

# What's Ahead for Fertilizer Pricing & Supply?

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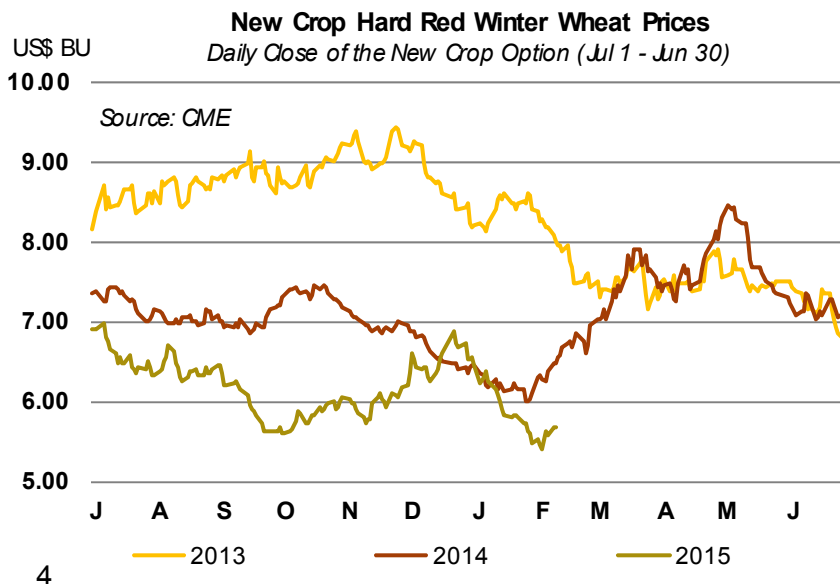
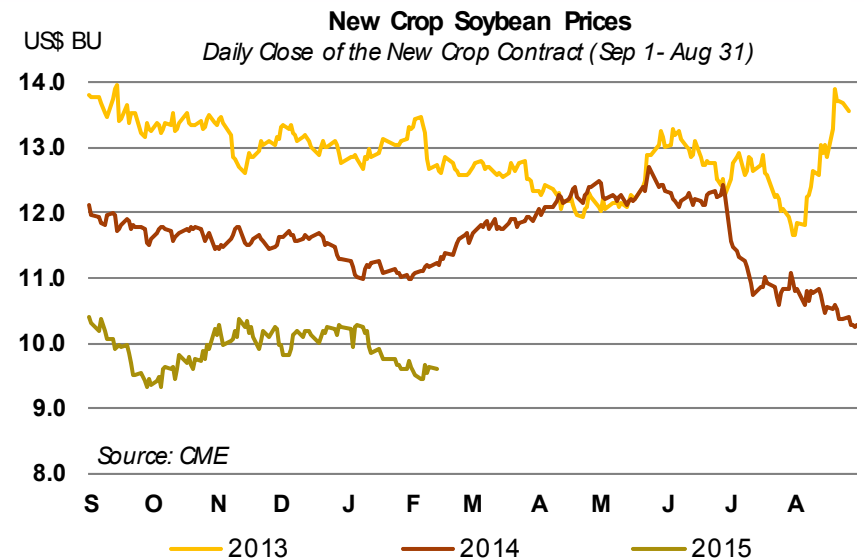
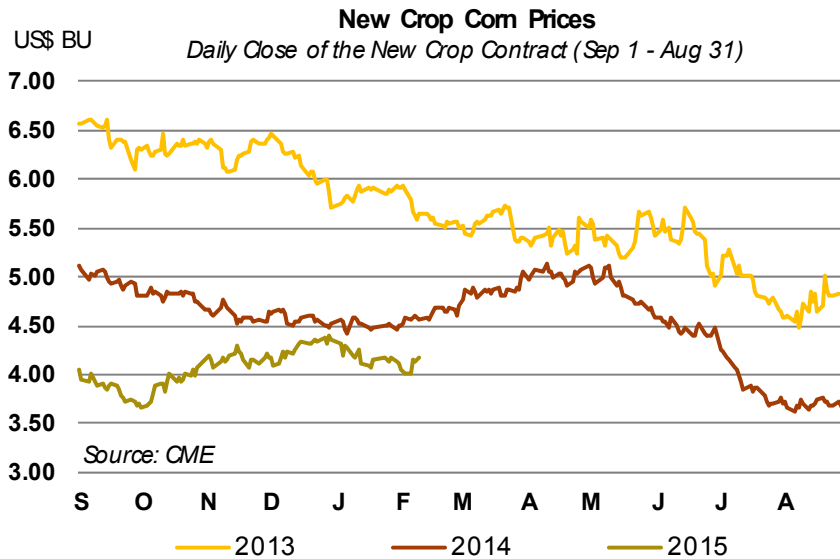
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The background is a solid teal color with subtle, wavy, lighter teal patterns that create a sense of depth and movement. The text is centered and rendered in a clean, white, sans-serif font.

# Setting the Stage: Agricultural Commodity Outlook

# Crop prices trending lower following the harvest rally



## ■ 2015 new crop corn

- Still trading in the \$4.00-\$4.20 channel but concerns about demand prospects mainly due to the strong dollar

## ■ 2015 new crop soybeans

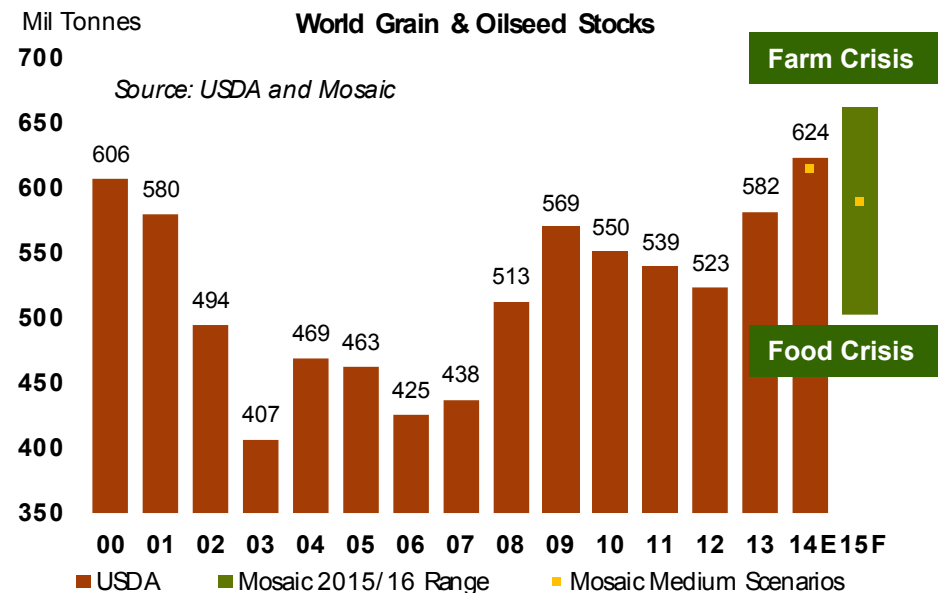
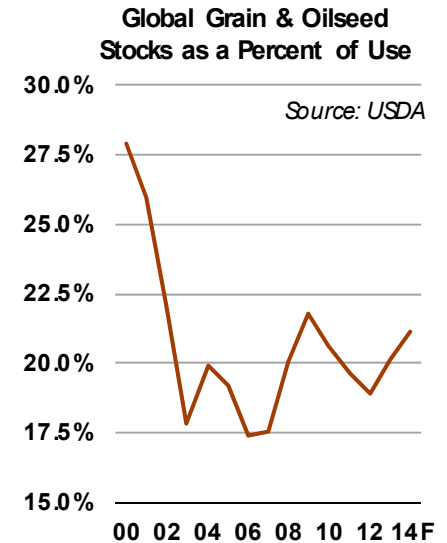
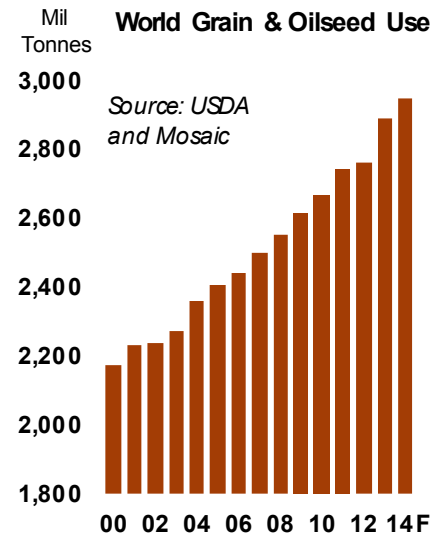
- Outstanding demand so far but worries about a record South American crop and a strong dollar

## ■ 2015 new crop wheat

- Strong rally driven by fears of Russian export restrictions and cold temps earlier this winter in the U.S.
- However, the strong dollar and improved weather have the bears besting the bulls since late last year

# The demand-pull story

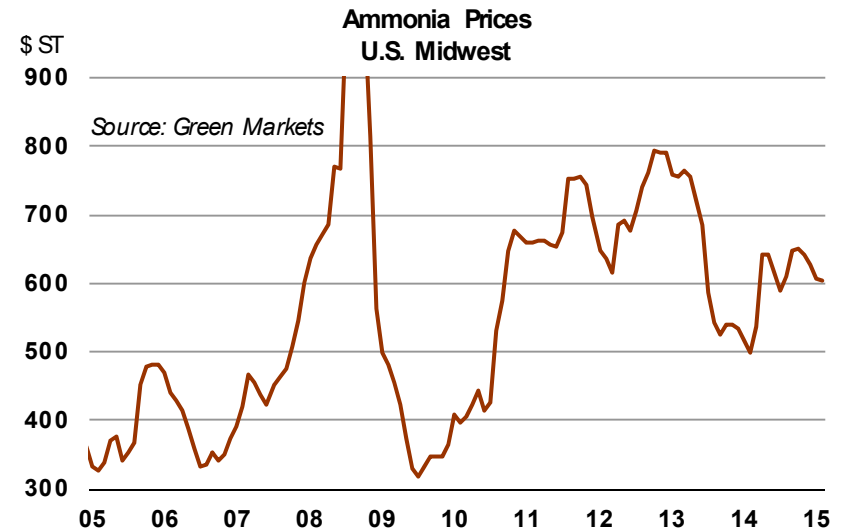
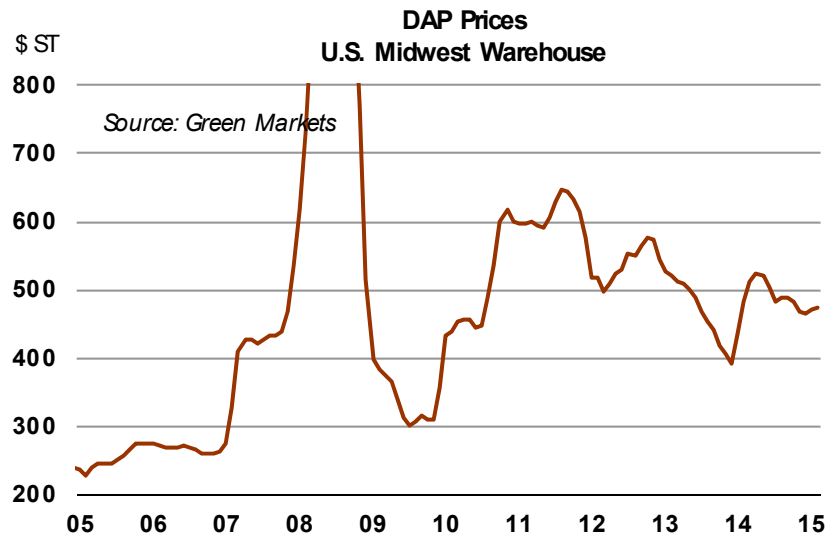
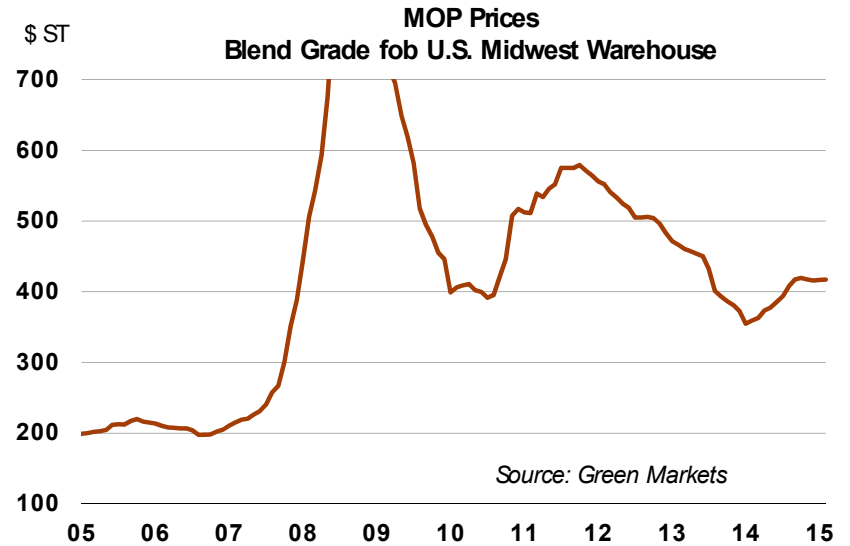
- Record demand keeping stocks as a % of use low
- Profitable livestock economics and strong feed demand
- U.S. exports, especially soybean sales, off to a fast start
- Don't worry about biofuels just yet
  - U.S. refining and distribution system calibrated to E10
  - U.S. RFS under pressure but likely will stay in place
- Long-term food story still intact
  
- **Wide range of potential outcomes in '15/16**
  - Trend use + trend yield = stock drawdown



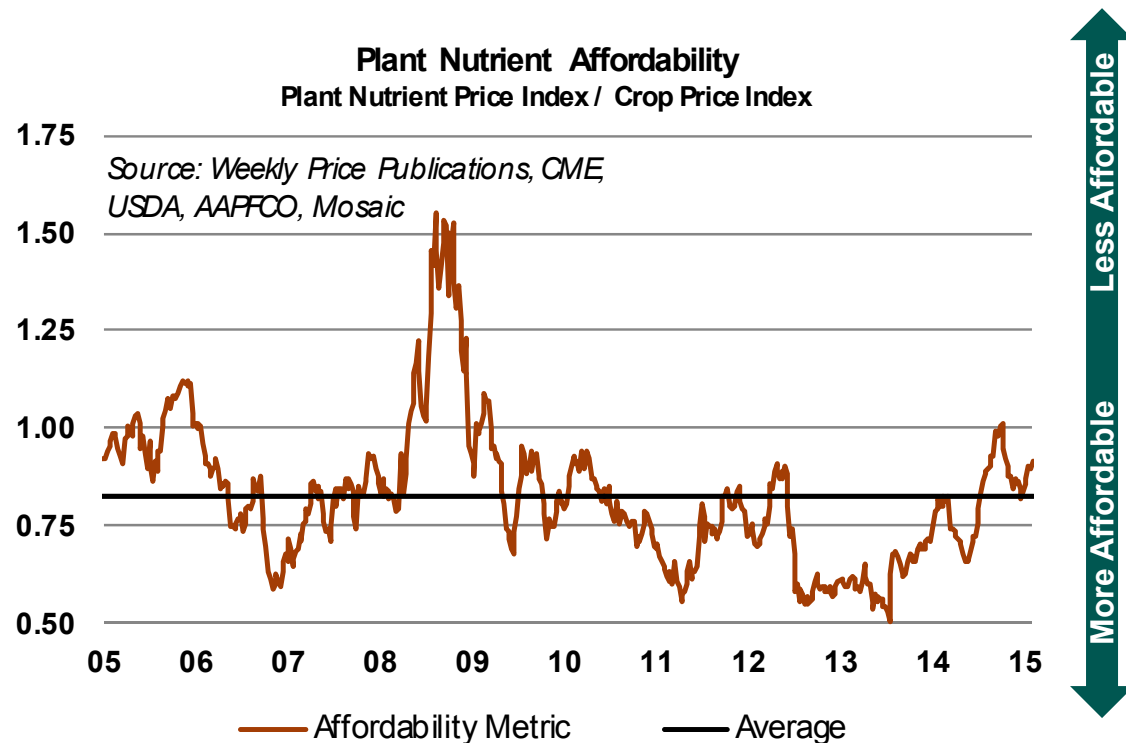
# P&K prices steady to firming in late 2014 and Q1

## Price drivers today

- Continued positive demand outlook
  - Banking on a rebound in India
- A few supply changes and uncertainties
  - Closure of MissPhos facility
  - Flooding of Solikamsk-2 potash mine
  - Record China nitrogen and phosphate exports
- Volatile phosphate raw material costs
  - Ammonia prices moving lower for now
  - Sulphur prices remain stubbornly high



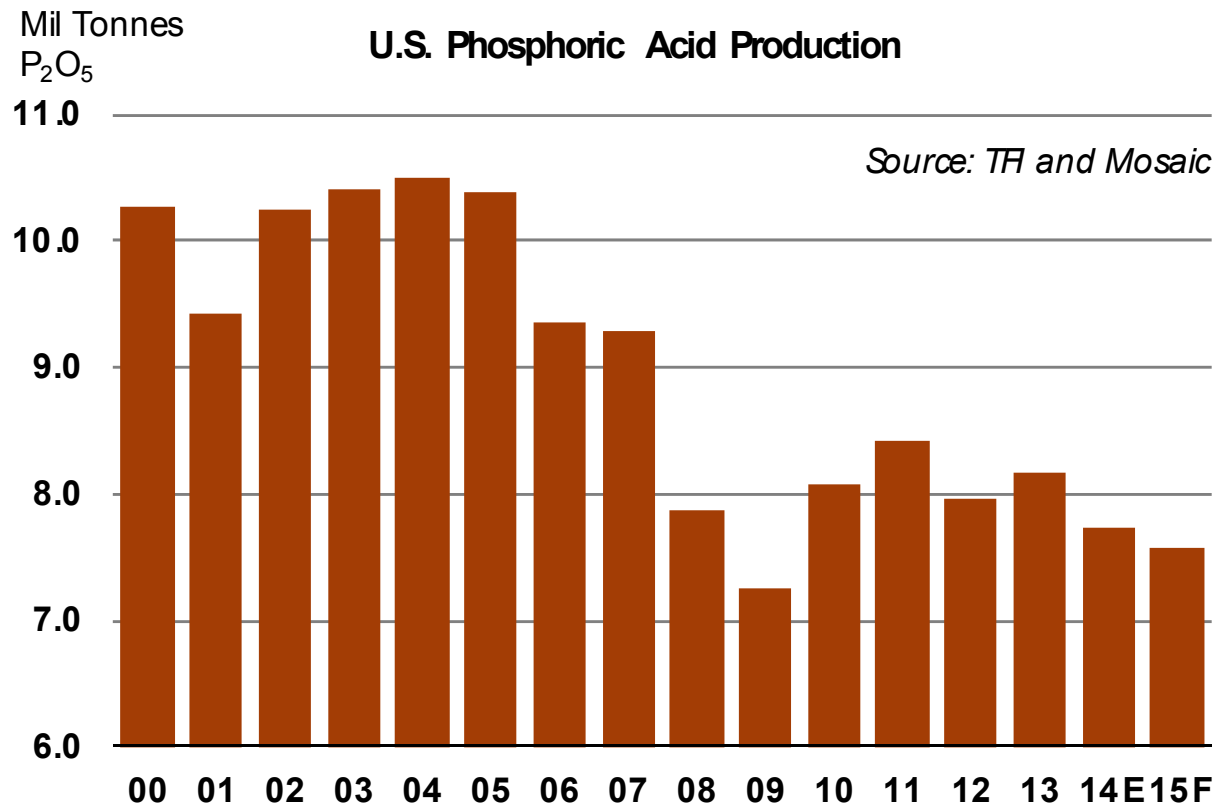
But plant nutrients remain affordable, especially since the harvest rally in key crop prices



# The Phosphate Outlook



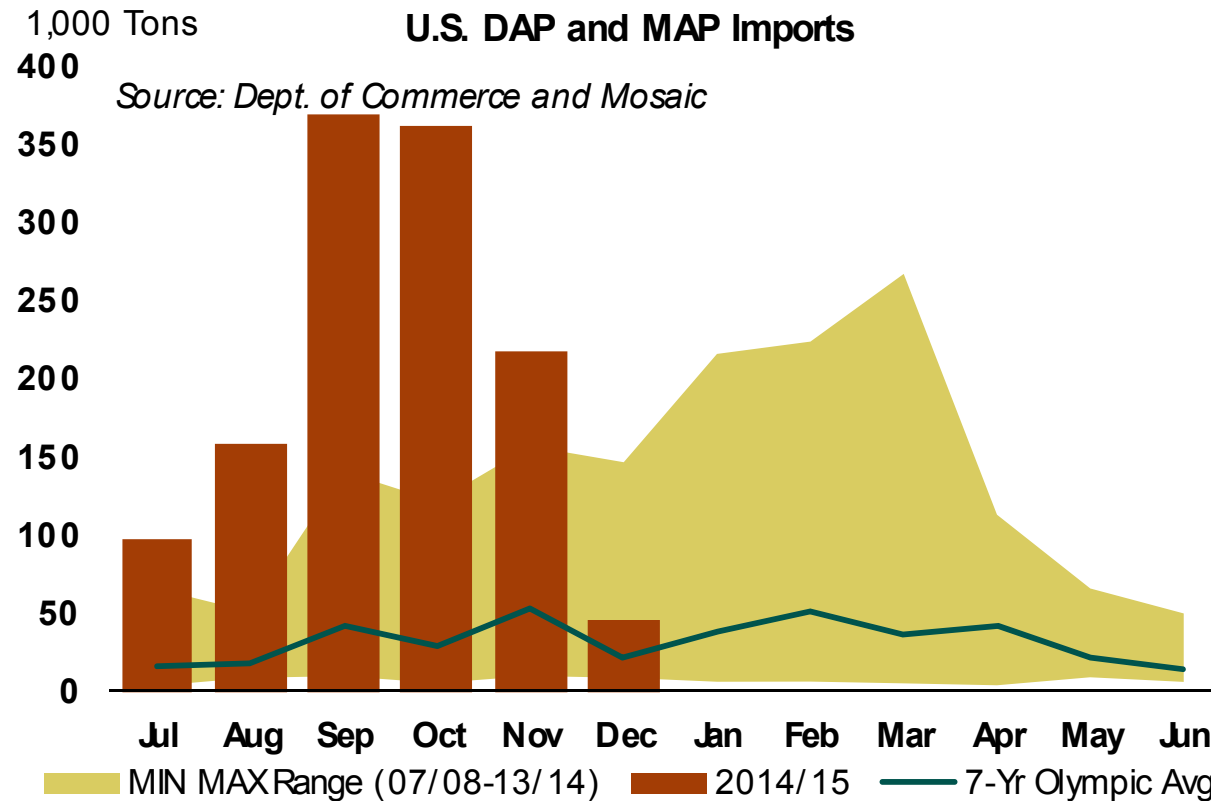
# In North America: consolidation, supply changes tightening the market...



- More than 1.0 million tonnes of U.S. finished phosphate capacity either closed permanently or shut down in 2014:
  - PotashCorp closed permanently its Suwannee River complex at mid-year (equivalent of 415,000 tonnes MAP)
  - MissPhos in bankruptcy and ceased production in December (~600,000 tonnes annual DAP/MAP production)



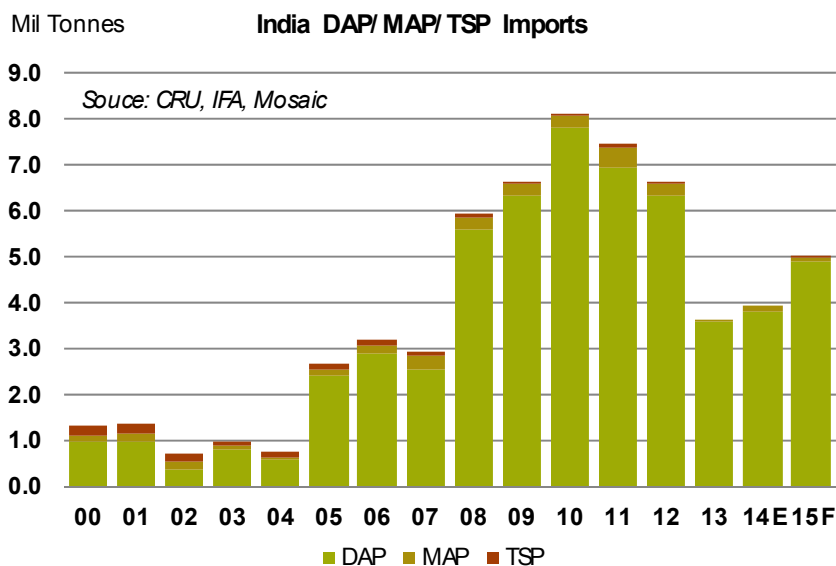
## ...leading to greater imports



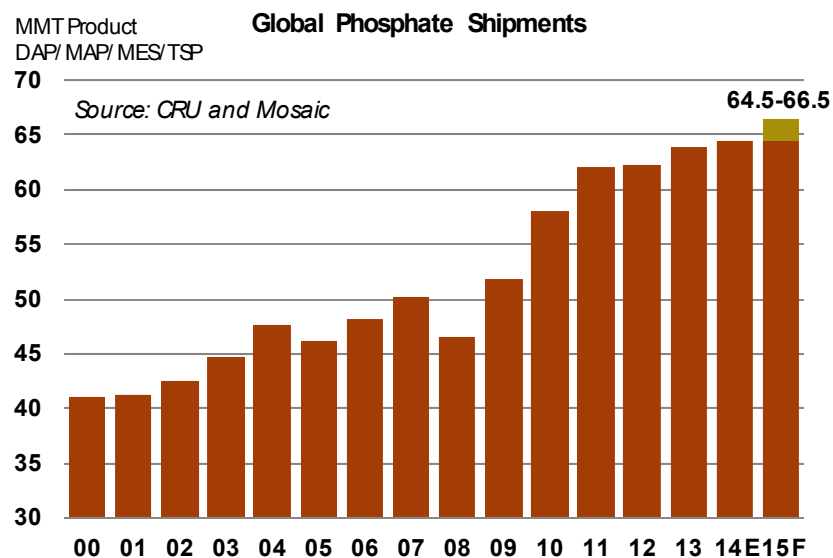
- Offsetting lower U.S. output, imports through 1H of the fertilizer year have been record-setting  
 - Jul-Dec DAP/MAP imports of 1.25 million tonnes more than triple the same period last year
- **Higher import requirements mean international events have an even greater impact on the U.S. market**



# The big swing factors in the global market: India's import appetite and China export volumes



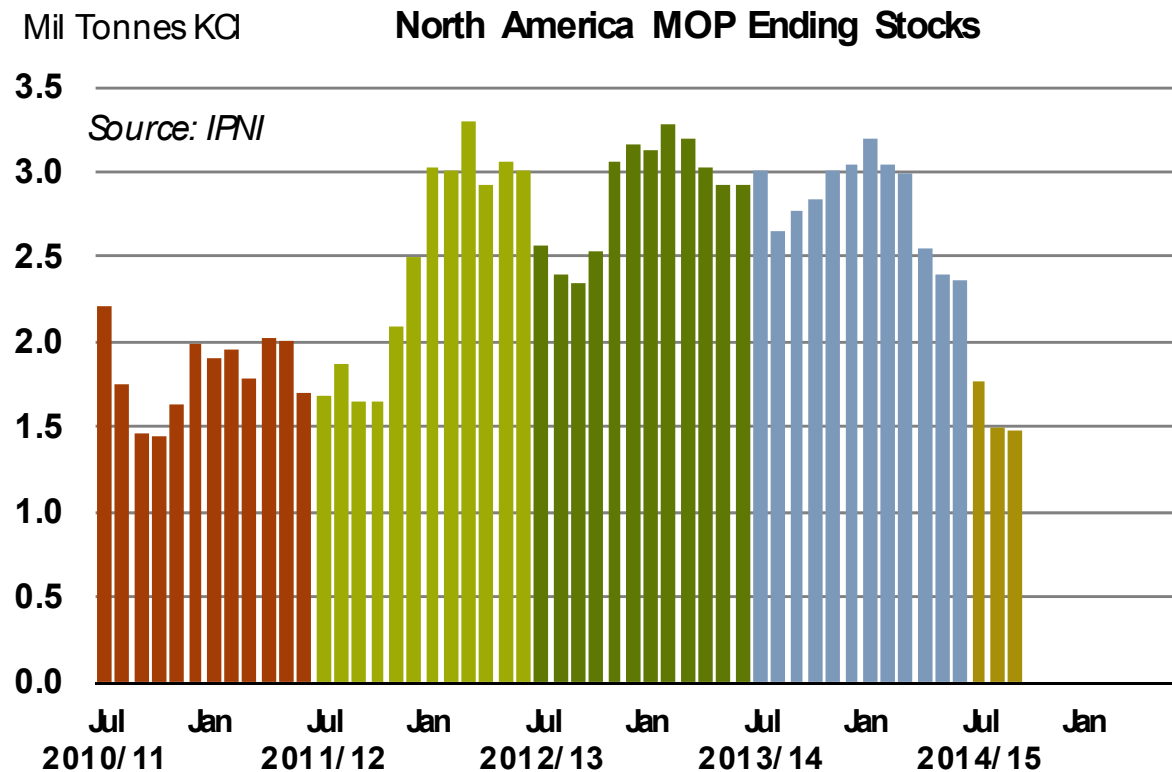
- India expected to account for two-thirds of the projected increase in global shipments this year
  - Farm economics remain profitable; the distribution channel looks bone dry; windfall from lower oil prices
- China exported record phosphate in 2014. Will it continue with a new flat rate tax?
- After record Brazilian imports in 2014, this year also looks constructive
  - Though shipments look to taper on lower crop prices



- First-half 2015 North American demand prospects look solid
  - OK farm economics and ongoing concern about transportation delays
  - Second-half demand will hinge on the size of the 2015 harvest and the level of crop prices
  - Mostly steady application rates (i.e. no large drop off)
- **Global shipments are forecast to post another gain in 2015**
  - Shipments are projected to climb to a spot estimate of 65.6 million tonnes this year from 64.4 in 2014

# The Potash Outlook

# To meet record global demand, producer cupboards were pulled low (if not bare) in North America



## ▪ Record shattering global shipments in 2014

- Moderate prices, profitable farm economics, better nutrient balance

## ▪ In North America, producers relied on large inventories to meet the 2014 surge in demand

– North American demand last year was the highest since 2007

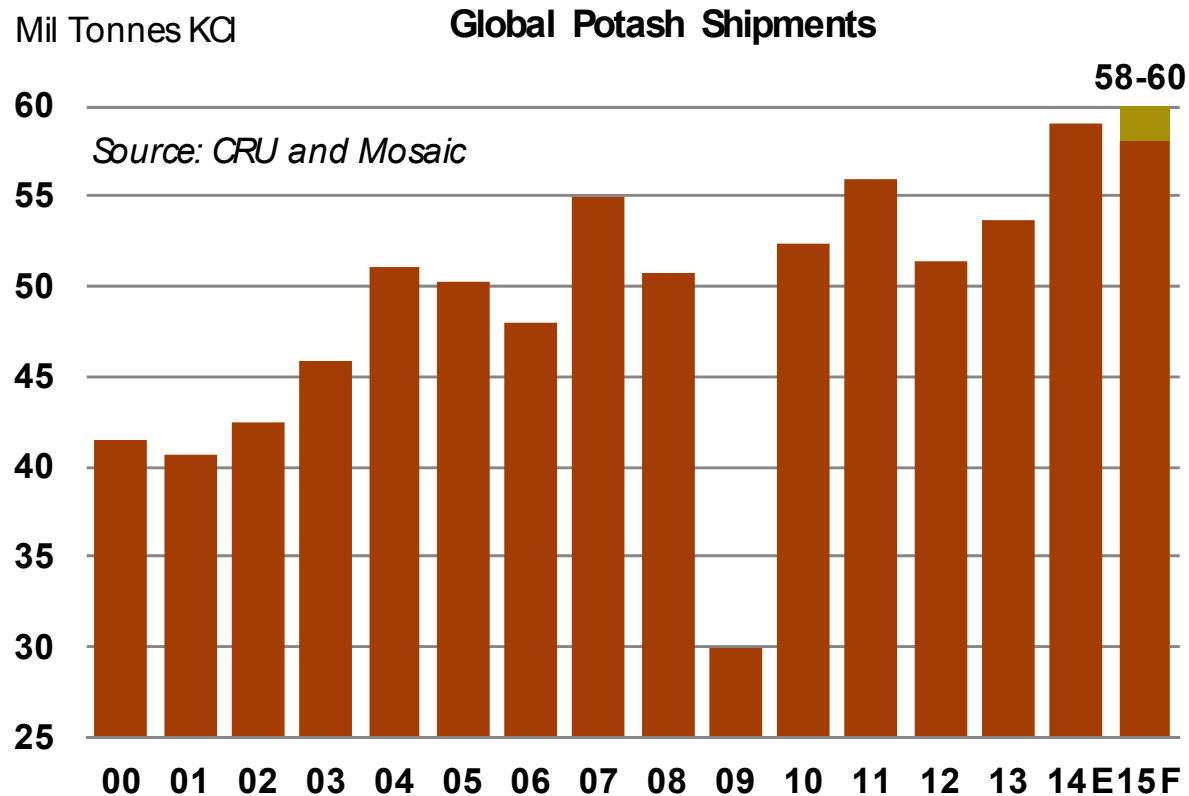
– When combined with lower output, producer inventories plunged 1.7 million tonnes between Jan 31 and Sep 30

## Russia / Belarus production jumped in 2014, but unlikely to be repeated in 2015



- FSU producers ratcheted up production by 5 million tonnes (from 17 to 22 million) to meet the surge in demand last year
- The production gains were aided by devaluing currencies
  - Russian granular MOP export prices (in local currency) have more than doubled in the past 6 months
- FSU production uncertainties this year
  - Potential loss of Uralkali's Solikamsk 2 mine (~2.5 million tonnes or 3% of global capacity)
  - Mines likely in need of maintenance turnarounds after record output in 2014

# Global shipments to stay elevated in 2015



### ▪ Broadly flat global shipments in 2015

- Flat to small declines in the Americas and China will be offset by further gains in Indonesia, Malaysia and India
- **First-half demand** prospects look solid: Underpinned by the harvest rally for key crop prices
- But **second-half demand** will hinge on the size of the 2015 harvest and the level of 2016 crop prices

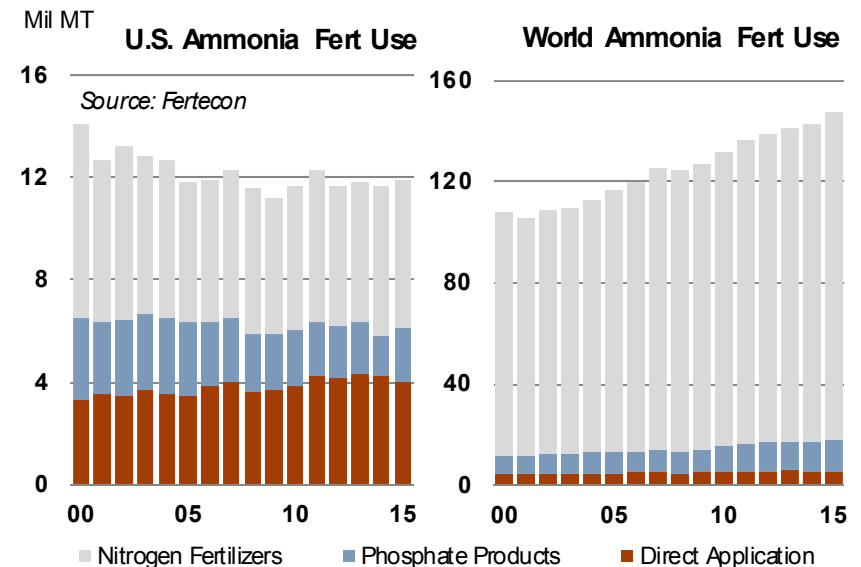
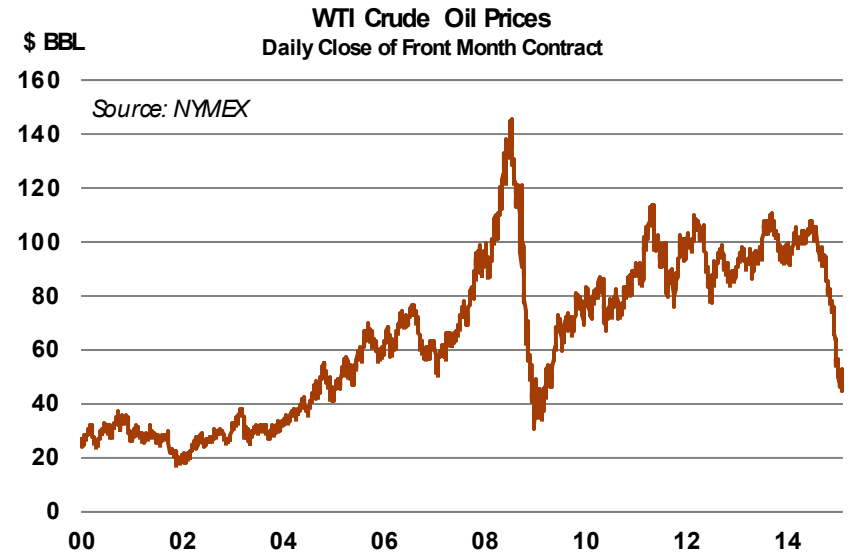


# The Nitrogen Outlook



# Lower oil prices impact energy intensive nitrogen

- A collapse in oil prices continues to exert pressure on ammonia pricing, after closing 2014 on a bearish note
  - Poor North American fall application season
  - Lower North American natural gas prices
  - Some European natural gas prices tied to oil prices
  - Additional supply availability out of the Black Sea and Middle East
  - Rare exports out of the U.S. highlight recent (but likely short-lived) glut of domestic supply
  
- The key drivers in 2015:
  - Fewer production disruptions this year
  - Increased spot availability out of the U.S. Gulf and Caribbean
  - But sanctions still in place on some Russian exports, and Ukrainian production remains a wildcard
  - Can record urea exports from China continue?



# Summary

# Nice charts, but what are the takeaways for 2015?

## ■ Global markets

- U.S. represents ~10% of global fertilizer demand
- Corn and soybeans account for just 20% of fertilizer consumption
- Events half a world away (Russian sinkholes, Moroccan ocean swells) can cause a price run-up or collapse

## ■ Logistics in better shape this year

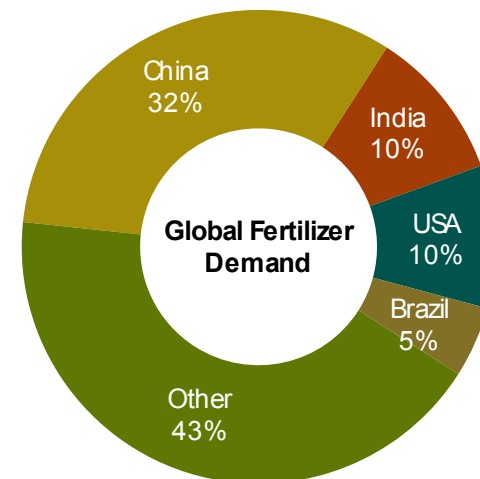
- Strong close to 2014 and good start to 2015 buying
- Much of that has been able to be placed with this winter's moderate weather
- Fewer oil shipments may ease some rail pressure
- But 5% rail demand growth vs. 2% supply growth makes this an ongoing challenge

## ■ Much uncertainty for the 2<sup>nd</sup> half of 2015

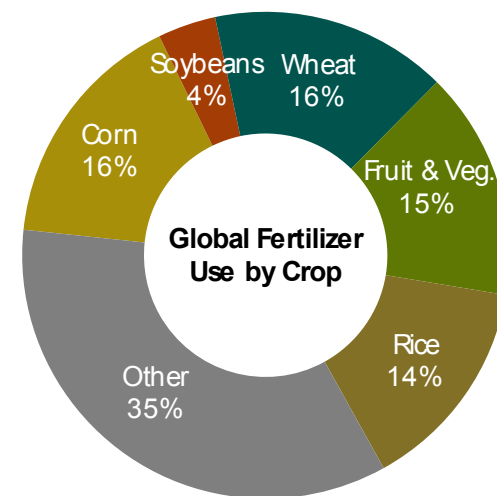
- What will happen to crop prices?
- How big will Brazil's crop be?
- How many acres will farmers plant?

## ■ Fertilizer supply / demand balance

- Global demand expected at or near records again in 2015
- Significant nutrient removal from two consecutive massive crops
- Supply disruptions are offsetting new capacity being commissioned
- Fertilizer company investments continuing but at a high cost



Source: CRU, Fertecon, Mosaic  
Nitrogen, Phosphate and Potash Fertilizers



Source: IFA



# Look for much more insight and analysis on the Mosaic website

- Mosaic Stakeholder Handbook
- Market Mosaic

- Market Alerts
- Past Presentations



[http://www.mosaicco.com/resources/market\\_analysis.htm](http://www.mosaicco.com/resources/market_analysis.htm)



# Thank You

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