

THE MARKET

FERTILIZER NEWS AND ANALYSIS

3 April 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	3 April	27 March	Tendency
Prilled Urea Yuzhny	390-395	395-400	Weaker
Granular Urea Mid East	380-404	380-404	Stable
Granular Urea USG s.ton	360-365	360-365	Subdued
DAP Tampa	1190-1200	1150-1157	Strong
Ammonia fob Yuzhny	500-530	530-540	Bearish
Ammonia cfr Tampa	610	610	Weaker
Sulphur fob Vancouver	550-610	520-540	Strong

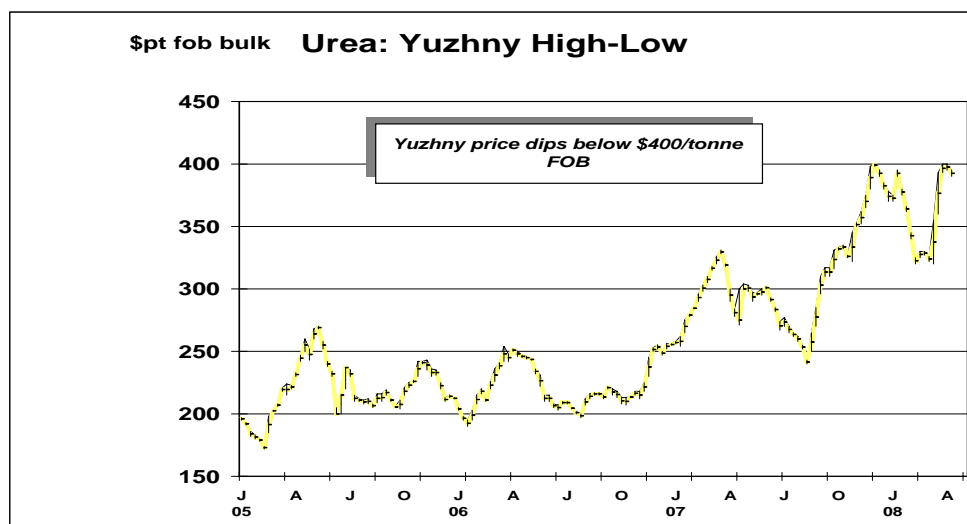
Latest International Business					
Product	Origin	Destination	'000t	\$pt	Ship
Urea	Black Sea	Mexico	15	394 FOB	A
	Ukraine		15	395 FOB	A
	Russia	Spain/Italy		400 FOB	
	Russia		4	€250 FOB	A
	Estonia		3	415 FOB	A
Granular	Egypt	Europe	5		A
AN	Baltic			325 FOB	A
	Ukraine	Argentina	20	400 CFR	A
AS	South Korea		60	high-250s FOB	A
DAP	US	Brazil	30	1190-1200 FOB	A
Ammonia	Yuzhny		20-25	490-495 FOB?	1hA
	Iran	Korea	23.5	580-585 CFR?	A
	Iran	India	12	529 CFR 15d	M
MOP	Russia	West Europe		€400 CFR	M

Urea

With Latin American buying yet to start in earnest and the IPL tender in India postponed, Yuzhny prices have weakened slightly from the \$395-400/tonne FOB level last week. Very little business has been done out of Yuzhny, but indications are now primarily in the low/mid-\$390s/tonne FOB.

Despite the bearish sentiment, Black Sea producers remain in a healthy position and are in no rush to sell. With strong demand from Latin America, especially Brazil, likely very soon, combined with imminent large scale Indian buying, the outlook for producers remains robust.

Brazil is already showing signs of entering the market. Buyers are checking prices but still face offers around \$460/tonne CFR. Brazilian and other Latin American buyers will try to wait for a correction in April prices before buying.



Baltic urea pricing has mirrored the Black Sea, softening slightly this week. As with Yuzhny, Baltic prices in the coming weeks will be heavily influenced by the re-entry of Latin American buyers.

Chinese urea prices continue to firm as domestic buyers scramble for available tonnes.

Meanwhile, the US granular urea barge market remains flat following extended winter weather and navigational difficulties on the river system.

North America

In the **US**, the extended winter weather and navigational difficulties on the river system, have continued to subdue buying interest with prompt barges still priced at around \$360-365/short ton FOB Nola.

The major problem is getting barges up the Arkansas and Mississippi rivers. Arkansas and Oklahoma received substantial rainfall over the last week, with water still flowing over from reservoirs. Not only are river waters high but there was also a strong current downriver, making it difficult to transport upriver. Additionally, work is underway at lock 25, north of St Louis, which means this point cannot be passed at present.

As a result, a large number of fledged barges continue to occupy the US Gulf region.

Urea sales out of warehouses like Catoosa continue at a decent rate, buoyed by application in west Kansas. Due to the problems with transportation, buyers prefer to purchase out of terminal.

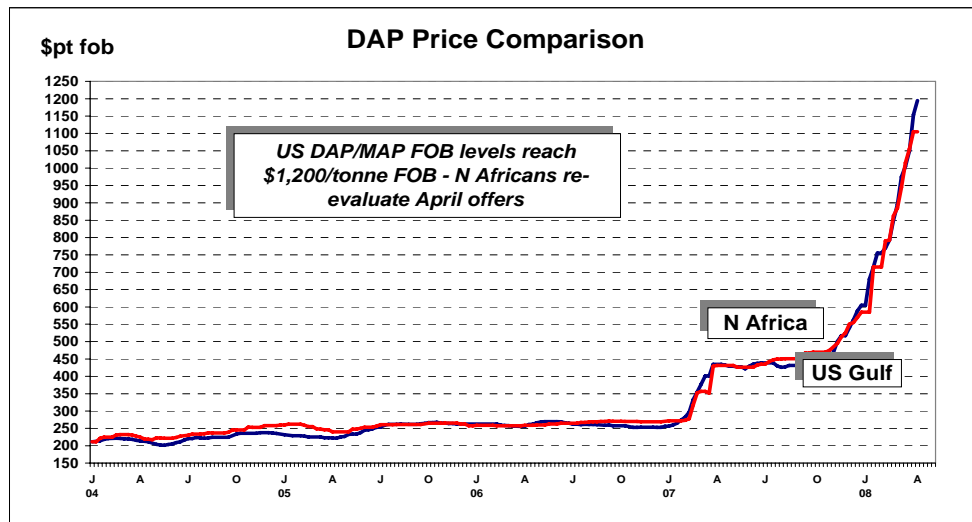
DAP

The phosphates market is dominated by news this week that three Indian buyers have agreed initial quarterly phosphoric acid contracts with OCP at \$1,985/tonne CFR, an increase of nearly \$1,420/tonne on 2007-08 yearly contracts.

Significantly, the deal is for a three month contract with 30 days' credit rather than a yearly agreement, with OCP reluctant to lock itself into a longer-term arrangement while facing rising sulphur costs.

With other contracts likely to follow soon at the same level and South African acid automatically matching the price, in the short term, Indian DAP producers might know where they stand in terms of continuity of acid supply, but this will do little to suppress DAP import demand. Indeed, Indian importers have reportedly been told by DoF officials to procure as much DAP as they can, with food production on top of the political agenda. Both MCFL and IFFCO have issued additional DAP tenders this week.

Elsewhere, the market has been relatively quiet. PhosChem has sold 30,000 tonnes of mostly MAP into Brazil this week at prices netting back to \$1,190-1,200/tonne FOB. A 30-day truce has been called between farmers and the Argentinean government to allow soya harvesting. This may pave the way for more DAP/MAP imports.



Pakistan will need to examine its subsidy policy but, like in India, importers want to line up more DAP as soon as is practicable to future-proof themselves against further dramatic price rises.

Demand in South Africa is also emerging with DAP/MAP sold there this week. Ethiopia has also issued a tender for 75,000 tonnes of DAP although, as it is quite late in the season, it remains to be seen whether local importers will participate.

China will gradually make some phosphates available for export from May onwards, but regional markets are likely to be the main recipients. There are reports this week that the government may extend its export duties on phosphate rock and introduce a tax on exports of phosphoric acid.

Russian producers are all sold out through April, while OCP has made no new sales this week and still has April availability. It is currently revising offer prices.

North America

In the **US**, PhosChem has sold 30,000 tonnes of mostly MAP with some DAP at prices netting back to 41,190-1,200/tonne FOB. MissPhos tonnes are not being actively offered in the market at present.

Domestically barges are fleeing at Rosedale due to high water flows as water is released from reservoirs. The current flow rate is nearly 140,000 cubic feet/second on some parts of the river system, three times the normal level and considered too dangerous for river navigation.

DAP wheat application is also yet to begin in some regions but demand for corn in areas such as Nebraska and Iowa is strong. Parts of east Oklahoma have been very wet this week.

The static domestic market is encouraging barge buying for the more lucrative export market. Barges have been bought at up to \$920/short ton FOB Nola, representing very profitable export business with Tampa at \$1,150-1,200/tonne FOB.

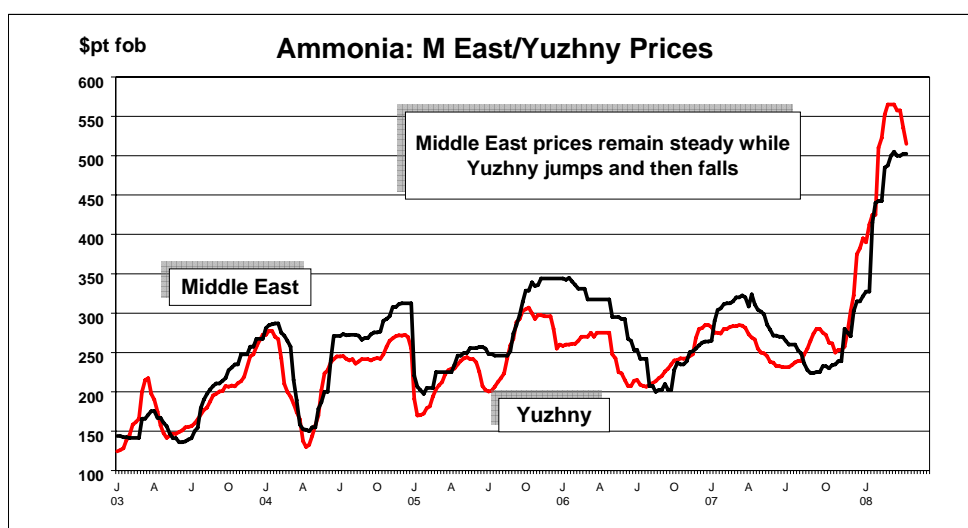
Mosaic has announced a new price of \$1,020/short ton for barges but has yet to sell at this level.

In Central Florida, Mosaic has sold rail cars at \$950/short ton FOB.

Ammonia

Lack of new business is making it difficult to pinpoint the exact FOB level in Yuzhny at present and is allowing suppliers to hold reference prices above \$500/tonne FOB. Reports that Ukrainian ammonia was priced in the \$490s/tonne FOB for first half April were widely denied, while a report was circulating that traders were mulling prices in the mid-\$400s/tonne FOB Yuzhny for fresh business.

Production problems at Togliatti and Gorlovka in March meant that some committed shipments have been delayed to April and will probably keep producers busy until late April, with little immediate pressure to sell fresh tonnage. At the same time, traders are unwilling to buy forward tonnage, as they are still moving ammonia bought at much higher prices earlier, and before they can fully assess the strength of the US season.



Despite facing low demand and disruptions from India because of the phosphoric acid issues, Middle East producers are managing to keep prices steady, with a new contract cargo to Kandla reflecting a netback in the low-\$500s/tonne FOB and slight increases reported on

CFR levels. Some spot business is emerging from the AG and to Korea on a CFR level, but price discovery is limited.

North America

In **Tampa**, prices are expected to drop further for May contract deliveries. Initial indications that prices below \$600/tonne CFR would attract more buying interest may have to be revised depending on the new Yuzhny levels. Freight rates on 35,000 tonne vessels have dropped 15-20% since the December peak and freight Yuzhny-Tampa is currently assessed at around \$70/tonne.

Opinion on the US spring application is still diverging. Some point out that the weather in the **Midwest** is still wet and the season will be delayed further and that reduced corn planting in favour of soya means that less ammonia will be applied. Others say that in some areas application has started and that one week of dry weather would allow fields to dry and farmers to apply ammonia quite quickly. One source said the entire Iowa field application work can be completed within 7 to 10 days and another that inventories in the cornbelt are likely to be empty within two weeks, with some refill likely to take place immediately afterwards. In terms of imported ammonia, mid May is probably the latest window for arrivals.

In **Trinidad**, Yara loaded the Marigola for Fertinal/Mexico in early April and the Pertusola at the end of March for Brazil. The vessel is due in Santos early next week.