

# THE MARKET

## FERTILIZER NEWS AND ANALYSIS

18 September 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	18 September	11 September	Tendency
Prilled Urea Yuzhny	710-715	760-780	Drifting
Granular Urea Mid East	770-810	770-820	Steady
Granular Urea USG s.ton	710-715	730-750	Weaker
DAP Tampa	1080-1090	1150-1160	Weakening
Ammonia fob Yuzhny	870	860-900	Softer
Ammonia cfr Tampa	931	931	Stable
Sulphur fob Vancouver	550-600	550-600	Weak

Latest International Business					
Product	Origin	Destination	'000t	\$pt	Ship
Urea	Romania	Turkey		745-750 FOB	S
Granular	Egypt	Europe	10	750 FOB	S/O
DAP	US	India	40	1,175 CFR	S
MAP	China	Venezuela	30	1,050 FOB	S
TSP	China	India	2 x 30	TBC	S
Ammonia	Yuzhny	US	30	@870 FOB	O
	Yuzhny	Morocco	11		S
	Iran	?	23.5	Low-920s FOB	O
	Qatar	India	5	854 CFR	S
Sulphur	S Arabia?	Morocco		450 CFR	
MOP	FSU	Brazil	120,000	1,000 CFR	O

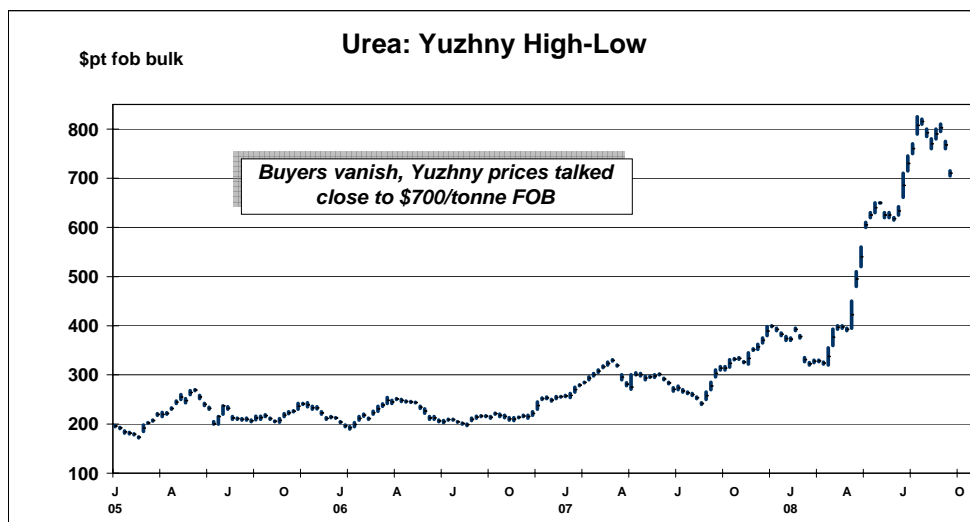
## Urea

Buyers have gone into hiding worldwide, leading to one of the most inactive weeks experienced in the fertilizer market. Buying interest is negligible for phosphates and potash as well as nitrogen fertilizers.

In the absence of new demand, prices have been talked down. Indicative levels for Yuzhny urea are around \$710/tonne FOB, although there are bids much, much lower and offers far above this price.

An Indonesian sales tender on 19 September and an STC India purchase tender on 23 September will test where actual price levels really are.

In advance of the Indian tender, there are rumours of sales agreed at \$770-780/tonne CFR, reflecting \$710-715/tonne FOB Yuzhny after freight, financing and other costs.



STC is understood to require about 600,000 tonnes of urea. Interest from Middle East and Egyptian producers as well as traders will be high. Stocks are mounting in producers' warehouses and all of them need business for October. However, even if prices fall into the \$600s/tonne FOB Yuzhny, urea is still a very profitable product and there are unlikely to be many market-related cutbacks.

The direction of prices after the Indian tender is difficult to assess. If STC's tender is quickly followed by additional buying by MMTc or IPL, prompting buying in other regions, the urea market could rebound. Equally, if STC's tender is followed by a 3-4 week blank period in India, buyers elsewhere will likely stay out of the market until second half October, leading to further decreases in FOB prices.

## North America

In the **US**, urea trading has been light this week. One prompt barge was sold at \$710/short ton FOB Nola and bids have subsequently dropped below this level. Yara and Sabic have urea to sell from Qatari and Saudi vessels that arrived this week, but are asking for bids rather than quoting prices.

CF is reported to have restarted production at Donaldsonville, but is not yet operating at full capacity due to restricted supplies of natural gas.

US urea imports were 220,000 short tons in July, 79,000 short tons lower than in the same month of 2007. US urea production was 256,000 short tons in July, 8,000 short tons lower than in the same month of 2007.

## DAP

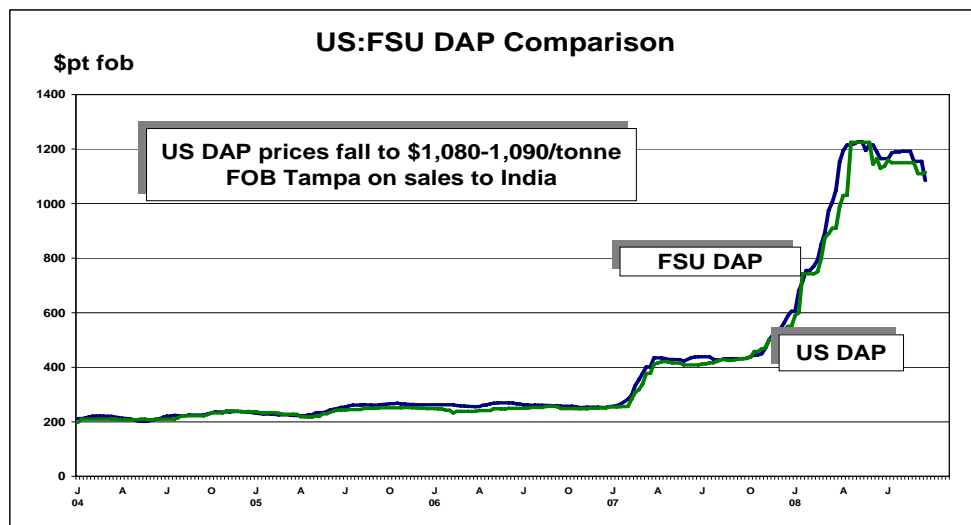
The bearish tone to the phosphates market looks set to remain until pipelines in the US and Latin American markets run down to the extent that dealers have no choice but to replenish stocks. At present, that seems at least one month away.

Interest in further DAP imports has slowed in the only active import market – India - not on account of slackening demand, but because the rapid fall in CFR numbers has, thanks to the import parity scheme, reduced subsidy payments paid to Indian producers. This, combined with an estimated loss of 250,000 tonnes of DAP production due to a lack of acid shipments from Jordan and Tunisia in Q3, means that domestic DAP production will be well behind target. Import demand could theoretically hit 4.7m tonnes.

Demand elsewhere is virtually non-existent. Pakistan will not contemplate further DAP imports until after the wheat support programme is defined. There has been a purchase of Chinese MAP in Venezuela, and several Chinese TSP cargoes have been sold to India, but these forced sales to run down high inventories, and at a considerable loss, represent the sum total of recorded business this week.

The major producers are either waiting, as in the case of PhosChem, or concentrating on domestic and regional markets, such as EuroChem. The strategy is to hold out until October, when demand is still expected to pick up.

In terms of price discovery, it emerged that a US cargo of DAP was sold in to India two weeks ago, at a price estimated to net back to \$1,080/tonne FOB.



On the bull side, US September DAP/MAP production will be hit as Faustina remains down and Agrifos's Pasadena plant suffered heavy flooding following Hurricane Ike, which means it could be out of action for a month.

## North America

In the **US**, Keytrade sold a US DAP cargo to India two weeks ago, priced at \$1,175/tonne CFR. This would net back to \$1,080/tonne FOB Tampa given prevailing freight rates at the time.

Trammo is in the freight market for 30,000 tonnes of DAP to load in Pascagoula for India.

The US domestic market is very slow, with the pipeline full and there is no significant off take from farmers. There are few barges available but prices continue to slide. Barges were sold last week at \$950/short ton FOB Nola and while no sales have been reported this week, the sentiment is that a trader would have to sell in the low-\$900s/short ton FOB to place a

barge. Mosaic is not offering aggressively in the river due to continuing problems at Faustina. The plant remains down following power supply issues as a result of Hurricane Ike and it is unclear when the plant will resume operations.

Agrifos could be facing a one-month outage following flooding at its Pasadena, Texas, facility in the wake of Hurricane Ike. The facility, which was producing only MAP, went down on 12 September as the hurricane hit the Gulf of Mexico. A major clean-up operation is underway following the flooding, but the extent of any damage is unknown.

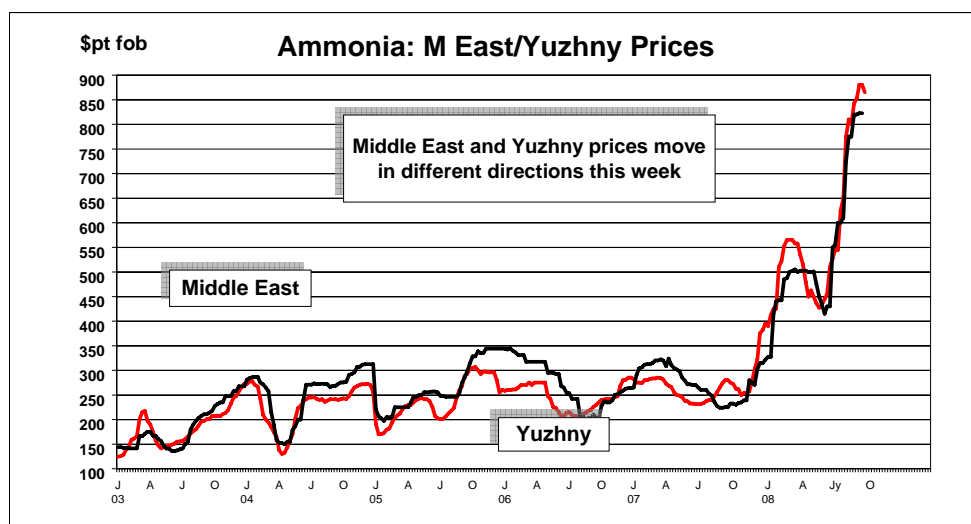
According to TFI data, US DAP production reached 789,000 short tons in August, down 2% on July and 6% on August 2007. Overall phosphate output still rose on account of higher MAP production, at 475,000 tonnes in August, up 10% on July but unchanged from August 2007 levels.

Despite lower production, US DAP closing inventories rose 3% on July and 46% on August 2007 to reach 756,000 short tons. MAP closing inventories reached 387,000 short tons, up 2% on July and 3% on August 2007 levels.

US DAP exports totalled 516,203 short tons in August, down 1% on the same month of the previous year according to TFI data. India accounted for 421,050 short tons of DAP, 82% of the total. US MAP exports were 178,604 short tons in August, up 22% on the same period of 2007.

## Ammonia

FSU producers have had to correct their price expectations to secure business for October. Having accepted that the \$900/tonne FOB concluded a few weeks ago was probably too high for the current market, Gorlovka has conceded around \$870/tonne FOB for 30,000 tonnes for early-October lifting. This price is now workable in the US, if the last spot sale to the US Gulf at \$955/tonne CFR is considered as a benchmark. No other business has been concluded in the meantime and the Tampa CFR price for October is yet to be agreed.



In the meantime, AG prices may be stepping up sharply, if news of a spot sale of Iranian ammonia in the low-\$920s/tonne FOB proves to be correct. This is \$80/tonne higher than previous spot business and would demand an increase in Asian CFR prices to around \$1,000/tonne. This sale has been viewed with some scepticism by some observers.

## North America

In the **US**, there is no news of any purchase following reports of offers at \$975/tonne CFR last week. Buyers have probably preferred to wait for developments in Yuzhny before

concluding new purchases. It now seems more likely that **Tampa** buyers will aim at limiting the price increase for October to around \$950/tonne CFR, more in line with the last purchase of Middle East ammonia by Koch at \$955/tonne CFR for the US Gulf. However, suppliers were asking for at least \$20/tonne higher this week.

Yara has the Viking River on route to west coast US at present. The vessel loaded in **Trinidad**.