



## Slowdown in Saskatchewan's Potash Production may be Good News for IC Potash

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The mining sector and Potash, in particular, have suffered some setbacks in Saskatchewan as PotashCorp announced it intends to temporarily halt production at its Lanigan mine and Brazil's Vale has decided to postpone construction at its planned Kronau mine. These announcements will no doubt have raised some concerns; however, the medium and long term prospects for potash remain favorable as severe drought in the Midwestern United States has greatly reduced crop yield expectations for this year. The lower crop forecast, and corresponding high crop prices, is expected to prompt farmers to maximize harvests, driving demand for potash and phosphate (and Nitrogen). As grain prices rise, mineral fertilizer prices will also rise. The slowdown in Saskatchewan, meanwhile, may

be good news for some of the emerging potash players in North America, as it will resolve the risk of oversupply in the next few years. If well-funded companies have decided to reduce production, most newcomers to the sector will suffer; nevertheless, in a clear instance of economic Darwinism, the leading new plays, which are close to reaching production stage (and which have low production costs and favorable infrastructure and logistics) will reach completion.

IC Potash (ICP, TSX: ICP; OTCQX: ICPTF) is one of the leading potash juniors. ICP, which will produce sulfate of potash (SOP), as opposed to the less 'noble' muriate of potash (MOP) produced by PotashCorp, has recently announced that it has secured the necessary water supply after completing construction of the two planned deep groundwater production wells from the Capitan Reef in Lea County in southeastern New Mexico. The completion of the wells marks an important step in the Ochoa SOP project's timetable and it signals that ICP is on target toward completing a Feasibility Study and an Environmental Impact Study (EIS) as it heads toward production stage. ICP has already signed an offtake agreement with Yara International, one of the main mineral fertilizer producers in the world, giving the Company ready access to European and South Western Asian potash market.

The Saskatchewan slowdown represents a short term trend and farmers will try to recover their drought losses, intensifying production (needing more fertilizers) over the next couple of years. As one of the largest potash producers, it is not surprising that PotashCorp would cut back some capacity; nor is it surprising that Vale, an iron ore specialist and a newcomer to the potash industry, would also slow its Saskatchewan plans. Moreover, Vale recently confirmed plans to develop the Rio Colorado potash project in Argentina, an over USD\$ 6 billion investment, to supply potash for the very hungry Brazilian agricultural sector. BHP Billiton also has plans to develop potash at its Jansen mine in Saskatchewan, but it has not yet made any announcements concerning plans to delay or continue operations.

At the global level, many countries will continue to stock up on grains in an effort to maintain price stability and to avert another period of food price increases as happened in 2007-2008, when the FAO declared the

phenomenon to be a veritable food crisis. The Grains and Oilseeds index of the International Grains Council, which monitors average prices for corn, wheat and soybeans, among others, reports that it has noted the highest prices since the peaks of 2008. In addition, grain consumption has increased worldwide in response to the changing diet patterns (more wheat and more meat, the price of which increases as the feed to raise animal rises in cost) in some of the world's fastest growing economies, which also happen to be the world's most populous countries, including India and China.

The cliché that people need to eat and that therefore fertilizers will continue to be in demand may be old and abused, but it is true. There can be no doubt that potash will remain an in-demand commodity. Individual producers will have their own set of special advantages. Some of the most evident are the production costs, or is how much it costs to deliver the mineral from the extraction to the market. Location is therefore important, as is the target market. China, India and Brazil are expected to remain the main importers of potash and consumers of phosphate – though Africa will also become ever more important, especially if the International Financial institutions start to endorse subsidizing mineral fertilizers for the continent. Economic growth, evolving diets and population growth in these regions will ensure demand for potash for many years to come.

**[Source: http://potashandphosphate.com/intel/slowdown-in-saskatchewan-potash-production-may-be-good-news-for-ic-potash/](http://potashandphosphate.com/intel/slowdown-in-saskatchewan-potash-production-may-be-good-news-for-ic-potash/)**