

THE MARKET

FERTILIZER NEWS AND ANALYSIS

17 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	17 April	10 April	Tendency
Prilled Urea Yuzhny	480-510	395-450	Rising
Granular Urea Mid East	455-495	410-415	Firmer
Granular Urea USG s.ton	450-460	362-410	Stronger
DAP Tampa	1200-1230	1200-1230	Holding
Ammonia fob Yuzhny	445-455	460-500	Weaker
Ammonia cfr Tampa	610	610	Steady
Sulphur fob Vancouver	650-670	650-660	Strong

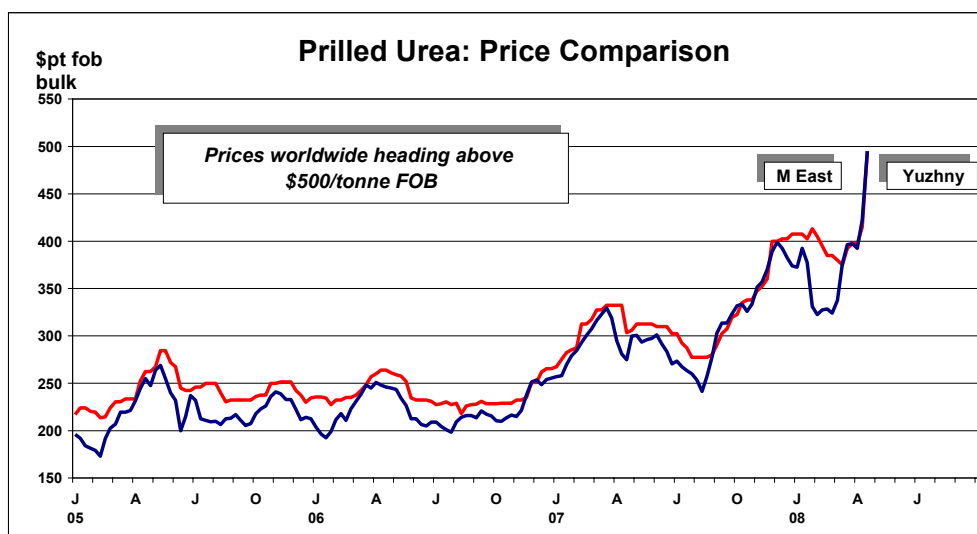
Latest International Business					
Product	Origin	Destination	'000t	\$pt	Ship
Urea	Yuzhny		10	510 FOB	M
	Yuzhny		60	495 FOB	M
	Romania			520 FOB	M
	China	Mexico	25	547-550 CFR	A
Granular	Egypt	E.Africa/Sudan	12	550 FOB bagged	M/J
AN	Ukraine		20	340 FOB	J
	Russia	Central Am	20-25	340 FOB	M
UAN	Baltic	Argentina	15	@350 CFR	A/M
DAP	Russia	India	100	1225-1229 CFR	M-J
	Lithuania	India	50	1230 CFR	M
	China	India	30	1230 CFR	M
MAP	Russia	Hun/Ser/Rom	8	1150-1200 FOB	A
TSP	China	Bangladesh	26	1065 CFR	A-M
	China	Bangladesh	9.7	1065 CFR	A-M
	China	Bangladesh	21	1065 CFR	A-M
Ammonia	Iran	India	18.9	529 CFR 15d	A

Urea

The urea market is in the grip of an unprecedented surge in price. FOB levels in all areas are heading above \$500/tonne and still rising. Major Asian demand is in the offing for May-June shipment and will force up prices further for the available urea.

Pakistan has announced a surprise requirement for 350,000 tonnes of urea for May-July shipment. IPL India is widely expected to tender shortly for a minimum of 650,000 tonnes for May-June shipment.

China confirmed the 100 percentage point increase in export duties to 135% this week. The increased tax takes effect from 20 April and is valid until the end of September. It will remove Chinese urea from the export market for several months: either until October; or until international prices rise/Chinese prices fall to a level that permits exports even with the 135% tax.



Traders have paid up to \$510/tonne FOB for Yuzhny urea for May loading. Several Russian and Ukrainian producers are withholding offers, not wishing to sell their May tonnage yet. Middle East producers are backing traders in tenders at \$505-510/tonne FOB. EFC has sold at \$550/tonne FOB Adabiya.

Buyers in some countries have absorbed the message that higher prices are here to stay and have begun to purchase. Mexican companies have paid close to \$550/tonne CFR for Chinese urea, Brazilian buyers have paid \$540-550/tonne CFR.

Higher urea prices have also led to increases in prices for other nitrogens. Traders have paid \$340/tonne FOB for ammonium nitrate at a time when prices are normally at their weakest. Black Sea UAN has traded above \$320/tonne FOB for May. Ammonium sulphate prices are firming.

North America

In the **US**, prices for granular urea barges leapt to \$460/short ton FOB Nola late last week, on sentiment generated by the news from China, but have since settled back to \$450-460/short ton FOB for prompt loading. Buyers have \$475-490/short ton FOB for May barges.

There are relatively few sellers of urea at present. Yara has been one of the main sellers of granular this week.

CF issued a new price for granular urea for forward delivery on 10 April. It set July barges at \$480/short ton, rising \$5/month to September. Demand was heavy and CF has now

withdrawn the offers and is quoting \$500/short ton FOB for July. Some of the enthusiasm for paying high prices for summer delivery evaporated when it became clear that the extra Chinese export tax would apply only until the end of the third quarter.

Demand has not improved noticeably. High water levels mean navigation is problematic on several rivers. Wet weather is delaying corn planting and fertilizer application in the northern US.

DAP

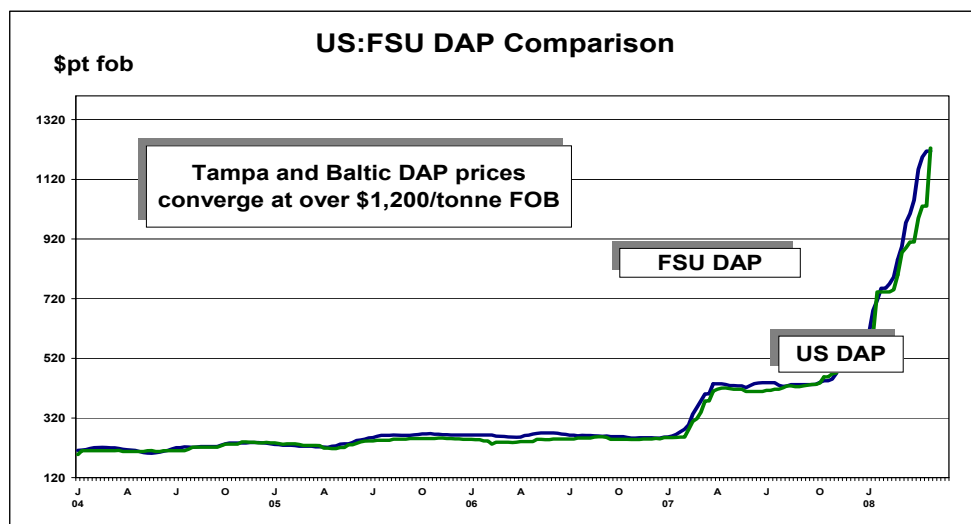
Indian DAP purchasing totalling around 400,000 tonnes and the confirmation of Chinese export duties on phosphates at 135% for DAP/MAP/NPKs dominate the phosphates market this week.

In India, the main importers have been given a mandate to buy as much DAP as possible. The most recent round of purchases have been made at \$1,175-1,240/tonne CFR, sourced from the US, Russia, Lithuania and China.

With the level of subsidy in India so high, it is not prone to demand destruction as a result of high prices - unlike Pakistan. This means that, even accounting for a further 300-400,000 tonnes of DAP from Jordan likely to be agreed by the end of this month, India could still import a further 700,000-1m tonnes of DAP.

The Chinese tax on DAP, MAP and NPKs has been confirmed by the State Council at 135% effective 20 April to 30 September.

Producer FOB levels have converged at \$1,200/tonne FOB and above, with Russian tonnes bought by traders at this level and Tunisian DAP sold into Europe, admittedly in small lots, at the same price.



With Latin America currently on the sidelines, a sizeable volume of Russian tonnage has been placed into new export markets this week, including Thailand and the Philippines as well as India, committing producers into June.

Demand has also emerged in Iran for DAP and Sri Lanka and Bangladesh for TSP.

Looking forward, the retreat of China from the export market until the fourth quarter should more than offset demand destruction as a result of higher prices. India will continue to drive the market.

DAP prices are now likely to rise more slowly due to increased price resistance. Producers and traders will be careful not to raise prices too drastically. But the market remains firm, and prices will continue to edge up.

North America

In the **US**, Trammo has sold a cargo of US DAP to India on a formula basis. PhosChem offered in India but made no sales. Further interest in Central America and Australia is noted.

Domestically, prompt DAP barges are being offered at \$950/short ton FOB Nola, but few sales are reported.

Traders are buying June barges at \$1,015-1,020/short ton FOB Nola. Mosaic has sold substantial volumes for summer fill at up to \$1,050/short ton for DAP with a \$15/short ton premium for MAP.

Data from the TFI Record for March show DAP/MAP production reached 1.201m short tons, up 17% on February but down 7% on March 2007 levels. Production of DAP and MAP were both up, at 18% and 16% respectively over February levels. DAP output reached 692,000 short tons while MAP production was 509,000 short tons.

DAP/MAP closing inventories were 873,000 short tons, up 6% on February and 26% on March 2007. MAP inventories were drawn down 5% on February to 344,000 short tons, while DAP inventories climbed by 14% to 529,000 short tons.

Producer disappearance rose by 6% to 1.153m short tons, a figure down by 15% on March 2007. MAP disappearance rose by 30% compared to February to 527,000 short tons while DAP levels fell by 8% to 626,000 short tons.

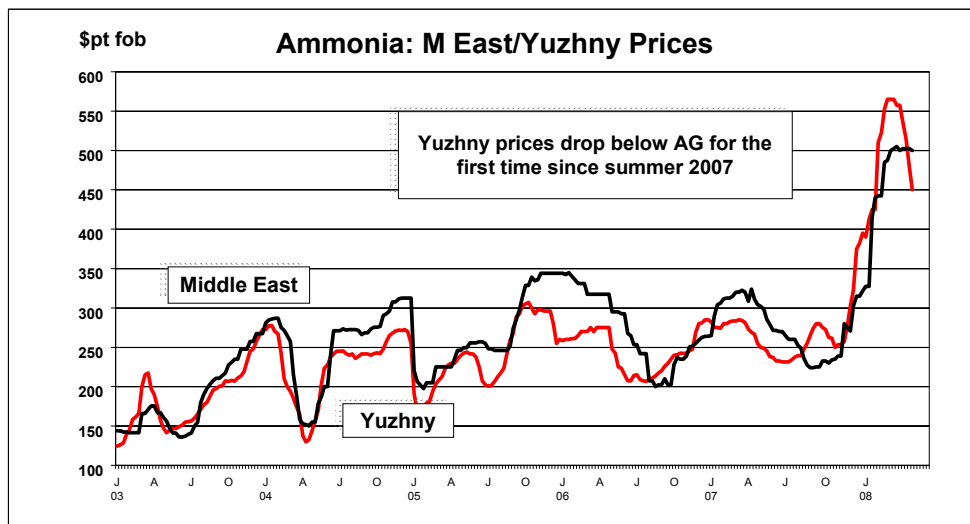
US DAP exports were 335,573 tonnes in March, up 23% on the same month of 2007. The main recipient was India (115,059 tonnes or 34% of the total) followed by Australia with 72,758 tonnes (22%).

MAP exports were 209,213 tonnes, down by 4% on the March 2007 figure. Australia took 109,133 tonnes (52%) followed by Canada with 39,414 tonnes (19%) and Brazil with 33,071 tonnes (16%).

Ammonia

Demand is still slow from the US and buyers in North Africa and Europe appear to have withdrawn from the market, watching for further developments in Yuzhny. Thus, the bears may succeed in forcing producers' hands and push prices down to \$450/tonne FOB and possibly below for the next purchases. Producers argue that buyers who have vessels to fill for prompt loading should pay higher, as they have little choice. If large volumes are bought at the low end of the range, producers may find themselves comfortable again and put a brake on the price slide, at least for a while.

In Tampa, both buyers and suppliers are waiting for a clearer picture on Yuzhny before discussing May contract prices. As the US season is just starting, most players will want to avoid drastic price reductions. However, low prices may trigger more interest in buying for refilling than currently anticipated.



In India, recent shipments of Iranian/Saudi ammonia to the east coast would suggest netbacks equivalent to the high-\$480s/tonne FOB AG but deliveries to the west coast equate to \$500-505/tonne FOB. This is the price that AG producers are still selling to traders. Given the slide in Yuzhny prices, the current AG levels would be uncompetitive in Europe or North Africa.

North America

In **Tampa**, negotiations have not even started for May, as suppliers and buyers are lacking clear indication on the Yuzhny levels. The only certainty is that the May price will be lower than the \$610/tonne CFR agreed for April.

US Gulf demand is non-existent at present, with the longest inactive period for some time. Importers, who bought large purchases in Q1, still have most of it to place and the delayed start up of the season is not helping. Koch and CF Industries, who move ammonia through the pipeline from Nola, are reportedly trying to find a home for the product as the terminals are full.

More rain is expected in the **Midwest** in the next couple of days, keeping the brakes on a fertilizer application season that has already got off to a slow start. With farmers already 30-60 days behind schedule in some areas, a cash-flow problem for distributors could be developing that might mean ammonia tanks in the supply chain do not get refilled quickly, according to a whole seller. Other sources suggest that ammonia application can be completed within two weeks and refilling will start immediately.

The slow start to the season contributed to soaring grain prices on futures markets this week. The US Department of Agriculture (USDA) reported on 14 April that only 2% of the 2008 US corn crop had been planted as of 13 April, well behind the five-year average of 7%. The weather outlook points to further delays, with 70-80% chance of rain in Iowa at the end of the week.