

# THE MARKET

## FERTILIZER NEWS AND ANALYSIS

6 March 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	6 March	28 February	Tendency
Prilled Urea Yuzhny	320-355	322-326	Rebounding
Granular Urea Mid East	380-391	385-395	Softer
Granular Urea USG s.ton	360-373	355-372	Weak
DAP Tampa	950-1000	890-900	Strong
Ammonia fob Yuzhny	560-570	560-570	Pausing
Ammonia cfr Tampa	635	580	Firmer
Sulphur fob Vancouver	470-490	470-490	Firm

Latest International Business					
Product	Origin	Destination	'000t	\$pt	Ship
<b>Urea</b>	Russia	Europe	13	345-365 FOB	M
	Ukraine		10	330 FOB	M
	Ukraine		10	347 FOB	M
	Ukraine		10	355 FOB	M
<b>Granular</b>	Egypt	France	10	405-410 FOB	M
<b>AS</b>	South Korea		20	Low-260s FOB	M
<b>UAN</b>	Russia	US	24	315 FOB	M
	Bulgaria		25	305 -308 FOB	M
	Belarus	Canada	15	287 FOB eq	M
<b>CAN</b>	Romania	Ireland	25	360s FOB	M
<b>DAP</b>	US	India	35	1045.85 CFR	M-O
	US	Cuba	10	1000 FOB	My-J
	US	India	135	899 CFR	A-J
	US	C America	6	1000 FOB	My-J
	Morocco	L America	25-30	970 FOB	M
	Russia	Argentina	21	Mid-960s CFR	M
	Jordan	India	25	950 CFR	My-J
<b>Ammonia</b>	Korea	Vietnam	5	1100 CFR	M/A
		Tampa		635 CFR	M
	Poland	Europe	20	550 FOB	M
	<b>Sulphur</b>	AG?	India	2 x 15	696 CFR

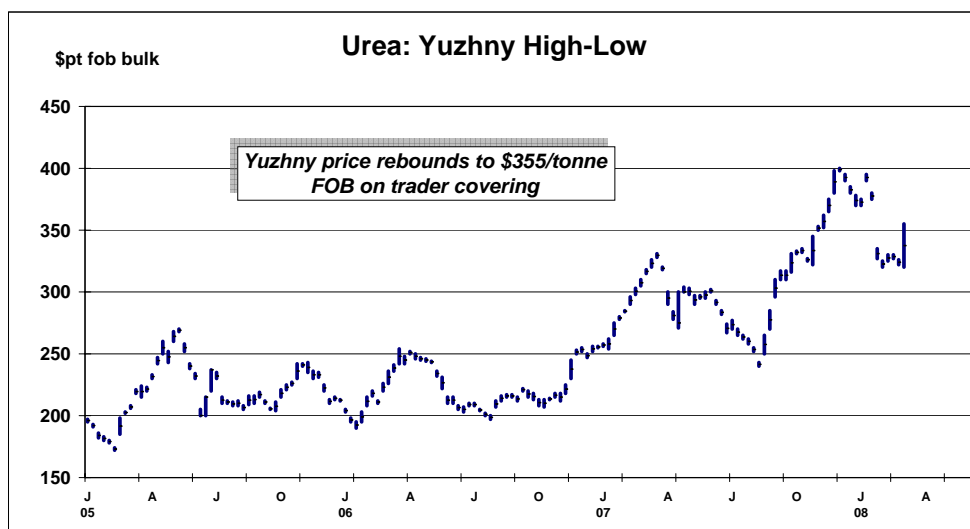
## Urea

Urea prices have bottomed out and rebounded in the Black Sea. After sales at \$320-325/tonne FOB late last week, business took place between \$330 and \$345/tonne FOB Yuzhny in mid week. By presstime, prices had leapt to \$355/tonne FOB. Most of the buying has been by traders to cover short sales, but some have now switched and taken small long positions.

The change of sentiment is due to several factors:

- Indian buying is imminent. MMTC will close a tender on 12 March. IPL will begin to inquire thereafter. Once Indian buying starts, it is expected to be heavy and sustained through the rest of the year
- Egypt is tendering for 100,000 tonnes of urea for March-May shipment. At least part of this requirement should be covered from the Black Sea or Libya
- Demand is evident from Brazil, Colombia, Mexico, Sudan and Nigeria
- Baltic suppliers are sold out for March and are asking \$345-350/tonne FOB for April cargoes
- Chinese urea prices are firm at \$355/tonne FOB

While this demand remains potential rather than actual, Yuzhny prices are now more in line with other sources, notably China, and a rapid correction is unlikely. Further large increases are dependent on demand in the West, because Chinese urea would be competitive with Yuzhny again in India.



Granular urea prices remain in the doldrums, largely because of the weakness in the US market. Prices have dipped to \$360/short ton FOB Nola this week and there are plenty of sellers whenever prices approach \$370/short ton.

Highlighting the weakness of prices in the Americas, Trammo has bought a granular cargo from Venezuela for prompt shipment to Italy.

## North America

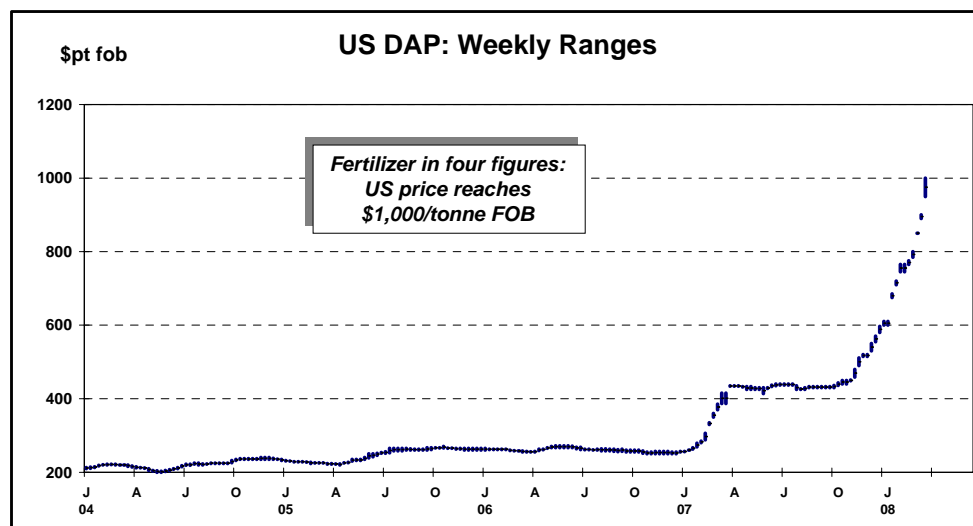
In the **US**, having rallied to around \$370/short ton FOB Nola last week on buying by CF, granular urea prices have slipped back again. Buying is very limited. Some sales are reported at down to \$360/short ton, while other sellers are holding out for \$370/short ton minimum.

Estimates of the number of urea barges sitting in the Nola area range from 200 to 500, with the best guess 250-330. This is equivalent to 375-500,000 short tons of urea. Not all are unsold.

The US market can easily absorb this quantity once application starts. River opening is approaching and traders are hopeful that prices will recover during March. Against this, the strength of soya bean prices is leading to suggestions that the corn area could drop back to around 85m acres in 2008. Earlier estimates were that plantings would be close to 90m acres.

## DAP

DAP has reached \$1,000/tonne FOB for the first time in history. PhosChem has sold 16,000 tonnes of DAP/MAP at that level to buyers in Central America for May-June shipment. Producers in other countries are likely to hit this level soon.



The strength of the phosphate market was highlighted this week by the fact that three tenders for over 700,000 tonnes of DAP closed without a single offer being made. The tenders were in Ethiopia, Iran and India. GCT Tunisia did offer a TSP cargo to Iran, at an eye-catching price of \$985/tonne FOB.

In the business that has been concluded:

- OCP has sold DAP at \$970/tonne FOB for Latin America
- IFFCO bought 35,000 tonnes of DAP from PhosChem at \$1,045.85/tonne CFR
- Vietnamese buyers have paid \$1,100/tonne CFR for small cargoes of Korean DAP

Many are questioning how long the rise in DAP prices can continue, but no one has the answer. Phosphoric acid producers are watching escalating sulphur prices and are intent on passing on cost increases. Farmers are seeing huge increases in fertilizer prices from one season to the next, but crop prices are high enough to justify DAP above \$1,000/tonne.

Probably most importantly, DAP/MAP supply has been sharply reduced by sulphur shortages, plant outages and government action in China. Taking all these factors together, we estimate that 700-800,000 tonnes of export supply have been lost for the first half of 2008.

## North America

In the **US**, PhosChem has sold 6,000 tonnes of DAP and 10,000 tonnes of DAP/MAP at \$1,000/tonne FOB to buyers in Central America for May-June shipment.

PhosChem has also sold 35,000 tonnes of DAP at a netback of \$950/tonne FOB to India in IFFCO's 29 February tender. Freight is \$95/tonne.

Mosaic is fully committed for March-April.

DAP barges are selling at \$805-815/short ton FOB Nola for prompt delivery. Mosaic has sold forward barges at \$830-840/short ton FOB, with asking prices now up to \$850/short ton.

Potash Corp announced an increase in its DAP price ex-Florida from \$740/short ton FOB to \$790/short ton FOB with effect from 3 March.

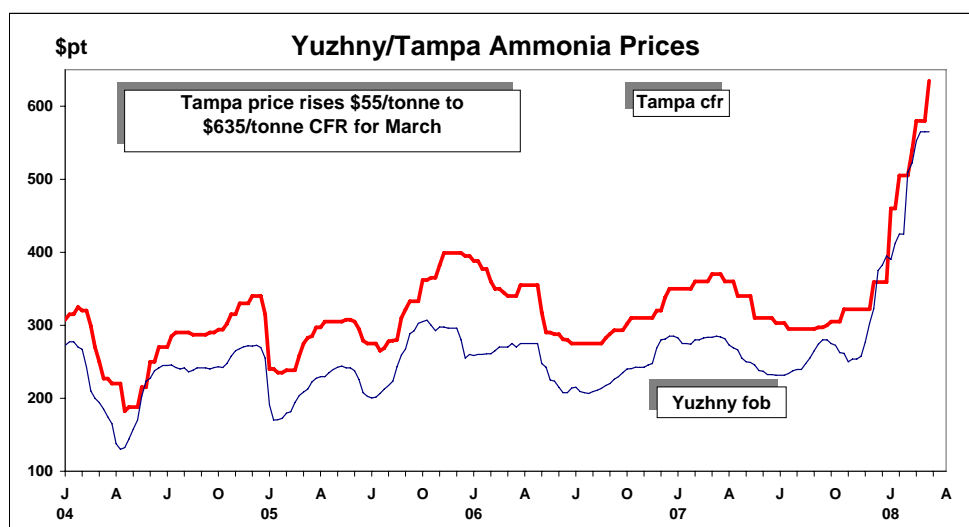
Mississippi Phosphates has announced it expects to complete repairs on a sulphuric plant during the week of 17 March. DAP production is currently curtailed to 900 short tons/day, about 50% of capacity, due to the repair work.

## Ammonia

Yuzhny ammonia remains on hold again this week as the market waits for April offers and buying interest to emerge. March availability was sold very early and as a result buyers and sellers have been in no rush to re-enter the market for April business.

Early in the week the main item of interest was news that Gazprom had cut natural gas deliveries to the Ukraine and the possible implications for ammonia production. However, by midweek the situation had been resolved and supplies resumed.

The Tampa price has moved up by \$55/tonne for March following higher prices in Yuzhny and recent spot deals to the US Gulf. While some believe Tampa prices are near or at their peak, others say that recent sales to the US Gulf some \$20/tonne higher than the March contract price suggests there is room for further upwards movement in April.



New price indications in India will be seen early next week when FACT closes a tender for 2 x 7,500 tonnes of ammonia. This tender is also expected to show a new price high for the Middle East.

## North America

Yara has agreed price of \$635/tonne CFR **Tampa** with both CF and Mosaic for the whole of March, up from \$580/tonne CFR for the second half of February. Recent spot sales at \$625/tonne CFR US Gulf and \$655/tonne CFR Geismar established the boundaries for negotiations. Although, some note that March talks began before the sale at \$655/tonne CFR and, as a result, there is room for further movement upwards in April. Other sentiment suggested that Tampa prices were at or near their peak this month.