



Will Nutrien Make a Bid for BHP Billiton Limited's Jansen Potash Mine?

Description

First of all, I'd better clarify who Nutrien is, since it's not technically a publicly listed company on the TSX: Nutrien will become the entity formed by the merging of Canadian potash giants **Potash Corporation of Saskatchewan Inc.** (TSX:POT)(NYSE:POT) and **Agrium Inc.** (TSX:AGU)(NYSE:AGU).

Now that we got that out of the way, let's discuss the merged potash super-giant potentially bidding for the Australia-based **BHP Billiton Limited's** ([NYSE:BHP](#)) potash mine located near Jansen Lake. In recent conference calls, BHP management has made it clear that a sale in whole or in part of its Jansen mine, a mine which has estimated production capacity of eight million tonnes per year, could be in the works should the price be right for the large potash asset.

Estimates are that the Jansen mine could cost up to US\$14 billion to fully build, and while BHP has committed nearly US\$4 billion to the project, question marks about how much capital the mining company will want to spend on this project, as well as how much value could be generated for shareholders by an asset sale, remain considerations for management as the company leaves the door open to negotiations with buyers.

While it is unlikely that either Potash Corp. or Agrium would dare make a deal before the two companies merge, the thought that the potash mega-giant may pursue this mine, located very close to existing mines, makes sense from a supply-management standpoint. Simply put, the combined Potash Corp.–Agrium entity will control a significant percentage of global potash production once the merger closes, but perhaps not enough to really have an effect on global potash prices.

That said, if the company would be able to achieve government approval for the buyout (it is very likely that the Canadian government would at least consider the buyout of an Australian firm by a Canadian company), the mega-mega-mega potash superpower would be able to throw its weight around in the market, thereby potentially impacting long-term potash prices depending on how much production the commodities firm decides to bring into the market from the Jansen mine.

The BHP Jansen mine has remained a thorn in the side of global potash prices for some time, with long-

term investors believing (and rightfully so) that eight million tonnes of extra potash per year would not be good for potash commodity prices over time. While the mine may still be nearly 10 years away from production, it will be interesting to watch what happens with the remaining firms in a quickly consolidating industry.

Stay Foolish, my friends.

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