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# Life after BPC: What happens now?

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Tampa, November 2013

Photo credit: Uralkali

# Agenda

- 
- **Uralkali quits BPC: Causes & consequences**
  - **Potash in North America**
  - **What next? The outlook for supply & demand**



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*“The end of the potash world as we know it”*

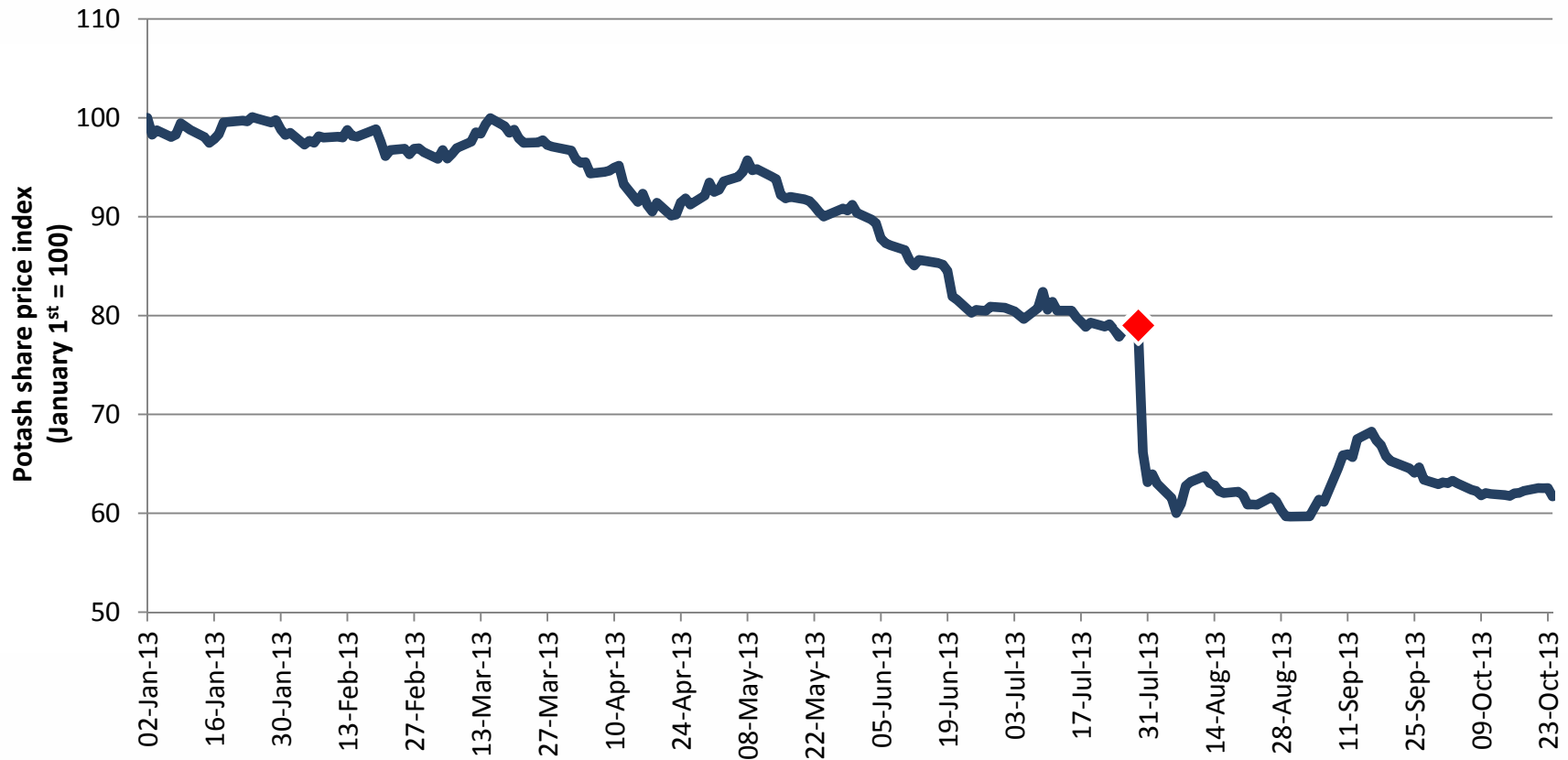
*-- Joel Jackson, Equity Research Director at BMO Capital Markets*

# Uralkali Quits BPC

*“We have seen people...in the fertilizer world do some pretty silly things, but this is probably the single dumbest thing that I’ve ever seen”* – Bill Doyle, CEO of PotashCorp

Quotes: Bloomberg, BMO Capital Markets

# Billions wiped of potash stocks overnight



**\$14 billion knocked off POT, MOS, AGU**

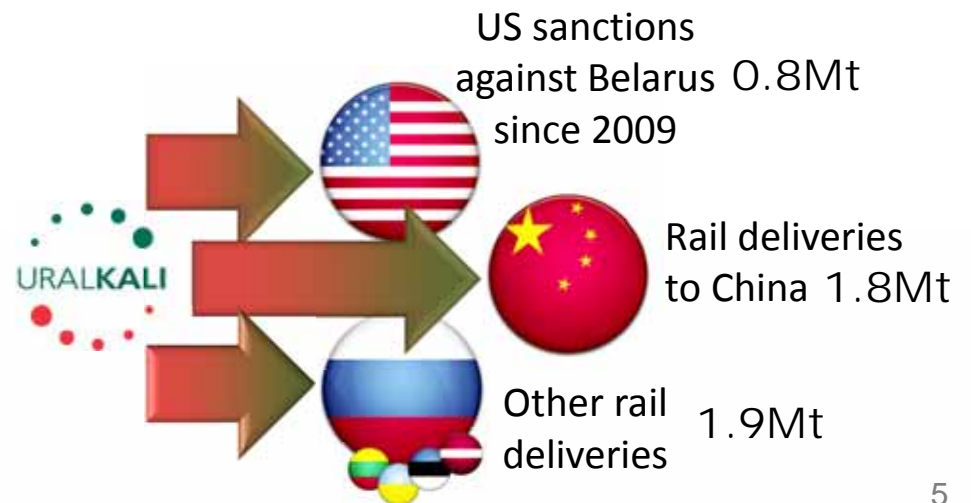
# Why has Uralkali left BPC?



- Disagreement over volume shares and sales strategy
- Lukashenko overturned exclusivity agreement with BPC in Dec 2012
- Allegations from both sides that the other had been seeking to bypass BPC

Only half of Uralkali's sales are handled by BPC...

...Belaruskali asserts in fact only 15-20% has been going through BPC



# What are Uralkali's objectives?

CRU



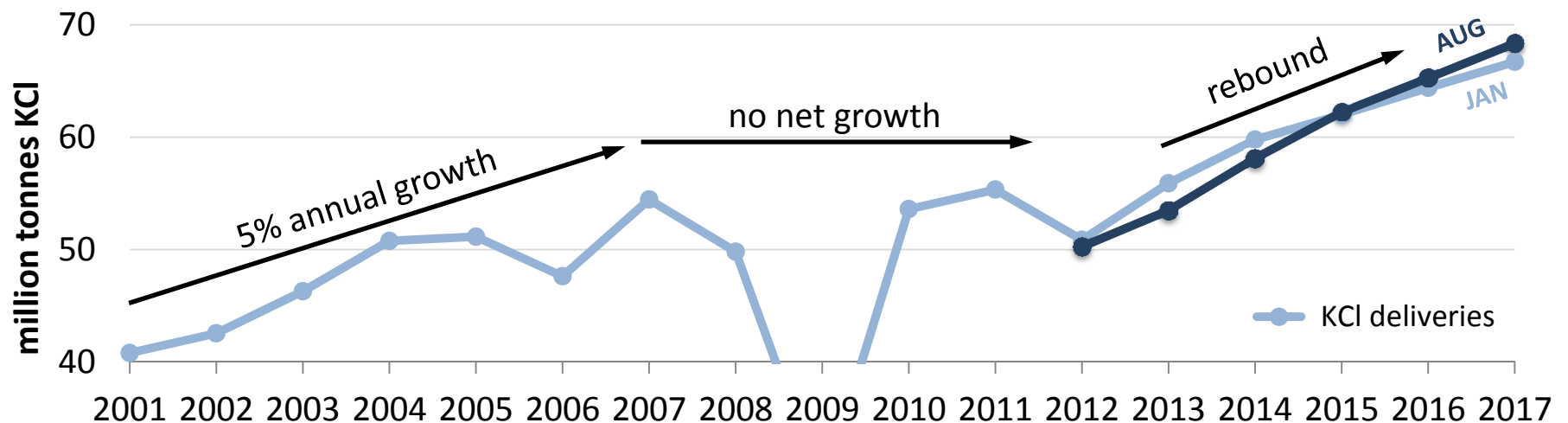
Arrest of CEO not part of the plan...

...little support from Putin and Kerimov's future now in doubt.

# How has CRU revised its forecasts?



## The market pressures that drove Uralkali to act were already evident



### Demand

- Ⓚ Uncertainty has paralyzed the market
- Ⓚ 2013 volumes negatively affected, await rebound from 2014  
...but need **price stability** to get even buying and achieve expected recovery

### Supply

- Ⓚ Most projects remain committed...still assessing the outlook
- Ⓚ Combination of delays/cancellations with improved demand should aid market balance



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**+5.7 million tonnes**

-- Increase in Canadian capacity, 2004-2012

# Potash in North America

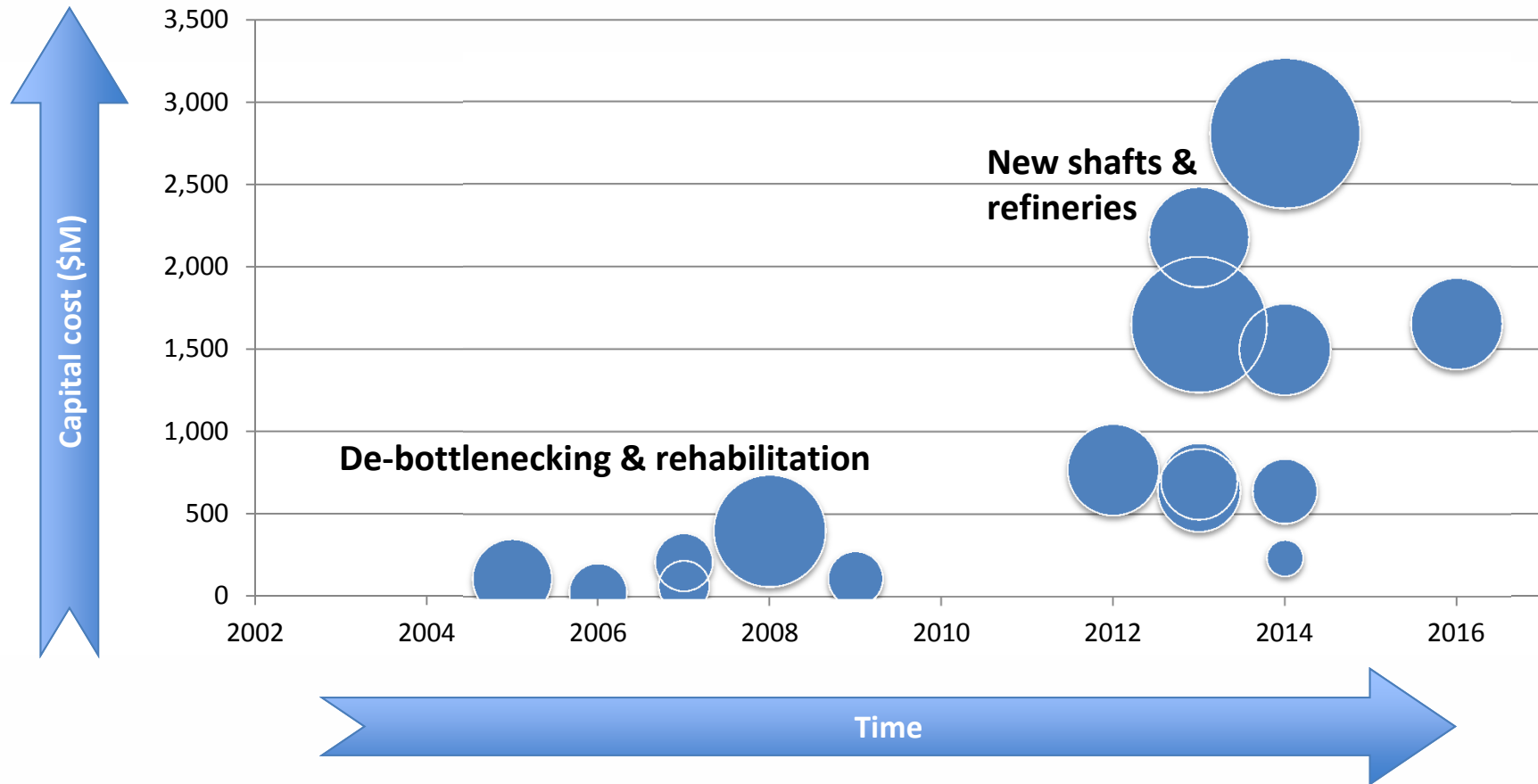
**-1.4 million tonnes**

-- Decline in Canadian production, 2004-2012

Data: CRU, IFA, company reports

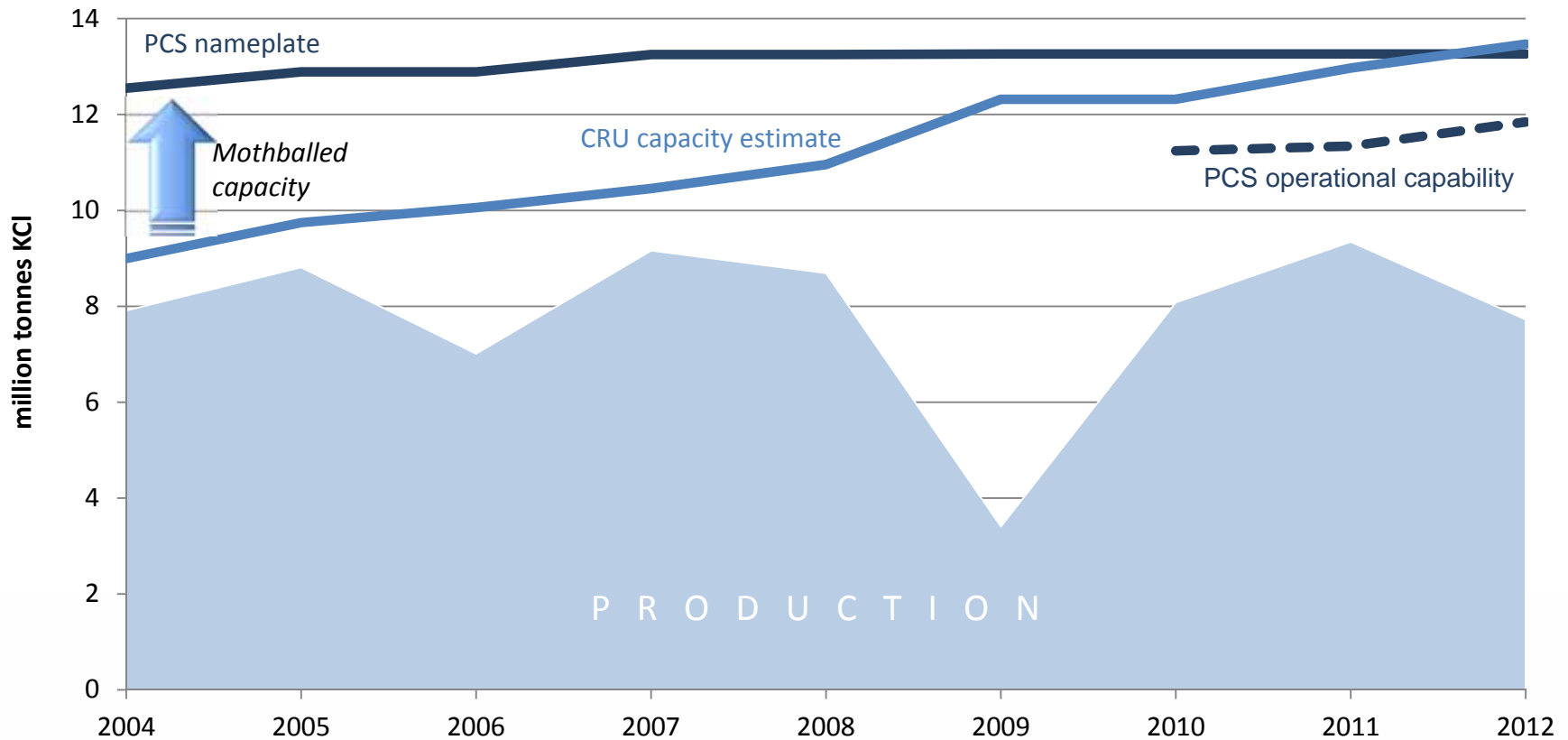


# Capacity additions in North America

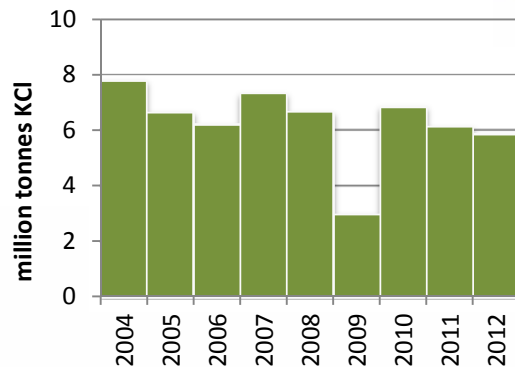
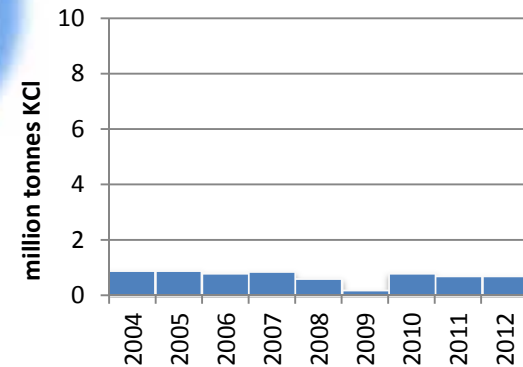
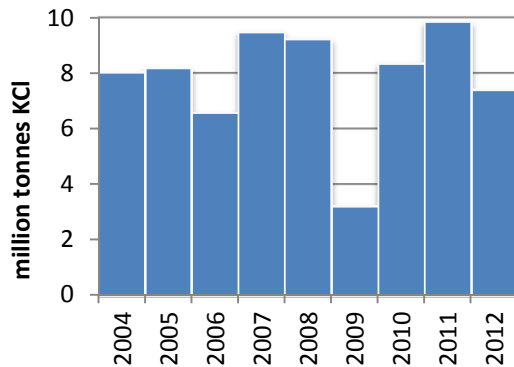


...have got bigger in scale and higher cost per tonne

# PotashCorp has been re-instating capacity

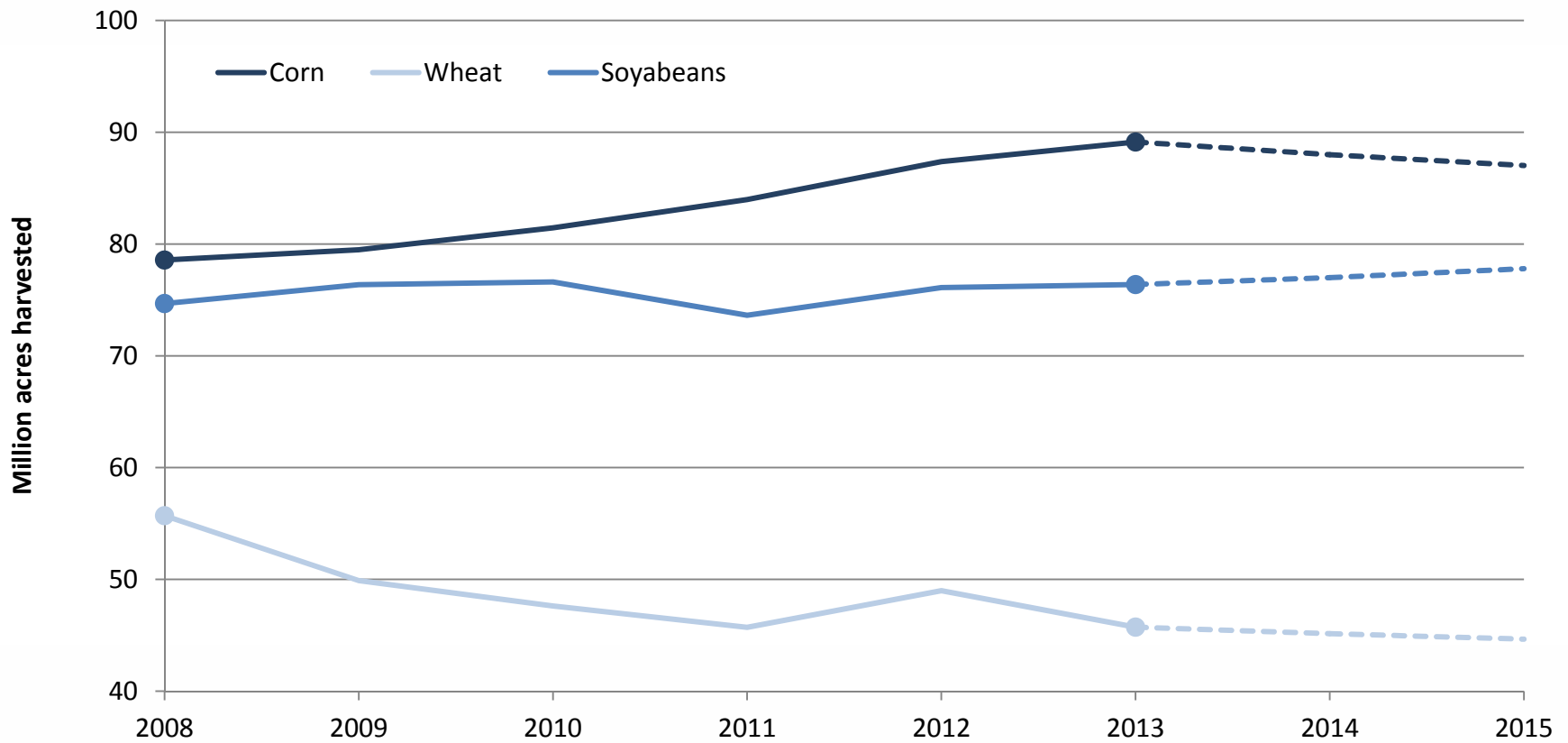


# Export volumes



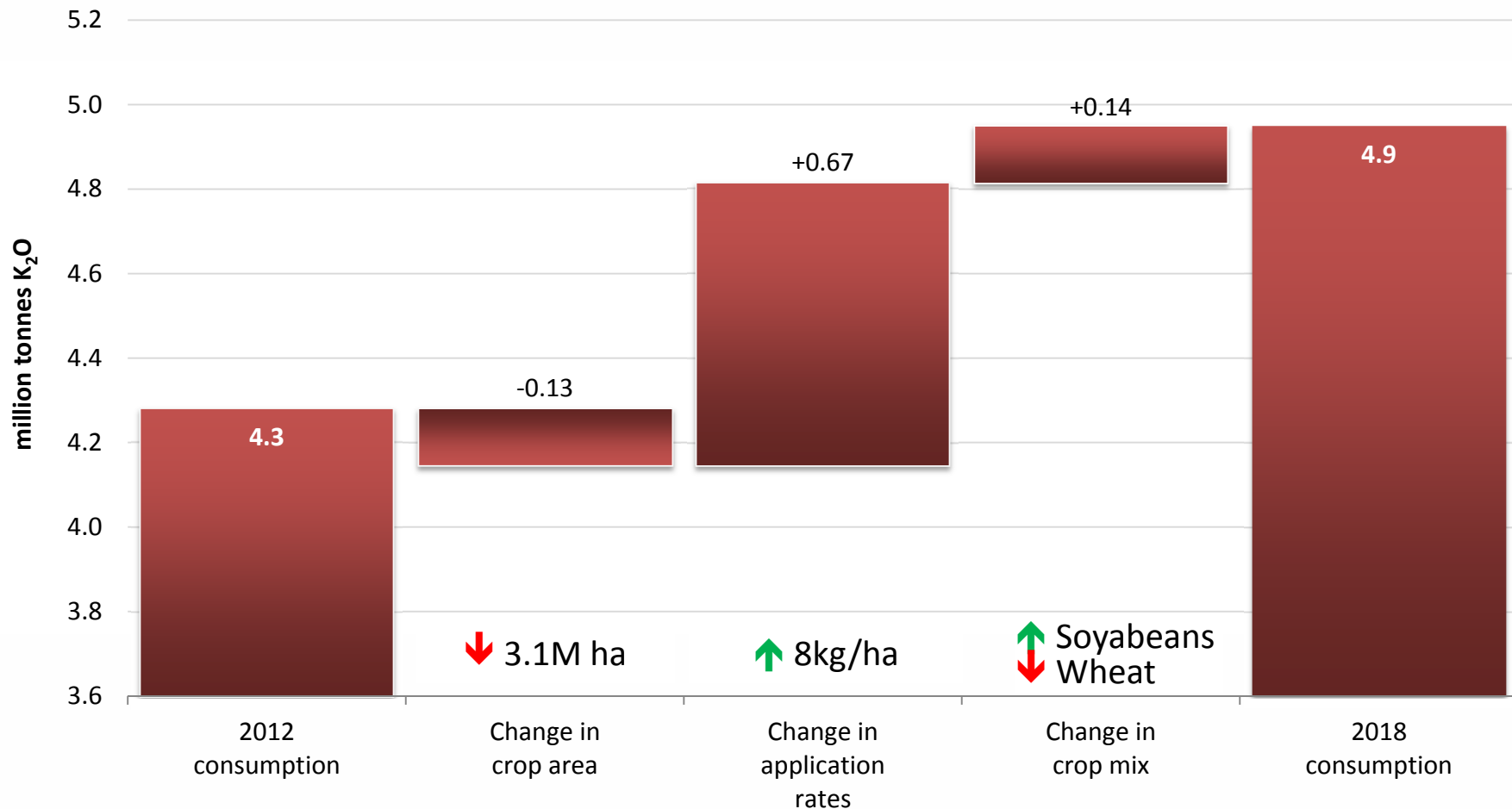
**US market is mature, but offshore markets haven't provided demand growth either**

# US Crop Acreage



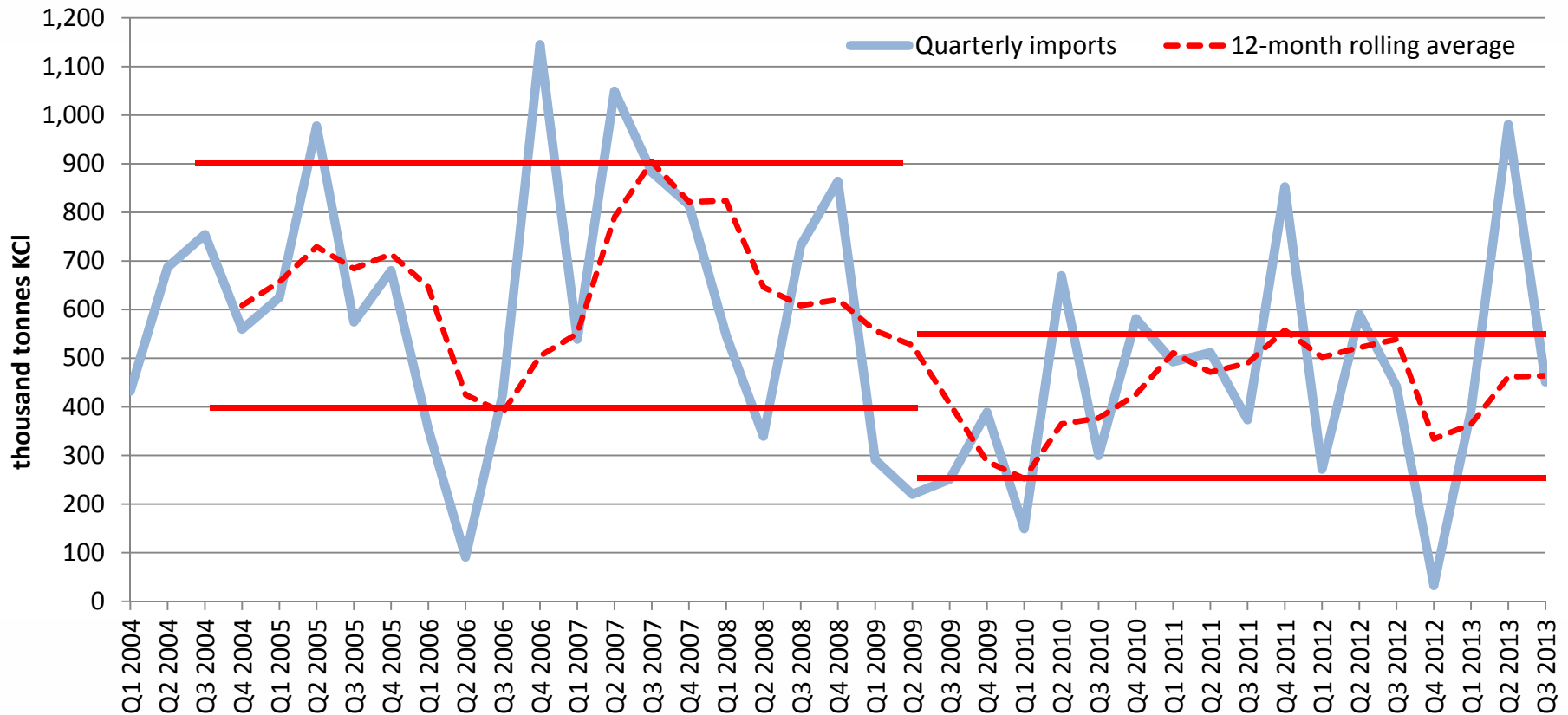
**Corn peak in 2013, then some swing to beans**

# Components of US demand growth



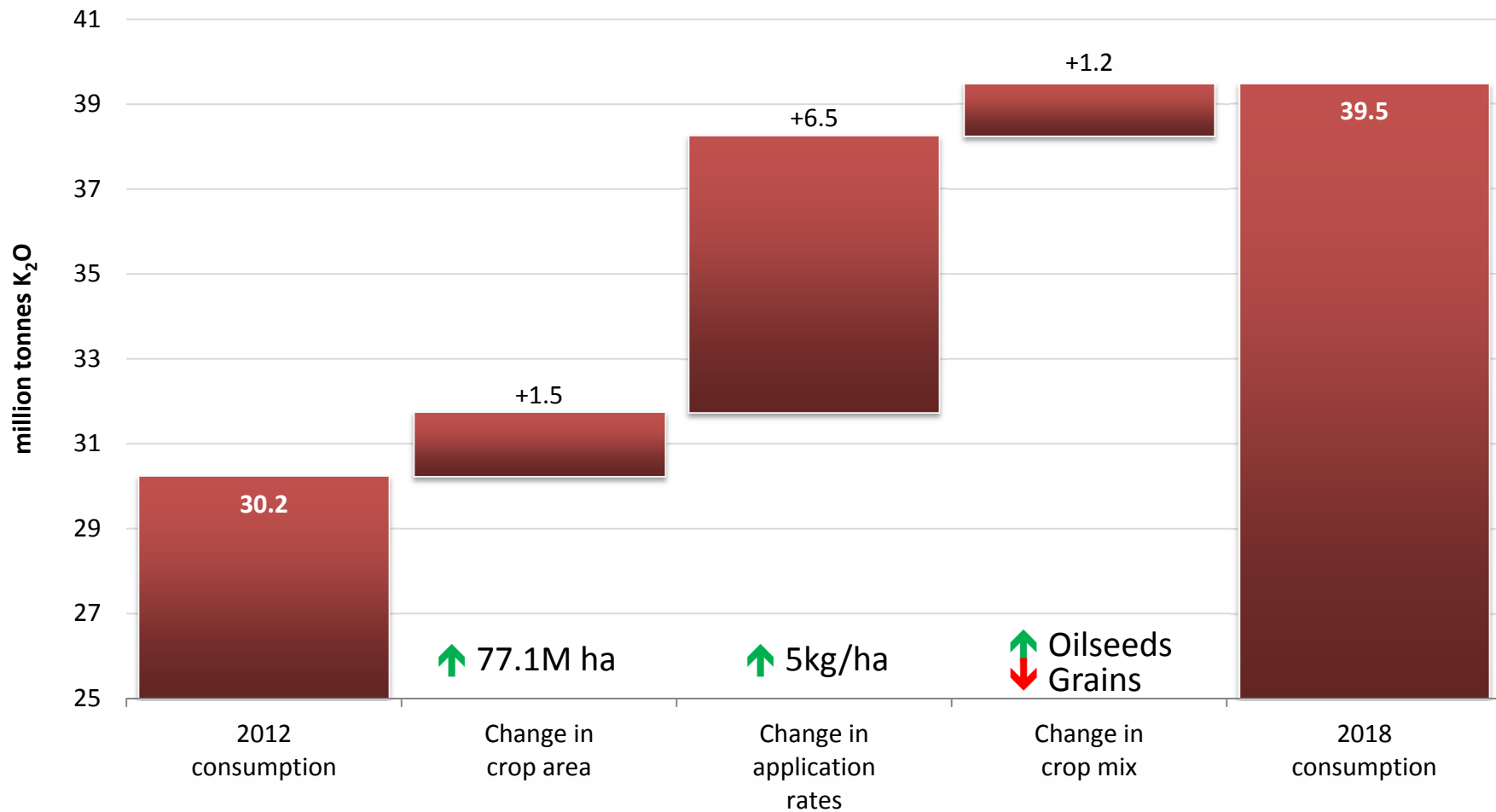
**Application rates to recover from low in 2012**

# Shipments to China & India



**Since 2009, Canadian shipments to China & India have declined**

# Components of global demand growth



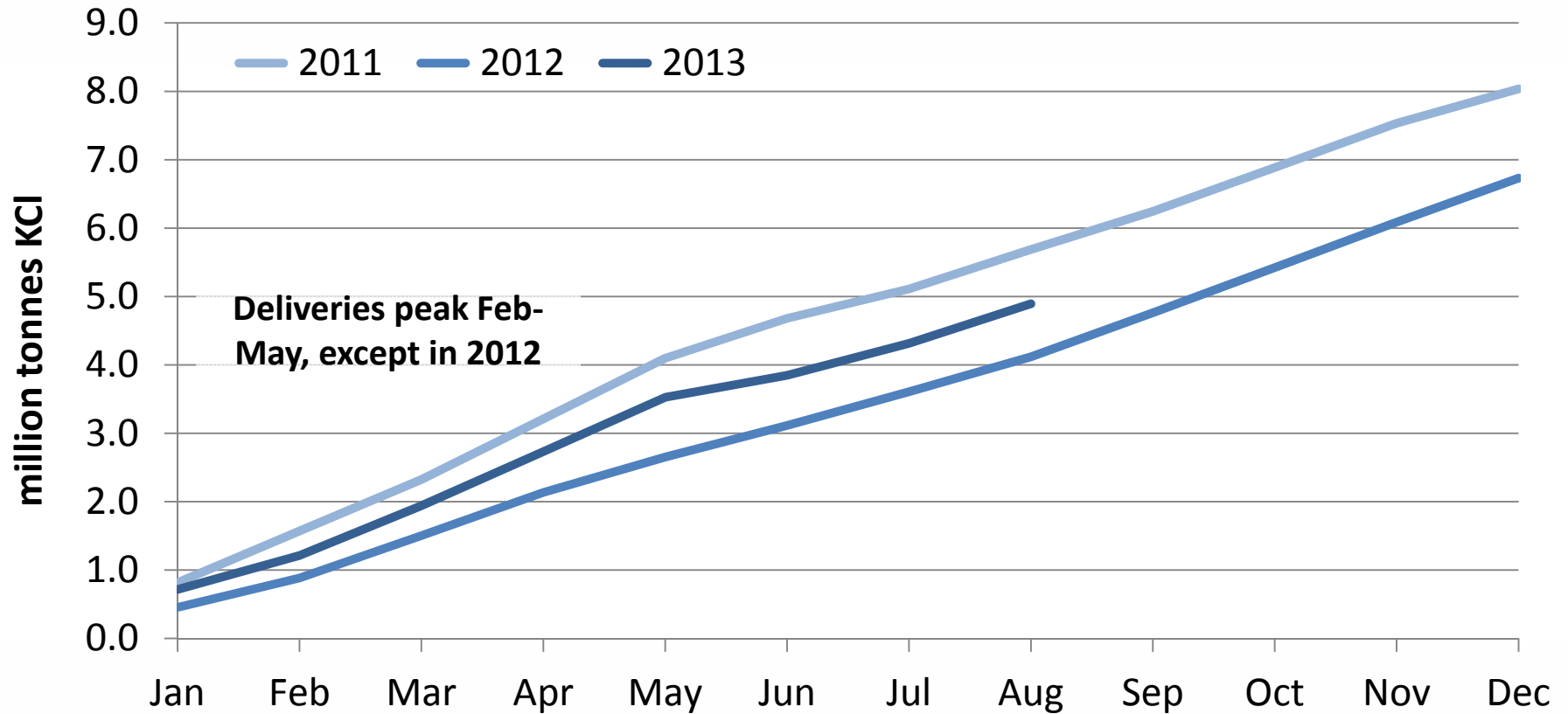


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What next?

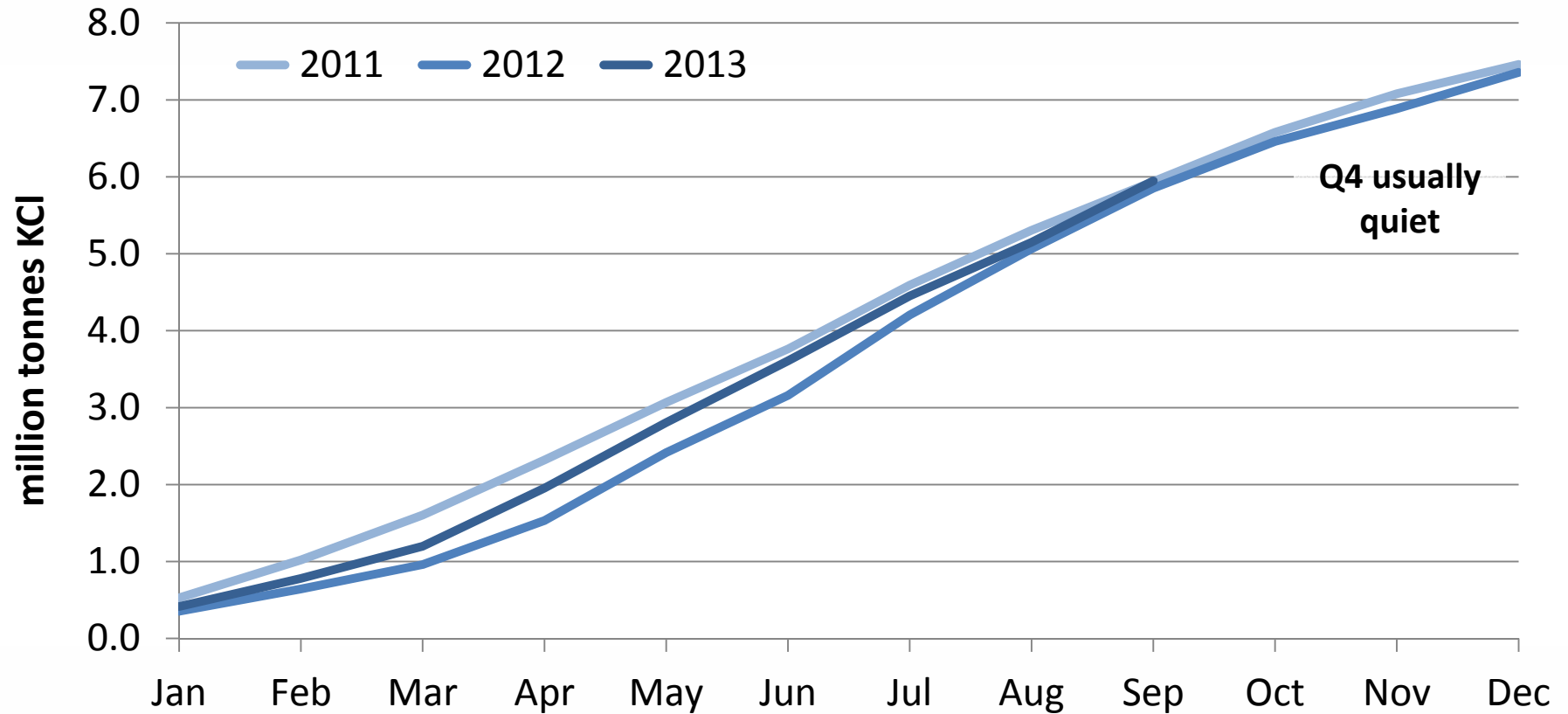


# Imports into...USA



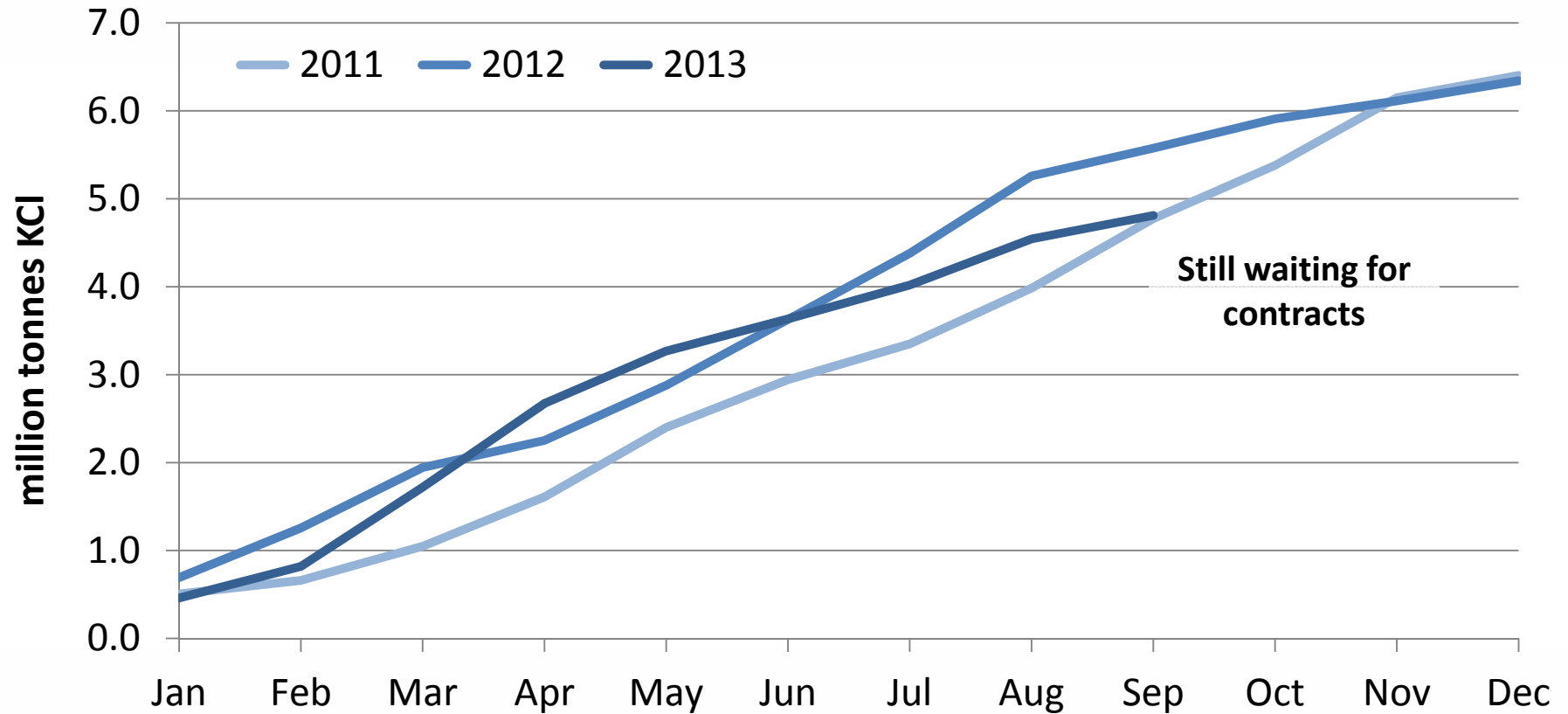
**Fall application underway...2013 better than 2012 but still short of 2011**

# Imports into...Brazil



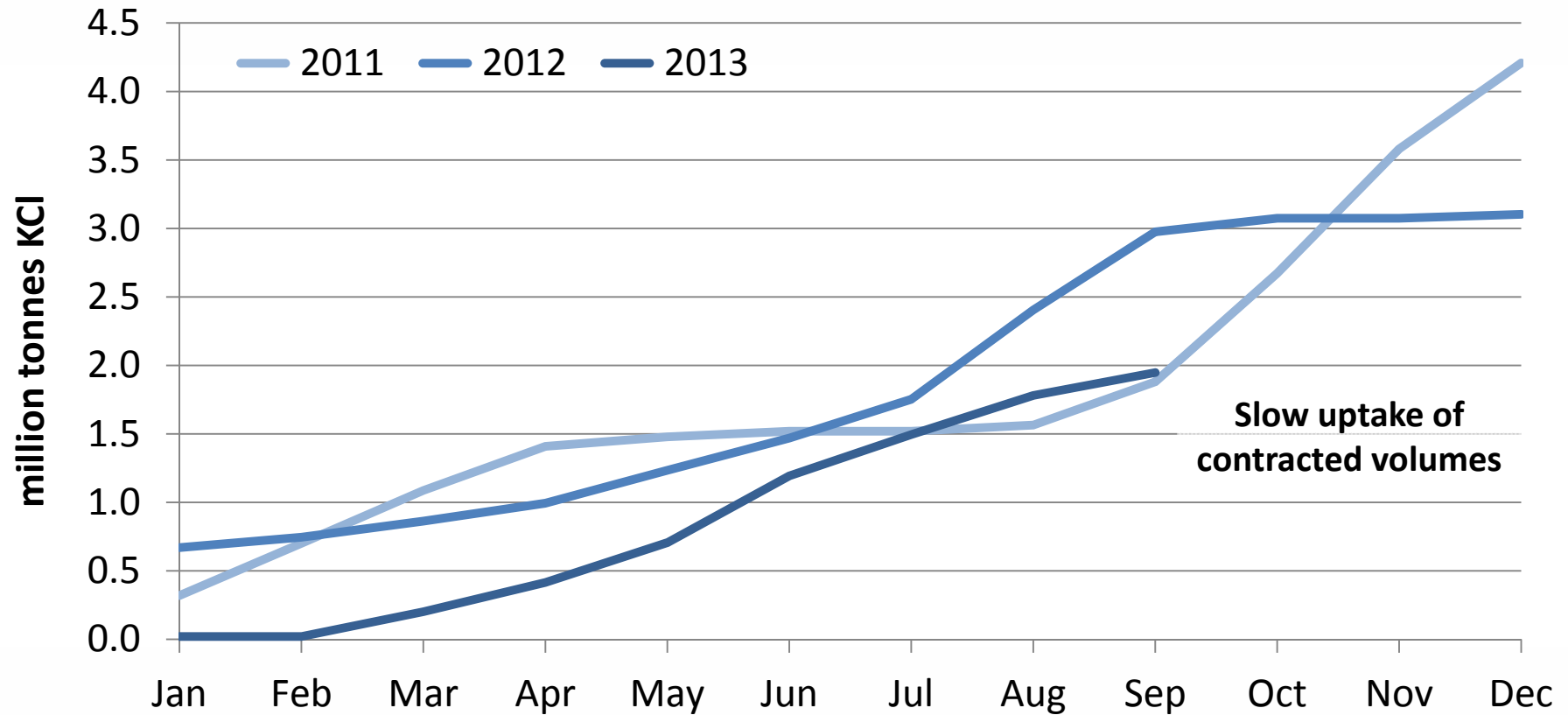
**Despite some price resistance, Brazil has been the most consistent major market**

# Imports into...China



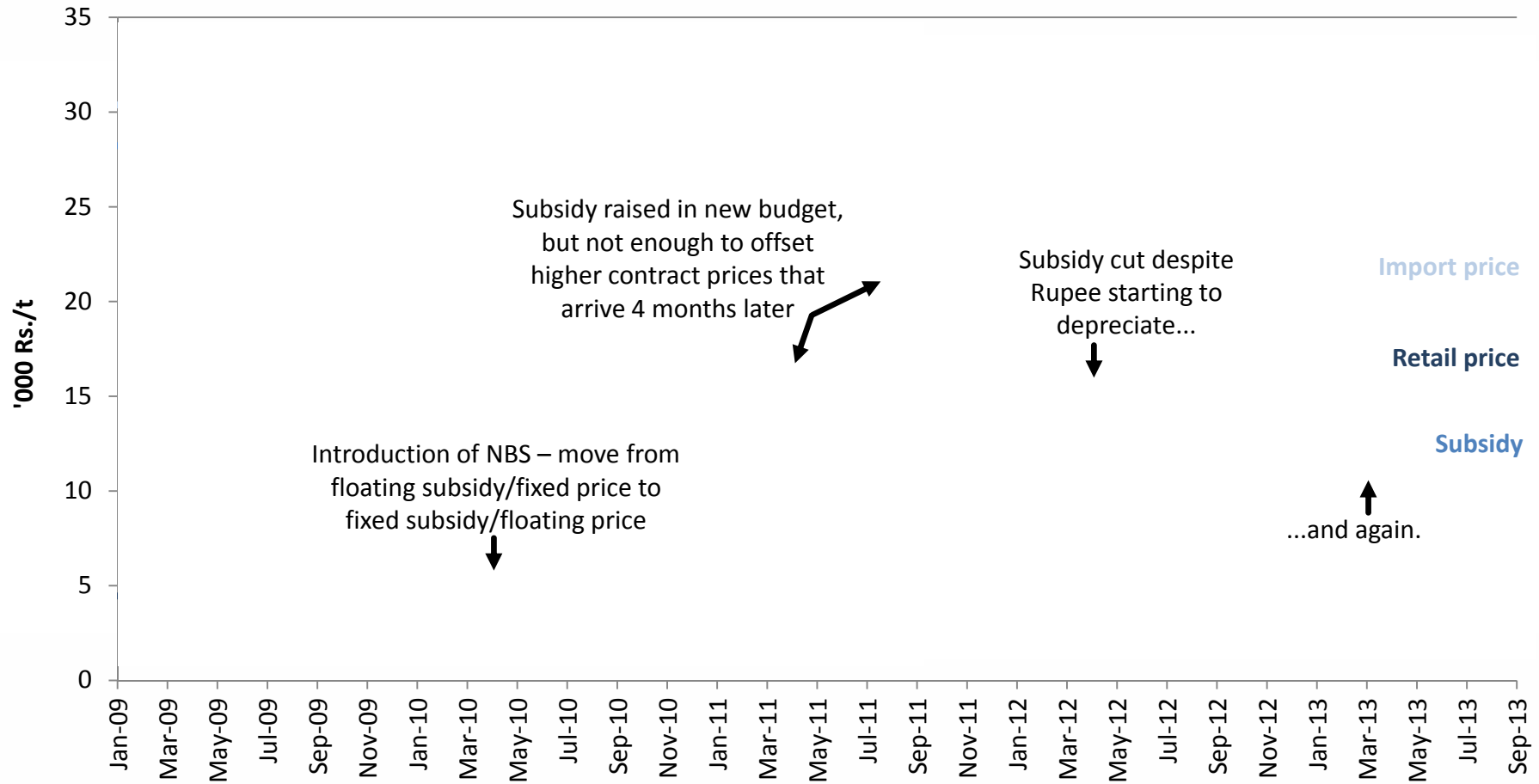
**Irregular buying patterns – large storage capacity  
plus domestic production**

# Imports into...India

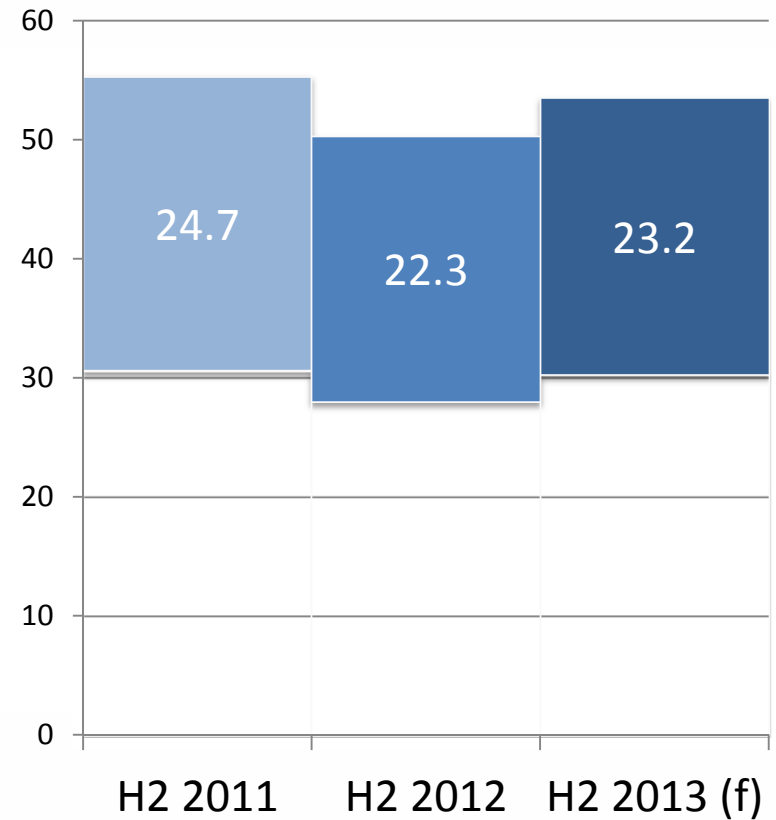
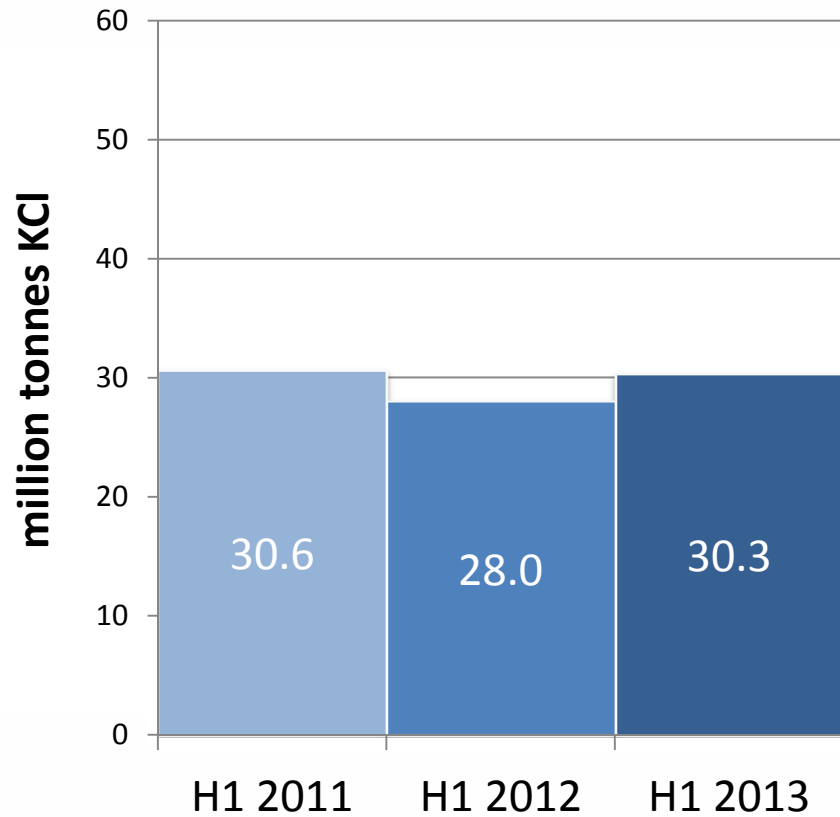


**Subsidy reform has caused erratic buying patterns  
– 2013 could be lowest imports for a decade**

# Retail pricing in India still a problem



# Global H1 & H2 deliveries



**H1 on a par with 2011, but uncertainty hampering sales in H2**

**53-54 Mt in 2013**

**57½-58½ Mt in 2014**

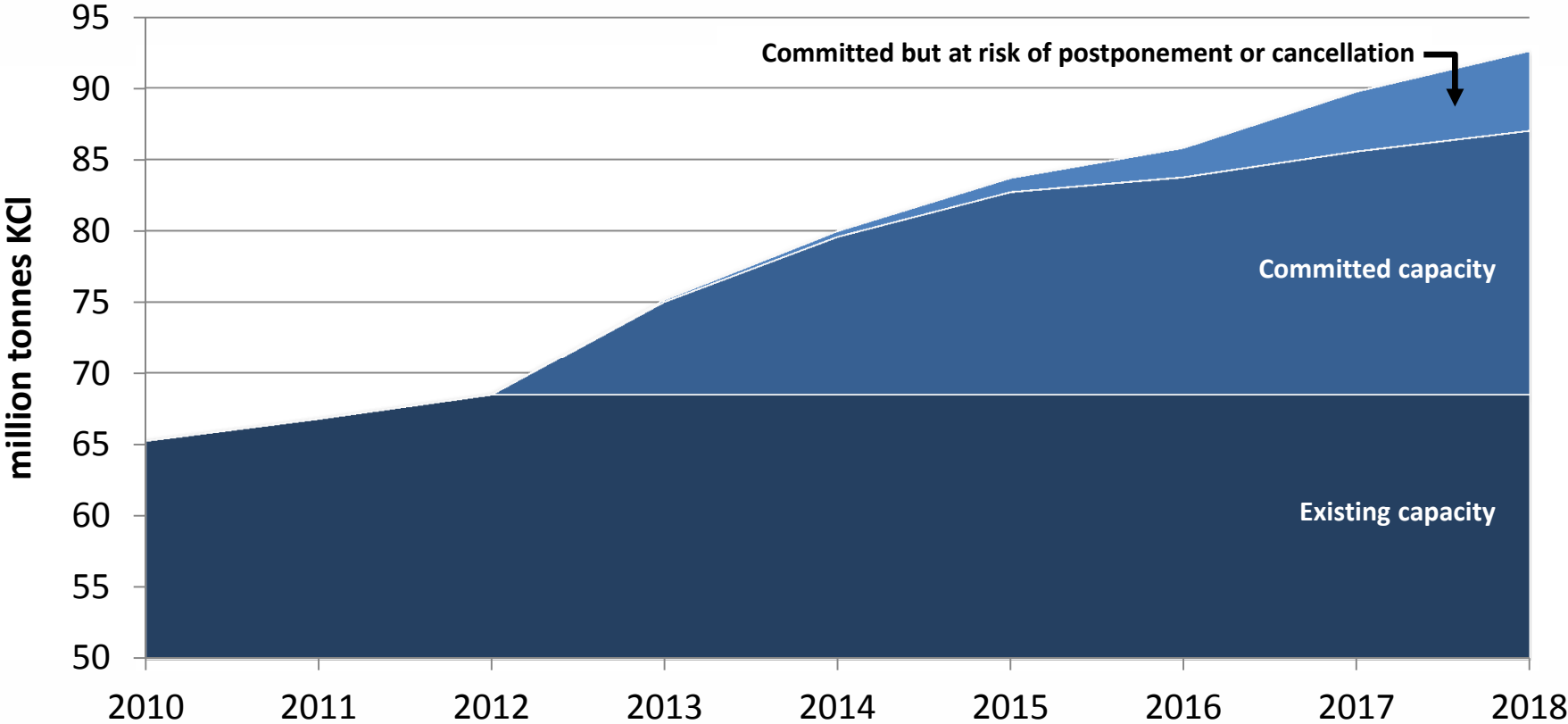
**India** remains a concern...need for subsidy reform after election

Demand outlook is contingent on **price level** and **stability**...

...but there is potential for above-trend\*  
growth in medium-term

\* *CRU's long-term guidance is ~2% per annum*

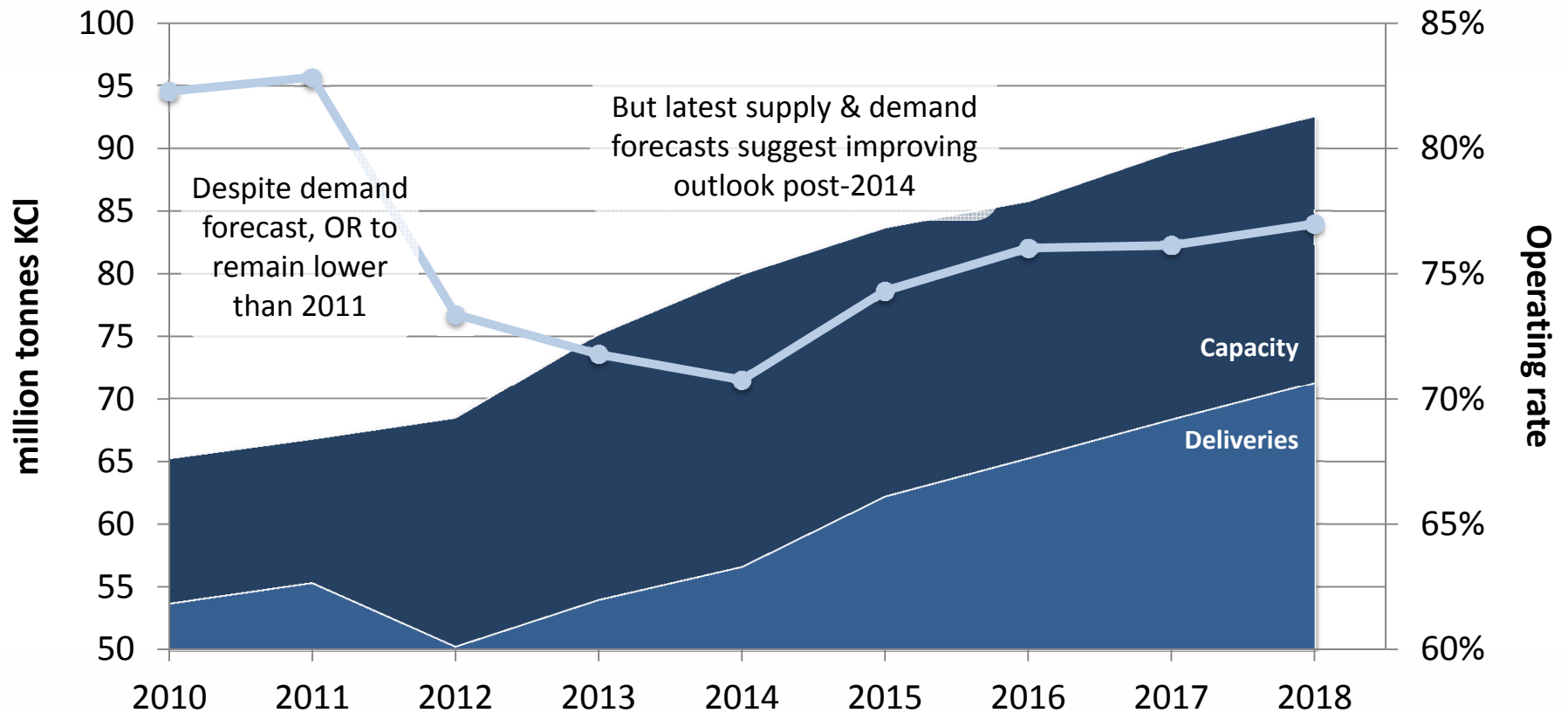
# Some advanced capacity projects at risk



Committed capacity only. Maximum operating rate  $\approx$  95%.



# What this means for the market balance



Risks to both demand and supply are greater on the downside.

# Closing remarks



The current trend of capacity growth without demand growth is **not sustainable.**



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## Analysis: Our Products

### MARKET OUTLOOKS

**Ammonia Market Outlook** – published every 3 months

**Urea Market Outlook** – published every 3 months

**Sulphur Market Outlook** – published every 3 months

**Sulphuric Acid Market Outlook** – published every 3 months

**Phosphate Fertilizer Market Outlook** – published every 3 months

**Potassium Chloride Market Outlook** – published every 6 months

**Phosphate Rock Market Outlook** – published every 6 months

### COST SERVICES

**Phosphate Rock Cost Report**

**Nitrogen Cost Report**

**Phosphate Fertilizer Cost Report**

**Potash Cost Report**

### SPECIALIST REPORTS

**UAN Market Outlook**

**Explosive Grade Ammonium Nitrate Market Outlook**

**Ammonium Nitrates Market Outlook**

**Ammonium Sulphates Market Outlook**

**Potassium Sulphates & Potassium Nitrate Market Outlook**

**China Fertilizer Market Outlook**

**Industrial and Food Phosphates Market Outlook**

**Animal Feed Phosphates Market Outlook**

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# Thank you for listening