The Moscow Times
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Acron Eyes Listing to Develop Potash

By The Moscow Times

October 17, 2010



KOASHVA, Murmansk Region — Acron, the country's third-largest nitrogen fertilizer producer, is considering listing in Toronto to tap potash fields in Canada and end its reliance on raw-material suppliers.

Acron expects to complete exploration next year at some 30 potash deposits in Saskatchewan, which together may hold recoverable reserves of 6 billion metric tons of the soil nutrient, chief financial officer Alexei Milenkov said in an interview Thursday at the company's phosphate mining project in Murmansk.

"One of the options we're looking at is a public share offering in Toronto," he said. "The project should be independent and not rely on the financial resources of the parent company." Acron may also seek a strategic investor, he said, without commenting further.

Russia's biggest makers of complex fertilizers, including UralChem and EuroChem, are seeking to counter the effect of rising prices for nitrogen, phosphate and potash as shrinking arable land and rising world food demand spur consumption. Acron plans to spend about $3.5

billion building phosphate and potash mines in Russia to increase its own supply of raw materials.

Acron's Oleny Ruchei phosphate mine, located about 1,000 kilometers northeast of St. Petersburg, will open in March 2012 and by the end of that year should reach output of 1 million metric tons, Milenkov said. Acron's annual consumption of phosphate is about 700,000 tons.

The company is also developing the Talitsky potash site in the Urals region of Perm, in western Russia. Acron expects to start mining at the site in 2016 and reach maximum capacity in 2018, Milenkov said.

Increasing its self-sufficiency in raw materials "is the right strategy" for Acron because of the rising cost of basic components, said Yelena Sakhnova, an analyst at VTB Capital.

Acron rose 0.1 percent at the close in Moscow trading.

Acron's billionaire owner Vyacheslav Kantor, ranked as the 48th-richest man in Russia with a fortune of $1.3 billion by Forbes magazine, told Prime Minister Vladimir Putin in July that his company's profitability was being hurt by "monopolists."

Silvinit, the country's largest potash producer, and rival Uralkali are controlled by billionaire Suleiman Kerimov and his partners, who plan to merge the companies.

Kantor asked Putin to help persuade potash producers to grant long-term supply contracts, rather than the current six-month pricing arrangements. President Dmitry Medvedev on Sept. 6 called for an investigation into domestic fertilizer prices.

Uralkali and Silvinit, which sell products to Russian farmers at a discount to international prices, say the domestic makers of complex fertilizers compete with them on exports after buying potash from miners as a raw material.

In July, Uralkali agreed to supply potash to Acron at 4,300 rubles ($132) a ton until the end of the year, which represents a 40 percent discount to the export price from Russia, said VTB's Sakhnova.

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