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Belarus' potash industry is going through the mill

Belarus produces 20 per cent of the world's potash fertiliser. The declining export was said to threaten global food security. But did it?

Belarus is one of the main exporters of potassium chloride or potash. In its best years, the country supplied world markets with 10 to 12 million tons of this important agricultural fertiliser, with the geography of its exports encompassing over 100 countries. Over half of all these sales went to Brazil, China, Indonesia and India, but another 15 per cent went to countries of the European Union and the United States. Just 5 per cent of the country's total fertiliser export volume was destined for the former Soviet countries of the Commonwealth of Independent States (CIS).

Since the Belarusian potash industry is entirely state-controlled, the main strategic producer of potassium chloride – 'Belaruskali OAO' – served as a significant source of tax revenue and foreign exchange inflows for the country. A year before the start of the pandemic, for example, sales of potash fertilisers earned the Republic of Belarus $ 2.8 bn, which corresponded to over 4 per cent of the country's GDP and 7 per cent of its total export revenues.

Belarus is landlocked, making it heavily dependent on the transport infrastructures of other countries to export its potash to distant markets. Lithuania played a strategic role in the supply chain, with the seaport in Klaipeda on the Baltic Sea handling around 90 per cent of Belarusian potash.

Consequences of the war

This situation changed with the introduction of sanctions by the US in August 2021 in response to the brutal crackdown on the peaceful protests, which had been sparked by Belarusian citizens' rejection of the rigged presidential elections. The restrictions imposed by the US included a ban on concluding new contracts with Belarusian producers and exporters of potash fertiliser with the caveat that existing contracts

could be fulfilled. The US decided not to apply secondary sanctions.

Actually, it was Lithuania's decision that caused the greatest economic damage to Belarusian potash companies. As of 1 February 2022, the country banned potash transit through its territory and seaports, thus depriving Belarus of its only supply route. Just over a month later, in March 2022, in response to Belarusian involvement in the military conflict in Ukraine, the European Union imposed a complete ban on the import of potassium fertilisers from Belarus. In June of the same year, the assets of Belaruskali and its export company 'Belarusian Potash Company' were frozen. As a result, in 2022, shipments of Belarusian potassium decreased almost fourfold to just 3 million tons. This collapse in exports also led to a production slowdown.

In an attempt to withstand the sanctions, Belarus took a series of tentative steps to identify alternative transit routes – but to no avail. Current exports of Belarusian potassium, although higher than in 2022, will at best only reach 70 per cent of their pre-sanctions level.

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But since Lithuanian Railways is an owner of a 30 per cent stake in the Klaipeda cargo terminal and responsible for a significant part of the profit, Belaruskali was in no hurry to diversify its logistics routes. The Belarusian authorities may have doubted to the last moment Lithuania's political determination to limit access to such an important maritime route.

Having become an easy target for sanctions, Belarus attempted to take countermeasures: the Belarusian government, for instance, even considered constructing a seaport in Russia. The proposal made it into the newspapers, but no immediate steps were ever taken. Other ideas included a river terminal in Ukraine to export potash from there, but the war put a stop to these plans too. Moreover, the loss of Ukraine as a consumer of potash, on the one hand, and a provider of logistics, on the other, meant that in 2022, the situation deteriorated even further.

Today, a sizeable share of Belarusian potash fertiliser is exported to China by rail through Russia. In addition to this, the country is trying to incorporate Russian seaports into its supply chains. It is important to point out here that the Russian Federation is also one of the world leaders in potash exports and as such sees Belarus as a competitor, which obviously makes it less interested in providing its neighbour with any effective support. Having acquired a *de facto* monopoly over the transit of Belarusian potash, Russia is in a position to set higher transport tariffs,

which has a negative impact on Belaruskali's profits.

Moreover, the railways leading to China and even those leading to the Russian seaports are considerably longer and more expensive than the route via Klaipeda. This, in turn, affects transit costs.

Impact on world food security

Belarus produces around 20 per cent of the world's potash fertiliser. The declining share of Belarusian potassium exports has therefore raised serious concerns about world food security. Secretary-General of the United Nations António Guterres has thus called for the restrictions on Belarusian potash to be lifted, citing the risk of a potential food crisis.

Today, statements like this are actively used by Belarus and Russia for their lobbying and propaganda campaigns. However, it now seems likely that the catastrophic predictions are not going to take hold. The available data shows that after a sharp spike in prices caused by the introduction of sanctions and the war in Ukraine, the global market has stabilised again. The sanctions facilitated the restructuring of major suppliers of potash fertilisers. For example, the missing share of Belarusian potassium is now partly offset by increased fertiliser exports from Canada and the development of new African deposits. The cost of potash fertiliser is now very slightly higher than in 2019, but there are no signs of shortages of this product on the world market.

It is now clear that the sanctions introduced in response to the mass repressions in Belarus, the violations of international norms and the country's involvement in Russia's war against Belarus were a blow not only to the potash industry itself but also to the Belarusian regime. As world prices for potassium fertilisers stabilise, sanctions on the Belarusian industry remain an important instrument of pressure in the arsenal at the disposal of the international community.



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