



## Fertilizer Market Update July 22, 2010

### New Saudi DAP plant begins initial startup

According to reports out of Saudi Arabia late last week, the new DAP plant being built by Ma'aden Phosphate Co. (MPC) has begun its initial operation. The first full stage of production is not slated to start until fourth quarter of this year. When the plant reaches full production in April 2011, capacity will be about 3 million metric tons per year. Billed as one of the largest facilities of its kind in the world, it will consist of four ammonium phosphate granulation lines, each producing 9,000 tons of DAP per day. MPC is a joint venture of Saudi Arabian Mining Co. and Saudi Basic Industries Corp. (Sabic).

### Dry Nitrogen

#### UREA

**Price outlook:** Up through August

**Domestic market:** The market continues to tick upward this week, and will likely remain strong to higher for the next 30 to 45 days. The U.S. market continues to trade at a slight discount to world markets, so it is not attracting spot cargoes. Supply could be tight for fall. The question is "What will demand be?"

**Global factors:** The Yuzhny market is now in the low \$250s/mt. India continues to buy product, so far totaling 750,000 tons. About 500,000 tons of it has come from China, and India could buy another 250,000 tons yet this summer. China's prices are now in the \$260-265/mt range for prilled product and \$275/mt for granular.

#### AMMONIUM SULFATE

**Price outlook:** Stable to higher

**Domestic market:** No new blocks of fill tons were announced this week. Dakota Gas said production of existing orders would carry it through August. Honeywell's next block will be higher in price than their previous block. It's not certain when it would have more product but noted that export demand is strong. There may be some spot product available from other producers in the coming weeks, but nothing else has been announced.

### Liquid Nitrogen

#### UAN

**Price outlook:** Steady to higher

**Domestic market:** The fill programs are being tightly controlled by domestic producers. Small blocks are being doled out and prices raised as they are sold. The market will therefore be demand driven by dealers as actual application is not until next spring. A pause in dealer buying would eventually result in tons backing up. Summer exports have given producers a large amount of comfort heading in to fall.

**Global factors:** Abu Qir in Egypt sold 8,000 tons at \$174/mt, which equates to \$ 186 / ST US without any throughput added. Acron in Russia sold 20,000 ST at \$ 170 which would equate to a similar number in the US. Neither of these cargoes is coming to the US. Domestic producers are in the driver's seat at present because of a lack of international competition.

### AMMONIA

**Price outlook:** Stable to stronger

**Domestic market:** It has been a very strong week for the ammonia market, with demand outpacing supply, in some cases. Prices have moved closer to the \$500/st level in the Midwest and eastern regions. Koch was not even posting fall prices this week. After the Southwest Fertilizer Conference, Fall NH3 availability will become clearer. It appears that most suppliers do not want to oversell a terminal location because of the anticipation of a big fall season.

**Global factors:** Prices continue to strengthen in Yuzhny. Higher gas prices could limit product availability moving forward. That could also put a little more pressure on Tampa prices for August.

## **PHOSPHATES**

**Price outlook:** Very Firm

**Domestic market:** Tight supplies and getting tighter – that seems to summarize the phosphates market for the coming months. Prices moved higher this week, due in part to renewed buying that accompanied higher corn prices. Mosaic is facing the prospects of closing one of its phosphate rock mines in Florida because of a Sierra Club lawsuit. That could reduce the amount of product it can offer for fall. The company already has said any new orders would be for October delivery.

**Global factors:** Despite low domestic inventories, several U.S. companies exported product last week. International buying remains strong from India, Peru, Japan, Mexico and Australia.

## **POTASH**

**Price outlook:** Stable through the month

**Domestic market:** Prices remain at posted levels from North American producers and buying remains slow. With so little fill product being purchased, there are some growing concerns about the logistics of moving higher volumes if and when sales pick up this fall. Buyers seem willing to wait for lower prices.

### **Regional markets**

**EAST:** The amount of product movement this week makes it feel almost like the spring season. Dealers are buying another round of phosphates and interest in 10-34-0 has been so strong that supplies have temporarily run out. There has been some buyer frustration about not being able to buy nitrogen products when they want.

**SOUTH:** This is typically not a busy fill time for the region, and little product is moving right now. Growers seem optimistic about planting more wheat acres this fall, after beans are harvested. The recent dry period has likely impacted corn and soybean yields but rains this past week have helped revive crops. The cotton and rice crops generally look great throughout the region.

**UPPER MIDWEST:** Inquiries have been coming in on P & K and some dealers are taking positions, mostly in phosphates. There is already some concern from dealers about fertilizer producers' ability to supply enough product for fall. UAN and ammonia customers have been frustrated by not being able to get product when they want it. Early-ordered shipments have begun to arrive. Good weather continues throughout much of the region and the crops look very good.