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BELARUS'S POTASH SECTOR: REASONS AND CONSEQUENCES OF BREAK-UP WITH URALKALI

Andrei Yeliseyeu, Aliaksandr Autushka-Sikorski

Summary

The potash sector has become an increasingly important industry for Belarus ever since 2005, when Belarusian Potash Company (BPC) was established and world prices for potash started growing. Export of potash turned into an essential source of foreign exchange revenues. In 2008, Belarus exported a record-high USD 3.4 billion worth of potash. The Belarusian–Russian potash cartel, which enabled the producers to coordinate export supplies, allowed maintaining high world prices for potassium chloride. However, in the context of the potash oligopoly, cartels appear to be quite unstable institutions, because each party has incentive to increase export seeking a larger market share. Belarus was unhappy that its cartel partner, Uralkali, exported its products through both Belarusian Potash Company and its own trader. Another reason for discrepancies between the two parties came from the difference in their forms of ownership. Belaruskali's mission was to address the challenges encountered by the state i.e. provide foreign exchange revenues for the national economy at hard times, whereas Uralkali's shareholders were looking to boost capitalization and maximize profits in the longer term. The stability of the Belarusian–Russian potash consortium was compromised as economic problems grew more complicated in Belarus, and trouble could be sensed all throughout the year 2012.

Since Uralkali began to gradually lose its global market share while working through BPC and failed to come to terms with the Belarusian side over some critical issues concerning the establishment of a new joint trader, the Russian company resolved to discontinue its engagement with Belaruskali. However, making use of the specific nature of BPC's operation, Uralkali contrived to increase its share in the international potash market. The increase in export in volume terms made up for the lower price for potash, and moreover, because of the global price drop, some of the up-and-coming would-be competitors had to freeze their far-reaching potash projects in Canada, Argentina, and the United Kingdom.

Despite the very hard first few months following the disintegration of the cartel, Belaruskali managed to make adjustments to its work to feel more confident in the new context, judging by its statistics. The accident at one of Uralkali's mines in late 2014 put the Russian producer in a difficult situation and might result in a further cutback in production. A new Belarusian–Russian cartel is highly improbable, because trust between the two partners will hardly be reestablished, whereas the structural obstacles that caused the collapse of the cooperation in the first place in 2013 have not been overcome so far.

Contents

Introduction

Potassium chloride and potash fertilizers that are made of it are a crucial component of the world economy. Belarus owns approximately 9% of the world's known reserves of potash, Germany owns 8.4%, Russia owns 21%, and Canada 52% (Jenny, 2012: 108).

For Belarus, export of potash fertilizers is traditionally an essential source of foreign exchange revenues. The merger of the marketing services of Belaruskali and Uralkali within a single company, Belarusian Potash Company, in 2005, became an important factor for increasing market concentration of potash suppliers, which resulted in a steady increase in potash prices starting the mid-2000s.

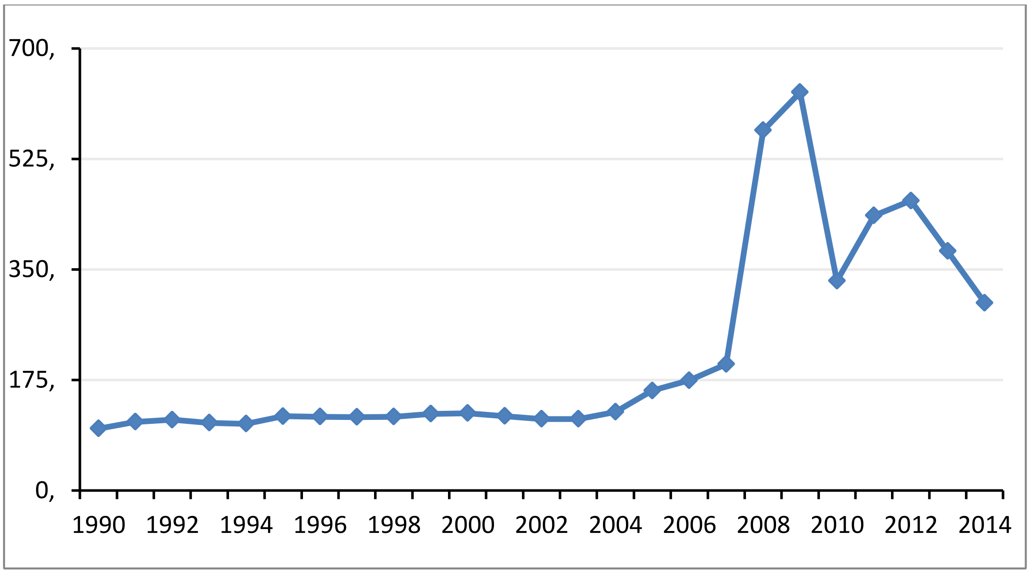
The objective of this research study is to estimate the status of the Belarusian potash sector and analyze the reasons for the disintegration of the potash cartel within the framework of Belarusian Potash Company. Eighteen months after the break-up between Belaruskali and Uralkali we can draw the first conclusions about their operation in the new format.

This study comprises four parts. The first section starts with the analysis of changes in prices for potash in the world market and substantiation for their hikes starting the mid-2000s. It describes the consolidation of the potash market and provides data for the main potash producers for the moment. The second section of the study captures the essence of the conflicting interests of Belaruskali and Uralkali and uncovers the growing contradictions between the two former partners ahead of the dissolution of the cartel. Also in the second section, we present the main performance indicators for both Belaruskali and Uralkali since 2008. The third section clarifies the substance of Uralkali's considerations in disrupting its cooperation with Belaruskali. Finally, the fourth section draws some of the results of the companies' performance in the new context, based upon the available statistical data and media reports. The conclusion presents the key findings of the study.

1. Consolidation of the potash market and establishment of two international consortiums

Potash prices were low and stayed within a range of between USD 125 and USD 200 per tonne for a period of nearly 20 years, starting in the mid-1980s (Jenny, 2012: 110). Since the mid-2000s, an improvement in potash prices was observed, which culminated in a potash price spike in late 2008 and early 2009. Some spot transactions were made at rates in excess of USD 1,000 per tonne in late 2009.

Chart 1.1. Average annual price for potash fertilizers (spot prices, USD, FOB Vancouver), 1990–2014. Prepared by the authors based upon World Bank data (World Bank, 2015).



Demand for potassium chloride kept improving throughout the second half of the 2000s for several reasons, including the steady growth in the world population, reduction in arable areas per capita, improvement in rations in developing countries resulting from increases in personal incomes, growth in biofuel output, and broader use of potash in the cultivation of various crops, such as corn, soybeans, palm oil, rice, and sugar cane.

However, the growing prices for potash can only partially be attributed to the increase in demand. Another crucial factor behind the hikes in prices was the high concentration of potash production and limitation of production by the oligopolists, which sought to maintain high prices. Over the past decade, the North American and East European potash makers repeatedly and sharply curtailed their production as soon as they observed lower demand. The authors of a recent study by the American Antitrust Institute have concluded, based upon the available statistics and making use of economic modeling methods, that the dominant producers engaged in coordinated price setting in fertilizer markets with a view to raising prices for their products (Taylor and Moss, 2013).

It is symptomatic that in 2008, some of the U.S. potash consumers brought civil antitrust actions in U.S. federal courts and the District Court of Minnesota against BPC, Belaruskali, and Uralkali, and North American potash makers accusing them of cartel collusion aimed to maintain heightened prices for their products.

In 2012, following several years of litigation, Uralkali settled antitrust lawsuits for USD 12.75 million. BPC was acquitted, alongside the other Uralkali's traders—International Potash Company and Uralkali Trading SA. PotashCorp and Mosaic paid USD 43.75 million each to settle the lawsuits, and Agrium paid USD 10 million[1]. Lawsuits against Belaruskali were dismissed back in 2010 on the ground that the company is an official agent of the Republic of Belarus, and, as a foreign sovereign, is immune from the jurisdiction of a foreign court under the Foreign Sovereign Immunities Act[2] (Potash Antitrust Litigation, 2010: 3-7).

The increase in concentration of potash production in the global market resulting from the merger of smaller firms, acquisition of interests in rival firms, and establishment of sales channels through joint traders began in 1988, when there were eight companies in Canada dealing in production and sales of potash. By 2003, there had been only four: smaller companies had either been acquired by bigger traders, or merged into a single business. The same trend was observed in the U.S., where only two companies had been left by 2003 out of five, and in Europe, where two potash traders had been left out of seven (Doyle, 2003). However, cartelization in the world market for potash, nitrogen, and phosphate fertilizers is nothing new—the world's fertilizer industry has a history of cartels tracing back to the 1880s (Taylor and Moss, 2013: 14).

The merger of Belaruskali's and Uralkali's marketing structures into ZAO Belarusian Potash Company (BPC)[3], which was completed in 2005, accelerated further growth in market concentration. In 2007, the five dominant potash makers—Agrium, K + S, Mosaic, PotashCorp and Yara—accounted for a total of 35% of the world market for potash fertilizers (see Chart 1.3). The five-firm Herfindahl–Hirschman Index (HHI)[4]-concentration ratio in 2007 was less than 250 (Arovuori and Karikallio, 2009).

Numerous conditions make the fertilizer industry conducive to cartelization. These factors include: inelastic demand, easy explicit and tacit communication between members, corporate and government control of limited reserves, and high barriers to entry (Taylor and Moss, 2013: 14). A single new mine requires approximately USD 2.5 billion or more in up-front costs, five to seven years of development time, and additional outlays for associated roads and other infrastructure (Litigation, 2009: 5-6).

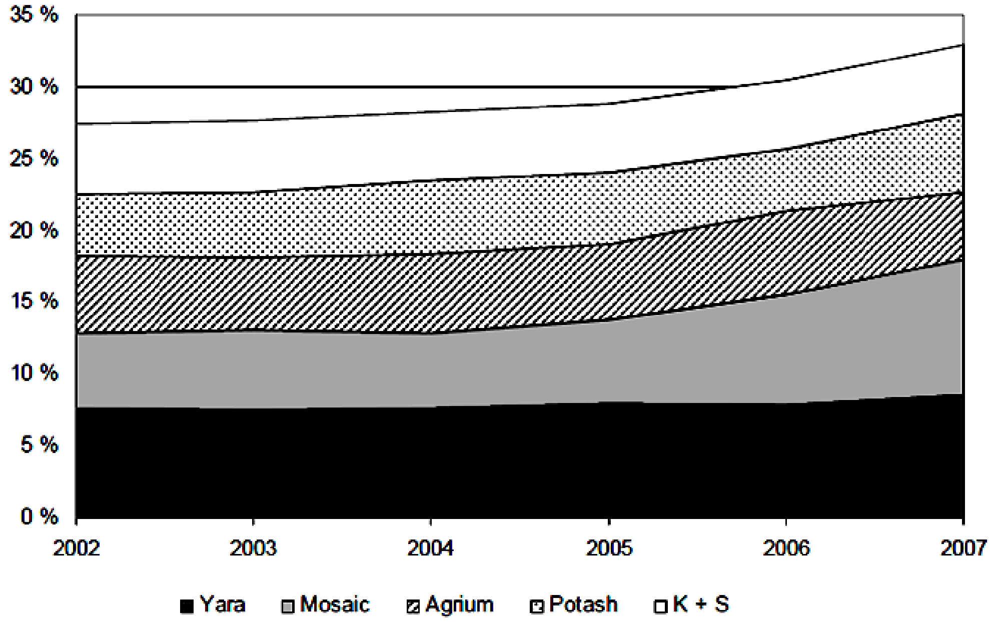
[1] Potash Corp. settles 8 antitrust cases for $43M. Chicago Tribune, January 30, 2013. Available at: http://articles.chicagotribune.com/2013-01-30/business/chi-potash-corp-settles-8-antitrust-cases-for-43m-20130130_1_potash-corp-global-potash-potash-prices.

[2] The Foreign Sovereign Immunities Act introduces specific criteria to determine whether a U.S. court has jurisdiction over a foreign sovereign. Certain cases of exceptions to the immunity have been registered; however, in the case of Belaruskali, the U.S. court did not find such an exception applicable.

[3] Belarus and Russia used to own the trader on a parity basis: Uralkali owned 50%, Belaruskali owned 45%, and Belarusian Railway 5%.

[4] The Herfindahl–Hirschman Index (HHI) is a measure of the size of firms in relation to the industry and an indicator of the amount of competition among them. According to the classification of the European Commission (2011), an HHI ratio of 750 to 1,800 shows moderate concentration, 1,800 to 5,000 indicates high concentration, and in excess of 5,000 signals very high concentration. The U.S. Department of Justice and the Federal Trade Commission use a somewhat more lenient approach to the use of the Herfindahl index: a market is considered highly concentrated if HHI exceeds 2,500.

Chart 1.2. Change in market shares of the dominant potash producers, 2002–2007. Source: (Arovuori and Karikallio, 2009:10).



Market concentration remained relatively low up until 2009, when HHI for the potash industry was reported at 1,050 (Boehlje and Olson, 2010: 7). By 2010, HHI concentration ratio had advanced to 1,800 (World Ocean Review, 2013), and by the end of 2012, it had settled at 2,688[5], signaling high concentration in the world potash market.

The oligopoly that had been formed in the potash market by 2010 – according to the European Commission's classification – became possible not only because of the limited number of producers of potash fertilizers[6], but also as a result of the creation of two major potash consortiums, which were set up as marketing companies: Canpotex and BPC. Some potash market analysts believe the notion of duopoly should be applied to the situation in the market (Taylor and Moss, 2013: 17). Canpotex markets the products made by PotashCorp, Mosaic, and Agrium, which owned up to 27.9% of the world market for potash fertilizers. For their part, Belaruskali and Uralkali, which had been marketing their products through the joint sales channels of BPC until 2012, accounted for up to 30.9% of the world potash market (Seeking Alpha, 2013). In 2011, Uralkali bought Silvinit. When it comes to the dominant potash producers, as of the end of 2012, PotashCorp had a market share of 20%, Uralkali accounted for 19% of the world market for potash, Belaruskali's share was estimated at 15%, Mosaic's share stood at 14%, ICL owned 9% of the market, and K + S has a 6% share of the market (Xun Yao Chen, 2014). Moreover, Suleiman Kerimov, the principal shareholder of Uralkali, and his representatives in 2009–2011 made attempts to negotiate a purchase of Belaruskali.

Brief information about each of the major producers of potash fertilizers (Belaruskali, Uralkali, Mosaic, PotashCorp, ICL, and K + S) is presented in Annex 1 to this research study.

[5] Given that Canpotex, PhosChem, and BPC are considered to be individual market players. See: (*Agrium, 2011*).
[6] Since 2003, the number of companies in the potash market has changed very little. The only important exceptions that contributed to further concentration were the acquisitions of competitive firms by the major producers.

Table 1.1. Volume of output by the dominant producers of potash in 2014 and anticipated output. Source: companies' data.

Company	**Volume of output, 2014**	**Anticipated output, mln tonnes[7]**
Uralkali	12.1	14.4 (2020)
Belaruskali	10.34	12.5 (2020)
Mosaic	10.4	15 (2021)
PotashCorp	8.73	17 (2017)
ICL	5.143	6 (2017)
K + S	4.5	7 (2023)

Table 1.1. presents current output statistics for the major potash producers, as well as their plans to expand their production volumes. The new situation that emerged in the wake of the dissolution of the Belarusian–Russian cartel will likely cause potash makers to increase their output faster than originally planned. As can be seen from the chart, Mosaic and Belaruskali were the two largest potash producers in late 2014. However, if all of the dominant producers successfully implement their production plans, PotashCorp will become the world's largest potash maker by 2017.

[7] The year in brackets is the year when the company plans to increase its output to the anticipated level.

2. Oligopolistic dilemma and divergence of interests of Belaruskali and Uralkali

During the period from 2005 to mid-2013, the two potash consortiums—Belarusian Potash Company (Belaruskali and Uralkali) and Canpotex (which comprises PotashCorp, Mosaic, and Agrium)—controlled 70% of the global potash market, thus making it increasingly look like a duopoly. The informal coordination of production volumes by BPC and Canpotex (which did exist, judging by the materials of the U.S. antitrust case) enabled the oligopolists to generate profits that were a lot higher than those possible in conditions of a genuine competition among numerous market players.

However, cartels themselves are rather unstable institutions. The format for the engagement of cartel members calls for thorough coordination of the volume of output by all of the members (which normally envisages agreements on limitations of production) in order to maintain high prices. This pattern ensures the interest of all of the oligopolists in such kind of cooperation. At the same time, because each company is only concerned about its own benefit, high prices in the market tempt producers to cheat on their partners. Cartel members seek to secretly sell more than they originally agree, at lower prices, in order to maximize their own profits and expand their market share. This conduct by cartel members sometimes leads to a disintegration of the consortium. This is what happened to Belaruskali and Uralkali—the process culminated in the decision of the latter partner to exit the cartel in mid-2013. Uralkali's considerations are rationalized in section 2.1. of the study.

There were two factors that encouraged Uralkali to break up with Belaruskali and leave BPC. First, Uralkali started suspecting its Belarusian partners of selling more potash than it had been agreed within the framework of the cartel. Second, Uralkali had a unique edge, which could have enabled it to eventually become markedly more profitable than Belaruskali.

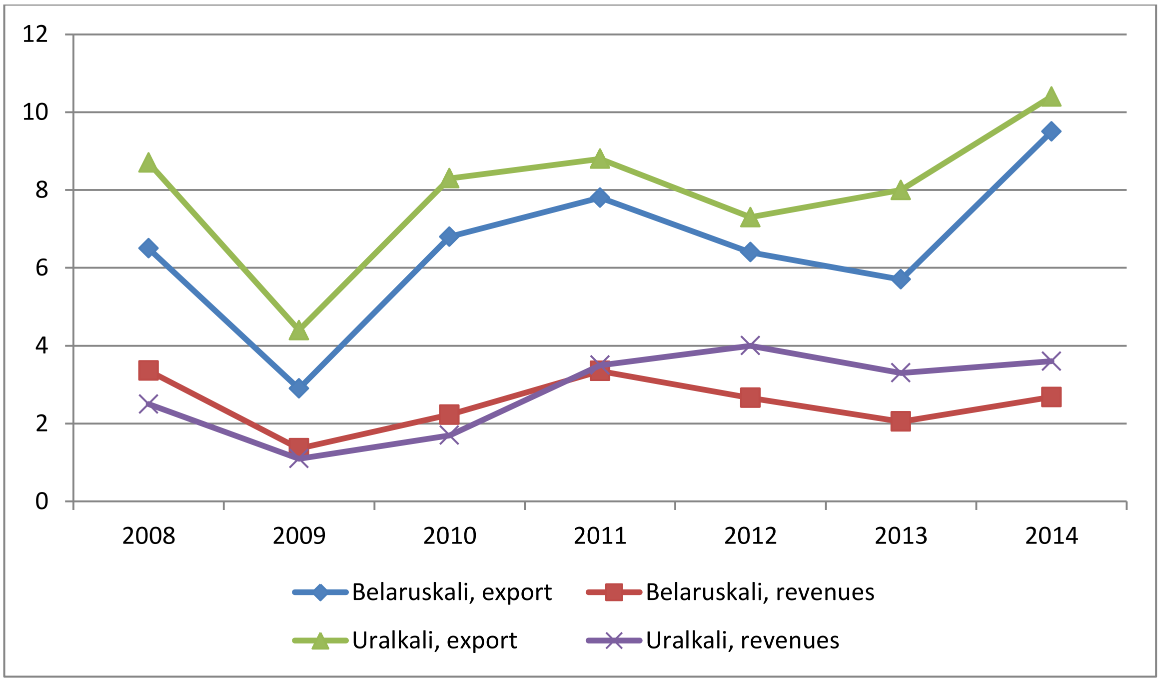
Uralkali's low production expenses and low costs of reactivation of production facilities, allowing it to boost production rate very fast, shall be mentioned as company's important advantages in the first place.

Tension between the two partners also kept increasing because Uralkali operated its own trader besides BPC, which enabled the Russian producer to sell only a part of its output via BPC. Agreements concerning redistribution of the export quota resulted in Belaruskali's selling less potash than it would have been selling if Uralkali had been marketing all of its output through BPC.

The oligopolistic dilemma in the engagement between Belaruskali and Uralkali became especially tense, because the shareholders of BPC were guided by qualitatively different strategies. The Belarusian side represented by state-owned Belaruskali is primarily interested in effectively addressing the current challenges to the national economy, mainly the provision of foreign exchange proceeds for the country when it faces crises. For its part, whereas privately-owned Uralkali seeks to maximize profits in the medium and long terms. During the periods when other sources of foreign exchange revenues of the state budget dwindled or were depleted, Belarus' political administration inalterably made use of Belaruskali and BPC to alleviate economic troubles by increasing export in volume terms at lower prices. At the same time, Uralkali's shareholders were critical about any increase in the volume of export supplies, which would cause a decrease in prices in the following year.

The discrepancies between the two companies became increasingly visible in 2012. First, Uralkali's revenues (the Russian producer had completed its merger with Silvinit in the previous year) considerably exceeded those Belaruskali's (see Chart 2.2.). The reason was not only the redistribution of sales quotas within the framework of BPC[8] in favor of Uralkali, but also the more flexible marketing system compared with that of Belaruskali. While Belaruskali exported all its products via BPC, the Russian company sold some of its output through its own trader, Uralkali Trading (UKT), whenever the market situation was favorable. According to a press release that Belaruskali's press service published after the Belarusian company discontinued its cooperation with Uralkali, "*in 2012 and first half of 2013, the Russian company sold only slightly more than 20% of its total export of potassium chloride through ZAO BPC*" (Belaruskali, 2013). It is not clear to what extent these statistics hold true. According to previously published BPC's reports (Paŭlušenka, 2013), Uralkali sold 7.1 million tonnes of potash through BPC (while its total export supplies amounted to 7.3 million tonnes). Anyway, because Belaruskali exported all of its products through BPC and was forced to remain within the sales quotas that it had previously coordinated with Uralkali, Belarus was suffering certain financial losses.

Chart 2.1. Belaruskali's and Uralkali's potash export to foreign markets, millions of net tonnes, and revenues, millions of U.S. dollars, in 2008–2014.



Second, Uralkali's export through BPC fell because of Belarus's economic difficulties. In the second half of 2012, Belarus was made to give up the lucrative business of exporting oil products refined from Russian crude oil while designating them as solvents and diluents, and the country's foreign trade performance declined. Furthermore, demand for potash remained low in the world market. Therefore, seeking to improve its trade balance figures, the Belarusian administration resolved to increase the volume of sales at reduced prices. In September 2012, President Alexander Lukashenko had a meeting with CEO of BPC Valier Ivanoŭ and, having heard his report, said that "*last year's figures must be reached both in terms of volumes and prices, by all means*." During the same meeting, Lukashenka said he regretted that "*Russians are quite reluctant to increase export… of the Belarusian portion of potash fertilizers*" (BelTA, 2012).

Indeed, Uralkali's shareholders, who were interested in boosting their profits, shared neither Lukashenka's vision nor his expectations. Ahead of making long-term contracts with India and China, Uralkali, on the contrary, resolved to cut its production by half in the period from December 2012 to March 2013 in order to protect prices from a steep decline (Donville and Fedorinova, 2012). As a result, Belarus exported 6.4 million net tonnes worth USD 2.66 billion in

[8] When BPC was established in 2005, Belaruskali and Uralkali accounted for 60% and 40% of total export supplies, respectively. After Uralkali merged with Silvinit, the ratio changed to 52.5% to 47.5%. Belaruskali was known to seek a ratio of 49.15% to 50.85%.

2012, which compared to 7.8 million net tonnes in 2011, worth USD 3.35 billion. In 2013, the Belarusian administration still preferred exporting additional volumes of potash at lower prices in order to tackle current economic challenges. At the start of the year, Prime Minister Mikhail Miasnikovich said: "*We believe we will have the export we need by supplying additional volumes. We are currently exploring this possibility with Belarusian Potash Company*" (Hryharovič, 2013).

Belarus had insisted that Uralkali should export all of its products through the joint trader. After his meeting with co-owner of Uralkali Suleiman Kerimov in May 2013, Lukashenko said: "*If you offer us a second channel, it should be justified and profitable for us. However, I am a proponent of a single powerful channel with a complete parity of interests, and where our Belarusian interests are not infringed. This is the agreement that we reached with the head of Uralkali*" (BelTA, 2013). Miasnikovich announced that in 2013, BPC would be increasing export, including by way of reducing export through Uralkali Trading.

Apparently, it was during that period (second half of 2012–early 2013) that the Belarusian side started selling some of Belaruskali's products through traders other than BPC. The possibility was formalized by Decree No. 566 passed on 22 December 2012. Under the document, "*the exclusive right of foreign trade in mineral or chemical potash fertilizers […] shall be exercised by OAO Belaruskali, ZAO BPC, and other organizations identified by the President of the Republic of Belarus*" (Decree, 2012). It was the passing of the decree that the Board of Directors of Uralkali used to motivate its resolution of 30 July 2013 to discontinue export sales through BPC: "*Based upon that decree, Belaruskali began shipping products beyond the framework of BPC. OAO Uralkali construed the move as a breach of the fundamental principle for cooperation and grounds for rechanneling export flows to its own trader*" (Uralkali, 2013). The Belarusian side insisted, though, that despite Decree No. 566, Belaruskali kept supplying all of its products exclusively via BPC.

Analysis of Belarusian export of chemical products in the first half of 2013 suggests that Belarus was exporting potash fertilizers using traders other than BPC. Export of certain groups of chemicals increased many times (especially of nitrogen fertilizers, insecticides and fungicides), which looked a lot like the lucrative scheme for selling Belarusian-made oil products refined from Russian crude under the guise of solvents and diluents (Ivaškievič, 2013).

A few days after the decree was published (2 December 2012), Suleiman Kerimov came to Minsk to have a meeting with President Alexander Lukashenko and Prime Minister Mikhail Miasnikovich. Uralkali must have been quite concerned over the possibility of Belarus's selling its potash fertilizers bypassing BPC. It was announced that the two producers agreed sales quotas for BPC for the years 2013, 2014, and 2015, along with the price formula (with due account for the quality of potash fertilizers). Following the meeting, a Belarusian–Russian commission was set up led by Chairman of Development Bank of the Republic of Belarus Sergei Rumas, whose formal mission was to work out new terms and conditions for the collaboration between Belaruskali and Uralkali.

Back in 2011, after the merger of the Russian potash majors Uralkali and Silvinit, Kerimov suggested that Lukashenko consider establishing a new potash trader operating under the Swiss jurisdiction—Soyuzkali. Kerimov cited Switzerland's lower tax burden and more lucrative financing conditions, as well as insurance against possible western sanctions against Belarusian enterprises. In February 2013, representatives of the Belarusian government and spokespeople for Uralkali announced that the specifics of the deal to establish a joint trader on a parity basis in the Swiss city of Zug had been approved. Alexander Lukashenko supposedly pledged to reorient the transshipment of Belarusian potash fertilizers from the Baltic seaports to those in Russia in exchange for the equal distribution of sales quotas within the framework of the new organization that had been sought by the Belarusian side (Ivaškievič, 2012). Anyway, the Belarusian government, just as its Russian partner, was obviously double dealing. In April 2013, Belaruskali was reported to have acquired a 30% interest in a Klaipeda seaport terminal, which became evidence of Belarus's unwillingness to rely exclusively on transit via Russian seaports.

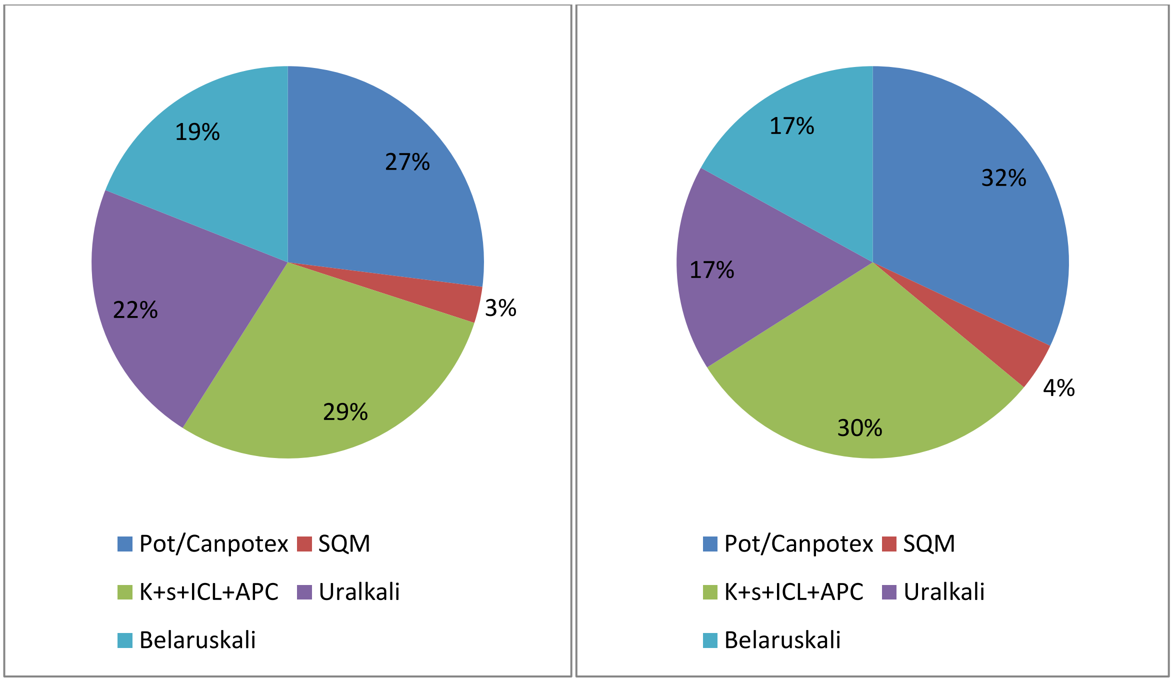
Despite optimistic statements by the cartel partners, it was clear that the moot points concerning the establishment of the new trader remained undecided. Peculiarities of the legal status of Soyuzkali and Belarusian Potash Company became a stumbling block for the shareholders of BPC. The Belarusian side had hoped that BPC would become Soyuzkali's main office in Minsk (Krapivina, 2013); however, Uralkali CEO Vladislav Baumgertner believed that Soyuzkali would take over all of BPC's contracts, after which BPC would cease to operate as the joint trader. Lukashenko and Kerimov must have discussed options for discontinuing cooperation at their behind-closed-doors meeting on 20 May 2013, because the brief report by the Belarusian side contained Lukashenko's appeal to continue joint operation: "*Any attempt to work separately, especially now that we established a single company to sell potash fertilizers, will only do harm to both Uralkali and Belaruskali. We make no secret that we will seek to put more effort in joint activities in the market for potash fertilizers*" (Press service, 2013).

3. Uralkali's game plan: making a proactive move

One specific feature of any oligopoly is that the producers, on the one hand, are well aware of the benefits of their coordination in order to limit production and maintain high prices. On the other hand, they always look to expand their market share by boosting capacity. However, an increase in production by the main oligopolists amid insignificant demand swings will inevitably lead to price cuts. Why, then, did Uralkali make up its mind to withdraw from the cartel, being aware of the imminence of upcoming price falls?

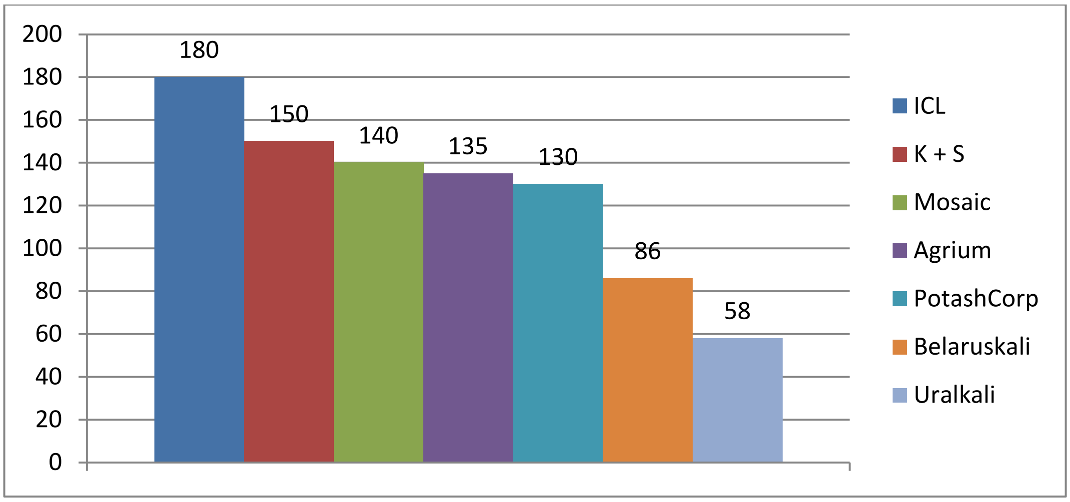
First, pursuing its price-over-volume strategy, Uralkali started to gradually lose its share in the global market. The official annual review by Uralkali for the year 2013 reads: "*despite the fact that the overall volume of the potash market expanded by 9% in the first half of 2013, Uralkali's sales during the same period shrank in year-on-year terms, resulting from aggressive marketing policies by its competitors*." As a negative example, Uralkali's Board of Directors cites the situation in Brazil, where the company was not selling its products with a view to maintaining high prices and where it ultimately lost a substantial portion of the local market. Uralkali's executives draw the conclusion that "*by keeping to the 'price over volume' strategy the company gradually yielded its share in the key markets to alternative suppliers throughout the first half of the year, which led to its overall 5-point reduction in its share*" (see Diagram 3.1.).

Diagram 3.1. Export market for potash in the first half of 2012 (left) and first half of 2013 (right). Source: International Fertilizer Industry Association (Uralkali, 2014a: 3).



The reduction in the market share is all the more so painful for Uralkali, because the company (just as Belaruskali) has very low production costs (up to USD 60 per tonne), compared to the average world costs (see Diagram 3.2.).

Diagram 3.2. Production costs of the dominant potash producers in 2014, U.S. dollars per tonne. The data for ICL are calculated as the average potash production costs of its separate divisions in Germany, the UK, and Spain. Source: Uralkali, 2014b.



Second, in the medium term, potash prices would have lowered even if both potash consortiums — Canpotex and BPC — had been operating conscientiously, because new major producers of potassium chloride appeared in the market. The growing number of producers results in a heavier competition in any oligopoly. Over the last few years, a number of major mining companies started investing in potash projects, given the high prices recorded recently[9]. Potash market analysts were predicting that "*the prospective brownfield and greenfield mines pose a threat of overcapacity and oversupply in the market. Additionally, the entry of the three giant miners—Vale, BHP Billiton and potentially Rio Tinto—is set to change the potash game towards 2020*" (Robobank, 2012:1). However, in the new context, now that the East European cartel dissolved and world prices dropped, investors have had to revise their original optimistic business plans and freeze some of the projects that they already embarked on.

Among others, the break-up of Uralkali's marketing partnership with Belarus puts in question plans by BHP Billiton to complete its Jansen project soon (the mining giant already spent as much as USD 2 billion on the project) and the York Potash Project by the UK's Sirius Minerals Plc. (Riseborough, 2013). Even less clear are the prospects of the USD 5.6 billion potash project by Brazil's Vale in Argentina, which was frozen "indefinitely" back in December 2012 because of the company's financial straits (Flores, 2013). Therefore, by instigating a global price drop, Uralkali caused very serious problems not only for producers with higher product costs (K+S in Germany, ICL in the UK and Spain, Mosaic in Canada and the U.S.), but also, at the very least, postponed additional competition from potential new players in the potash market.

The major potash producers were naturally aware of the inevitable fall in prices for their products as soon as the greenfield mines became operational. However, they were hoping that this would happen as a later stage, allowing them to enjoy a longer streak of high prices. Here is what CEO of Belaruskali said in an interview:

> *"We had thought that a time would eventually come when the sales strategy in the market for potash fertilizers finally changed. However, we had planned that such alterations would have been caused by the creation of new potash capacities and emergence of 'new players' in the market. No one had expected such a turn of events that followed the withdrawal of Uralkali from BPC" (Carykievič, 2014).*

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[9] See the list of the key anticipated Greenfield projects in (Burton, 2009: 22).

Because a series of new potash projects were postponed in the wake of the drop in world potash prices, a 20% to 30% price drop in the long term may hypothetically produce no impact on combined revenues of the main producers. In this context, the one to reap most benefits is the one to make proactive moves (i.e. Uralkali) and take fast steps to win a larger market share.

Third, by making use of the specific nature of BPC's operation and the element of surprise, Uralkali gained new functional advantages. While Uralkali created its own sales network and trained sufficient number of top-ranked specialists, Belaruskali had to build its marketing network amid shortage of highly skilled sales professionals. Although formally it was the Belarusian side that controlled BPC (it got to appoint its CEO who was authorized to make decisions that could not be vetoed by Uralkali), many of BPC's top managers were employees of the Russian producer. Once Uralkali made the move to end its venture with Belarus, they all submitted their resignations and left Belarus. The Belarusian company had to look for independent traders. In early August 2014, Belaruskali signed a framework agreement on joint sales of potash with Qatar's Muntajat.

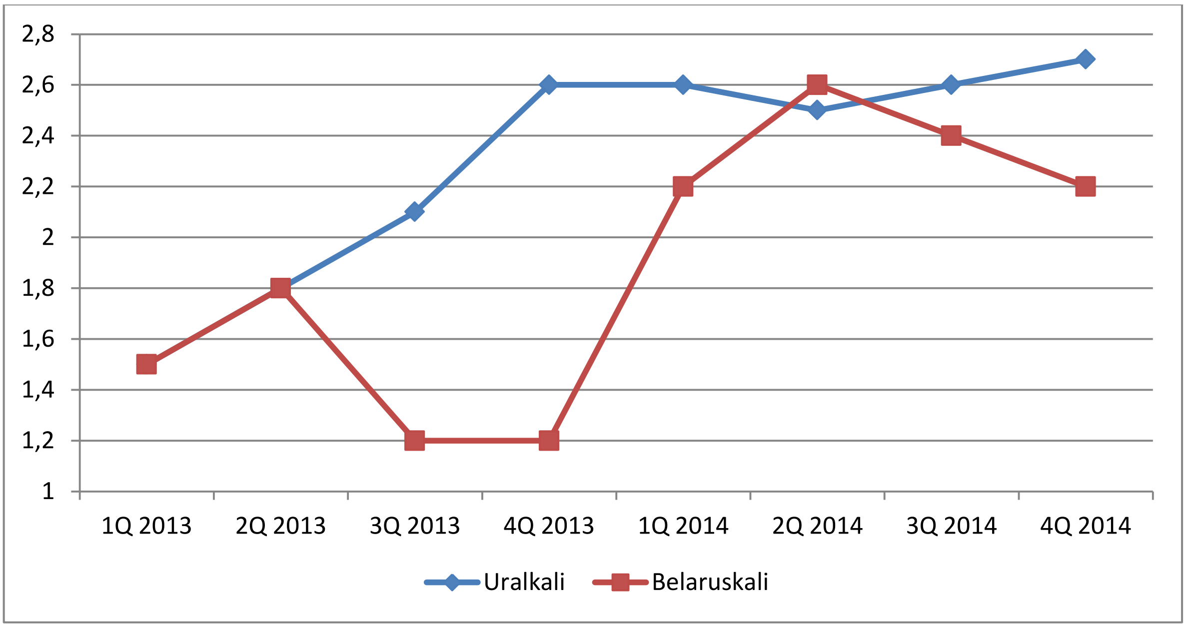
According to the Belarusian side, before Uralkali made the fateful statement about the discontinuation of collaboration with BPC, "*the final five vessels, each with a cargo capacity of approximately 30,000 tonnes of potash fertilizers, were rewritten [from BPC] to Uralkali Trading, and sales proceeds were credited to that Swiss company's account*" (TUT.BY, 2013). Furthermore, the Belarusian partner insisted that the money for the commodities that were supposed to be sold through BPC to China and Brazil was also credited to the account of Uralkali Trading. According to Belaruskali's estimates, the company lost some USD 100 million. Moreover, because Uralkali had been preparing to end the partnership with Belaruskali in advance, by the time the Russian producer withdrew from the joint trader, Uralkali's employees who were BPC's managers, had made sure that there was no Russian company's money on BPC's accounts as of the day the announcement was made (*Ibid*). The Belarusian side insisted that the actions by Uralkali's top managers to harm Belaruskali also included the dissolution of contracts with BPC's lucrative customers, refusal of regional offices to comply with the orders of the head office and de facto blocking of their operations, as well as a planned media campaign to discredit the business reputation of BPC and Belaruskali, and dissemination of false information that BPC was planning to cease its operations.

Uralkali thus managed to make a proactive move by ensuring a reduction in world prices for potash while substantially increasing its monthly supplies and market share, and causing serious problems for Belaruskali. At the same time, Uralkali's unexpected move resulted in major challenges for other potash suppliers with higher product costs and potential new potash makers, who had to mothball their investment projects.

4. Performance by Belaruskali and Uralkali after the break-up of the cartel

According to Uralkali's reports, the company's share in the key potash markets expanded in the second half of 2013 (especially in Brazil and Asia), whereas during the first half of the year, it kept falling. The producer worked almost to its complete capacity starting August 2013, supplying approximately 1 million tonnes of potash on a monthly basis (Uralkali, 2013: 5).

Chart 4.1. Quarterly export of potash fertilizers by Uralkali and Belaruskali in 2013–2014, millions of net tonnes



As can be seen in Chart 4.1., export supplies by the two companies were almost equal during the first two quarters of 2013. After Uralkali exited BPC, a significant difference can be observed in export volumes by Belaruskali and Uralkali in the third and fourth quarters. While Uralkali was purposefully increasing sales in foreign markets, Belaruskali's export shrank.

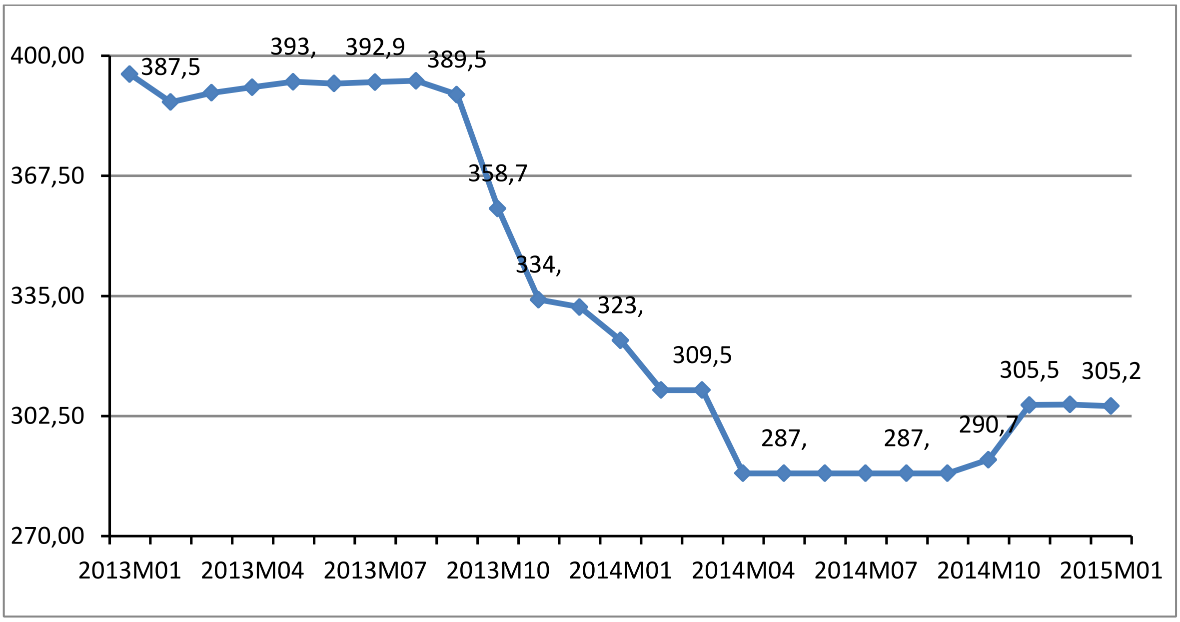
During the first few months after the dissolution of the cartel, Belaruskali repeatedly voiced its disagreement with Uralkali's new strategy and anticipated scenario of a price drop. In one of its statements Belaruskali sent a signal to North American producers about the possibility of a coordinated reduction in production in order not to allow a fall in prices:

> *"We believe OAO Uralkali's capability to influence the market is currently significantly overstated. We are positive that there are no producers in the world that are capable of single-handedly reshaping the philosophy of the potash business, which has been formed for many long years. […] Due to the fact that OAO Belaruskali has recently suspended some of its capacities for routine maintenance, we have had a chance to look around and analyze the current situation in the market in order not to harm our partners across the globe" (Belaruskali, 2013b).*

However, Belaruskali's assumption that Uralkali's actions would not affect world prices, which, in its opinion, could have been maintained by coordinated limitations of production, turned out to be wrong. Within the potash oligopoly, Uralkali is a too significant player to be unable to "single-handedly reshape the philosophy of the potash business." As can be seen in Chart 4.2., Uralkali's forecast about the 20% fall in prices proved to be accurate—potash priced dropped by 18% in the period from January 2013 to January 2014. However, while commenting on the hard times that Belaruskali would have to face in 2014, its CEO Valier Kiryjenka for some reason said in his New

Year address that "the price per tonne of products is now almost twice as low as it was at the start of last year" (Carykievič, 2014).

Chart 4.2. Average monthly price per tonne of potash fertilizers, January 2013–January 2015. Source: authors' calculations based upon statistics by the World Bank (World Bank, 2015).



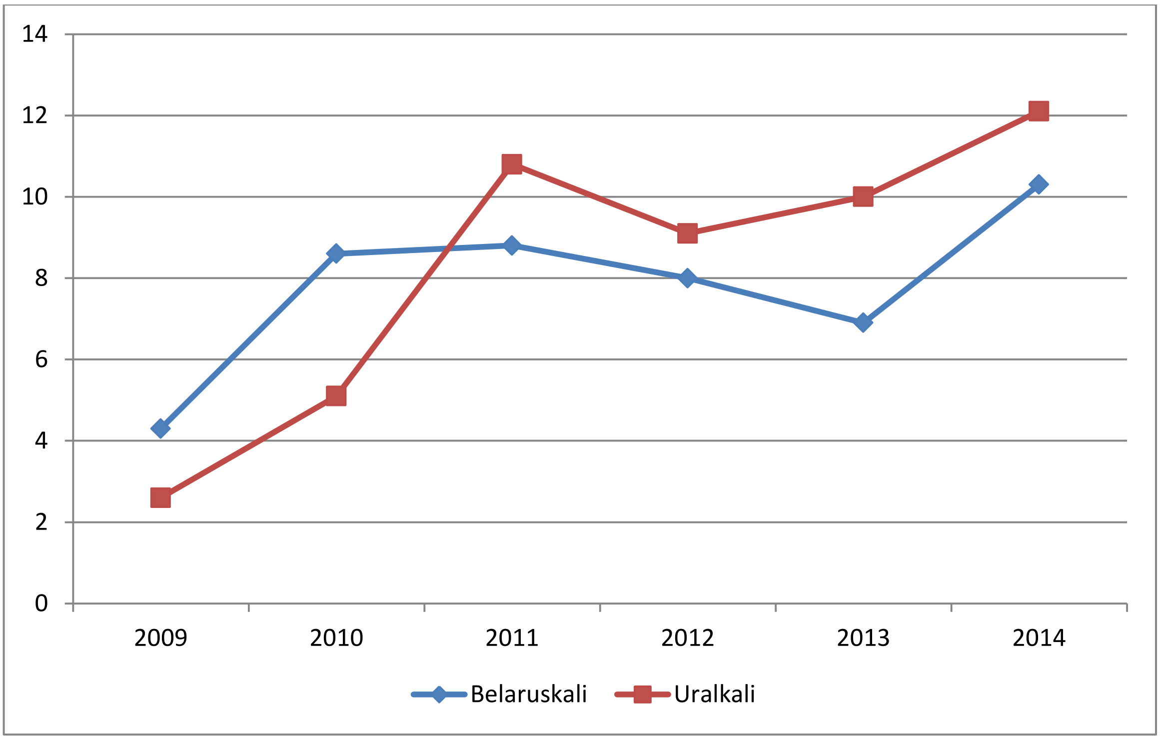
The activation of all of Belaruskali's four mine groups became evidence that Uralkali's volume-over-price strategy, which the Belarusian company was trying to oppose in the second half of 2013, was actually working. Belaruskali's sales increased, because the best economically viable tactics were to maintain the producer's market share and push up sales with a view to reaching a profit level that would be as close as possible to the one that the company had before the disintegration of the consortium, when the price-over-volume strategy prevailed in the market. Back in 2013, Uralkali was the one responsible for the slump in prices, whereas in 2014, it was Belaruskali that knocked down world prices by offering its products cheaper than its competitors and working to its full capacity. Uralkali's CEO publicly voiced his discontent about Belaruskali's offering potash fertilizers to China at reduced prices in 2014 and early 2015.

In response to the sudden change in the terms of trade after Uralkali ended its collaboration with Belaruskali within a single trading company, the Belarusian government introduced a zero-rated export duty on potash in September 2013 (which was cancelled in early 2015), whereas the Belarusian potash producer announced restructuring policies. In his New Year (2013/2014) address to the staff of the company CEO of Belaruskali Valier Kiryjenka provided justification for the need to restructure the producer by way of ring-fencing auxiliary services (autonomous R&D department, repair, construction, and assembly service, motor road transport department, etc.) into independent units. The rational objective of the restructuring campaign is to reduce production costs and create a framework, in which auxiliary organizations would be able to work with alternative customers if the number of orders from Belaruskali should fall. It is indicative that the CEO of Belaruskali de facto admits that the former structure of the enterprise was inefficient and notes that "*we should have started to outsource services several years ago, before the hard times began*" (Carykievič, 2014).

Belaruskali also introduced a more flexible customer service system. In early February 2014, the company adopted the *Provision on the procedure for offering discounted rates on supplies of white salt to the Russian Federation* with a view to increasing its sales in the Russian market. The document determines the rates of discounts and conditions of applying discounts to products depending on the volume of a batch.[10]

The result was that despite the original plans of the Ministry of Economy and Ministry of Finance to export 6.5 million tonnes of potash fertilizers in 2014, export supplies amounted to approximately 9.5 million tonnes worth a total of USD 2.7 billion, which compares with USD 2.05 billion in 2013.

Chart 4.3. Volume of output by Uralkali and Belaruskali in 2009–2014. Note: the sharp increase in output by Uralkali in 2010 is due to its merger with Silvinit. Source: companies' data.



The year 2014 turned out to be bittersweet for Uralkali. On the one hand, the company managed to substantially increase its output in volume terms (to 12.1 million tonnes). It had planned to boost sales through expanding its sales operations in Brazil and Southeast Asia—Malaysia, Indonesia, Vietnam, and, to a lesser degree, to India, China, and the domestic market.[11] Uralkali's aggressive moves in Brazil and Southeast Asia made after the producer ceased its collaboration with Belaruskali evidenced the Russian company's bare-fisted approach. In December 2013, Uralkali signed an agreement with the Federal Land Development Authority of Malaysia on the establishment of a joint venture to sell potash fertilizers. In February 2014, Uralkali was reported to have acquired a 25% interest in the holding company Equiplan Participacoes S.A., which is the principal shareholder of a port terminal in the Brazilian port of Antonina.[12]

On the other hand, the year 2014 was shadowed by USD 631 million losses for Uralkali caused by the depreciation of the Russian ruble (Lenta.ru, 2015) and a serious accident at the Solikamsk-2 mine, which accounts for approximately 20% of the company's total capacity. Uralkali detected higher levels of brine inflow and hydrogen sulphide in the mine, as well as a sinkhole. In November 2014, Uralkali had to suspend the mine. The write-offs that the company may take

[10] Belaruskali. 2014. Provision on the procedure for offering discounted rates on supplies of white salt to the Russian Federation. Available online at: [http://www.kali.by/upload/Положение о скидках.pdf].
[11] Based upon the answer by O. Petrov to a question asked in the course of a conference call. Webcast and conference call: Key IFRS indicators for 3Q2013, 19 December 2013, http://www.uralkali.com/ru/investors/calendar/14125.php.
[12] Uralkali looking to consolidate its logistics infrastructure in Brazil. OAO Uralkali's Press Center, 7 February 2014. Available online at: http://www.uralkali.com/ru/press_center/company_news/item14958/

due to the accident at the Solikamsk-2 mine may total up to USD 1 billion. In February 2015, the situation was reported to further worsen, as the sinkhole expanded, and the neighboring Solikamsk-1 mine was threatened with flooding. In this case, the company's annual capacity may fall below 10 million tonnes, instead of the originally planned 14 million tonnes. It was also reported that the drop in Uralkali's shares resulting from the accident may affect the principal shareholders (UralChem, Onexim), which may now have difficulties in servicing their loans originally taken against the security of Uralkali's shares. Another reason for the decline in Uralkali's shares in 2014 is the depreciation of the Russian ruble (Interfax, 2014).

Conclusion

Following the hikes in potash prices in 2004–2008 and 2009–2010, Belaruskali became one of the main sources to bolster the national economy by generating approximately 5% of GDP and up to 10% of the country’s export revenues. Alongside the processing of crude oil delivered from Russia, export of potash fertilizers remains one of the fundamental revenue items for the Belarusian state budget. In this context, the harsh response of Belarus’s political leadership to the single-sided withdrawal of Russia’s Uralkali from the cartel with Belaruskali is understandable.

In an oligopolistic market, producers cannot benefit from competing with each other by increasing their capacities and seeking larger market shares. In conditions of insignificant price fluctuations such a strategy will inevitably bring about price drops. Being aware of this, oligopolists prefer limiting their production with a view to maintaining high prices. Potash cartels are subject to antitrust legislation, though, which was manifested in a series of trials initiated in the United States in 2008–2012.

In the context of an oligopoly, each market player is encouraged to breach cartel agreements and increase production and export seeking a larger market share and additional profits. In addition to this universal oligopolistic dilemma, the collaboration between Belaruskali and Uralkali was plagued by two other important factors. First, it was Uralkali’s specific sales strategy, which did not envisage sales of the entire output of potash fertilizers through the joint trader (Belarusian Potash Company), while Belaruskali’s strategy did. Because the two producers imposed export quotas, and Uralkali exported its products through BPC only partially, the Belarusian company was suffering losses. In 2012, the gap between the growth in Uralkali's export proceeds and Belaruskali's revenues became especially obvious—the Russian company boosted foreign sales through its own trader while arguing against any increases in sales by Belaruskali within the framework of BPC.

Second, the difference in the forms of ownership of Belaruskali and Uralkali predetermined their different strategies. Belaruskali, a state-owned enterprise, was set a task by Belarus’ political administration to increase revenues in order to address current challenges amid the economic meltdown, which ran counter to Uralkali’s long-term interests. The shareholders of the Russian producer frequently voiced their criticism of the plans of the Belarusian side to increase export, which would have led to a fall in prices in the global market for potassium chloride.

In 2011, the favorable market situation internationally resulted in high potash export revenues for the Belarusian budget and mitigated the serious economic crisis. The fall in the global demand for potash in 2012 forced Belarus to cut potash production, a move that affected its foreign trade balance. This prompted the political elite to seek an increase in export supplies, which brought about conflicts with Uralkali.

Despite lengthy talks, the companies did not manage to come to an agreement on all issues associated with the establishment of a new joint trader in Switzerland. The legal status of Soyuzkali and BPC remained disputable, too; furthermore, Uralkali did not feel comfortable about the demand by the Belarusian partner that the Russian company should sell its entire output through the new trader.

As a result, Uralkali resolved to end its partnership with Belaruskali and benefit from both the element of surprise and specific character of BPC’s operation. First, having agreed to adopt the price-over-volume strategy and sell its products through BPC, Uralkali saw its global market share shrink from 22% in the first half of 2012 to 17% in the first half of 2013. Second, in the medium term, potash prices would have decreased even if both potash consortiums—Canpotex and BPC—had been operating conscientiously, because new major producers of potassium chloride appeared in the market. Third, Uralkali gained new functional advantages, because BPC’s sales managers were employees of the Russian producer, while Belaruskali had to build its sales network anew.

The available statistics for the year 2014 show that Belaruskali managed to adapt to the new environment quite successfully. Back in 2013, Uralkali was the one responsible for the slump in world prices, whereas in 2014, it was Belaruskali that was knocking down prices globally by offering its products cheaper than its competitors. In 2014, the Belarusian company reached its full capacity and put out 10.3 million tonnes of potassium chloride, of which 9.5 million tonnes were exported. Although the Russian producer reported more impressive performance indicators for 2014 (with the total output volume of 12.1 million tonnes and export of 10.4 million tonnes), Uralkali was affected by the combined natural and technological factor, namely, an accident at one of its principal mines. The producer has not fully recovered from the accident yet, and there is a chance that Uralkali's production will fall further. Therefore, the original rational game plan by Uralkali worked only partially and for a limited period of time.

Annex 1. Brief description of the dominant producers of potash fertilizers

PotashCorp

Potash Corporation of Saskatchewan, or PotashCorp, is one of the world's largest producers of potash, nitrogen, and phosphate fertilizers. The company's recoverable reserves are estimated at 552 million tonnes of potash ore, or approximately 110 million tonnes of potassium oxide (K2O). As of late 2013, PotashCorp had a share of 19% in the global market for potash fertilizers in terms of annual capacity. PotashCorp operates seven mines, of them six are located in Saskatchewan and one in New Brunswick. The company was founded in 1975 by the government of the Canadian province of Saskatchewan, and its chief managerial bodies are still based in Saskatoon, Saskatchewan.

PotashCorp also owns 14% in Israel's potash maker ICL and 22% in China's potash concern Sinofert. In 2013, the company produced 10 million tonnes of potash, and its income amounted to USD 2 billion. PotashCorp plans to increase its capacity to 18 million tonnes a year by 2016. In 2013, the corporation sold 87% of its output through the trader Canpotex, mostly via dry-cargo terminals in Vancouver and Portland, Oregon. PotashCorp considers Agrium[13], Mosaic, ICL, and Uralkali to be its main competitors.

Mosaic

The Mosaic Company is based in Plymouth, Minnesota and, as of 2014, was the largest fertilizer producer in the United States (Casey, 2013), focusing primarily on potash and phosphate fertilizers. The company produces up to 10.5 million tonnes of potash fertilizers annually, operating five mines in Canada's Saskatchewan, as well as New Mexico and Michigan. By 2021, the company plans to increase annual potash production to 15 million tonnes. Its potash reserves in terms of potassium oxide are estimated at approximately 400 million tonnes (US Securities and Exchange Commission, 2013). In 2013, Mosaic's net income reached USD 1.6 billion. All of Mosaic's sales in foreign markets were through Canpotex.

ICL

Israel Chemicals Ltd., better known as ICL, is an Israeli company that produces potash fertilizers and specializes in chemicals for the manufacturing sector. The company is headquartered in Tel-Aviv and is the world's fifth-largest potash producer. In 2013, ICL's potash output was reported at 5.16 million tonnes, while the company's annual capacity is estimated at 6 million tonnes. ICL's income for 2013 was reported at approximately USD 2 billion, generated by potash sales, all of which were in foreign markets. In 2010, PotashCorp acquired a 14% interest in ICL; however, ICL does not market its products through the Canadian potash trader Canpotex (PotashCorp, 2014).

K + S

K + S AG is a German company specializing in salts and fertilizers headquartered in Kassel. K + S is the world's sixth-largest and Europe's largest producer of potash and salts. The company produces up to 4 million tonnes of potash fertilizers annually and plans to increase output to 7 million tonnes by 2023. In 2013, the company sold about USD 2.7 billion worth of fertilizers and salts, mostly in the European market.

Uralkali

OAO Uralkali became Russia's largest producer of potash fertilizers following its merger with Silvinit. The company operates two mines in the Perm Region. In 2013, Uralkali's output reached 10.5 million tonnes of potash; the company had planned to increase its output to 12.5 million tonnes in 2014. Prior to July 2013, Uralkali and Belaruskali had been selling their products

[13] Primarily because of the identical sales markets, rather than significant volumes of production.

through the joint trader—Belarusian Potash Company. In 2013, Uralkali's potash sales generated approximately USD 3.2 billion in revenues.

Belaruskali

OAO Belaruskali is Belarus's only producer of potash fertilizers, based in Salihorsk. In 2013, Belaruskali was the world's third-largest potash producer with 8.4 million tonnes and a 17% global market share. The company operates six mines managed by four mine groups, of which two were suspended in 2013 after Uralkali withdrew from the trading structure of BPC. By 2019, Belaruskali plans to launch a seventh mine and increase its combined capacity to 15 million tonnes. In 2013, its potash sales revenues reached USD 2.1 billion, whereas in January–November 2014, its revenues went up to USD 2.5 billion.

Annex 2. Chronology of the Belaruskali–Uralkali conflict

22 December 2012 — Presidential Decree No. 566[14] was adopted, according to which "*the exclusive right of foreign trade in mineral or chemical potash fertilizers […] shall be exercised by OAO Belaruskali, ZAO BPC, and other organizations identified by the President of the Republic of Belarus*" (Decree, 2012)."

30 July 2013 — Uralkali announced that it discontinued its export sales through BPC. OAO Uralkali CEO Vladislav Baumgertner said that the "*fundamental principle for cooperation was violated when Decree No. 566 was signed that revoked the exclusive right of Belarusian Potash Company to export Belarusian potash, after which Belaruskali began shipping its products beyond the framework of BPC*."[15]

27 August 2013 — Belarus's KGB arrested CEO of Uralkali Vladislav Baumgertner in Minsk immediately after his official meeting with Prime Minister Mikhail Miasnikovich. Baumgertner, the chairman of the supervisory board of BPC, and some other top managers of Uralkali were accused of abuse, including the creation of "*various fraudulent financial schemes*," which did harm to the Belarusian side. On the same day, Chairman of the Board of Uralkali published a statement, in which he said: "*The supervisory board of Belarusian Potash Company headed by Vladislav Baumgertner is a supervision body that convenes several times a year. The chairman of the supervisory board has no official powers whatsoever that he might abuse. The real head of the company [BPC] is its CEO, who has always been nominated by the Belarusian side. Several weeks ago, the CEO of BPC was appointed to a top executive position in Belarus, namely, he was made deputy head of the Presidential Executive Office. I believe that this is evidence that the performance of the company and its status are highly appreciated by Belarus's senior leaders*."[16]

August 2013 — In response to the arrest, Russia took retaliatory steps: the Federal Service for Supervision of Consumer Rights Protection and Human Welfare (Rospotrebnadzor) made claims about the quality of Belarusian dairy products, and the oil major Transneft announced plans to slash its crude oil deliveries to Belarus. Deputy Prime Minister of Russia Arkady Dvorkovich said that some aspects of bilateral cooperation should be revised, adding that a probe would be conducted in Belarus's oil products refined from Russian crude that were exported as solvents and diluents.

2 September 2013 — Belarus's Investigative Committee filed a criminal case against the Russian senator Suleiman Kerimov, a billionaire and co-owner of Uralkali, citing abuse of power and official authority. The Investigative Committee issued an ex-parte order for the arrest of Suleiman Kerimov and put the tycoon on a wanted list, including the Interpol wanted list. On the following day, the Belarusian Interior Ministry announced that Interpol also put Kerimov on its wanted list, which was later denied by Interpol. Alexaksandr Lukashenko demanded that the main shareholder of Uralkali be replaced and mentioned the owner of the oil major RussNeft Mikhail Gutseriyev as a possible partner for Belaruskali.

3 September 2013 — Uralkali said in a statement that the prosecution of its employees by the Belarusian authorities was politically charged: "*The actions by the Belarusian side represent an attempt to use the state political and law-enforcement systems to harm OAO Uralkali as the chief competitor of state-owned Belaruskali*."[17]

[14] Decree of the President of the Republic of Belarus No. 566. http://www.pravo.by/main.aspx?guid=3871&p0=P31200566&p1=1

[15] Resolution of the Board of Directors of OAO Uralkali, 30.07.2013, http://www.uralkali.com/ru/press_center/company_news/item300713/

[16] Statement by the Chairman of the Board, 27.08.2013, http://www.uralkali.com/ru/press_center/company_news/item13217/

[17] Statement by OAO Uralkali, 03.09.2013, http://www.uralkali.com/ru/press_center/company_news/item030920131/

5 September 2013 — Presidential Decree No. 399 "Concerning improvements in export of potash fertilizers" was signed to authorize the establishment of a potash trader instead of ZAO Belarusian Potash Company with the same name, but a different ownership form—OAO Belarusian Potash Company [OAO, an open joint-stock company, vs. ZAO, a closed joint-stock company]. The new company is granted the exclusive right to export potash fertilizers. Belarus thus managed to maintain the brand that is known in the global market for potash fertilizers, whereas specialists previously employed by ZAO BPC formed the core of the newly created company. At the same time, a zero-rated export duty on potash fertilizers was applied instead of a duty of 75–85 euros per tonne, depending on the country. The zero-rated duty was cancelled on 1 January 2015, and a 45-euro-per-tonne duty was imposed instead. On the same day, the government of Belarus increased the share of profit that Belaruskali would have to transfer to the state budget on a quarterly basis from 20% to 75%.

19 September 2013 — President Lukashenko issued instructions to inform the London Stock Exchange and Moscow Interbank Currency Exchange of the real situation at Uralkali: "*Both you and I have been wondering why anyone would want to play havoc with a supposedly successful company—Uralkali, as well as some ours)? They have experienced a collapse, too—their shares have fallen, and so have profits. One conclusion that can be drawn here is that there were very serious problems behind the outward successful image… There is information that they owe USD 12 billion, but they only have USD 2 billion at hand… It is up to them whether to check this information or not, but it seems to me that the LSE will be shocked when it sees such a report*."[18] In response to that statement by Lukashenka Uralkali said it regretted "*that the Belarusian administration was making incorrect statements about the Company's current status and its financial reports, which damaged the business reputation of the Company. The financial reports have been audited and verified by a leading global auditor in compliance with all international standards*."[19] Since it was listed at the London Stock Exchange, Uralkali has unfailingly generated substantial profits for its investors. In 2012, the company's EBITDA profitability reached 71%.

18 November 2013 — Kerimov's shareholding in Uralkali (21.75%) was acquired by Mikhail Prokhorov's ONEXIM Group. The amount of transaction is estimated at USD 3.5–4.5 billion. Uralchem purchased a 20% interest in the potash maker, and a 5.34% stake was acquired by organizations close to Prokhorov. CEO of Belaruskali Valery Kirienko said he was unaware of Prokhorov's investment plans and had never met with the tycoon. A spokesman for BPC said that the trader would be "*happy if it [the transaction] contributes to market stabilization and balance*."

22 November 2013 — Baumgertner, who had been under house arrest since early November, was extradited to Russia and put into a pretrial detention centre. The Russian Investigative Committee accused him of power abuse.

December 2013 — A Russian court altered the measure of restraint applied to Baumgertner from imprisonment to house arrest.

23 December 2013 — Dmitry Osipov was appointed CEO of Uralkali. Previously, he served as CEO of Uralchem.

September 2014 — Baumgertner is released on RUB 15 million bail.

20 February 2015 — Belarus' Prosecutor General Aliaksandr Koniuk announced that the criminal case against Baumgertner in Russia had been terminated and added that there were plans to explore, with Russian colleagues, possibilities for compensating damages to Belarus in the wake of the potash dispute. The prosecutor general noted that the termination of the criminal case did not mean that claims for compensation could not be filed against the Russian company. The criminal case against Konstantin Solodovnikov, first deputy director of Belarusian Potash

[18] Vladimir Matveev, "Lukashenka: the LSE will be shocked to have information about what is going on at Uralkali," BelTA, http://news.tut.by/economics/366798.html

[19] Statement by OAO Uralkali, 19.09.2013, http://www.uralkali.com/ru/press_center/company_news/item19092013/.

Company, was also dismissed. The former parties to the criminal cases are entitled to exercise their right to rehabilitation and seek compensation for moral and physical damage in a court of law.

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