



### NITROGEN OVERVIEW

Global urea prices continue to show upward movement on limited supply and an improved demand picture, and price levels are expected to remain firm over the coming month. Hikes in Chinese prices appear to have led the way, with producers raising ideas knowing that traders still need to cover an estimated 500,000 tonnes of urea for shipment to IPL India. At the same time, there is talk that other traders are taking positions in China amidst expectations that prices will continue to move upwards. Price indications in Egypt, the Middle East and the Black Sea/Baltic continue to move higher on limited supply in August and September.

#### Egypt

Yuzhny Further upward movement seen in prilled, granular prices.

Given the higher prices some buyers appear to have moved to the sidelines, waiting to see where prices settle before making purchases. But at the same time an improved demand outlook is also supporting the higher prices. Bangladesh is due to close tenders in early September, while fresh tenders from Ethiopia and Sri Lanka have been announced. Traders still need to cover for the last Indian tender and speculation is rife over the timing of the next Indian demand, with some expectations it could be later this month while others suggest mid-September at the earliest. Latin America remains an outlet for urea too. Brazilian buyers continue to make urea purchases, while there are expectations that Mexican buyers may return to the market in the next few weeks.

#### Black Sea

Dnipro is sold out for August and is understood to not be offering for September yet. Export availability is only expected to be around 10,000-15,000 tonnes in September due to the maintenance shutdown starting on 20 September and higher domestic demand. OPZ

confirms it shut down its second urea unit last weekend following a series of tests. The producer restarted the line early August following routine repairs but says it was always scheduled to be shut down after an inspection. By mid-August the second unit had been running at 60-70% of capacity with the first line operation at 80%.

#### Baltic

Salavat's urea facilities went into planned turnaround on 8 August and maintenance is expected to last until 15 September. Next sales availability from the Baltic is expected to be in October. In **Russia**, PhosAgro has signed a contract for the design engineering and procurement of equipment for the construction of a 500,000 tonne/year granular urea production unit at Cherepovets.

The plant will be the third urea unit at the site and will increase PhosAgro's overall urea production capacity by 50%. EuroChem sold 586,000 tonnes of urea in the second quarter of 2014, in line with sales of 588,000 tonnes in the same period of 2013, according to its Q2 financial report.

#### Europe

There is talk that buyers in **Spain** are using the arrival of the Chinese tonnes to resist price increases for domestic urea. In Northwest Europe, the market is quiet. Buyers are not thinking about buying fertilizers at present although traders say there is some price checking. There are expectations that demand will return in September or October.

#### Africa

Alexfert and OCI/EFC had no export availability in August. While Alexfert is undergoing a one-month maintenance starting from 1 August, OCI/EFC is still running below 50% capacity and able to meet only domestic commitments. On the production front, Helwan is operating at full capacity while MOPCO is understood to be around 90%. In **Algeria**, Sorfert expects to have spot tonnes available only in mid-September.

In **Libya**, it is still not clear if the Lifeco plant is producing urea given the unrest in the country. The plant had restarted around 20 July after being shut in January because of local militia entering the plant. In **Ethiopia**, Agricultural Inputs Supply Enterprise (AISE) has issued a purchase tender for 300,000 tonnes of urea, closing on 3 September. The shipment schedule is not known.

## Middle East

Urea prices in the Middle East continue to firm in line with other markets, and on tight supply out of the region. Producers are sold out for August and only a few cargoes are understood to be available for September. PIC may now have only have one more spot cargo for end September/early October shipment because of a turnaround. PIC will undergo a major maintenance 55-day from 17 October during which period it will have no spot availability.

In **Saudi Arabia**, SABIC is sold out for August and September given contract commitments and expects to have spot availability of 20,000 tonnes each of granular and prilled urea only around October. This spot availability is not certain as contract customers may increase their tonnage, in which case there will be no spot even in October. SABIC will resume shipments to Pakistan under the Saudi loan agreement at the end of the year or in January 2015. In **Qatar**, Muntajat is sold out for August and September for granular urea and has limited prilled tonnes available.

Contract commitments include shipments to the US, Australia, Bangladesh, South Africa and the Philippines. Qafco V and VI plants will operate at 60-70% capacity due to maintenance until end-September. In **Iran**, around 150,000-160,000 tonnes are heard sold to traders under the IPL India. Transglobe is understood to be shipping about 90,000 tonnes to India so far for IPL. Price ideas in the region have moved up in line with the Arab Gulf.

## Asia

In **India**, vessels for around 450,000 tonnes of urea are heard to have been nominated for shipment to India

under the IPL tender. Around 150,000-160,000 tonnes in total are expected to move from Iran with the balance from China. Estimates vary between 500,000 tonnes up to 700,000 tonnes still to be covered. There is some talk that suppliers may surrender bid bonds rather than supply given the hike in prices, but others expect all will perform and will not risk being blacklisted by the buyer.

A number of traders are heard to have asked IPL/ Department of Fertilizers for an extension of the shipment period until after 7 September and there are indications that this is being considered, but a decision is not expected until closer to the current shipment deadline. There are some expectations that the shipment period could be extended until the end of September, but others think it could just be an extra 7-10 days. There is varying opinion on when India may issue a new import tender. While some expect that MMTC could issue a tender later this month, others do not expect a tender before mid-September at the earliest.

Indications from India suggest there is no hurry to buy more urea given the poor monsoon which has impact immediate demand. Rainfall in India was 19% above average in the week to 6 August after coming in 9% below average in the previous week, according to the Indian Meteorological Department (IMD). For the country as a whole, cumulative rainfall during this year's monsoon has so far been 18% below average (1 June – 6 August) as against 23% until last week.

In **Sri Lanka**, the Standing Cabinet Appointed Procurement Committee (SCAPC) has issued purchase tenders for 24,000 tonnes of granular urea and 12,000 tonnes of prilled urea, closing on 25 August.

The cargoes are for October delivery. There are expectations that the government could announce more tenders in the coming week, for 18,000 tonnes each of granular urea and prilled urea.

In **Pakistan**, SABIC is not expected to restart shipments under the Saudi loan until late this year or early next year. Demand is heard covered by stocks and domestic supply

at present.

In **South Korea**, Namhae last week purchased 6,000 tonnes each of prilled and granular urea. The cargoes are understood to already be on the water. Next import demand is expected in September.

No deliveries from Qatar are planned under contract at present but discussions are ongoing. In **Indonesia**, there are expectations that Pupuk Indonesia Holding might offer urea to the market soon given the recent price rises, but no tender is heard yet. Internal meetings are understood to be discussing the timing of the next tender and also looking at increasing urea prices in the local market. Southeast Asian buyers are heard to be on the sidelines at present, but CFR price indications have been raised notionally in line with increases elsewhere in the market.

In **China**, prilled and granular prices continued to move higher. Port inventories are around 1.3m tonnes at present, with around half of the volume at Yantai. In the domestic market average production rates are slightly lower this week at around 72% of capacity. Domestic urea prices have continued to firm.

## Americas

In the **US**, August and September Nola barge prices have moved closer over the past week as logistic constraints and high barge freights continue to impact the market. Demand has been fairly quiet but there are expectations that interest will start to pick up over the next few weeks.

In **Mexico**, the market is quiet with buyers watching from the sidelines given price increases. There are expectations that buyers will need to step in soon, but can probably wait another two or three weeks. Some expect deals to take place at the TFI conference in San Francisco in early September. The buying group is not expected to meet again before then.

Some sources say that the decline in the grain markets is not impacting urea demand as much as phosphates as it is the peak of nitrogen consumption.

Brazilian urea imports in the first seven months of 2014 totalled 2.31m tonnes, an increase of nearly 28% over the same period of 2013 when Brazil imported 1.81m tonnes. Imports continue to show marked increases in imports from the Middle East and Venezuela, underlining higher granular imports this year. Brazil imported 508,200 tonnes of urea in July, up from 252,466 tonnes in June, and more than double the 232,057 tonnes imported in June 2013.

## Ammonium sulphate/nitrate

In the Black Sea/Baltic, a big jump is occurring in AS prices as there is limited material available in the market and some traders are believed to be short. Steel grade prices in **Ukraine** are now on a par with caprolactam grade material. This is because availability is tight, and also because of the duty difference between Ukrainian and Russian material. International traders are still concerned about doing direct business out of Ukraine given the recent troubles in the country. Most traders prefer to buy Ukrainian material at ports and not directly via tenders.

Domestic demand for AN in Ukraine is slow with farmers preferring to buy urea in place of AN as it is less expensive. In Lithuania, Achema has restarted AN and CAN production after both lines were down for two and three weeks respectively. The producer is sold out until September and has already started placing tonnes for October.

In Germany and Benelux, the focus is on harvest rather than fertilizer purchases. In the UK, the market is slow with buyers pushing back purchases and focusing on the harvest for the time being.

In Brazil, AS prices are still lagging behind international levels. Producers are now targeting higher prices in line with the Black Sea/Baltic.

AN imports in July declined 21% from the same period last year to 122,947 tonnes, according to data released by the country's Foreign Trade Secretariat (SECEX). Imports are lower than the 156,234 tonnes imported in July 2013 but more than double the 51,157 tonnes purchased in

June 2014. In January-July, AN imports totalled 432,461 tonnes, down 12% from 493,269 tonnes in the same period last year. The main supply source in January-July remains Russia with 432,085 tonnes, down 1% compared with the same period in 2013.

For AS, Brazilian imports in July increased 29% from the same period last year, according to SECEX. Brazil imported 116,812 tonnes of AS in July, down from 140,015 tonnes in June, but higher than the 90,805 tonnes imported in July 2013. In January-July, AS imports totalled 1.1m tonnes, up 17% from 929,597 tonnes in the same period last year. The main supply source in January-July continued to be Belgium with 361,742 tonnes, up 55% compared with the same period in 2013.

In **Romania**, InterAgro expects to have spot availability in 2H September and is in no rush to conclude fresh business. The producer is undergoing annual maintenance at Turnu and availability in late July/1H August is reduced as in typical during this period.

In **Lithuania**, Achema will finish maintenance at its UAN plant only in late September and will have no spot availability until then.

In the **US**, Nola prices continue to ease as demand is tailing off following a longer than expected spring season. In Canada, there are enquiries for two to three cargoes for September, and these are likely to be supplied out of Belarus.

In **Argentina**, there is talk that buyers may purchase two to three UAN cargoes in September.

## PHOSPHATES OVERVIEW

The phosphates market seems to be in a lull this week, as demand is slow in the main regions. Chinese producers have increased their price ideas due to tight supply and some are focusing on the domestic market, as demand is beginning to emerge. The market's attention was drawn to India this week as OCP has agreed its phosphoric acid

deliveries until the end of the year, with a small increase from Q2, following weeks of negotiations. This agreement is expected to give a clearer idea on DAP valuation and demand. It will also give some price direction to phosphate rock negotiations.

West of Suez, the US Tampa benchmark price is showing signs of pressure due to a lack of activity. In the domestic market, barge prices are edging slightly upwards due to tight availability and flat demand. On the supply front, OCP is understood to be sending MAP to the US for Koch and PCS under the recent agreement with the latter, as MAP demand in Brazil has slowed down and crop prices are falling. JPMC is heard to be sold out for September and has increased its asking price for future shipments.

Phosphates market in lull due to lack of activity

## Asia

In **India**, OCP is understood to have settled phosphoric acid prices with its joint venture partners Tata and Zuari with 30 days' credit for July-December. YUC and Valency offered Chinese DAP and MAP as per the tender and Wilson International offered Chinese MAP. Shipment is requested September-15 October and offers are asked to remain valid for 30 days after the tender closing date.

There is talk in the market that Zuari has shut down its ammonia and urea plants at Goa due to technical issues. However, its NPK plants are heard to be operating normally.

In **Bangladesh**, BCIC has issued a purchase tender for 30,000 tonnes (+/- 10%) of phosphoric acid (52-54% P2O5) for shipment in three lots to Chittagong during November-January, closing on 24 September. Most producers cannot offer extra DAP in September and have stopped receiving new orders, as domestic demand has already begun. Hubei Yihua has stopped receiving new orders now and has sold out most of its September production.

Loading in Fangcheng and Beihai was still affected by the typhoon. Stocks of DAP inventory in Beihai have reached

an estimated 67,000 tonnes, while stocks in Zhanjiang total 180,000 tonnes.

Domestic DAP prices rose slightly on the back of tight supply. There were more buying enquiries, but many producers committed their orders, leading to limited availability. Some producers presold most of their September products, so they could accept fresh orders. Most producers supplied moderate volumes to old major customers in light of tight supply. Overall operating rates at domestic DAP plants were at 70-80%.

Prices for domestic MAP rose on the back of supply tightness. Most producers raised offers amid tight availability, leading to few fresh deals. Several were fulfilling previous orders, waiting for higher-priced orders.

New export deals were limited recently as a result of short supply. Some export producers refused to accept new orders. Overall operating rates at MAP plants increased to around 70%. A few compound fertilizer plants were switched to produce MAP for exports.

Hubei Yihua Chemical Industry said that its net profit for the first half of 2014 slumped by 84% year on year, partly because of falling urea prices. The company's revenue in the first six months of 2014 rose by 12.8% year on year to CNY 9.4bn, compared with CNY 8.3bn in the same period in 2013, the company said in a statement to the Shenzhen Stock Exchange. The company said that DAP prices have rebounded from the bottom, which has made some margins for the company.

AsiaPhos said that its wholly-owned subsidiary Mianzhu Norwest had received an exploration permit for its Cheng Qian Yan mine in Sichuan province, for an expanded exploration area of about 1.54 square kilometres, compared with 0.55 square kilometre under the previous licence.

In **Malaysia**, Sumitomo Corp. and its Singapore-based unit, Sumitomo Corp. Asia & Oceania Pte. Ltd., have taken a controlling stake in fertilizer maker Union Harvest Sdn. Bhd. The trading house and its subsidiary said they have raised their joint equity stake in the Malaysian

company to 60% from 20% through additional share purchases. Sumitomo plans to leverage Union Harvest to expand its fertilizer business in Asia. The group aims to boost fertilizer sales by threefold to MYR20bn (\$6.2bn) by 2020 by building new plants. It is also considering expanding into Indonesia.

In **Vietnam**, activity is heard to be picking up, but no business has been confirmed.

## Europe

In **Russia**, the market is stable with no new business heard. PhosAgro is heard to have one MAP cargo for Latin America for 2H September shipment. EuroChem reported consolidated revenues of RUB 46.9bn (\$1.3bn) in Q2, a 3% increase on the RUB 45.4bn recorded over the same period a year ago. Q2 DAP/MAP sales rose by 15% year-on-year to 513 KMT, up from 445 KMT in the second quarter of 2013.

## Americas

In the **US**, no new export business is heard. Mosaic is heard to have tight availability for August and still some product left for September. Domestic demand is flat this week, with the first round of the fill barge purchasing for fall concluded. Most traders are understood to have positions, but there is no end-user demand heard. The pipeline is understood to be full at the moment. MissPhos is understood to be producing a barge/day of DAP for the domestic market.

In **Brazil**, buyers are heard to be reluctant to make purchases, as crop prices are going down. Since demand for the application season is usually around January-March/April, buyers can delay any purchases to October loading until phosphates prices decrease.

Brazil imported 359,585 tonnes of MAP in July 2014, 26% higher from 284,944 tonnes in July 2013, according to data on Monday from the country's Foreign Trade Secretariat. For the first seven months of 2014, Brazil imported 1.63m tonnes of MAP, up 21% from 1.34m tonnes in the same period in 2013.

DuSolo Fertilizers has signed a lease agreement for a facility to process direct application natural fertilizer (DANF) from its Bomfim Project in Brazil. MBAC Fertilizer (MBAC) was able to produce over 42,500 tonnes of SSP at its Itafos Arraias facility in Q2, despite suffering what it describes as “capital constraints”. The volume was the producer’s highest quarterly production to date at the facility, which began operations in July 2013 and is the first large-scale fertilizer facility in the booming agricultural region of Cerrado.

Heringer posted a net revenue of BRL1,108.9m (\$488.5m) in Q2 2014, 25.7% up from BRL882.5m reported in Q2 2013.

## Africa/Middle East

In **Tunisia**, the DAP line at GCT is understood to be running at 70-80% of capacity.

In **Egypt**, there is talk in the market that the Egyptian government is considering stopping phosphate rock exports or decreasing them to a minimum. The government is heard planning to build more phosphatic fertilizer factories that produce SSP, TSP, DAP, MAP, NPK and phosphoric acid for export or local consumption. It is understood that this change might take place in 2015 following the parliamentary elections this September. In Saudi Arabia, no new business has been concluded.

## AMMONIA OVERVIEW

The recent tightening of the global supply/demand balance for ammonia shows no sign of easing up and large increases in Arabian Gulf spot prices are expected to be repeated in the Black Sea and Tampa over the coming weeks as buyers race to secure cargoes. While no fresh activity has been heard in Yuzhny amid growing concerns over US and EU sanctions against some Russian product, plenty of spot business has taken place in the Baltic, North Africa, Middle East and southeast Asia.

Higher gas curtailments of 30% in **Trinidad** have begun to ease but will increase again for at least 21 days in September, at the same time as demand for the large

US refill season is expected to get underway. Mosaic is expected to push for an early settlement given prices in other parts of the world are rising rapidly due to plant shutdowns and higher demand from agricultural and industrial users.

Caprolactam (capro) and acrylonitrile (ACN) producers in Korea and Taiwan have yet to step into the market but their options appear limited, particularly given the August turnaround at the Yara Pilbara plant in Australia.

## Europe

In Yuzhny, no fresh spot business was heard in the Black Sea and buyers remain extremely wary of acquiring Rossosh ammonia because of US and EU sanctions against an individual associated with the Russian plant.

Market players are now awaiting the settlement of the Tampa ammonia price for September before finalising their price ideas for next month’s cargoes. Nitrochem has ruled out any further spot deals for September following its recent sale to Muntajat for a customer in Jordan.

OPZ has yet to decide if will restart its second ammonia line and says there is still no clarity on natural gas prices given the country’s recent dispute with Russia’s Gazprom and ongoing civil unrest in eastern Ukraine.

In **Russia**, Uralchem has increased its fleet of rolling stock by 100 new ammonia tanks, with the financial leasing contract valued at Russian rouble 500m (€10.4m). The company said the expansion of its fleet of ammonia tanks is in line with its strategy to ensure the independence of its logistics chain. Uralchem’s rolling stock of ammonia tanks consists of 1,700 ammonia tanks, of which more than 1,200 are owned by the company.

In the Baltic, Uralchem’s facilities at Berezniki and Kirovo will run normally in September following the completion of scheduled maintenance.

In **Poland**, a hydrogen explosion at Zakłady Azotowe Kędzierzyn (ZAK) slightly injured eight people and led to

the shutdown of the firm's ammonia unit on 5 August. The incident at the Kedzierzyn-Kozle is thought to have been caused by a pipe leakage, but the firm continued to run its fertilizer production units at normal rates with the use of stored ammonia. The company has launched a probe into the blast, but has yet to say when the ammonia unit will come back online.

## Africa

Sorfert's No 2 ammonia train remains offline because of a fault in its primary reformer related to refractory materials. The unit was shut down in late July and was originally expected to restart by 10 August. Sorfert has not provided a fresh restart date.

The EBIC-OCI plant at Ain Sokhna remains offline for another week due to a lack of natural gas and the unit is not expected to restart this month. The plant went offline on 28 June along with all other fertilizer facilities in the Red Sea zone as supplier E-Gas said it was unable to provide supplies.

In **Morocco**, OCP remains on the lookout for spot ammonia cargoes but no fresh business has been heard. OCP continues to consume 70,000-80,000 tonnes/month of ammonia, indicating its DAP and MAP lines are running smoothly.

In **Tunisia**, GCT's AN line remains shut down a month after it was taken offline, but the unit is expected to restart before the end of August. The producer's DAP line continues to run at 70-80% of capacity. In **Libya**, there is no update as to the operational status of the Lifeco ammonia plant which was last heard to be operating normally despite growing civil unrest.

## Middle East

In **Saudi Arabia**, SABIC reports strong demand from India and the Far East due to firmness in the

DAP market and greater demand for industrial applications, respectively.

In **Qatar**, Muntajat says it will not have any ammonia spot availability in September as Qafco plants V and VI will run at 60-70% of capacity throughout August and September.

In **Oman**, Trammo maintains it does not expect to load its next cargo of Omifco ammonia until October when it plans to lift 23,000 tonnes in Sur.

## Asia Pacific

Traders have increased offers for deliveries of spot ammonia as price ideas rise in line with Arabian Gulf FOB prices. The increase has been met with resistance from buyers but the tightness in the market shows no sign of easing, meaning they will likely have no choice but to pay higher prices. CFR numbers are lagging but are expected to climb in the near future.

In **Korea**, Namhae's first September shipment will be from Yara and its ammonia requirements will be reduced in October due to a planned three-week turnaround at its NPK plant.

CPDC has yet to confirm if it will push back the start-up of its new 100,000 tonne/year capro line in Toufen to 2015. The new unit was scheduled to begin operations in the fourth quarter of this year, but the weak capro demand from domestic downstream nylon chip polymerisation units has discouraged the start-up.

Formosa recently said it does not expect to receive its next contract cargo until late September and that is ACN plant was running at a good rate.

In **China**, Marubeni remains in talks with KPI, which has been unable to restart production due to its storage tanks being full, over other potential spot cargoes.

In **Australia**, the turnaround at the Yara Pilbara ammonia plant on the Burrup Peninsula continues and is heard scheduled until 25 August. Yara usually lifts 70,000-90,000 tonnes/month from the Western Australia plant. No cargoes are expected to load in Dampier until at least early September.

## Americas

In the **US**, the ammonia market is seeing some small refill movement but full commencement is still behind, with demand from end users at its lowest point of the year as farmer attention is focused on bringing a record corn crop to harvest. While there is uncertainty over future supplies from Trinidad, which is on the tail end of another expanded gas curtailment, and the Black Sea, due to civil unrest and economic sanctions against Russia, sentiment towards the domestic outlook has remained positive.

Producers remain steadfast in counting on a strong finish to the US corn season triggering an escalation of shortterm demand and setting the path for large amounts of crop planting next spring even if commodity pricing fluctuates from recent pricing levels, which have supported an increased emphasis on crop inputs.

The combination of the potential surge in post-harvest demand with a marketplace that could be facing less ammonia in the near term has fuelled a sentiment for a

solid price hike. Producers argue that as demand increases for fall applications, domestic pricing will rise, especially given the current tightening of the international supply/demand balance.

In the Midwest, growers are on the verge of a very large crop yield if the weather remains favourable for 6-8 more weeks to allow the corn to mature and dry down. Interest in refilling purchases remains minimal but retailers have seen some activity by farmers who have storage capacity at their individual operations.

Some retailers are understood to be encouraging growers to determine their immediate needs as there is still some lingering concern over transportation delays which could develop as the crop harvest begins and cause a repeat in shortages in available fertilizer inventory when demand hits its peak this fall. Crops remain on the positive side of the weather outlook as the forecast is calling for a continuance of favourable temperatures and periods of precipitation.

This pattern will be welcomed as it should bring some relief to thirsty crops and be accompanied by variable temperatures.

In the Southern Plains the stretch of cooler weather is being pushed out by a return of hotter temperatures but states like Kansas and Nebraska could see some showers which would boost yield expectations in areas where rain has been limited and the heat severe. In the Northern Plains, the forecast is calling for average temperatures for this time of year and for some scattered showers, which will bring additional moisture to crops still in their growth cycle.

The USDA said this week that corn has reached a level of 96% of silking, while soyabeans have achieved a rate of 92% blooming. In terms of crop conditions, the agency said corn crops rated as “good” increased by one percentage point to 52%, but crops viewed as “excellent” fell by the same amount to 21%. Soyabean blooming climbed seven percentage points to 92%, ahead of last year’s 87% and above the five-year average of 91%.

Soyabeans viewed as “very poor” climbed by one percentage point to 2% and those rated as “excellent” by the same amount to 17%. Crops viewed as “good” dropped two percentage points to 53%. The USDA added 72% of the soyabean crop is in the setting stage, up 15 percentage points from last week and well above the 55% seen in 2013 and the five-year average of 65%.

The USDA’s August World Agricultural Supply and Demand Estimates (WASDE) report showed farmers are poised to produce a record corn crop of over 14bn bushels and benefit from higher soyabean yields.

Ammonia producer OCI Partners has revealed the debottlenecking of its methanol and ammonia units near Beaumont, Texas, will cost about \$50-60m more than expected and that the ammonia shutdown to complete the work will run for approximately 28 days in the fourth quarter. The work will increase the ammonia unit’s capacity by 15% to 305,000 tonnes/year. In the quarter to 30 June, the ammonia unit ran at 112% of capacity.

In Arkansas, LSB Industries expects a portion of the expansion projects currently being constructed at its El Dorado facility to be complete by the end of 2015.

The Ministry of Energy and Energy Affairs (MEEA) has released June production and export numbers which show that production dropped by about 4% month-on-month, from 426,623 tonnes in May to 409,707 tonnes in June. Exports also saw a monthly reduction of 10% as May volumes totalled 351,396 versus June volumes of 315,332 tonnes.

## SULPHUR OVERVIEW

The main talking point across the international sulphur market was the decision by Saudi Aramco to bring its September price down. Sources described Saudi Aramco Trading's September price decision as realistic and reflective of market conditions. Saudi Aramco said it reduced its price because of buying resistance from China and stressed that the price was a correction rather than the start of a downward spiral for the market.

The international sulphur market looked stable across all regions and there were no reports of any supply problems, resulting in balanced market conditions. However, Middle East producers continued to talk of limited availability.

Prices in **China** moved down spurred on by Aramco Trading's September price and rising inventory levels, despite relatively good demand from the fertilizer sector.

In the **US** and **Latin America**, price ideas were also starting to soften on the back of falls elsewhere in the world.

**Europe** was quiet because of the summer holidays, but there too the market was largely viewed as balanced.

## Asia

In **India**, prices remain steady, as does demand. Sources expect to have a better short-term outlook of the market following the Independence Day holiday weekend, when refiners are expected to announce their prices for the

domestic market.

In **China**, import offers dropped and prices moved down this week. Some cargo-holding traders became pessimistic in light of lower prices at ports along the Yangtze River, lower offers from Saudi Aramco, higher inventories at Sinopec's Puguang Gasfield and the arrival of many cargoes at ports

in the south. China's inventory will reach over 1.8m tonnes. This partly contributed to some traders' expectation of a bearish market.

In **Malaysia**, Petrofac has won an engineering, procurement, construction and commissioning (EPC) contract with Petronas worth over \$500m. Petrofac's work scope includes three sulphur recovery units, two amine regeneration units, two sour water stripping units, liquid sulphur storage units and a sulphur solidification package unit. The deal with Malaysia's state oil company's subsidiary PRPC Refinery and Cracker Sdn. Bhd. covers a package in Petronas' Refinery and Petrochemicals Integrated Development (RAPID) project in Pengerang. The project is set to consist of a 300,000 barrels-per-stream-day refinery and will supply naphtha and liquid petroleum gas feedstock for the RAPID petrochemical complex, as well as producing a variety of refined petroleum products, including gasoline and diesel.

## Americas

Western Canadian sulphur production fell 3% year on year in April. Despite the record refining rates in July, US Gulf sulphur exports fell to their lowest level in 2014, missing expectations due to vessel delays. Exports in August are projected to be higher than in any month since August 2009. US production was up 10% year on year through the first six months of 2014.

In **Brazil**, sulphur imports dipped by 3.82% in January to July 2014 year on year, while July 2014 imports rose by 18% compared with July 2013.

In **North Africa**, OCP is said to currently have a very strong appetite for both sulphur and sulphuric acid. No updates were achieved in relation to its third-quarter contract price.

## Europe

In northwest Europe, the market was quiet. Outside fixed contract business, demand for additional spot volumes was limited although a trader said that it had done some spot deals based on formula pricing. Stock levels at tanks in the ARA (Amsterdam-Rotterdam-Antwerp) were described as long for September and October. A seller trying to move volume was told by consumers that their own stocks were already full.

In **Turkey**, little demand is seen particularly in light of a planned shutdown at Bagfas in September. Bagfas is understood to be experiencing some problems with its sulphur burner. This was not confirmed by Bagfas, but was mentioned by one market participant close to the company.

## POTASH OVERVIEW

The potash market continues to move along, with suppliers focused on achieving small price increases wherever possible. Buyers in **Brazil** and **Asia** have also come to terms with increasing prices and are now willing to pay more than July levels.

In the **US**, logistical issues continue to be a concern and while prices are firm the supply situation is still not balanced which has created several issues for suppliers as well as buyers.

For SOP, there has been a significant jump in prices on lack of supply and SOP consuming markets such as Iran have now been forced to issue MOP purchase tenders as they have been unable to procure SOP.

## Asia

In **China**, domestic prices are stable with sentiment in the market improving as NPK manufacturers starting to conclude new deals. There are expectations that

domestic producer Qinghai Salt Lake may increase prices but this is not confirmed given the recent pick-up in activity. Sdic Xinjiang Luobupo Potash's plant is due to open on 5 September, following a shutdown which began on 24 June. The producer has an annual capacity of 1.2m tonnes. A new contract for imports into China is likely in January 2015.

In **India**, over 1.7m tonnes of MOP are estimated to have arrived at ports from April to the first week of August.

## Europe & Middle East

In northwest Europe, SOP prices are moving higher as availability is tight and producers are struggling to meet demand from buyers.

## Americas

In the **US**, potash activity is quiet aside for some fill demand but that also appears to be tailing off as the summer winds down. Pricing remains stable over the past month on limited purchases and tight barge availability. Retailers are encouraging farmers to begin purchasing early as a surge in demand could test an already constrained transportation network. These routes will be pressured further by the impending harvest and the need to move commodities along the same lines as fertilizer shipments. Availability is limited also due to summer maintenance at several mines. The shutdown at PotashCorp's Allan potash mine in Saskatchewan has been extended by two weeks but the producer has shortened the planned outage at its Cory mine by one week.

Looking at crops this week, the USDA's Weekly Crop progress report showed that the corn has reached a level of 96% currently 'silking' while soyabeans have achieved a rate of 92% 'blooming'. In terms of crop conditions, there were only minor adjustments with those crops rated as 'good' increasing by one point to a level of 52% while decreasing by one point, to 21%, those crops viewed as 'excellent'. Soyabean 'blooming' has climbed by 7 points to a level of 92%, which remains ahead of 2013 which



was 87% last year, and just slightly above the five-year average of 91%.

In **Brazil**, there is speculation that sellers may prefer to go to the US rather than Brazil. This has led to some concern among buyers who are more willing to lock in tonnes even at higher prices.