

Cheer Up, Sir Bob Geldof – Allana Potash is Preparing to Transform Ethiopia into Africa’s Agricultural Superpower



Sir Bob Geldof

Go gentle on Sir Bob Geldof, the sixty-something rocker grown grumpy of late, with his prediction that – given the hash humans have made of the planet – all of human life will end by 2030. What would he think to learn that Ethiopia, the object of Geldof’s heartfelt “Feed the World!” refrain during the historic Band Aid recording session of 1984, is now home to a project that could put the nation at the forefront of Africa’s push for food security?

It’s enough to mellow your harsh. But Sir Bob’s gloom notwithstanding, that’s exactly what is happening in the Afar region in Ethiopia’s northeast, at Allana Potash Corporation’s Danakhil project. Last week, Allana received its large-scale mining license from Ethiopian authorities – approval that will

allow the company to proceed with contracting, construction and operations at the \$642 million potash project. As a result, Ethiopia – the nation synonymous with mass starvation a generation ago – bids to become Africa's agricultural superpower.

The Danakhil concession – site of sporadic, small-scale potash mining for more than 100 years – is projected to produce 1 million tons per year of Muriate of Potash, used in the production of fertilizer and food processing, across a 25 year mine-life. Given the vagaries of potash prices, it's worth noting that Allana's project will use a low-cost evaporation method for extraction. Not only will this production provide the potash to help transform Ethiopia's agricultural output – it will make the country Africa's leading potash provider. Beyond Ethiopia, over land to the new Tadjoura Port in Djibouti, Danakhil potash will be positioned for sea transport to the Indian subcontinent, Southeast Asia and the nations of Oceania.

For Africa, a continent where, according to the Population Reference Bureau, “nearly 240 million people in [the] sub-Saharan [nations], or one person in every four, lack adequate food for a healthy and active life,” fertilizer usage – and the potash that makes it possible – is critical to providing the crop yields needed to make food security a reality. With a population projected to double to 2.2 billion by mid-century, Africa must develop its own ability to support modern agricultural production.

The potential is there. The humid and sub-humid regions of Africa's Tropical Belt, plus the southeastern African coast – areas that account for more than 40% of the continent's landmass – have untapped agricultural potential. According to a World Bank report released earlier this year, Africa accounts for nearly 50 percent of the world's uncultivated land, and currently uses less than 2 percent of its renewable water sources. As a result, crop yield in Africa is often a

fraction of what farmers achieve on other continents.

These are the exogenous factors that make Allana's project so seminal to the future of food security in Africa. As the company proudly notes, Danakhil is "the only potash project worldwide with IFC [the World Bank's International Finance Corporation] support." For its part, Ethiopia's government – supporting market-based policies and drawing a firm line against expropriation of foreign investments – is seeing the yield of sound economic policies in a decade of double-digit growth that places the country in the world's Top 10 fastest-growing economies. Aware of the broader implications of Danakhil for food security, Allana is already a participant in Ethiopia's Agricultural Transformation Agency initiatives, aimed at introducing agricultural best-practices and advanced technology in the service of sustainable farming.

So cheer up, Sir Bob. The people whose suffering moved you to command the world's attention a generation ago are now part of a nation poised to help feed a continent. With the private-sector incubating projects like Allana's, there may just be hope for the planet after all.

Potash and Putin



Farhad Abasov, CEO & President for Allana Potash Corp. just left my office after stepping in to do a quick interview. We started by discussing the overall impact of Urakali incident on the market, because if you listen to the media –

they would have you believe the sky is falling since Urakalai's CEO Vladislav Baumgertner of the "world's most influential potash producer" was arrested in Belarus on August 26th.

Allegedly on his way to secret talks with Belarus's prime minister, CEO Vladislav Baumgertner was arguably manhandled and handcuffed: seized at the airport of the Belarusian capital Minsk, and charged for – Kafkaesque "abuse of powers". Hmm, a rather vague crime, keep in mind that there are supposedly four other Uralkali executives involved in a criminal scheme that some sources say has cost the country \$100 million. One must wonder why they didn't invite all five of them together, and nail them all in one 'potash play' instead of picking off one at a time. And of course, the other four still remain at large...*perhaps they are at the Russian airport?*

Ever since I was introduced to the potash industry, I have affectionately referred to the analysts in this sector as the 'potash cartel', but this was because of their ability to take what is arguably a simple subject (food) and turn it into something worthy of a mad scientist's journal notes for investor's to digest that few so that few to none could translate. For this reason, it has been one of my mandates to get potash and phosphate equities out of solely institutional hands and expand retail market interest. In fact, these famous few are talking about a 20% price drop in potash ('plunge' was the last headline I read), but when, if at all? The August 31st MOP potash spot price was USD\$393.25, up from USD\$392.90 on July 31st; this standard grade Vancouver F.O.B. MOP spot price; and for that matter, our client's stocks have averaged even at +2.22% since this unforeseen drama worthy of a Hollywood script (Note: our clients are exploration and advanced exploration stage).

None of this can be a surprise to us as but let's be frank,

nothing with the word 'cartel' in it is deemed a democracy, and Belarus has a real potash cartel, BPC – a partnership between Uralkali and Belaruskali. Led by Belarus President Alexander Lukashenko, who has been described as “Europe’s last dictator, the BPC potash cartel rule was simple – do not sell outside the cartel. But President Lukashenko determined that he could and would...do whatever, he wanted to. So, and this is where it gets tricky, the deal was Belarus could sell potash outside their own cartel (BPC) – but Urakali could not.

Uralkali determined this was nonsensical and felt that they could disagree with Lukashenko as they have what many of us would deem some 'influential friends'. Urakali had bench strength as the Company's main owner is Suleiman Kerimov and the chairman, is Alexander Voloshin. Kerimov is a billionaire with close ties to Russian president Vladimir Putin, and Voloshin was the former Kremlin chief of staff.

Why does Putin care? Putin is committed to food security, an international geopolitical mandate that few in North America even think about. In fact food security of Russia was formalized in January 2010 when president Medvedev signed the “Food Security Doctrine”, which aims to see the country reach 85% self-sufficiency in meat and poultry by 2020. The Doctrine's main objective is self-maintenance of the country with qualitative agricultural production, raw materials and the foodstuffs at level not less than 80-90% from requirement.

Russia's media response to Baumgartner's treatment is described as fierce, and Putin has demanded Baumgertner's immediate release and summoned the Belarus ambassador in Moscow to be told bilateral ties are at risk. This business of the BPC cartel demise has shaken the \$20 billion global potash market and Baumgartner is the political pawn being held hostage.

There is no question Putin needs potash, but the rumor is...no one needs Baumgartner...or the cartel.

In memory of oil tycoon Mikhail Khodorkovsky, who has been in Russia's prison system since 2003.