

Feed the dragon, growth's assured



BLOOMBERG

China's growing need for fertiliser is good news for Australian phosphate projects

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IT'S no wonder that Chinese interests are scooping up our farmland, or will be looking to buy our phosphate once mines get into operation here.

China's Ministry of Environmental Protection estimates that about 10 per cent of the country's farmland is polluted by heavy metals, including zinc and lead residues. Meanwhile, the Beijing government's Development Research Centre predicts China could, within as little as five years, become the world's largest importer of agricultural products.

This explains why China is buying our land, most recently the landmark 1011ha Larundel estate near Ballarat and NSW properties close to Yass and Tumbarumba.

But they are going to need a good deal more fertiliser as well, which is good news for the several

Australian phosphate projects in various stages of advancement. And the countries feeding China will also need more fertilisers to lift their crop yields.

Rock phosphate prices were about \$US75 a tonne last year but the Moroccans — the world's biggest exporters — say they were getting \$US197.50 a tonne in September. The price rose 41 per cent between January and July.

Morocco is bringing on new capacity, as is Saudi Arabia.

That would normally mean forecasts of a price retreat, but not this time.

One of the reasons is China.

In a report on China's future food needs, Morgan Stanley notes that China — which consumes 30 per cent of the phosphate produced globally — has been a significant exporter, those shipments tripling between 2008 and 2010. But exports fell by 17 per cent in the first half of 2011 following the imposition of high export duties.

Beijing has used export duties as a weapon to reduce exports of resources it considers strategic to China's needs.

But more and more fertilisers — based on phosphate, urea and potash — will be needed as China consumes more protein.

As Morgan Stanley reports,

demand for meat has risen 15 per cent over the past three years.

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