

# Uralkali Sees Potash Price Increase

By [The Moscow Times](#)

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Uralkali, the world's largest potash miner by output, sees room for global fertilizer prices to rise without attracting new competitors into the market, its head of sales said.

Potential new rival BHP Billiton is mulling over whether to develop the 8 million ton-per-year Jansen mine in western Canada, which would become the world's largest potash mine.

The few established producers in the market are holding potash prices at \$450 to \$500 per ton, however, about three times production costs but still low enough to act as a barrier to new entrants, Uralkali's Oleg Petrov said in an interview.

Potential newcomers see an opportunity in a rising demand for chemical fertilizers to feed a growing and increasingly affluent global population.

But at current prices, an investor cannot be sure that greenfield projects can turn a profit, Petrov said.

“To start new production, potash prices should be more than \$500 per ton at the mine gate and about \$600 per ton on the market,” he said.

BHP will make a final decision in its next financial year starting July 1 on whether to go ahead with Jansen, which would open in 2017.

Global potash producers are currently producing at about 80 percent of capacity to support prices.

Uralkali’s capacity stands at 13 million tons per year, while it forecasts 2013 output of 9.5 million to 10.5 million tons. The company, controlled by billionaire Suleiman Kerimov, ranks second by capacity behind Canada’s Potash Corp of Saskatchewan.

Uralkali sells its potash via Belarus Potash Company, or BPC, a joint venture with Belaruskali, and via subsidiary Uralkali Trading S.A., a Switzerland-based firm.

The venture competes with Canpotex, its North American equivalent, which has three members: Potash Corp., Agrium and Mosaic. The prospect of new competition from BHP could expose cracks in the two groups, which account for 70 percent of global trade in the potash market, sources said.

According to Uralkali, BPC is working well as a single company in which Uralkali and Belaruskali join forces. “We believe in the efficiency of BPC,” Petrov said.

Uralkali dismissed market rumors that it was selling outside the joint venture.

Petrov was also affirmed that by the end of the year BPC would recover its market share, partly lost in some countries, including Brazil, as it tried to support prices this year.

Uralkali’s 2013 global potash demand forecast is 53 million to 54 million tons, up from 51 million in last year.

Petrov, however, sees upside potential to 55 million tons in 2013, rising to 57 million tons in 2014.

“The only worrying factor [in his forecasts] is the situation in India, mainly its currency which has been highly volatile recently,” he said.

Petrov based his optimism on rising first-half demand in India, China, Brazil and the United States. Europe was flat.

“The market has the potential to grow by 2 to 3 million tons per year,” Petrov said.

It could reach the level of 60 million tons by 2015 or 2016, according to his estimate.

He expects a minor price and volume increase for the contracts with China and India for next year, which account for about 15 percent of global demand.

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