

China, India Gain Upper Hand as Potash Cartel Crumbles

By [The Moscow Times](#)

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MUMBAI/BEIJING — Agriculture in China and India will be the biggest winner after Russia's Uralkali walked away from one of the world's two big potash cartels, paving the way for consumers to demand hefty price cuts.

The two Asian countries account for about 30 percent of global demand for the crop nutrient potash and had been forced to swallow high prices for a decade in a market dominated by Uralkali's Belarus Potash Company (BPC) and Canpotex, a North American producer group.

Uralkali ended its joint venture with Belaruskali on Tuesday, citing a deadlock over sales and said it would export via its Swiss-based unit.

Chinese state-owned trading companies held urgent meetings Wednesday to discuss the breakup, which comes just ahead of this year's contract negotiations expected in the next month.

"This will upend the market price. ... It strengthens our hand in the next round of pricing talks," said Kong Xuan, investor relations officer at Sinofert, China's largest fertilizer distributor.

Potash prices could drop by as much as 25 percent this year, Uralkali said Tuesday, to about \$300 per ton.

The Russian firm now plans to boost production in a bid to increase sales to India, Brazil and China, where it will ship more than 2.5 million tons in 2013, up from 2 million last year.

"[Uralkali] has thrown a bomb by saying prices will go down to \$300 per ton," a senior executive at an Indian fertilizer firm said, declining to be identified.

"Today if you ask someone to buy potash at \$370, they will say no. Why should I buy at such a high level when prices are bound to correct by much more?"

India and China are the world's leading producers and consumers of grains and among the largest sugar and oilseeds farmers. India has to import all its potash while China imports about half its annual requirements of 10 million to 11 million tons.

"Considering ongoing developments, I think sellers will accept our demand and cut the price," said U.S. Awasthi, managing director of Indian Farmers Fertilizer Co-operative (IFFCO), which buys through Indian Potash Limited (IPL).

Farmers Gain

Uralkali's focus on volumes will leave Canpotex owners — Potash Corp of Saskatchewan, Mosaic Co and Agrium Inc — little choice but to follow.

The two accounted for almost 70 percent of global potash sales and had no qualms about turning off supply when buyers looked likely to gain the upper hand.

Potash prices rose six-fold from 2003 to 2008, trading above \$1,000 per ton at one point, compared to production costs around \$60 per ton for Uralkali.

China has been paying about \$400 per ton for ocean-shipped product in 2013 and about \$350 a ton for rail-trucked product, which is the usual transport method for Uralkali.

The two giant consumers had already shown signs of revolt.

India delayed potash purchases for nearly six months and signed deals earlier this year once producers agreed to cut prices by \$63 per ton, while Chinese buyers held out for a \$70 price cut for first half of 2013 supplies.

"Farmers are indiscriminately using urea since it is cheap compared with other fertilizers," said Awasthi of IFFCO. "If potash prices come down substantially, there is scope for higher potash consumption."

Indian demand will be contained in the short-term by the weak rupee and lower subsidies. Longer term, demand could jump to 6 million tons a year from 3.5 million tons, according

to Satish Chander, director-general of the Fertiliser Association of India.

In Malaysia, where fertilizer makes up about 60 percent of palm oil planters' production costs, prices at \$300 a ton will be a welcome relief.

"Lower potash prices have a spillover effect, prices of fertilizer will be cheaper and it will bring costs of production down for palm oil," said an official with a plantation company in Malaysia.

Uralkali said last month that global potash demand in 2013 was likely to rise to 53 million to 54 million tons, up from 51 million in 2012, but lower than a record consumption of 56 million tons in 2011 and 2007.

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