

THE MARKET

FERTILIZER NEWS AND ANALYSIS

26 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	26 June	19 June	Tendency
Prilled Urea Yuzhny	625-642	615-620	Rising
Granular Urea Mid East	695-710	660-710	Firmer
Granular Urea USG s.ton	686-715	665-670	Leaping
DAP Tampa	1160-1170	1160-1170	Holding
Ammonia fob Yuzhny	520-530	500-520	Rising
Ammonia cfr Tampa	580	510	Stronger
Sulphur fob Vancouver	725-800	700-800	Firm

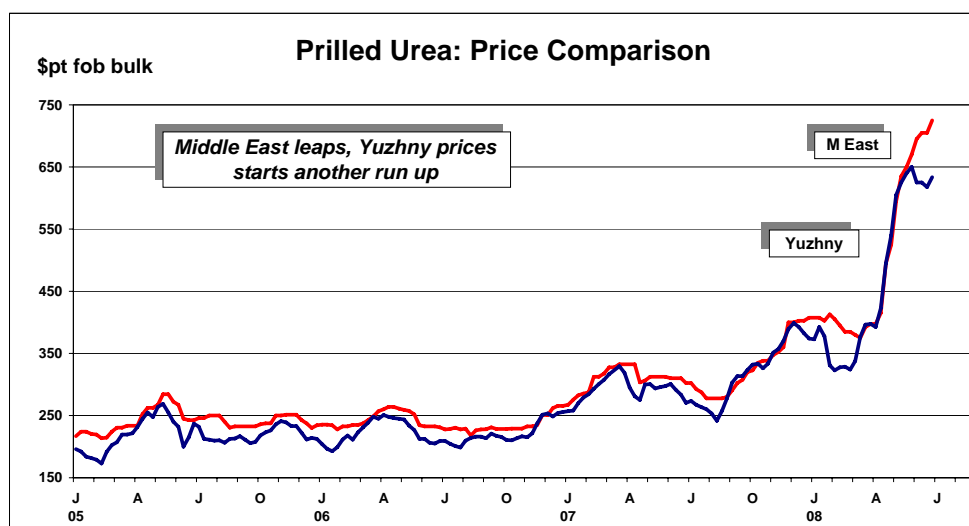
Latest International Business					
Product	Origin	Destination	'000t	\$pt	Ship
Urea	Yuzhny		30-40	625-630 FOB	Jy
	Yuzhny	Brazil	25	630 FOB	Jy
	Yuzhny		40-50	625-642 FOB	Jy
	Yuzhny	Chile	25	740-750 CFR	Jy
	Baltic		5-10	640 FOB	Jy
	Baltic	Brazil ?	25	625-630 FOB	Jy
	Libya	US	18	715 CFR	Jy
Granular	Egypt		15	740-742 FOB	Jy
	Kuwait	Brazil	25	765 CFR	ey-Jy
	Kuwait	Americas	25	700-705 FOB	Jy
UAN	Russia	Argentina	25	425 FOB	Jy
DAP	US	Uruguay	6	1250 CFR	Jy
Ammonia	Yuzhny			530 FOB	Jy
	Bah/Kuw	Australia?	23.5	550 FOB	Jy
	Yuzhny	US Gulf	12.5	585 CFR	Jy
	Yuzhny	US Gulf	35	590 CFR	Jy
		Tampa		580 CFR	Jy
Sulphur	India	US Gulf	25	750 FOB	J
SOP	Europe	Brazil	5	€830-855 CFR	Jy/A

Urea

Urea prices have turned up in Yuzhny in what is probably the start of an extended run up in prices. Traders bought the urea available at \$625-630/tonne FOB for prompt shipment to Brazil and India and have since paid up to \$642/tonne FOB Yuzhny for July loading.

Further purchasing will take place for both markets during July and August that will allow Ukrainian producers to raise FOB prices.

One trader has purchased over 150,000 tonnes of urea alone over the past week, buying from Black Sea, Baltic, Mediterranean and Middle East origins.



Sri Lankan buyers made awards totalling nearly 200,000 tonnes of urea in tenders this week, at prices netting back to \$740/tonne FOB bulk to Middle East producers for July. Cargoes were agreed for forward purchases – as far ahead as October - \$30/tonne higher.

One of the buyers in Sri Lanka paid over \$900/tonne CFR for urea for delivery in Q4. While Sri Lanka is a market in which Middle East suppliers enjoy a big freight and logistical advantage, the size of the awards and record prices send a message to other buyers in South Asia: book now or risk a shortfall in supply.

Although IPL has bought a few cargoes below \$700/tonne CFR, little more is available at this level and Indian buyers face paying prices \$70-80/tonne more to secure larger volumes.

Granular urea prices have also strengthened. Egyptian producers have sold at \$740/tonne FOB for July loading. The US market has surged above \$700/short ton FOB Nola, from \$665/short ton last week and there have been paper trades above \$720/short ton for December. There are few sellers prepared to offer urea for forward positions even at these levels.

North America

In the **US**, the urea market caught fire at the end of last week and prices for granular barges have surged to \$710-715/short ton FOB Nola for July-August loading. Several rice buyers stepped into the market at the same time as end-users in other parts of the US began to buy for fall.

With more urea being shipped out of the US than coming in during June and July, the tight supply of barges has seen prices forced up at what is traditionally a low point in the year. CF has raised its asking prices, quoting \$735/short ton FOB Donaldsonville for January 2009. Koch is not offering urea at present.

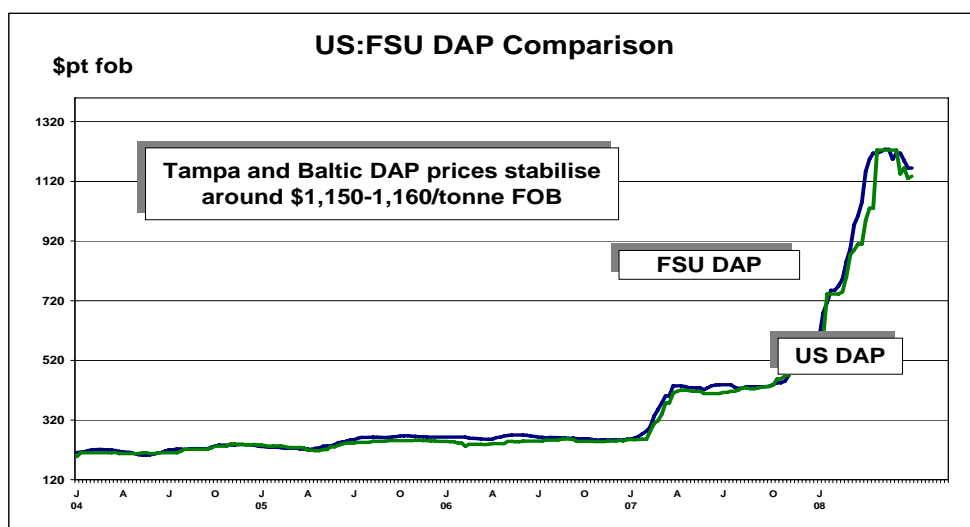
Trammo has bought 18,000 tonnes of Libyan urea from Oakley at \$715/tonne CFR for July shipment to Nola.

DAP

India remains the only really active buyer of DAP, but overall sentiment in the phosphates market has become more bullish.

Several reasons underscore this change. Firstly, the US domestic market looks set for a strong fall and spring 2009 season on the back of high corn prices, prompting DAP barge prices to move up \$20/short ton this week.

Secondly, all producers report greater interest in Argentina and other parts of Latin America. Although significant buying has still to take place, Argentina is emerging from the recent turmoil after the farmers' strike.



Thirdly, there is a belief that India, again faced with the possibility of disrupted phosphoric acid supplies from North Africa and experiencing excellent rainfall across the country, will import considerably more than the forecast 3.5m tonnes of DAP. Total imports of 3.8-4m tonnes are not out of the question.

Fourthly, the chances of China returning to the export market are remote. Current production rates of 50% of capacity may prolong China's absence, keeping product tight through Q1.

Suppliers such as PhosChem are prepared to wait rather than see prices fall. Price discovery from North African producers will be difficult in July, given the uncertainty over sulphur supplies and the consequent level of phosphoric acid production and granulation. There are rumours that OCP, for example, may not produce any DAP in July.

Russian producers look set to enjoy strong demand in domestic and regional markets and have already begun increasing MAP and NPK production.

Short term, the market will remain stalled until late July or early August, but the recent marginal slide in prices appears to have bottomed out due to weaker freights. The factors outlined above will then converge to spark a new round of price rises.

North America

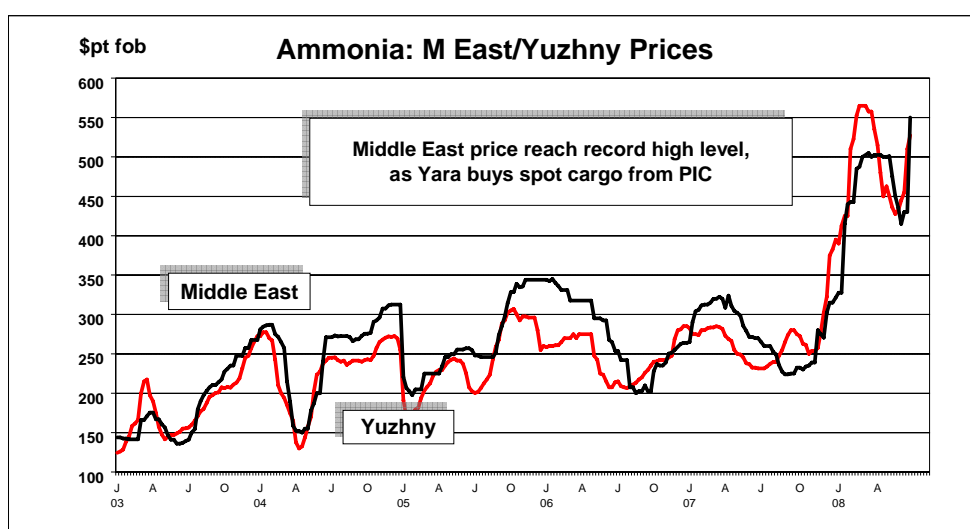
In the **US**, Trammo will load 45,000 tonnes of DAP in the Mississippi River for India.

Domestically, prices for prompt DAP barges have firmed to \$1,025-1,030/short ton FOB Nola as interest intensifies for fall application and barges are bought up for the more lucrative export market. MAP barges have been sold prompt at \$1,055/short ton FOB.

Mosaic has sold DAP rail cars at \$1,070/short ton FOB Central Florida for summer fill and at \$1,095/short ton for October/November.

Ammonia

As anticipated last week, Middle East producers have got their acts together to force prices up. At presstime, PIC sold a cargo to Yara at \$550/tonne FOB, \$120/tonne higher than a previous spot sale of Qatari ammonia. While demand from their traditional market, India, is still disappointing, AG producers are receiving lots of inquiries for shipment to other Asian markets. This is mainly due to the Burrup plant closure, which has left Yara with no Australian tonnes to lift for export and, at the same, has increased Australia's import requirements.



The new high FOB level in the AG will feed into higher CFR contract prices in Asia, in particular India and Korea, where Yara is expected to deliver a Yuzhny cargo in July. The new highs achieved in Yuzhny lately would suggest prices in the \$620s/tonne CFR Korea, which justifies paying \$550/tonne FOB for AG ammonia. Moreover, spot availability is tight and producers say there are other buyers looking for product.

Tampa buyers had little choice but to accept \$580/tonne CFR for July, a \$70/tonne rise on June, as suppliers were suggesting that this was a bargain, considering that the latest levels reached in Yuzhny would demand a price in Tampa above \$600/tonne CFR.

North America

At the end of last week, PCS sold a 12,500 tonne cargo to Yara at \$585/tonne CFR **US Gulf** for late July arrival. PCS will deliver the cargo from Yuzhny on the Sombeke. The remainder of the cargo is for its own system.

The news of the recent sale stiffened negotiations in **Tampa**, where buyers were targeting a rollover at \$510/tonne CFR, based on the latest Mosaic purchase from Terra for first half July arrival. By presstime, Yara had agreed a price of \$580/tonne CFR Tampa for July and \$590/tonne CFR with Terra for a contract cargo to be delivered from Yuzhny on the Hekabe in late July.

In the domestic market, some corn and soybean crops – 11% and 12% of the original intended acreage, respectively – are set to be either replanted or have been replanted in

Iowa, according to data from the state government. The status of much of the US cornbelt's infrastructure remains unclear, with almost a dozen levees breached and several more endangered, according to data from the US Army Corps of engineers.

The difficulty in transporting ammonia and urea for farmers intending to re-apply or side dress might result in added costs in those areas, said an official at The Fertilizer Institute.