

Investors Resume Interest in the Mineral Fertilizer Market

✘ **The InvestorIntel Potash and Phosphate** members rose collectively +7% for January 2014. While not exceptional in itself, the result is very significant as it serves as more than a hint that investors have resumed interest in the mineral fertilizer market. Last year, and particularly since the collapse of the Potash duopoly, when Russia's Uralkali pulled out of the Belarusian Potash cartel, BPC, last July, Potash suffered an overall malaise felt by the agricultural commodities sector in general, making potash, phosphate and nitrogen overly sensitive to the slightest hint of market uncertainty. However, as the potash majors (through CANPOTEX – PotashCorp, Agrium Inc., Mosaic – and Uralkali) signed more favorable than expected supply contracts with China's Sinofert in January, the market was more willing to reward some of the juniors that have made important progress over the past few months. Two companies made a remarkable recovery, even if their valuations are still short of their potential.

IC Potash Corp. (TSX: ICP; OTCQX: ICPTF) announced the successful completion of an independent feasibility study for its 100% owned Ochoa Sulfate of Potash (SOP) Project in southeastern New Mexico. The study predicts an economically viable resource with a production capacity of 714,400 tons of SOP per year over a period of at least 50 years. The FS has confirmed the technical validity of the Ochoa project, which will now be able to proceed with gathering the necessary funds to build the mine. ICP will be able to produce SOP at about a quarter of the cost, demonstrating how crucial low operational and capital costs (OPEX and CAPEX) have become in the potash sector. IC Potash gained 18.52% at the TSX and 31.07% at the OTCQX.

Allana Potash ('Allana', TSX: AAA | OTCQX: ALLRF) gained

25.68% in Toronto trading and 16.01% at the OTCQX, returning to a price floor closer to last year's average of about CAD\$ 0.50/share. Allana is steadily moving toward start of mine construction, for which it has already announced that financing arrangements are well underway, securing about two thirds of the capital needed and the all necessary mining license – last October. Allana is one the potash companies that should be on everybody's watch list in 2014. Its project in Ethiopia's Danakil region may well be the one best suited to benefit from the new potash market dynamics triggered by the BPC collapse. If potash prices actually do drop as predicted to below the current USD 350/ton (the test will come when Belaruskali signs its next contract with China) level, potash will become more affordable for those many potential customers who have stayed away because of prohibitive costs. Companies with favorable project economics such as Allana Potash – and IC Potash – have a head start. The breakup of the Russian-Belarusian potash cartel, BPC and its North American equivalent, Canpotex, had managed to maintain potash prices at levels of no less than USD 400/ton. The new low ceiling, as suggested by the Canpotex and Uralkali contracts of just above USD\$ 300/ton are the new base. Nevertheless, there is more reason to be optimistic about potash prices in 2014.

Despite the recent turbulence in the mineral fertilizers, its long-term growth prospects are good. The world population continues to grow, which will translate in increased demand and the BPC a renewed alliance of Russia's Uralkali with Belarusian state-owned enterprise Belaruskaly cannot be ruled out. The 'potash war' between Russia and Belarus has reached the 'peace conference' stage as former Uralkali CEO Vladislav Baumgartner was extradited to Russia and replaced by Dimitry Osipov, hailing from Uralchem. Essentially, Uralkali's management has been reorganized in such a way as to ease tensions between Minsk and Moscow. Russia's ambassador to Belarus, Alexander Surikov, has used very diplomatic tones with Belarusian authorities, taking some blame, hinting that a

joint marketing venture such as BPC could be rebuilt, which would add some upward price pressure on potash, switching back the profit formula to lower volume and higher price. Moreover, Potash Corp. (NYSE: POT) recently announced that last year's sales did not drop as much as expected and that the Company could see a gradual stabilization of the potash market at the end of the fourth quarter, given a market recognition that the basic conditions driving higher demand for fertilizers still exists. A higher demand for diammonium phosphate (DAP), since November 2013, suggests prices reaching the highs of last summer, given that available production has been sold out. The international nitrogen market is also showing stable prices...to access the Potash & Phosphate numbers for January 2014, log-in to InvestorIntelReport