

IC Potash, Stonegate Agricom and Western Potash poised for growth



Scott Audette/Reuters

Phosphate pebbles used in fertilizer.

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Northern Securities initiated coverage of three junior fertilizers this week, saying that continued strong demand for fertilizer in 2011 makes them a potentially interesting triple play.

IC Potash Corp., Stonegate Agricom Ltd. and Western Potash Corp. have all been initiated by Northern Securities with speculative buy ratings.

“Agriculture commodity prices and grain production are expected to remain historically strong and we believe the demand and supply fundamentals are expected to remain

sound and attractive for 2011 and beyond,” wrote analyst Nelson Mah in a note to investors. “We anticipate increased fertilizer application and other technologies will help drive higher production to meet increasing global grain demand.”

Mr. Mah gave [IC Potash Corp.](#), which currently has a stock price of 90¢, a 12-month target price of \$1.55. The Toronto-based company is currently focused on developing a potassium fertilizer into sulfate of potash in New Mexico, giving it an interesting (and fairly lucrative) niche aspect.

[Stonegate Agricom Ltd.](#), which is currently trading at about \$1.38 per share, was given a target price of \$1.75. The Toronto-based junior fertilizer has phosphate projects in both Idaho and Peru, with the possibility for much larger additional resources on top of current estimates.

Finally, [Western Potash Corp.](#) was given a price target of \$1.25 (it is currently trading at 94¢). Based in Vancouver, the company has a 100% stake in the Milestone potash project near Regina, Saskatchewan.

Mr. Mah said that in addition to the broader fertilizer trends that are set to benefit these companies, there are a handful of short and long-term catalysts that could benefit shareholders.

Shorter-term catalysts include crop prices continuing to rise, as well as active mergers and acquisitions in the fertilizer industry.

Longer-term catalysts meanwhile include less arable land and a growing global middle class. The former will increase fertilizer demand in order to boost yields on existing farmland, while the latter will boost demand for meat, which requires more grain production, and hence, more fertilizer to produce.

“In our view, three junior fertilizer companies could benefit from these macro trends,” wrote Mr. Mah. “IC Potash for its focus on niche [sulfate of potash] production; Stonegate Agricom for its potential large phosphate resource; and Western Potash as an acquisition candidate.”