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Sector Coverage

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Growth Minerals Sector Review

Musical Chairs May Leave US
Standing

April 2025

Growth Minerals Sector

Musical Chairs May Leave US Standing

- + The curious signing of a deal between the two warring parties to protect shipping moving Russia's fertilizer supplies and Ukraine's agricultural exports unblocks a significant barrier to exports for both sides
- + The US actions could result in a reordering of trade flows, particularly to the US agriculture's detriment, while boosting Latin American producers of grains & oilseeds
- + Millennial Potash continues its share price tear, while Brazil Potash sagged despite receiving a vegetation management license for its mega-project
- + The US actions play into the hands of Moscow and may prompt the formation of a sort of OPEC of Potash, which the US would have little ground to criticise
- X The Trumpian liberation push is highly selective and freeing the US of Canadian potash is somewhat like cutting off one's nose to spite one's face
- X Without Canadian potash the US will be forced into the arms of Belarus and Russian sources of supply
- X US permitting challenges have been a constant theme in the US mining industry – potash will be no exception to this status-quo
- X Both Russia and Ukraine want to start trading in the EU market again, but commercial vessels are still at risk of coming under attack at the Odessa port.

Potash — the “North American” Critical Mineral

This week, the US government officially declared potash to be a critical mineral in an executive order entitled “Immediate Measures to Increase American Mineral Production”. This means that potash is now a North American critical mineral, both in the US and Canada.

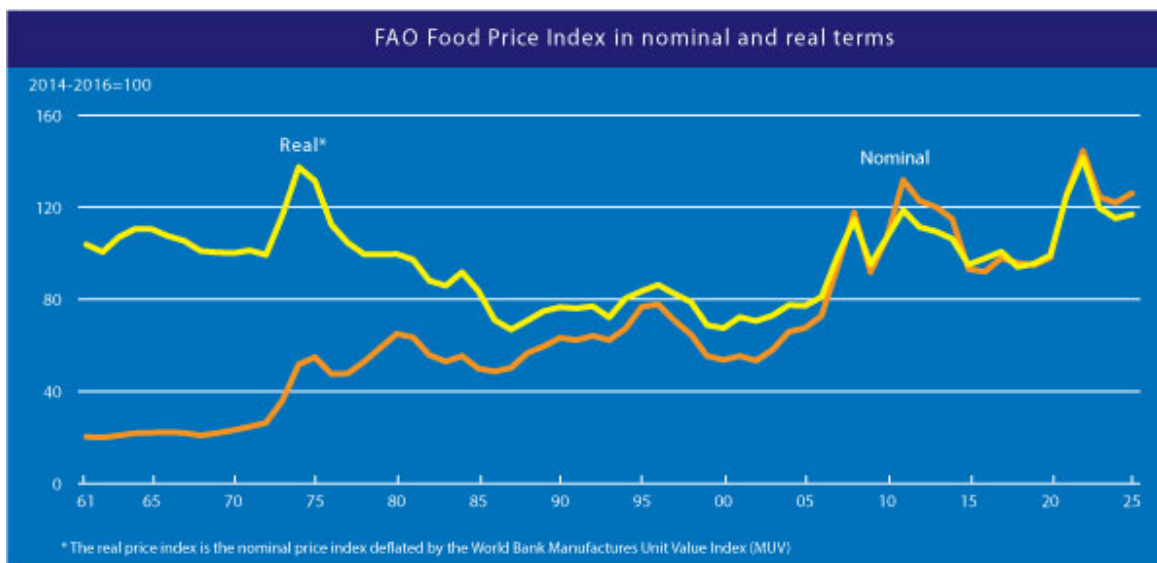
In an eye-gouging statement, US President Donald Trump said: “Our national and economic security are now acutely threatened by our reliance upon hostile foreign powers’ mineral production”. Trump is picking a fight with Canada, putting the country's potash supplies to the US market on equal footing with adversarial potash suppliers the likes of Russia and Belarus.

Canada's potash exports to the US market got a significant boost to the start of this year due to Trump's tariff war on the global economy. Effective stockpiling of Canadian potash allowed for more time while the Trump Administration reconsidered its decision to put the US agriculture community and national food security concerns at jeopardy. Consequently, the tariffs on potash imports from Canada were lowered to 10%. This was included in the Trumpian liberation on non-USMCA compliant import tariffs.

This context will serve as the backdrop for future decisions on US reciprocal tariffs. Other countries are playing ball with Trump. For example, a decision by the EU to place tariffs on \$28bn of US imports could

influence US agriculture exports, such as corn and soybeans, to one of the world's largest markets for agricultural commodities. Both the EU and Canada view the volatile decision-making on US economic and foreign policy decisions as a time for "when in doubt, get out".

If they play their cards right with one another, Canadian potash supplies might get moved around from railroads to ships, while the EU imports more grains from South America under the Mercosur Deal. The latter is not necessarily a tailwind for potash prices, but it's a critical part of the grains and fertilizers strategy for Canada and the EU in the near term.



Source: Food and Agriculture Organization of the United Nations, FAO Food Price Index (FFPI)

Global Potash Shifts – All Change

These angles reveal a prevailing trend in the global potash markets, with the EU market becoming a bigger focus for the shifts in grains and fertilizers because of geopolitical issues. Russia and Belarus have already engaged in the weaponization of food and fertilizers since Russia's initial invasion of Ukraine in 2022 ([See Potash Sector Review: Geopolitics Provides the Mood Music](#)). The Russia-Ukraine war has affected the entire global supply chains for food and fertilizers, especially in the emerging markets and Global South.

Many analysts have referred to Russia and Belarus as an "OPEC of Potash", but even Ottawa has wielded the big stick of "no soup for you" in response to Trump's tariff war on potash. While the US agriculture associations are using kind words to describe the lowering of potash tariffs on Canada to 10%, the impact of tariffs on Canada will have both near- and long-term consequences for the US agricultural community. It is dubious to assume that the US could supply its own market with potash, without resorting to Russia and Belarus as a backup option.

All this change is likely to be some kind of trickery by the Trump Administration to get cheaper potash

supplies from Russia and Belarus, given that potash prices have been rising on geopolitical risk since 2021. What has Trump been saying all along—America First? It's clear that the US thinks it can get a better deal on potash supplies from cheaper sources than Canada, not to mention the expensive cost of freight and environmental concerns associated with railroad shipments. However, it is madness to assume that US domestic production of potash, or any other mineral fertilizers, would come to the rescue of the US agriculture community. The Trump Administration specifically called out US ag tariffs in the White House press release: "President Biden squandered the agricultural trade surplus inherited from President Trump's first term, turning it into a projected all-time high deficit of \$49 billion."

New Sources of Potash – But Cantopex Gets the Last Word

The Mosaic Company has the potential to make up for the higher US demand in potash supplies, but they also must play by the rules of Cantopex in the long term.

The company has a potash mine in New Mexico that has been stirred up in a cocktail of controversy. The Carlsbad deposit is North America's first potash discovery, dating back to oil drilling in 1925. However, the Mosaic Company halted production at the mine and it's stayed in limbo since 2014. In April 2022, the company launched an investigation into the actual groundwater contamination levels associated with potash mining at Carlsbad. It's up to the New Mexico Environment Department on how to proceed with the next stage of permitting. The Mosaic Company teased investors with its new plans for Carlsbad in the company's latest conference call, even though US permitting challenges have been a constant theme in the US mining industry.

Millennial Potash (CSE: MLP) announced a new private placement to raise capital. Initially, the company planned to raise CAD\$3.5mn, but with the stock price improving, the company decided to increase that figure to CAD\$4.93mn. The Banio potash mine in Gabon could be one of West Africa's pioneer plays in the E&P space for potash. The output intends to serve African markets first, and with the strategic shifts happening in global potash markets, the company is likely to keep options available to everyone.

The severely battered (pricewise) Brazil Potash (NYSE: GRO) hit a milestone at its massive potash development project in Brazil when it signed a vegetation management contract for site preparation at its Autazes Potash project. This will allow the company to pursue more extensive site preparation for construction, such as critical ground preparation activities, transportation, and materials management in the short term. With these successful advancements in permitting, the company is on track to begin construction and hit its production target by 2029. Brazil Potash isn't concerned about its market strategy, because Brazil is already the biggest importer of potash in the world.

Brazil Potash is a clear Brazilian agriculture play, fitting with the government's National Fertilizer plan to increase domestic production sources of potash supplies for farmers. Brazil is ahead of the game—way ahead of the US—in terms of plans to diversify domestic and international sources of potash fertilizers.

Ruso-Ukrainian Roulette

Fertilizers are having a moment again, thanks to the recent Black Sea agreement between Russia and Ukraine with a focus on Russia's fertilizer supplies and Ukraine's agricultural exports. Both Russia and Ukraine want to start trading in the EU market again, irrespective of the fact that commercial vessels are

still at risk of coming under attack at the Odessa port.

To get fertilizer and food traffic fully ramped up on the Black Sea again, Odessa needs to be secured from both the air and maritime domains. Otherwise, foreign commercial vessels will be playing Russian Roulette, with their defenseless ships going up against missile attacks. In 2024, Belarus and Russia pivoted a lot of their potash fertilizers to the East of Suez due to sanctions and shipping concerns in the Baltic and Black Seas. Nutrien CEO Ken Seitz acknowledged this global trend in a comment about potash tariffs, noting that Brazil, India and Southeast Asia are the key market drivers for potash going forward.

Conclusion

It's an auspicious time to be looking at the potash fertilizer sector. Investors won't even be able to digest the non-stop information about potash tariffs, sanctions and stocks before the momentum is all said and done.

As noted last month, and again now, the Belarus-Russia axis have looked to the East of Suez to sustain their fertilizer export trade ([See Potash Sector Review: Looking East](#)). China and India are still two of the largest markets for potash, with Japan also coming into the ring with its desires to increase domestic rice production. Let's see how all these global potash shifts play out. In the end, it's a fantastic time to be looking into the potash sector.

Important disclosures

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