TIGHT SUPPLY TO CONTINUE FOR MOST FERTILIZER PRODUCTS IN Q4 AS DEMAND REMAINS STEADY
FERTILIZERS

TIGHT SUPPLY TO CONTINUE FOR MOST FERTILIZER PRODUCTS IN Q4 AS DEMAND REMAINS STEADY

OCTOBER 2017

AMMONIA

With the scheduled shutdown of the SAFCO 4 ammonia plant from late September for almost the whole quarter, spot ammonia availability in Saudi Arabia remains extremely limited. Madaen maintains its stocks are limited, meaning Trammo and Mitsubishi had to look elsewhere to fulfill contract commitments. The former will load 15,000 tonnes from PIC in late October, priced at $270/tonne FOB Sitrah/Shu'aiba, while around the same time the Japanese trader will lift 40,000 tonnes from Louisiana after sealing a deal with CF Industries at $224/tonne FOB Donaldsonville.

Traders and producers noted a strong uptick in demand from spot buyers in India for October and November deliveries, with IFFCO/Kandla even taking the unusual step of securing a Caribbean spot cargo from PCS for mid-October delivery to the west coast. Buyers on both coasts of India have been heard in the market, with LFC Korea also likely to secure a November cargo amid strong demand from the group’s downstream customers.

Russian ammonia producers are bullish about their prospects for the near future, with several cargoes being sold for forward months by producers in North Africa and the Arab Gulf. Some part of Egyptian production is also expected to be diverted to the domestic market, while availability in Yuzhny remains thin. China has continued to stay away from the export market as domestic demand is firm but there is talk production rates may go up. However, the AOA Edeloa/ Bahwan plant in Algeria is expected to resume production in the early part of November. Baltic prilled and granular availability is also ample.

Demand from European and Turkish markets is expected to pick up in the fourth quarter, with some countries such as Turkey expected to be back in the market for big quantities. There is also talk of traders being short for Europe for the fourth quarter. However, some buyers in northwest Europe could wait until the start of next year to make purchases, with warehouses being full for the time being. India is expected to continue announcing regular import tenders during the quarter and purchase 300,000-500,000 tonnes of urea under each tender. Chinese domestic demand is still firm, while southeast Asian buyers are starting to accept higher levels.

PHOSPHATES

The phosphates market in the fourth quarter is expected to be characterised by tight availability, as producers gear up for 2018. Chinese phosphates supply is subdued since the government has decided to crack down on environmental pollution and producers have been running their plants at reduced operating rates. Also, Saudi producers are comfortable until November and Mosaic is expecting a loss of up to 400,000 tonnes of phosphates following Hurricane Irma. Moreover, availability out of Morocco remains tight, as OCP is committed with shipments to Ethiopia under its NPS tender and to Africa, Europe and the Americas.

On the demand side, the Indian subcontinent is expected to continue purchasing at a steady pace. Already, buyers in India, Pakistan and Bangladesh have been in the market making DAP purchases. Also, buyers in Brazil will have to make MAP purchases by the end of the year for the safrinha crop season in early 2018. Demand in the country has been steady so far for MAP and shipments have been trickling through from Morocco, Russia and China.

SULPHUR

Continued stock building in China in the coming months to avoid charges from the new environmental tax, coupled with Russian barge shipments drawing to a close at the end of October because of winter conditions is expected to keep availability limited in the fourth quarter, despite the end of the peak downstream demand season. Coupled with

“India expected to continue announcing regular urea import tenders during the fourth quarter”
Strong uptick in demand from spot buyers in India for October and November deliveries, with spot availability in Saudi Arabia extremely limited

this, one Russian distributor said that it may be unable to meet OCP’s fourth quarter demands because of weather-related waterways closures, which could result in OCP turning to the spot market with additional requirements.

In China, the approach of the implementation of a new environmental tax and end-user shortages is expected to keep demand strong at least through October, according to several market players. Chinese buyers are understood to already be pre-buying for the downstream spring 2018 season to dampen the impact of China’s new environmental tax.

Under the new tax regime, which takes effect from 1 January 2018 producers will be charged CNYS/tonne of coal waste, CNY1,000/tonne of hazardous waste, CNY1.2 per unit of atmospheric pollution, and CNY1.4 per unit of water pollution.

Russian winter barge restrictions are due to come into force at the end of October, which will limit supply from the region. In recent weeks, traditional exporters to the Mediterranean preferred to offer to other locations because of higher profitability and with Asia and the Middle East expected to remain tight, this is likely to last into the fourth quarter. In northwest Europe, supply and demand are broadly balanced and expected to remain steady in the fourth quarter.

Europe demand is expected to remain covered by contractual volumes, and the market is expected to remain balanced. In the Mediterranean, buying interest is expected to remain low. Because of winter loading restrictions Russia may be unable to meet OCP’s requirements for material in the fourth quarter, according to a distributor, which would likely see them look to the spot market for additional requirements.

SULPHURIC ACID

Although Asian supply remains extremely tight, and is expected to remain so until at least the first quarter of 2018 because of a heavy outage schedule, several sources said that they expect availability in South Korea and Japan to gradually improve across the fourth quarter as maintenance come to an end.

With tight supply expected to last until at least the first quarter of 2018, underlying demand remains difficult to gauge, with material outside of contract unavailable.

The majority of European producers are sold out of spot material until the end of 2017 amid a heavy global turnaround schedule in the fourth quarter, particularly in Asia, and a focus on servicing contracted volumes. Sellers are seeing an increase in enquiries from non-typical trading partners, with enquiries from India frequently mentioned, but these have yet to translate into firm business.

European producers are expected to continue to focus on contracted volumes during the fourth quarter, with the majority having no spot availability outside of small loads. In Chile, the majority of buyers remain covered for product, limiting activity. KGHM is understood to be looking for 10,000 tonnes of product for December delivery and Mantos Copper for 20,000 tonnes for November/December delivery, but this is being met with little available material on offer. In Brazil, demand remains strong.

POTASH

Potash supply in Europe is expected to increase in the fourth quarter, in order to meet burgeoning demand from the continent’s vast agricultural industry. With potash easily having the potential for global oversupply, the restraint and control shown by major producers in Q3 will likely continue to keep supply steady and availability tight in order to retain the price increases achieved over recent months. However, market sentiment indicates European buyers are actually prepared for such increases, provided they are steady, and not unexpectedly large.

European demand will increase in Q4, as a growing number of buyers return to the market to acquire volumes ahead of the spring planting and fertilizer application season. After an initial surge of buying activity towards the end of Q3, demand will likely increase at a far more steady rate throughout the quarter, peaking towards the end of the year, and into Q1 2018. Producers will likely continue to keep a close eye on supply to the region, to ensure an oversupply situation does not develop.

Availability in Asia has been tight throughout Q3, and is likely to continue past Q4. The majority of producers in the potash market are committed and sold out until the end of the year, leaving spot market buyers scrambling for product, and ports short of spot potash. As in Q3, contracted volumes to India and China will continue to draw potash away from the spot market, making continued and steady price increases a clear and present possibility.

Asian demand will continue to be steady and at a high level throughout Q4, supported by ongoing planting and fertilizer application activities across the region’s many varied crop types. Tenders are expected to draw some business, but the limited spot potash in the region may leave buyers high and dry. This situation is largely because of key producers having to meet large contracted volumes to China and India – two key potash-consuming nations – leaving other regions short of the vital crop nutrient.
You can rely on ICIS for all your fertilizer market intelligence needs

THE MARKET
A weekly report that gives you the global and complete view on the fertilizers market, built for the international global fertilizers business. Commodities covered in the market include: ammonia, nitrogen, phosphates, potash and sulphur.

THE MARKET PROVIDES
- Global/regional views of fertilizer commodities
- Fertilizer benchmark prices/price driver and fluctuations
- Commentary and summary of recent spot sales (export vs import)
- Supply and demand trends

GLOBAL COMMODITY OUTLOOKS
A visual tool that allows strategy managers and analysts to plan for the next 12 months. ICIS offers global commodity outlooks for ammonia, phosphates, potash, sulphur and sulphuric acid.

GLOBAL COMMODITY OUTLOOKS PROVIDES
- Visual spot trade balance on a global and regional level for the next 12 months
- Supply and demand outlook trade balances
- Expert analysis or price forecast assumptions
- Historical and forward-looking price forecast

GLOBAL PRICE REPORTS
Global price reports enabling you to focus in on your key market and set prices, negotiate confidently, mitigate risk and deploy and invest budget more accurately. Global price reports are available for sulphur and sulphuric acid.

GLOBAL PRICE REPORTS PROVIDES
- Global and regional market views
- Commentary and summary on recent spot sales (export vs import)
- Freight rate indicators and shipments schedules and key information
- Overview on related markets