FERTECON

Sulphur Report

Weekly review of the sulphur market

5 May 2016

- **Huge fire devastates parts of Alberta in Canada, important rail bridge burns down**
- **Formosa/Taiwan awards tender**
- **Adnoc/UAE rolls May OSP over at $85/fob Ruwais**
- **Saudi Aramco to move monthly price announcement to the end of the month**
- **Kharg Petrochemical/Iran issues tender for 30,000 t granular sulphur**
- **At least two shipments arrive in Richards Bay, South Africa this week from Middle East**
- **Skorpion Zinc receives April delivery, remains in market for June/July arrival**
- **Chinese port stocks increase by an estimated 80,000 t in one week**
- **NW European contracts begin to settle**

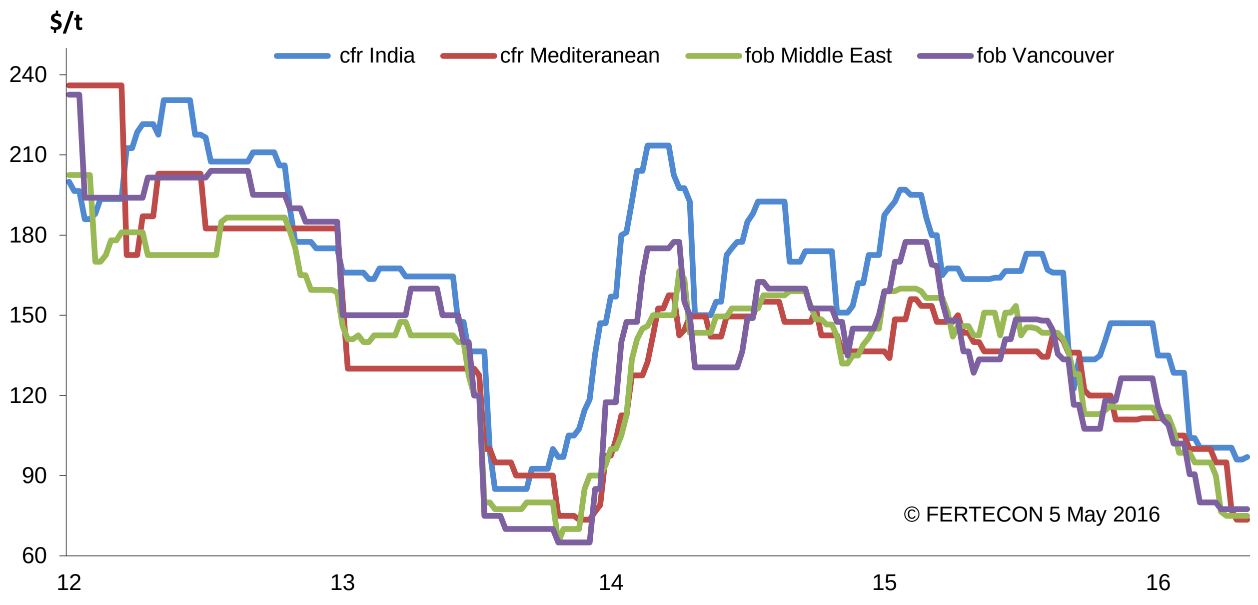
OUTLOOK

Stable-to-soft

KEY PRICES

	5 May	28 April	21 April
Vancouver spot $/fob	75-80	75-80	75-80
Middle East $/fob	65-85	65-85	65-85
Med (inc. N.Africa) $/cfr	60-81	60-81	60-81
North Africa cfr (contract) $/cfr	60-79	60-79	60-79
Central Florida (liquid, LT) $/deliv	70	70	70

SOLID SULPHUR PRICES



SULPHUR PRICE INDICATIONS All prices in US$

	5 May	28 April	21 April	Notes
Med cfr (includes N Africa)	60-81	60-81	60-81	
Med cfr (small lots N Africa)	71-79	71-79	71-79	
Med cfr (small lots other markets)	71-81	71-81	75-81	
North Africa cfr (contract)	60-79	60-79	60-79	Q2 contracts so far
Med fob (small lots other markets)	60-65	60-65	60-65	
China cfr	76-89	76-89	76-92	
China cfr spot	76-89	76-89	76-92	
India cfr	95-99	95-99**	95-98	
Brazil cfr	80-92	80-92	80-92	Q2 contracts/Spot
Vancouver fob contract	75-80	75-80	75-80	
Vancouver fob spot	75-80	75-80	75-80	
California fob	77-80	77-80	77-80	
Middle East fob	65-85	65-85	65-85	Full ME price range
Middle East fob contract	65-79	65-79	65-79	Q2 business
Middle East fob spot	69-80	69-80**	75-85	Low end crushed
Tasweeq Qatar Sulphur Price (fob)	79	79	78	
Saudi Aramco monthly price (fob)	80	80-85	80-85	
Middle East – Adnoc (fob)	85	85	85	
NW Europe cpt	150-168	*173-193*	*173-193*	Q2 contracts
Delivered Benelux (refinery)	110-122	*134-150*	*134-150*	Q2 contracts
Tampa/Deliv.Cent.Fla (LT)	70	70	70	Q2 contracts
Cfr Houston (LT)	63	63	63	Q2 contracts
Galveston (LT) ex-tank	63	63	63	Q2 contracts

*no market **revised Prices in *italics* relate to previous period contracts still under negotiation

Fertecon's sulphur prices are available to analyse and download immediately after publishing via this link.

FREIGHT INDICATIONS US$

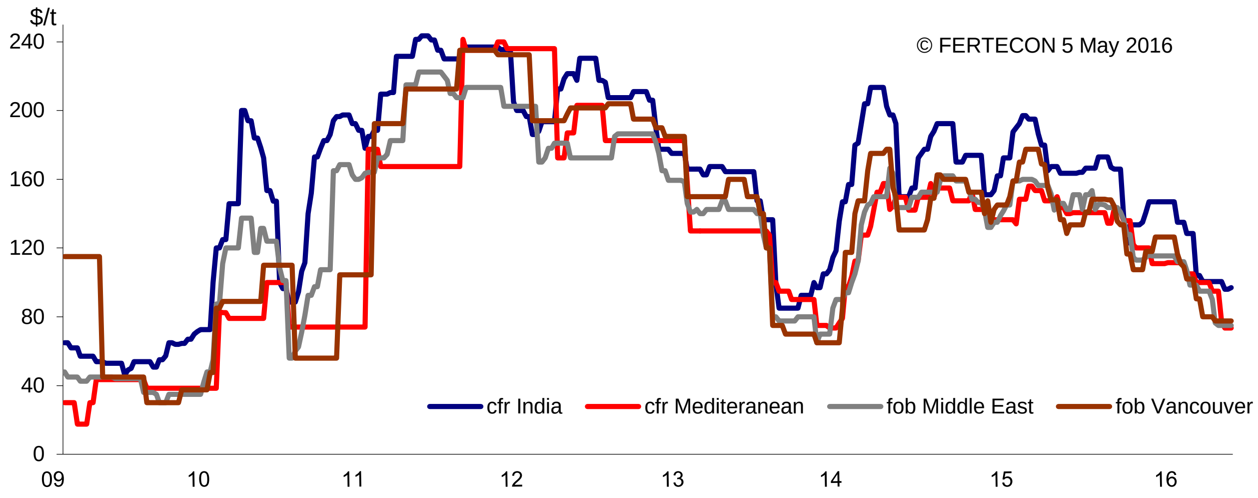
Route	Cargo size (t)	Latest rate ($/t)
Jubail – WC India	15-35,000	9-10
Middle East – EC India	15-30,000	12-13
Middle East – China	35,000	11-13
Jubail – Morocco	35,000	10-12
Vancouver – China	50-60,000	11-13

FERTECON TENDER SERVICE

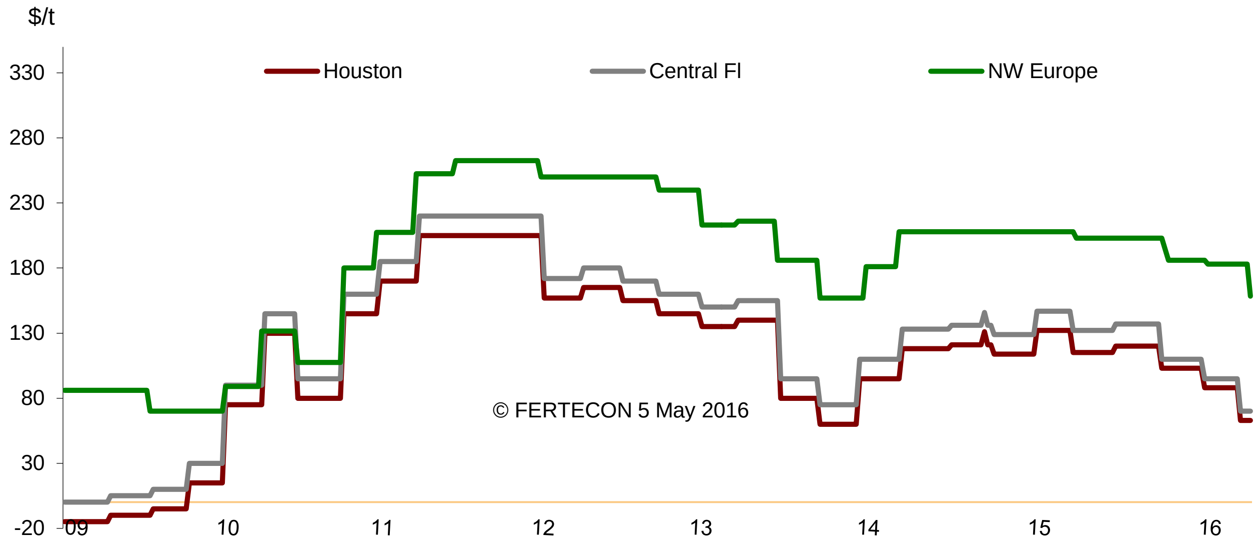
Holder/Country	'000 t	Close	Load/Deliv.	Notes
Kharg/Iran*	30	May	May	
FACT/India	15-25	18 April	May	Swiss at $99 cfr
IGCC/Iran* crushed	30	25 April	Mid May	Awarded at $68.50
IGCC/Iran* granular	30	25 April	Mid May	Awarded at $80 fob

*sales tender

SOLID SULPHUR PRICES



LIQUID SULPHUR PRICES



The full history of Fertecon's sulphur prices is available to view and download [via this link].

ANALYSIS

Middle Eastern prices remain stable with all major producers having announced their May lifting prices. Tasweeq increased its price by $1/t to $79 fob and Adnoc left its price unchanged at $85 fob. Saudi Aramco announced its May price back in April and set it at $80 fob. Its next price announcement for June was expected on 10 May but it has emerged that the company will now announce it and any subsequent prices at the end of each month to be in line with the other exporters.

Chinese prices are stable this week with no change in sentiment. Some sources suggested the market has now reached the bottom again and prices will stabilize at these levels as there is very little upside to pricing in the long term given increased supply from the Middle East and Central Asia. Some rumours surfaced that in the river area at least one buyer was bidding in the low $90s cfr, but it is unclear whether an actual purchase has taken place at this price.

However, there are two events that could affect pricing - one of them is a major natural disaster in Alberta, Canada that has crippled the oil industry there this week and another a little further in the future, namely the new Ma'aden phosphate unit in Saudi Arabia.

News that a major wildfire has now burnt large swathes of Fort McMurray and forced the authorities to evacuate 80,000 residents has yet to affect sulphur prices. No doubt there will be a ripple effect as more than 1 million t/y sulphur is produced in the region by the various oil sands refineries which have been forced to shut down or reduce output (for more see Canada section).

The Ma'aden plant continues to be in the line-up to start in Q4 this year and it will require at least 1.5 million t/y sulphur, to be supplied by Saudi Aramco from domestic sources. Given that both Canada and Saudi Arabia are major sources of sulphur for China, any change in supply in either of these countries could have a major impact on pricing in the latter. **For a more in-depth analysis please see our next Sulphur Monthly Report, to be published mid-May.**

However, this comes amid continuously strong production out of the Middle East and there is still little evidence to show that demand for sulphur will rise dramatically anytime soon. In China, the market is still lacklustre, with end-users holding out for lower prices. The softness in the market has also been seen in Morocco, Mexico and the Mediterranean, dragging fob prices down accordingly.

The phosphate sector is also quiet with at least two major Chinese producers electing to take turnarounds during April/May to bridge the gap between the end of the Chinese domestic season and the start of the main import season for the Indian sub-continent. In the near term, India will remain a focal point, with much anticipation placed on DAP demand in the coming weeks. Until that happens, buyers will be in a wait-and-see mood as market conditions remain soft.

Notice

Please note that Fertecon's *Med cfr (includes N Africa)* – the top line in the price table - and the *Middle East* price ranges will remain **unchanged** following market consultation. Thank you for your feedback and continued support.

MARKETS

EUROPE

NW EUROPE: It has now emerged that most Q2 liquid sulphur contracts have settled. Although there have been a few settlements below $110 del Benelux, these were isolated cases and the majority of contracts settled in the range $110-122 delivered Benelux which is now Fertecon's price range for the current quarter, reflecting a drop of $24-28/t. For the NW Europe cpt range price indications suggest a new range of $150-168, down from $173-193.

Sulphur burners are facing competition from smelter acid on the grounds of price. Availability of product is much tighter following the number of scheduled turnarounds that have taken place in Q2 but once production returns to normal, the current supply constraints will ease leading to the potential for renewed pressure on prices especially given that one of Europe's largest outlet, Cuba will be out of the market once the Sherritt burner starts-up.

UK: Ineos is on schedule to restart its Runcorn plant this month after the annual maintenance period.

TURKEY: Part of Bagfas's plant is reported to be down due to minor technical issues, however, phosphates production remains unaffected. The parts of the plant that have been affected are the acid units.

The jetty was also under maintenance for a period therefore the company could not receive sulphur, however, as soon as they arrived and the jetty was fully functioning the company started producing NP/NPKs. All system will be working fully operational by the weekend.

AFRICA

DEMOCRATIC REPUBLIC OF CONGO AND ZAMBIA: The sulphur and sulphuric acid market is flat in Zambia and the DRC given low commodities' prices, in particular copper.

DRC acid consumers now prefer to import acid from Zambia instead of sulphur from further afield. Given that FQM's sulphuric acid plant is now fully operational buyers in the DRC are giving it preference due to the shorter lead times.

Glencore's Katanga Copper Corp heap leaching project's start-up date in Kolwezi is rumoured to have been pushed back into 2017 as a result of low copper prices.

MOROCCO: OCP expects to import about 400,000 t/m sulphur during Q2 and this could increase when the JPH-2 sulphur burner starts up requiring about 40,000 t/m extra sulphur. Stable pricing is expected for sulphur in Morocco.

It has emerged that OCP finalised price reductions of $50-60 P_2O_5 for some of its Q2 phosphoric acid shipments to North West Europe with material for fertilizer production settled at $820-850 P_2O_5 cfr and product for technical use at around $890 P_2O_5 cfr.

NAMIBIA: It has emerged that Skorpion Zinc has bought a 17-18,000 t cargo from the US Gulf which was delivered to Luderitz on 17 April. The buyer's next requirement is understood to be for June/July delivery. Skorpion Zinc is understood to have got offers in the range $95-98 cfr against its enquiry for the June/July arrival cargo.

SOUTH AFRICA: The *Sandpiper Bulker* has delivered about 40,000 t Saudi sulphur to Richards Bay this week, sold in the high $90s cfr.

The *Latika Naree* delivered about 35,000 t Saudi sulphur in Richards Bay this week, understood to be for Foskor in the high $90s cfr.

Freight from Saudi to Richards Bay is understood to be around $9.50/t.

TUNISIA: Although downstream fertilizer production appears to have been running at a reasonably stable rate, phosphate rock supplies continue to be disrupted by local unrest thereby preventing CPG from increasing availability and meeting its target production volume.

Operations at Metloui and M'dhila were brought to a standstill for two days at the end of last week as unemployed protesters were once again blocking the transport of the rock.

It is understood that the Tunisian government is looking to develop a new port to export phosphates under its five-year development plan covering the years 2016-2020. The country hopes to transform a former oil terminal operated by Elf at Skhira which is outside of urban areas into an export port for Compagnie des Phosphates de Gafsa (CPG) and Groupe Chimique Tunisien (GCT). The new installations will replace those of Sfax and Gabes which have encountered pollution problems.

According to latest statistics data Tunisia imported 375,529 t sulphur in Q1 2016. The main sources were as follows: UAE at 147,000 t, Russia at 128,000 t and Kazakhstan at 60,000 t. According to Fertecon's shipping database, April imports will be just over 95,000 t which is usual around this time of the year as GCT tends to carry out maintenances in April and May.

MIDDLE EAST

JORDAN: Swiss Singapore has shipped a cargo to Jifco very recently from the Red Sea. BGN also shipped another term cargo to its customer in Jordan. JPMC is believed to be down for maintenance at present, requiring next to no sulphur.

ASIA

CHINA: Chinese prices are stable this week with no change in sentiment. Some sources suggested the market has now reached the bottom again and prices will stabilize at these levels as there is very little upside to pricing in the long term given increased supply from the Middle East and Central Asia.

Port stocks are estimated at 1.63 million t at present, up from 1.55 million t last week.

According to Fertecon's shipping database the following shipments are expected to arrive in China in May:

Origin	Name	'000 t
Saudi Arabia	*Azurit*	40
India	*Intrepid*	27
Saudi Arabia	*Asteris*	40
Saudi Arabia	*Aurora Bulker*	30
Saudi Arabia	*Lark*	38
Saudi Arabia	*Yvonne*	38
Saudi Arabia	*TBC*	32
UAE	*Bulk Phoenix*	50
UAE	*TBC*	50
Qatar	*Nereus Island*	36
Canada	*TBC*	65
Iran	*TBC*	90
Kuwait	*TBC*	25
Japan	*Liquid*	95
South Korea	*Liquid*	105
Kazakhstan	*Solid*	70
	Total	**831**

INDIA: Buyers in this market are covered with arrivals in recent weeks. BGN delivered a cargo to PPL under term contract and Swiss Singapore is supplying a cargo to Iffco and FACT. CIL is also receiving a cargo under its recent spot purchase.

Iffco is due to receive 30,000 t sulphur at Paradeep around the end of May/early June under its long term contract with Swiss Singapore.

Reliance has left its basic price for Sulphur unchanged. The price with effect from 01 May is as follows:

Yard Jamnagar	Rs/t
Basic price	8,121.00
Excise Duty @ 12.5%	1,015.13
CST @ 2%	182.72
Refundable	MODVAT (1,015.13)
Selling Price	**8,303.72**

The price is equivalent to $124.86 (based on exchange rate of $1 = Rs 66.50).

Please note that due to a clerical error last week's FACT price was not included in the price table. This has now been updated.

SOUTH AMERICA

BRAZIL: Anglo American plc announced on 28 April that it has reached an agreement with China Molybdenum Co. Ltd (CMOC) to sell its Niobium and Phosphates businesses for a total cash consideration of $1.5 billion. The total consideration will be payable to Anglo American at closing, subject to certain closing and post-closing adjustments.

The wholly owned Niobium and Phosphates businesses are located in the states of Goiás and São Paulo. The Phosphates business consists of a mine, beneficiation plant, two chemical complexes and two further mineral deposits. The Niobium business consists of one mine and three processing facilities, two non-operating mines, two further mineral deposits and sales and marketing operations in the United Kingdom and Singapore.

The transaction is conditional upon customary People's Republic of China regulatory approvals, and the approval of CMOC shareholders. Anglo American received binding commitments from the two major CMOC shareholders holding 63% of CMOC shares to support the transaction. The transaction is expected to close in the second half of 2016. Anglo American intends to use the proceeds to reduce its level of debt.

The *Baltic Scorpion* is expected to arrive in Santos for Vale on 20 May, having sailed from Ust Luga, Russia.

The following table shows sulphur vessels due to arrive into Santos in April:

Vessel	('000t)	Buyer	ETA
SBI Cronos	45	Vale	April
Magia	38	Vale	5/4
Potosi	3	Galvani	11/4
Doric Valour	40	Vale	16/4
Anna Bo	38	Vale	21/4
Veronique D	40	Vale	23/4
Zhong Hai	38	Anglo	27/4
Jana Rosa	16	Nitro	29/4
Noni	38	Vale	2/5
Kibele	12	Galvani	3/5
Lawin Arrow	45	Vale	4/5
Total	**353**		

MEXICO: Fertinal is considering pushing back its next shipment slightly to mid/late June as the buyer is comfortable in its position.

SUPPLIERS

FSU

TURKMENISTAN: Construction on a 500,000 t/y sulphuric acid plant in Turkmenabat, Lebap province is believed to be progressing well and likely to be concluded around the middle of 2016. The Turkmenabat chemical plant is a single complex for the production of phosphate fertilizers and sulphuric acid. The plant's main product is ammonium phosphates. Sulphur will be obtained from domestic sources, such as the Galkynysh Gas Processing Facility. The new facility was ordered by the State Concern "Turkmenhimiya". Construction is being carried out by a consortium comprising Mitsui Engineering and Shipbuilding Co and Turkish Rönesans Türkmen Insaat Sanaýi we Tijaret Anonim Sirketi. The project is partially financed by a loan from the Japan Bank for International Cooperation (JBIC).

ASIA

TAIWAN: Formosa is rumoured to have made an award late last week for 15,000 t in the range $83-85 fob Mailiao.

MIDDLE EAST

IRAN: Kharg Petrochemical has issued a tender for 30,000 t granular sulphur to load 15-20 May from Kharg Island.

Please note that due to a clerical error last week's Iranian prices were not included in the price table. This has now been updated.

UAE: Adnoc has announced its May OSP at $85 fob, a rollover from April.

SAUDI ARABIA: It has emerged that Saudi Aramco will begin announcing its monthly lifting price at the end of the month instead of the 10th day of each month from May. This will align the company to the other major suppliers that also announce their monthly lifting prices at the end of the month. Therefore, the company's next announcement, which will be for June lifting, will be at the end of May instead of 10 May.

NORTH AMERICA

CANADA: A huge fire has devastated vast areas of Alberta and has forced many oil producers to shut production facilities. According to market sources this will definitely have an impact on sulphur supply given the cutbacks in oil production that have been implemented. Exporters are currently in the process of determining exactly what the ramifications of this catastrophic disaster will be but it is clear that various consumers in China, Australia, South Africa, South America and elsewhere could be affected one way or another if exports from Vancouver drop. Local consumers are already reported to be bidding higher prices to secure sulphur.

According to media reports, Royal Dutch Shell halted output yesterday, 4 May, at its Muskeg River and Jackpine bitumen mines which pump about 255,000 barrels a day. Husky said it was cutting output at its steam driven Sunrise project, a joint venture with BP by 20,000 barrels a day to 10,000 barrels. Suncor said it cut output by an unspecified amount at facilities closest to the inferno. Syncrude said its operations, including the Mildred Lake and Aurora facilities, as well as its refinery-like upgrader were operating at reduced rates. There were no indications late on Wednesday of when output could return to normal levels.

In a separate accident, a massive fire engulfed the CN Rail trestle bridge on 27 April in the community of Mayerthorpe, Alberta. An investigation is underway as this was the 17th suspicious fire in six days. It means that this vital link between the Kaybob gas plant has now been severed and will affect sulphur shipments in the near term.

COMPANY NEWS

NORTH AMERICA

NORTH AMERICA: The **Mosaic Company** reported Q1 2016 operating earnings of $163 million, down from $319 million a year ago, as lower net sales were partially mitigated by lower potash and phosphate production costs and benefits of continued expense management initiatives.

Net sales in the Phosphates segment were $909 million in Q1 2016, down from $1.2 billion last year, driven primarily by lower prices of finished product. Gross margin was $65 million, or 7% of net sales, compared to $222 million, or 19 % of net sales, for the same period a year ago. The year-over-year change in gross margin rate primarily reflects lower finished product selling prices, partially offset by lower realized ammonia and sulphur costs.

The Q1 2016 average DAP selling price, FOB plant, was $355/t, compared to $458/t a year ago. Phosphates segment total sales volumes in Q1 2016 were 2.2 million t, down from 2.3 million t in Q1 2015. Mosaic's North American finished phosphate production was 2.2 million t, or 75% of operational capacity, compared to 2.3 million t, or 79%, in Q1 2015.

PotashCorp reported Q1 2016 earnings of $0.09 per share ($75 million) – including notable charges of $0.06 per share ($52 million) – down from $0.44 ($370 million) generated in the same period of 2015. Weaker prices – primarily for potash and nitrogen – and lower offshore potash sales volumes negatively impacted performance for the quarter, with gross margin of $234 million, cash provided by operating activities of $188 million and earnings before finance costs, income taxes, depreciation and amortization, termination benefit costs and certain impairment charges (adjusted EBITDA) of $385 million, all well below 2015's respective totals.

In Phosphate, Gross margin of $39 million in Q1 2016 was negatively impacted by weaker prices and a noncash impairment charge of $27 million. These factors more than offset the benefit of lower input costs, causing this year's total to trail the $58 million earned in the comparable period last year.

The average realised finished phosphate fertilizer price was $436/t in Q1 2016, down from $524/t in Q1 2015. Finished phosphate fertilizer sales volumes in Q1 2016 were 0.437 million t, up from 0.371 million t in Q1 2015.

SHIPPING

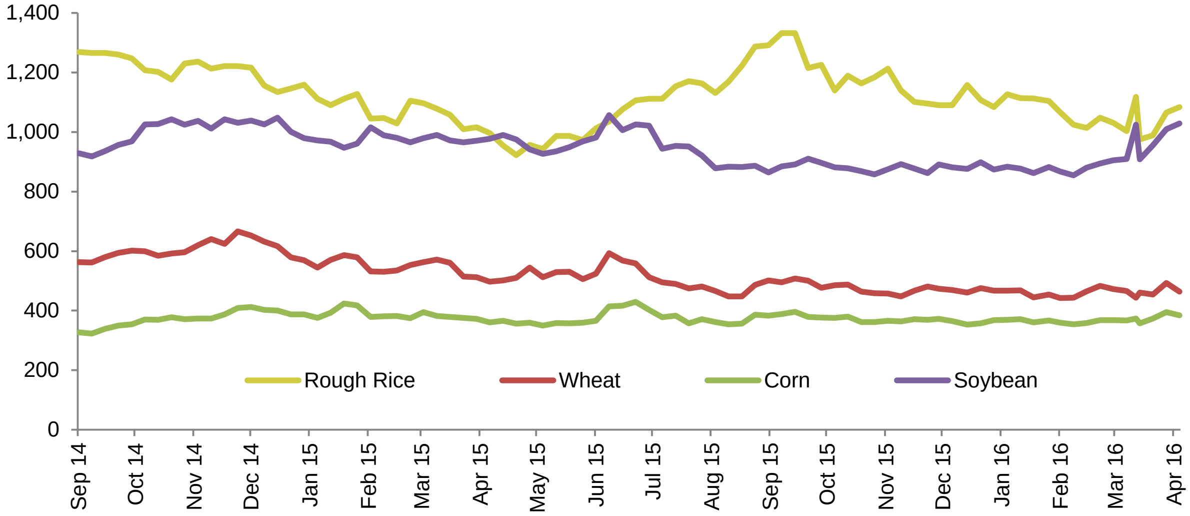
The table below shows how the various indices have developed since our last report:

DATE	Baltic Capesize	Baltic Panamax	Baltic Supramax	Baltic Handysize	Baltic Dry Index
29 April	1117	667	582	367	703
3 May	1055	640	583	368	682
4 May	954	621	583	365	652
5 May	915	607	582	365	642

Source: Baltic Exchange

AGRICULTURE

WEEKLY CBOT CROP PRICES (¢/bu)



CROP FUTURES

CME CROP PRICES (cents/bushel)					
Product	July 2016	Weekly Change	September 2016	December 2016	May 2015
Corn	376.6	-8.0	379.0	385.0	366.4
Wheat	457.6	-18.8	474.4	499.4	501.2
Soybean	1,034.0	+5.6	1,024.0	1,015.4	990.4
Rough Rice	1,144.5	+34.5	1,161.0	1,170.0	954.5

Prices are Wednesday's closing rates for the quarters indicated. The 2015 price is the forward price reported one year ago.

CORN:	**WHEAT:**
July futures were pressured by the active pace of spring seeding across the Midwest. Strength in the US dollar index was also said to be bearish.	Expected yields of 40-60 bu/acre in the upcoming US crop tour underpinned the bearish tone, and received support from gains in the US$ index.
SOYBEAN:	**RICE:**
Ongoing uncertainty over the size of Argentina's crop provided some support, with production forecasts continuing to deteriorate in the country.	Ongoing concerns around the drought in some SE Asian countries, especially the Philippines and Thailand, support July contract prices this week.

REGIONAL MARKETS

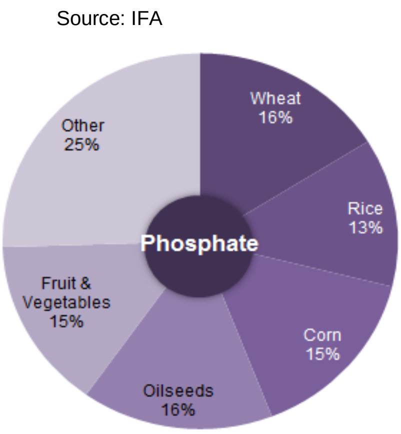
GLOBAL: The *International Grains Council (IGC)* raised its forecasts for 2016/17 world wheat and corn crops, with total supply potentially reaching a record level, according to its latest outlook.

The IGC's monthly update increased the forecast for world **wheat** production by 4 million t to 717 million t, saying that beneficial weather was improving the outlook in both the EU and Russia. Global wheat production, however, was still seen below the previous season's 734 million.

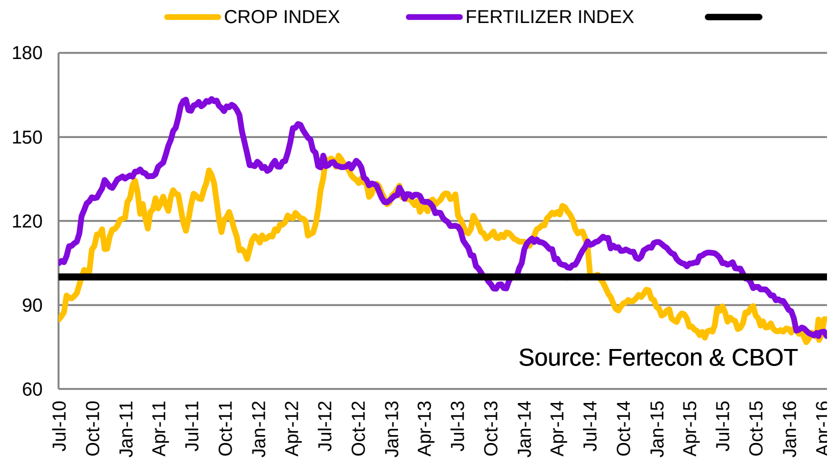
Global **corn** production in 2016/17 was forecast to rise to 998 million t, up from a previous projection of 993 million and the prior season's 973 million.

Meanwhile the IGC said world **soybean** production in 2016/17 was expected to be little changed at 319 million t versus a downwardly revised 318 million t in the previous season. The IGC cut its 2015/16 world soybean production forecast by 5 million t, reflecting the impact of poor weather in South America, notably Argentina, where a third of soy farms remain swamped after early April storms.

PHOSPHATE USE BY CROP



FERTECON FERTILIZER & CROP INDICES



Using 6 January 2010 as the starting point (Jan 2010=100), the FERTECON indices aim to assess relative fertilizer affordability and illustrate the comparative movement of fertilizer prices (a basket of urea, DAP and MOP) against crop prices. The denotation is that the higher the crop index is relative to the fertilizer index, the more affordable fertilizers are to farmers – and vice versa.

EUROPE: The *European Commission* has increased its forecast for EU **wheat** output in 2016/17 by 383,000 t from last month, as the amount of weekly export licences awarded for the grain continue to fall. Final stocks of soft wheat next season are now pegged at 18.87 million t, compared with 18.29 million t at the close of the current season.

This compares with French analyst *Strategie Grains* last week predicting end stocks of 13.2 million t at the close of 2016/17, down from 15.6 million t in the current marketing year.

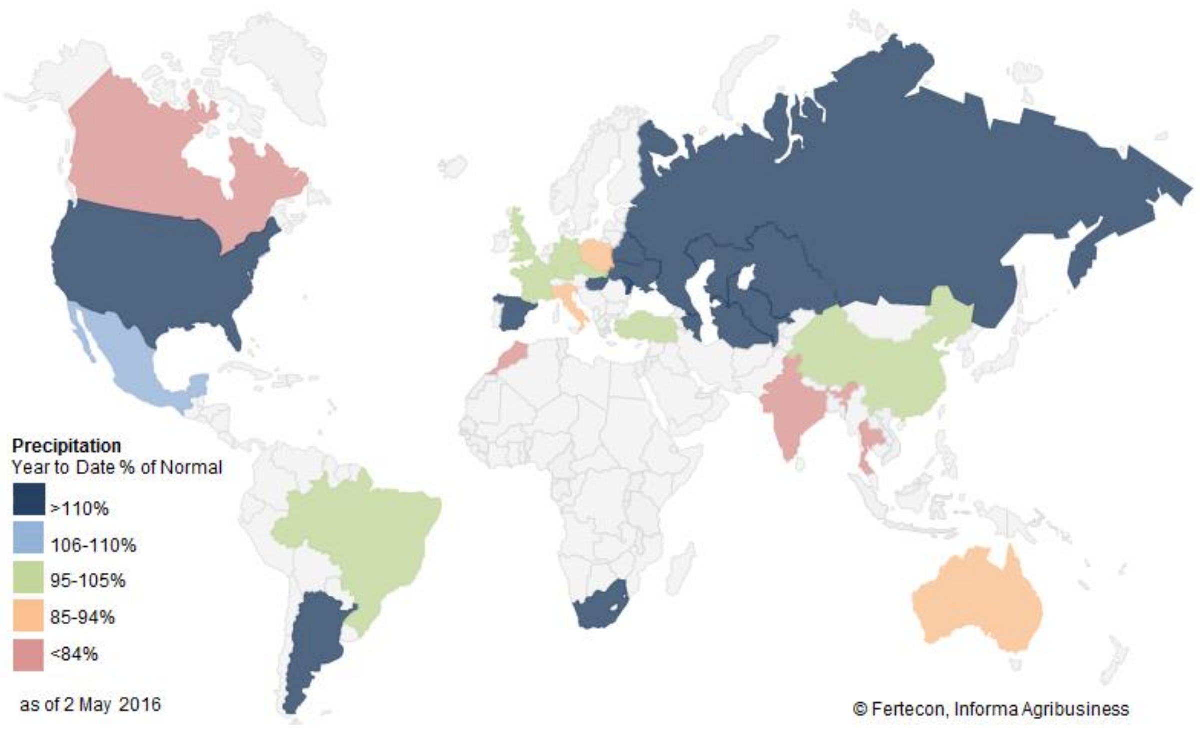
The Commission now forecasts 2016/17 soft wheat production will be 142.76 million t, up from 142.38 million t last month. It also marginally increased its estimate for output in the current 2015/16 marketing year to 151.31 million t from 151.23 million t in March.

PHILIPPINES: Drought in the Philippines has caused the country's *rice* output to drop by 300,000 t, or a third higher than its estimate last month according to local reports. As such, the Philippines is likely to miss its target of producing 18 million t after one of the three strongest El Niño weather patterns in the last 20 years.

The damage report released by the Department of Agriculture also showed 204,245 t of corn had been lost since February last year when an El Niño weather pattern emerged.

The government had yet to discuss contingency measures for a possible La Niña, a weather pattern that sometimes follows an El Niño that could bring strong rains and further damage crops later this year.

WEATHER & LAND CONDITIONS



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