

THE MARKET

FERTILIZER NEWS AND ANALYSIS

24 July 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	24 July	17 July	Tendency
Prilled Urea Yuzhny	790-825	745-770	Rising
Granular Urea Mid East	770-870	750-810	Rising
Granular Urea USG s.ton	815-825	780-830	Stronger
DAP Tampa	1170-1210	1170-1202	Firmer
Ammonia fob Yuzhny	650	600-650	Stronger
Ammonia cfr Tampa	745	585	Soaring
Sulphur fob Vancouver	800-820	800-820	Firm

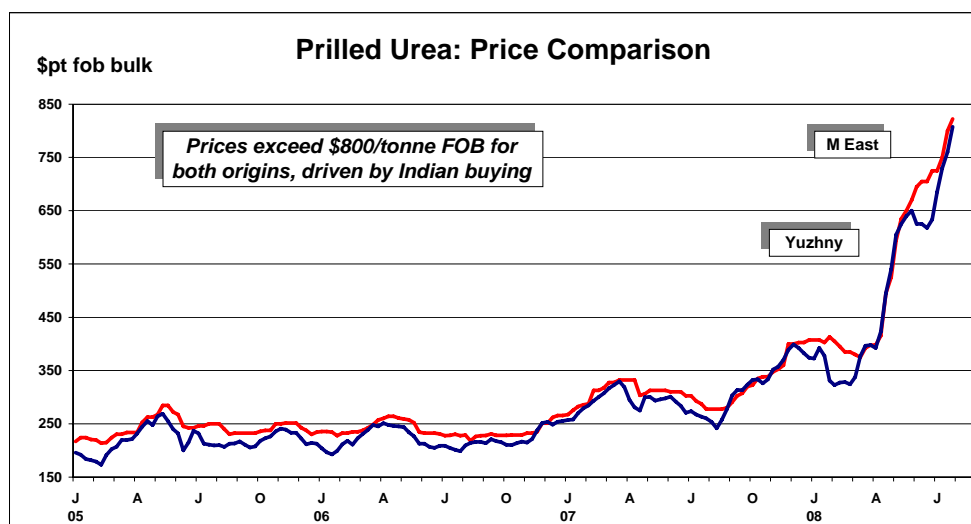
Latest International Business					
Product	Origin	Destination	'000t	\$pt	Ship
Urea	Yuzhny		10	820 FOB	A
	Baltic	Canada	5	790 FOB	A
	Yuzhny	India	35-50	820 CFR	J/A
	Indonesia	India	60	828-850 CFR	J/A
	Yuzhny	India	95	832-846 CFR	J/A
	Yuzhny	India	80	836-840 CFR	J/A
	China	India	25	850 CFR	A
	China/Yuz	India	50	850 CFR	J/A
	UAE	India	15-20	815 FOB	S/O
	Qatar	India	30	815 FOB	A/S
	S Arabia	India	25	815 FOB	J/A
	Russia	Uruguay	7	835 CFR	A
	Granular	Qatar	Brazil	30	870 FOB
UAN 32	Russia	Argentina	25	580s CFR	J/A
	Sillimae	Americas	25	500 FOB	A
DAP	Russia	TBC	25	1200 FOB	A
	US	South America	12	1210 FOB	A
Ammonia	Trinidad	Tampa	16.5	745 CFR	A
Sulphur	Canada	China	60	770-775 CFR	A?
MOP	FSU	Americas		1050 CFR	A

Urea

Indian Potash Ltd (IPL) has paid up to \$850/tonne CFR this week to buy urea for August shipment. This is the highest price India has ever paid. It reflects about \$780/tonne FOB Yuzhny. Middle East producers sold about 70,000 tonnes of prilled urea to IPL at \$815/tonne FOB.

In total, IPL secured about 400,000 tonnes of urea via the tender, lifting its purchases for June-August shipment to about 650,000 tonnes. India needs to buy this quantity every month until January to meet its import target for the current year. It is likely to be in the market on a constant basis in the coming months.

Yuzhny prices have strengthened on the Indian news. Traders have paid up to \$820-825/tonne FOB for August tonnage. Although the line-up for August is negligible at present, three or four cargoes are expected to load for India during the month.



The appetite among traders to digest ever higher prices in Yuzhny is fading, however, and several factors suggest that levels could stabilise.

- Indian buying may pause for the next 15-20 days
- Turkish producer Igsas will hold an auction to sell 30,000 tonnes for August shipment, suggesting that Turkey will take less Yuzhny urea than usual in August and September
- CFR prices for urea in Brazil are currently lower than Yuzhny FOB levels
- European markets have paused, partly because it is harvest time but partly because buyers are evaluating the jump in prices
- Urea prices have stabilised in the US after the hectic activity seen last week

North America

In the **US**, granular urea prices have stagnated since the end of the Southwest Fertilizer Conference, with barges trading at \$820-825/short ton FOB Nola this week. Koch is reported to have reduced prices ex-Enid slightly to sell. The company is scheduled to begin production on an expanded plant at the end of August that will add about 10,000 tonnes/month to availability.

August barges are on offer around \$825/short ton FOB Nola. CF has the following forward prices: September \$850/short ton FOB Donaldsonville and October through January 2009 \$855/short ton FOB Donaldsonville.

Falling corn prices have dampened some of the optimism in the market and buyers are looking at UAN and ammonia as cheaper alternatives to urea. Corn futures have dropped

to \$5.70/bushel. Although profitable, this is well down on the \$7/bushel seen in recent weeks.

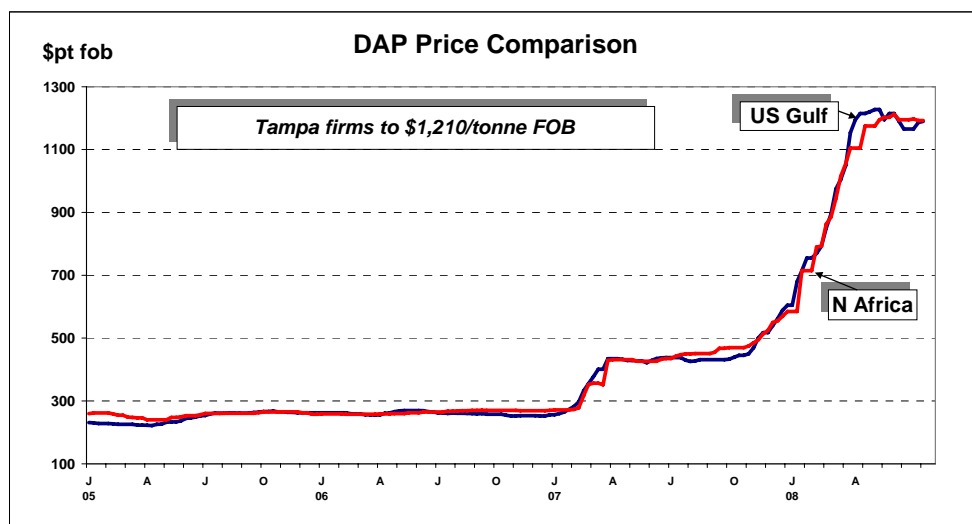
The next surge in activity is likely to be just ahead of the arrival of the first cargoes of the season from Saudi Arabia and Qatar in late August.

DAP

Major buying interest remains confined to the Indian market: RCF issued a tender this week for 325,000 tonnes; while GNFC/MMTC are deliberating on purchases totalling a further 100,000 tonnes. The strength of Indian demand is not in question, but it remains unlikely that DAP tonnes will be secured under the GNFC/MMTC tenders.

CFR levels in India are static, but with Kisan having exhausted its US DAP positions, the ability to keep prices at the current \$1,270-1,275/tonne CFR may be lessening.

Elsewhere, PhosChem has achieved a slightly higher FOB level on a small DAP sale in South America at \$1,210/tonne FOB, up \$8/tonne from last week.



On a bullish note, the chances of Chinese product becoming available again for export in Q4 look less likely, following measures by the government to bolster DAP buffer stocks through financial support for producers. This will keep the market tight through the rest of the year.

However, the future direction of the DAP market is still dependent on the strength of Latin American demand in the third quarter.

North America

In the **US**, PhosChem has sold 12,000 tonnes of DAP to a South American market at \$1,210/tonne FOB Tampa.

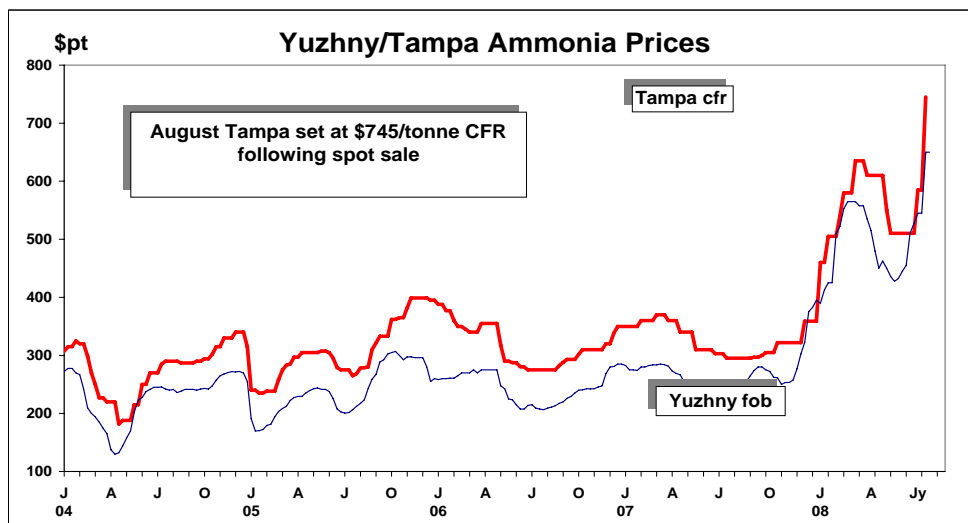
Reports of a sale of Agrifos DAP cargo to a trader for second-half August lifting to Argentina could not be confirmed.

Domestically, prompt DAP barges are pegged at \$1,080/short ton FOB Nola with prices for September shipment at \$1,095-1,100/short ton. Prompt MAP barges have been sold at \$1,110/short ton.

Ammonia

A supply squeeze is still in evidence in the ammonia market. There is little availability in Yuzhny, with all vessels subject to loading delays. Meanwhile, no spare availability is reported in the Middle East. Given the tight supply situation there has been no new price discovery in either region this week.

There are reports that producers are looking for \$750-800/tonne FOB Yuzhny in new sales, and Middle East suppliers report bids at up to \$750/tonne FOB. However, these price ideas largely hypothetical given the lack of product on offer.



In the US, Yara bought a spot cargo from PCS early this week at \$745/tonne CFR Tampa for August, representing an increase of \$160/tonne over the July Tampa price. The sale set the tone for August discussions and at press time Yara had settled with Mosaic at the same price.

North America

In **Tampa**, early in the week PCS sold 16,500 tonnes to Yara at \$745/tonne CFR for first half August delivery to Tampa. This is \$160/tonne higher than the July Tampa contract price.

The sale was expected to set the tone for August contract discussions in Tampa and at press time Yara had settled with Mosaic for the whole of August at \$745/tonne CFR.

Terra has reiterated that its 500,000 tonne/year **Donaldsville**, Louisiana, plant is in the restart process and will be operating at full rates by the end of the month. However, Terra will continue to receive ammonia shipments from Yara under its contract which will run until the end of the year.

US producers have sold ammonia for spring 2009 delivery at \$1,150-1,160/short ton FOB **Midwest** terminals, basis 25% prepayment. Farmers are prepared to lock in ammonia for spring rather than waiting. Koch and CF are reported to have sold ammonia forward at these levels.