-105/tonne.

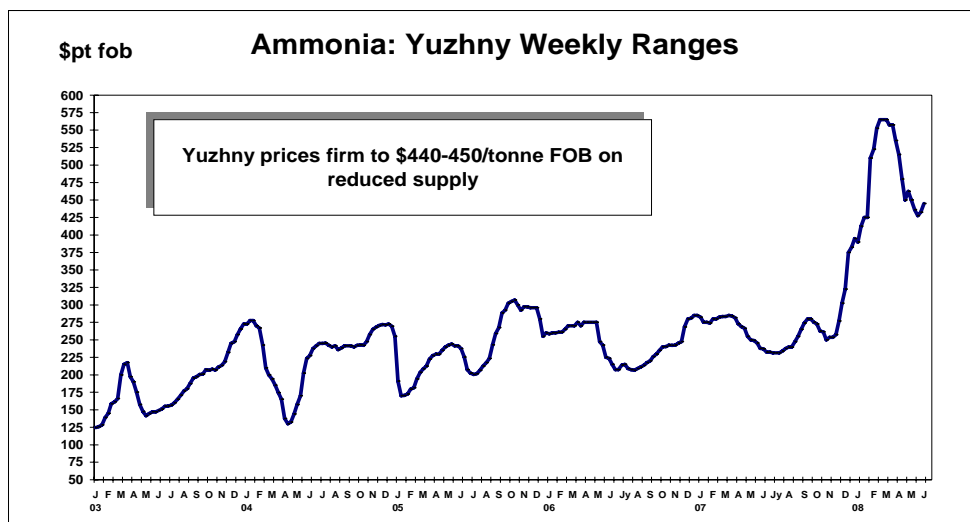
PhosChem has made no export sales this week, and is targeting \$1,230-1,235/tonne FOB for new sales.

Mosaic has indicated that it will restart certain previously indefinitely closed phosphoric and sulphuric acid production in the second half of the fiscal year. Dependent on sulphur supply, the restart will allow utilisation of excess granulation capacity at one of its existing plants. Mosaic has subsequently described the project as a debottlenecking exercise and it appears that the rise in output will be relatively small, although it remains unclear where the idled capacity will come on stream.

Traders report that the Agrifos plant at Pasadena is still operating, despite previous indications that it had entered a turnaround at the end of May. A planned outage is expected in the next 1-2 months. It is envisaged that as Agrifos will no longer produce superacid, it will be able to increase DAP production from 400,000 tonnes/year to 550,000 tonnes/year.

Ammonia

Yuzhny prices have firmed this week, with June tonnes traded at \$445-450/tonne FOB. These higher numbers come on the back of reduced supply in Yuzhny due to the Gorlovka turnaround, plus continued reduced availability from Algeria and Trinidad. Demand is reported as good.



In the Middle East it appear to have bottomed out at close to \$400-410/tonne FOB. There is no extra availability now in the Arabian Gulf and demand is reportedly strong on the back of reduced supply in Yuzhny. While prices for contract deliveries to India have continued to correct down from their earlier higher levels, spot sales from Iran have taken place at a higher levels, possibly up to \$425/tonne FOB.

Asian supply may also have been reduced by an explosion at the Apache gas plant in Australia, which cut natural gas supplies to Burrup Fertilisers. Unable to secure sufficient volumes from other suppliers, Burrup has brought forward a maintenance shutdown at the plant to minimise any impact from the incident. The incident may serve to tighten ammonia supply in the Far East.

North America

In **Tampa**, CF is understood to have agreed \$510/tonne CFR Tampa with Yara for June deliveries late last week. There was some delay in accepting the price as it had bought a cargo from Sabic at \$10/tonne less.

In the **Midwest**, corn planting is now understood to be 93% done according to USDA data this week. No sidedressing of ammonia or UAN has been seen yet, but demand could still materialize as some replanting is expected to be necessary.