What`s Driving Demand For Phosphate Globally?

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The World Of Phosphate

Phosphate is growing as a commodity because of its use in batteries and fertilizer. The phosphate market is expected to witness a compound annual growth rate of 5% between 2022 and 2028 primarily because of these two industries.

Electric vehicles (EVs) have long banked on lithium-ion batteries composed of nickel, cobalt and manganese, but in recent years, North American and European carmakers are following China's lead and developing lithium iron phosphate (LFP) batteries. LFP batteries are safer, cost less than alternatives and last longer. Phosphate is a better alternative to nickel and cobalt needed for lithium-ion batteries, and as EVs evolve, phosphate demand is projected to grow.

Also pushing LFP growth is its use in energy storage. Within the next five years, LFP use in energy storage will outpace its use in EVs resulting in further demand growth for phosphate.

Phosphate is also an essential component of fertilizers and is used in various food and industrial products. Commercial fertilizers are composed of nitrogen, phosphate and potassium (NPK) - the Big 3 - which play a key role in plant nutrition.

The global population is expected to exceed 9 billion by 2050 so fertilizer will be increasingly needed to boost crop production. As the agriculture sector increases globally to meet demand, the need for phosphate will also increase.

Why Phosphate Could Remain A Major Player

Despite LFPs becoming the leading battery chemistry for EVs, EV technology is developing rapidly, and there is always the chance that predictions can be wrong and other chemistries like sodium-ion surpass LFPs. But fertilizers are a much more stable industry and the Big 3 components of fertilizers are far less likely to change.

This is important to recognize because fertilizer production accounts for 85% of phosphate use. Phosphate is a commodity that is projected to grow in demand regardless of the EV market. The phosphate demand curve would look different without batteries, but fertilizers use most phosphate anyway. The reality is phosphate isn't going anywhere soon.

European and North American companies primarily rely on North African, Middle Eastern, Russian and Chinese suppliers. The West is waking up to the reality that its phosphate supply is dependent on regions that are geopolitically unstable or that it has rocky relationships with.

For example, the Russia-Ukraine war has caused major disruptions in the agricultural industry - specifically, fertilizer production. Russia and Ukraine account for a substantial portion of the global fertilizer trade. Russia produces 9% of the world's nitrogen fertilizer, 10% of phosphate fertilizer and 20% of potash fertilizer. The war has disrupted exports and increased the price of fertilizer and agricultural commodities related to fertilizer such as phosphate.

China announced in July that it would extend its export restrictions on phosphate fertilizer through the end of 2022.

In September, the U.S. Department of Agriculture announced it will invest $500 million to increase domestic fertilizer production - double the amount of its previous commitment to curb reliance on Russian and Chinese fertilizer. It is increasingly clear that it would be advantageous to have a significant phosphate supplier in a country with stronger and more stable ties to the West.

Companies like Arianne Phosphate Inc. (TSX-V: DAN) (OTCMKTS: DRRSF), a promising phosphate mining company, are among the few in North America that can respond to the growing demand for phosphate. The company's Lac à Paul project in Quebec, Canada, is a response to a growing global demand for phosphate for fertilizer, which is increasing 2% to 3% each year.

European and North American markets might be more inclined to rely on a Canada-based mining company than a Russia- or China-based company.

Arianne Phosphate Inc. (www.arianne-inc.com) owns the Lac à Paul phosphate deposit in Quebec, Canada. Fully permitted and shovel ready, the asset is among the world's largest greenfield deposits, capable of producing an environmentally friendly phosphate concentrate. Due to the nature of its high-purity, low-contaminant product, Arianne's phosphate can be used to produce fertilizer as well as meeting the technical requirements of specialty applications such as the lithium-iron-phosphate (LFP) battery. The Lac à Paul deposit is rare due to its geographic location and geological structure. Arianne Phosphate is listed on both the TSX-V: DAN and the OTCQX: DRRSF.

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