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By Andy Hemphill



# MINING INVESTORS DIG NUTRIEN; ICL UK PLANS POTASH PARTING

BY ANDY HEMPHILL MARCH 2018

“Upheaval” is the watchword of the global muriate of potash (MOP) market so far this year, as the slow decline of Israel Chemicals’ (ICL) Boulby operation in the UK is eclipsed by the rising star of Nutrien - the agricultural industry giant created by a merger of Canadian rivals PotashCorp (PCS) and Agrium.

Nutrien was formed after PCS and Agrium joined forces, and is now the world’s single-largest provider of crop nutrients.

In a video released on Nutrien’s website, Chuck Magro - former President and CEO of Agrium, and now head of Nutrien, said: “2018 will be our first full year, and of course we have ambitious plans.

“We made a public commitment when we announced the deal to deliver \$500m of annual operating synergies, and that has to do with driving efficiencies in procurement and logistics in the supply chain of the two companies.”

With an estimated joint enterprise value of \$36bn, the two fertilizers majors cleared the merger’s final regulatory hurdle in late December, when they received clearance from the US Federal Trade Commission for the deal.

Nutrien’s combined 22m tonnes/year MOP production capacity could mean a more reliable supply of product for use in both spot business around the world, and in negotiations for a share of the key MOP import contracts in India and China - which both look set to be agreed at an increase this year.

“Nutrien is now the world’s single-largest provider of crop nutrients.

However, there is market talk that Nutrien’s claim of achieving \$500m savings in annual operating synergies has many executives at the newly merged company “really rather concerned”.

Nutrien expects to achieve savings of approximately \$250m by the end of 2018, with the full annualised run-rate achieved by the end of 2019.

Meanwhile, Magro and co are working hard to win the



hearts and minds of Canada’s citizenry before announcing any major changes, promising that Saskatchewan will be home to Nutrien’s head office - including relocating two business functions to the region - and that some 300 new jobs will be created.

The Premier of Saskatchewan Brad Wall responded: “This is a strong commitment to Saskatchewan, which will ensure that the merger results in a net benefit.

“All of these commitments remain subject to approval of the new Nutrien board. Our government will be closely monitoring future developments, but I have every expectation that Nutrien will follow through on their commitments to Saskatchewan.”

However, even as Nutrien strengthens its position in the global potash market, rival producer potash ICL is on weaker ground.

ICL’s Boulby facility in Yorkshire, UK – which trades as Cleveland Potash – will complete a switch to polyhalite production in June 2018, with the loss of 230 jobs.

Polyhalite is a multi-nutrient fertilizer found more than 1,200m below the Earth’s surface, under the North Sea along England’s northeast coast.

“ There is a chance ICL may eventually mothball Boulby.

However, despite the furore surrounding this latest raft of job cuts, job losses at Boulby are not a new phenomenon: ICL flagged 220 job losses in November 2015, following reports of a reduction in potash reserves at the site, which first opened in 1973.

Added to this slow decline in workforce is the fact that polyhalite is not a particularly well-known mineral fertilizer, and ICL's marketing of the new product has previously been described by a distributor dealing in competing nutrient MOP as “lacklustre”.

Another source even claimed that “ICL doesn't understand its own product”.

Meanwhile, despite its decision to end Boulby's potash production, ICL retains considerable MOP reserves at the Dead Sea, and is unlikely to suffer any larger impact on its availability, or on its relative “clout” in supply tenders - and with global MOP demand expected to increase by roughly 2.5% this year, there will be plenty of customers clamouring for ICL's volumes.

There is also the chance that ICL may eventually mothball Boulby as part of recent efforts to streamline its assets, which also featured the December 2017 sale of two “low synergy” business units, netting the company \$167m.

Everything points to an eventual closure of the Boulby mine – and although there has been no news since, there was talk late last year that UK-based polyhalite fertilizer start-up Sirius Minerals was in discussions to acquire Boulby, which is situated just 12 miles from Sirius' own Woodsmith facility.

With its bullish outlook and disruptive marketing plan, Sirius is outwardly punching above its weight in the global chemical fertilizers market.

In fact, executives are firm in the belief that their branded product Poly4 will find a home in the market – but not, as marketing tsar JT Starzecki puts it, “as a ‘MOP killer’”.



## ABOUT THE AUTHOR

**ANDY HEMPHILL**  
**MARKETS EDITOR**

Andy Hemphill is a markets editor at ICIS Fertilizers, with a focus on the global potash and nitrates sectors. A former sub-editor, local media journalist, public relations account manager, and entertainment critic, he has a particular interest in the global fertilizer industry's underlying technological advancements.

“ ICL retains considerable MOP reserves at the Dead Sea.

“How you market MOP is very different to our approach with Poly4,” Starzecki said last year. “We're targeting technical sales – demonstrating an alternative to potash in a blended fertilizer application plan.”

So, perhaps there is hope yet for Boulby.

If Sirius is indeed in negotiations with ICL, the start-up could stand to acquire a ready-made source of polyhalite, as well as the expertise and facilities to extract it, potentially allowing Sirius to ‘test the waters’ before bringing its own, far more modern mine online in 2021.

Alternatively, could Sirius opt instead to close Boulby itself, becoming the UK's only major polyhalite fertilizer player?

Only time will tell.

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