

# Green Markets

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FERTILIZER NEWS, PRICING, REGULATION AND SUPPLY CHAIN

## Junior player seeks major potash role as Mosaic exits stage in Michigan

While The Mosaic Co. closed its small Hersey, Mich., potash mine Nov. 5 (*GM* Nov. 11, p. 1), a small junior company stands ready to take the surrounding reserves and build them into a significant mine to serve the Cornbelt. Just as major nitrogen producers and would-be nitrogen producers see the value of having a nitrogen plant in the heart of the Cornbelt, Michigan Potash Co. LLC (*GM* Sept. 2, p. 11) sees the same value for that commodity.

Unlike many junior companies, the reserves are already there—found, developed, and dubbed the “U.S. Potash Project” in the 1980s by Pittsburg Plate and Glass (PPG), a former potash producer. PPG’s Kalium subsidiary had the goal of developing them into a 1million st/y operation, according to MPC General Manager Theodore Pagano; however, initial production levels of 140,000 st/y were stalled due to hard times for the potash industry. Essentially, a “volumes over price” strategy kept more  
*see Mosaic, page 15*

## LSB EI Dorado expansion just waiting for permits; new nitric acid, NH3 plants expected up in late 2015

LSB Industries Inc. has lined up SAIC Constructors LLC, McLean, Va., to construct a 360,000 st/y nitric acid plant and a 40,000 sty nitric acid concentrator plant at LSB’s Chemical unit’s EI Dorado, Ark., nitrogen complex. The agreements provide for SAIC to manage the construction of the plants. The total cost of the nitric acid plants is estimated to be approximately \$120 million.

LSB said the new nitric acid plants will increase the facility’s nitric acid capacity by 280,000 st/y, and will replace an older unit that exploded in 2012.

SAIC had already been tapped to build a 375,000 st/y ammonia plant at the complex (*GM* Aug. 19, p. 1). LSB puts the total cost of that plant at \$250-\$300 million, and SAIC assessed the value of its contract portion at \$118 million.

In addition to the contractor, LSB said the technology has also been selected,  
*see LSB, page 15*

## Senator asks EPA to resist AN regulatory changes in response to West explosion

Republican Sen. John Barrasso has asked the U.S. Environmental Protection Agency to resist a request by the U.S. Chemical Safety Board (CSB) and some of his Senate colleagues to regulate ammonium nitrate as a reactive chemical under EPA’s Risk Management Program (RMP).

In a recent letter to EPA Administrator Gina McCarthy, the Wyoming senator said current regulations enforced by the Occupational Safety and Health Administration (OSHA) “are sufficient to cover the risks associated with ammonium nitrate,” and that adding additional regulations “will not address the safety risks presented by companies such as West Fertilizer.”

Barrasso’s letter comes in response to an Executive Order issued by Pres. Obama in August (*GM* Aug. 5, p. 1) directing federal agencies, including EPA, OSHA, and  
*see Senator, page 15*

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### SPOT BARGE PRICES St/FOB U.S. Gulf

Ammonia	440
Urea (g)	304-320
Urea (p)	310-320
DAP	320-330

\*All prices, see pages 4-5

U.S. cotton growers are expected to produce 13.1 million 480-pound bales this year, up 2 percent from the September forecast, but down 24 percent from last year. Cotton yields are expected to average 808 pounds/harvested acre, up 79 pounds from last year. Upland cotton production was forecast at 12.5 million bales, down 25 percent from 2012, while pima cotton production was estimated at 625,500 bales.

The WASDE report projected the marketing-year average price received by cotton producers at 69-79 cents per pound, down 3 cents/pound from the September average.

U.S. total rice production in 2013/14 was forecast at 188.7 million cwt, up 3.7 million – or 2 percent – from the September forecast due to a projected record average yield of 7,660 pounds/acre, up 149 pounds/acre from the September estimate. All rice ending stocks are forecast at 31.2 million cwt, up 4 percent from September but down 15 percent from a year ago.

The 2013/14 all rice season-average farm price is forecast at \$15.20-\$16.20 per cwt, up 50 cents per cwt on each end of the range from USDA's last WASDE report.

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*LSB, from page 1*

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with Weatherly Inc. for the nitric acid and Kellogg for the ammonia. In addition, it said that financing is also procured through various measures, including net proceeds of the \$425 million Senior Secured Notes completed Aug. 7, 2013. LSB also just announced that it finalized in October (*GM* Oct. 28, p. 12) some \$113 million in insurance claims for losses and damages from an explosion at the El Dorado facility in 2012.

All that is left is receiving the final environmental permits, and those are expected soon as a draft permit has been issued for public and Environmental Protection Agency comments and the comment periods have expired. LSB said some engineering work is already underway, and that certain long lead time items have been ordered. Both nitric acid and ammonia facilities are expected to be completed in mid-2015 and in full operation later in the year.

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*Mosaic, from page 1*

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production offline, and Mosaic, which later wound up with the mine through a sequence of mergers, favored its large production Saskatchewan mines, which could serve both the domestic and world markets.

“Mosaic owns the Hersey facility, but they don’t own the U.S. Potash project... we do,” says Pagano, a potash geologist and engineer, who assembled former PPG/Kalium personnel to assist him with the development. “MPC worked quietly over the past three years to confirm the reserve could be commercially put into production as it was originally intended by PPG, and has secured nearly 400 20-year exclusive leases of mineral rights.”

Mosaic reiterated last week with analysts its decision to close the Hersey mine, saying it would have cost some \$80 million to develop new caverns at the site and that expenditure was not justified when it could provide those 100,000 mt just as easily from Belle Plaine, Sask.

Pagano says MPC has engineered and designed a new

potash facility, identified ore sweet spots, secured a surface location, and identified port and rail transloading options capable of handling 600,000 st/y of potash and 600,000 st/y of high grade salt. It anticipates construction to begin shortly at a location about 1.5 miles from Mosaic’s Hersey facility.

MPC says that due to its large Saskatchewan capacity, Mosaic does not want potash coming from Michigan. MPC says that within a 500 mile radius of Hersey, U.S. farmers consume some 4 million st/y of potash. MPC says that Michigan alone consumes 300,000 st/y of potash, with easy access to Indiana, Illinois, Ohio, Missouri, and Tennessee, and with a short boat ride to Wisconsin, Minnesota, and upstate New York. As for Michigan, MPC said PPG Kalium at one time had 80 percent of the Michigan market when it produced up to 140,000 st/y.

MPC says its reserves negate the need for imported potash, not just from Canada, but also from Russia and other offshore providers. It also says the location is well positioned to distribute potash into the Atlantic.

“We are not pulling off something new here,” said Pagano. “This was done once before by the world’s largest potash producer (PPG). We are doing it again with the same people, except now they have 30 more years of experience.

Pagano says the quality of the reserves is well-established and tested by independent laboratories. He maintains that there is enough potash sitting under Hersey to double U.S. output for over 150 years.

MPC has been approaching regional buyers and distributors about the project. And while the reserves are some 7,500 feet underground, Pagano says that technology has advanced to the point that that is no problem.

While MPC’s location may give it a leg up on competing junior potash companies, like the others, it still faces the hurdles of finding financing and backers, lower potash prices, and fears of overcapacity.

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*Senator, from page 1*

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the Department of Homeland Security (DHS), to “examine new options to address the safe and secure storage, handling, and sale” of ammonium nitrate.

Barrasso’s position stands in contrast to that of Sen. Barbara Boxer (D-Calif.), chair of the Senate Environmental and Public Works Committee, who scolded EPA in June for failing to take action on a 2002 CSB recommendation to address reactive hazards from chemicals such as ammonium nitrate in the RMP rule (*GM* July 1, p. 1).

The CSB reiterated its recommendation this summer, issuing a safety message in August (*GM* Sept. 2, p. 1) stating that it is “past time for OSHA and the EPA to regulate reactive chemicals, including ammonium nitrate, under their process safety rules.”

Barrasso, however, argues that the events in West were the result of a failure by West Fertilizer to follow existing OSHA regulations, and that OSHA’s recent decision (*GM* Oct. 21, p. 1) to impose \$118,300 worth of citations and fines against Adair Grain Inc., the parent company of West