

Potash prices increase worldwide for second half of year

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Tight market and growing demand expected to push up prices further

The world's biggest potash producers have now set up their potash prices for the rest of the year and for the beginning of 2012. With no surprise, these prices follow the trend of regular growth of the last months, owing to a tight market and a demand expected to increase steadily.

As the International Fertilizer Industry Association (IFA) underlined in its latest market outlook, world demand for fertiliser in 2010-11 is estimated as up 5% on 2009-10 to 172.1m tonnes.

“Global fertiliser demand in 2011-12 is seen as rising more modestly, by 2.5% to 176.4m. tonnes. Potassium demand would recover fully (+5.5%) back to the 2007-08 high,” the IFA said.

Fertiliser consumption is expected to rise in all regions, with a strong demand rebound in eastern Europe and central Asia, according to the report.

Potash Corporation of Saskatchewan (PotashCorp), the world's leading fertiliser producer, reported in its [latest results](#) that its potash prices continued to move higher “as previously announced increases began to be reflected in results”, with the average second-quarter realised price reaching \$416/tonne, up \$107/tonne from Q2 2010 and \$50/tonne from Q1 2011.

North America

The price of potash exported from North America has risen significantly in recent months driven by robust agricultural markets and strong demand, market sources told **IM**.

Sources disagreed on exact figures, citing prices for potash, FOB Vancouver, between \$460/tonne and \$550/tonne, although opinion was unanimous that there have been significant increases.

One producer contested that, although having risen, prices were much lower than \$550/tonne.

A source from the industry told **IM** that prices in the market are FOB Vancouver were in a range of \$460-475/tonne.

PotashCorp anticipates that robust potash demand in the region will continue through H2 2011, with the majority of its product already committed for Q3 at the previously announced price of \$560/s.ton (\$617/tonne) FOB US Midwest warehouses.

“We expect the \$30/s.ton price increase announced at the end of June will begin to be reflected in our realisations during Q4,” the company said, adding that shipments to North American customers from all suppliers are expected to approximate 10-10.5m. tonnes for the full year.



Uralkali, which produces 10.6m. tpa potash in Russia (pictured), has increased prices to China and India for H2

Latin America

PotashCorp reported that Latin America's distributors continue to move aggressively to secure potash supplies to meet strong farmer demand, with the majority of Q3 sales volumes booked at a delivered price of \$550/tonne.

The Canadian company expects that total demand in this market will reach 10-10.5m. tonnes for 2011 – including 7-7.5m. tonnes of imports to Brazil – with record consumption expected to result in low distributor inventories after its primary planting season.

However, one market analyst told **IM** that “blenders in Brazil are looking at \$650/tonne of potash” as a result of the cost to get potash to Brazil means you have to add about \$100/tonne on prices.

Another source from the industry reported prices in the market around \$530/tonne CFR for Brazil.

China

According to PotashCorp, ongoing strength in demand from Asian markets outside of China and India is likely to continue as growers strive to capitalise on historically high returns for key crops such as oil palm, sugar, rice and rubber.

The company expects potash sales for Q3 “to reflect the previously announced price of \$510/tonne on a delivered basis and demand in this region to approximate 7.7-8.2m. tonnes this year”.

China's H2 2011 contract with Canpotex, which included a \$70/tonne price increase from previous contract levels, is expected to provide a steady flow of potash to this market.

Canpotex, an offshore marketing company owned by three potash producers PotashCorp, Mosaic Co. and Agrium operating in the province of Saskatchewan, agreed in June to supply China's Sinofert Holdings with 630,000 tonnes of potash in H2 2011.

In the meantime, Russia's Uralkali, the world's second largest potash producer since its merger with Silvinit, announced that it would increase prices for muriate of potash (MOP) for China by 17.5% for H2 2011 to \$470/tonne.

According to the deal, Belarusian Potash Co. (BPC), a joint venture trader of Uralkali and Belaruskali, agreed to supply China's Sinochem Corp. and China National Agricultural Means of Production Group Corp. (CNAMPGC) with 500,000 tonnes at \$470/tonnes between 1 July and 31 December.

PotashCorp anticipates that China's consumption will approximate 10.5m. tonnes this year, including imports of approximately 6-6.5m. tonnes.

“With limited product available to satisfy its pent-up demand through the remainder of 2011, we expect this market will end the year with reduced inventories,” the company commented.

India

India not having any potash deposit available for commercial exploitation, the country has to rely on imports to get potash. Potash-based fertiliser represent about 8-9% of total fertiliser consumed in India.

“Demand has been very robust and agri-commodities prices have been on rise too,” Sageraj Bariya, managing partner at



Indian consulting company Equitorials, commented to **IM**.

As PotashCorp underlined, India has a high agronomic need for potash and its inventories have been reduced to critically low levels, which is creating strong pressure from commercial buyers and farmers to secure new supply.

“India’s potash inventory has been dwindling. In this back drop, India has been asking for 20-25% price discount, which to me looks difficult, given that potash supply global are controlled by few companies,” Bariya confirmed.

Given the delay in settling new contracts and limited product availability in H2 2011, PotashCorp now anticipates India’s annual imports will total 4-4.5m. tonnes with significant demand for 2012, owing to its pressing need to increase crop productivity and restock depleted inventories.

As reported by **IM**, BPC came to an agreement with Indian Potash Ltd (IPL) to supply Russian muriate of potash (MOP) between August 2011 and March 2012.

Russian producer Uralkali explained today that the delivery price of potash fertiliser for India has been set at \$490/tonne on a CFR basis, after weeks of talk with India.

This represents a \$50/tonne increase compare to the previous quarter when average prices of potash exported to India were around \$450/tonne.

According to the contract with IPL, the major Indian fertiliser importer, BPC will ship 1.2m. tonnes MOP to India within the next seven months.

The Indian prices are \$20/tonne higher than the Chinese prices agreed in June to supply China’s Sinochem Corp. and China National Agricultural Means of Production Group Corp. (CNAMPGC) with 500,000 tonnes at \$470/tonnes between 1 July and 31 December 2011.

Meanwhile, Canpotex announced that it signed contracts with its long-term Indian contract customers Coromandel International and Tata Chemicals to supply 670,000 tonnes of potash between 1 October 2011 and 31 March 2012, the company announced.

Pricing under these contracts is \$470/tonne CFR for 50% of the contract volumes, for shipment during Q4 2011, while the remaining 50% will be at prices of \$530/tonne CFR, for shipment during Q1 2012.

“India is one of the largest potash markets in the world, and these new contracts are indicative of our ongoing commitment to this important and growing market,” Canpotex’s president and CEO Steve Dechka said.