Sulphur Report
Weekly review of the sulphur market

Fertecon
Agribusiness intelligence | informa

7 July 2016

- CIL/India buys 25,000 t granular sulphur from international trader around $83 cfr net of credit for July delivery
- Iffco/India buys 25,000 t granular sulphur from a trader at $79.25 cfr for late July delivery
- Vale/Brazil settles part of its Q3 contracts in narrower range of $78-80 cfr, down from $79-87 cfr in Q2
- Unconfirmed reports of Chinese sales in the mid-$70s cfr, down from the low $80s last week
- Various shipments loading in Vancouver this week, one to Chile and another to New Caledonia
- NW European contract negotiations at a standstill due to holidays and mixed price indications

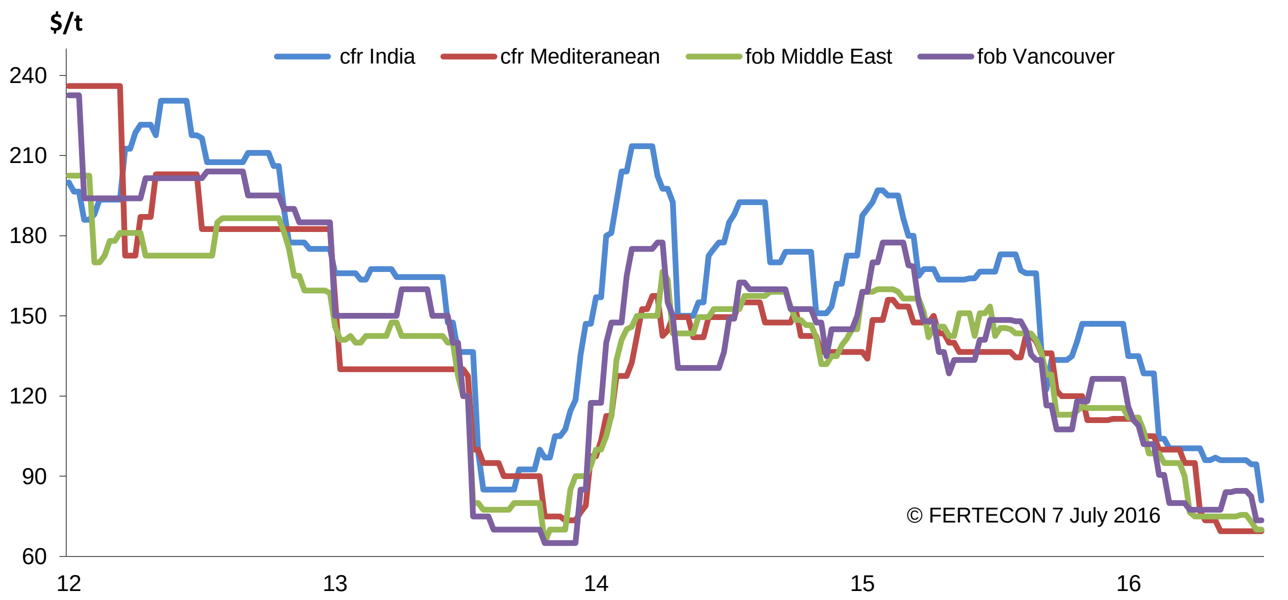
OUTLOOK

Soft

KEY PRICES

	7 July	30 June	23 June
Vancouver spot $/fob	80-85*	80-85*	80-85
Middle East $/fob	60-80	60-80	60-86
Med (inc. N.Africa) $/cfr	60-79	60-79	60-79
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$

	7 July	30 June	23 June	
Fob prices				
Med cfr (includes N Africa)	60-79	60-79	60-79	Indicative
Med cfr (small lots N Africa)	71-75	71-75	71-75	Indicative
Med cfr (small lots other markets)	68-75	68-75	66*-75	Indicative
North Africa cfr (contract)	*60-79*	60-79	60-79	*Q2 contracts*
Med fob (small lots other markets)	52-62	52-62	55-65	Netback Indications
China cfr	67-82	68-82	70-87	
China cfr spot	67-82	68-82	70-87	
India cfr	79-83	92-97	92-97	
Brazil cfr	78-80	79-87	79-87	Q3 contracts
Vancouver fob contract	80-85*	80-85*	80-85	No New Business
Vancouver fob spot	80-85*	80-85*	80-85	No New Business
California fob	80-85*	80-85*	80-85*	No New Business
Middle East fob	60-80	60-80	60-86	Full ME price range
Middle East fob contract	64-71	65-79	65-79	Q3 business so far
Middle East fob spot	60-72	60-72	60-68	
Tasweeq Qatar Sulphur Price (fob)	72	72	83	
Saudi Aramco monthly price (fob)	73	73	82	
Middle East – Adnoc (fob)	80	80	86	
Delivered prices				
NW Europe cpt	*150-168*	150-168	150-168	*Q2 contracts*
Delivered Benelux (refinery)	*110-122*	110-122	110-122	*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*

FERTECON PRICE DEFINITION

*no new business **no market - 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.

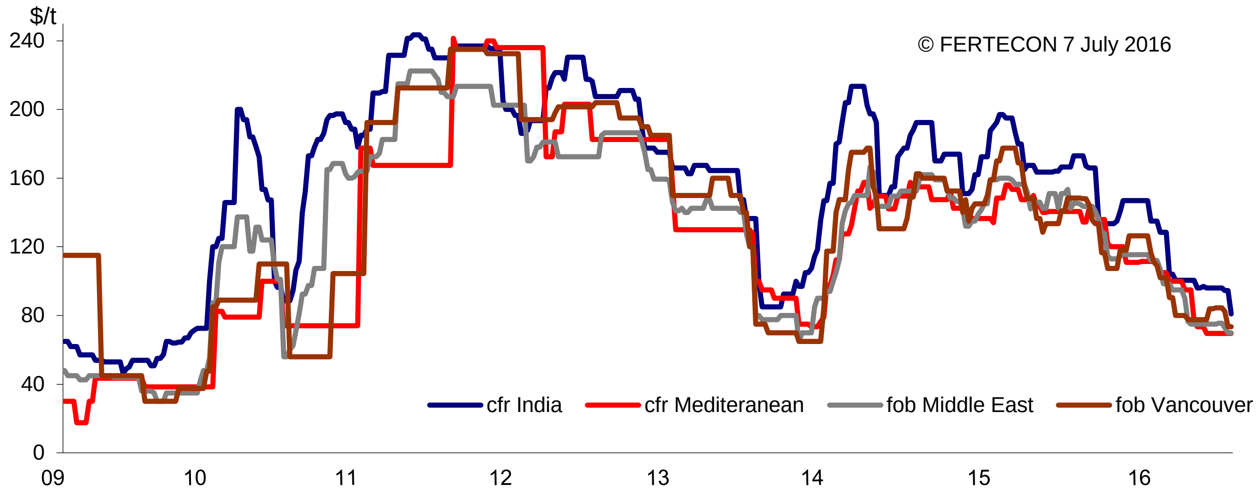
FREIGHT INDICATIONS US$

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

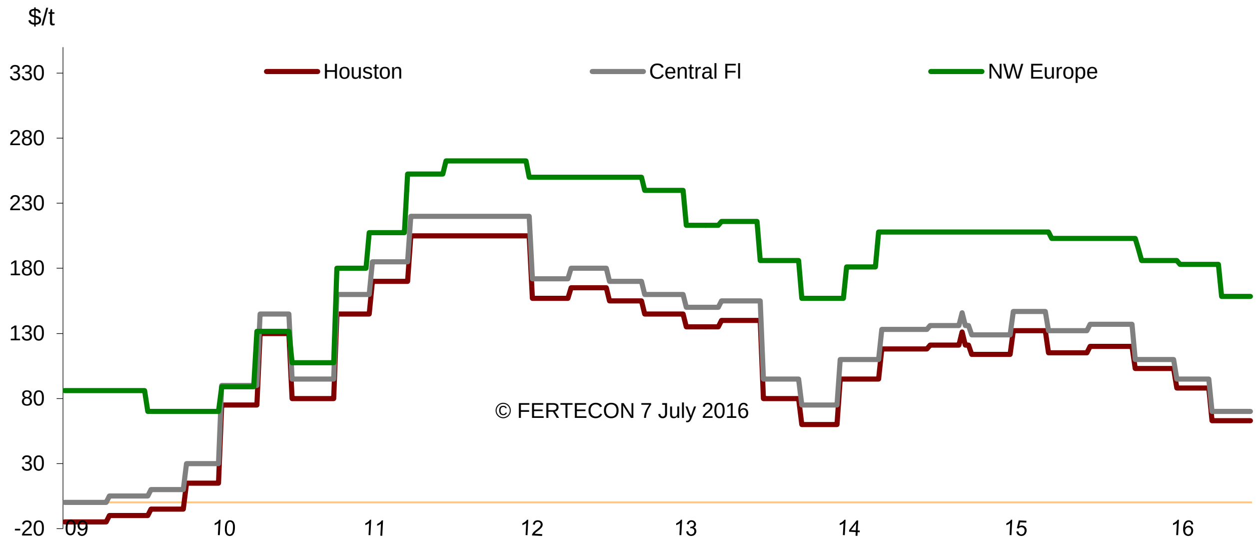
FERTECON TENDER SERVICE

Holder/Country	'000 t	Close	Load/Deliv.	Notes
Tasweeq/Qatar*	30	27 June	July	High $60s-low $70s fob
Formosa/Taiwan	15	7 July	August	Mid $70s 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

The week started rather slow following the Middle Eastern monthly price announcements after which buyers were digesting the news but business picked up by the middle of the week and reports started to emerge today of various sales to India and China at much lower prices than witnessed during previous weeks.

Both Iffco and CIL in India bought a spot cargo, 25,000 t each, this week at $79.25 cfr and $83 cfr, respectively. This is down from the $92-97 cfr range prevailing for much of the previous quarter. Given the generous reductions announced by some sellers in the Middle East last week buyers are now refusing to accept anything above the $90 cfr mark and some traders indicated that they've been receiving bids well below $80s cfr in recent days. The same is true in China where one trader claims to have sold two-three spot cargoes this week in the mid $70s cfr but the low $80s continue to be discussed amongst some players.

Prices also declined in Taiwan where Formosa has made an award today for 15,000 t granular sulphur in the mid $70s fob to load 13-17 August to a trader that will likely ship the sulphur to Vietnam.

Reductions were also achieved on the contract front, albeit much more conservative than those in the spot market this week. Vale in Brazil has settled the price of more than half of the volume it will require in Q3 - the other half will be negotiated on a shipment by shipment basis. The settlements have been in the range $78-80 cfr, the Middle East represented by the low end and the high end being the US Gulf. The FSU sits in the middle.

In Europe at least one buyer claims that it has settled about two-thirds of its contracts at a reduction of $10/t for Q3. However, other sources indicated rollovers or a more conservative reduction of around $5/t. Given that a large number of market participants have already left for their respective holidays it has been difficult to gauge the market and seek confirmation of the above, and as such the range has been left unchanged. The NW European liquid sulphur market is becoming slightly bi-polar with some regions appearing oversupplied while others are short of material as a result of production issues. In the Benelux and the UK there are reports that tanks are filling up and producers are keen to shift volumes while France is short as a result of earlier strikes. In Germany, where storage capacity is limited, there is talk that the market is balanced but overall it seems there is still a need to lower prices to keep Europe competitive against the US and other markets.

Market participants in Canada claim that the market is still short and some traders are scrambling for material to comply with contract shipments and to meet spot obligations agreed a few weeks ago. At least one seller said that negotiations for two-three panamax cargoes for various buyers will start next week, which will load in August and this will provide a good indication of where prices ex-Vancouver stand at present. Until then, however, the Fertecon range will remain unchanged.

Shipping

According to the Public Ledger (an Informa publication and sister company to FERTECON), the Baltic Dry Index settled at 694 points on 6 July, having gained over 100 points over the past two weeks. The index was last above 700 at the end of April. The BDI was over 800 points at this point a year ago, and eventually topped out above 1,200 points in August 2015 before its steady slide to a record low of 290 points in February 2016.

An overcapacity of ships, the slowdown in Chinese demand for building materials, weakness in crude oil, and declining commodity prices all contributed to the lower freight rates over the past year, according to freight analysts. However, rates were too low to be sustainable. Lower freight rates even the playing field for Canadian grain and oilseed exporters into many markets.

For a more in-depth analysis and forecast, please subscribe to the Informa Sulphur Futures Report.

MARKETS

EUROPE

EUROPE: At least one buyer claims that it has settled about two-thirds of its contracts at a reduction of about $10/t for Q3. However, other sources indicated rollovers or more conservative reductions of around $5/t. Given that a large number of market participants have already left for their respective holidays it has been difficult to gauge the market and seek confirmation of the above, as such the range has been left unchanged.

The NW European liquid sulphur market is becoming slightly bi-polar with some regions appearing oversupplied while others are short of material as a result of production issues. In the Benelux and the UK there are reports that tanks are filling up and producers are keen to shift volumes where France is short as a result of strikes in May and June. In Germany, where storage capacity is limited, there is talk that the market is balanced-to-short but overall it seems there is still a need to lower prices to keep Europe competitive against the US and other markets.

In the UK, a buyer is targeting a decrease of about £10/t, claiming supply is long and sellers are keen to shift tonnes.

The 4,451 dwt *Sulphur Genesis* arrived in Antwerp, Belgium on 5 July from Le Havre, France.

Adisseo is expected to receive about 1,000 t sulphur from Norway later next week.

Adisseo has taken over the IPBB sulphur terminal in Bayonne, including its import, export and sulphur melting operations. The plant's new Operations Manager is Jean-Michel Gaulon.

This transaction with **SOGEBI** will enable Adisseo to maximize its supply of liquid sulphur, the raw material involved in the synthesis of methionine, an essential nutrient in which Adisseo specializes. SOGEBI will focus on its core activities on the Bassin de Lacq and facilitate the takeover of the Bayonne site, which has a significant impact on the local economy.

Fibrant announced force majeure on 4 July on caprolactam deliveries due to technical issues at both of its production units at Geleen, forcing production to be curtailed until the situation is resolved. It is believed the FM will be in force for another week.

Sulphuric Acid

Against contract negotiations, Q2 sulphuric acid prices appear to have been largely rolled over into Q3 on the basis that the market is still balanced.

MEDITERRANEAN: Price indications for the Med this week are in the high $60s cfr, but pending further confirmation the Fertecon range remains unchanged.

Ineos has delayed the start-up of its plant in Spain and some of its customers are understood to be enquiring for spot tonnes from other suppliers in France and Benelux.

AFRICA

NORTH AFRICA: There is talk that more North African contracts have been settled this week a few dollars below the Q2 range. However, due to the Eid festivities it has not been possible to seek confirmation of this from buyers.

NAMIBIA: Latest reports suggest that Swakop Uranium's new 500,000 t/year sulphuric acid plant will be onstream by the end of the year. This is a further delay from mid-2015 expected earlier this year.. The uranium mine is scheduled to start production once the sulphuric acid plant is onstream and will utilise all its captive acid and import any additional requirements. The project is 90% owned by Taurus Minerals, a subsidiary of China's CGN Nuclear Resources. Rockwell Automation has been awarded a contract to commission the primary control system for the mining complex by the end of the year. As this will be the final component of the complex, any delay in the system's commissioning will delay the start of mining operations and thus the sulphuric acid plant.

SOUTH AFRICA: There appears to be a shipment from Reliance's refinery at Sikka in India to Richards Bay this week. It is unclear who the buyer is but it might be a shipment to Foskor whose plant is expected to start-up later this week or early next week following its maintenance turnaround.

MIDDLE EAST

JORDAN: It has now emerged that the cargo from the Red Sea reported last week was supplied by Midgulf to Jifco against a recent spot sale.

BGN is loading 50,000 t in Ruwais on the *New Lotus* for delivery to Aqaba, Jordan under contract.

ASIA

CHINA: Extensive flooding has temporarily closed the Yangtze River navigation, affecting Hubei phosphates producers' deliveries to the ports and apparently leading to a slight slowdown on the production front. This will most likely also affect sulphur shipments and demand in the region.

There are unconfirmed reports that two or three spot cargoes have been sold by an international trader to a Chinese end-user in the mid $70s cfr, however, the low $80s cfr have also been indicated this week and as such the Fertecon range remains unchanged on the high-end. There are expectations that even the low $80s will soon disappear as pressure is growing on suppliers and inventories are building at a steady pace each week, reaching almost 1.8 million t so far in the month. This is up from around 1.5 million t in January this year.

Domestic supply is growing again with Puguang having come back online following a 40-day maintenance shutdown that started from 19 May. Having seen the fall in prices some buyers are understood to have withdrawn from the market and are buying hand-to-mouth in an expectation of further weakness in price.

The price of molten sulphur has edged down slightly by one dollar based on indications this week. Crushed lump sulphur has been put in the same range as liquid sulphur.

A trader has concluded a term contract cargo with Adnoc in the low $70s fob and a cargo forming part of this agreement has been sold to China this week, equating to the low $80s cfr.

Domestic prices in China are in similar a range as last week at Rmb 650-670 ex-warehouse in Nantong and Zhenjiang, which equates to the high $70s cfr, down from Rmb 660-680 last week. Crushed lump is offered in the range Rmb 630-640 ex-warehouse.

YUC has been carrying out a 30 day partial turnaround and is estimated to be operating at 50-55% of nameplate capacity. Phosphate producers in Guizhou are operating at 65-68% capacity and in Hubei close to 70% capacity. Wengfu's operating capacity at present is estimated at 40-60% of nameplate capacity.

INDIA: CIL has bought 25,000 t sulphur from a trader for 2-half July shipment to East Coast India at around $83 cfr net of credit.

Iffco has bought around 25,000 t sulphur from another trader for end July arrival at Paradeep, priced at 79.25 cfr. A vessel has yet to be nominated.

Swiss Singapore will load a combined cargo for Iffco and PPL in the Middle East for delivery in July.

Swiss Singapore will also load a shipment for FACT against its tender award earlier in June.

Reliance has decreased its basic price for sulphur. The price with effect from 01 July is as follows:

Yard Jamnagar	Rs/t
Basic price	7,821.00
Excise Duty @ 12.5%	977.63
CST @ 2%	175.97
Refundable	MODVAT (977.63)
Selling Price	**7,996.97**

The price is equivalent to $119.35 (based on exchange rate of $1 = Rs 67).

NORTH AMERICA

UNITED STATES: Q3 contract negotiations have now begun and are expected to be finalized within July.

Fibrant announced on 30 June that it will close down its August, Georgia plant due to low commodity pricing as well as global supply and demand dynamics.

The company said: "Sadly, despite the excellent work of our employees and management, our business has been challenged by extended unfavourable market conditions," said Pol DeTurck, CEO of Fibrant.

"The market price for our product, caprolactam, has dropped substantially below the production cost, and prospects for recovery are poor. As a result, we reached the difficult decision that a wind down of the business was the only viable course of action."

The wind down will take place over approximately 16 months, during which time Fibrant will meet all obligations to its employees, and serve the needs of its customers to the fullest extent possible.

SOUTH AMERICA

BRAZIL: Vale has settled the price of more than half of the contract volume it will require in Q3, the price for the other half will be negotiated on a shipment by shipment basis. The settlements have been in the range $78-80 cfr, the Middle East represented by the low end and the high end being the US Gulf. The FSU sits in the middle. Freight from the Middle East is $13-14/t, as such, this price is estimated to equate to the mid $60s fob. Freight from the US Gulf is around $12, giving a netback in the high $60s fob. The FSU at $80 cfr and freight at $16-17/t equates to the low/mid $60s fob Ust Luga. Vale will require no spot cargoes in Q3 but might buy some in Q4.

Anglo American is likely to issue a spot tender next week, although this has not yet been confirmed.

The *Dragon* is expected to delivery 35,000 t sulphur to Santos for Vale on 20 July.

Other vessels in the line-up for June are as follows:

Vessel	('000t)	Buyer	ETA
TBC	50	Vale	June
Boston Harmony	38.5	Vale	June
True Love	38.5	TBC	16/6
Albion Bay	38	Vale	19/6
Stamford Pioneer	22	Vale	19/6
Chestnut	27	Vale	21/6
Caroline Bolten	15	Galvani	25/6
Oktem Aksoy	39	Vale	26/6
Nord Maru	38	Vale	12/7
Total	**306**		

CUBA: The start-up of Sherritt's new sulphur burner is said to be delayed. Originally the initial start-up was scheduled by Q3 but some are now saying it will be September if not later. Certainly the number of sulphuric acid vessels in the line-up for Moa Bay has not reduced suggesting no decline in demand through July at least.

SUPPLIERS

FSU

FSU: Contract negotiations with Vale have settled at a price that is estimated to net back to the low/mid $60s fob Baltic. Depending on origin, it is estimated that rail freight to Ust Luga costs about $50-60/t, indicating that this sale is most likely in the single digits ex-works.

ASIA

INDIA: There appears to be a shipment from Reliance's refinery at Sikka in India to Richards Bay this week. It is unclear who the buyer is but it might be a shipment to Foskor whose plant is expected to start-up later this week or early next week.

TAIWAN: Formosa has made an award today for 15,000 t granular sulphur in the mid $70s fob to load 11-13 August to a trader that will ship the sulphur to Vietnam.

MIDDLE EAST

QATAR: Qatar Petroleum has announced that will integrate Tasweeq into the QP brand. The integration will involve the movement of Tasweeq's employees, assets and customer relationships into the QP organisation before the end 2016. The integration of Tasweeq will enable QP to deliver superior products and services by leveraging a combined set of technical, commercial and financial capabilities and provide more integrated and attractive value propositions to its international customers and partners, while ensuring high effectiveness and efficiency in the use and deployment of the integrated group's human and financial resources.

UAE: A trader has concluded a term contract cargo with Adnoc in the low $70s fob and a cargo forming part of this agreement has been sold to China this week, equating to the low $80s cfr.

Vale has settled the price of more than half of the volume it will require in Q3, the other half will be negotiated on a shipment by shipment basis. The settlements have been in the range $78-80 cfr, the Middle East represented by the low end with freight from the Middle East at $13-14/t. As such, this price is estimated to equate to the mid $60s fob.

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NORTH AMERICA

CANADA: Market participants in this region claim that the Canadian market is still short and some traders are scrambling for material to comply with contract shipments and to meet spot obligations agreed a few weeks ago. At least one seller said that negotiations for two-three panamax cargoes for various buyers will start next week, which will load in August and this will provide a good indication of where prices ex-Vancouver stand at present. Until then, however, the Fertecon range will remain unchanged.

It is understood that the Pacific Coast Terminal has resumed after some weeks of maintenance works.

A panamax cargo is loading now in Vancouver for shipment to New Caledonia for Vale's nickel operations. This cargo was originally scheduled to be shipped to Brazil but was instead diverted to New Caledonia. Another 60,000 t is loading for Noracid in Vancouver this week, bought in May under a tender at around $100 cfr.

Syncrude's operations are reportedly up and running now following the wildfires and sulphur is entering the system at better rates than previously expected. There are indications that prices will come down to levels seen in other major supply regions soon, perhaps by the middle or end of July.

British Columbia is still tight following the floods there early in June and it is unclear how much longer before operations return to normal.

The Nexen Long Lake facility is still down, and there is no information as to when it will restart.

UNITED STATES: There have been no fresh sales out of California this week and contract negotiations with Vale in Brazil continue. Sales out of the US Gulf in the $60s fob would indicate that prices in California will not hold up much longer and any new sales will likely be in a similar range.

FREIGHT

DATE	Baltic Capesize	Baltic Panamax	Baltic Supramax	Baltic Handysize	Baltic Dry Index
1 July	1030	691	627	344	677
4 July	1049	710	633	347	688
5 July	1034	735	637	349	692
6 July	1019	755	639	349	694

Source: Baltic Exchange

AGRICULTURE

CROP FUTURES

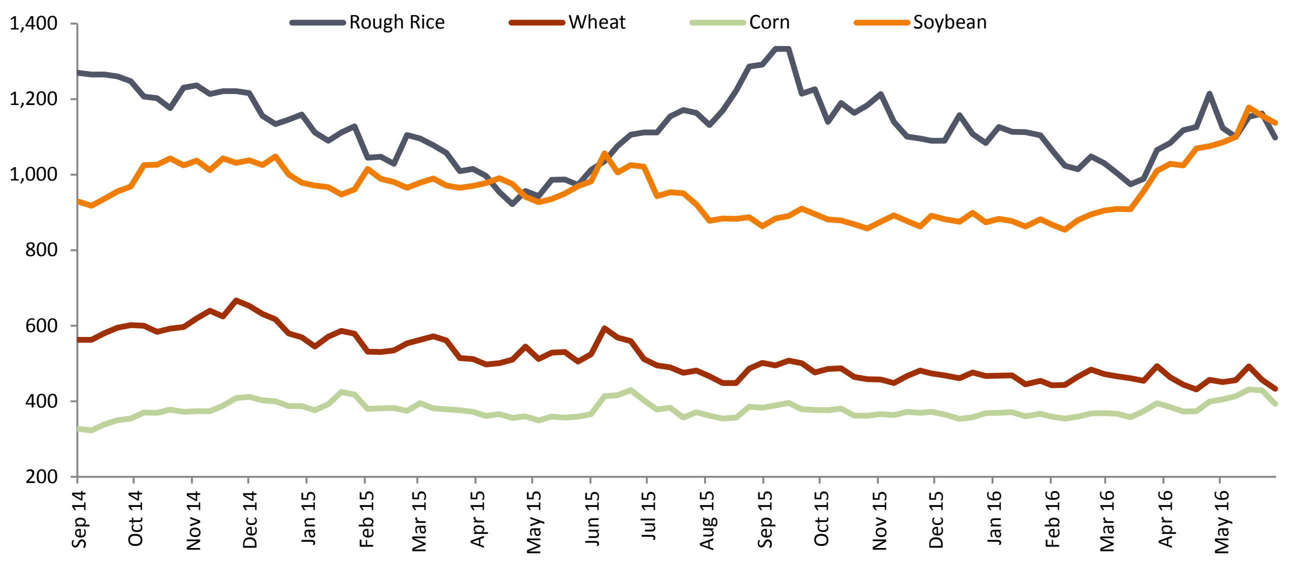
CME CROP PRICES (cents/bushel)					
Product	**Q3 2016**	**Weekly Change**	**Q4 2016**	**Q1 2017**	**July 2015**
Corn	341.4	-36.2	348.2	357.6	416.2
Wheat	414.6	-4.9	438.6	455.2	568.2
Soybean	1,101.4	-21.6	1,073.2	1,072.0	1,006.2
Rough Rice	1,059.0	-31.0	1,086.5	1,111.0	1,076.5

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

CORN:	WHEAT:
Corn futures sank to a 2 year low as wet weather hit the US Midwest, easing the summer drought which had support the	Wheat closed weaker again this week due to favourable US harvest progress and good crop conditions. The USDA's recent

recent rally. More rain in dry areas is expected.	report showed wheat in a positive condition, adding pressure.
SOYBEAN:	**RICE:**
Good weather and excelling crop conditions in the US weighed on soybean futures – weakness was exacerbated by strong ratings last week from the USDA.	Another bad week for rice farmers with futures further deteriorating, partly due to spill over from weakness in other crops but also due to the excess supply situation.

WEEKLY CBOT CROP PRICES (¢/BU)



FAO-OECD OUTLOOK

GLOBAL: Taking into consideration the discrepancy between projected global grain output and grain demand – and factoring in burgeoning grain inventory levels – the FAO and OECD expect crop prices to remain at relatively low levels in the short-term as well as over the next decade.

"Large stocks, low oil prices and a strong US dollar are likely to keep prices under pressure in the short run. Against this background, only radical or sudden changes in demand or supply are likely to alter the short-term outlook" the agencies said in the OECD-FAO Agricultural 2016-2025 report published on 4 July.

Global grain production is projected to increase by 12% by 2025 period compared to average output between 2013 and 2015. This increase is mainly driven by yield improvements, with limited area expansion, outlined the report. World trade in grains is projected to increase to 417 million t, up 10% from 2013-2015 to 2025.

In the medium-term nominal prices of wheat and coarse grains are projected to be primarily cost driven, increasing in nominal terms but not by enough to keep pace with inflation, which will likely result in slight declines in real terms.

On the demand side, developments in the fastest growing economies are also set to have more profound implications for trade as well as demand changes in China and their timing of releasing corn stocks creating a key uncertainty during the projection period.

REGIONAL MARKETS

FRANCE: France's soft wheat harvest will reach 37.26 million t this year, down by just over 9% from the record crop produced in 2015, according to the agricultural consultancy, Agritel. In its first estimate for this year, Agritel pegs the average yield at 7.09 t per hectare, down 10.4% from last year and 3.9% lower than the five-year average.

But a rise in area to an 80-year high - some 5% above the average for the past five years - will partly compensate for the drop in yields to the extent that this year's output will be up 0.8% on the average.

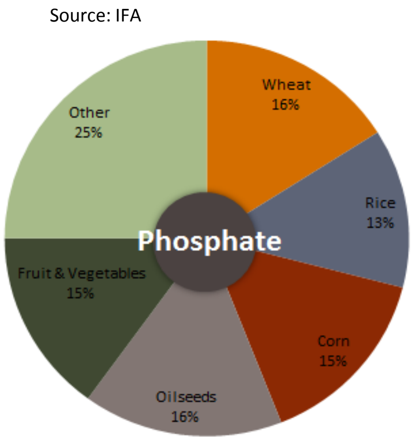
GLOBAL: The International Grains Council (IGC) raised its forecast for the 2016/17 world wheat crop in its latest report indicating that recent rains had helped increase volumes.

"Ample rains in recent months have improved wheat and barley prospects in a number of regions, particularly in Europe, the CIS (former Soviet Union) and North America, although concerns have arisen about below-average quality," the IGC said its report.

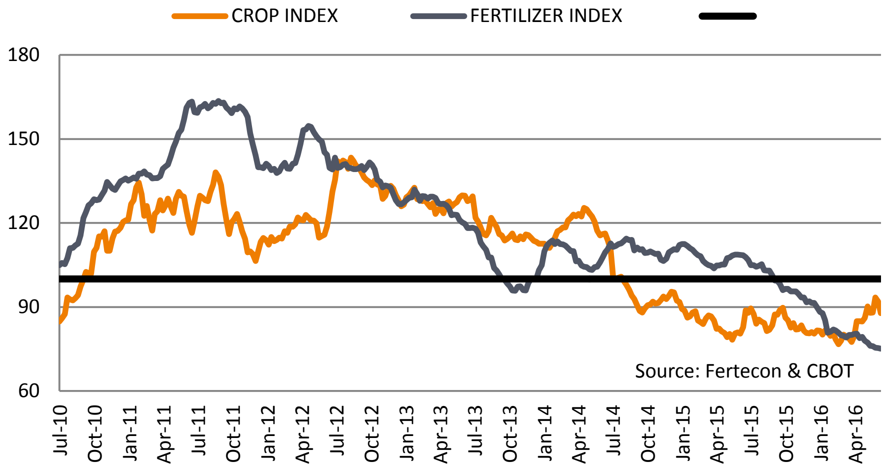
The Council projected a wheat crop of 729 million t, up 7 million t from the previous month's forecast but still below last season's 736 million t. The forecast for global grain stocks at the end of the 2016/17 season was raised by 8 million t to a record 482 million t, up from the previous year's 467 million t.

World corn production in 2016/17 was seen at 1.003 billion t, unchanged from a month earlier but above the previous season's 969 million t. The IGC also kept its forecast for the 2016/17 soybean crop unchanged at 320 million t, rebounding from the previous season's 312 million t and equalling production in 2014/15.

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.

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FERTECON SULPHUR REPORT is published weekly by:
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