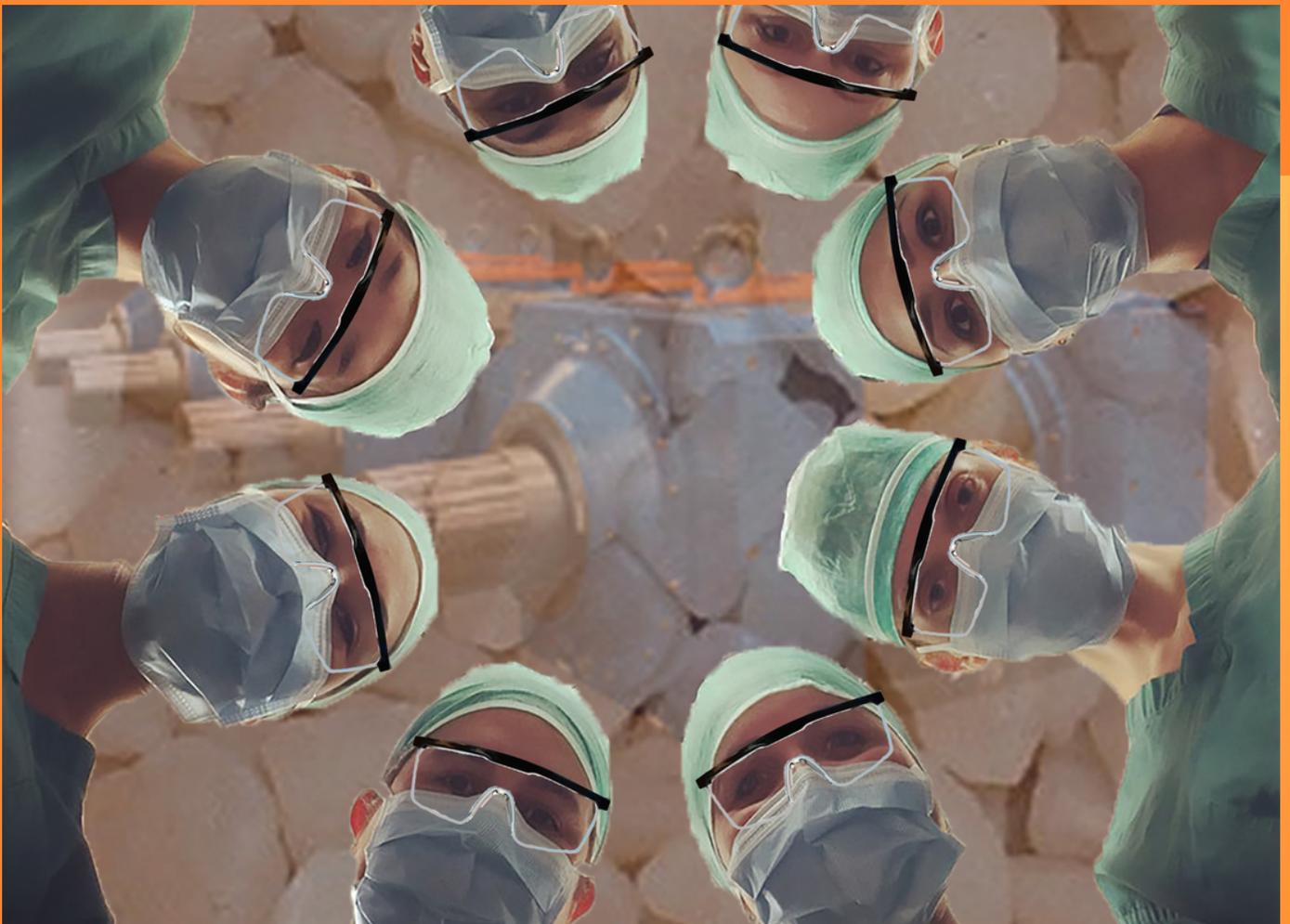




DECEMBER 2021

# Assessing the Health

of the Potash Industry Supply Chain



Presented By  
MATTHEW LENAHAN





Amid systemic global disruption, the way of doing business changes immediately and new trends rapidly follow. Decisions intended to limit coronavirus, mounting labor and material costs, and shortages introduce unique challenges in which companies encounter longer lead times, price increases, parts and material shortages, higher logistics expenses and delays, travel restrictions, as well as less workers occupying critical production roles. Comparatively, many companies closed some operations temporarily or adopted work-from-home policies, either out of necessity to heed government laws or guidelines, or out of concern for their employees' health. Fortunately, companies adapt to burgeoning tools, like shared video technology, in order to remotely accomplish critical jobs.

The potash industry appears a microcosm of worldwide supply challenges. It heavily relies upon global commerce to thrive. A close-knit industry, catalyzed by high capital budgets and noteworthy technical expertise, leads to further supply chain strain. Producers occupy areas with high concentrations of mineral reserves, while a few global suppliers, scattered throughout, support them.

This dynamic illuminates areas of strength and weakness in each company and the entire supply chain. The once-relied-upon *modus operandi* of doing business requires fine-tuning. A strong company maintains a pulse on its supply chain and customers, demonstrating resiliency and continuing to provide value. This foresight entails a complete focus on source to sale, identifying challenges that may impact a customer.

For example, lead times recently extend from twenty-some weeks to upper-thirty-week lead times for existing critical parts orders, in addition to surcharges imposed from volatile material prices. Price increases are unavoidable, as well as material delays; however, proactive decision-making softens these issues over time. Many producers resolve to buy volumes of materials, such as oil or other high-wear items.

The key to overcome supply challenges is partnership with trusted OEM businesses,

which provide quality and clear communication. Local third-party job shops try to undercut prices to gain business, but do not carry OEM warranty and quality. Although job shops seem closer, global material shortages impact them more. OEMs have long-standing, stable relationships with suppliers, leading to better solutions, such as expediting, in times of need.

Difficulties spurred by the recent supply crunch impacts equipment and component providers, scrambling to find enough parts or materials to fulfill orders, lacking skilled workers to build or assemble these parts or machines, or delays in shipping parts or at triple the cost. Conversely, potash producers often lack experienced workers or spare parts to handle critical maintenance. Some parts, once readily available, now require eight to ten weeks of lead time, often at double or triple the price. Managing spare parts inventory is critical to avoid unplanned downtime.

Industry leaders realize the best plan to address these challenges is to get a little closer to each other with old-fashioned teamwork. Likewise, communicating concerns ahead of time, transparency, strategic planning, creative offerings, such as bulk discounted orders, and integrating tools lessen impact of supply concerns. OEM partnerships provide an essential remedy to pre-eminent supply challenges.