Agrium Results raise Outlook for Potash Demand

On Thursday, Agrium *(TSX: AGU; NYSE: AGU)* announced that it earned over USD$ 2 per share during the last three months of 2012, up from its previously expected range of between $1.50 to $1.90 prompting a 3% rise in trading, reaching CAD$ 113.90 exceeding a 52 week record of CAD$ 111.48…set a day before. Agrium attributed their better than expected results to strong demand in the fall in North America, buoyed by robust prices for seeds and grains.

ProEdgeWire has maintained a more optimistic outlook even while remaining within the realm of realistic expectations. This is because, drowned by all the noise over the Canpotex pricing negotiations, the fundamental drivers of demand have not changed and agricultural stocks are expected to perform very well in 2013. Given due consideration to start up costs, the established potash and phosphate giants will face competition from smaller competitors based in Australia, Canada and Africa. For those that succeed reaching production in the next two years, there are rewards in store. Potash prices are still strong enough to sustain long term growth expectations. Indeed, there are already reports that stockpiles of North American potash are low, leading to a favorable planting season.

Phosphate prices have also remained high, sustaining demand projections thanks to sustained demand in North America and other intense agricultural industry regions. There was also stronger demand in Brazil and Indonesia. News that Brazil's Vale has indefinitely suspended its massive potash project in Argentina, will only serve to increase demand for potash imports in a country that boasts one of the largest agricultural sectors in the world. Moreover, increased expectations that PotashCorp will ultimately be granted permission to buy Israel’s ICL Resources – which just signed an agreement to supply over three million tons to China – after the re-election of Benjamin Netanyahu in Israel should also generate some short to mid-term ebullience in the potash markets.

Potash, phosphate and other commodities have been affected by the ‘viruses of economic uncertainty that affects any business with global market implications. The uncertainty has become especially evident in the last months of 2012 due to continued recessionary pressure in the Eurozone and political games in the US Congress over ‘fiscal cliffs’ and ‘debt ceilings’. Nevertheless, the New Year, literally overnight, has brought with it a decidedly more optimistic spirit. A more careful reading of last year’s financial performance, meanwhile, even showed that the Greek stock market was one of Europe’s top performers and that stock prices went up overall in many OECD countries.

The general outlook on market performance in 2012 was reflected on potash; there were several gloomy reports of prices dropping, if not collapsing, due to prolonged price negotiations for contracts with India and China. The Chinese settled in the end – and quite literally ‘the end’ as it was announced on December 31, 2012 – as Sinofert Holdings, China’s fertilizer distributor, agreed to purchase a million tons from Canpotex which represents the big threeSaskatchewan potash producing companies: Agrium Inc., Mosaic Canada Crop Nutrition, LP, part of The Mosaic Company (NYSE: MOS), and Potash Corporation of Saskatchewan Inc. (TSX: POT; NYSE: POT). The price of the new contract agreement was admittedly lower than the previous year’s by USD$ 70; however, at USD$ 400/ton they still offer considerable incentive for investors and producers, especially the emerging junior producers. The markets had also been spoiled by the 2008 and 2009 record highs, reaching close to USD$ 900 a ton. Let us not forget that prior to the record highs, potash cost less than

USD$200/ton.