

FERTECON AMMONIA REPORT

4 September 2008

© 2008 FERTECON Limited. Unauthorised transmission or reproduction prohibited

HEADLINES

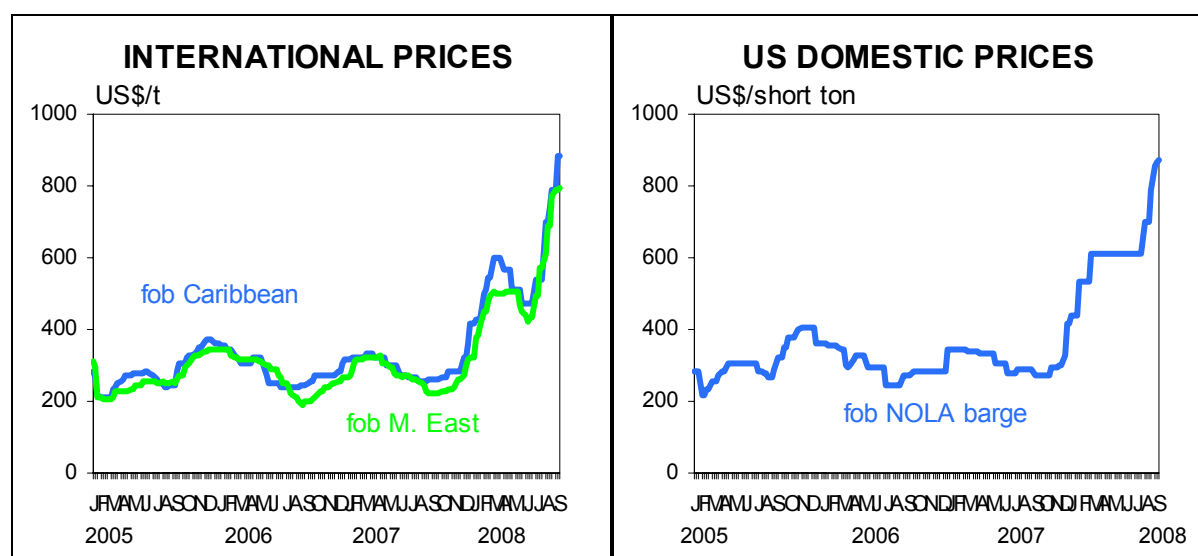
- New business out of Black Sea at \$900 fob.
- Sale of Middle East ammonia to a trader for the Far East at \$920 cfr.
- New sale into US Gulf at \$955 cfr.

KEY PRICES

- Yuzhnyy fob – \$850-900.
- Tampa/US Gulf cfr – \$931-955.

OUTLOOK

Firm for near-term but some feelings that prices are approaching a peak.



FERTECON PRICE SERVICE

AMMONIA PRICE INDICATIONS

All prices in US\$

	4 September	28 August	21 August
Fob prices			
Caribbean	885-886	885-886	700-875
Middle East * revised	775-842*	734-842	734-842
<i>Of which:</i>			
- Netbacks on contract/formula-priced sales	775-785*	734-735	734-735
<i>*revised</i>			
- Spot fob	820-842	800-842	800-842
Yuzhnyy/FSU	850-900	845-860	840-850
Ventspils/FSU	860-910	855-870	850-860
Southeast Asia * nominal	750-850*	700-850*	700-840*
<i>Of which:</i>			
- Netbacks on contract/formula-priced sales	750-800*	700-750*	700-720*
<i>* nominal</i>			
- Spot fob * nominal	830-850*	830-850*	800-840*
Delivered prices			
NW Europe (duty paid/duty free) *nominal	945-995*	940-950*	940-950*
NW Europe (duty unpaid) * nominal	900-955	895-905	895-905
Far East	800-920	800-900	800-900
India	815-828	712-774	712-774
US Gulf/Tampa	931-955	931-936	745-925
- Tampa	931	931	745
- US Gulf (MS, LA, TX) * nominal	955	936	925
- US east coast	n/a	n/a	n/a
US domestic			
US barge (s.t. fob NOLA)	n/a	n/a	n/a

FREIGHT INDICATIONS

US \$/tonne

(Rates basis 1-1 unless stated)

Route	Cargo size (t)	Rates	Notes
Caribbean –Tampa/USG	20-23,000	45-50	
Baltic (Ventspils) – NW Europe	23,000	35-40	
Black Sea–NW Europe (excl Scandinavia)	8-12,000	75-95	basis t-c
Black Sea – Antwerp/Belgium	23-25,000	65-70	Low end t-c, high spot
Black Sea – US (1-1 Tampa)	35-37,000	85-90	
Black Sea – US (1-2 USG)	35-37,000	90-100	
Black Sea – Far East	35-37,000	125-135	Low end t-c, high spot
Middle East – India (W. Coast)	15-20,000	30-43	basis t-c, 1-1/3 ports
Middle East- Far East (Taiwan)	23,500	70-80	Low end t-c, high spot
Middle East - Far East (South Korea)	23,500	80-90	Low end t-c, high spot
Indonesia – Far East (Taiwan)	15-20,000	40-45	40-45

FERTECON PRICE DEFINITION

Prices, rounded to the nearest US\$, represent the last known spot business and current indications, for 4-35,000 t cargoes, net of credit. The interest rate used to deduct credit is the \$ LIBOR rate plus 1% - i.e. currently 4.3%/year.

ANALYSIS

Ammonia prices have continued to climb with new business reported this week out of Yuzhnyy at \$900 fob for late September. A new spot sale into the US Gulf has been done at \$955 cfr. A trader has bought Middle East ammonia for the Far East at \$920 cfr.

However, already traders are hesitating over making further commitments at such high prices in the Black Sea. The recent soaring ammonia prices have largely been the result of severe supply constraints due to both planned and unexpected plant closures over the summer months. However, ammonia export supply is set to improve as plants come back on-stream after turnaround. Although there is no further news over the possible timing of a restart of the Burrup ammonia plant in Western Australia, plants in North Africa, Russia and Ukraine are coming back on-stream after turnarounds. There are still some turnarounds due in September but supply should be improving as we go through September and October. In some cases, there appears to be some suggestion of a shift towards higher ammonia exports – in the case of CIS exporters because of a lacklustre nitrogen fertilizer market, and in the case of Libya because of continued problems with urea capacity. Oil prices are also coming off.

Demand for ammonia has so far remained fairly buoyant and certainly the eastern hemisphere remains tight. However, there have been some concerns over reductions in demand for ammonia for non-fertilizer end-uses in the US, Europe and Far East due to high input costs of ammonia and other chemicals.

Although Indian ammonia imports (largely for DAP production) are picking up as phosphoric acid supplies improve, there are concerns elsewhere about future DAP production rates due to some downturn in demand, which could impact on ammonia import requirements. (Downward momentum continues in the international phosphate market. There has been some business in India but elsewhere import demand remains very subdued. Sentiment in the current market, even on the part of traders, is becoming increasingly bearish. Last week, DAP sold into India at prices of \$1,200-1,240 cfr. Earlier this week, fresh tonnes were sold at \$1,170 and now two additional cargoes have been sold at \$1,095 and \$1,100 cfr. Firm offers have been made ex-US at \$1,100 cfr this week. Indian buyers' price ideas are adjusting downwards accordingly and are now well below \$1,100 cfr. DAP buyers in Latin America, Europe and Pakistan are showing little sign of returning to the market to book significant volumes any time soon and the same is true for most other global markets. Given uncertainties as to how prices will develop in the short term, most buyers are choosing to wait on the sidelines in anticipation of lower prices.)

On the input cost side for DAP, sulphur prices are sliding rapidly in the international market. For example, new business has been done in India at \$500 cfr, down from sales in the \$670s cfr done a few weeks ago. Similar trends are being seen in other regions. For the time being, however, some US DAP producers who have to rely imported rock and given ammonia costs of \$931-936 delivered for September, are looking at production costs of well over \$1,200 per metric tonne of DAP. Depending on how international DAP prices develop, DAP production closures are a real possibility, which could affect ammonia demand.

SUPPLIERS

FSU: Yuzhnyy: Gorlovka has sold 20,000 t for 20-30 September lifting at \$900 fob. New indications are higher but traders are now becoming hesitant about committing to new purchases at this stage, as they sense that prices may now be peaking.

Ammonia capacity is beginning to come back on-stream after summer turnarounds although there are still some turnarounds to take place which will restrict supply to some extent. The Rossosh plant in Russia will be down for turnaround this month. There are unconfirmed reports that, in Ukraine, Severodonetsk will go down for turnaround in September. DnieprAzot has postponed its turnaround until 6-8 October.

However, OPZ will take down one urea line on 7-10 September for 15-21 days and the second line for just 5-7 days. This will release additional ammonia for export – around 5-7,000 t – during this period.

Cherkassy is due to bring the second line up from maintenance in mid September.

Furthermore, some producers are also intimating that they may make a shift towards higher ammonia exports as nitrogen fertilizers prices come under pressure product backs up. In particular there are some indications that producers will cut back AN output to favour ammonia, particularly if AN prices slip below \$450 fob. Indeed, ammonium nitrate prices have come under considerable pressure this week with offers reported as low as \$420-440 fob Black Sea but upon investigation these are proving more likely to be buyers' bids. Even if prices came to \$450 it is not evident that there could be too much interest but equally sellers do not seem ready to commit at this level as yet.

The KIP (the Ukrainian minimum export price system) has been abolished to be replaced by a recommended price.

August ammonia shipments out of Yuzhnyy totalled 281,000 t. The last vessel to load was the *Herdis*, which completed for Yara on 31 August.

So far around 310,000 t has been committed for **September** shipment. The September line-up is as follows;

- *Brussels* – 23,500 t, Transammonia to US, 3 September.
- *Al Majedah* – 15,000 t Yara, 4 September.
- *Hemina* – 35,000 t, Nitrochem to US, 5 September.
- *Havlur* – 12,000 t, Yara/Israel, 7 September.
- *Brugge Venture* - 23,500 t, Transammonia to US, 9-10 September.
- *Hesiod* – 40,000 t, Yara, 12-15 September.
- *Clipper Posh* – 35,000 t, Nitrochem, 17-20 September.
- *Kent*– 23,000 t, Nitrochem, 20 September.
- *Herakles* – 20,000 t, Keytrade to Morocco, 25-20 September.
- *tbn* – 35,000 t, Nitrochem, end September.

Ventspils – There are some signs that availability could start to improve as we go through September although there are still some shortfalls due to turnarounds. The **Berezniki** plant goes down for turnaround 20 September. **Kemerovo** was due to restart last week but has encountered some problems and is now expected back on stream next week. The **Salavat** plant is scheduled to go down for a 21 day turnaround in September. However, **Perm** restarted mid-August.

UNITED STATES: CF Industries Holdings, Inc. reported yesterday that its Donaldsonville, Louisiana nitrogen complex, which had completed an orderly shutdown last weekend in advance of Hurricane Gustav striking the US Gulf Coast, is currently assessing the effects of the storm on the operation and their implications for start-up timing. Initial indications are that the complex suffered no significant physical damage during the storm. The Donaldsonville facility is located on the Mississippi River between New Orleans and Baton Rouge. CF stated that it has begun removing storm debris at the complex's ammonia, urea, and UAN solution plants. However, as of Wednesday morning, electrical power had not been restored in the Donaldsonville region. Damage to area electrical transmission lines must be repaired before the complex can restart production.

ALGERIA: The Annaba plant continues to run well. One line at Arzew has been running and the other is now understood to be starting to run again. The *Pertusola* is loading 11,800 t in Annaba to day for Europe.

LIBYA: The urea line that has been down for turnaround for two months has a major problem and it could be some time before **NOC** can restart production. In the meantime, the ammonia unit will be restarted about 10-15 September. NOC can now load 23,000 t lots following recent work at the loading facilities and is expected to offer a cargo of this size later on for 1st half October lifting.

MIDDLE EAST: Spot fob prices are stable in the \$820-842 fob range. Netbacks achieved on contract sales are increasing, with latest direct contract business in west coast India at \$883.75 cfr with 60 days' credit, giving a return of around the mid \$780s fob.

Mitsui has sold 23,500 t of Middle East ammonia to Koch at \$955 cfr US Gulf, for early October arrival.

Mitsubishi has bought 23,500 t of Saudi ammonia at \$920 cfr Far East.

Iran – Transammonia's cargo of 14,982 t, which loaded in BIK on the *Nijinsky*, will arrive in Kandla/WC India tomorrow for KIT/Iffco.

Transammonia is sending both the *Tobolsk* and the *Sanko Independence*, which loaded in Iran in late August, to South Korea, covering spot sales to SFC.

Transammonia will load a cargo in the Middle East on the *Sylvie* around 15-20 September for delivery to PPL/Paradeep, EC India under contract for end September arrival.

Oman – Iffco/India has received 20,006 t of Omani ammonia into Paradeep on the east coast on the *Nordic River*.

Qatar – The price of Qafco's 14,000 t cargo on the *Al Marona* destined for west coast India for Hindalco (5,000 t eta 1-3 September), MCFL (4,000 t eta 5-6 September) and Zuari (5,000 t eta 8 September) (as reported last week) is \$833.75 cfr with 60 days' credit.

Mitsui's vessel, the *Gas Oriental*, sailed today from Qatar with 23,300 t on board for delivery to east coast India as follows – 11,300 t to CFL and 1,000 t for STL at Kakinada, plus 4,000 t to CFL at Vizag and 7,000 t to CFL at Ennore.

It is understood that the *Gas Colombia* is loading in Qatar covering Mitsui's sale of 23,500 t of Middle East ammonia to Koch at \$955 cfr US Gulf, for early October arrival.

Saudi Arabia - Sabic has sold 23,500 t to Mitsubishi at a price close to \$920 cfr Far East for shipment in 1st week September for 2nd half September arrival. It is believed that the tonnes will load on the *Rose Gas*. It is understood that Mitsubishi will take most of the tonnes to FPG at Mailiao/Taiwan, plus possibly a small lot elsewhere in the Far East.

The price of Mitsui's cargo on the *Al Jabirah*, which loaded 14,935 t last week in Al Jubail/S. Arabia for delivery to east coast India for CFL at Kakinada (5,935 t) and Vizag (9,000 t) is \$815 cfr cash.

The Damman ammonia/urea plant has now been permanently shut down.

Middle East export shipments for **August/September 2008** are as follows:

Vessel	Supplier/Origin	'000 t	Destination/Buyer	Price \$/t cfr unless stated	Load date
AUGUST		222.71			
<i>n/a</i>	Mitsui/Qafco	15	Far East	650 fob	August
<i>n/a</i>	Mitsui/PIC	8	<i>n/a</i>	800 fob	August
<i>Nijinsky</i>	TA/Iran & Abu Dhabi	15	Igasas/Turkey	<i>n/a</i>	4 August
<i>Tobolsk</i>	Oman (8.19) & Qatar (14)	22.19	KIT/Iffco, WC India	654-655 w 15 d	10 August
<i>Gas Major</i>	Qafco/Qatar	10	JPMC/Jordan	I-t contract	6 August
<i>Rose Gas</i>	S. Arabia (18) & Oman (5.19)	23.19	WC India - KIT/Iffco	I-t contract	11 Aug
<i>Gas Oriental</i>	Mitsui/Iran	23.39	EC India – CFL 10 to Vizag & 12.89 Kanada + 0.5 STL	712.75	2 nd wk Aug
<i>Al Marona</i>	Qafco/Qatar	10	MCFL & Zuari, WC India	779.63 w 60 d	18 August
<i>Tobolsk</i>	TA/Iran	23.5	South Korea/SFC	<i>n/a</i>	18-22 Aug
<i>Sanko Independence</i>	TA/Iran	23.5	South Korea/SFC	<i>n/a</i>	25 August
<i>Nordic River</i>	KIT/Oman	20	KIT/Iffco – EC India	<i>n/a</i>	Late August
<i>Al Jabirah</i>	Mtsui/S.Arabia	14.94	EC India/CFL	815 cash	27 August
<i>Al Marona</i>	Qafco/Qatar	14	Hindalco (5), MCFL (4), Zuari (5), WCIndia	833.75 w 60 d	Late August
SEPTEMBER		116.78			
<i>Nijinsky</i>	TA/Iran	14.98	India/KIT-Iffco	<i>n/a</i>	1 Sept

<i>Gas Oriental</i>	Mitsui/Qatar	23.3	CFL (22.3), STL (1), EC India	n/a	4 Sept
<i>Gas Colombia</i>	Mitsui/Qatar	23.5	Koch/US	955 cfr	Early Sept
<i>Antwerpen</i>	Mitsui/Iran	8	?		Early Sept
<i>Rose Gas</i>	Sabic/S.A.	23.5	MSK/Far East – prob incl Taiwan	920 cfr	1 st week Sept
<i>Sylvie</i>	TA/Iran	23.5	PPL/EC India	n/a	15-20 Sept
<i>Tbn</i>	Nitrochem/Iran	n/a	n/a	n/a	End Sept

INDONESIA: Kaltim announced plans this week to build another urea plant at a cost of \$740 million. Construction would start in mid-2009 and be completed in 2011 according to local press reports.

MALAYSIA: The *Nanga Parbat* is on its way back to Kerteh and due to arrive 5 September to load another cargo for east coast India. Based on current numbers, Mitco estimates this will give a fob netback of around \$660.

MARKETS

NORTHWEST EUROPE: DSM's Geleen plant in the **Netherlands** is now back up to full capacity following ammonia production problems. The plant came back up to full operation last weekend.

In **France**, as reported previously, **GPN** is taking maintenance turnarounds at its two units in succession (Rouen and Grandpuits) from 1 September for 5-6 weeks.

European gas prices have strengthened this week and are currently quoted at around \$12/mmBtu for spot gas, which is still considerably less than the reported contract price of \$14.50 mm/Btu. The gas Interconnector from the UK to mainland Europe is down for maintenance so the usual gas flows that happen at this time of the year from the UK to the continent currently do not exist. UK gas has increased to over 73p/therm (\$13/mmBtu) due to North Sea supply problems.

INDIA: The price of contract deliveries from Middle East suppliers has risen further this week, with latest pricing at \$833.75 cfr with 60 days credit for three port discharge.

Ammonia import requirements are recovering now that acid supplies have improved. It is understood that GCT/Tunisia has yet to finalise third quarter phosphoric acid contracts with GSFC and CFL at the supplier's target price of \$2,310 cfr. However, OCP/Morocco earlier settled at \$2,310 cfr with GSFC, Zuari, PPL, MCFL, and TCL and has started supplying these volumes.

West coast: **Iffco** will receive 14,982 t into Kandla tomorrow on the *Nijinsky*, which loaded in BIK/Iran under Transammonia's account with KIT.

The price of Qafco's 14,000 t cargo on the *Al Marona* destined for west coast India for **Hindalco** (5,000 t eta 1-3 September), **MCFL** (4,000 t eta 5-6 September) and **Zuari** (5,000 t eta 8 September) (as reported last week) is \$833.75 cfr with 60 days' credit.

East coast: The price of Mitsui's cargo on the *Al Jabirah*, which loaded 14,935 t last week in Al Jubail/S. Arabia for delivery to **CFL** at Kakinada (5,935 t) and Vizag (9,000 t) on east coast India is \$815 cfr cash.

Mitsui's vessel, the *Gas Oriental*, sailed today from Qatar with 23,300 t on board for delivery to east coast India as follows – 11,300 t to **CFL** and 1,000 t for **STL** at Kakinada, plus 4,000 t to **CFL** at Vizag and 7,000 t to **CFL** at Ennore.

Iffco has received 20,006 t of Omani ammonia into Paradeep on the *Nordic River*.

Transammonia will load a cargo in the Middle East on the *Sylvie* around 15-20 September for delivery to **PPL** under contract for end September arrival.

Indian ammonia imports for **September 2008** delivery are tabulated below:

Buyer/ Location	Supplier	'000 t	\$/t cfr unless stated	Arrival	Vessel
SEPTEMBER		110.72			
West coast		28.98			
KIT/Iffco/Kandla	TA/Iran	14.98	n/a	5 Sept	<i>Nijinsky</i>
Hindalco/Dahej	Qafco/Qatar	5	833.75 w 60 d	1-3 Sept	<i>Al Marona</i>
MCFL/Mangalore	Qafco/Qatar	4	833.75 w 60 d	5-6 Sept	<i>Al Marona</i>
Zuari/Goa	Qafco/Qatar	5	833.75 w 60 d	8 Sept	<i>Al Marona</i>
East Coast		81.74			
CFL/Ennore	Mitsui/Qatar	7	l-t contract	Mid Sept	<i>Gas Oriental</i>
CFL/Kakinada	Mitsui/S. A.	5.94	815 cash	5-7 Sept	<i>Al Jabirah</i>
CFL/Kakinada	Mitsui/Qatar	11.3	l-t contract	Mid Sept	<i>Gas Oriental</i>
STL/Kakinada	Mitsui/Qatar	1	l-t contract	Mid Sept	<i>Gas Oriental</i>
CFL/Vizag	Mitsui/S.A.	9	815 cash	7-8 Sept	<i>Al Jabirah</i>
CFL/Vizag	Mitsui/Qatar	4	l-t contract	Mid Sept	<i>Gas Oriental</i>
Iffco/Paradeep	KIT/Oman	20	n/a	2 September	<i>Nordic River</i>
PPL/Paradeep	TA/Iran	23.5	n/a	End Sept	<i>Sylvie</i>

FAR EAST: Prices have risen with the latest spot purchase of Saudi product by Mitsubishi at close to \$920 cfr.

CHINA: China has increased the special export duty on urea to 150%, making the total duty 185% currently. The export duty also now also applies to exports of ammonia. However, China currently does not export ammonia but does import into Caojing and Zhanjiang and there is a small terminal at Fangcheng port in the south of China near the Vietnamese border.

PHILIPPINES: **Philphos** is in the market to buy ammonia but will probably pass on offers in the current, very tight market in Asia.

SOUTH KOREA: **Namhae** is due to receive two cargoes of ammonia in September - one each from Nitrochem and Mitsubishi, and another one from Mitsubishi in October.

SFC will receive two cargoes of ammonia from Mitsui and one from Yara in September, one each from Mitsui, Mitsubishi and Yara in October and one each from Mitsubishi and Yara in November. Transammonia is sending both the *Tobolsk* and the *Sanko Independence*, which loaded in Iran in late August, to South Korea, covering spot sales to SFC.

TAIWAN: **Formosa Plastics (FPG)** received one cargo of ammonia from Mitsubishi at the very end of August and is due to receive a another cargo from Mitsubishi at the end of September which will be shipped from the Middle East – i.e. the Sabic cargo recently purchased by Mitsubishi at \$920 per t cfr. Demand for imported ammonia for the balance of the year may be adversely affected by current high ammonia prices as FPG has cut back on acrylonitrile production, claiming this is due to high costs.

UNITED STATES: As reported last week, the **Tampa** contract price has now risen to \$931 cfr, a massive \$186 increase on the August contract price of \$745 cfr.

Last week, new ammonia business was concluded into the **US Gulf** at \$936 cfr, but this week there has been a sale of 23,500 t of Middle East ammonia by Mitsui to Koch at \$955 cfr for arrival in early October.

DAP is a major end use for imported ammonia into the US and there are some concerns over the outlook for production rates given a downturn in demand for DAP in domestic and international markets.

There has been little impact on import demand for ammonia because of the impact of Hurricane Gustav, however – although Mosaic's Faustina phosphate plant is currently down due to power loss following Hurricane Gustav, this plant is not based on imported ammonia. MissPhos, which imports ammonia into Pascagoula, announced earlier this week that Hurricane Gustav caused only minimal physical wind damage to its Pascagoula phosphate production facility. The facility experienced an electrical interruption during the storm which resulted in a temporary plant shutdown. The facility was in the process of resuming full operations. The company's customers and suppliers should see no impact.

CROP PRICES / AGRICULTURE

UKRAINE: According to the agriculture ministry, Ukraine harvested 43.2 million t grain on 12.56 million hectares by 1 September 2008, with an average yield of 3.44 t/hectare. The amount of grain harvested to date is around double the amount harvested a year ago, when the average yield was reported at 2.05 t/hectare. The ministry said wheat harvested to date was 26.842 million t on just over 7 million hectares, 99.9% of the total area to be harvested and the average yield was 3.8 t/hectare. Barley harvest to date was 13.42 million t on 4.179 million hectares. Rye harvest was 1.051 million t on 459,000 hectares. The ministry expects grain harvest this year at 48.7 million t compared with 29.3 million t in 2007.

CHICAGO BOARD OF TRADE (CBOT) CROP PRICES				
cents/bushel				
Product	Price Sept 2008	Weekly Change (Cents)	Price Sept 2007	Price Sept 2009
Corn	546.4	-31	322	600.2
Wheat	752.2	-50.4	770	841.0
Soybean	1,251.0	-97	870	1,263.6
Rough Rice	1,844.0	+10	1,003	1,800

FERTILIZER DERIVATIVES

Bids and offers for FIS ammonia cash settled derivatives are as follows.

Contact: Ron Foxon & Alexey Paliy - FIS Ltd

Office : + 44 207 090 1122 Mobile: + 44 7738726557

ferts@freightinvestor.com www.freightinvestorservices.com

Yuzhnyy:

Ammonia fob Yuzhnyy		
(\$/tonne)		
Month	Bid	Offer
September	850	925
October	850	900

Regards

Vivien Bright