

# Russia's Uralkali Plans to Accelerate Expansion in Global Potash Market

✘ Russia's Uralkali, the world's second largest producer of potash fertilizers, is considering accelerating its foreign expansion in the coming years, through the signing of new supply contracts with its major global consumers. For example, a few days ago Uralkali signed an agreement on the supply of 1 million tonnes of potash fertilizers to China.

Under the terms of the agreement, signed between Uralkali and major Chinese importers Sinochem and CNAMPGC, and which became the result of six months negotiations, the Russian company will supply 700,000 tons of potash fertilizers and will have an option to supply an additional 300,000 tons.

The delivery price will be \$400 per tonne, which is almost 15% lower compared to the second quarter of 2012, when it was at the level of \$470. According to Oleg Petrov, Uralkali's head of sales and marketing department, these contracts «were signed at a lower price point.»

However the company hopes that the new agreements will stimulate the demand for potash in other regions of the world, and will contribute to the growth of the whole global potash market.

Until recently Uralkali has tried to keep the same price for potash than it was last year, despite the fact that due to the lack of new contracts with China and India, the world's largest consumers, the company was forced to sharply cut back on the utilization of capacities, reducing production in 2012 by 16%.

In addition, on December 31 Canpotex, the Canadian trader of

Potash Corp., Agrium and American Mosaic companies, announced a deal with China's Sinochem company for the supply of 1 million tonnes of potash in the first half of 2013 at the price of \$400 per ton. This forced Uralkali to reduce its prices in order to remain competitive in the global market.

At the same time in the near future Uralkali also expects to sign a contract for the supply of potash to the world's second largest consumer – India. The company hopes that the amount of its Indian contract will be higher than those of Chinese.

During the period from August 2011 to March 2012 it was at the level of \$490 per tonne. The company expects to sign a contract with India on February this year.

Analysts expect an increase of potash prices in the second half of current year, however believing that the pace of growth will depend on the volume of supplies to China in the first half of the year, as well as buying activity of farmers before the planting season.

At the same time, in addition to developing regions, Uralkali has not ruled out the possibility of starting more active expansion into the European market, also due to the current absence of anti-dumping measures against Russian potash producers, as it was in the past.

The anti-dumping measures on the supply of Russian potash fertilizers to the EU market operated since 1992, being reviewed for every five years. The decision to abolish fees was made due to the lack of local producers in the EU and low volumes of their production. Amid the growing demand, further existence of restrictions could lead to the problems within the EU, the potash market of which could face with a shortage. Russian analysts believe that Uralkali has big chances to successfully implement its expansion into the global market, also due to active increase of production capacities, initiated by the company in recent months.

As part of these plans, it has recently adopted an investment program worth more than \$60 billion, which implementation should increase its production capacities by 80% – up to 19 million tons in 2021.

Of these sum, \$1,7 billion will be invested in the expansion of Berezniki-4 and Solikamsk-3 mine groups, with another \$4 billion in the development of such large Russian potash fields as Ust-Yaivinsky and Polovodovsky.