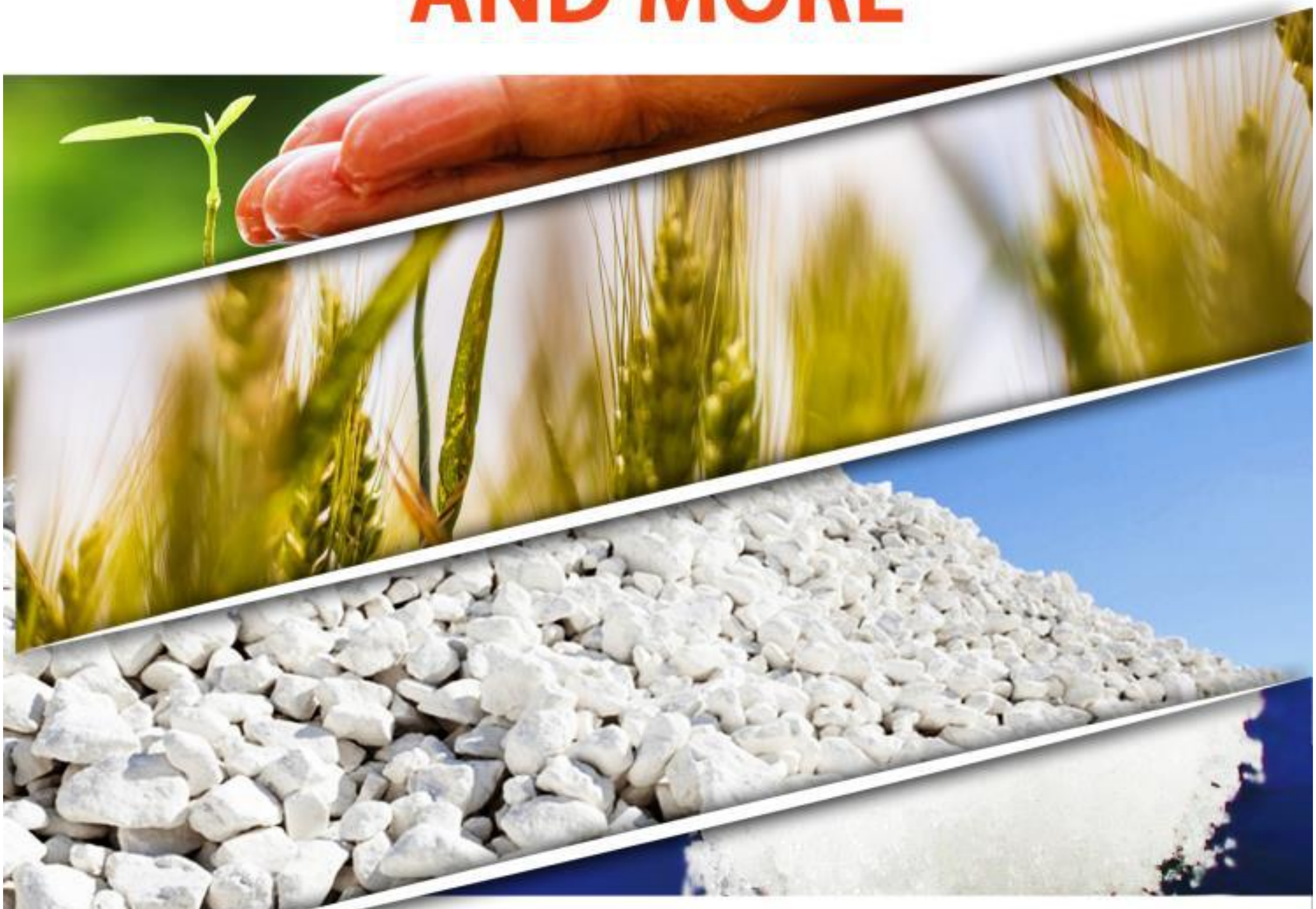
Resource | Investing News

# AGRICULTURE INVESTING IN 2017: MARKET FORECAST FOR PHOSPHATE, POTASH AND MORE



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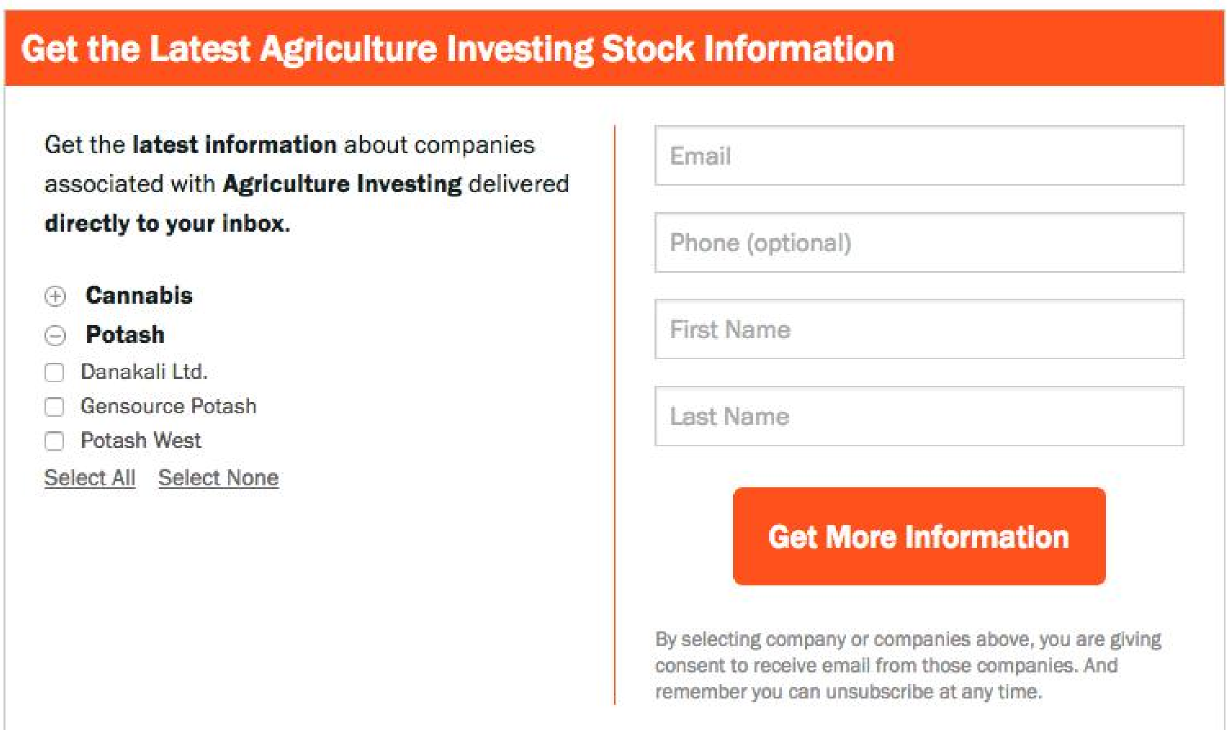


# Cannabis Outlook 2017: Legalization on the Horizon

## The Cannabis industry soared in 2016 in the US and Canada. Here's an outlook for what's in store for the market in 2017.


**It goes without saying that the cannabis industry reached a new high point in 2016. The US voting in favor of legalization (in four states) on November 8, and the Canadian government releasing its task force for recreational use of marijuana on December 13 were certainly two of the year's biggest moments.**

Looking ahead, there is indeed a lot to look forward to in the cannabis sector that goes beyond 2017's expectations. For starters, the cannabis market was expected to jump over $6.7 billion in the US during 2016, and it's only expected to increase from there. By 2020, cannabis sales in the US are expected to grow to $21.8 billion.

The story is similar in Canada: according to the Globe and Mail, there are currently 26 marijuana stocks listed in Canada–which has helped the industry soar from almost nothing a few years ago to $4 billion in 2016. What's more, a report by Forbes.com estimates that the cannabidiol market will grow to $2.1 billion by 2020.

As such, the Investing News Network (INN) had the chance to speak with Alan Brochstein of 420 Investor to get an idea of how the cannabis industry is shaping up in 2017.

### *Cannabis outlook 2017: legalization in Canada*

In Canada, anticipation of the federal government legalizing recreational use of marijuana sometime in the spring of 2017 is no doubt at the forefront of what to look forward to come the new year. As previously mentioned, the Canadian government released its task force laying out the guidelines for its legalization.

When speaking with INN about the guidelines, Brochstein said "it's very obvious" Canada is set to legalize, but that it's still a little unclear about it it looks like, or what the time frame will actually be.

"Any time we get updates like this, I think a lot of people like to spin it positively," he said.

In an interview with the Globe and Mail, Ryan Modesto, managing partner at 5i Research, advised that the recommendations could potentially not be approved.

“While I am sure the government will take them very seriously, it doesn’t necessarily mean they have to listen to anything that’s there,” he told the publication.

Still–some Canadian cannabis companies have given their seal of approval regarding the task force’s guidelines.

Bruce Linton, CEO of Canopy Growth (TSX:CGC), said in a press release that the report is “good news” for Canadians, which provides a “strong policy framework for the government to consider.”

However, Linton expressed concerns that the task force is recommending no separate tax regime for medical and recreational sales.

“A path forward to insurance coverage must also remain a top priority for Canadian policymakers. Cannabis access can only truly be achieved if barriers to affordability are removed,” he said.

Terry Booth, CEO of Aurora Cannabis (TSXV:ACB) expressed similar sentiments regarding the task force in a separate press release. Booth said the company is “very pleased” by many of the recommendations made, which includes maintaining a separate medical access framework for patients.

“We also support the report’s comment with regard to the need for federally supported research into the use of cannabis and cannabinoids for medical purposes, with the explicit aim of facilitating their market authorization as drugs,” he said in the release.

To that end, Cam Battley, executive vice president of Aurora, said in an interview with INN that 2017 is going to be “another enormous year” for the cannabis industry. In addition to his role as executive vice president with Aurora, Battley is a member of the Board of Directors of Cannabis Canada.

“We are working closely with the government to ensure that the legalization of cannabis is done in a careful, appropriate and sustainable manner that protects public health, public safety and is good for consumers and also good from a business perspective,” he said.

### *Cannabis outlook 2017: uncertainty in the US*

Looking at what the market will look like in the US next year, there’s still doubt with respect to what legalization will look like under a Donald Trump presidency.

James Dines, who publishes over at The Dines Letter, said in an interview with INN that the ramifications of Trump’s victory “have not actually been felt.”

"Something big is going to happen," he said. "I think there will be a big shakeup in the American economy, and that of course impacts the world. I think Trump's victory was a seminal event and I think that is going to have ramifications to everybody."

Brochstein, however, said that his "crystal ball" is cloudy due to the absence on the federal policy towards enforcement of the Controlled Substance Act in the US that have legalized cannabis.

"I am optimistic that the medical cannabis market will be just fine, but I am concerned that the federal government could interfere with states with respect to adult use," he said.

And it's easy to see why: Jeff Sessions, the attorney general appointed by Donald Trump has made no secret about his opinions on marijuana. At a Senate hearing in April, as reported by the Washington Post, Sessions said, ""We need grown-ups in charge in Washington saying marijuana is not the kind of thing that ought to be legalized, it ought to be minimized, that it is in fact a very real danger. You can see the accidents, traffic deaths related to marijuana."

According to Haaretz, Sessions has also made the comments that "good people don't smoke marijuana," and that the Ku Klux Klan were "OK until I found out they smoked pot."

That being said, CNBC commented "battling the cannabis industry could be political suicide, given the victories on election day." The publication also notes that Pew Research found that 57 percent of adults in the US are in favor of legalized marijuana.

On that note, republican states such as Florida, Ohio and Pennsylvania all approved cannabis legalization in 2016. CNBC said it seems "unlikely" that Trump would spend "substantial political capital battling the legalization trend."

What this means, is that on a political and economic front, it's suggested that Trump won't increase enforcement or back down on the government's current policy. "Instead, the status quo will likely persist, meaning the growth of the industry should continue," CNBC suggests.

## *Investor takeaway*

In terms of legalization of marijuana in Canada, Brochstein said while it is anticipated for 2017, he suggested sales of marijuana shouldn't be expected until 2018.

"Between now and then, there's not a lot for investors to go on except for what's going on in the medical market, which remains pretty positive," he noted.

In the US, however, he said what will likely set the tone for the market will be the federal policy on CSA enforcement.

"Unless there is some sort of draconian response, I think that the huge momentum from the new States coming on line will lead to bullish sentiment for the industry and perhaps the public stocks," he said.

No matter which way you look at it, there are exciting times ahead of the cannabis industry–in Canada and the US–and investors will be sure to keep their eyes open on the growing industry in the coming year.

# Cannabis Outlook 2017: Companies On a High

## With legalization of marijuana in play, 2017 is poised to be a blooming year for the cannabis industry. Here's what some companies had to say.

**2016 has no doubt been a blossoming year for the cannabis industry, and 2017 is without a doubt going to be another prosperous year for the market.**

For instance, the cannabis industry in the US was expected to inch towards $6.7 billion in the US in 2016, and growing to $21.8 billion by 2020. In Canada, the market was estimated to be valued at $4 billion in 2016–with 26 marijuana stocks listed–a vast increase from where it was not too long ago.

With that in mind, the Investing News Network (INN) had the chance to speak with a number of companies in the space to learn more about what impacted the market in 2016 and to give their cannabis outlook for 2017.

Below, Cam Battley, vice president of Aurora Cannabis (TSXV:ACB) and Sebastian de Kloet, corporate development at Beleave (CNSX:BE) share their thoughts on what impacted the commodity in 2016, and what they're looking forward to in 2017.

***Cannabis overview 2016: regulations and significant change***

Looking back, de Kloet said the federal government–under the newly-elected prime minister, Justin Trudeau–moving towards legalization was on par with what he expected, in particular with the task force regulations coming into play.

"With input from experts in public health, substance abuse, and law enforcement was tasked with designing a new system of strict marijuana sales and distribution," he said.

In terms of what impacted the cannabis sector in 2016, de Kloet commented that "2016 saw the emergence of numerous storefronts selling marijuana," adding that they detracted from the legitimate sale of of product from licensed producers. To that end, de Kloet said the amendment of the Marijuana for Medical Purposes

Regulations (MMPR)–which subsequently became the ACMPR–provided a solution that allowed registered patients to produce a small quantity of marijuana for themselves.

"These new regulations tremendously impact the industry by providing a regulated source of starting material for patients that require better access, as well as establishing an infrastructure where these patients can now obtain regulated and quality-assurance-tested starting material from licensed producers," he said.

On that note, Battley said for Aurora Cannabis, "it's been a transformative year." Early in the year, the company had a market capitalization of $50 million, and has since grown to $750 million. Battley also said Aurora migrated from the CSE to the TSXV.

Aurora first started selling cannabis in January, he said, adding that they now have over 10,000 patients in their financials.

"It's been a year of transformative change," he emphasised. "We have evolved into a leadership position in the sector where we now have the second-highest market capitalization of any cannabis company."

***Cannabis outlook 2017: legalization in play***

Moving into 2017, as mentioned it's poised to be an eventful year for the marijuana sector.

de Kloet expressed similar sentiments, noting that Beleave is of the opinion it will be a "strong market" going into 2017, with new regulations coming into play, with the government working towards regulating the cannabis market.

"The LPs and those hopefuls that are soon to be licensed producers of cannabis under ACMPR stand to grab a major share of the exponentially growing market," he said.

Battley also said that 2017 is "going to be another enormous year," for the cannabis sector as the federal government moves to legalize it.

"That's something we take very seriously and want to ensure it's done right," he noted.

What's more, Battley said he is a member of the Board of Directors of Cannabis Canada, who he says are working closely with the federal government to ensure the legalization of cannabis "is done in a careful, appropriate and sustainable manner that protects public health, public safety and is good for consumers, and also good from a business perspective."

"We're looking forward with great anticipation to 2017, and it should be a significant year in the history of the development of the cannabis sector," he said.

Interestingly, Battley said the world will be watching carefully as Canada becomes the first developed country in the world to legalize cannabis for consumer use, noting that a new industry is being developed in real time.

“We are the pioneers in this space in the world, so it’s even more important that we get it right, and we get it right the first time,” he said.

With legalization coming into play in the spring, investors will surely be watching how the industry unfolds in the early months of the year, and beyond.

# Potash Outlook 2017: Oversupply and Demand

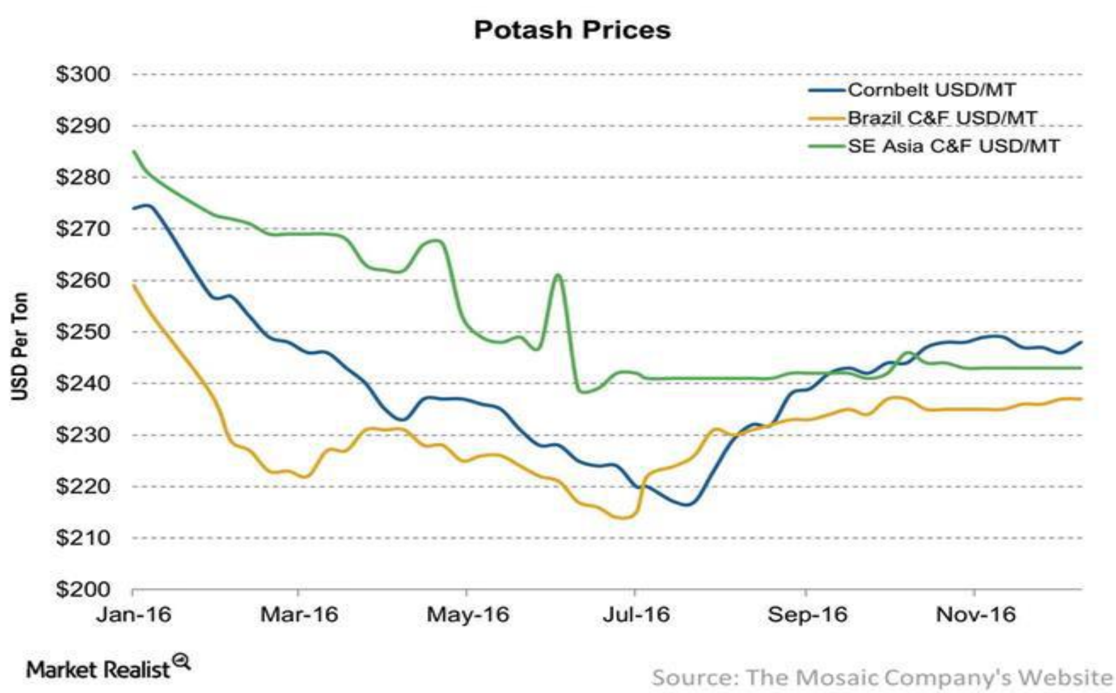
## 2016 saw the closures and layoffs at some notable potash mines. 2017 is poised to look much better for the sector.

**For the potash sector, 2016 has been a bit of a challenging year in terms of price and oversupply.**

Current prices for the fertilizer are sitting at $224 per metric ton in the US Corn Belt, while prices in Brazil are flat at $237 per metric ton, with standard MOP prices at $243 per metric ton.

That said, potash prices across all three have tapered off significantly throughout 2016–although it did find some stability later in the year.

Overall, prices are down approximately 16 percent since last year, but the Economic Calendar suggests "producers are cautiously optimistic" moving into 2017. The chart below is indicative of potash's price movement over the year.



While the end of the year for the potash market looks to be subdued, the Economic Calendar notes that it's not uncommon for the sector. On that note, the Investing News Network (INN) looked into what impacted the sector in 2016, as well as the potash outlook 2017.

### *Potash overview 2016: oversupply and mine shutdowns*

Unfortunately, oversupply has been a common theme in the potash sector in recent years. Since 2013, the fertilizer has been impacted by increasing competition following the breakdown of the partnership between Uralkali and Belarusian Potash Company. As such, global oversupply of the fertilizer continues to hurt the market–and its price–resulting in layoffs and mine closures in the sector.

For example, PotashCorp (TSX:POT)–the world's largest producer of the fertilizer in capacity–announced in November that it would be stopping production for three months at its Cory facility beginning in February 2017, laying off 140 employees. Mark Fracchia, the company's president, said the temporary closure will be done to "optimize production to our lowest cost operations," which includes the Rocanville site.

In the same release, PotashCorp announced that its Lanigan facility will shut down for six weeks beginning in January, while its Allan facility will shut down for 12 weeks starting in February. The announcement came after the company had previously agreed to merge with Agrium (TSX:AGU) to create an integrated global supply of crop inputs.

Back in July, over 300 workers were laid off from Mosaic's (NYSE:MOS) Colonsay, Saskatchewan potash mine, due to "challenging potash market conditions." That said, production is expected to resume in January 2017.

Robin Phinney, president and director of Karnalyte Resources (TSX:KRN) said that with many junior potash companies disappearing, ones that had the money to survive were lucky.

"I was amazed how easy India and China completely destroyed our capital markets for our senior producers of potash," he told INN. "This should be a lesson learned in the future."

However, not all was lost in 2016 for the potash sector, as some companies did see progress.

Mike Ferguson, president and CEO of Gensource Potash (TSXV:GSP), told INN 2016 was a "very big year" for the company. In particular, Ferguson told us that the company acquired a new mineral lease in Saskatchewan and signed an offtake agreement for the full planned production from one of its small scale facilities.

What's more, Gensource entered into a memorandum of understanding with Essel Group Middle East, which Ferguson said will "pave the way to financing the entire construction of the first facility."

### *Potash outlook 2017: growing demand*

Moving into 2017 and beyond, the potash outlook appears to be much of the same in terms of oversupply, and an increase in demand. Kevin Stone, senior advisor with Natural Resources Canada, said at the 2016 Fertilizer Outlook and Technology conference in November that despite overproduction, the industry is "operating as it has for all but one of the last 15 years."

Potash demand is expected to grow 2.3 percent from now until 2020, and could grow as high as 36.5 million metric tons by the same year, Stone said.

On that note, the announcement in December 2016 that Mosaic agreed to purchase Vale SA's (NYSE:VALE) fertilizer assets for $2.5 billion looks to be hopeful for 2017 also. Under the deal, Mosaic will obtain ownership of Vale's potash assets in Brazil, and a potash project proposed in Saskatchewan currently in limbo.

While the deal isn't expected to be completed until later in 2017, potash production in Saskatchewan–notably the world's largest producer of potash–is poised for a liftoff in 2017.

Additionally, Mosaic's K3 potash mine is expected to begin operations, with the capacity of 21 million ore tons by 2024, and K+S Legacy is expected to begin production at its new mine in the second quarter of 2017.

As noted by Ferguson, Gensource will begin construction of what he says is the first modern potash production plant.

While Canada is the leading supplier of potash, Stone said production overseas could increase in 2017 as well, particularly from Russia. Stone explained that Russian potash facilities operate at 90 percent capacity, versus 65 percent in Canada, which is why he said production could increase from 2017-2020.

In China, Stone said production is expected to rise to 11 million metric tons, while domestic demand will increase slightly over the next five years or so.

With production ramping up next year at some key projects, the potash outlook for 2017 is looking more hopeful than 2016. As such, investors will surely be keen on how the projects develop in 2017 and the years following.

# Phosphate Outlook 2017: Demand on the Rise

## For those interested in the phosphate sector, demand for the fertilizer will continue growing over the next couple of years.

**For many commodities, the 2017 outlook is fairly positive; for the phosphate sector, the story is similar–which should no doubt excite those interested in the fertilizer material.**

Since 2012, the phosphate sector has been on a slow–but upward–trend.

Demand for the fertilizer has risen from 40.6 million tons in 2012, and is expected to reach 46.6 million tons in 2018, at a growth rate of 2.2 percent per year, as per the Food and Agriculture Organization (FAO).

### *Phosphate outlook 2017: global supply and demand*

As outlined above, the FAO is projecting demand for phosphate fertilizer consumption to continue growing in the coming years. In particular, out of the 3.9 million tons of phosphate demand that is expected from now until 2018, 58 percent of it is from Asia. 29 percent is projected from the US, nine percent from Europe, 4 percent from Africa, and a small 0.5 percent from Oceania.

In terms of supply, the FAO states phosphate supply is expected to grow to 61.5 million tons by 2018 as well. As such, of the total 5.9 million tons adding to world capacity, 63 percent is from Asia, 24 percent from AFrica, and 16 percent from Latin America, as the largest additions.

The FAO also notes that, according to the IFA, between 2013 and 2018, roughly 7.3 million tons of new capacity for phosphoric acid units are in the works for completion. A large portion of that will be in Morocco–approximately 1.8 million tons–with 1.5 million coming from Saudi Arabia and 1.7 million tons from China.

On that note, the US Geological Survey (USGS) projects global consumption of to increase from 43.7 million tons to 48.1 million tons by 2019.

### *Phosphate outlook 2017: confidence in the fertilizer*

With the global supply and demand for phosphate poised to grow, some acquisitions in the sector could play a big role in the future of phosphate.

For example, Mosaic's (NYSE:MOS) agreement to acquire Vale S.A.'s (NYSE:VALE) fertilizer business for $2.5 –which includes five Brazilian phosphate mines–is a big move in the phosphate industry. Vale's fertilizer arm includes Vale Fertilizantes, which has the capacity to produce up to 4.8 million tons of phosphate per year.

"This deal enhances Mosaic's position as the leading phosphate producer in the world," Mosaic Chief Executive Joc O'Rourke said.

In Europe, Sun Group–one of India's trading and consultancy organizations–has considered setting up a phosphate production plant in Egypt.

The plant would contribute to Egyptian phosphate and "boost local market share of exports to global markets."

The project is expected to begin in the early stages of 2017, which will no doubt boost phosphate supply and demand.

### *Phosphate outlook 2017: demand revival in the US?*

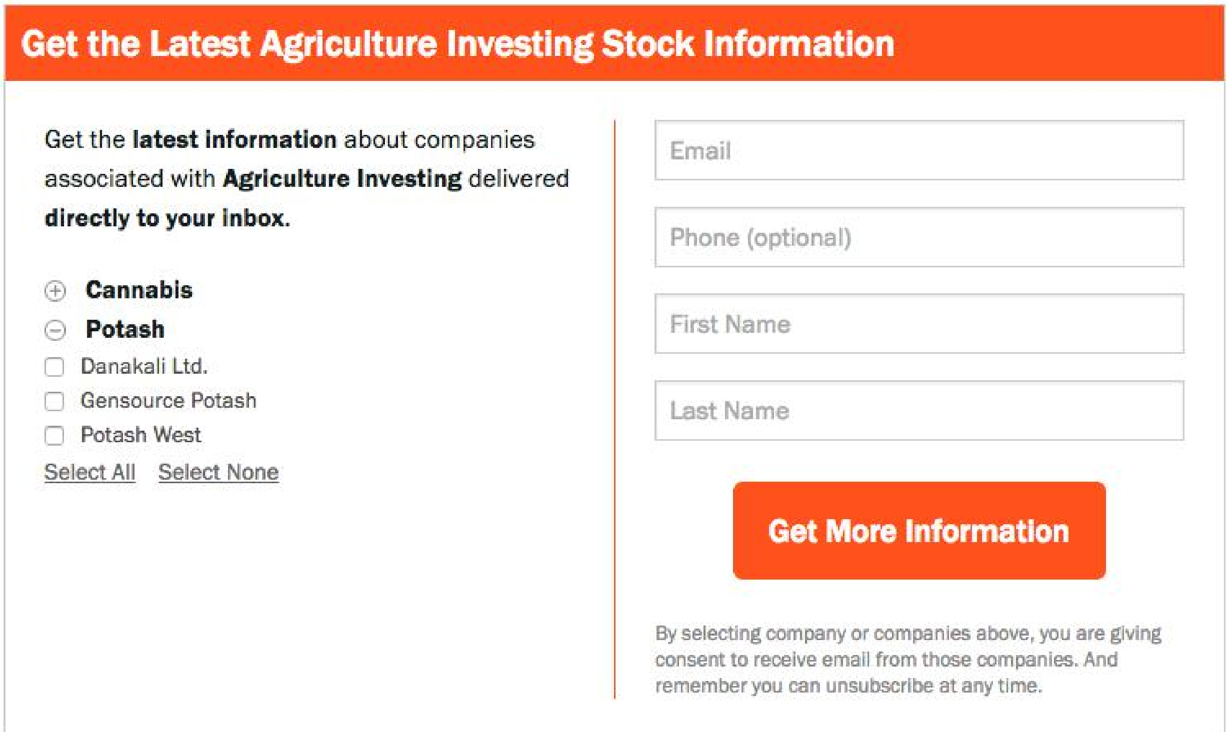
That said, as the leading producer and consumer of phosphate rock–having produced 27,600 tons in 2015–some say US phosphate demand is "set for spring revival."

As per Argus Media, US phosphate demand looks to make a comeback in the coming months due to an increase in exports and "strong fall application period." In terms of domestic phosphate usage, the article suggests 2017 is "slightly mixed" due to an increase in cash farm income, particularly for corn and soybean growers.

US producers could also likely receive price support from international markets early in the year, which would limit US imports.

"The global phosphates market is watching China," the article reads, "where producers are set to consider a proposed curtailment plan that could cut production rates by up to 50 pc because of low prices."

As it can be seen, there is lots to look forward to in the coming years for the phosphate sector, which should bode well for those interested in the fertilizer sector.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