

THE MARKET

FERTILIZER NEWS AND ANALYSIS

28 August 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	28 August	21 August	Tendency
Prilled Urea Yuzhny	780-800	760-780	Stronger
Granular Urea Mid East	770-898	770-898	Stable
Granular Urea USG s.ton	750-760	750-760	Firm
DAP Tampa	1150-1160	1170-1215	Weaker
Ammonia fob Yuzhny	845-860	825-860	Strong
Ammonia cfr Tampa	745-920	745-920	Rising
Sulphur fob Vancouver	650-700	650-700	Steady

Latest International Business					
Product	Origin	Destination	'000t	\$pt	Ship
Urea	Ukraine	India	15-20	775-780 FOB	S
	Ukraine	India	10-15	780 FOB	S
	Ukraine	India	10	785 FOB	S
	FSU	India	44	845-860 CFR	S
	FSU	India	50-60	845-860 CFR	S
	FSU	India	60-120	845-860 CFR	S
	FSU		5	795 FOB	S
	Estonia	Europe	6	775 FOB df	S
	Belarus	Argentina?	20	695-698 FOB	S
AN	FSU	Brazil		820 CFR	S
		Costa Rica	15	575 CFR	S
DAP	US	India	30-35	1240 CFR	S
	US	India	30-40	1235 CFR	S
	US/Mexico	India	30	1240 CFR	S
	CIS	India	25	1260 CFR	S
	US/Mexico	India	50	Unknown	S
Ammonia	Egypt	Tunisia	6-9	850 FOB equiv	A
	Iran	Korea	46-47		A
	Mexico	US	18-20		S

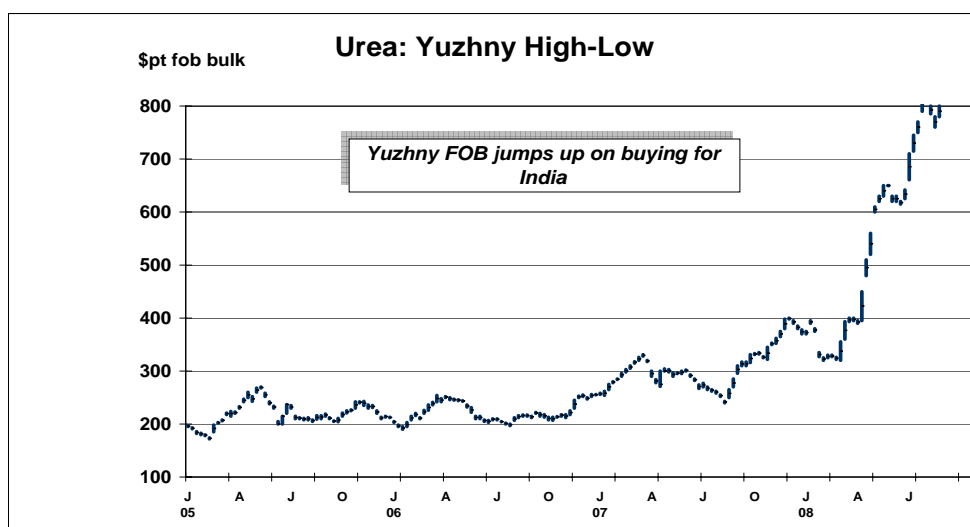
Urea

A flat Yuzhny market has been ignited by large scale buying for India. Price ideas were lagging at around \$760-780/tonne FOB before Kisan International Trading snapped up over 200,000 tonnes.

Despite this mostly coming from traders' long positions, price ideas have jumped, with producers now targeting \$800/tonne FOB and above.

The buying for India also prompted a revival in Baltic pricing. Urea was sold at the start of the week at under \$700/tonne FOB, but price indications ended \$40-60/tonne higher. Interestingly, Baltic urea featured in India despite the freight disadvantage to Yuzhny. With a heavy maintenance schedule ahead in Yuzhny, Baltic urea could feature again, providing a notable gap between Yuzhny and Baltic FOB remains.

At press time a report that MMTC had announced a tender was received. The tender for an unspecified volume of urea will close 3 September.



The return of Latin American buyers supported the rising prices in Yuzhny and the Baltic. Lower priced floating tonnes were snapped up as buyers returned to the market. Further buying is expected in the coming weeks.

Firmer international sentiment coupled with growing buying interest saw US barge prices bottom out and then tick upwards.

With Chinese exports to be further restricted through to the end of the year and application starting again, US barge demand is expected to remain healthy for the short-medium term.

North America

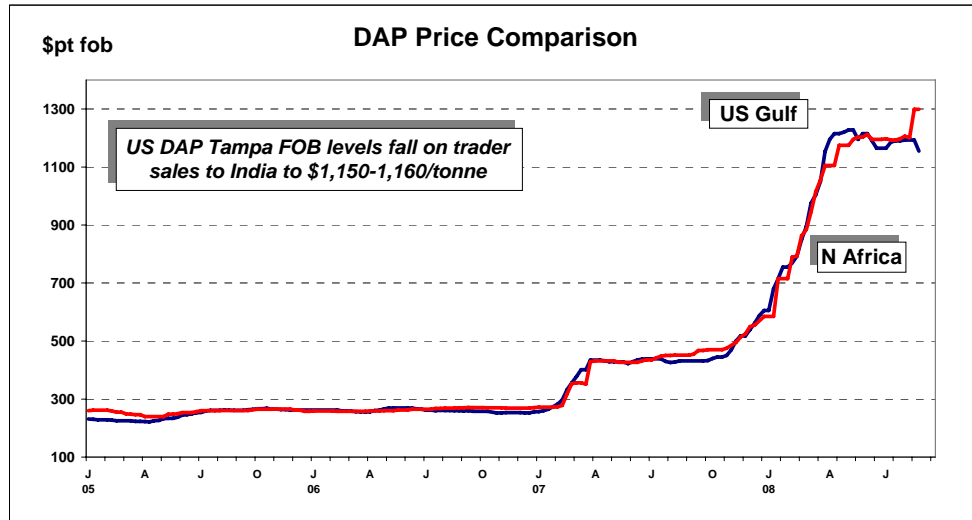
In the **US**, granular urea barges traded down at \$745/short ton FOB Nola for prompt delivery at the start of the week. However, prices bottomed out at this level and by mid-week a slight revival had started as buyers stepped into the market. Prices rose to around \$750-760/short ton FOB Nola on the back of higher international prices and the onset of winter wheat application. The ongoing restrictions in China added a psychological impetus to buyers.

Demand is expected to continue rising ahead of the October Mississippi river close.

Terminal operators at Inola have priced urea at \$800/short ton FOB. Koch remains at \$780/short ton FOB Enid.

DAP

CFR DAP prices in India have fallen dramatically in the last week as the US domestic market has weakened and freight rates US-India have slipped by \$25/tonne. This is in turn providing an opportunity for traders to sell US DAP for export at better returns than are achievable in the US market. Tampa levels have fallen to around \$1,150-1,160/tonne FOB as a result.



Indian buyers have benefited, with latest business concluded at \$1,235-1,240/tonne CFR, \$20-25/tonne below business done at the end of last week. Indian buyers realise that they are the only major buyers in the global marketplace at present and are able to pick off lower priced DAP as a result.

At present, it appears more likely that these lower CFR numbers represent a short-term windfall for Indian buyers enjoying a substantial erosion in the freight market, rather than a more fundamental weakening of the global DAP market as a whole.

Producers will point to a probable rebound in US domestic demand in second-half September as the fall season progresses. This will, in turn, dry up supply of lower priced, non-PhosChem DAP.

Also on the bullish side, China looks almost certain to maintain its 135% special export tax rate on phosphate exports through to the year end. In theory this will keep supply tight, but Chinese product has been able to make its way into the global supply chain, so much depends on how rigorously Chinese authorities enforce the export duty rules.

Demand in India remains strong. Purchases total around 180,000 tonnes in the last week alone and a new tender for 265,000 tonnes has been announced. Some estimates now put Indian DAP import demand at 4.3-4.5m tonnes, assuming a 12% growth in DAP application in 2008.

But elsewhere, demand in key markets is significantly down. Pakistan DAP offtake in April-July was down 76% year on year. GCT has not agreed August tonnages with Turkey where demand destruction stands at 50%. Argentinean demand is non-existent and Brazilian buyers are absent from the market.

Looking forward, producers continue to wait for Latin American demand to resurface. But when and how strongly this demand returns remains highly uncertain.

North America

In the **US**, the DAP market has slowed with prompt sales of barges reported at prices as low as \$1,030-1,040/short ton FOB Nola, down \$20-30/short ton on last week. Some traders indicate that purchases for the limited number of prompt barges available are possible at a price as low as \$1,010-1,015/short ton FOB.

Mosaic reports it has sold DAP barges as high as \$1,060/short ton this week. It also reports MAP barges sold at \$1,080/short ton FOB Nola.

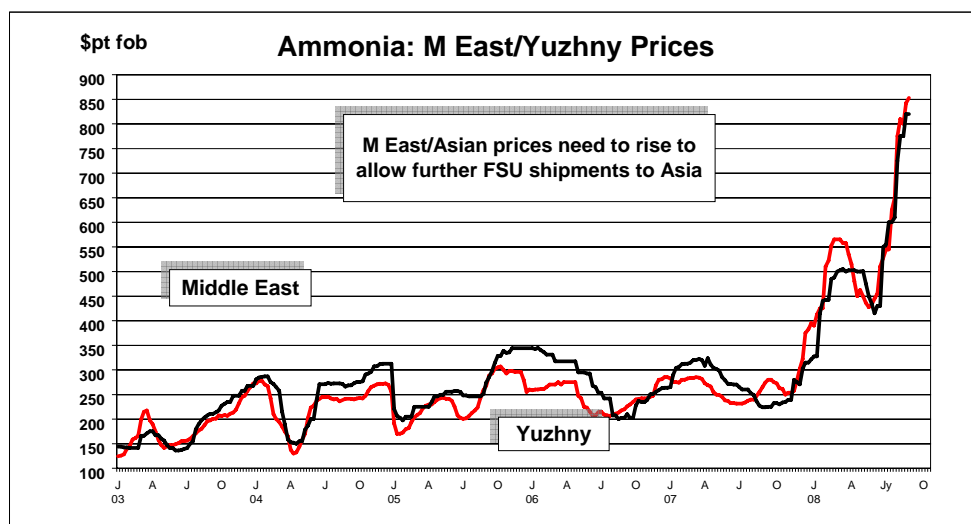
Central Florida prices are holding steady at \$1,075-1,080/short ton FOB.

This has prompted further offers of US DAP into the export market. Trammo has sold two cargoes of DAP to India, one of US origin and the other of US/Mexican product at a price estimated to net back to the mid-\$1,150s/tonne FOB. Gavilon has also sold a DAP cargo estimated to net back a similar price.

Ammonia

Having achieved \$845-860/tonne FOB Yuzhny for first half September lifting, FSU producers may have to wait a little before they can post further increases. The Yuzhny line-up for September is filling up, but it looks weaker for the second half of the month. However, there are a number of FSU turnarounds scheduled for September that may keep supply in line with demand.

CFR prices in Asia are still too low to allow further shipments from Yuzhny and a lack of spot tonnage in Middle East may make it difficult to set new high levels in the near future. While \$850/tonne FOB Yuzhny may allow remunerative sales in the US, it is not workable in Asia, unless prices rise towards \$950/tonne CFR Korea. The outlook remains firm in Asia, however, as the Australian plants are unlikely to restart soon and Yara is still looking to move ammonia from other markets to cover its contract commitments.



Mixed signals are coming from Tampa at present, where September tonnage has not yet been priced. While buyers may be prepared to accept a stiff increase from the \$745/tonne CFR paid for August, the extent of the increase may be contained by a forward bearish sentiment.

North America

In **Tampa**, the price for September contract deliveries has yet to be agreed. Buyers are acknowledging that the market is firm, but are arguing against the \$940-950/tonne CFR

proposed by suppliers, as they expect some weakening from mid September. Ammonia tanks at various terminals are said to be full and no much drawing down is expected for a while.

Demand is slow in the **cornbelt**, with buyers having already prepaid or looking for lower prices. Prompt sales are said to be cheaper than the previous prepaid tonnage, while barges are apparently sitting in the river empty as there is no demand. Fall application will start in mid/late October and suppliers may only have until late September to load tonnage from Yuzhny.