

# THE MARKET

## FERTILIZER NEWS AND ANALYSIS

3 July 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](mailto:stephen.mitchell@icis.com)

Latest Spot Market Prices \$ per tonne fob			
Product	3 July	26 June	Tendency
<b>Prilled Urea Yuzhny</b>	<b>661-705</b>	<b>625-642</b>	<b>Booming</b>
<b>Granular Urea Mid East</b>	<b>695-730</b>	<b>695-710</b>	<b>Strong</b>
<b>Granular Urea USG s.ton</b>	<b>725-745</b>	<b>686-715</b>	<b>Rising</b>
<b>DAP Tampa</b>	<b>1160-1170</b>	<b>1160-1170</b>	<b>Stable</b>
<b>Ammonia fob Yuzhny</b>	<b>530-560</b>	<b>520-530</b>	<b>Rising</b>
<b>Ammonia cfr Tampa</b>	<b>585</b>	<b>580</b>	<b>Stronger</b>
<b>Sulphur fob Vancouver</b>	<b>780-820</b>	<b>725-800</b>	<b>Firm</b>

Latest International Business					
Product	Origin	Destination	'000t	\$pt	Ship
<b>Urea</b>	Yuzhny		10-20	680 FOB	Jy
	Yuzhny		10	690 FOB	Jy
	Yuzhny		10	700-705 FOB	A
	Yuzhny	Argentina	10-15	725 CFR	Jy
	Yuzhny	Brazil	30	705 CFR	Jy
	Romania	India ?	50	735 CFR	Jy
<b>Granular</b>	Yuzhny		25	710-715 FOB	Jy
	Egypt	US/Latin Am	80	795 FOB	Jy/A
<b>UAN</b>	Yuzhny	US	25	400 FOB	Jy
<b>DAP</b>	US	India	70-120	1270 CFR	Jy
	US	India	60-70	1270 CFR	Jy
	US	India	100-120	Formula	Jy-A
	TBC	Pakistan	40	Hi 1270s CFR	Jy
<b>MAP</b>	US	Colombia	4-5	1190 FOB	Jy
<b>TSP</b>	Tunisia	US	11	TBN	Jy
<b>Ammonia</b>	Kuwait	Korea	23	645 CFR	Jy
	Indonesia	Philippines	5	560 CFR	Jy
<b>Sulphur</b>	Bahrain	India	9-10	850 CFR	Jy
	Taiwan	India	15	856-858 CFR	Jy
	S Arabia	Tunisia	25	795 CFR	Jy

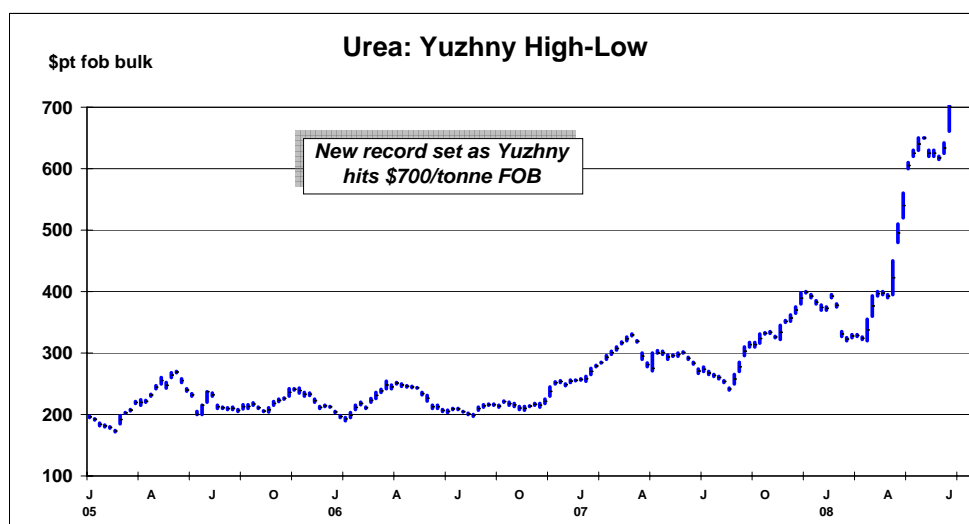
## Urea

Trader buying has driven urea prices to new highs this week. Among the highlights:

- Yuzhny prices reached \$700/tonne FOB for the first time ever. A trader bought 10,000 tonnes at \$700-705/tonne FOB for August shipment. In addition, several parcels were sold at \$661-695/tonne FOB for July.
- Two traders bought up to 80,000 tonnes of Egyptian granular urea at \$790-795/tonne FOB for July loading
- US granular urea sold at \$745/short ton FOB Nola for August, equivalent to about \$815/tonne CFR
- Traders bid \$760-765/tonne FOB for Middle East granular urea for shipment to the US

As the list above implies, traders have identified a shortfall in granular urea supply for the US and are positioning themselves to fill it.

One more sale to India has been confirmed and price indications from IPL are now reported in the mid-\$700s/tonne CFR. Competition from neighbouring markets appears to have convinced the Indians that waiting any longer to buy is the wrong tactic.



The surge in urea prices in the Black Sea and Baltic has prompted a rush into the market by Latin American buyers. Importers in virtually every country have begun checking prices and availability.

Having increased by \$85-90/tonne in two weeks, from a low point of \$615/tonne FOB Yuzhny, prices may now pause while traders take the profit on long positions. However, further increases in FOB prices are likely during July and August given the size of demand in major markets.

## North America

In the **US**, the urea market is slightly calmer this week ahead of the 4<sup>th</sup> of July holiday. Granular urea barges have traded at \$735-745/short ton FOB this week for August. The supply of unsold urea for July is negligible.

Keytrade began offering granular urea at \$740/short ton FOB Nola for August arrival from Kuwait, but subsequently raised offers to \$750/short ton FOB due to the increase in international prices.

Oakley will load 15-20,000 tonnes of Egyptian granular urea in July for the US Gulf. It has been selling at \$745/short ton FOB Nola.

There is continued interest in nitrogen for fall and spring delivery. CF is reportedly offering at \$790/short ton FOB Donaldsonville for December and \$800/short ton FOB for January. Earlier it is reported to have sold small quantities at \$775/short ton FOB for spring 2009. In the meantime, urea is available at lower prices ex-terminal, with \$760/short ton FOB quoted for product at Pine Bend.

Koch's Enid plant is expected to go down for a turnaround this week for 14 days, during which an additional 400 tonne/day line will be added.

The USDA has raised its estimate of the area planted to wheat in 2008 to 87.3m acres, of which 78.9m should be harvested. The USDA re-interviewed 1,200 farmers in late June to help it make the new forecast following the flooding that has taken place in the Cornbelt. The forecast harvested area is higher than expected and may prove bearish for corn prices.

## DAP

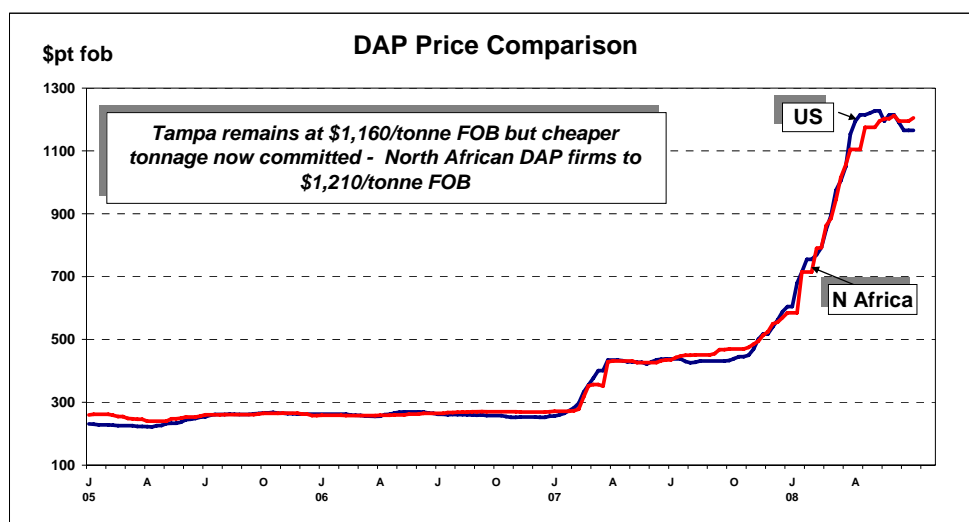
Indian DAP buying has continued strongly this week, and market sentiment remains bullish due to further prospective demand there, plus likely Latin American and US domestic market requirements, underpinned by high crop prices internationally.

India has bought over 300,000 tonnes of Russian and US DAP. Pakistan has also stepped in to the market, buying 60-70,000 tonnes of DAP/MAP.

In India, there is acceptance that China will not be a source of significant volumes of DAP/MAP for the rest of the year. With the uncertainty over phosphoric acid supplies, and a healthy pre-monsoon rainfall, it looks likely that Indian import demand will be significantly higher than the 3.5m tonnes of DAP forecast. With supplies of US DAP acquired through Kisan exhausted, it is also likely that Indian prices will move up from \$1,260-1,275/tonne CFR.

In Pakistan, demand has surfaced due to concerns over the international price going higher, and speculation that the level of demand destruction may not be as great as first thought. A further 100-200,000 tonnes of DAP are required for rabi.

Iran has issued an August tender for 150,000 tonnes of phosphates. In Latin America, demand has still so far to materialise but some interest is evident in Argentina and Mexico. Significant buying is not expected for a few weeks.



Indian demand has soaked up over 200,000 tonnes of US DAP, more than half from non-Phoschem sources. This has tightened supply in the domestic market, which has already seen barge prices firm by \$50/short ton in anticipation of a strong fall and spring 2009 application. Domestic prices are now approaching the point where the US market provides a similar return to export.

Prices have also moved up marginally in North Africa, with July DAP from Tunisia for Turkey priced at \$1,210/tonne FOB.

Thus the recent stagnation in DAP prices appears over with cheaper product committed, supply tightening and strong demand looking set to materialise in the next couple of weeks.

## **North America**

In the **US**, Keytrade has sold 70-120,000 tonnes of US DAP to India at a price thought to net back to \$1,160/tonne FOB, based on freight around \$110/tonne.

PhosChem has sold two DAP panamaxes to India on a formula basis for July and August shipment.

Ameropa is reported to have sold 4-5,000 tonnes of MAP to Colombia from the river at a price netting back to \$1,190/tonne FOB.

ConAgra is reported to have sold 5-6,000 tonnes of US DAP to Nigeria from river barges.

Trammo has fixed a vessel to load 45,000 tonnes of US DAP in the Mississippi River for India in early July.

Oakley will load 11,000 tonnes of Tunisian TSP in July for the US Gulf, as a part cargo on a vessel of granular urea from Egypt. Mosaic is reported to be offering TSP at \$1,055/short ton FOB Nola for barges of Moroccan material.

Mosaic has reported sales of DAP barges for prompt shipment at \$1,075/short ton FOB Nola and at \$1,090/short ton FOB for September loading. It has sold a MAP barge for October shipment at \$1,125/short ton FOB. DAP barges are now on offer at \$1,100/short ton for July-August shipment.

Mosaic has increased its price for DAP rail cars by \$10/short ton to \$1,080/short ton FOB Central Florida for July-August shipment, already reporting a good level of sales this week. MAP will be offered at a \$25/short ton premium to DAP for this period.

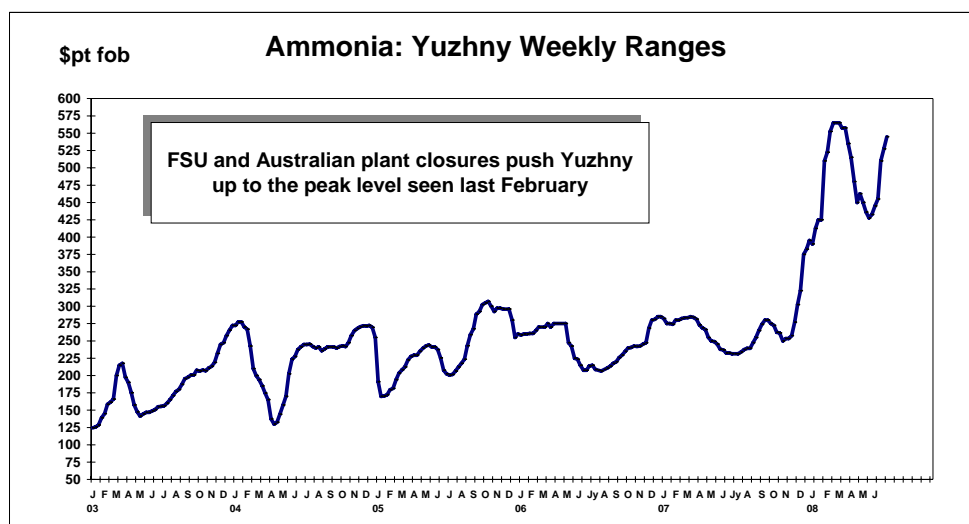
Agrifos is reported to have entered a two-week maintenance turnaround at its Pasadena plant.

## **Ammonia**

Supply restrictions have altered the market fundamentals and are driving ammonia prices up through the roof. Plant turnarounds in Ukraine mean that July will see the smallest line-up out of Yuzhny for this year. This, combined with plant closures in Algeria and additional demand from the east, has left the European market, which is usually quieter in summer, short of supply.

The closure of the Burrup plant in Australia is certainly the main and unexpected change, which has tightened supply and added demand east of Suez. It has also led to Yuzhny ammonia moving to the Far East, leaving Yara short for the US too. The above has fuelled higher prices in both the Middle East and Yuzhny, with suppliers now targeting \$600/tonne FOB for fresh tonnage. A spot cargo of Middle East ammonia was sold spot at \$645/tonne

CFR Korea this week. While the excitement is certainly well founded, a bearish tone can quickly spread should supply be restored sooner than expected. However, this seems unlikely for the time being.



After just digesting a \$75/tonne increase for July, Tampa/US Gulf prices at \$585-590/tonne CFR are already lagging behind the market, as current Yuzhny levels would already imply prices in the \$600s/tonne CFR.

## North America

**Tampa** buyers have agreed to pay a price of \$585/tonne CFR for July contract deliveries. Although this is \$75/tonne higher than in June, suppliers say that any fresh purchase would demand prices above \$600/tonne CFR, given the further rise in Yuzhny levels. While this will provide sufficient arguments for a further increase in August, there is a fundamental development which will reduce US import demand from August by 30-35,000 tonnes/month.

Terra expects to resume production at its ammonia plant in **Donaldsonville**, Louisiana in late July rather than as planned in early August. It will take 10-14 days to raise output to capacity. This will allow Terra to replace around 400,000 tonnes/year, which are currently imported under a contract with Yara, usually from Yuzhny. The company mothballed the plant in December 2004 due to high natural gas prices, which made it economically unviable. Since then, prices for imported ammonia have increased substantially and domestic US production has become competitive with imports. Terra paid \$590/tonne for the Yara July contract delivery to Donaldsonville last week.

Barges are trading at \$500-520/short ton FOB **Nola** in a relatively calm market.

Trammo is currently loading the Brussels in **Trinidad**, bought under contract from a producer, for shipment to the US. It will load another cargo in mid July for Chile, on the Chaconia or the Courcheville, and another one for the US 24-25 July. Trammo loaded three vessels in Trinidad in June as well.