

Potash and Phosphate Weekly: Optimism for the Emerging Plays

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During the trading week ending on October 26 the share prices for *ProEdgeWire: Potash and Phosphate* sponsors dropped marginally during a week of bad news from Potash Corporation (NYSE: POT). The Saskatoon based potash giant confirmed analysts' expectations of lower profits for the third quarter. The confirmation came to the tune of a 22% drop, despite the fact that the overall agricultural input market in 2012 has been one of the most favorable of the past decade. But the numbers held no prisoners. Year to year potash shipments for Potash Corp. dropped from 1.4 million tons to 1.1 million. The potash business in general is still highly profitable, however, as prices still range from about USD\$ 400/ton to above USD\$ 500/ton

while production costs are about USD\$ 160/ton. Perhaps this is why BHP Billiton is still bullish about its plans to develop a multi-billion dollar potash project in Saskatchewan.

This is certainly why IC Potash and Potash Minerals, which also continued to trade along its recent average this week, is a good investment, given its focus on developing proven resources focusing on achieving the lowest possible production costs. Nevertheless, in the same week that Potash Corp announced lower profits, two major agro-chemical companies, Dow Chemical and DuPont said that their agricultural inputs have only increased, and by substantial margins at that ($\geq 8\%$). This confirms the fact that the agricultural inputs market is vibrant. As noted in two feature articles published this week '*Agri-Chemicals announce Higher Profits*' and '*China is changing the Rules in the Potash Markets*' the demand for potash has not vanished; it is still there; however, the major buyers, India and especially China are demanding different rules; they want to break away from cartel like pricing structures such as Canpotex, which includes Potash Corp. Indeed, the markets appear to have taken this view as the trading price averages for the week for our sponsors, all independent of any general pricing structure body, varied minimally. Some companies' shares, such as those for U3O8 for instance, actually increased by over 14%. U3O8 Corp. announced that its Berlin project in Colombia, focused on phosphate, uranium and other commodities announced that it has developed a new acetic acid method to leach the extracted ores.

The process allows for several environmental benefits such as the reduction of tailings by a reported 50-60% and reduced capital costs. Aguiá Resources announced that it has been granted seven tenements located near the Tres Estradas phosphate discovery in the state of Rio Grande do Sul in Brazil, leading toward the Company's plans to develop a major JORC phosphate resource by the first quarter 2013. Meanwhile Allana Potash Corporation, which was generally flat in trading, remaining around the CAD\$ 0.50 mark, was able to bask from the fact that a report showed that international companies operating in Ethiopia "earned higher than expected average return", in the double digits according research released by Access Ethiopia. The Potash sector will continue to benefit from the attention that the agricultural sector has been attracting in the past few years. The, admittedly over-simplified premise that "people need to eat" is not far off the mark. There is an evident demand for changes in pricing patterns, which could hurt the potash majors such as Potash Corp or Mosaic in the short term, while giving impetus to the emerging new plays with good economics.

Our weekly change in share price chart for ProEdgeWire Potash & Phosphate sponsors follows:

Company Name	Symbol	22-Oct	26-Oct	% Change
AGUIA RESOURCES	AGR.AX	0.14	0.13	-7
ALLANA POTASH CORP	AAA.TO	0.52	0.5	-3.83
IC POTASH	ICP.TO	0.83	0.75	-9.64
POTASH MINERALS LTD	POK.AX	0.33	0.4	21.27
U3O8 CORP	UWE.V	0.33	0.33	0

Total % Change for the Week: -0.19%

Source: <http://proedgewire.com/potash-phosphate-intel/potash-and-phosphate-weekly-optimism-for-the-emerging-plays/>