IC Potash’s Ochoa Project de-risked and ready to move to production phase

IC Potash Corp. (“ICP’, TSX: ICP | OTCQX: ICPTF) aims to become the leading producer of potassium sulfate – SOP – (K2SO4) through its 100% owned Ochoa Project, located in southeastern New Mexico wants the. ICP has a federal permit with the State of New Mexico for potash exploration underground for the nearly 40,500-acre property. ICP is well positioned to lead a market of about 5.5 million tons per year – and rising – as one of top, and one of the lowest cost, SOP manufacturers in the world. Potassium sulfate is a chloride-free fertilizer, which is trading at a significant premium over the more common muriate of potash or MOP (potassium chloride). SOP is priced at a premium and better suited than MOP in the cultivation of fruit and vegetables, tobacco and potatoes, horticulture and it can also be used to treat sandy and dry soils, delivering higher crop yields, which have improved flavor and longer shelf life. ICP is also the only new SOP potash being developed in the world now and is marked by the lowest capital and operational costs (OPEX) as well. The projected OPEX rate per ton of production at Ochoa will be about is USD$ 150/ton, which is about 65% -70% less than the industry average of USD$ 500-550/ton. ICP’s SOP will be the world’s cheapest to produce.

ICP announced that Dr. Ross Bhappu has joined its board of directors and that it has been granted federal Preference Right Leases that complete the permitting for the 50-year Ochoa mine plan. Dr. Bhappu brings many years of experience in various roles, including director of business development at Newmont Mining (one of the largest mining companies in the world); he is a specialist in mineral economics. Perhaps, Dr. Bhappu is most famous for having led one of the biggest private equity deals in mining history. As a partner at Resource Capital, in September 2008, Dr. Bhappu headed the takeover team that included Goldman Sachs and others that bought Molycorp from Chevron. Meanwhile, just days earlier, ICP received confirmation from the US federal Bureau of Land Management, commonly known as the 'BLM', that it has been granted; potassium Preference Right Leases (PRL) covering approximately 14,774 acres, adding to those already granted by the State of New Mexico's Land Office as part of the 50-year Ochoa mine plan that was approved by the BLM last April. Therefore, ICP can proceed with the engineering and construction of the Ochoa mine and processing facilities as described in Feasibility Study.

The PRL concession means that the BLM has reviewed any risks of ICP having a significant impact on the environment. The process is extensive and includes consultation with various agencies, at all government levels, and, more importantly, with the public itself. In the specific ICP case, the BLM has worked on the PRL process for over two years, taking into consideration the proposed mine's impact on water, air, cultural and other resources. In a sense, the BLM has already analyzed and approved the project for potential investors, reducing the environmental, social and legal risks they would otherwise have incurred. The thorough BLM approval process has actually gone a long way toward de-risking the Ochoa Project in general. ICP has a very close financial partner, Mitsubishi UFJ Financial Group ("MUFG"), which has a wide range of project finance experience, useful in helping ICP "expand relationships with strategic investors, international banks, export credit agencies and project equity, and also as we look to involve additional strategic and financial investors and off-takers of Sulphate of Potash." From now until the start of production (early in 2017) ICP will rely on the contributions and wide-reaching networks it can access through Dr. Bhappu and MUFG in order to secure the necessary funding to build the mine while setting up the related engineering procurement and tenders.

There are also final environmental permits to be granted but ICP should have few obstacles and the BLM’s PRL concessions represent one of the important steps in this direction. The Feasibility Study predicts an economically viable mining operation and processing plant, capable of producing 714,400 tons of SOP per year over a period of at least 50 years.Some of the other promising highlights from the Feasibility Study include: a three year period for construction and commissioning beginning in Q2 2014 and continuing through Q2 2017. SOP production will commence in 2017 (at first 48% of annual capacity and then full capacity expected in 2018). Room-and-pillar mining and dual split super section mining methods will be used to extract ore at a rate of 3.7 million tons/year.Capital costs are expected to be in the range of USD$ 1.018 billion. The FS Importantly notes that the Ochoa project has identified potential of 1.017 billion tons of SOP at an average grade of 83.9% (polyhalite content). The price for SOP, which was incorporated in the financial model was USD$ 636 per ton. This is below the current average price for granular SOP of USD$ 680/ton for California delivery in the fourth quarter of 2013. For the fourth quarter of 2013, ICP has estimated that SOP prices may increase to well above USD 700/ton the price of soluble SOP was reported to ICP estimates at 740 USD per ton at Florida Delivery.

ICP has already secured (in 2012) an offtake agreement with Yara International, one of the world’s largest distributors of mineral fertilizers, which greatly facilitates the financing process. ICP’s main target markets are California, Northern Europe and parts of North Africa, where soil salinity makes SOP especially effective. SOP does not contain chlorides and it typically fetches higher prices than the more common Muriate of potash (MOP); SOP is more easily adaptable to various soils, even those presenting high salinity levels (as in North Africa), and is suitable for a variety of crops such as fruits, tobacco, potatoes and vegetables. In contrast, the more common MOP variety of potash does not tolerate high soil salinity, which reduces its range of applications. SOP is ideal for the European and South Western Asian markets, which are low in magnesium, and where Yara enjoys considerable distribution access.

Chocolate lovers should stock up as Ebola threat sparks speculation in cocoa futures

Ebola and chocolate don’t have much in common; however, the price of the latter has become inextricably linked to the spread of the former. Chocoholics don’t have to visit West Africa to be affected by the Ebola virus; chocolate is at risk because the price of cocoa is skyrocketing. Fear of the Ebola virus spreading to the Ivory Coast, the world’s largest producer of cocoa, and to its neighbor Ghana, one of the fastest growing cocoa producers. Neither country have yet recorded any cases. Ivory Coast has long shut its borders with neighboring Liberia and Guinea, which supply many of the seasonal workers who would now have been arriving on the cocoa plantations to supply the labor for the harvest. The Ivory Coast produces an average of about 1.6 million tons of cocoa a year, 33% of the world’s total and the shortage of laborers combined with market speculation over the Ebola epidemic will send prices of chocolate products skyrocketing ahead of the Christmas season, when demand for the delicious bean is highest. Prices – and quality chocolate consumers – have already felt the shock on prices (cocoa futures have surged), while major international companies in the sector are organizing to raise funds to donate in aid to combat and prevent the virus.

The World Cocoa Foundation (WCF) has asked its 15 members, including Nestlé and Mars, to donate while Barry Callebaut, one of the largest international companies operating in Ivory Coast’s cocoa sector, have already adopted on the spot preventative measures for all employees. The Ivorian government has ordered the closure of borders with its neighbors since last August and September the cost of cocoa futures have surged from an average of between USD$ 2,000-2,700/ton to between USD$ 3,100 – 3,400/ton thanks to unfettered speculation in global markets. As is the case for so many commodities from oil to iron ore and agricultural basics, there are inevitable consequences for consumers. Financial speculators have already laid their hands on cocoa, whose crops in the Ivory Coast and Ghana have been threatened, but not yet touched by the Ebola epidemic. West Africa, hard hit by the Ebola virus, is an area dominated by agriculture. Agriculture is the leading productive sector and the major source of income for most of the population in the three countries where the virus has left its biggest mark while neighboring countries suffer the consequences. Their main products are palm oil, cereals, rice and cocoa are the main products, most of which are for export. Increased use of mineral fertilizers such as potash have contributed to the increased and more efficient cocoa bean production. Yara International has sponsored various initiatives in Ghana to train farmers on such ‘best practices’ as correct fertilizer application techniques to improve cocoa yields.

The epidemic threatens to generate some USD$ 33 billion dollars in losses in West Africa alone. The agriculture sector is the most affected by the spread of Ebola. Panicking farmers have abandoned the countryside leaving their plantations behind, especially cocoa plantations that are the most profitable for the area. In recent weeks, in fact, the cocoa bean has been the target of a kind of ‘splash and dash’ financial speculation on the international market. In late September, cocoa price levels were starting to match the record highs set in 2011 levels only to collapse dramatically in the first week of October. Cocoa bean futures touched record values at the London stock exchange (GBP 2,187 pounds/ton and USD$ 3,399/ton on Wall Street. Values not seen since 2011, on the eve of the civil war in Ivory Coast. The enthusiasm, however, lasted for the space of a few days. The value has dropped to GBP 1,990 pounds in London and USD$ 3,079 in New York.

This sort of swing reflects the kind of speculation borne in fear and crisis even though the numbers one and two in global cocoa production – Ivory Coast and Ghana – have not been touched by the contagion and have put in place preventive health measures to reduce the risk of infection, while speculators have been ‘banking’ on the high probability of the epidemic spreading from Guinea, Sierra Leone and Liberia. The main problem is that in October, the traditional month of the cocoa bean harvest, seasonal workers from Liberia and Sierra Leone cross the border with the Ivory Coast to find work in the plantations. Thousands of people who could act as a vehicle for the virus enter the Ivory Coast. The consequences would start at a quarantining of the country, closing of borders and an export ban. The risks, however, may still be overblown and several organizations consider the export bans as representing unjustified alarmism and peaks of a speculative game designed to trigger panic in the market, in order to reduce the price and check the conditions more favorable. The risk, many say, certainly exists, but it is quite low. The Ivory Coast has long since closed the border to Sierra Leone and Liberia and deployed a health cordon sanitaire. Moreover, the authorities have invested a lot of energy on prevention.

Measures that seem to work judging by the fact that since

March, the month in which the Ebola virus reappeared in Guinea, there has yet to be even a suspect in the Ivory Coast. However, the cocoa plantations are located in an area of the country in which it would be difficult to monitor the comings and goings of people, and this is the part that worries investors. The World Cocoa Foundation still believes that 2014 could still be a very bullish year for cocoa as the Ivory Coast has yet to revive forecasts that it will produce close to the 1.74 million tons collected harvested in 2011 after the civil war. But, should the Ebola virus cross the border and also affect the Ivorian population the consequences would be devastating and incalculable.

Rumored merger between Yara International and CF Industries could shake up potash market

Norwegian fertilizer producer Yara International announced, this week, that it has entered talks with US-based CF Industries (an ammonia and nitrogen production giant) for a possible merger. Should the two companies reach a deal, it would be a merger of equals, giving birth to an industrial giant with a market value exceeding USD$ 27 billion.

The talks are at a very early stage and their outcome is still uncertain but the Oslo Stock Exchange reacted favorably to the possible merger as Yara’s shares (Oslo: YAR) rose by almost 9% on Tuesday. The compatibility between CF and Yara is not immediately apparent; however, the two giants have complementary markets. Yara is a truly global company with interests from nitrogen (world's no.1 producer) to potash and phosphate based fertilizers. CF (NYSE: CF) is the world's no.2 ammonia producer and also has phosphate interests but it is largely focused on the North American market. The two merger candidates are very familiar with each other quite apart from their ranking as the largest and second largest nitrate fertilizer producers. In 2010 they fought a bidding war over US-based Terra Industries. That war ended with Yara throwing the towel as CF purchased and fully absorbed Terra for over USD$ 4.1 billion. CF Industries also has access to cheap natural gas, which is very important in the production of nitrogen fertilizers.

It may be too early to speculate about 'synergies between the two giants, other than their complementary market geography; nevertheless, there is no doubt the resulting fertilizer giant would have unprecedented distribution and product portfolio. Such will be its power that the combined Company could face regulatory scrutiny in many markets. Certainly, Yara's rationale is to gain a stronger foothold in the North American fertilizer markets. For its part, CF Industries, headquartered in Chicago, has a market value of $ 12.7 billion and has its main production focus in the US Midwest, Canada, UK and Trinidad & Tobago. A CF/Yara merger would result in a Company with the market and production power to challenge Potash Corp of Saskatchewan, whose value is estimated at USD$ 28.9 billion. The merger, therefore, would cause a major shakeup of the fertilizer industry.

Yara, which is some 30% Norwegian government owned, would get production areas in the United States, where operating costs are low. CF Industries would, in turn, get access to Yara's presence in over 150 countries. The risk for PotashCorp and its partners in the CANPOTEX pricing mechanism (Mosaic, Agrium, PotashCorp) is that the new giant would cause a major disruption with its production power. More competition could lower prices in the medium to long term, and lead to layoffs while farmers would enjoy inevitably lower fertilizer prices. In some ways, the union of Yara and PotashCorp would achieve something akin to the combined company that would have risen from BHP Billiton's hostile takeover bid for PotashCorp in 2010 (blocked by the Canadian government).

The timing of the Yara/CF merger talks (said to be in their early stage) come as nitrogen fertilizer prices have stabilized at yearly high levels. Despite the downward trend in grain markets, basic nitrogen-specific markets remain bullish. Thus, the supply of ammonia remains complicated for fertilizer producers, which points to higher production costs. Many urea production facilities have closed, which has kept the international price high. In this context, the ammonium nitrate producers will benefit at the expense of the more potash concentrated producers. Global potash prices, while stabilized compared to last year, have tended to stagnate in the context whereby the evolution of the former Uralkali and Belaruskali cartel remains under discussion. As for phosphate, while international prices and markets are relatively stable, they are subject to the weakness of the euro against the rising US Dollar, increasing the import price, potentially lowering demand.

IC Potash's SOP (sulphate of potash) to be the world's cheapest to produce

IC Potash ('ICP', TSX: ICP | OTCQX: ICPTF) has filed its NI 43-101 Feasibility Study (FS) for the Ochoa Sulfate of

Potash (SOP) Project in New Mexico and presented the recommendations during a press conference on March 12. The presentation left a very optimistic outlook from two perspectives: IC Potash's project outlook and the overall potash market situation, especially insofar as Sulfate of Potash (SOP or K_2O) is concerned. ICP intends to produce high quality SOP while greatly reducing production costs.

The 'name of the game' for IC Potash from now until the start of delivery (expected to start in early in 2017) will be to secure the necessary funding to build the mine while setting up the related engineering procurement and tenders. ICP will also have to secure the final environmental permits. Sydney Himmel, ICP's President and CEO, spoke confidently and suggested that there are no obstacles in the way. He suggested that the company has been in contact with multinational banks from Europe to Asia to secure the necessary funds.

ICP has already secured (in 2012) an offtake agreement with Yara International, one of the world's largest distributors of mineral fertilizers, which greatly facilitates the financing process. Yara has access to many international markets and distributors. Under the agreement, Yara will buy 30% of all ICP products produced at its Ochoa project in New Mexico for a 15 years long period. Yara noting that it has the financial resources and expertise in international fertilizer markets to contribute towards bringing the Ochoa project into production. Essentially, the Feasibility Study predicts an economically viable mining operation and processing plant, capable of producing 714,400 tons of SOP per year over a period of at least 50 years.

During the press conference Sidney Himmel commented that ICP will be "one of the world's leading companies for SOP. We intend to immediately initiate the next phase of engineering work and project financing". Some of the promising highlights from the Feasibility Study include: a three year period for construction and commissioning beginning in Q2 2014 and continuing through Q2 2017, leading to 50 years of operation. SOP production will commence in 2017 (at first 48% of annual capacity and then full capacity expected in 2018). Room-and-pillar mining and dual split super section mining methods will be used to extract ore at a rate of 3.7 million tons/year.

The average SOP recovery is estimated to be 82%. Capital costs are expected to be in the range of USD$ 1.018 billion. The FS Importantly notes that the Ochoa project has indentified potential of 1.017 billion tons of SOP at an average grade of 83.9% (polyhalite content). The price for SOP, which was incorporated in the financial model was USD$ 636 per ton. This is below the current average price for granular SOP of USD$ 680/ton for California delivery in the fourth quarter of 2013. For the fourth quarter of 2013, ICP has estimated that SOP prices may increase to well above USD 700/ton the price of soluble SOP was reported to ICP estimates at 740 USD per ton at Florida Delivery.

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Apart from ICP’s strong position, the potash market itself is in better shape now than it was last year. At the end of 2013, J. P. Morgan issued a report suggesting that the oversupply in the potash market is less pronounced than it appears when considering potash deliveries in relation to operational capacity, which the analysts calculated at 72 %. J. P. Morgan also pointed out that the sales volume was probably was less than predicted 2013 as a result of high price volatility after the largest potash producer in the world Uralkali abandoned the BPC joint venture with Belarus. In 2014, JP Morgan has estimated utilization of 89%.

The higher that percentage, the better it is for the potash market; indeed, the potash industry is in a phase of demand recovery while 2014 is being characterized by a favorable price momentum. As for the Belarus-Russia potash dispute, Belarus wants to resume the formula of high price over volume – that formula that existed before the BPC breakup and also favored by CANPOTEX. J. P. Morgan believes that this change in strategy by Uralkali would trigger an increase in value at PotashCorp, Mosaic and Agrium among other majors. It so happens that SOP costs anywhere from 30% – 60% more than Muriate of Potash (MOP the kind of sulfate produced by PotashCorp or Uralkali). ICP is also the only new SOP potash being developed in the world now and is marked by the lowest capital and operational costs (OPEX) as well. The projected OPEX rate per ton of production at Ochoa will be about is USD$ 150/ton, which is about 65% -70% less than the industry average of USD$ 500-550/ton. ICP's SOP will be the world's cheapest to produce.