THE MARKET

FERTILIZER NEWS AND ANALYSIS

31 December 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

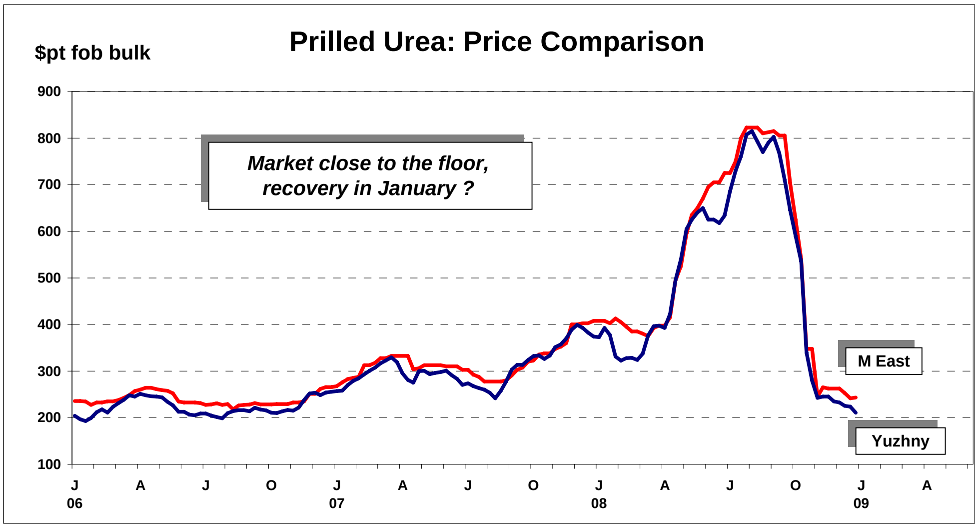
Latest Spot Market Prices $ per tonne fob			
Product	**31 December**	**18 December**	**Tendency**
Prilled Urea Yuzhny	205-216	217-228	Weaker
Granular Urea Mid East	240-245	240-242	Holding
Granular Urea USG s.ton	205-213	185-210	Recovering
DAP Tampa	375-395	390-400	Falling
Ammonia fob Yuzhny	n.m.	n.m.	Weak
Ammonia cfr Tampa	125	125	Weak
Sulphur fob Vancouver	45-60	45-60	Stable

Latest International Business					
Urea	Black Sea	Turkey	5	234-235 CFR 180	
	Ukraine	Turkey	5	216 FOB	
	Croatia	Turkey	5-6	245 CFR	
	Baltic	Brazil	25	Hi-230s CFR	
	Baltic	Nigeria	10-15	215 FOB	
Granular	Egypt	East Africa	12	245 FOB	
	Egypt	Europe	10	225 FOB	
	Egypt	Europe	25	220-230 FOB	
AN	Russia	Morocco	8	130 FOB	
	Russia	C America	20	120 FOB	
UAN	Russia	USEC	22	150s FOB	
DAP	Rus/Lith	India	300-400	Formula	
	China	India	100	390-400 CFR	
	Australia	India	70-80		
MAP	Russia	Venezuela	3 x 15		
	Russia	Venezuela	15		
Ammonia	S Arabia	Indonesia	13	125 FOB	
	S Arabia		23	125 FOB	
	Qatar	India	7	130 FOB	
	Qatar	China	23	Mid-120s FOB	
		Turkey		125 CFR	
Sulphur	Iran	China?	30	44 FOB	

Urea

Urea prices are a little firmer heading into the New Year. Both Yuzhny and the Baltic are trading around $215/tonne FOB for January, having recovered from the pre-Christmas slump below $210/tonne FOB. Traders aiming to push prices below $200/tonne FOB Yuzhny have been disappointed and prices bottomed out at $205/tonne FOB.

Short covering by traders accounts for the run up in price. Now that this is complete it remains to be seen whether demand is strong enough worldwide to lift prices any higher.



Offers in this week's Pakistan tender were lower than expected, reflecting $200-205/tonne FOB Black Sea. While one Russian cargo is available at that level, traders cannot currently buy from either Ukraine or the Middle East at a comparable price. The requirement for prompt shipment in the tender gives traders limited room for negotiation.

A new Indian tender for urea is expected next week. Having seen the low offer in Pakistan at $236/tonne CFR and judging Middle East producers to be under some pressure to move urea, Indian buyers are targeting prices in the $220s/tonne CFR.

On a more optimistic note, Brazilian buyers have returned to the market this week and have booked 1-2 cargoes of Baltic urea. Although this is not a significant quantity, traders are hopeful that it presages a more general return to the market from Brazil.

Having surprised the world with its export tax window policy in November, the Chinese government is now considering removing export taxes from February to help the ailing fertilizer industry there. There is no firm decision made yet but more news should be available next week.

At present, Chinese urea is not competitive in most markets and this situation is unlikely to change until international prices rise close to $250/tonne FOB. However, any removal/lowering of taxes could be significant later in 2009 and would act to restrain price increases.

North America

In the **US**, the rebound in prices for granular urea barges seen two weeks ago has been sustained and FOB Nola levels are holding at $210-215/short ton. Three barges traded this week at $213/short ton FOB Nola.

The main impetus is coming from dealers, prompted by year-end demand from farmers. CF is selling rail delivered urea at $280-285/short ton FOB in the northern US and was expected to raise it prices as from 31 December. Yara withdrew all offers of barge and rail delivered tonnage this week and is expected to raise prices as well.

Terminal operators in Inola increased warehouse prices by $10/short ton last week to $270/short ton FOB.

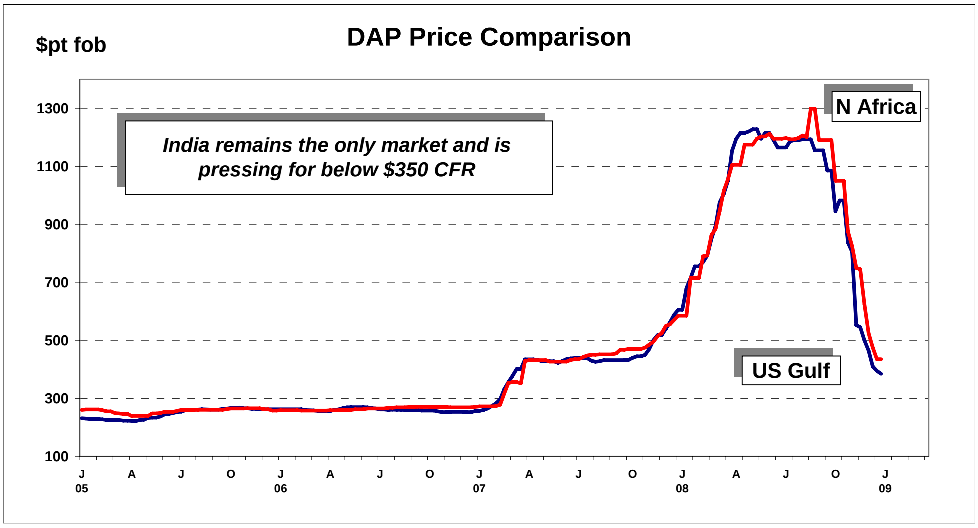
DAP

The year is drawing to a close with more than half of the world's DAP/MAP export capacity shut down and producers in the US and North Africa contemplating extending the closures into the first quarter.

While the newly-announced Ethiopian tender will provide an outlet for 200,000 tonnes of DAP in February-March, India remains the only active market at present. Other markets, in Europe and elsewhere, will return to the market slowly during Q1 2009, but several countries, notably in South America, have inventories to last into the second quarter.

In India, IPL is believed to have booked 600-700,000 tonnes of DAP for prompt/Q1 shipment at prices between $385 and $420/tonne CFR. No letters of intent have been issued yet and IPL is trying to buy more DAP at lower prices. It has bid Chinese suppliers below $350/tonne CFR, but no sales have taken place at this level.

Chinese DAP/MAP producers could benefit from the removal of the recently introduced export tax rules. The government is considering a proposal to help the fertilizer industry generally by cutting export taxes, possibly to zero. This could allow unfettered exports of DAP/MAP to continue from February, when the export tax is scheduled to increase to 110%; good news for Chinese exporters, not so good news for exporters in the US and elsewhere.



North America

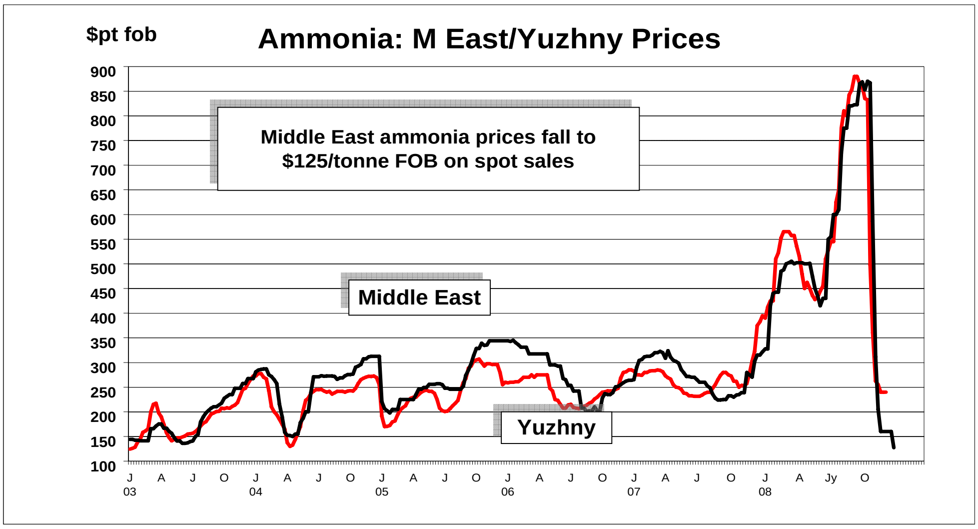
In the **US**, DAP export business is restricted to contract markets. Domestic business has increased in volume at dealer level, due to year-end buying by farmers for fiscal reasons. Price indications in the barge market are little changed, with product available for prompt delivery at $300/short ton FOB Nola.

Ammonia

The ammonia market is expected to change shape in 2009 as a result of the dramatic fall in prices recorded over the last few months of this year. The general economic crisis, which has also heavily affected the downstream fertilizer sector, as well as reduced demand from the industrial sector, has seen ammonia prices drop $700-800/tonne from the peaks achieved in September 2008.

Yuzhny, the historical benchmark for the ammonia market, is no longer a reference and the market is looking for a new reference to use. More competitive and lower cost regions will probably have to be taken into consideration when settling new formula prices for 2009 contracts.

Prices remain under pressure in the ammonia market moving into the New Year. Recent spot business has seen Middle East tonnage sold at $125/tonne FOB, down from previous business at $160/tonne FOB. As a result, the next deliveries to India and the Far East will be at lower levels. Lower prices in the mid-$120s/tonne CFR have also been reported by buyers in Turkey this week.



North America

In the **Tampa,** the January contract price is expected to be agreed next week with little change from the current level of $125/tonne CFR expected. Some sources said they thought the December price was too low, but given the current weak demand no upward movement is likely to take place in January.

The subdued sentiment in the market is expected to stretch into January, which could turn out to be one of the slowest months ever given production curtailments and a clogged distribution line. Some said that more curtailments could be seen until agricultural demand reignites.

Agrium will receive 11,000 tonnes of Qatari ammonia in Sacramento, **California**, from Trammo on the Sylvie in January. A price for the cargo has not been disclosed.