

THE MARKET

FERTILIZER NEWS AND ANALYSIS

19 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	19 June	12 June	Tendency
Prilled Urea Yuzhny	615-620	620-630	Softer
Granular Urea Mid East	660-710	660-710	Holding
Granular Urea USG s.ton	665-670	665-667	Firmer
DAP Tampa	1160-1170	1170-1210	Weaker
Ammonia fob Yuzhny	500-520	445-460	Rising
Ammonia cfr Tampa	510	510	Firm
Sulphur fob Vancouver	700-800	680-700	Stronger

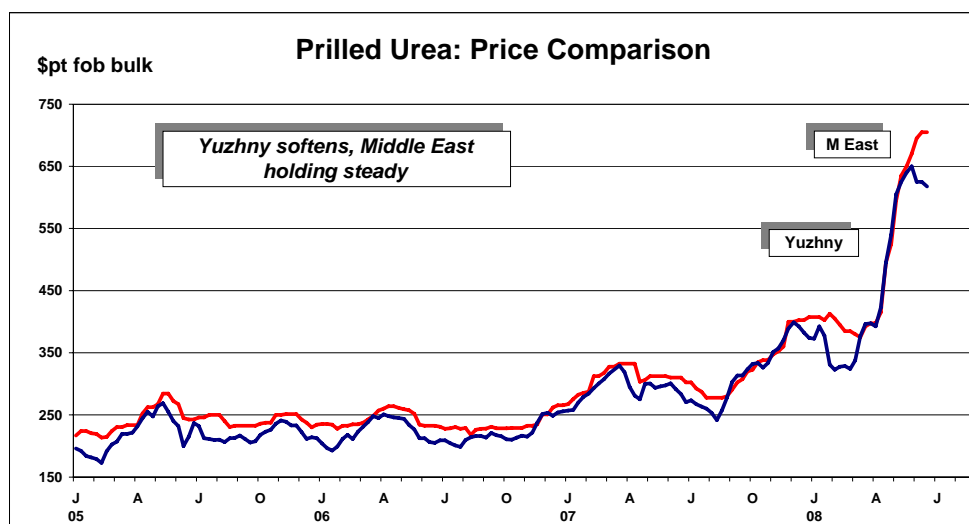
Latest International Business					
Product	Origin	Destination	'000t	\$pt	Ship
Urea	Yuzhny	India	37	690s CFR	J
	Yuzhny	India	50	690s Cfr	Jy
	Yuzhny	WC Mexico	35	738 CFR	J
	Yuzhny		20-25	615 FOB	J
	Baltic	Chile	15	615 FOB	J
	Klaipeda	Brazil	25	615 FOB	J/Jy
Granular	Riga	Brazil	30	688-690 CFR	J/Jy
	Qatar?	Sri Lanka	2x12	823 CFR bagged	Jy/A
	Venezuela	WC Mexico	25	742 CFR	Jy
	Egypt	Egypt	20	720 ex-works	J
	UAN	Romania	Europe?	25	@440 FOB
DAP	Bulgaria	Europe?	25	425 FOB	Jy
	Egypt	France	25	422-423 FOB eq	J/Jy
	Klaipeda	Europe	25	396 FOB eq	Jy
	US	India	30-40	1260-1265 CFR	Jy
Ammonia	Russia	India	2 x 30	1285 CFR 180 d	Ju
	Yuzhny	US?	23	500 FOB	Jy
Sulphur	Yuzhny		5	520 FOB	J
	Vancouver	Mexico		725 FOB?	Jy
	Vancouver			800 FOB	
MOP	Russia	W Europe		Mid-€590s CIF	J

Urea

Urea prices in Yuzhny have dipped to \$615/tonne FOB, but appear to have found some support at that level. Traders have purchased material for India, with falling freight rates making sales there more attractive. IPL is reportedly prepared to buy urea at prices below \$700/tonne CFR. One sale was confirmed last week and two others are under negotiation.

Latin American buyers have also bought 3-4 cargoes this week, taking product from the Baltic and Black Sea and from Venezuela. Sales in Brazil have taken place in the \$680s/tonne CFR, reflecting \$610-620/tonne FOB Baltic depending on freight.

The current crop of sales has done little more than mop up the surplus tonnage available for June loading, however. The urea market is still waiting for more sizeable buying from Asian markets before it can move up. Further weakening in price appears unlikely, given the demand forecast for Asia in July and August.



Middle East producers are holding prices above \$700/tonne FOB, despite the slightly lower range seen for Yuzhny. Awards are pending for more than 300,000 tonnes of urea in Bangladesh and Sri Lanka, a large part of which will be sourced from the Middle East. Pakistan has confirmed a requirement for 300,000 tonnes for July-August arrival. India is taking its time, but will eventually emerge as a buyer of Middle East urea as well.

In the US, sellers of urea have pulled out of the market and prices have firmed this week, particularly for forward delivery, reaching \$675/short ton FOB Nola for August. Record high prices for corn have prompted distributors and farmers to try to lock in nitrogen supply for Q4.

North America

In the **US**, the granular urea market has firmed slightly this week. CF has been buying barges both for prompt and forward positions, paying \$665-670/short ton FOB Nola. Suppliers have sold barges at \$670/short ton for July and \$675/short ton FOB for August.

The firmer market derives mainly from the lack of sellers. There are few vessels scheduled to arrive in the US Gulf in July. The main US urea producers have sold forward and are in no hurry to commit more of their production.

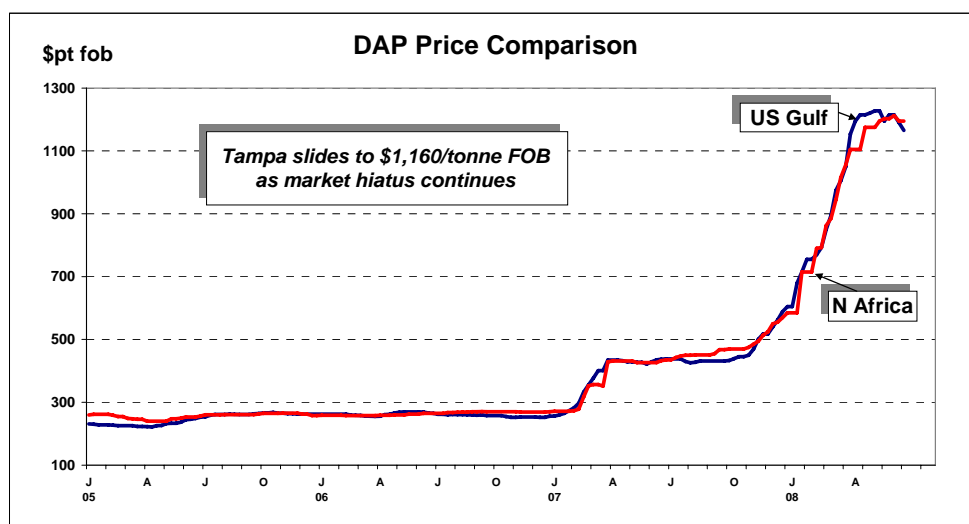
There are bids on Direct Hedge at \$680-685/short ton FOB for Q4, but no sellers.

The rise in corn prices this week, on account of the poor condition of the 2008 crop, is very bullish for nitrogen demand for fall 2008 and spring 2009. Distributors and farmers are trying to lock in nitrogen supplies for then.

DAP

DAP prices have weakened over the past seven days due to low demand. CFR levels in India (the only active market) fell by \$15-20/tonne in fresh DAP purchases this week, in line with softer freight rates.

Latest US DAP sales into India are estimated to net back to \$1,160/tonne FOB. Russian producers sold aggressively into India at prices for DAP netting back to around \$1,100-1,120/tonne FOB Baltic. Not all prices have fallen, with Russian MAP sold as high as \$1,185/tonne FOB to a trader.



Latin American demand is low and partly responsible for weaker prices. Argentina is only just emerging from the latest farmers' strike and Brazil is still working through existing inventories. Demand is expected to emerge in late July, at which time producers hope that further demand in India and a healthy fill programme in the US will combine drive prices upwards significantly.

It remains to be seen whether the partial clarification on subsidies in Pakistan will provide fresh impetus for further DAP imports. Estimates of imported DAP requirements for the rest of 2008 vary from as little as 150,000 tonnes to as much as 400,000 tonnes.

India remains the focus of activity, with IPL buying at least 90,000 tonnes of DAP and possibly as much as 150,000 tonnes at prices in the \$1,260-1,270/tonne CFR range, down significantly from May when cargoes were booked at just under \$1,300/tonne CFR. The MMTC and RCF tenders expired with no business done, as IPL stepped in to take the available tonnage.

Looking forward, and depending on phosphoric acid availability to India, the hiatus is expected to last a further 3-5 weeks. By this time rising commodity prices may encourage dealers and importers to take positions in Latin America and the US. This, combined with a further 500-700,000 tonnes of Indian DAP demand, plus a shortage of Chinese product, could see prices rebound. Producers will also push for higher prices due to anticipated hikes in sulphur, ammonia and phosphate rock.

North America

In the **US**, Keytrade has sold 30-40,000 tonnes of US DAP to India at a price thought to netback to \$1,160/tonne FOB based on freight at \$100/tonne. Shipment is for June/July.

DAP barges have traded higher this week at \$1,005-1,010/short ton FOB Nola, on the back of limited availability and trader interest for barges for export. Some traders report that

there is still demand for phosphates in states such Missouri and Arkansas due to late soybean planting.

In Central Florida, Mosaic has sold DAP at \$1,070/short ton FOB for August shipment, and at \$1,095/short ton for October-November delivery.

It is rumoured that MissPhos may cancel some of its domestic contracts coming up for renewal in July to favour the more lucrative export market.

TFI data shows US DAP production reached 796,000 short tons in May, down 2% on April but up 12% on May 2007 levels. Closing inventories were 705,000 short tons, down 8% on April but up 19% on May 2007. Producer disappearance was 855,000 short tons, up 49% on April and May 2007.

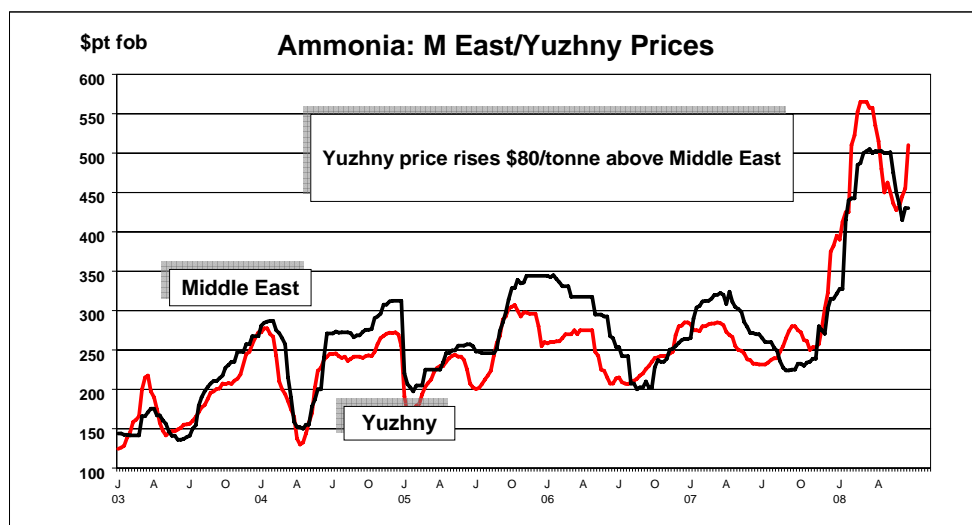
The main reason for the increase in producer disappearance was increased DAP exports, which were 445,727 tonnes in May, up 46% on May 2007 levels. The main recipient was India, which took 270,745 tonnes (61% of the total).

Ammonia

Ammonia supply is tight west and east of Suez, traders are struggling to cover their contract commitments and producers are successfully posting higher prices for any ammonia they can make available.

Turnarounds in Ukraine, Algeria, Libya and Trinidad have combined to tighten supply in the west and the shortage is likely to be more severe in July. As a result, Yuzhny prices are rocketing, with sales reported for July at \$500-520/tonne FOB. US purchasing, particularly from PCS, which has to replace lost production in Trinidad, is contributing to the price escalation. This will leave Tampa buyers with few arguments against the sharp increase demanded by suppliers for July contract prices.

Supply in the east is even tighter, with expectations that the Burrup plant in Australia may not be able to restart until after summer. This has left Yara, which usually moves 60-65,000 tonnes/month of ammonia from the plant, short of product to cover contract commitments in Australia, Korea, Thailand and China.



Also, Yara was expected to take Middle East ammonia to Europe, prior to the closure of Burrup. There are reports that it may now be considering taking a Yuzhny cargo to the Far East. Yuzhny ammonia would land at least \$600/tonne CFR there, while current contract prices are much lower. A small spot cargo was sold to China at \$550/tonne CFR this week.

All this points to the likelihood of higher AG FOB prices being posted over the next few weeks, if spot tonnage becomes available.

North America

In **Tampa**, negotiations to settle the July price are expected to be concluded by early next week. A supplier has asked for \$580/tonne CFR, but buyers have pointed to the \$510/tonne CFR agreed for a July cargo between Terra and Mosaic to push for a rollover. With the prices paid on average for June tonnage in Yuzhny around \$450-460/tonne FOB, it is unlikely that buyers will manage to avoid an increase.

Heavy flooding has decimated much of the US **Midwest**, with high waters making corn replanting unfeasible or impossible. Some levees in Iowa are broken or underwater, market sources said, while many farmers and retailers were focusing more on protecting their property than the prospect of side dressing.

In the long-term, ammonia and urea prices are expected to react sharply to the flooding because it will renew an interest in planting in the fall, especially if corn futures prices remain high, market sources said. In the meantime, it is increasingly difficult to transport fertilizer chemicals to farms in the Cornbelt because of the floodwaters.

The marketplace remained calm in **New Orleans**, with prices relatively unchanged from the \$500-510/short ton FOB the week before. No new deals or bids were reported out of Tampa.