



# Profercy Potash

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Published by  
Profercy Potash  
Editor Tom Jago

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19 September 2013

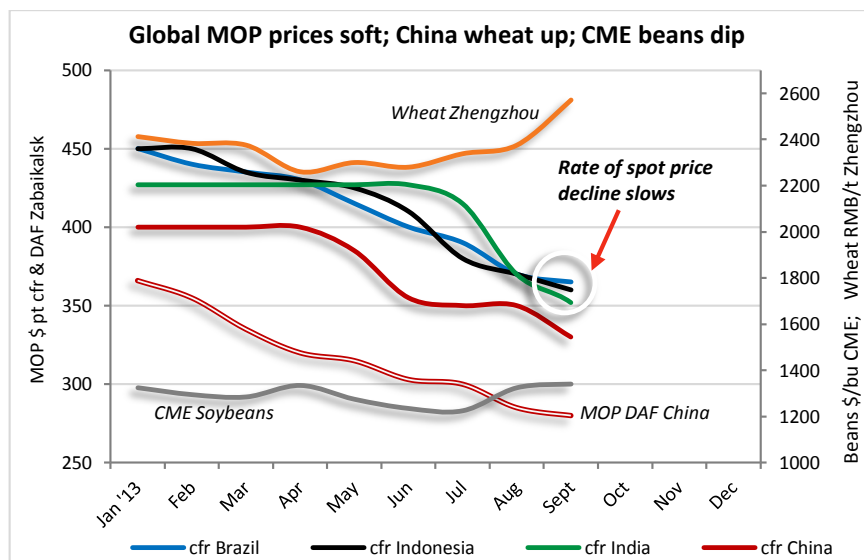
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## MOP soft, but rate of decline slows; BPC settles channels, aims Far East;

MOP seller competition continues intense, but the rate of price decline is slowing down. Erosion is still visible on gMOP in the West, but the rate of decline has slowed. Offers in the low \$360s pt cfr Brazil are a few dollars down from last week, with BPC showing up again as an active force, offering direct. This is the first sign Belaruskali is clear how it will sell its various K<sub>2</sub>O products in priority markets. Still in Latin America, minor importers are warning suppliers they will “risk” buying outside regular channels if competitive offers are not made. In SE Asia, sMOP market-share defence makes prices in this area look the most fragile. Now even in the Far East, Belarus potash is shown firm at levels attracting traditional buyers of North America and Middle East product.

### One-minute briefing

- SE Asia sMOP spot business on October loads heard in \$360s pt cfr
- Asian forex improves sharply; but sellers still embroiled in price cuts
- Talks in India on Q4 re-negotiations intensify; More supplier visits
- October-load gMOP to Brazil sold in low \$360s cfr; Demand active
- Fresh cargoes to Brazil from K+S, ICL, Uralkali; Less ex Canpotex
- Local sales of all potash surge in Brazil market; Local prices intact
- Uralkali sMOP vessel rate to China cools, One lot heard in Sept
- Canpotex fresh exports to Australia, N Zealand; Season there nears
- New Russia sales heard to South Africa; following Jordan material
- Muntajat in Far East talks; Japan, Korea approached; Taiwan tender
- Belaruskali has major meeting round with several traders in Minsk
- BPC still loading actively for NW Europe NPK, SOP sector



### Profercy Potash: 1<sup>st</sup> Subscriber issue

Welcome to the first subscriber issue of **Profercy Potash**. We thank all of you who have supported us from the “word go”. As with other Profercy services, **Nitrogen and Phosphates & NPKs**, we aim to maintain a close rapport with subscribers, and welcome direct contact, on global market issues. We are registered at the TFI Conference in Montreal, arriving Saturday afternoon.

For ongoing email contact, our emails:

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[phos@profercy.com](mailto:phos@profercy.com)

### Featured in this report

#### North America producer position:

Strong US & Canada local sales, lower production offset export decline **P2**

#### India Rupee recovery: Strengthens

MOP importer bottom line **P2**

#### Belarus, Russia reconciliation?:

Uralkali and Belaruskali start what appears to be a long, arduous road of talks to find any remaining common ground over combined potash sales **P5**

#### Belarus: Absent any progress with

Uralkali, BPCs work on contingency export routes direct, with traders & under the Muntajat contract **P4**

#### SOP, NOP prices: Detailed reports of

South America SOP & NOP import prices; with netback assessments to Chile & Jordan **P4**

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## Asia

**India:** Talks have continued on re-negotiating Indian import business. There is no change to the contract structure in place, but buyers are not moving on bids for a substantial change in prices through to early 2014. There has been no agreement on supposed cargo-by-cargo offers, earlier through traders for BPC material.

- **Individual suppliers:** Like APC and BPC, both recently in India for direct talks, BPC is ready to address the balance volumes under contract, with Belaruskali inheriting what looks to be the total remaining BPC contract for this fertilizer year). Canpotex has not shipped fresh North American MOP to India since an end-July load for Kakinada. No progress is heard on attempts to renegotiate with Canpotex.
- **Importer break-even:** Basis a sharp recovery in Indian Rupee/US\$ forex ending today at Rs61.77/\$1.00 today, net subsidy at Rs11,300pt, the local selling price back up to Rs17,000pt, internal logistics and all taxes, the Indian MOP importer break-even has rapidly pushed back up to \$385pt cfr (more below). Each Rs1 move up or down vs the US\$ impacts importer bottom line about \$6pt either way.
- **Flat price:** Basis the recent Rupee gains, and perceived scope for more, the Indian preference is to settle a new fixed price through to contract end in early 2014, electing to retain the exposure to current shifts in the meantime
- **Buyer targets:** Given the continued spot weakness in SE Asia and China, Indian buyer targets are still at the indicative price first advanced to the mid-August trader approaches at \$320pt cfr. While there is no supplier confirmation of \$330pt cfr rumoured as an indicative contract offer, this is our base comparison level in the speculative calculations below.

India MOP break-even comparison	2013-14	2012-13
MOP subsidy in Rs pt	11,300	14,400
Local Max Retail Price (MRP)	17,000	*16,800
Internal logistics (total port to retail)	-3,000	-3,000
Net MOP revenue on local sales	25,300	28,200
US\$ equivalent (today Rs61.77/\$1 Rs50/\$1 Q1 '12)	410 <sup>a</sup>	564 <sup>b</sup>
<b>Importer break-even (net all tax* 6.2%)</b>	<b>386</b>	<b>531</b>
Importer margin (basis \$330 cfr now \$507 cfr '12**)	+56	+24
Local revenue delta in US\$ 2012 vs '13 (a-b)	-154 <sup>c</sup>	-
<b>Price construct vs Q1 '12 contract (\$507 less c)</b>	<b>353</b>	-

\*Import tax & education cess \*\*The double asterisk on \$507pt cfr refers to an average of the two MOP import prices set in the last contract before India's "potash holiday": \$470 cfr for Dec '11 & \$520 cfr in Q1 2012

World Potash Prices	19 Sept
<b>MOP standard bulk</b>	<b>US \$pt</b>
Vancouver fob	340-345
Russia fob	278-340
Jordan fob	340-345
China cfr	320-325
Russian/China rail DAF*	275-280
China fot bgd port store	330-332
India cfr (180 d)	320-350
SE Asia cfr	360-365
W Europe cfr (€)	290-292
E Europe del Danube (€)	300-302
* DAF Zabaikalsk	
<i>Italics = indications; competitive bids/offers</i>	
<b>MOP granular bulk</b>	<b>US \$pt</b>
Vancouver fob	343-360
Russia fob	322-328
Brazil cfr	364-368
Brazil local fot port store*	440-442
US Midwest ex term. pst	390-392
NOLA pst fob barge	335-340
W Europe cfr (€)	300-303
E Europe del inland (€)	305-307
*\$ equiv bgd fot Paranagua	
<b>SOP Standard bulk</b>	<b>€ \$pt</b>
NW Europe fob	385-395
North Africa cfr	410-415

**Bangladesh:** BPC (now Belaruskali's exclusive channel) is working a fresh government-to-government contract cargo for 30,000t sMOP to Bangladesh. As will the last cargo, shipping now on the MV St Andrew, this is expected to move from Nicolaev in late September.

**Sri Lanka:** The next import tender closes 30 September for 9,000t MOP to be delivered in December (along with 8,000t TSP for November arrival, and urea. BPC's last cargo is heard en route on the MV Porto Maina.



**China:** Apart from a total 2 **Russian** panamaxes from Uralkali – one each in August & September from Ventpils (both under the 500,000t optional, additional 1H contract volume), plus the ongoing rail tonnes, little more contract MOP is arriving in China.

- **Imports:** APC, visiting China this week, has one further lot en route **Jordan** to South China, heard to be for Zhanjiang. The follows the final 15,000t **Canadian** sMOP discharged at Zhenjiang last week from a July shipment ex Vancouver.
- **Local:** Border market conditions are still competitive but the price slide has slowed, helped by a slowdown heard in Russian rail arrivals to Zabaikalsk/Manzhouli due to heavy weather. Russian red standard MOP is understood still in the \$270spt DAF.
- **Domestic producer prices:** Meantime, some aggressive price cuts are heard from northwest China domestic operations in mid-September, heard showing list price cuts of up to RMB50pt (about \$40pt) from August. This has again undermined the incoming re-sale border prices. Imported Russian red sMOP ex Manzhouli is heard near RMB1,810-1,815pt fot (mid \$290spt fot).

**North America; SE Asia:** The latest Canadian shipments to SE Asia will be for 25,000t ex Vancouver make early-October arrival in Thailand, and 40,000t first arrival into Phu My, Vietnam.

## Americas

**North America sales & producer position:** An August surge in local North American potash sales (up 85% to 584,000t – all grades & all figs metric) offset a 48% **slump in exports** (down 48% to 458,000t), as Canpotex and PotashCorp had to make quick moves to adjust to the sudden shift in market dynamics presented by the BPC split.

- **Inventory impact:** The net impact was a narrow inventory decline of 169,000t, to 2.63m tonnes, after turnarounds cut total production 12% from July to 971,000t all grades. This was the lowest monthly output total for just over a year (July 2012 was 956,000t), leaving stocks at about 2-and-a-half months' production at current rates. North American production peaked this year in Q1 just short of 2 million tpm April to May.
- **Climate today:** With local production ramping up output after turnarounds and two large incoming gMOP import cargoes (one from Israel now discharging at NOLA; another from Russia en route), both domestic and export price climates are competitive. PotashCorp is resuming its EC Canada exports shipments since completing the turnaround in New Brunswick (more below).
- **Prices:** Midwest MOP ex-terminal prices are heard to have softened into the low \$380s pt fot, for a NOLA yield around \$340pst fob. The September-arrival **Israeli import** cargo is discharge, heard indicated at \$350pst fob barge NOLA.

**Americas items continue next page.**

**Russia; Indonesia:** There are no new sales heard on Russian MOP into Indonesia since Uralkali's early September business heard from +/- \$370pt cfr bulk. Other business is heard at up to \$380-385pt cfr bagged.

**Australia, New Zealand:** As expected, Canpotex has two September cargoes shipping from to these markets; one Portland to Townsville, Australia; the other Vancouver to various NZ ports.

**Far East:** There are rumours Muntajat is already in action negotiating Belaruskali potash products in **Japan** and **South Korea**. Two new sales are heard settled, and vessels to be fixed ex Klaipeda loading late-Sept/Oc. This is a clear challenge to traditional suppliers in the Far East, where North American potash has historically dominated. **Canpotex** continues with regular movements to Korea.

**Taiwan:** An import tender for a trial lot of 5-6,000t MOP is heard floated to close early next week, aiming to attract tonnage from non-traditional sources.

## SOP

**South America:** Prices for **SOP** in South America have gone against the downward trend for MOP during the August/September potash market turbulence. Due to the reduction in GSL output in the US, minor lots of **Chilean SOP** are heard offered \$20pt above last-done prices in the \$620spt cfr bulk **WC Latin America**.

**China:** Offers of **Jordanian SOP** are heard flat near \$640pt cfr South China.

**Saudi Arabia:** A European SOP import cargo is been heard under discussion.

**Taiwan:** Export offers of SOP are still heard proposed at \$20pt increases from August business, but Asian markets are seeing more resistance than in South America.



**Brazil:** Competitive offers for gMOP are now heard from all sources in the mid/high \$360s pt cfr Paranagua, Vitoria & San Francisco do Sul. The first moves to this level emerged early last week for European and Israeli product. Other suppliers are understood to have responded.

- **K+S** has moved two further handymaxes of gMOP in 1H September, one to Paranagua, the other to Itaqui.
- **ICL** has two gMOP shipments for a total 70,000t gMOP between San Francisco, and Rio Grande.
- **Canpotex** has slowed its shipments to Brazil. The last one understood is still thought to be the MV Ultra Saskatchewan for Paranagua.
- **Uralkali** has shipped a fresh handy-size MOP lot to Vitoria for early-October arrival.

**Brazil domestic:** Local offtake of all K<sub>2</sub>O fertilizers was firm in August, lifting Jan-Aug total up 3% year-on-year to 2.99 million tonnes K<sub>2</sub>O. After August imports were a big 18% down year on year at 702,000t MOP (during the buyer pull-back after the BPC split) a firm catch-up is likely in September and October. Local production Jan-August is down 6.6% year-on-year at 323,000t. Inventory depletion has been necessary.

**Central America:** Canadian MOP exports have picked up from the East Coast. **PotashCorp** is heard selling fresh gMOP in several Gulf of Mexico markets at \$370pt cfr for September arrivals. It has a cargo to multiple disports **Honduras** and **Guatemala** on the Clipper Talent ex New Brunswick. This is level with the latest Canpotex offers from Vancouver to the same Central American markets, but into Pacific Coast ports.

- **Against earlier commitments:** **Canpotex** has fresh Vancouver-origin material heard due for Costa Rica and other C American markets arriving late September. **Uralkali** is discharging its latest sale into Guatemala of MOP and SOP from the MV Daisy K.

**Colombia, Peru, Ecuador:** Uralkali is heard to be shipping a mid-September **Russian** gMOP cargo totalling around 22,000t to Gavilon and various other buyers in these markets, price competitive with other South American markets shipping this month near

\$370pt cfr Buenaventura, Salaverry. This is down \$20pt from competitive levels for Chilean MOP in July/August in the high \$390s pt cfr. SQM is heard to have shipped small part-lots of SOP from a cargo divided in all three of the above markets (see **SOP section P3**).

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## NOP

**NOP resilient:** Potassium nitrate values are holding values throughout most of Q3. Delivered prices for Chilean material in bulk, small part-cargoes are heard at \$990-1,000pt cfr bagged Pacific Coast South and Central America. This would give a netback little changed from May/June levels in the \$950s pt fob Chile. There are reports of more competitive NOP offers from Jordan into Europe in the \$940s pt cfr.

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## Europe, Africa

**South Africa:** Two import cargoes under negotiation in recent days are heard settled, one from BPC ex Klaipeda, and another from Uralkali from St Petes. These will follow APC's end August arrival cargo already discharged at Durban.

**Belarus, Europe:** BPC continues most active shipping against small-lot contracts for NPK production in **Norway**, and as intermediate for the SOP-producer sector in **Sweden** and **Belgium**.

**Spain:** ICL has shipped an MOP cargo of around 10,000t to its own-system in Amsterdam.

**NW Europe:** Incoming MOP/SOP from 2H Sept/early October is firm with 47,000t from Canada (Agrium, completing discharge at Antwerp, then to France); and 25,000t from Chile due in early October. With continuing strong avails from Belarus, Russia, Germany plus ICL's intra-system movements ex Israel and Spain, market conditions remain loose in Europe. Local prices are heard softening to €310-15pt fca Benelux for gMOP.



## News: Uralkali, BPC in talks over re-united sales

News emerging this week suggests **Uralkali** and **Belaruskali** are in preliminary talks to re-unite potash export marketing. In the meantime, however, **BPC** continues to model a global response to Uralkali's departure from combined sales. Most of the existing trader channels that BPC works with in Europe were in Minsk last week. Regardless of how Russian and Belarus potash is sold; the key new fundamental of 33% higher Russian production in 2H 2013 is still in play.

**BPC contingency approach:** BPC, the official sales route for Belaruskali potash, is expected to retain a number of Uralkali contracts signed in its name, primarily those in India, Bangladesh and Brazil. In these markets, it is confirmed that BPC will continue to offer directly.

- **Trader involvement:** In other markets, especially in North and South Europe plus SE Asia, several traders are expected to continue with access to Belaruskali potash. It is understood Muntajat, with its big frame contract for up to 3 million tpa will play a role developing new markets for BPC, among them the Far East and North America.

**Higher Russian output goals remain:** Whatever the eventual sales route for both Russian and Belarus potash, a big increase in Russian output is still likely. Uralkali has promised a 33% production increase to 6.5m tonnes in July-Dec 2013 vs 4.5m tonnes during Jan-June this year.

**....and market-share recapture goal to continue:** Uralkali is still aiming to recapture some market share lost to North American potash in 1H 2013. Uralkali estimates Canpotex sales increased to 32% of the world market in 1H 2013 vs 1H 2012. It estimates other suppliers, APC, K+S, ICL and SQM, all grew on average 1% point each.

**New company, sticking points:** While Uralkali and Belaruskali are understood to be negotiating for a return to combined potash export sales, there are still internal divisions on how the new company may be staffed, and where it could be based.

- **Soyuzkali:** A sales vehicle already exists for such a re-unification (partial or total). This is Soyuzkali, the Swiss-based 50/50 sales JV, set up last year to manage united sales under Swiss jurisdiction.
- **Market discipline; Exclusion zones?** This should restore some elements of the earlier potash market sales-channel discipline. It is not clear whether some markets (if any) would be considered outside the new, united channel.

**Potash price impact:** Potash prices had already fallen 13% on key spot markets during 1H as suppliers grappled for market share (chart P1).

**Other objectives; longer-term considerations:** Apart from market-share recapture, Uralkali concern about mid- and long-term new production at green-field sites in Canada is still thought alive. Lower prices and a more competitive market atmosphere have already delayed the BHP Jansen project three years to 2020.

**Uralkali shareholder changes:** The catalyst for renewed Belaruskali-Uralkali sales channel re-unification on marketing is thought to be the sale of Suleiman Kerimov's dominant shareholding in Uralkali. This is heard already agreed, with execution of the transaction in progress. This has been covered extensively in the general financial news media. The ultimate issue appears to be the possibility of greater ownership of Uralkali by investors currently in top management positions of predominantly state-owned Russian companies.

**Baumgartner Extradition?** Belarusian President Aleksander Lukashenko has said Belarus is willing to consider extradition proceedings for Uralkali CEO Vladislav Baumgartner if Russian authorities are ready to investigate the case against him. Baumgartner was arrested on in Minsk on 26 August.

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## Potash soft: US producer position update; China slides Small-lot Latin America prices eroded

### MOP

**North America sales & producer position:** An August **surge in local potash sales** (up 85% to 584,000t – all grades & all figs metric) offset a 48% **slump in exports** (down 48% to 458,000t), as Canpotex and PotashCorp had to make quick moves to adjust to the sudden shift in market dynamics presented by the BPC split.

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**Central America:** Canadian MOP exports have picked up from the East Coast. PotashCorp is heard selling fresh gMOP in several Gulf of Mexico markets at \$370pt cfr for September arrivals. This is level with the latest Canpotex offers from Vancouver to Pacific Coast Central American markets.

**Belarus:** BPC (now Belaruskali's export channel) is working a fresh government-to-government contract cargo for 30,000t sMOP to **Bangladesh**. This is expected to move from Nicolaev in late September. BPC is active shipping sMOP into the **Scandinavian NPK** and SOP sector. Firm demand for **SOP** in Asia is still creating strong opportunities for NW Europe producers to boost SOP rates, thereby supporting Russian and Belarus MOP throughput.

**China MOP:** Border market conditions are still competitive but the price slide has slowed, helped by a slowdown heard in Russian rail arrivals to Zabaikalsk/Manzhouli due to heavy weather. Russian red standard MOP is understood still in the \$270spt DAF.

Meantime, some aggressive price cuts are heard from northwest China domestic operations in mid-September, heard showing list price cuts of up to RMB50pt (about \$40pt) from August. This has again undermined the incoming re-sale border prices. Imported Russian red sMOP ex Manzhouli is heard near RMB1,810-1,815pt fot (mid \$290spt fot).

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## **MOP soft: Brazil shipments active; SOP tight in Asia**

### **MOP**

**Brazil:** MOP exports for October deliveries into Brazil are picking up, with all the main suppliers now executing gMOP cargoes more rapidly at the \$370pt cfr level. Canpotex has a fresh cargo shipping this week ex Vancouver to Paranagua; ICL has another new one from Israel to Itaqi; plus its anticipated lot from the UK.

**China MOP:** Market conditions remain weak, as the main import buying groups watch suppliers go increasingly more aggressive on spot sMOP. Both Uralkali and K+S are heard working new cargoes in to SE Asia for September shipment.

- **Russia rail border price slump:** Russian red standard MOP is now heard into the \$270spt DAF Zabaikalsk, some in China taking off bids even lower. Re-sale prices at Manzhouli (the Chinese side of the rail border) have fallen, but more slowly, now around \$300pt fot. This is about \$5pt down on last week. White sMOP is heard at \$310pt fot, down about \$7-8pt on the first days of September.
- **China sea ports:** Soft market conditions at Qingdao and other northeast ports prevail, with red sMOP now heard verging RMB2,000pt fot ex-port warehouse (mid \$320s). This is down \$15pt in the last two weeks.
- **China re-export:** Uralkali is working a 14,000t re-export cargo of Russian MOP, combined standard and granular from Qingdao to Thailand
- **Domestic MOP production, marketing:** Qin Hai Yanhu is expected to adopt a more aggressive pricing approach from Q4. An announcement is understood imminent on production and price targets. This is seen as a response to the rising volumes of Russian MOP in cross border trade, and the sharper price declines during August/September.

**Sri Lanka:** BPC has just shipped its pending 10,000t sMOP cargo due for Sri Lanka from Nicolaev. This follows last week's shipment to Bangladesh.

### **SOP**

**Global:** Tight market conditions on SOP in Asia prevail, due to the cumulative impact of lower production and export availabilities from **South Korea** (KG Chemical), adding to the pressure from lower **US exports** (lower production from GSL).

In **China**, local market prices are stable at RMB3,150-3,200pt fot ex works (\$510-520) for standard SOP. US exports to Japan are still heard at zero this year. Taiwan exports have not been sufficient to cover the demand pull, bringing more intense demand for coverage from West Europe.

### **News: Russia, Belarus situation**

**Baumgartner still in custody; Uralkali Q3 results:** Uralkali CEO, Vladislav Baumgartner, has been in prison in Belarus for two weeks now, with no news on trial procedures, or diplomatic breakthrough to secure a release on bail, or otherwise. Russian president Putin has made comments on the situation, as was expected if no breakthrough was made by early September, saying simply that a resolution is necessary. **Uralkali presents its Q3 results today**, so more public comments from the company are expected.