

MIDAS SHARE TIPS: Emmerson is harvesting profit from fertiliser as the world's population booms

By JOANNE HART FOR THE MAIL ON SUNDAY

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The global population is expected to increase from 7.6 billion to almost 9.5 billion in the next 30 years and the United Nations estimates that food production will need to rise by around 70 per cent over that time.

Fertiliser can help to bridge the gap and demand is expected to increase steadily in the coming decades.

Fertiliser production is already a major industry, with around 200 million tons consumed annually.



Growth: Emmerson, a small, Aim-listed firm, is developing a mine in Morocco, less than 40 miles from the coast

Virtually all is made from three basic ingredients, nitrogen, phosphate and potash, a potassium compound.

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Most potash mines are in remote locations, in the wilds of Russia or the Canadian planes, but [Emmerson](#), a small, Aim-listed firm, is developing a mine in Morocco, less than 40 miles from the coast.

Potash is known as a bulk commodity, which means it is heavy, takes up a lot of room and is costly to transport.

That presents huge challenges for companies miles from the nearest port but it provides Emmerson with a significant competitive advantage.

Located in Northern Morocco, the group's potash can be transported cost-effectively to some of the largest markets in the world, particularly Brazil, the southern states of America, South Africa and much of Europe.



Big business: Fertiliser production is already a major industry, with around 200 million tons consumed annually

There is enormous potential in Africa too. The continent has 60 per cent of the world's uncultivated arable land and fertiliser usage has historically been extremely low.

Now, times are changing and demand in Africa is increasing by 30 per cent a year.

Morocco itself presents substantial opportunities for Emmerson, as the country is home to one of the world's largest fertiliser companies, OCP Group. In the past, OCP focused

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on phosphate but it has moved into full fertiliser production in recent years, importing nitrogen and potash.

Sourcing potash from Emmerson would be a logical move, driving down costs and improving security of supply, particularly as the group's Khemisset mine is less than four hours' drive from OCP's main fertiliser production facility.

Emmerson has a long way to go before it starts to make money but progress to date is encouraging.

The company already knows it can produce around 800,000 tons of potash a year and that it will be one of the lowest-cost producers in the world, thanks to the mine's geology and its location.

Production is also likely to increase substantially. The group's total mine area covers a huge expanse of land, more than 450 square miles, but Locke is focusing on a third of that to keep costs down.

Over time, mining activity is likely to expand, increasing production and extending the mine life to several decades.

Locke expects to begin a formal feasibility study in the next few months, in essence working out whether the project makes commercial sense but early signs are encouraging.

It will cost about £300million to take the Emmerson mine into production, which sounds like a lot of money but is relatively cheap compared with most potash projects.

Locke is already in talks with potential funders and interest is growing from deep-pocketed financiers.

OCP would be an obvious source of cash too, as the group would be such a beneficiary from home-produced potash.

Emmerson hopes to start commercial production in 2022 and, once the mine is up and running, it should be immensely profitable, generating at least £100million of cash after tax annually.

Potash prices have been rising in recent years but, even if they fall by 20 per cent or more, Emmerson will still be able to make money, while most of its peers would be struggling.

Locke is also an experienced operator, having brought two mining companies through the development and financing phase in the past decade, one of which was sold for \$570million (£430million) in 2014.

Read more at www.emmersonplc.com