

THE MARKET

FERTILIZER NEWS AND ANALYSIS

12 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	12 June	5 June	Tendency
Prilled Urea Yuzhny	620-630	620-630	Holding
Granular Urea Mid East	660-710	640-710	Firm
Granular Urea USG s.ton	665-667	660-668	Firm
DAP Tampa	1170-1210	1200-1230	Softer
Ammonia fob Yuzhny	445-460	440-450	Stronger
Ammonia cfr Tampa	510	510	Steady
Sulphur fob Vancouver	680-700	680-700	Firm

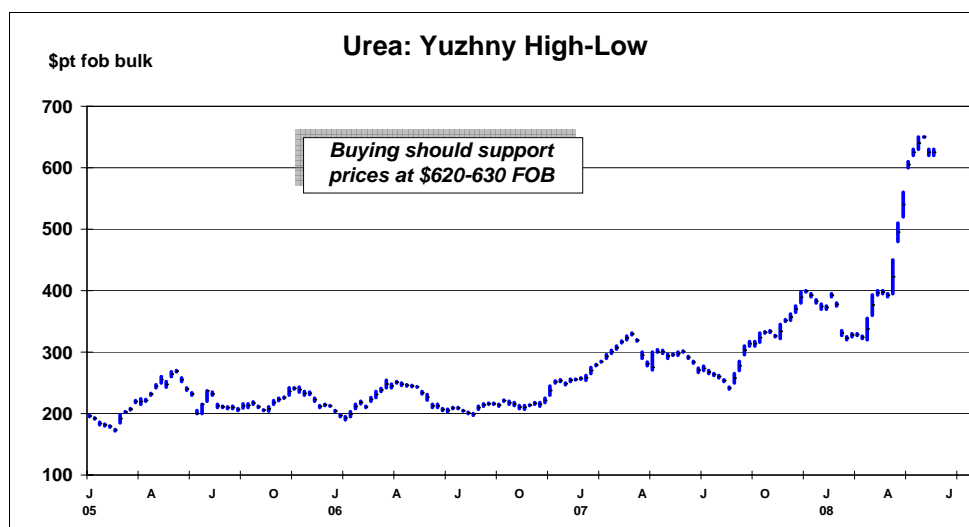
Latest International Business					
Product	Origin	Destination	'000t	\$pt	Ship
Urea	Baltic	Germany	15	615 FOB	J
	Romania	Turkey		710 CFR	J
	Black Sea	Ecuador	15	747 CFR	J
	Yuzhny	India	40		J
Granular	China	Thailand	10	785 CFR	J
	Kuwait	Thailand	25	780-785 CFR	J
AN	Black Sea	Ecuador	10	445 CFR	J
	Black Sea	NW Europe	5-10	330 FOB	Jy
UAN		US		480 CFR	Jy
DAP	Tunisia	Turkey	40	1190-1200 CFR	J
	US ?	India	35	1270-1280 CFR	J
	Russia	Pakistan	30	1265-1270 CFR	J
	Russia	Pakistan	30	1265-1270 CFR	J
Ammonia	Yuzhny		1	460 FOB	J
	Qatar		20-35	430 FOB	Jy
	Iran		20-23	Mid-\$420s FOB	J
	Iran	India	20	475 CFR 60d	J
		Tampa	10-25	510 CFR	J/Jy
Sulphur	Taiwan	China?	15	760 FOB	Jy
MOP	FSU	Brazil	100	1,000 CFR	A

Urea

The long-awaited Indian urea tenders have failed to emerge again, but some advance business has been concluded with traders. IPL is thought to have bought around three cargoes reflecting netbacks of \$610-620/tonne FOB Black Sea.

Buoyed by this and the emergence of demand on the west coast of Latin America, Yuzhny producers have raised their asking prices back up to around \$630/tonne FOB. Buyers in Ecuador, Chile, Peru and Colombia have been all in the market for tonnes this week.

There are still more than 150,000 tonnes of urea to sell for June in the Baltic, however, and any rally in Yuzhny prices will make the Baltic the most competitive source for Latin American business.



In the absence of India, Middle East producers have turned to Bangladesh and Sri Lanka to place tonnes in the short-medium term and ensure prices do not falter. All the offers submitted in this week's tenders there netback well above \$700/tonne FOB Arab Gulf. Indian buyers face competition from neighbouring markets and will have to pay above \$700/tonne FOB, or look to other supply sources.

The reduction of Chinese exports continues to loom large in Asian markets. Southeast Asian buyers have been forced to rely on alternative supply sources and this has resulted in prices steadily spiralling upwards.

North America

In the **US**, barges of granular urea have traded this week at \$666-667/short ton FOB Nola. Distributors are buying for the rice season and Trammo purchased barges for re-export. Most of the floating barges in the southern part of the Mississippi have been bought. The only import cargoes scheduled are 20,000 tonnes for Trammo ex-Trinidad and a 30-35,000 tonne cargo from Kuwait due in July, so re-supply will be thin apart from CF material.

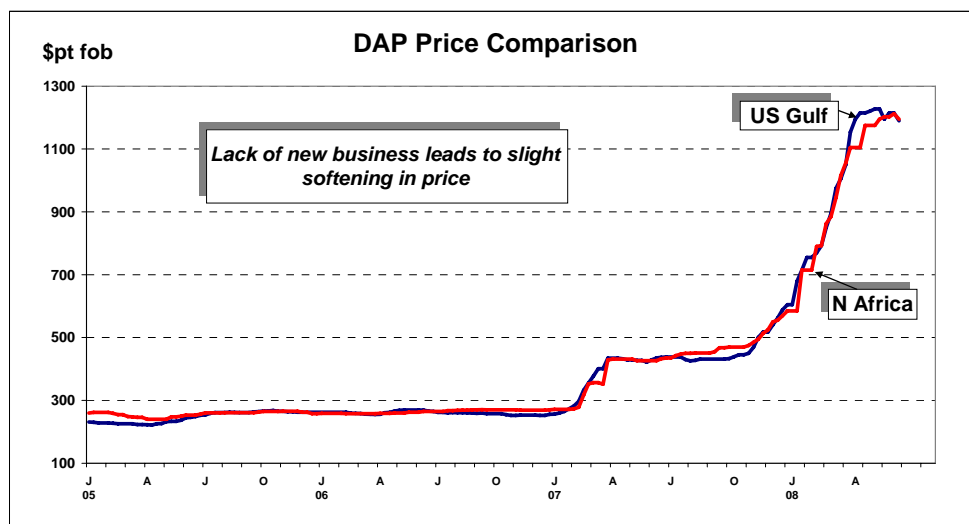
Exceptionally heavy rain in parts of the Cornbelt have led to the closure of a 250-mile section of the Mississippi between Hannibal, Missouri, and Muscatine, Illinois. High water has made the supply of barges even scarcer.

Corn futures prices surged this week due to forecasts of reduced yield and acreage for the 2008 crop. The USDA said that yields could be down by 5 bushels/acre due to late planting and wet weather. Prices for early 2009 rose above \$7/bushel. Forecast plantings for 2009 range between 95m and 100m acres. If this pans out, demand for urea and other nitrogens will break previous records.

DAP

High freight rates and the continued reluctance of buyers to meet producers' asking prices for DAP are starting to have some impact on the market. FOB levels are slightly softer this week from most origins.

GCT Tunisia has sold DAP to Turkey this week at a price understood to be slightly below \$1,200/tonne FOB. Traders have sold Russian DAP to Pakistan at prices reflecting around \$1,130/tonne FOB Baltic port. In the US Gulf, while PhosChem is maintaining its asking price at \$1,230/tonne FOB, other producers are prepared to accept lower prices to move DAP offshore in June-July.



Buyers waiting for a major downturn in price are likely to be disappointed, however. Phosphate producers will suffer some massive increases in sulphur costs as from July. DAP and NPK producers who use imported phosphate rock will also see another big increase in price. Hence, DAP producers will seek to raise prices to compensate for these cost increases rather than accept lower-priced bids from buyers.

There was an unusually wide spread of offers in the TSP tenders that closed this week in Sri Lanka. The lowest offers were at \$1,150/tonne CFR bagged, reflecting around \$1,050/tonne FOB China. The next lowest offer was at \$1,285/tonne CFR.

North America

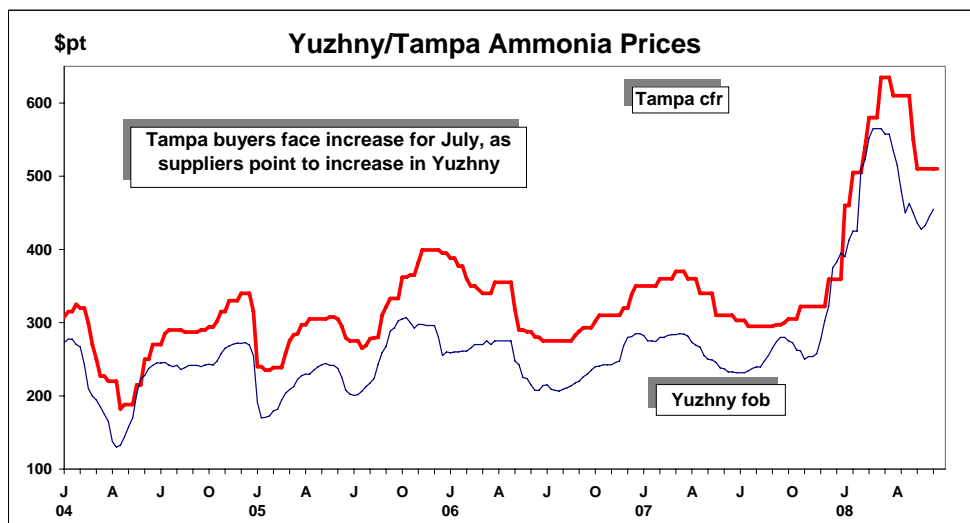
In the **US**, no substantial new business has taken place this week. PhosChem offered 2 x 30-35,000 tonnes of DAP to MMTC of India for July-October shipment at \$1,230/tonne FOB, plus freight of \$130-138/tonne. Trammo and Keytrade also offered US tonnage to India. These prices are well above Indian expectations. Buyers there are aiming to pay less than \$1,300/tonne CFR, equivalent to \$1,160-1,170/tonne FOB US Gulf at current freights.

Demand is slow offshore as well as in the US domestic market. Domestic prices are static at \$990-1,000/short ton FOB Nola, showing a discount of close to \$100/tonne on export sales made in May and not high enough to encourage producers to move DAP into inventory. CF has been selling barges this week at \$995/short ton FOB.

While PhosChem is sticking to its \$1,230/tonne FOB asking price, other suppliers may well consider lower levels to place DAP/MAP offshore.

Ammonia

On the back of reduced availability due to plant turnarounds, FSU producers are becoming increasingly bullish and a sale at \$460/tonne FOB was reported this week, though for small tonnes, with prices ideas rocketing up to \$500/tonne FOB. July availability from Yuzhny is expected to be cutback by 40-50,000 tonnes because of turnarounds at Gorlovka and OPZ and will also be reduced in August and September, as the first OPZ turnaround will last 40 days starting in mid July and another will start in September. However, current Yuzhny levels are already too high to be workable in most markets and suppliers may have to smooth their demands, at least until higher CFR prices are posted in various markets.



US demand is good and is likely to remain strong through summer. Suppliers are already talking of a sharp increase in Tampa CFR prices for July, but will probably wait as long as possible to take advantage of the firming trend in Yuzhny.

Supply east of Suez is tight, in particular after the anticipated closure of the Burrup plants and with a number of Middle East cargoes sold for the US earlier. Following its purchases from Iran, Yara bought a Qatari cargo at \$430/tonne FOB this week for mid-July loading.

North America

In **Tampa**, negotiations to settle the July contract price are yet to start, with suppliers likely to wait as long as possible, given the firming trend in Yuzhny. Suppliers say that current FOB levels in Yuzhny already justify an increase to \$540/tonne CFR Tampa but prices will rise further in the meantime. In anticipation of this, Mosaic says it has purchased a 10-25,000 tonne cargo for mid-July delivery at \$510/tonne CFR, the same level paid for June contract deliveries, suggesting it is probably looking for a roll-over. However, the seller has not been disclosed but there are suggestions that the purchase may be from another US buyer, reportedly Terra, in exchange for barges.

Several key areas in **Midwest** US states remain too flooded for ammonia reapplication to be feasible, sources said, but heavy rains earlier in the year will likely create an upside for ammonia and nitrogen demand later this summer and into the fall. It's unclear how much prices will change in the fall, because much of the ammonia needed by farmers has already been delivered to the region, a buyer said.

A fertilizer retailer predicted more acreage will be planted during next year's application season as corn prices remain high.

Nola FOB prices increased to \$500-510/s ton FOB, though little demand remains there.