

Potash billionaire in (rumored) talks to sell 22% stake in potash giant Uralkali



Suleiman Kerimov

Potash stocks have rallied in recent days on speculation that Russian billionaire Suleiman Kerimov is in talks to sell his 22% stake in OAO Uralkali, valued at approximately \$4 billion. The hope among investors is that the potential move would ease tensions between Uralkali and Belaruskali (now [Russia](#) and Belarus), and possibly allow the firms to renew their cartel-like marketing partnership in Belarusian Potash Company (BPC), which controlled 40% of global potash exports. The ongoing dispute is contributing to uncertainty in the sector. Until recently, BPC provided a “floor” in the price of potash with the duopoly’s price-over-volume strategy, prior to Uralkali’s July 30th breakup of the potash venture, in favor of maximizing production. Uralkali said it would sell potash on its own, vowing to cut prices to boost volumes. In an over-reactive panic, share prices of all potash producers worldwide

– from the majors to the juniors – plunged and have significant upside potential as a result. Having said that, the muriate of potash (MOP) or “standard potash” spot price is the same as it was previously (potash actually increased in price since the BPC breakup) and is higher now than it was in February of this year.

There were rumors recently that Mr. Kerimov – the main shareholder in the potash giant, who has built his fortune by investing in industries including real estate and banking – had already sold his position, though that has since been denied. Similar rumors that Norilsk Nickel (the world’s biggest producer) was among the bidders for the 22% stake have also been denied today by Norilsk’s deputy general director who stated that the company has no interest, nor was it in talks to purchase Kerimov’s interest in Uralkali.

Speculation has been building in the Russian press that buyers are lining up to purchase Kerimov’s investment in Uralkali, held through the tycoon’s foundation. Shares in Uralkali, which dropped nearly 20% when the firm said in July that it had quit BPC, have rallied this week on the speculation. Unsourced reports in the Moscow financial pages mentioned oil investor Mikhail Gutseriev, construction tycoon Arkady Rotenberg (a former judo partner of [Russian President Vladimir Putin](#)), and banker Vladimir Kogan as potential bidders. None of those speculated about has yet confirmed any interest. Vladimir Yevtushenkov and Vladimir Potanin, both also named as potential buyers, have issued denials.

That said, if Kerimov does follow through with a sale, it is thought investors would take a more optimistic view of the sector in the short term and may boost their potash price assumptions. There still is the not-so-small problem, however, of Uralkali’s CEO Vladislav Baumgertner’s August 26th airport arrest in Minsk, Belarus, where he is presently in jail. Baumgertner was arrested after traveling to Belarus for talks at the invitation of the Belarusian Prime Minister Mikhail

Myasnikovich. The potash powerbroker is facing up to 10 years in prison on charges of abusing power and seeking gain at the expense of Belarus. Analysts have described the arrest and allegations as an act of retaliation. It should be noted that Belarus is seeking the arrest of Kerimov as well, for the same alleged crimes as Baumgertner. Needless to say, Uralkali has denied that Baumgertner committed any offense and has called for his immediate release. The company is "implementing all necessary measures" to have Baumgertner freed and that Belarusian authorities have launched a "politically motivated persecution" against the company "in order to cause damage to Uralkali, which is the main competitor of state-owned Belaruskali."

Belarus, which has long taken offense at what it believes is Uralkali's aim to take over its own producer Belaruskali, was angered by Uralkali's abrupt exit from BPC, a move likely to hurt the ex-Soviet state's fragile economy (the soil nutrient accounts for 12% of Belarus' state revenue and approximately 10% of export income). Baumgertner, who is also the CEO of BPC, ended Uralkali's trading partnership with Belaruskali and dissolved the BPC venture because Belarus had repeatedly "violated" their agreement by authorizing Belaruskali to export some of its potash independent of BPC (Uralkali accused Belarusian President Alexander Lukashenko of allowing Belaruskali to do so).

A deal for Kerimov's Uralkali stake could be completed as early as the end of this month, according to sources. The situation remains fluid and a deal may not be completed or could take a different form, distancing Mr. Kerimov from the company without having to sell. Kerimov's potential departure may wind up being nothing more than symbolic gesture, though, as Uralkali has stated that it does not foresee returning to a trade alliance with Belarus in potash. According to Uralkali's chairman Alexander Voloshin, a former Kremlin chief of staff, "the company has formed a new strategy following the breakup

of BPC, which does not provide for reunification.”

Despite the BPC breakup and belief that there is no longer a floor in the spot price of potash, the fundamentals of the potash industry remain strong. Project economics are more vital than ever and investors should have confidence in the growth potential of the potash market ([people won't stop eating anytime soon](#)), which makes investing in potash an attractive opportunity – especially now. This may very well be a huge opportunity to get into potash, with the juniors in particular, at bargain-basement prices.

Potassium Chloride (Muriate of Potash/Standard Potash) Spot Price:

- *USD\$393.25 as of August 31, 2013*
- *USD\$392.90 as of July 31, 2013*
- *USD\$392.50 as of June 30, 2013*
- *USD\$393.00 as of May 31, 2013*
- *USD\$391.50 as of April 30, 2013*
- *USD\$390.00 as of March 31, 2013*
- *USD\$387.50 as of February 28, 2013*
- *USD\$395.00 as of January 31, 2013*

(source: World Bank)