

Silvinit Sells Trader Stake, Merger Possible

By [The Moscow Times](#)

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Silvinit has sold its 32 percent stake in trading firm International Potash Company, data on its web site showed Tuesday, in another sign that Russia's largest potash producer is headed for a merger with rival Uralkali.

An updated list of Silvinit affiliates showed that it had sold the stake last month. Anton Subbotin, a spokesman for Silvinit, declined to comment on the details of the sale.

Analysts believe that Kremlin-friendly billionaire Suleiman Kerimov is aiming to merge Silvinit and Uralkali, which he controls, to create a rival to the global leader, Canada's Potash Corp.

In June, Kerimov acquired 25 percent of Silvinit, and two offshore firms controlled by investors friendly with Kerimov acquired a further 44 percent of the company in August. Silvinit then named former Uralkali head, Vladislav Baumgertner, as its interim CEO.

Silvinit's shares closed down 1.8 percent in Moscow, underperforming the MICEX Index, which lost 0.7 percent. The shares were hit Monday when President Dmitry Medvedev ordered a probe of domestic fertilizer prices, suggesting that a "cartel" was inflating prices.

Belaruskali, the largest producer in the former Soviet Union, has also been in the frame for the merger, though analysts have said shaky relations between Russia and Belarus make that unlikely for now.

Uralkali and state-run Belaruskali sell their output via joint venture Belarusian Potash Company, accounting for about 30 percent of world potash sales. If Silvinit formally joined the group, BPC would have about 45 percent of the global export market according to analysts' previous estimates.

BPC is 50 percent owned by Uralkali, with Belaruskali holding 45 percent and Belarussian Railways the rest.

Belarus has said it is ready to welcome Silvinit into BPC, bolstering the trader's clout in the export market for the fertilizer ingredient.

"The door is open," a Belarussian official from the presidential administration said Friday by telephone from Minsk. Bringing Silvinit into BPC would create "a player with immense strength" and give the market "stability," the official said, declining to be identified in line with state policy.

Since Kerimov's purchase of a stake in Silvinit, Uralkali effectively controls Silvinit's sales, though it is unclear whether Silvinit will continue to use IPC or switch to BPC, Troika analyst Mikhail Stiskin said.

"This has yet to be determined, and this would be conditional on the position of antitrust regulators, particularly in the U.S., given that BPC could obtain a 45 percent market share in global trading," Stiskin wrote in an e-mail.

Russia may allow the merger of the two producers, Andrei Tsyganov, deputy chief of the Federal Anti-Monopoly Service, said last month. One option could be to combine Uralkali and Silvinit with BPC, he said at the time.

The sale "does not mean that Silvinit is completely parting with its trader," VTB Capital analyst Yelena Sakhnova wrote in a note. Silvinit's sales are likely to remain "formally" with IPC, while the company's marketing strategy "will be put into the hands of BPC," she wrote.

Analysts at Renaissance Capital last month estimated that a combined Silvinit and Uralkali group would have 11.5 million metric tons of capacity next year and 13 million tons in 2012.

Potash Corp. already has 12 million tons of capacity and plans to add a further 7.1 million tons by 2014. BHP Billiton, which has made a \$39 billion hostile bid for Potash Corp., is also planning to develop a giant new mine.

Canpotex, the trader for Potash Corp., the United States' Mosaic and Calgary-based Agrium, held 20 percent of the potash market last year, according to Uralkali and International Fertilizer Association data. Canpotex exports an annual 8 million to 9 million tons, according

to its web site.

(Reuters, Bloomberg)

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