

Potash is Key to Avoiding Global Food Crunch, Experts Agree

By Marc Davis, BNW Business News Wire

Global fertilizer use must be ramped-up to avert a permanent food crisis and world instability. This is the stark message that was delivered at the BMO Capital Markets 2009 Agriculture, Protein and Fertilizer Conference in New York last week.

Among the keynote speakers who addressed this urgent economic imperative was Bill Doyle, the CEO of Saskatchewan-based Potash Corp. (TSX: POT) – the world’s largest potash mining company.

Doyle said that the value to mankind of this potassium-rich mineral cannot be overstated. When mixed with phosphate and nitrogen, potash makes it possible for fertilizers to boost crop yields by as much as 60%, he emphasized.

To avoid a looming food crisis, the world can no longer settle for anything less than optimal crop yields via the balanced application of potash-based fertilizers, Doyle insisted.

“Long term demand for fertilizers, especially potash, must increase if farmers are going to produce enough food for the world’s growing population,” he said.

However, the recent economic crisis has prompted farmers the world over to significantly curtail their spending on fertilizers, while also scaling back the planting of arable land, Doyle noted, adding that this could have “dramatic consequences” at least in the near-term.

“This drop in acres planted and fertilizers used could create a major problem for the world food supply as the world’s grain stocks have been near historically low levels for the past several years,” he said.

Furthermore, the under-application of potash-based fertilizers is not merely a reaction to the recession. It has been a pronounced problem for decades in the world’s most populous nations such as China, India and Malaysia, Doyle warned. This is where “yields continue to suffer,” especially as these major importers continue to procrastinate about the inevitability of having to pay higher prices for new potash inventories.

The inauspicious prospect of a drop in global food production in 2009 – the first annual dip in living memory – is a “recipe for trouble,” he said. “It appears very likely that farmers will not be able to keep pace with grain demand in 2009.”

Such an unprecedented turn of events will merely kick-start a return to higher food prices, Doyle warned. And last year’s global food crisis served notice that the world can ill afford another surge in the prices of food staples, especially in poorer nations where there was widespread political unrest, including food riots.

Yet, even though crop prices have since retreated from 2008’s lofty levels due to the crash in commodity prices, they have ominously started to creep higher since the start of 2009. Doyle noted, “You can also see that prices for major crops grown around the world are well above their ten-year averages.”

Another speaker at the conference, Patricio Varas, the president of [Western Potash Corp \(TSX.V: WPX\)](#) – one of only three serious exploration and development hopefuls in Canada – agrees with Doyle’s concerns.

Varas told [BNW Business News Wire](#) that potash-based fertilizer is crucial to realizing meaningful cost containment while boosting crop yields. That is why a widely-expected abatement of the global economic crisis later this year should spur on a replenishment of potash inventories in key markets, Varas added.

In turn, the world must dramatically accelerate fertilizer application to meet the extraordinary challenge of feeding an additional 75-80 million mouths per year, he said. Then there’s also the challenge of serving several billion people in emerging economies who are now demanding feed-intensive animal-protein in their diets.

“We view the need to find and develop the potash mines of tomorrow as a call to action, with the aim of helping to prevent a future a global food crunch,” Varas said.

In recent weeks, various global government organizations, such as the United Nations, have also sounded the alarm bell by issuing grim warnings about the urgent need to exponentially improve year-on-year crop yields.

In fact, the world faces a permanent food crisis and global instability unless countries act now to feed a surging population by doubling agricultural output, a report drafted for ministers of the Group of Eight nations warned earlier this year.

The report, entitled "The Global Challenge: to Reduce Food Emergency", warns that global food production needs to double by 2050 to feed an additional 79 million-plus mouths each year. The G8 also warns of the food production challenges posed by "pronounced climate changes," leading to water shortages, as well as “higher input costs.”

“The issue of price volatility remains a crucial element for the world’s food security,” the report also says. “There is a need for a fast increase of agricultural production in developing countries.”

Although most agricultural commodities prices have fallen by as much as 40-50% since the 2008 price spike that saw them at all-time highs, they are still well above their average yearly levels prior to last year’s food crisis. In fact, some staples have jumped in price since the start of the year.

They include wheat and corn prices, which have risen over 15%, and soybean, which is up over 20%. Additionally, domestic prices in many developing countries remain close to last year’s records and have risen even further in some African countries.

Even international watchdog organizations such as the London-based think tank, Chatham House, are weighing-in on the pending food shortage. In a recent report, Chatham echoed Bill Doyle’s assessment that the recent fall in food prices is only a temporary reprieve and that food prices are set to resume an across-the-board upward trend once the world emerges from the current economic downturn.

Over the medium term, the report states that: “long-term resource scarcity trends, notably climate change, energy security and falling water availability” will put pressure on prices and production, together with “competition for land and higher demand resulting from increasing affluence and a growing population.”