THE MARKET
FERTILIZER NEWS AND ANALYSIS

27 November 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	27 November	20 November	Tendency
Prilled Urea Yuzhny	230-240	240-250	Weaker
Granular Urea Mid East	260-265	260-265	Holding
Granular Urea USG s.ton	235-240	245-255	Weak
DAP Tampa	500-550	550-600	Falling
Ammonia fob Yuzhny	240-245	240-245	Weak
Ammonia cfr Tampa	250-350	350	Falling
Sulphur fob Vancouver	45-60	45-60	Holding

Latest International Business

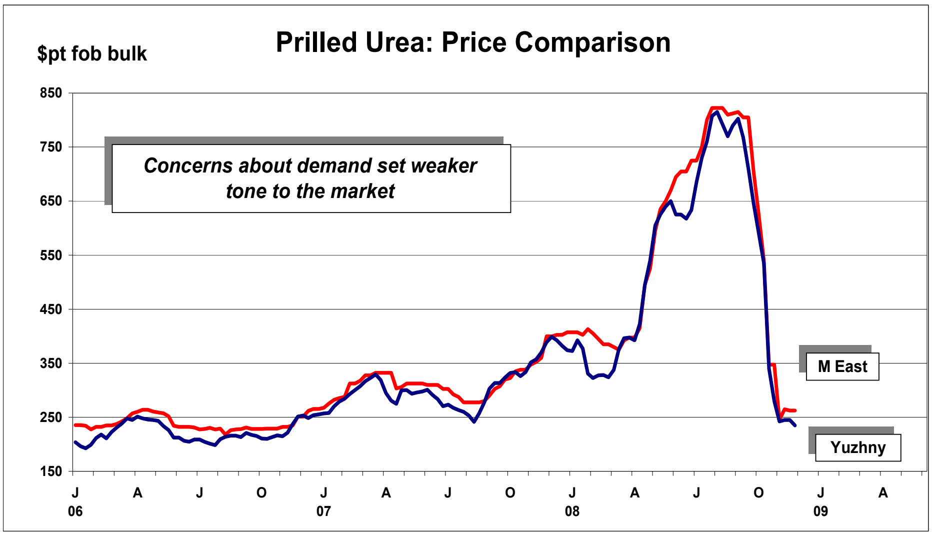
Urea	Yuzhny	Turkey	10	268 CFR 180d	D
	Yuzhny	Pakistan	25	274.85 CFR	D
	Yuzhny	Vietnam	20	260 CFR	D
	Yuzhny	Taiwan	20	280 CFR	D
	Baltic	Pakistan	25	274.85 CFR	D
	Baltic	Pakistan	25-30	274.85 CFR	D
	Yuzhny	Pakistan	25	274.85 CFR	D
	Vostochny	Philippines	5-6	259 FOB	D
Granular	Malaysia	Pakistan	25	274.85 CFR	D
	Malaysia	Pakistan	2x30	274.85 CFR	D
	Saudi A	Pakistan	2x25	274.85 CFR	D
	Malaysia	Philippines	5-6	255 FOB	
Ammonia	Qatar		23		N
	Qatar		23.5		D
	Bangladesh	India	9	192 CFR 30d	N
	Qatar	India	15	205 CFR	N
Sulphur	Canada	China	55	55-60 CFR	N/D
	Saudi	EC India	13	60-63 CFR	N
	Libya	Egypt	15	20 CFR	N
	Black Sea	Egypt	20-25	30 CFR	N

Urea

Urea prices have changed little this week, but the optimism generated by the Pakistani and Indian tenders last week has evaporated and there is a more bearish tone coming into the market. The underlying problem is uncertainty over demand due to financial problems wider than the fertilizer business.

This has shut Latin America for new business and pushed urea prices in the US down to the lowest in the world. European markets have been active, but are covered for December-January. The remaining active countries, principally Turkey and subsidized Asian markets, are not sufficient to maintain prices.

Both Yuzhny and Baltic urea have weakened slightly in the past seven days. Yuzhny traded down to $230/tonne FOB, after earlier sales at $240/tonne. Baltic urea has sold down to $225/tonne FOB, again about $10/tonne below the top end of the range.



Middle East producers have been able to maintain prices above $260/tonne FOB in sales to Pakistan. But the CFR level achieved by TCP in its 22 November tender was $11/tonne lower than in its previous inquiry. MMTC of India let its tender lapse without making an award. Both India and Pakistan need to buy more urea and will probably tender again in the first half of December.

Chinese urea prices have slipped to $270-275/tonne FOB, but remain uncompetitive with other origins. Prices are expected to fall in December as producers become more anxious to secure export business during the low tax window. However, coal feedstock prices (about 75% of Chinese urea capacity is coal based) are not falling and the extent to which Chinese producers can reduce prices is not huge: we estimate that production costs based on current coal prices are equivalent to about $220/tonne FOB seaport.

North America

In the **US**, price ideas for granular urea have dropped into the $230s/short ton FOB Nola due to low demand and some anxious sellers. Koch is reported to have sold at $240/short ton FOB Nola, but traders with barges to liquidate are said to be offering at $235/short ton. This is equivalent to $253-254/tonne CFR and is well below the world market price.

CF has lowered its terminal price by $30/short ton to $280/short ton FOB Inola. Other terminal operators report a few orders at this level, but overall demand for urea remains sluggish.

Although ammonia application is continuing in the Cornbelt, usage is currently only about 50% of the amount applied in 2007 and dealers will be left with inventory. Distributors anticipate increased spring demand for UAN solutions and urea as a result of lower ammonia application.

Based on known and planned granular urea imports, supply in July-December 2008 looks set to fall by about 500,000 short tons compared to the same period of 2007. This implies that the market will be tight in spring 2009 and sets the scene for price increases once spring movement begins.

The line up of Middle East cargoes arriving in December in the US Gulf is as follows.

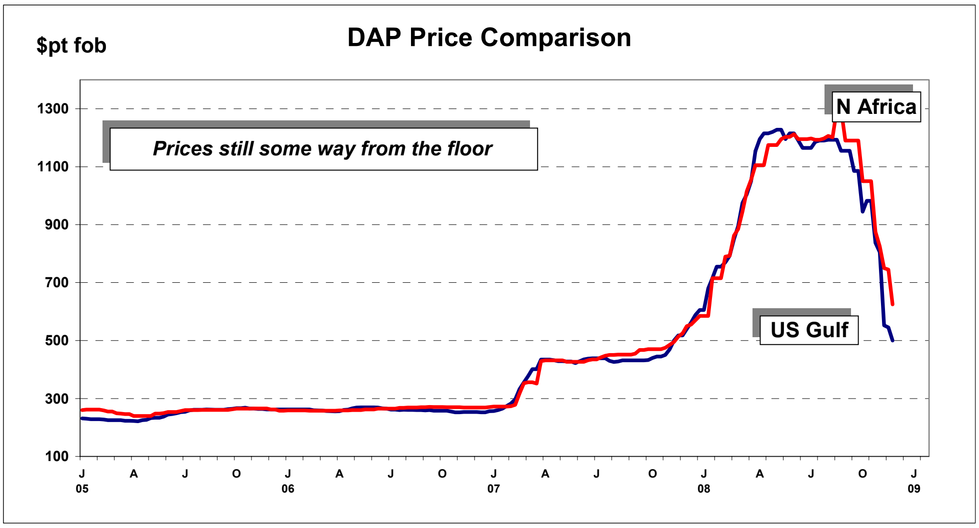
- Yasapembe 35,000 tonnes for CHS ex-Kuwait 1-5 December
- Ellivita 60,000 tonnes for Sabic ex-Saudi Arabia 8-12 December
- Mystras 45,000 tonnes for Yara ex-Qatar 8-12 December
- Triton Eagle 45,000 tonnes for Yara ex-Qatar end December

PCS is reported to be closing its urea plant in **Trinidad** for turnaround in December and no cargoes are scheduled for the US Gulf.

DAP

The phosphates market remains in search of a price floor. All major exporters have significantly curtailed production in the face of virtually non-existent demand globally.

Short term, with key Latin American markets absent and India unlikely to buy for another week or so until it renegotiates Q4 phosphoric acid prices with North African suppliers, the market will continue to slide and further production cutbacks are likely to be announced. More curtailments have been identified this week in Turkey, Lebanon and Israel.



Chinese producers have indicated FOB levels of $430-440/tonne, lower than the domestic market, but have not been able to sell. CFR numbers in India are being talked at $425-450/tonne. FOB prices appear to be converging, with reports this week that US DAP barges could trade at $400/short ton FOB Nola, equivalent to a notional $440/tonne FOB Tampa.

India remains the main potential outlet for all major producers with estimates it may take a further 1-1.5m tonnes of DAP through to March 2009. Pakistan may take some more cargoes given that prices have fallen to a level that makes imports workable. Ethiopia will also tender again in due course for 150,000 tonnes of DAP, having awarded Ameropa/PhosAgro this week under its November tender.

Such demand is insufficient to support prices, however, and the floor to DAP prices probably remains another $150-200/tonne away.

North America

The **US** domestic DAP market has slumped, with trader barge offers in the low-$400s/short ton FOB Nola receiving no interest. One trader has admitted that it would take $400/short ton for a barge, a drop of $100-150/short ton from last week. This would equate to around $440/tonne FOB Tampa for export.

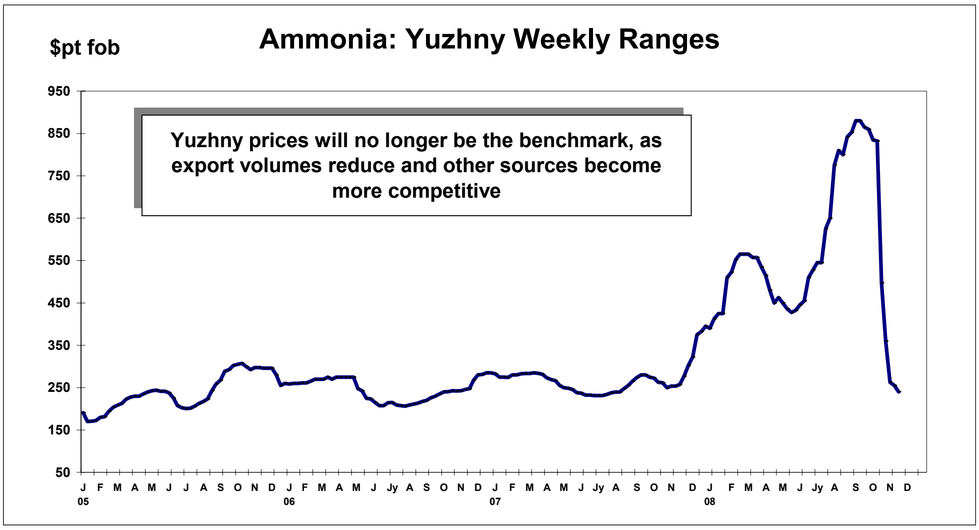
For now, export prices remain untested, with PhosChem still shipping contractual volumes to Australia and India. Production is running at reduced rates. MissPhos in its latest financial results confirmed that it is evaluating Q4 production curtailments and may carry out maintenance initiatives during this period.

Mosaic reports no Central Florida DAP/MAP sales this week under its Q1 2009 forward pricing scheme.

Ammonia

The ammonia market is changing shape, as low demand forces a number of producers to shut down or reduce downstream as well as ammonia production. Ukrainian ammonia is soon to disappear from the export market, as producers cannot afford to sell below $240/tonne FOB Yuzhny. Also, they are facing higher production costs in 2009 as natural gas supplied from Russia is likely to be more expensive.

FSU exports are set to be half the usual volumes in December and yet this has had no positive impact on prices. This is partly because demand is still relatively low everywhere, but particularly because ammonia from other supply sources, notably the AG, is much more competitive than Yuzhny to move to the US or Europe at the moment.



Indeed, Qafco managed to place several cargoes to traders for end-November/December shipment this week. The spot price and the destination of the Trammo cargo have not been disclosed, but this may become clearer as soon the Tampa price is settled next week. In Europe too, buyers will probably start to view the AG as a most competitive source, although contract pricing will have to be changed to reflect this.

North America

In **Tampa**, parties have been negotiating the December contract price but no settlement was reached before the Thanksgiving holiday, which means a settlement is now likely to be reached in the first week of December. Prices are expected to fall to $250/tonne CFR or possibly below, but the question is more placing the ammonia rather than pricing it, as demand is slow.

Storage tanks at Tampa are brimming and ships have nowhere to unload, while the pipeline to the midwest has not be drawn down. The Mississippi river barge market is at a complete standstill.

The weakness in demand has forced the shutdown of two plants operated by Agrium and Mosaic, but a third plant operated by Terra Industries in Donaldsonville is defying market predictions by staying open.

Agrium's 280,000 tonne/year Redwater 1 unit in Canada's Alberta province is considered a swing plant. Agrium will not bring the plant back up until there is a market rebound. A second Agrium unit at Redwater has a capacity of 680,000 tonnes/year and is still in operation.

Mosaic's Faustina plant in Louisiana has been down for two weeks. The plant has a capacity of 510,000 tonnes/year of ammonia.

A steep fall in industrial demand for ammonia is contributing to negative sentiment. Ammonia is used as an intermediate in the production of nylons, acrylonitrile for fibres and plastics, isocyanates for polyurethanes, hydrazine and explosives. This means ammonia is partly exposed to the steep decline in the US housing and construction, automobile, pulp and paper industries, via a range of chemicals including caprolactam, nylon, melamine, and acrylonitrile-butadiene-styrene. One bright spot is the mining sector demand for explosives, which is said to be holding up reasonably well among coal producers in particular, as a peak production season begins.