

Potash Rally Slows as Mining Expands

By [The Moscow Times](#)

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VANCOUVER — Potash's rebound from the biggest plunge in 48 years will slow next year as Mosaic, Potash Corporation of Saskatchewan and Uralkali increase mining capacity.

Producers of the form of potassium also are seeking to avoid another spike in prices like the one in 2008, which spurred some farmers to shun the nutrient as crop prices fell. Worldwide potash demand dropped 43 percent the following year, according to RBC Capital Markets.

"We are trying to be cautious and we are going to increase prices for our product only if we see that the economics of farmers is positive," Uralkali chief executive Vladislav Baumgertner said. "A lot will depend on the performance of agriculture markets."

However, "farmer economics are less robust now," Ben Isaacson, an analyst at Scotia Capital in Toronto who cut his rating on Potash Corporation to "sector perform" from "outperform," said in an Oct. 28 note. "The potash bull run may be cracking."

Uralkali plans to spend \$5.8 billion to raise annual production capacity by about 80 percent to 19 million tons by 2021, the company said Oct. 25. Output will climb to 13 million tons in 2012 from about 11 million this year, Baumgartner said Oct. 28 in New York.

"We are concerned that the rate of new capacity additions between 2010 and 2020 may outpace the rate of demand growth," Adam Schatzker, a Toronto-based analyst at RBC, said in an Oct. 26 note. "The future price of potash will be highly dependent on the management of operating rates to match demand."

Potash prices tripled in 2008 as crop prices soared. The crop nutrient reached \$872.50 in February of that year, according to World Bank data. It then tumbled 48 percent in 2009, the largest annual decline since at least 1961.

While prices have risen 33 percent to \$470 a ton so far this year, they dropped 2.6 percent in September, the first monthly decline since October 2010, the World Bank data show.

"There is some nervousness in the market," Baumgartner said. "Nevertheless, prices for soft commodities are stable and high. Nobody's considering to postpone deliveries" of potash.

Uralkali in August agreed to increase potash prices in India by 32 percent to \$490 a ton.

"We're going to sign a new contract with India and China in 2012, and we'll be looking for a price above \$530," Baumgartner said.

Uralkali's output is sold via the Belarussian Potash Corporation marketing company it jointly controls with Belarussian Potash Corporation. Mosaic, Potash Corporation and Calgary-based Agrium sell their production through a company called Canpotex. The two marketing companies account for 57 percent of global potash exports, Uralkali said in a December 2010 presentation.

Potash Corporation, the target last year of an unsuccessful \$40 billion hostile takeover bid from BHP Billiton, estimates that global potash industry shipments will rise to a record 58 million to 60 million tons in 2012, from 57 million tons this year, it said Oct. 27.

Potash Corporation's third-quarter net income more than doubled to \$826 million. Uralkali's first-half profit jumped 61 percent. Mosaic's profit gained 77 percent in the quarter ended Aug. 31.

Saskatchewan is home to almost half of the world's potash reserves, according to RBC. Canada accounts for about 52 percent of estimated global reserves and Russia 21 percent, according to the U.S. Geological Survey.

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