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India Will Offer Higher Price for Potash Than China (Update1)
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(Adds share prices in eighth paragraph, subsidy in last.)

By Pratik Parija and Bibhudatta Pradhan

March 18 (Bloomberg) -- India, the world's biggest potash importer, will offer a higher price than China for overseas purchases of the fertilizer to ensure supplies, two government officials said yesterday.

Buyers including Indian Potash Ltd. will offer a maximum \$370 a metric ton for the year starting April 1 to sellers such as International Potash Co., 5.7 percent more than the price agreed by China for its 2010 purchases, said the officials, who didn't want to be identified before the information is made public. India paid \$460 a ton this fiscal year.

Global prices of the soil nutrient, used to boost yields of rice, fruit and vegetables, have declined from a high of \$1,000 a ton in 2008 as supply outpaced demand and grain prices fell. India needs to secure lower import prices to cut fertilizer subsidies of about 500 billion rupees (\$11 billion) and rein in a budget deficit that's at a 16-year high.

India was the biggest potash importer last year, according to Fertecon, a Tunbridge Wells, England-based fertilizer consultant. It imported 5.09 million tons, while Brazil bought 3.57 million tons and China 1.59 million tons.

Three industry officials in India, who declined to be identified, said last month buyers may offer \$350 a ton for potash imports, the lowest in four years. The price was then raised to ensure India gets more supply, the government officials said.

Sales Contracts

Canpotex, a marketing group representing North American potash producers including Potash Corp. of Saskatchewan, Mosaic Co. and Agrium Inc., agreed to sell about 600,000 tons to India for \$370 a ton last month. The contract covers shipments through June to buyers including Coromandel International Ltd. and Tata Chemicals Ltd.

OAO Uralkali's trader Belarusian Potash Co. agreed this month to ship 900,000 tons of potash to India before March 2011, at \$370 a ton including shipping, the Russian company said in a statement.

Potash Corp. shares fell 1 percent \$125.69 yesterday in New York Stock Exchange composite trading. Mosaic fell 1.8 percent to \$61.91 in New York, while Agrium was down 0.5 percent at \$72.28. Uralkali shares were unchanged in Moscow to 127.34 rubles.

Minsk, Belarus-based Belarusian Potash, the world's biggest exporter, in December signed a contract with Chinese importers at \$350 a ton.

Ending Controls

India on Feb. 18 ended fertilizer price controls and allowed companies to set rates for nutrients other than urea to curb government subsidies.

India's Ministry of Chemicals and Fertilizers has capped the subsidy for potash users for the next fiscal year at 14,692 rupees (\$324) a ton, based on the \$370 import price as the government moves to a fixed allowance system from a variable one, the officials said.

In previous years, the government paid importers the difference between the import price and the domestic price, currently 4,455 rupees a ton.

The government also set the fixed subsidy for diammonium phosphate at 16,268 rupees a ton, based on an import price of \$500 a ton in the year starting April 1, the officials said.

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