Mosaic setting bullish tone for potash in 2015

Mosaic (NYSE: MOS) is expected to announce significantly higher profit (the presentation will be on February 11), for the fourth quarter than expected thanks to thriving sales of phosphate products. Mosaic's results suggest that the potash majors can experience a bullish start to 2015. Mosaic's performance confirms a bullish trend in mineral fertilizers already noted at the end of 2014 when Mosaic's German competitor, K + S AG, also announced having exceeded its Q4 profit expectations forecast for the fourth quarter thanks to strong autumn/fall business. Meanwhile, Mosaic hinted that phosphate sales and profit margins in phosphate and potash are likely to be higher than the previous forecast with potash sales will be at the upper end of the forecast range. Mosaic sold 3.3 million tons of finished products – far more than the Company had predicted in late October (2.5 to 2.8 million tons). In the potash sector, Mosaic had expected sales of some 2.0 to 2.3 million tons. "The demand for potash and phosphates exceeded our expectations in the fourth quarter," said CEO Jim Prokopanko. Interestingly, sales were high because many customers have anticipated a strong spring season and rising fertilizer prices and Mosaic expects the strong demand trend to continue throughout 2015.

Mosaic's shares are likely to benefit from the forecast increase establishing a bullish course for the other major mineral fertilizer producers. Mosaic is a member of Canpotex – the marketing organization representing Saskatchewan's three largest potash producers: PotashCorp, Agrium and Mosaic. Last week Canpotex signed a Memorandum of Understanding (MOU) for new three year potash deal with China's Sinofert. Under the terms of the MOU, Canpotex will supply at least 1.9 tons of potash to Sinofert until December of 2017. Pricing will be negotiated every six months—January to June and July to December, "based on market conditions", and the current price is USD$ 305/ton. The price is not as high as hoped, but it is also not as low as feared and the agreement is expected "to encourage future growth in new Canpotex product grades and new market regions in China as it provides exclusivity to Sinofert for Canpotex red standard grade potash only, provided Sinofert exercises the annual minimum purchase requirements." Canpotex's rival, Uralkali had tried to secure higher prices from Sinofert (USD$ 340/ton) last November, only to meet strong resistance from Chinese buyers. Uralkali was trying to compensate for losses deriving from the shutdown of the Solikamsk-2 potash mine, due to a massive sinkhole.

The shutdown has not slowed Uralkali, which announced that it had beaten "its own production target" for 2014 as the company compensated loss of production at Solikamsk by increasing output at its other facilities. Nevertheless, the fact that Canpotex was still able to secure a price of more than USD$ 300/ton is testament to the resilience of the potash market. Indeed, the price set for the Chinese contract tends to set the tone for the year. The India contract is also an important indicator of the potash market and the Government of India is rumored to be considering lifting import duties for fertilizers, which would make products such as potash, phosphate and urea more affordable to farmers while benefiting Potash Corp, Mosaic and Uralkali among others. One of these others is Germany's K + S AG whose shares have performed very well since the end of 2014, remaining among the top performers in the DAX. There is a sense, beyond the individual Company results, that the potash sector will see a sustained recovery scenario for 2015; the fertilizer market has already proven to be more solid and encouraging than 2014. The price of corn is especially low (USD$ 3.50 a bushel – it has been as high as USD$ 8 according to RBC). Any lower and it will cost more to produce than to sell. The 'natural' forces of supply and demand will unleash their magic and restore a modicum of balance, pushing crop prices higher. There is also the issue of global fertilizer demand continuing to increase. For the past decade the big drivers of potash prices have been China and India.

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Sinkhole swallows Uralkali’s profits and boosts potash rivals

Russian fertilizer giant Uralkali (LI: URKA), just a year after shaking the potash market by terminating its strategic pricing alliance (BPC) with the Belarusian potash concern Belaruskali announced that it has been struggling with a temporary closure of a major mine, Solikamsk-2, located near Perm. Should the problem turn out to be a long term or even permanent failure there is the risk that the Russian potash producer will incur significant losses. Of course, this could benefit the competition and cause a significant price hike in the price of the popular mineral fertilizer. The mine affected by the shutdown is of considerable importance for Uralkali, covering a fifth of the company’s capacity. On Tuesday, production at Solikamsk was stopped after high levels of brine were discovered. Water dissolves the potash salts (potassium-laden salts) damaging a mine’s structure and causing sinkholes. This is not unusual for Uralkali, but this time the scale of the problem has been more severe than usual. In 2006, Uralkali suffered a similar incident in the same region and the closure lasted a very long time causing a 5% drop in production (but not as great a financial loss, given that potash prices were typically below USD$ 200/ton then).

The market's reaction was immediate: Potash Corp (NYSE: POT) gained 6% percent in New York, an intraday jump not seen since 2012 while its CANPOTEX 'cartel' partners Mosaic (NYSE: MOS) and Agrium (TSX: AGU) enjoyed similar increases of 4.4 and 4.1 respectively. Indeed, Uralkali did not venture to suggest how long it would need to fix the problem and this is also good news for the smaller potash producers such as Germany's K+S Group and even for potash juniors such as IC Potash ("ICP', TSX: ICP | OTCQX: ICPTF) and Allana Potash (TSX: AAA | OTCQX: ALLRF). These juniors are among the nearest to production stage of all the new potash companies. The breakup of the BPC potash cartel that was announced on July 30, 2013, resulting from OAO Uralkali's decision to 'go it alone' had shaken the potash sector.

Investors and sector executives alike feared a collapse of the sector with prices falling below USD$ 200/ton. Nevertheless, the market dynamics triggered by Uralkali's move may have benefited the overall potash sector by lowering prices in the short term so as to increase them in the long term. In this sense the 25% average drop in potash shares in reaction to the Uralkali bombshell, helped make potash more affordable for those many potential customers who have stayed away because of prohibitive economics. The chance to sample the goods and see the agricultural benefits will have generated more demand while emphasizing the value of 'project economics'. Now, the favorable economics for the emerging juniors and production capacity of Uralkali's international competitors, will raise potash's value as an investment commodity. Should Uralkali fail to control the flow of brine, it could lose up to 30% of its net profit in the coming year. Meanwhile, the prospect of a tighter supply on the world market is expected to help fertilizer manufacturers to charge higher prices in the forthcoming negotiations with India and China, which usually take place between December and January.

In July 2013, Uralkali adopted a new strategy of pushing production levels higher to bring down prices of potash and conquer new markets, sacrificing margins in the process. That decision led to a stock market collapse of major industry players, who were accustomed to controlling and adjusting production to support prices. China had already been slated to pay 10% more for the 2015 contract to secure its supply of potash. Uralkali's drop will surely play in favor of CANPOTEX and that price increase will surely be greater than 10%. Increasing tensions between Russia and the West will also raise potash prices. After Canada, Russia is the world's largest producer of potash. The country also provides 7% and 8% of the supply of fertilizer phosphorus and nitrogen. Brazil has been gradually increasing potash imports used especially to grow soybeans, used for food and fuel. Demand has increased steadily from 2012 to 2014 while areas used to plant soybeans are expected to grow 4%. Already, fertilizer orders for the first half of 2014 gained 7% over 2013, and a corresponding increase is expected in the second half of 2014.

Western agricultural and potash sectors suffers more from anti-Russia sanctions than Russia itself

Russia has delivered a textbook response to the growing list of sanctions that the West and NATO countries have adopted, with more or less conviction, over its inevitable interventions in the Ukrainian civil war. Russia has banned food imports from several Western countries including Italy, Germany and Canada. It has also banned Western investment projects in the Russian agro-food sector just as Russian food tastes and consumption habits have been expanding to include a wide variety of products. From the Western perspective that Russia should modernize politically, the sanctions will have adverse effects, delaying that very process of modernization, forcing a resumption of cultural and political insularity. Russia will put planned projects on hold or cancel them outright, hurting Western companies in the process.

Western companies – especially German and Italian – have been providing the modern technologies and know-how to modernize the Russian agriculture and processing industry. Germany alone has invested over a billion Euros in Russian agribusiness, which have enabled Russia to vastly improve plant production, resuming its role as a primary exporter of wheat along with the USA, the EU and Argentina. The increase in the production of wheat and other crops has also allowed for improvements in poultry and pig production, which has raised demand for such minerals as potash and phosphate. Meanwhile, as late as 2013, several European small and medium enterprises in the agricultural sector had asked their EU representatives to significantly expand their corresponding commitments in Russia, facilitating ties further. The crisis and the Western (especially from the EU) promise to include Ukraine in NATO or even the EU have contributed greatly to the crisis. Not surprisingly, trade relations and problem-resolution mechanisms must be in place to build trust in trading partnerships and now both are in short supply. It will be difficult, but the EU must pursue a more diplomatic line with Russia in order to avoid completely cutting political level discussions and opportunities to continue working in favor of Russia’s agricultural and food industry modernization, which benefit western companies directly.

The Russian government has chosen to ban imports of several food products from the EU and the USA not only as a means of political pressure, but also to highlight their positive impact on the development of Russian agriculture and food industry. It is therefore in the mutual interest of all powers concerned that the Ukraine conflict does not escalate further.

The effects of the embargo imposed by Russia have already been felt. Entire containers of EU food products have been blocked and sent ‘back to sender’, while Russian importers are advised have been terminated several contracts for the shipment of fruit and vegetables. The list of banned products covers the entire range of diets and tastes including beef, pork, chicken, fish, seafood, milk and dairy products, fruits and vegetables from the EU, USA, Norway, Australia and Canada, with the exception of alcohol and children’s products. It is a sharp brake on the increasing demand for EU products on the dinner tables of all countries that made up the former Soviet empire that had begun to appreciate such gastronomic delights as Parmigiano Reggiano and prosciutto, not to mention all manner of oranges, grapes and legumes. In the first quarter of 2014, Russian imports of EU food products had actually risen in the first quarter of 2014. Countries such as Italy, which are relying on exports to lead the path out of the economic crisis, consider agriculture as a very important economic sector. It is estimated that Italy alone will lose over 200 million Euros in lost agri-business with Russia alone. Now we are facing a worrying escalation of the conflict with a trade war, which confirms the strategic importance of food especially during periods of economic recession. Russian leaders are master chess players and they have not chosen to target food imports casually; they are very aware that agriculture is a primary pillar of growth for the European Union at a time of economic stagnation. Indeed, worldwide agricultural exports from Italy alone grew by 5 percent in 2013, reaching a record high value of 34 billion Euros, even as other sectors suffered.

As for Canada, while Prime Minister Harper engages in smug tirades against Russia, the sanctions and growing trade ‘Cold War’ may have consequences for the potash sector. Russia is part of the block of BRICS (Brazil, Russia, India, China and South Africa) countries, all of which have high potash and phosphate demand driven by their respective agriculture and food sectors. As western borders close in response to decisions in Bruxelles, Ottawa or Washington doors open to Russia’s East and South. In potash terms, the world’s largest potash producer Uralkali expects to be able to implement price increases by as much as 10% in the 2015 supply contracts with China. Uralkali is considered the clock for the fertilizer industry, which also includes Canada’s Potash Corp of course.

The People’s Republic of China is the world’s largest consumer of potash and now pays Uralkali USD$ 305/ton. Technically, this should be good news for Potash Corp and its CANPOTEX partners (Mosaic, Agrium), but China may well decide to increase its share of supply from Russia in solidarity over Western sanctions. In turn, Russia will replace Western imports with meat and dairy products from Brazil, Argentina, Ecuador, Chile and Uruguay, which are more than willing to step up to the opportunity. China has also indicated that it can increase the supply of fruits and vegetables to Russia. Uralkali also has close ties to India and if it should see it advantageous, it could slash potash prices below contract rates, revamping the ‘quantity’ model by increasing production and undercutting CANPOTEX. Moreover, Russia may decide to trade in local currency when dealing with other BRICS members, further damaging the potash market.

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 Danakhil 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 Baumgertner 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

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The future of the potash market is bullish in view of favorable hints from Moscow and Minsk…

Potash & Phosphate Week-in-Review: The InvestorIntel Potash & Phosphate members average for the week ending September 6th lost -1.09%. Aguia Resources Limited (ASX: AGR) continued along a bullish path as seen in the past few weeks, gaining +21.21% in the wake of its very favorable phosphate results from its initial drilling at the Tres Estradas South Project, showing +14.4% P_2O_5 at 16 meters from the surface. Phosphate stocks have remained rather stable in the past few weeks in response to predictions of steady global demand over the next few years. Magna Resources Ltd. (CNSX: MNA | OTCQX: MGRZF), which is developing a potash project in the Paradox Basin, Utah, was flat in Toronto even as it received an enthusiastic welcome as it started trading at the OTCQX, gaining +17.02%. Nevertheless, last week, potash investors were 'spooked' by two considerations, which in the very jittery commodity investment climate of 2013 were sufficient to force down potash stocks.

Concerns over Chinese growth rates ahead of today's official announcements, saw investors react cautiously at best. Potash shares, especially those of the majors such as Potash Corp. fell over fears that lower than expected Chinese economic growth would sink shares of commodity producers. Nevertheless, at the time of writing, the opposite is the case as the Chinese economy has actually grown, promoting the 'bulls'. On Monday, shares in Potash Corp. have been rising as have some of the best placed potash juniors – such as Allana Potash Corp. (TSX: AAA | OTCQX: ALLRF) – on optimism that China's economy may be set for stronger growth.

The Russian-Belarusian potash dispute also affected potash stocks negatively. The dispute, prompted by Uralkali's decision to withdraw from the BPC pricing cartel, left former partner Belaruskali in a situation of deep uncertainty, given the potential downward effect on prices. The dispute between the two companies has extended to a dispute between the respective governments of Russia and Belarus, after Belaruskali's CEO, Vladimir Baumgartner, was arrested in Minsk last August. In fact, Russia and Belarus are considered close allies. But the controversy over Uralkali's de facto disintegration of the BPC consortium has dominated bilateral relations and affected the overall potash market.

Uralkali and Belaruskali were partners for eight years, within the BPC framework, accounting for 43% of global potash exports. The extent of the diplomatic fallout was such that

President Vladimir Putin has personally intervened. Fears over the extent of his ‘intervention’ and its fallout added some jitters to the potash market last week; however, it seems that the market may react differently in light of some generally favorable comments from the Kremlin. Putin is eager to resolve the dispute with Belarus promptly and thinks it is necessary to resolve the conflict and to avoid an escalation according to statements he made on the margins of last week’s G20 summit in St. Petersburg: “We want to solve the problem and not drive it to a dead end – which is very possible, if we make a fuss about it,” said Putin to reporters.

The dispute had sharpened end of August, when Uralkali CEO Vladislav Baumgartner was surprisingly arrested in Belarus. Belarus is very sensitive to potash prices and to the special trade mechanisms that control production since potash is its main foreign-exchange earner, amounting to over 10% of all exports and 12% of state revenue. Suleiman Kerimov, Uralkali’s top shareholder, is an ‘oligarch’ with close and friendly ties to Putin. One of the strategies being speculated is for Putin to force him to sell his share – Another oligarch co-opted by the State? – at a favorable price in order to gain control and revive the BPC alliance in order to restore the pricing balance in the global potash industry. There is already evidence of such as solution, as Kerimov has reportedly sold off a large chunk of his shares.

The BPC/Uralkali saga, when resolved, will not have been in vain. The collapse of the pricing mechanism has exposed the potash market to what is essential and to what really counts. Project economics have emerged as perhaps the top consideration; in other words, being able to produce a high quality potash product at the lowest possible operational and capital costs (OPEX and CAPEX) is ideal. That seemingly obvious idea got lost in the potash market frenzy of the past few years. In that respect, all the juniors featured in the InvestorIntel Potash & Phosphate members present advantages:

they have geologically strong resources, requiring low energy to extract and produce.

Therefore, investors may want to consider potash stocks to take advantage of the turmoil from last week as the market seems to be headed for a favorable turnaround. To this effect, there is optimism ahead of the quarterly results presentation from Germany's K+S AG as analysts are optimistic and see plenty of upside potential for the stock. After the gloom that the company experienced in the wake of the BPC collapse (it was the most affected company), its share price rose +8.2% in the German DAX at the end of Monday. Moreover, while analysts feared that the BPC would send spot potash prices down to USD$300/ton; they have now raised the floor to a minimum of USD$350/ton.

Uralkali fires first shot in the potash price war..but do not panic

Uralkali has launched the equivalent of a blitzkrieg on the potash market by announcing it would abandon the Belarus Potash Company (BPC), the pricing organization formed by Uralkali and Belaruskali that along with Canpotex (PotashCorp, Mosaic, Agrium) in North America have essentially controlled potash prices. The BPC-Canpotex duopoly has allowed the world's largest potash producers to maintain potash at or above USD$ 400/ton. By abandoning BPC, Uralkali, which has lower production costs than current potash miners in North

America, has decided to focus on volume, targeting the Chinese market. It happens that China is where potash demand is highest and where it is expected to grow even further. Uralkali’s departure has rendered BPC powerless; it has also dealt a significant blow to Canpotex, achieving in a simple move, what many feared BHP Billiton would do should it decide to go ahead with its Jansen potash mine project. Effectively, Jansen might be the first victim of the Uralkali bombshell.

BHP’s board will be hard pressed to vote in favor of proceeding, given that the cartel market for potash has suffered an almost fatal blow. Potash will now be sold like most other commodities and goods: price competition. Not surprisingly, share prices of the few potash producers in the world have fallen sharply on the news. For its part, Uralkali announced it would produce 30% more potash next year. The one possible price pressure might come from the fact that the China Investment Corporation (CIC) – a Chinese sovereign fund – purchased Uralkali bonds, giving the Chinese 12.5% stake in the Company. China imports about USD $ 19 billion worth of potash a year and it has an interest in potash prices remaining high enough for Uralkali to remain highly profitable. Moreover, while the doomsayers will have everybody’s ear in the next few weeks, history has shown that while the value of a cartel crusher – such as Uralkali – does make some gains at first the market ultimately settles at a lower price level, which will reduce any benefits that Uralkali hoped to gain.

Conspiracy theorists and serious analysts alike might wonder if Uralkali’s move is a temporary one to drive off BHP from going ahead with the Jansen mine; after all, the Anglo-Australian mining giant was is slated to take its final decision promptly. Given that Uralkali last sold potash to China at USD$ 350/ton, analysts have suggested that potash prices would fall to USD$ 300/ton. Nevertheless, the Uralkali move will not really affect the merging junior potash plays;

some like Allana Potash (TSXV: AAA | OTCQX: ALLRF), whose potash assets are being developed aiming to maintain some of the lowest operational and CAPEX costs of any potash asset worldwide, might become appetizing morsels for the potash majors looking for ways to produce at lower costs and compete with Uralkali at its own game.

It is not even necessary to travel to Ethiopia to find valuable potash assets with low CAPEX potential. In Utah, there are several such as EPM Mining (TSXV: EPK | OTCQX: EPKMF), Magna Resources (CNSX: MNA) and Potash Minerals (ASX: POK), which are aiming to produce low cost potash using low energy processes favored by their very location. In New Mexico, there is IC Potash (TSXV: ICP | ICPTF), which proposes to produce the cheapest Sulfate of Potash (SOP) product in the world. By the time these companies reach production stage by 2015-2017 the population growth factor in some emerging countries with fast growing meat consumption will demand more potash fertilizers. For these juniors, the Uralkali decision might mean some more difficult financing at first, but ultimately they were always going to be players outside the cartel system, targeting niche markets, lower production costs and strategic locations. In some ways, the market may be even better for the juniors if Uralkali’s decision does in fact mark the death blow for Jansen, which could has the potential to produce enough potash by itself to embarrass Potash Corp and Uralkali combined.

The future of the BHP Jansen

mine casts uncertainty shadow over potash prices

Potash and Phosphate Week in Review: InvestorIntel's Potash & Phosphate members fell 2.7% for the week ending on July 26. The result did not offer any special insight to indicate the course of the potash market. The mere fact that EPM Mining Ventures (TSXV: EPM | OTCQX: EPKMF) could fall 17.65% in Toronto while gaining 9.17% at the OTC in New York (the biggest gains of the week in fact) is an indication of the continued 'wait and watch' attitude of potash investors. The one stable potash junior has been Allana Potash (TSXV: AAA | OTCQX: ALLRF), whose price, except for an especially bright week about a month ago, started to rise above its annual average of about 50 cents a share to reach 0.56 cents a share in Toronto trading. The potash 'limbo' market will likely continue until BHP Billiton makes an its long awaited announcement over whether or not it will proceed with the Jansen potash mine in Saskatchewan, which would, if completed, become the world's largest potash mine.

The market has been ambivalent; in the eyes of many potash investors and industry insiders, there is no need for Jansen. The big potash players in North America and Russia such as Potash Corp and Uralkali and the cartels that represent them, CANPOTEX and BPC respectively, have been encouraging this view by keeping prices at the USD$ 400/ton mark in order to raise the entry barriers to new potash plays. BHP, however, will have to make a decision very soon and the arguments in favor of the board approving the project or stopping it are equally persuasive. BHP is the world's largest mining company and has huge resources yet its new CEO, Andrew Mackenzie, has been happy to embark on a program to chop USD$ 80 billion worth of projects to confront lower commodity prices, while building its oil exploration profile. However, BHP could be ready to report no less than USD$ 12 billion in profits soon even as it announces the end of its moratorium on approving more investment. In addition, BHP has already spent close to USD$ 2 billion on the Jansen mine and the Company does consider potash to be an important new pillar in its portfolio. Nevertheless, there are less favorable considerations.

Due to a perception of modest short term prospects in potash fertilizers, K+S, Europe's main potash producer with Canadian expansion plans of its own, has decided to put a hold on its prospective Saskatchewan expansion, while Mosaic Potash (a CANPOTEX member) announced it would cut its own growth ambitions. The prices for potash fertilizers have been under pressure for some time because major customers have held back orders and enforced discounts. Analysts and investors then fear that new plays and resulting overcapacity would lead to oversupply of potash fertilizers. Nobody questions the long term prospects of food demand: nobody doubts the need to feed growing populations but nobody has also made any valuable argument as to why PotashCorp, Mosaic or Uralkali should give up their very nice margins – even at current prices. Yet, BHP is under pressure. An ambitious gambler might suggest that the company will not go ahead; but a cautious gambler might look at both sides of the argument carefully, noting that it will be cheaper for the company to continue further development of the mine, while avoiding any final green light/red light move on Jansen.

BHP Jansen will therefore remain along the development path, wide enough to allow the company to start producing a fraction of its potential, which might then be better exploited as the world population grows in the next decade. Last month Goldman Sachs suggested as much, predicting that BHP would fund more pre-approval CAPEX until the shaft (to access the potash at depths of 1km) is ready, implying an additional investment of USD$ 500 million in pre-approval capital, pushing the deadline for final approval of the project to 2015-16, when the potash market might be much clearer.

InvestorIntel: Potash & Phosphate Sponsor	Ticker Symbol	Currency	Share price market close July 19, 2013*	Share price market close July 26, 2013*	% Change in share price July 19-26, 2013
Aguia Resources Limited	ASX: AGR	AUD	$0.0510	$0.0500	-1.96%
Allana Potash Corp.	TSX: AAA	CAD	$0.5400	$0.5600	3.70%
Allana Potash Corp.	OTCQX: ALLRF	USD	$0.5283	$0.5424	2.67%
EPM Mining Ventures Inc.	TSXV: EPK	CAD	$0.3400	$0.2800	-17.65%
EPM Mining Ventures Inc.	OTCQX: EPKMF	USD	$0.2835	$0.3095	9.17%
Galileo Resources PLC	AIM: GLR	GBP	£15.7500	£15.7500	0.00%
IC Potash Corp.	TSX: ICP	CAD	$0.4850	$0.4800	-1.03%
IC Potash Corp.	OTCQX: ICPTF	USD	$0.4700	$0.4590	-2.34%
Magna Resources	CNSX: MNA	CAD	$0.1700	$0.1400	-17.65%
Potash Minerals Limited	ASX: POK	AUD	$0.1600	$0.1600	0.00%
(*) Stock price were compiled from the following sources: TMX.com, OTCQX.com, BigCharts.com, Google Finance & YahooFinance.com. ProEdge Media Corp. assumes no liability for misprints.				**Average % change**	**-2.51%**