

THE MARKET

FERTILIZER NEWS AND ANALYSIS

14 February 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 | | | 14 February | 7 February | Tendency |
| Prilled Urea Yuzhny | | | 325-330 | 320-325 | Recovering |
| Granular Urea Mid East | | | 395-408 | 400-410 | Softening |
| Granular Urea USG s.ton | | | 390-395 | 380-390 | Firmer |
| DAP Tampa | | | 785-800 | 765-775 | Rising |
| Ammonia fob Yuzhny | | | 495-550 | 495-550 | Firm |
| Ammonia cfr Tampa | | | 540-580 | 540 | Stronger |
| Sulphur Vancouver | fob | | 450-470 | 450-470 | Firm |

| Latest International Business | | | | | | |
|-------------------------------|---------|-------------|-----------|------------------|---------------|---|
| Product | Origin | Destination | '000t | \$pt | Ship | |
| Urea | Baltic | Europe | 10 | 340 FOB | F-M | |
| | Baltic | Europe | 10 | 325 FOB | M | |
| | | Turkey | 4-5 | 364 CFR 180 | F | |
| | | Yuzhny | Israel | 4 x 2-3 | 330 CFR | F |
| | | Russia | Spain | | 397 CFR dp 90 | |
| | | Yuzhny | Algeria | 6 | 329 FOB | F |
| Granular | Egypt | Canada | 25 | 435 FOB | F | |
| | Qatar | France | 30 | 407-408 FOB | M | |
| DAP | US | India | 1 million | Formula index | 08-09 | |
| | US | Mexico | 6 | 785 | F-M | |
| | US | Mexico | 6 | 800 | F-M | |
| | | Tunisia | Pakistan | 30 | 890-900 CFR | F |
| | | Tunisia | Pakistan | 30 | 898-899 CFR | F |
| | | Tunisia | UK | 5 | 810 FOB | F |
| TSP | China | Sri Lanka | 12 | 820 CFR | F-M | |
| | China | Sri Lanka | 12 | 906.60 CFR 180d | F-M | |
| | Open | Sri Lanka | 12 | 790 CFR 180d | F-M | |
| | | Morocco | Brazil | 30 | 750 FOB | F |
| Ammonia | Saudi | NWE? | 23 | 530 FOB | F | |
| | Saudi | India | 15 | 476 CFR 60d | F | |
| MOP | Belarus | Sri Lanka | 42 | 581.68 CFR sight | M-A | |

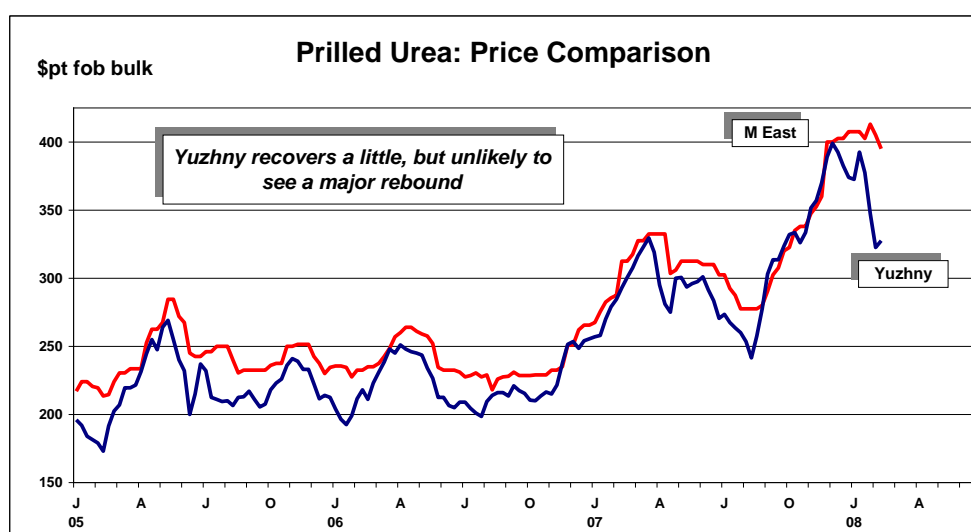
Urea

Urea prices in Yuzhny and the Baltic seem to have found a floor at \$320/tonne FOB and are showing the first signs of recovery. Starting last week, traders have been covering their short positions and suppliers have co-operated by selling quickly, rather than waiting and trying to extract higher prices.

Sales have taken place this week at \$325-330/tonne FOB Yuzhny, possibly slightly higher, and some producers are now looking for \$340/tonne FOB as the next step in the recovery.

However, there are still some short sales to be covered that net back below \$320/tonne FOB. Nor have traders who have covered in gone long at current prices. In fact, most traders are slightly bearish overall on urea and will remain so until some concrete evidence emerges of Indian buying.

The latest guess is that IPL will not buy spot tonnage before March. MMTC and STC have been asked to seek out urea under long-term and formula-based contracts and India will probably pursue this line of inquiry before buying any product from traders.



In the meantime, the main markets for Ukrainian and Russian urea will be in Africa, Mexico, Turkey and Mediterranean Europe.

Yuzhny urea is the cheapest in the world at present. Chinese producers returned from holiday this week and have maintained asking prices for prilled urea at \$350-360/tonne FOB. Middle East producers are clinging to price ideas around \$400/tonne FOB.

The granular urea market is reacting slowly to the drop in prilled prices. Egyptian urea sold at \$435/tonne FOB for Europe this week, while US prices have stayed below \$400/short ton FOB Nola, which reflects \$385-390/tonne FOB Egypt.

North America

In the **US**, hopes for a rebound in price following last week's TFI conference in Orlando have been dashed. Granular urea barges are on offer at \$390-395/short ton FOB Nola for prompt delivery. This is marginally higher than sales reported at \$380-385/short ton last week, but does not presage a major run up in price. Cold, wet weather has impacted demand.

Distributors are able to buy truckloads of urea from terminals in the Catoosa area at \$405/short ton, which is equivalent to \$375/short ton FOB Nola for barges.

The situation is better going forward. The weakening in US prices has deterred some import cargoes. The only additional vessel appears to be a second half March loader for Yara ex-Qatar. No Egyptian tonnage is planned for the US. Helm and others have Chinese granular cargoes that they could load for the US, but prices do not favour this at present.

Traders are bidding at \$405/short ton FOB Nola for March tonnage, receiving offers at \$410/short ton. March urea has already traded at \$410/short ton FOB Nola on the paper market.

DAP

The DAP market has found new momentum with India buying 1m tonnes from PhosChem, sparking a flurry of purchases in Pakistan.

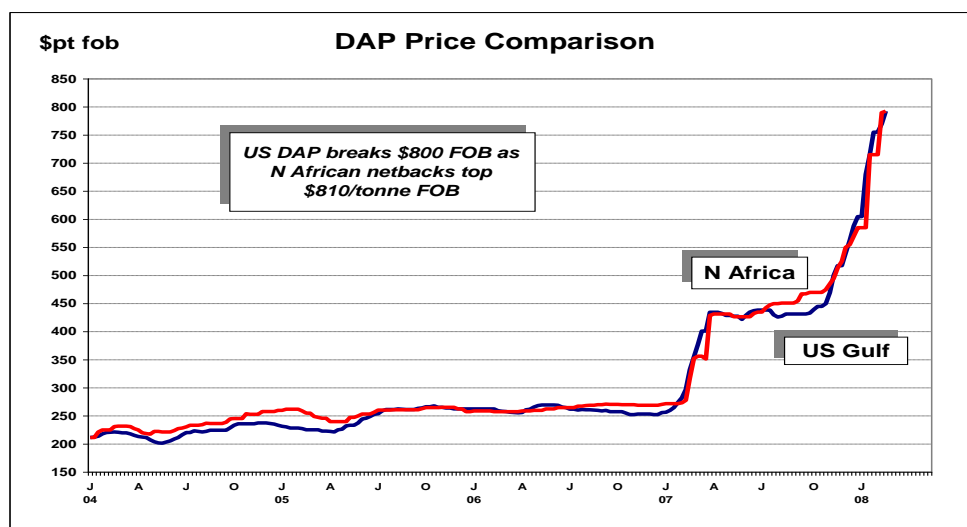
The PhosChem/IPL deal is index linked to market prices, the first time this has happened, reflecting the new dynamics of a rapidly rising market. Indications are that JPMC will adopt a similar arrangement with IPL for its 300,000 tonne/year contract.

The psychology of the market has been radically affected by the news from India and the lack of DAP/MAP availability from China due to rising export duties.

These factors have combined to accelerate buying not only in Asia but even in the US domestic market. Customers are buying product in February for summer fill and fall application, rather than producers putting fill programmes in place to stimulate demand. Buyers are sensing that prices will continue to rise, driven by tight supply and increasing feedstock costs.

In terms of prices, Tampa has risen \$25/tonne to \$800/tonne FOB this week with business in Mexico. Offers from all sources have increased dramatically. OCP, having sold at considerable discount to GCT at \$770-780/tonne FOB earlier this month, it is now considering \$850/tonne FOB for new business.

GCT meanwhile has seen FOB netbacks reach \$805-815/tonne on new business in Pakistan. API Russia is also targeting \$850/tonne FOB for March shipments. Most Russian producers are adopting a wait-and-see approach.



Demand remains insatiable. India, assuming IPL takes its contractual 300,000 tonnes still requires at least 700,000 tonnes for the kharif season. With Chinese product largely unavailable in first half 2008 and US suppliers unlikely to lock in further major contracts, this appears to benefit Russian and Lithuanian producers facing a European market that is winding down.

But these producers will want to protect market share in Latin America and Pakistan. Hence they are unlikely to be able to meet all of India's needs.

Granulation rates globally are down due to feedstock supply issues. This, combined with demand emerging in Australia and Asia, means DAP prices will continue their rapid ascent for the rest of 2008, based on supply and demand fundamentals, and as long as crop prices are able to support them.

North America

In the **US**, PhosChem has sold two lots of 6,000 tonnes of DAP to Mexico at \$785/tonne and \$800/tonne FOB. It is now under offer at \$815/tonne FOB.

Mosaic has sold DAP barges at \$700-740/short ton FOB Nola this week. Trammo has sold DAP barges at \$685-700/short ton this week and other traders report deals in the range \$710-715/short ton FOB Nola.

On the forward market, there is some desire to lock in tonnes with traders selling DAP for summer fill and the fall season at \$765-770/short ton ex-terminal, equivalent to current barge prices. Mosaic is not selling forward for fall application as it is unsure of raw material costs.

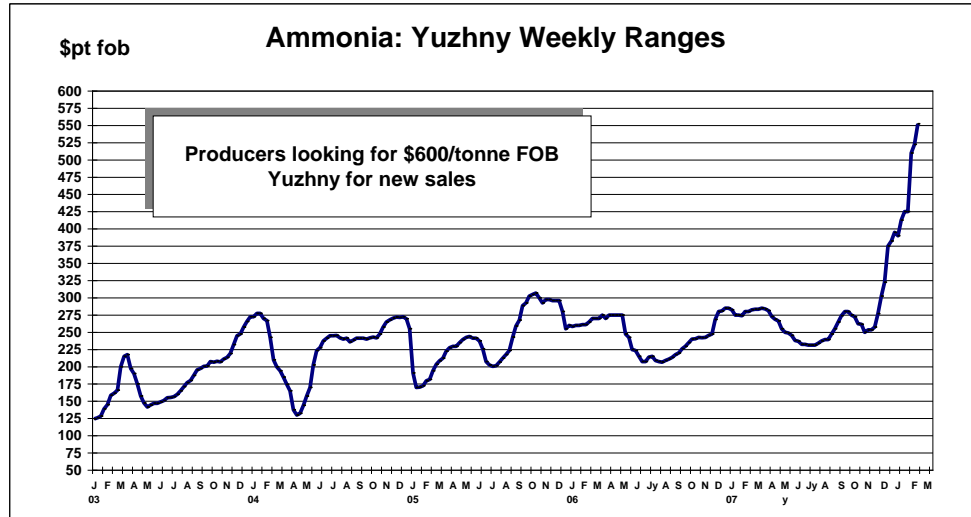
CF Industries has posted DAP prices for June and July at \$730/short ton and \$740/short ton respectively. But it is not known whether the producer would sell at these levels.

In Central Florida, Mosaic has sold DAP trains at \$700-720/short ton.

Trammo has fixed a 14,000 tonne vessel to load TSP in Damietta, Egypt, and Ravenna, Italy, for shipment to Norfolk and Tampa. Prices for TSP in the US are reported at \$650/short ton.

Ammonia

The main news this week is that Yara has purchased a Saudi cargo, reportedly for shipment to northwest Europe for use in its own systems. The sale was agreed on a CFR basis, rumoured to be \$612/tonne CFR, which nets back to around \$530/tonne FOB Middle East. With Yuzhny values now heard done at up to \$570/tonne FOB, the Middle East is certainly a more workable origin at the moment.



Producers are targeting higher prices in new sales out of Yuzhny, however availability is expected to improve in March as Ukrainian producers reduce urea output and concentrate on ammonia exports. In addition, with current price levels unworkable in Europe, it remains to be seen whether US demand can sustain prices at these levels.

A second half February price has been agreed in Tampa this week at \$580/tonne CFR, as had been expected following spot deals to the US Gulf at that level. A March price above \$600/tonne CFR is now widely anticipated.

North America

In **Tampa**, Yara has agreed a second half February price with CF Industries at \$580/tonne CFR, up \$40/tonne from the first half price. The first half price has now been settled with all customers although Mosaic had initially been looking for a price for the whole of February.

With both Yuzhny and Middle East prices having moved up, there were expectations that March would be settled for the whole month at a price above \$600/tonne CFR.

Koch will deliver a part cargo to Fertinal Mexico on the Maersk Jewel before sailing on to **Stockton**, eta 19 February, to deliver the remainder of the cargo. Trammo's Sylvie ex-Oman will partly discharge in Portland, Oregon, before moving to Stockton, eta 21 February, to complete delivery of the rest of the cargo to Calamco.