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Sector Coverage

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Growth Minerals Sector Review

Tensions Drive Fertilizer Action

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Growth Minerals Sector

Tensions Drive Fertilizer Action

- + **High phosphate prices are prompting canny producers to not splurge on production that would potentially undermine prices – a rarity in the mining community**
- + **The EU has proposed higher tariffs on fertilizers from Russia and Belarus since the beginning of the year.**
- + **Brazil Potash pulled out of his stock price dive with a canny move to appeal to local (i.e. Brazilian investors) with a Sao Paulo listing during the month**
- + **Paraguay has surfaced as a place of interest with regard to fertilizers**
- + **Ontario looks poised to return to contention as a phosphate producer with the old Agrium mine at Kapuskasing in hands that intend to revive it**
- + **Brazil puts force behind its National Fertilizer Plan while Lula is flirting with Putin in Moscow**
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Knocking the Phosphate Ball Outta the Park

As they say in baseball, phosphate prices are going, going, gone! Out of the park! Phosphate prices are not coming down.

The producer price index (PPI) for phosphates is still too high for comfort, so producers are not in a race to meet the demand that would ultimately lower prices. Everyone is betting on the lifting of China's fertilizer export restrictions—and it's not happening this summer! There's still a chance that China will unlock some MAP/DAP fertilizers ahead of the important fall harvest seasons, but it will be specific to certain markets. Kenya and Ethiopia will be the most likely scenarios for a China phosphate fertilizer deal this year.

EU Fertilizer Tariffs Target Russia's War Machine

The EU has proposed higher tariffs on fertilizers from Russia and Belarus since the beginning of the year. In a document published by the European Commission on 28 January 2025, the original proposal set out to increase tariffs on both the import and re-export of fertilizers from Russia and Belarus, with the addition of certain agricultural commodities, over a transition period of three years (2025-2028). This was due to the increasingly higher level of agricultural imports from Russia into the EU while the war in Ukraine raged uncontrollably from 2022-2023. This was directly blamed on the fact that none of the agricultural imports from Russia had been designated under the Most Favored Nation (MFN) status by the EU. Russia's MFN trade products with the EU for agricultural goods and fertilizers comprises a 6.5% tariff rate—an insignificant figure considering the high level of dependence on Russia for nitrogen fertilizers and Belarus for potash fertilizers.

The two countries combined take a large global market share for fertilizers, which has allowed the EU to keep domestic prices for its own nitrogen fertilizer production at much lower rates, but the geopolitical risk associated with Russia caused the EU to rethink its strategy around nitrogen fertilizer import diversification and domestic production. The initial figure for the new tariff structure by the EU is an ad valorem duty of 50% for agricultural goods. For fertilizers, on top of the 6.5% rate applied to the MFN status, there is another specific type of duty increase based on the fertilizer tonnage volume thresholds of nitrogen and fertilizer compounds for a three-year transition period (2025-2028). See the table below:

Three-Year Transition Period from 2025-2028	**Nitrogen Fertilizer Duties from 2025-2028**	**Fertilizer Compound Duties (NPKs) from 2025-2028**	**Nitrogen + Compound Tonnage Volume Threshold from 2025-2028**
July 2025	40 EUR	45 EUR	2.7 MTPA
July 2026	60 EUR	70 EUR	1.8 MTPA
July 2027	80EUR	95 EUR	0.9 MTPA
July 2028	315 EUR	430 EUR	0.9 MTPA

The long-awaited EU fertilizer tariffs will go into effect for both Russia and Belarus on July 1. It's important to note that this new tariff structure on Russia and Belarus has to do with the MFN trade status and WTO concerns. The US made plans to revoke MFN trade status with both Russia and Belarus in the aftermath of its invasion of Ukraine on March 2022 under President Biden. The agreement to revoke Russia's MFN trade status was made by the US, in conjunction with all G7 countries in 2022, but with an "essential security" clause that permitted trade with Russia based on protecting essential security interests. This clearly was the case with EU's fertilizer trade with Russia, considering the EU's nitrogen fertilizer imports from Russia have continued to go up from 2024-2025. The US, on the other hand, had already placed countervailing duties (CDVs) on Russian imports of phosphate fertilizers, along with Morocco, which have been in effect since 2021.

The EU was stricter on Belarus. EU sanctions were placed on Belarus within the EU packages of sanctions in response to Russia's war on Ukraine in March 2022. This included an additional sanctions package on Belarus for military assistance to Russia, that wreaked havoc Belarus's potash fertilizer exports to the EU since the country's WTO accession process was suspended. However, according to the latest EU fertilizer tariffs on Russia and Belarus, there will be no export restrictions from within the EU to third-party countries—in the original text from the European Commission, it states: "The transit of all agricultural products and fertilisers from Russia and Belarus to third countries remains unaffected by these measures, in line with the EU's commitment to promoting food security globally, in particular for developing countries. This means that the buying and selling operations of Russian agricultural products remain unchanged, as does their storage in EU customs warehouses, transportation on EU vessels, or the provision of insurance and financing services."

This is likely to be a nod to Belarus that WTO accession still hangs in the balance, considering that the sanctions on Belarus were applied to a variety of companies and banks with links to Belarus's potash exports to both the EU and global markets. The most important aspect of all is that Fertilizer Compounds from Russia and Belarus have the greatest comparative advantage within the global fertilizer markets. Russia is of the world's largest producers for both nitrogen and phosphates, while Belarus has one of the largest production capacities and lowest transportation costs for potash. NPKs from Russia took up 20% of the EU imports in 2024, which was the largest source of Fertilizer Compounds in the EU market. There are simply no other countries that could take up this market share in the immediate to near term. There are new fertilizer compounds plants in construction, but the outcome remains uncertain for the long term.

North Africa is not a solution to the EU's problems for Fertilizer Compounds. Morocco's OCP exports phosphate fertilizers to the EU but has decided to change strategy to focus more on higher value-added phosphate products such as Triple Super Phosphate (TSP) and Single Super Phosphate (SSP). Morocco doesn't have its own domestic nitrogen production, nor does it have potash production. Algeria and Egypt have their own different kinds of problems. While they both have domestic nitrogen and phosphate production, potash is nowhere in sight; and the issues pertaining to nitrogen in Egypt have been a big concern due to volatile natural gas prices in recent years.

Ontario Resurgent - Kap Minerals Enters the Fray

The reemergence of phosphate mining in Canada is nothing new. The most notable Canadian phosphate developers are First Phosphate (TSX-v: PHOS) and Arianne Phosphate (TSX-v: DAN). However, they will shortly be joined by a company that is taking on a former Agrium phosphate mine located in Ontario Province. Whereas other phosphate developers are Quebec-oriented, the seemingly next name to conjure with is Kap Minerals, where the B.C.-based Infracon Construction wants to revive the Ontario phosphate mine outside of Kapuskasing. It will apparently come to market in the nearish future.

The mine site is 40 kilometres southwest of Kapuskasing. It ceased operations in 2013. Infracon is headed by Geoff Hampson, who we have encountered before at gold miner, Soma Gold (in Colombia) and the US-based Beryllium processor, IBC Advanced Alloys (both of which we have covered in the past). The deal was inked in December of 2024 when Infracon acquired the past-producing open-pit mine, along with a Matheson processing plant, and some mineral properties. The operation is headed up by Jeff Ivan, who has been appointed as president and COO of Kap Minerals. He has over 35 years in the growth minerals sector.

The goal here is a short path back to production. The site is blessed with good access to infrastructure, including a rail spur. The company is in discussions with the Taykwa Tagamou Nation to hammer out a benefits agreement to bring employment to the community and contracting opportunities to local First Nation-owned businesses.

The focus is on the Apatite deposit and its high-quality phosphate rock that contains very low cadmium levels. The company said only 5% of the world's phosphate rock reserves contain low cadmium igneous rocks. Additionally, Infracon points to the existence of a "significant" Rare Earth deposit within the existing tailings.

In some respects, this reminds us of the Phalaborwa reprocessing project in South Africa being worked by Rainbow Rare Earths (which we have also written on previously).

There are also some advantageous political dynamics at play for Kap Minerals in Ontario. The Canadian government is keen to establish the province as a force in the mining and fertilizer space. Canada's Premier Doug Ford set out to create special economic zones (SEZs) that would suspend provincial and municipal laws for certain projects, undoubtedly for mineral fertilizers, like Kap Mineral's phosphate mine, since it is such an important sector for Canada. Moreover, the government is in collaborative dialogue with the First Nations in Ontario, notably the Nishnawbe Aski Nation, which represents 49 First Nations in northern Ontario—aka The Ring of Fire.

Nutrien's Port Ambitions

Aside from Ontario Province, Nutrien announced plans to invest in a new port terminal for expanding potash exports. The world's largest potash producer and exporter, Nutrien has been searching for more fertilizer growth markets in the East of Suez. Malaysia and Indonesia were key markets for potash fertilizers at the end of 2024, but there's also China and India, among others. According to Nutrien's CEO Ken Seitz, the decision to expand potash exports from Saskatchewan will be based on Canada's regulatory changes for permitting under Prime Minister Mark Carney. The new port terminal will allow

Nutrien to access higher fertilizer export volumes to countries in China, India and Japan by expanding out of Vancouver's 10 million tons operational capacity. There is still hope for a US-Canada trade breakthrough over tariffs, and if the USMCA agreement is successfully renewed, then it is more than likely that Nutrien would go with a US investment in Portland, Oregon, which already has a capacity of handling six million tons.

Brazil Firms Up Its National Fertilizer Plan

The only country that could possibly be more important than Canada in the fertilizer sector is Brazil. Brazil doubled down on its own efforts to implement a new fertilizer strategy, which former President Jair Bolsonaro unveiled in early 2022. Brazil's National Fertilizer Plan even proposes to mine potash from underground reserves in the Amazon Rainforest. This outcome inevitably caused an uproar among worldwide environmental protection advocates and indigenous communities in the country, but it has investors and Brazilian agri-business interests jumping for joy.

Brazil's fertilizer strategy reflects that global fertilizer markets have become susceptible to geopolitical trends. The country engages in fertilizer diplomacy due to uncertain scenarios in the global fertilizer markets. For instance, the extreme volatility in global fertilizer prices caused several key producer countries to ban exports of fertilizer during the Covid-19 pandemic. Tensions arising from geopolitical risk and military strategy over the war in Ukraine will determine the outcomes of global fertilizer market scenarios in the future. Belarus is one of the world's largest producers of potash fertilizers and remains under the influence of Russia's geopolitical objectives during the invasion. This is likely to have a ripple effect on global commodities markets and other aspects of the raw materials supply chains.

Brazil is still beholden to fertilizer import dependence from a variety of sources around the world. Brazil's President Luiz Inácio Lula da Silva met with Russia's President Vladimir Putin to discuss the ongoing trade for fertilizers at the Victory Day Military Parade in Moscow. President Lula even told the press that he seeks a strategic partnership with Russia that goes beyond the commodities trade. In the near term, fertilizers from Russia to Brazil will continue to be a top priority, since it is likely that EU tariffs on Russia and Belarus will allow Brazil to re-negotiate its own fertilizer imports at even lower prices in the future—the previous discounts offered by Russia to China and India importers for crude oil supplies comes to mind.

How Does Their Garden GRO?

At this critical nexus of geopolitical risk and Brazilian fertilizer independence is where Brazil Potash (NYSE: GRO) comes into play. One of the most important events in the GRO story occurred in May, when Brazil Potash launched Brazilian Depository Receipts (BDRs) on the B3 Exchange, giving the Brazilian potash mining project a significant boost to the company's national profile. The BDRs will provide Brazilian investors direct access to invest directly into Brazil Potash, but even more importantly, it aligns with the National Fertilizer Plan's goal to reduce fertilizer import dependence. The BDRs are complementary trading mechanisms to GRO's existing NYSE American listing to the benefit of Brazilian investors.

The news of the B3 Exchange launch was preceded by another important announcement about site preparation completion at the port terminal for the Autazes Potash Project. The port and other infrastructure is one of the greatest advantages compared with other mining projects in the region. The Autazes potash mine is located near to the Madeira River which give the company access to Mato Grosso where many of the Brazilian farmers need fertilizers. The company refers to the Autazes potash mining project as one of the world's largest undeveloped potash basins in Brazil's own backyard, and the most critical aspect is that the potash will be sold domestically—for Brazilian farmers first—to carry out the goals of the National Fertilizer Plan.

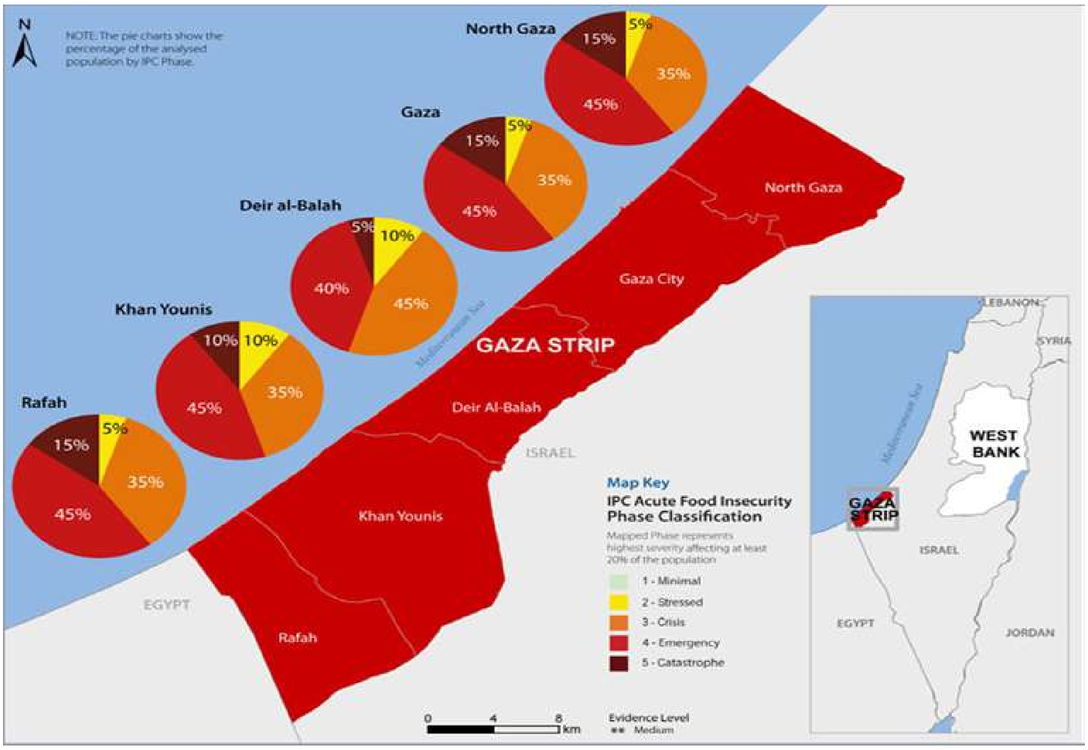
The chart looks truly diabolical but the devil is in the details, for the latest price is up a whopping 50% off the 12-month lows which is reflective of the B3 bump.

A US Humanitarian Operation or Military Strategy in Gaza?

Among some of the most controversial current affairs topics, the recently announced US-led operation to send food supplies from Israel into the Gaza Strip is undoubtedly the top concern for food security in the Middle East Conflict. The UN criticized and refused to acknowledge any success from the US side. This is being called a "humanitarian plan" or "humanitarian operation" but it sounds more like a peace-through-strength initiative that simply takes the Israeli Defense Forces (IDF) out of the discussion for food distribution into Gaza. Private security is a sly term for private military contractors (PMCs) that the US and Israel have obviously contracted to ensure control over the logistical situation, especially for the purpose of getting food aid into Gaza without the interference of Hamas.

The UN lambasted the issues pertaining to food distribution points and danger to civilians in Gaza due to the presence of PMCs, to which US Ambassador to Israel Mike Huckabee said: "The most important danger is people starving to death". That's a very casual way to avoid the discussion about how Israel's blockade of food supplies into the Gaza Strip caused this food security problem in the first place; meanwhile, President Trump was harpooning the Gaza Relocation Plan until now. During a press conference, Ambassador Huckabee avoided those topics when reporters questioned the US's intentions to work around the Israeli position on Hamas and the IDF's military strategy.

The UN's comment about the food aid representing "a drop in the ocean" was indeed an urgent call to the international community that the situation in the Gaza Strip is extremely worse than before. It's so bad that the EU and the UK are coming together to jointly oppose Israel's military actions, particularly the ongoing airstrikes on hospitals and other medical facilities, which has led to higher rates of internally displaced peoples (IDPs). Food aid restrictions into the Gaza Strip have also reached a broader group of industry leaders, including one of the world's largest fertilizer producers, Yara International.



Source: Integrated Food Security Phase Classification (IPC)

Yara CEO, Svein Holsether, has been on a worldwide campaign to denounce Russia's invasion of Ukraine, as well as the link between Europe's fertilizer dependence and Russia's geopolitical risk. He continued this campaign during the escalation of the Middle East Conflict in May to draw links between food security concerns and the EU's dependence on fertilizers from Russia. Since Russia is also a key supplier of wheat, Yara has a reason to be extremely concerned about the EU's dependence on Russia for fertilizers, given that access to both key agricultural commodities and fertilizers are coming from the same source. We covered Yara's nitrogen fertilizers in last month's Growth Minerals Sector Review — Buyers & Sellers in a State of Flux.

Not to Overlook – Paraguay!

Paraguay's role in future fertilizer projects is a hot topic right now. A London-listed fertilizer company ATOME plc (LSE: ATOM) uses renewable energy sources to produce fertilizer at the Villeta green fertilizer project. It is projected to be the world's largest green fertilizer project at production phase. The Villeta project is currently moving into the construction phase after signing a definitive EPC contract with Casale S.A., while reaching a final investment decision by mid-2025. One of the most important aspects of this green fertilizer project is that ATOME scored an investment deal with Hy24's managed Clean H2 Infra Fund for up to US$115mn. In addition to the investment deal, Yara International has already come on board as a reliable buyer of the calcium ammonium nitrate (CAN) that ATOME expects to produce using hydrogen energy.

The geopolitical risk has even come back to haunt the tiny Latin American country. Paraguay has a close economic relationship with Japan and an even more unique relationship with Taiwan. This obviously puts the country at odds with China, but it makes the country even more attractive to global markets under the imminent EU-Mercosur deal.

With the backdrop of this geopolitical risk, the government in Paraguay rolled out its "Zero Hunger (*Hambre Cero*)" school feeding program to support rural communities throughout Paraguay. On the face of it this sounds like a food drive to stamp out food insecurity concerns in Paraguay, or is it just another form of the nationalization tendencies taking place all throughout Latin America? The Zero Hunger campaign will ensure that Paraguayan farmers receive government incentives to sell their agricultural commodities into the Paraguayan market and dissuades them from exporting everything outside of Paraguay. This ought to just come right out and say, "No to China, yes to Paraguay".

As we say in baseball, you're out of there!

Conclusion

We have tried, as usual, to take investors to the darker and more obscure corners of the Growth Minerals universe. It would definitely be a mistake to call the space placid and uninteresting. The cogwheels that grind here are enormous as global food security and a plethora of geopolitical considerations are at work, spanning the globe.

In markets there are fallers and risers, but in the last month the direction has generally been to the upside with Millennial Potash hitting new highs and GRO rising from its deathbed. Our first mention of Atome PLC comes as it recovered over the last two months, around half of its losses for the year.

Growth Minerals may be boring but they are never dull.

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