

THE MARKET

FERTILIZER NEWS AND ANALYSIS

13 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

Latest Spot Market Prices \$ per tonne fob			
Product	13 March	6 March	Tendency
Prilled Urea Yuzhny	360-393	320-355	Strong
Granular Urea Mid East	380-390	380-391	Holding
Granular Urea USG s.ton	355-365	360-373	Recovering
DAP Tampa	1000-1010	950-1000	Rising
Ammonia fob Yuzhny	550-565	560-570	Weaker
Ammonia cfr Tampa	635	635	Steady
Sulphur fob Vancouver	470-490	470-490	Firm

Latest International Business						
Product	Origin	Destination	'000t	\$pt	Ship	
Urea	Ukraine		30	high 380-90s FOB	A	
	Black Sea	Turkey	20	375-385 FOB	M/A	
	Russia			393 FOB	A	
	China	Vietnam	24	395, 410 CFR	M	
	Qatar	Vietnam	30	411 CFR	M	
	UAE	Vietnam	30	380 FOB	M	
	Yuzhny	Brazil	20	400 CFR	M	
	Yuzhny	Brazil	30-35			
	Granular	Venezuela	Mexico	25	420s CFR	M
UAN	Baltic	Canada	20	350 CFR	M/A	
DAP	Jordan	India	25	950 CFR	A	
	US	India	35	1045.85 CFR	A	
	Lithuania	Pakistan	30	1020-1070 CFR	A	
	Morocco	Latin America	30	1110 FOB	A	
	Philippines	Vietnam	3 x 6	1150 CFR	M/A	
	Russia	Argentina		1050 CFR	M	
	TSP	Bulgaria	Brazil	10	950 CFR	M
	Ammonia	Qatar	Turkey	30	570s CFR	M
		S Arabia	Morocco	20-23	595 CFR	F/M
Yuzhny		Morocco	25	595-600 CFR	F	
AG		India	7.5	538 CFR	A	

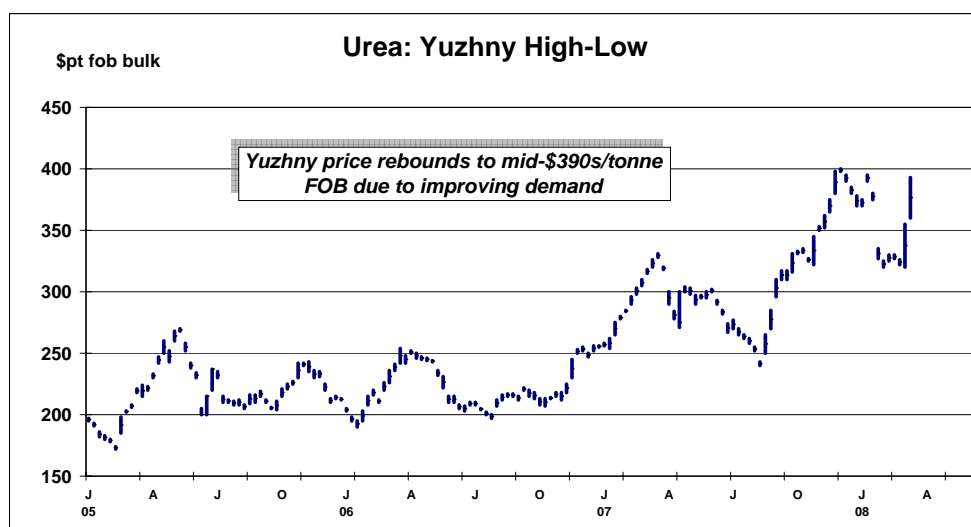
Urea

Urea prices in Yuzhny have shown surprising strength over the past week, rising by about \$40/tonne from \$355 to the mid-\$390s/tonne FOB at presstime. A combination of short covering and some long positioning by traders accounts for the continued strength.

Inquiry for urea is widespread, rather than relying on just one main market, and this is encouraging the belief that prices could hold at the new higher levels. Brazil, Nigeria, European markets are all buying for April.

Vietnam has bought 100-110,000 tonnes of Middle East and Chinese urea this week and could buy up to 200,000 tonnes in total for march-April shipment. Chinese prilled urea prices have firmed to \$380-390/tonne FOB as a result.

Even the US market, so long a weak spot, has firmed \$5-10/short ton this week as application has started at last in the southern plains.



Against this, the two main tenders under negotiation this week have failed to yield any concrete results so far and interpreting the likely outcomes is difficult. No one knows yet whether PBDAC in Egypt will take urea from domestic plants rather than importers.

Equally, as most of the competitive trader offers did not conform to MMTC of India's tender specifications. It is not clear whether the Indians will award them. Middle East producers are most likely to sell to MMTC.

Any trader sales to India are expected to be supplied from China rather than the Black Sea. Several traders hold long position in China taken at \$360-365/tonne FOB that are workable at \$440-450/tonne CFR in India. The surge in Black Sea prices to \$390-395/tonne FOB, plus freight at \$60/tonne seems to rule out business from Yuzhny.

North America

In the **US**, movement of urea from terminals has begun in the southern US and there are signs that prices are starting to move up.

- Barges traded at \$355-360/short ton FOB Nola at the start of the week. Koch and others sold at \$355/short ton FOB
- Koch turned into a buyer in midweek due to problems with the loading arm at Enid, reportedly buying six barges
- Barges are now on offer at \$365-375/short ton FOB Nola

- Koch has raised its prices for granular urea ex-Inola and Enid by \$10/short ton to \$400 and \$410/short ton respectively
- CF has sold granular urea barges at \$365/short ton FOB for April and is asking \$375/short FOB for May-June loading

Prilled urea prices remain weak at around \$345-355/short ton FOB Nola. Yara has barges of Grodno urea, Keytrade barges of Libyan and Toepfer barges of Chinese urea to sell. Traders are looking at the possibility of re-exports, given the surge in prices for Black Sea and Baltic urea.

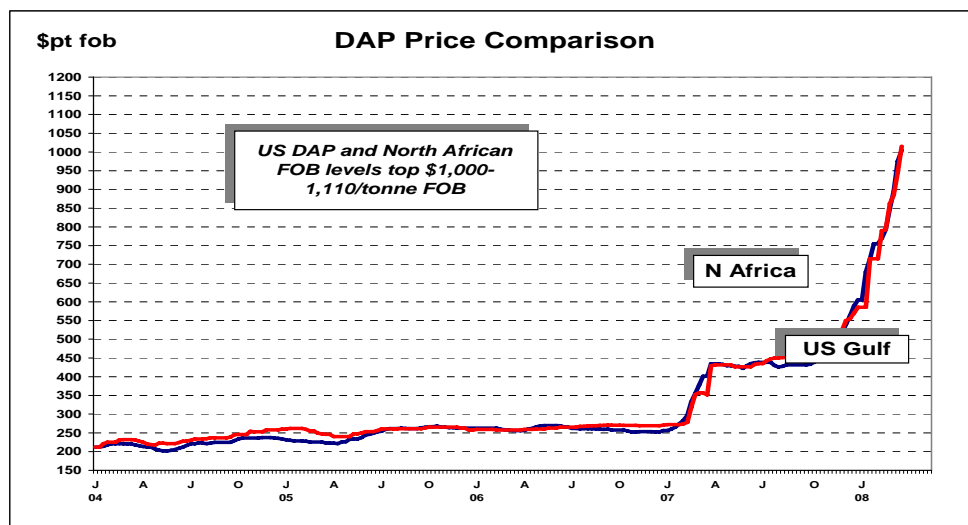
US trade data for January 2008 show urea imports of 1.02m short tons, up from 604,000 short tons in January 2007. July 2007-January 2008 imports were up 1.4m short tons at 4.25m short tons.

DAP

The rate of acceleration of DAP prices is increasing. Moroccan DAP has been sold at \$1,110/tonne FOB, an increase of \$140/tonne in a single week. Tampa FOB levels have risen to \$1,100/tonne FOB on the paper market for April shipment.

In the business that has been concluded:

- OCP has sold 30-35,000 tonnes of DAP at \$1,110/tonne FOB, thought to be for Latin America
- EuroChem has sold 30,000 tonnes of DAP at up to \$920/tonne FOB for Pakistan
- Vietnamese buyers have paid \$1,150/tonne CFR for small cargoes of Philippine DAP



The market remains fundamentally tight. China will not have significant volumes for export until the second half of 2008, as the spring season there faces a potential DAP shortfall of 2m tonnes. There are also reports that an 8.5% export duty may be imposed on Russian phosphate and potash exports.

Phosphoric acid negotiations in India have made progress with reports that Senegalese and South African acid has been sold at \$1,595/tonne P₂O₅ CFR. North African producers are adamant that this is not representative of the market and suggest that the deal is only provisional. OCP and GCT are looking to secure \$2,000/tonne P₂O₅ CFR or higher.

Rock prices have also firmed with reports that GCT is offering at \$250/tonne FOB minimum while OCP already claims sales at \$350-400/tonne FOB for second quarter shipments.

North America

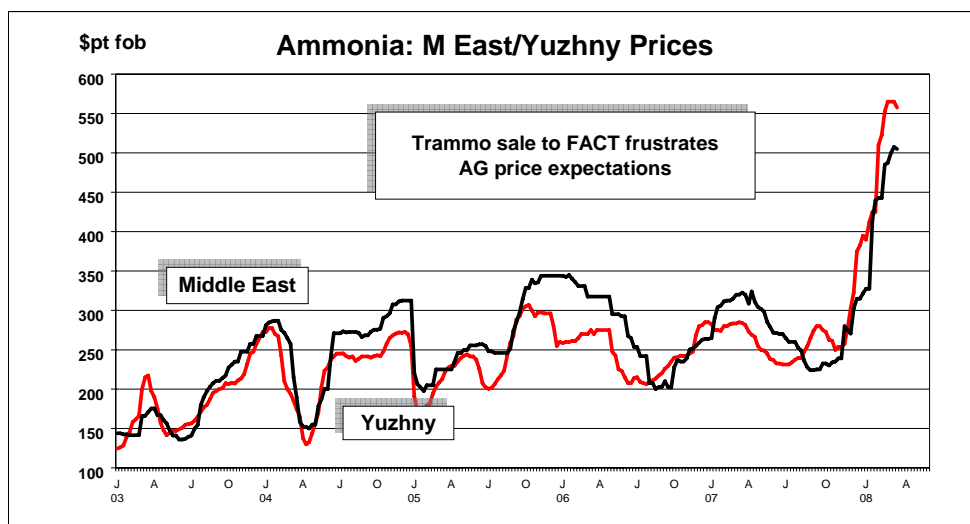
In the **US**, PhosChem reports no export business this week. A trader bid for DAP for April shipment at \$1,100/tonne FOB Tampa on the paper market but no purchase was made.

In the domestic market, producers increased offers for DAP barges to \$900/short ton for May-July shipment earlier this week. Mosaic indicates sales of MAP barges at \$920/short ton for March and April shipment. Prompt DAP spot barge prices have risen from \$840-850/short ton FOB to \$890-900/short ton. Few barges remain in traders' hands.

Ammonia

Lack of buying interest usually means that prices are likely to drop, particularly considering that over the past few months, ammonia prices have rocketed with purchases in Yuzhny made at least a month ahead of shipment. Traders are now unwilling to buy for April, arguing that the levels of \$560-570/tonne FOB Yuzhny reached in February are unworkable in most markets. FSU producers, however, are banking on the current rebound in urea prices to cut back ammonia availability and hold up prices.

But over 50,000 tonnes of Middle East ammonia coming to Morocco/North Africa and a cargo likely to move to the US in April will erode sale opportunities for FSU suppliers and increase pressure on prices. A key factor to determine the next price direction will be the price settlement in Tampa for April.



AG producers have seen their chances to set a new high price in India frustrated by the Trammo sale to FACT this week, which suggests a netback around \$500/tonne FOB. The most recent contract shipment to IFFCO reflects a netback around \$490/tonne FOB, while claims that a small lot has been sold at \$530/tonne FOB have been denied by the buyer.

North America

In **Tampa**, talks have not started yet between Yara and its customers to settle the April contract price. Most observers believe that the market has peaked at \$635/tonne CFR and that Tampa buyers will probably achieve lower levels for April. PCS is believed to be looking for a spot cargo for April Delivery.

Even producers recognise that inventories in the US are now getting full ahead of the start of spring season, which will probably be in second half April. Buyers will most likely want to empty storage before buying new ammonia, particularly if imported prices remain in the \$600s/tonne CFR, providing little margins for domestic sales. Prices in the Midwest are reported at \$675-700/short ton ex-terminal.