

Government Rejects New Duties on Potash

By [The Moscow Times](#)

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The government has decided not to introduce export duties on potash, Vedomosti reported Thursday, in what analysts said would be a boon for producers and a sign of the lobbying power of Uralkali's new owners.

The government's 2011-13 budget policy document, a copy of which the newspaper said it obtained, makes no mention of potash duties, it said.

The Federal Customs Service earlier this year proposed an export duty on potash in a bid to contain domestic prices, hitting the shares in two of the largest producers.

The proposal was supported by the Federal Anti-Monopoly Service and the Finance Ministry, although the Economic Development Ministry said it saw no reason for such a move. Duties ranging from 5 percent to 15 percent have been discussed by officials.

An unidentified Economic Development Ministry representative said global potash price fluctuations do not allow for such a measure at present, but added that discussions on the issue could resume before the end of the year.

"The news is positive for Uralkali and Silvinit, since it mitigates the need for further tense discussion on export duties and will help both companies to save for [capital expenditure] needs," analysts at VTB Capital said in a research note. "Depending on the size of the potential duty, we calculate that the companies could save \$0.5 billion to \$1.5 billion over three years."

The change of heart on potash duties comes after Russian tycoon Suleiman Kerimov led a trio of mining and real estate magnates who bought majority control in Uralkali, whose export agent accounts for more than 30 percent of global potash sales.

"We see the news as further evidence of Suleiman Kerimov's strong lobbying power and highlight that this provides additional upside risks to our valuations of potash players," VTB Capital said.

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