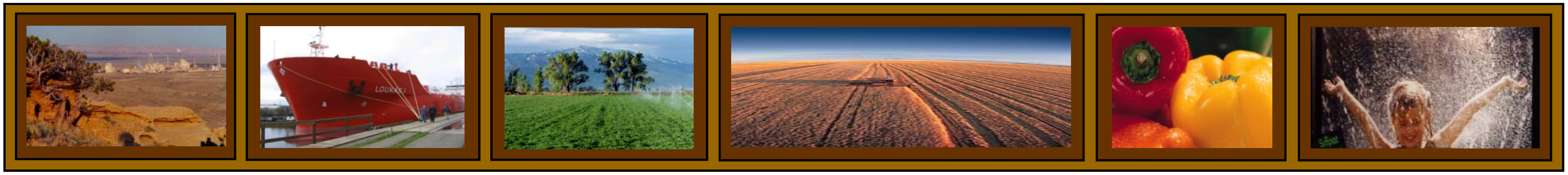


Bringing Earth's Resources to Life

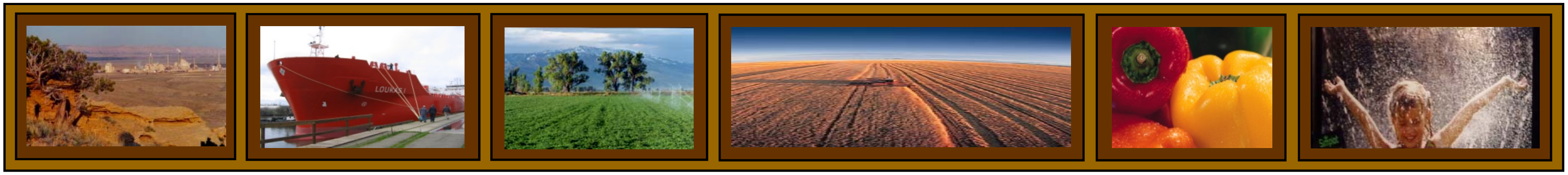
Phosphate Outlook

John Malinowski

TFI Outlook Conference

October 29, 2009

Simplot AgriBusiness

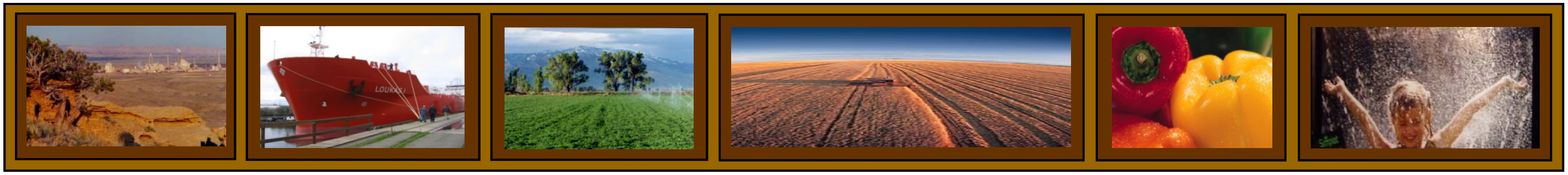


Bringing Earth's Resources to Life

Topics

- Context
- Perspective
- Demand
- Supply
- Questions

Simplot AgriBusiness

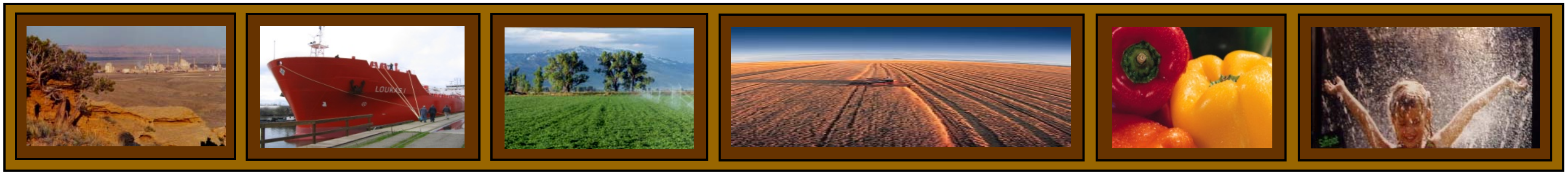


Bringing Earth's Resources to Life

Context

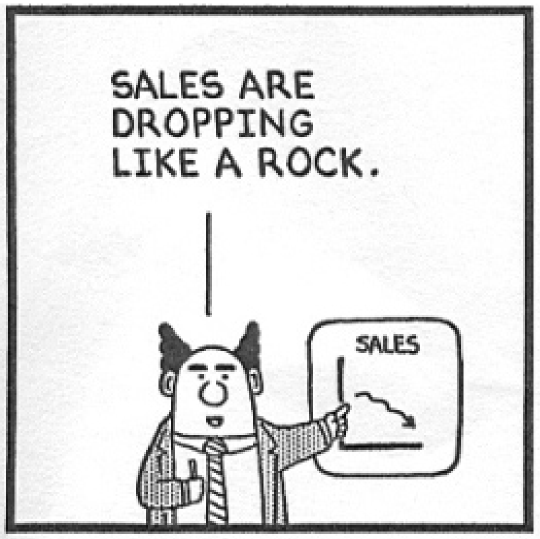
- **No Disclaimer** - no spin
- **Assumptions**
  - **Fertilizer Usage** - application rates trump acres
  - **Long Term** - economics will prevail
- **Questions** - not answers
- **My Opinion** - what's yours?

Simplot AgriBusiness



Bringing Earth's Resources to Life

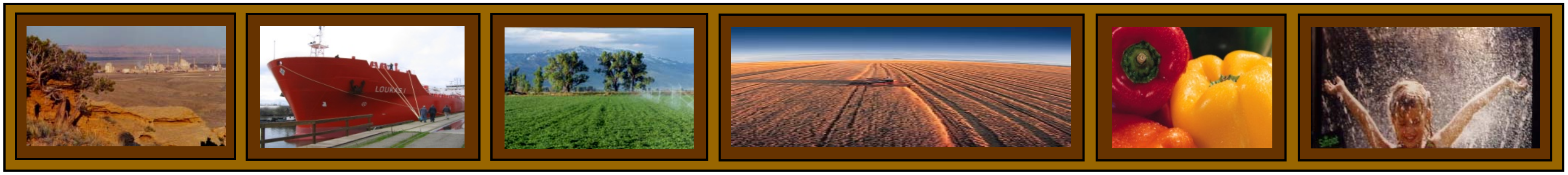
Perspective



TFI Outlook Conference 2008

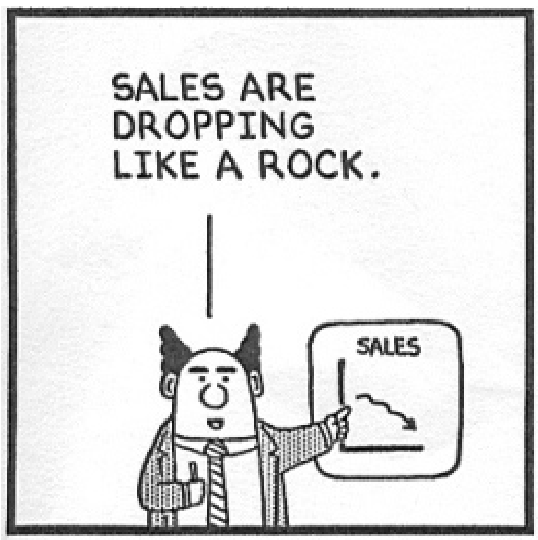
Source: Dilbert

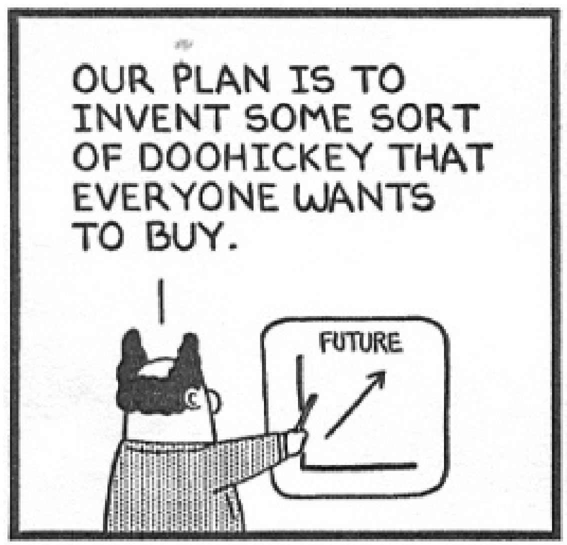
Simplot AgriBusiness



Bringing Earth's Resources to Life

Perspective



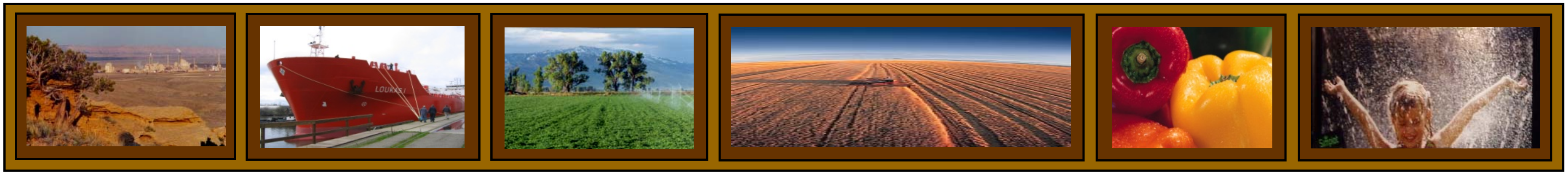


TFI Outlook Conference 2008

Fertilizer CEO Plan

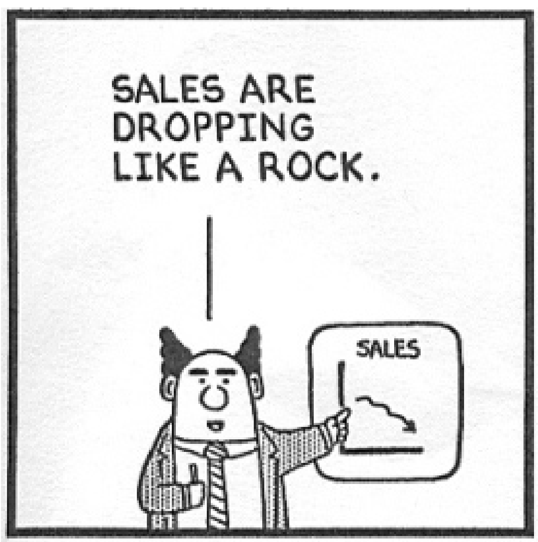
Source: Dilbert

Simplot AgriBusiness

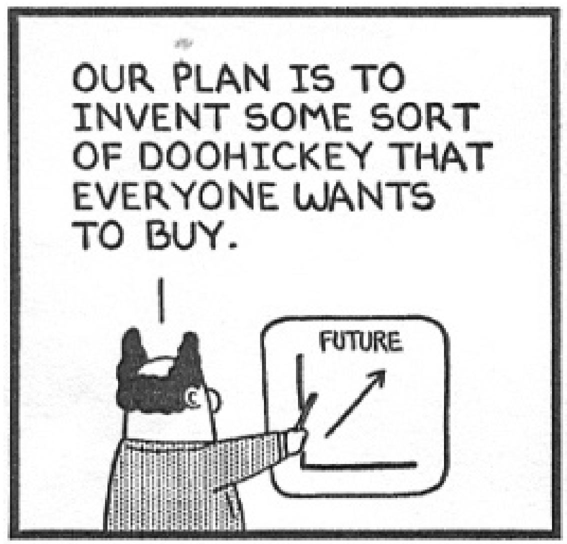


Bringing Earth's Resources to Life

Perspective



TFI Outlook Conference 2008

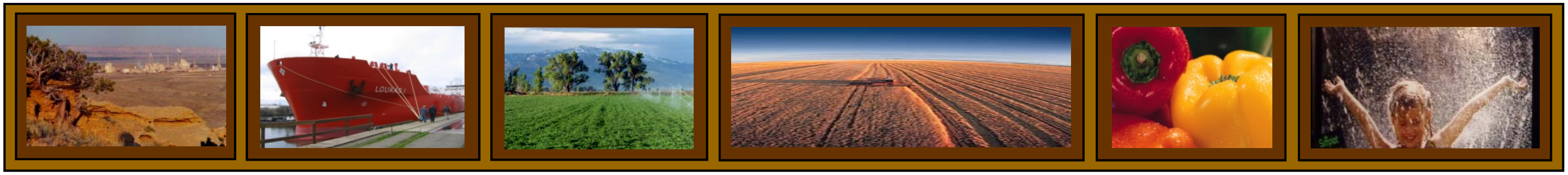


Fertilizer CEO plan

Here we are today

Source: Dilbert

Simplot AgriBusiness



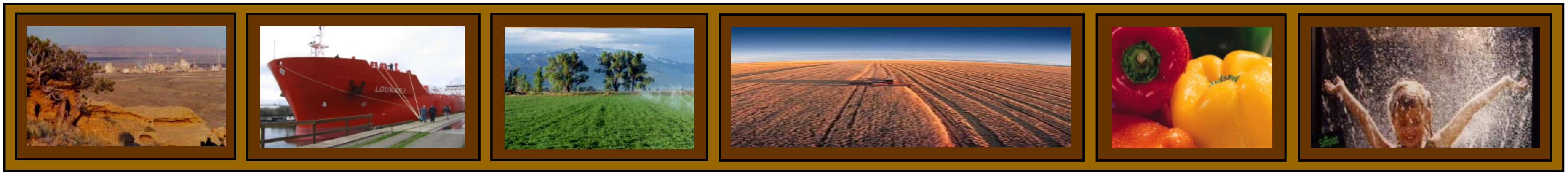
Bringing Earth's Resources to Life

Perspective - Long Term

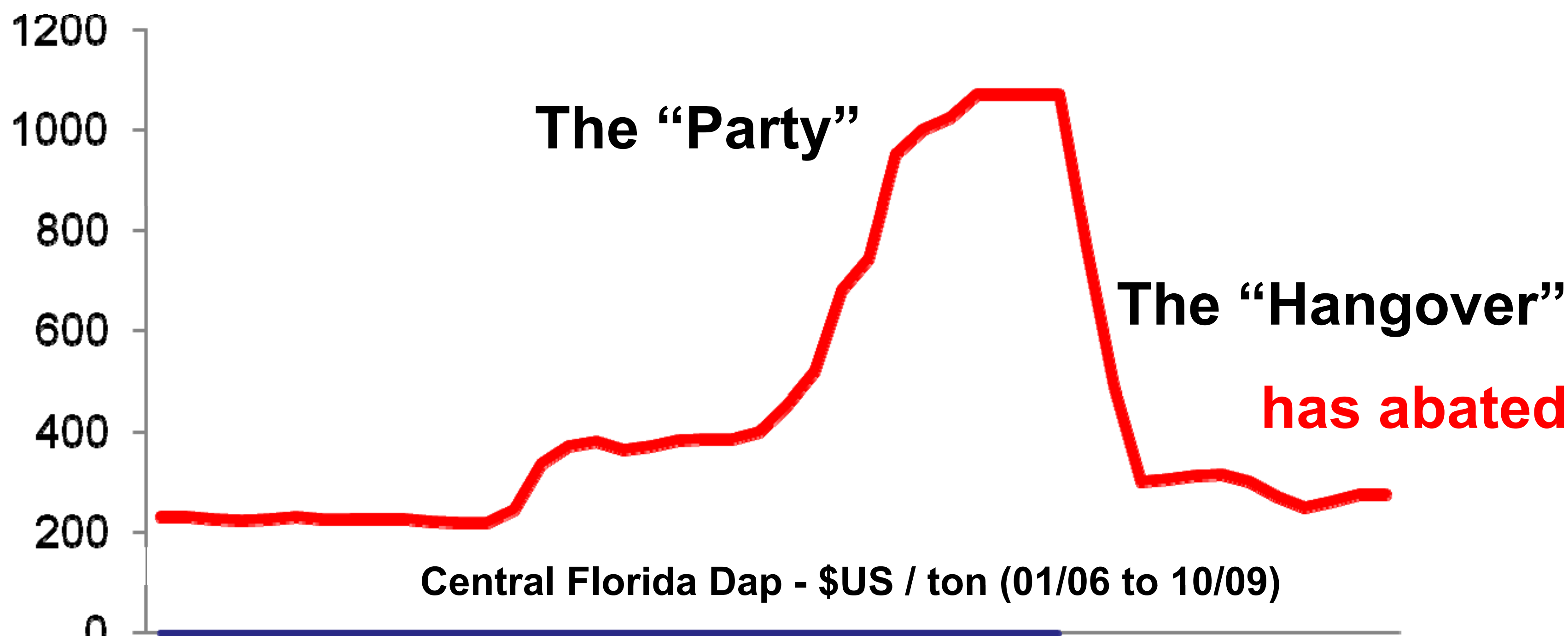
"We may be able to substitute nuclear power for coal power; and plastics for wood; and yeast for meat, and friendship for isolation -but for phosphorus there is neither substitute nor replacement.“

~ Isaac Asimov*

Simplot AgriBusiness

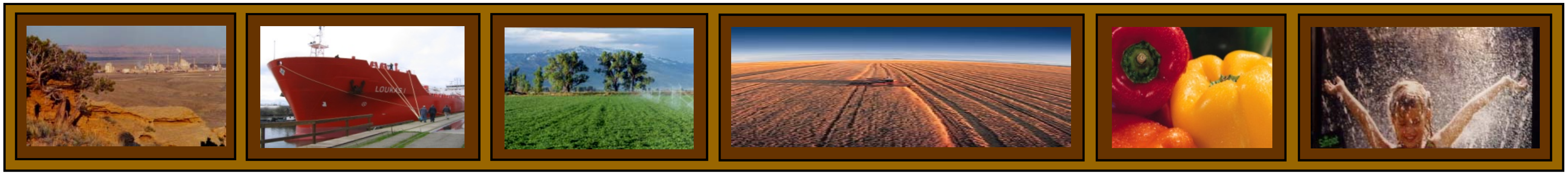


Perspective - Today



Source: Green Markets

Simplot
AgriBusiness



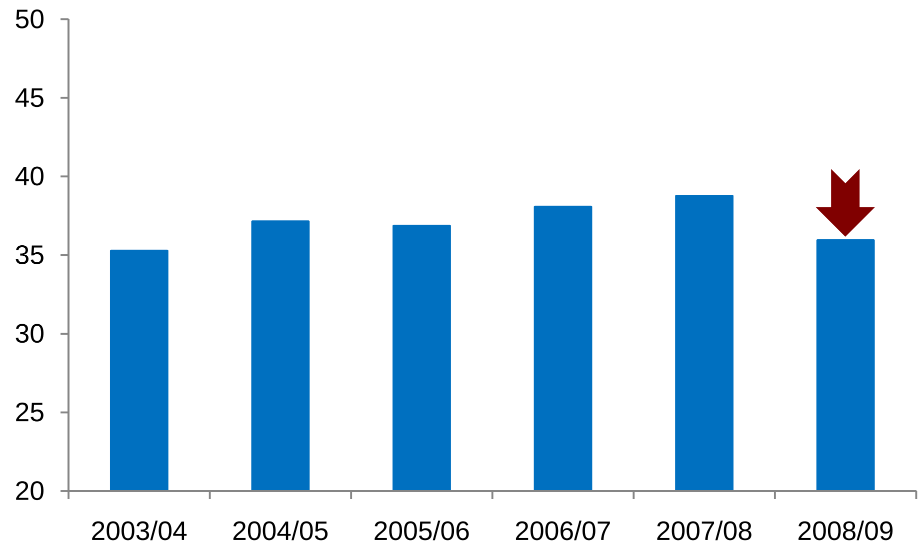
Bringing Earth’s Resources to Life

Perspective – Historical (2008/09)

Demand Destruction

- Financial Crisis
- Economics
- Emotion

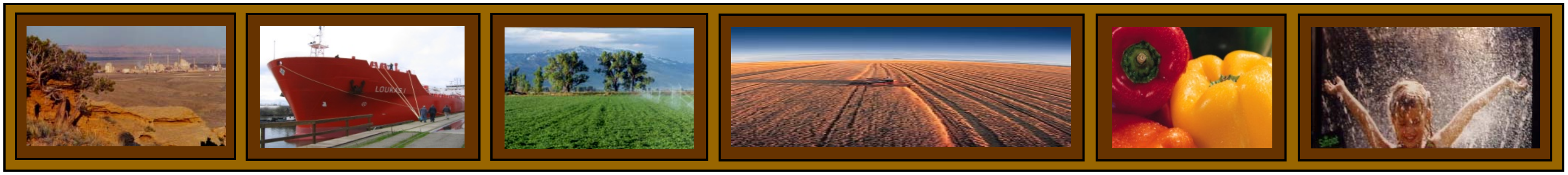
Historical P_2O_5 Fertilizer Demand



IFA estimate – down 9.4%

Source: IFA (Shanghai – May 2009)

Simplot AgriBusiness



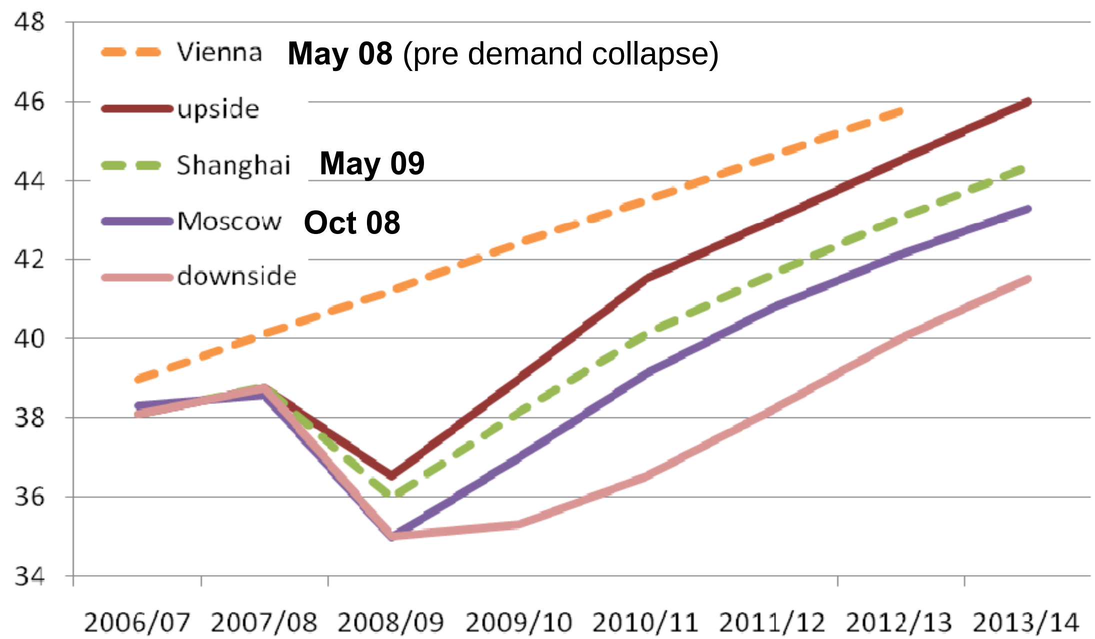
Bringing Earth's Resources to Life

Demand Outlook

IFA Projections

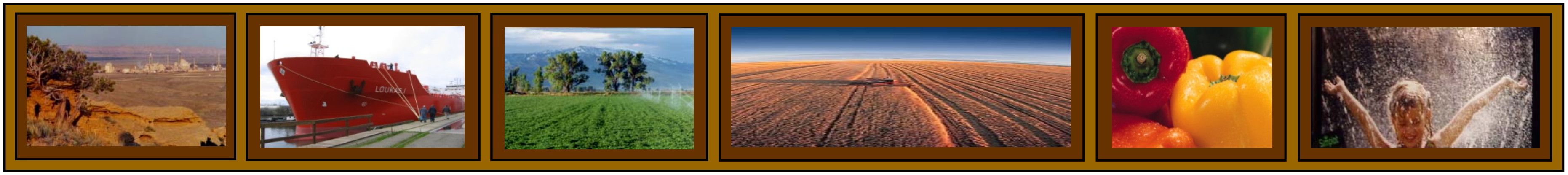
- **5.9% growth 2010**
  (partial recovery)
- **2.5% /a growth (2014)**
  (base case)

Phosphate -Evolution of projections through volatile times



Source: IFA (Moscow– Oct 2009)

Simplot
AgriBusiness

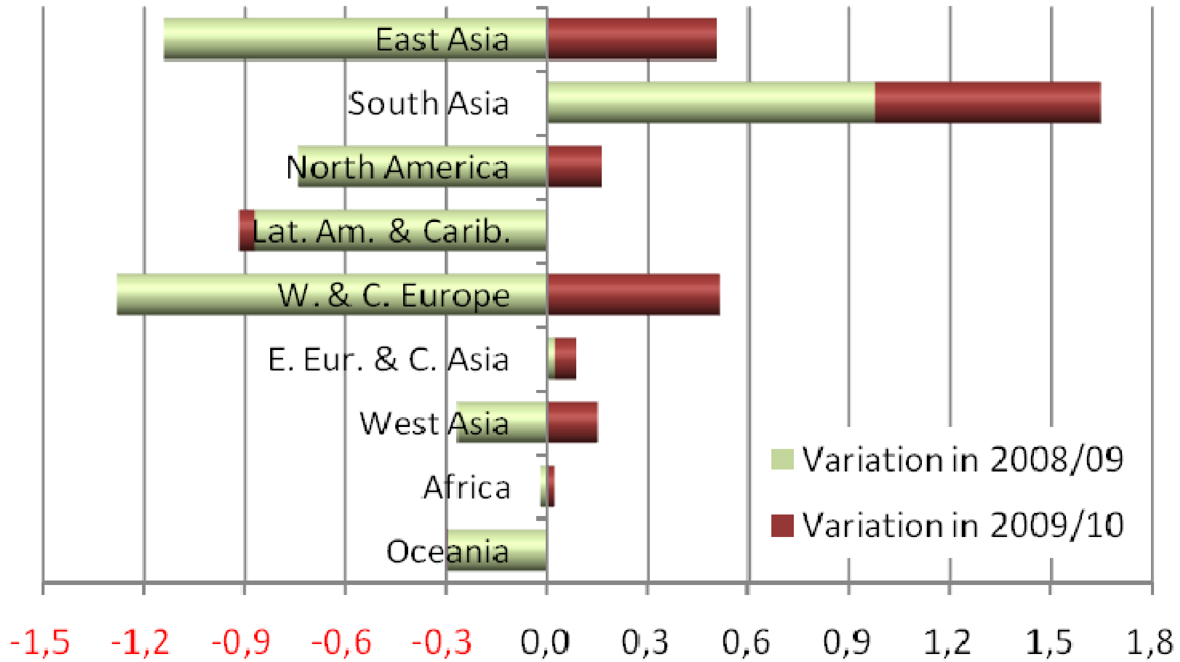


Bringing Earth's Resources to Life

Demand Outlook

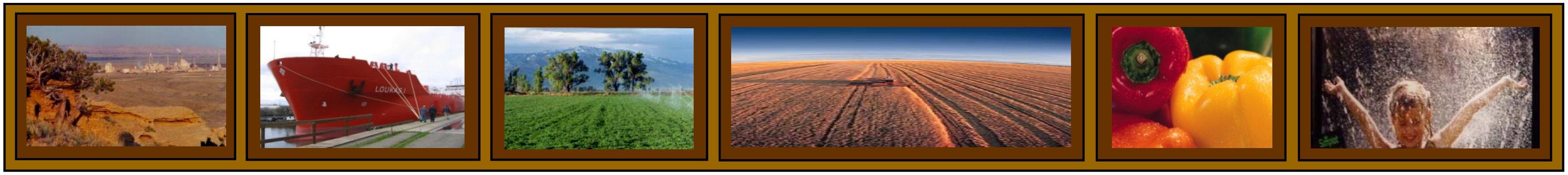
2010 by Region

- **India the exception**
  - growth 2009
- **Moderate recovery**
  - all regions
  - exception
    Latin America ?



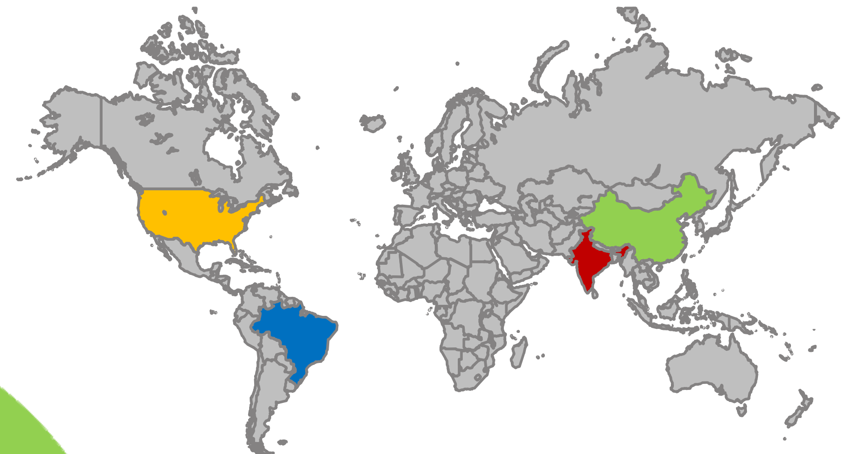
Source: IFA Agriculture

Simplot AgriBusiness

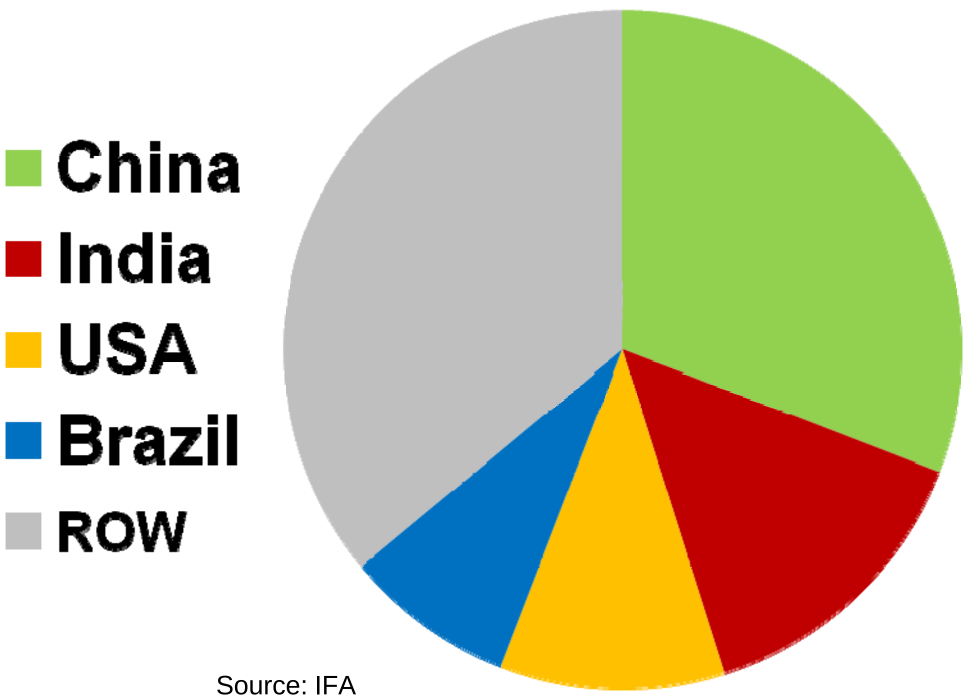


Bringing Earth's Resources to Life

Demand Outlook

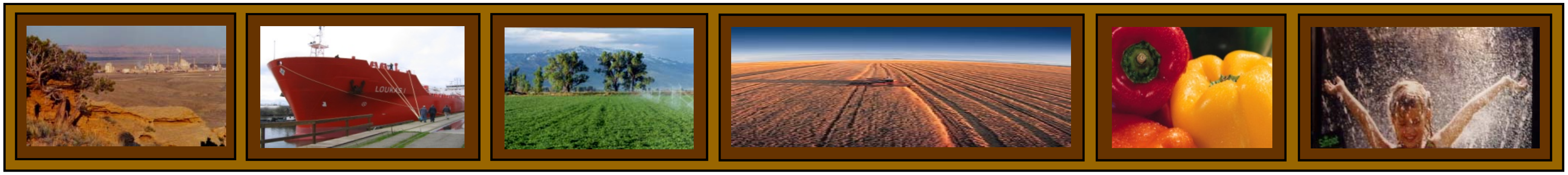


64% of World Consumption in these 4 countries



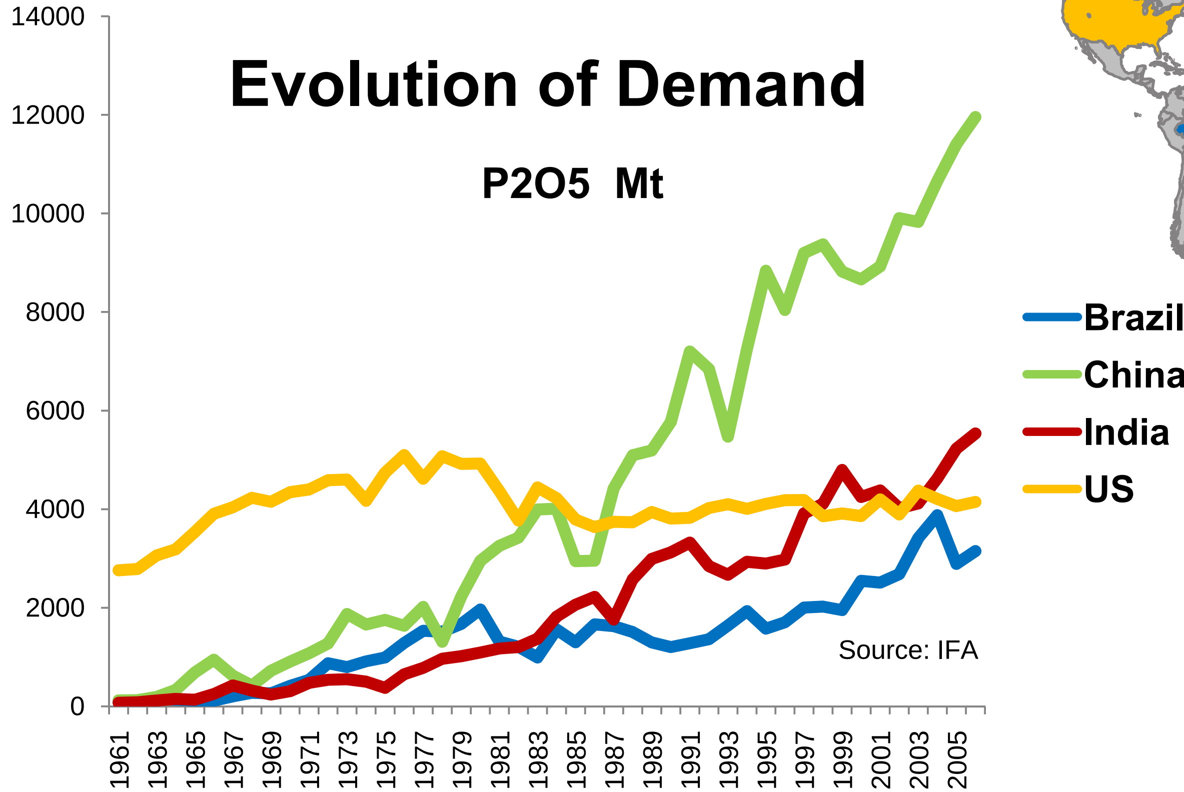
Source: IFA

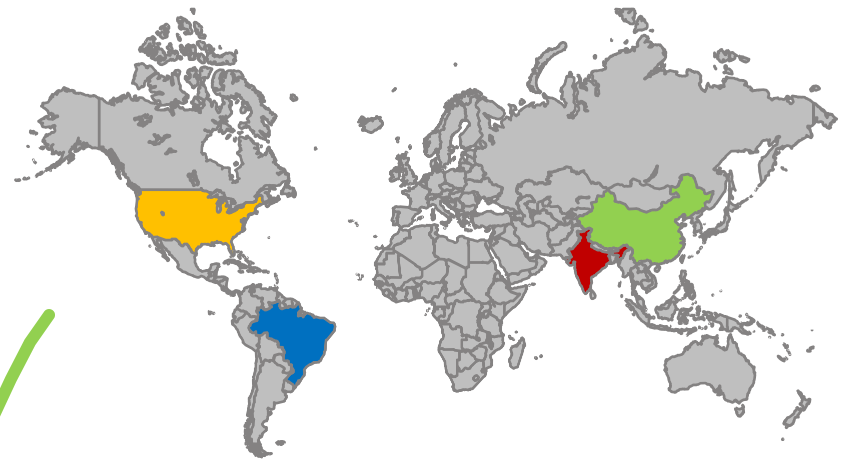
Simplot AgriBusiness



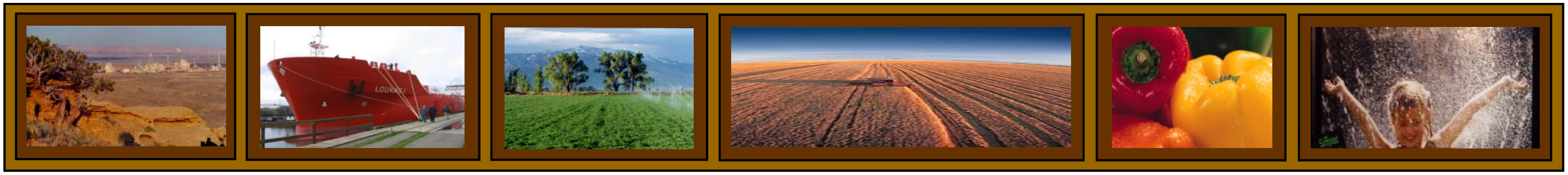
Bringing Earth's Resources to Life

Demand Outlook





Simplot
AgriBusiness



Bringing Earth's Resources to Life

Demand Outlook -USA

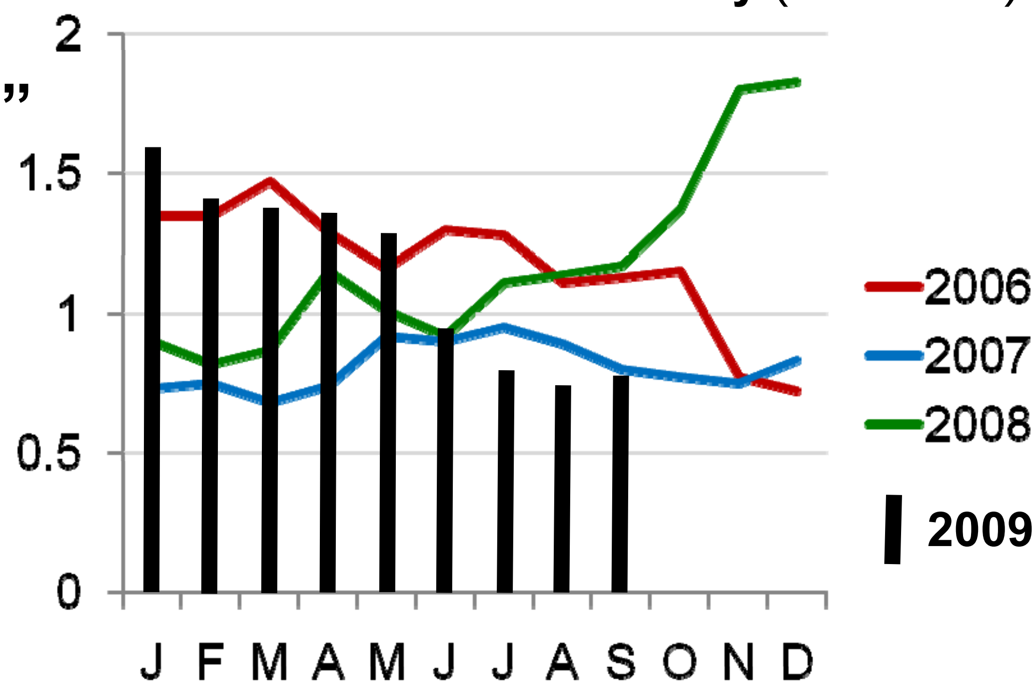
+ System is "destocked"

- manufacturer
- pipeline
- farmer's field

— More cautious world

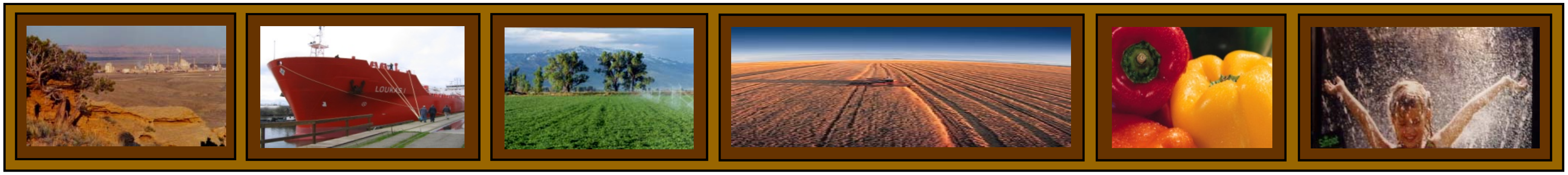
- buy as needed

US – DAP + MAP inventory (million ton)



Source: TFI

Simplot AgriBusiness



Bringing Earth's Resources to Life

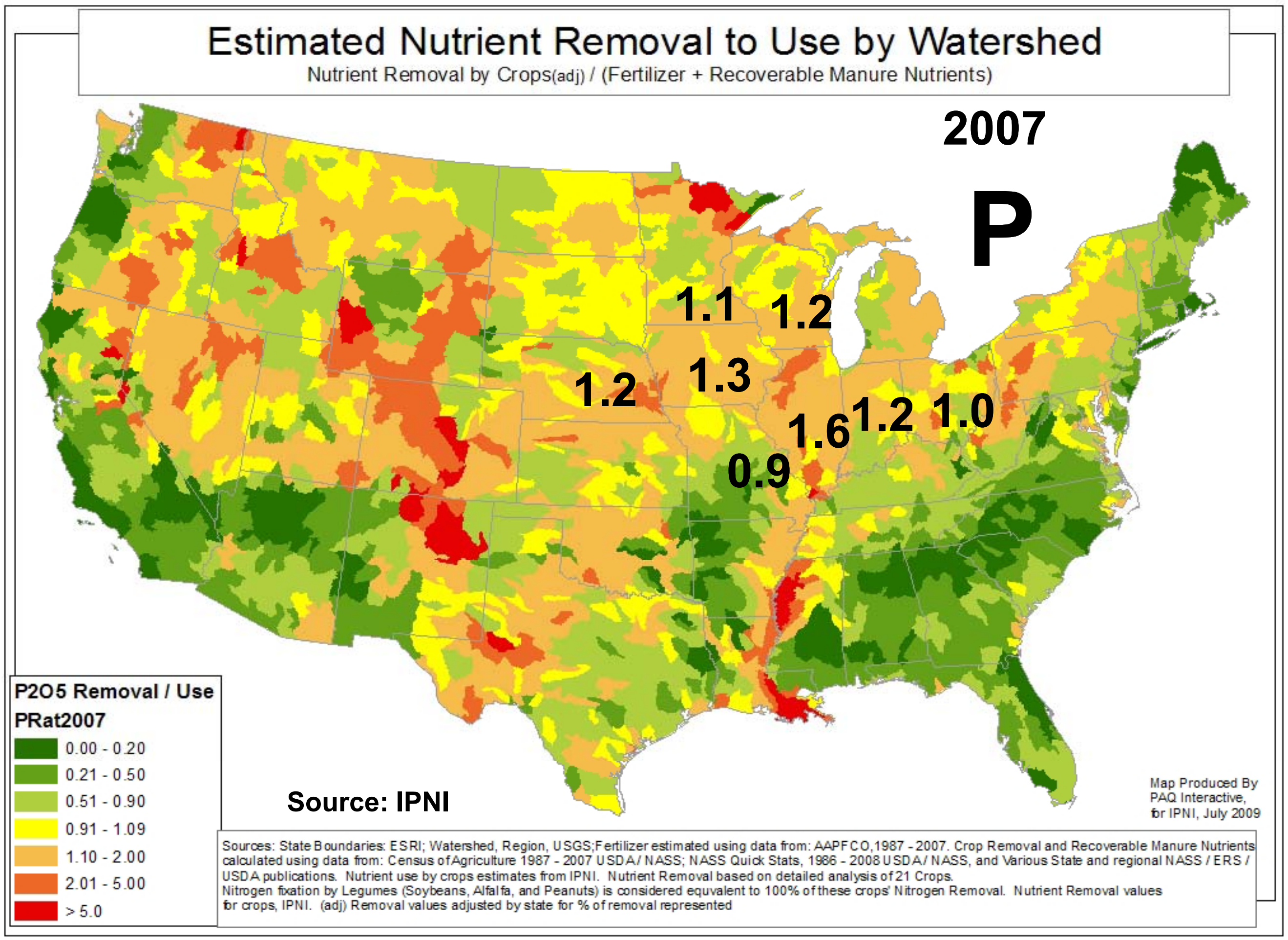
Demand Outlook -USA

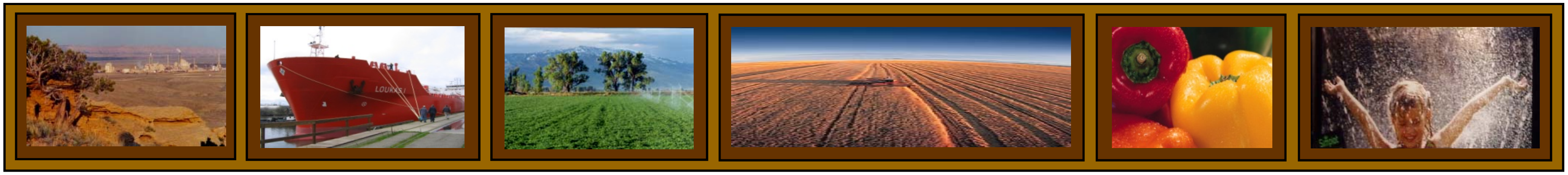
Nutrient Balance

P removal exceeds use in much of the Corn Belt

Especially 2009

Depleting the Soil



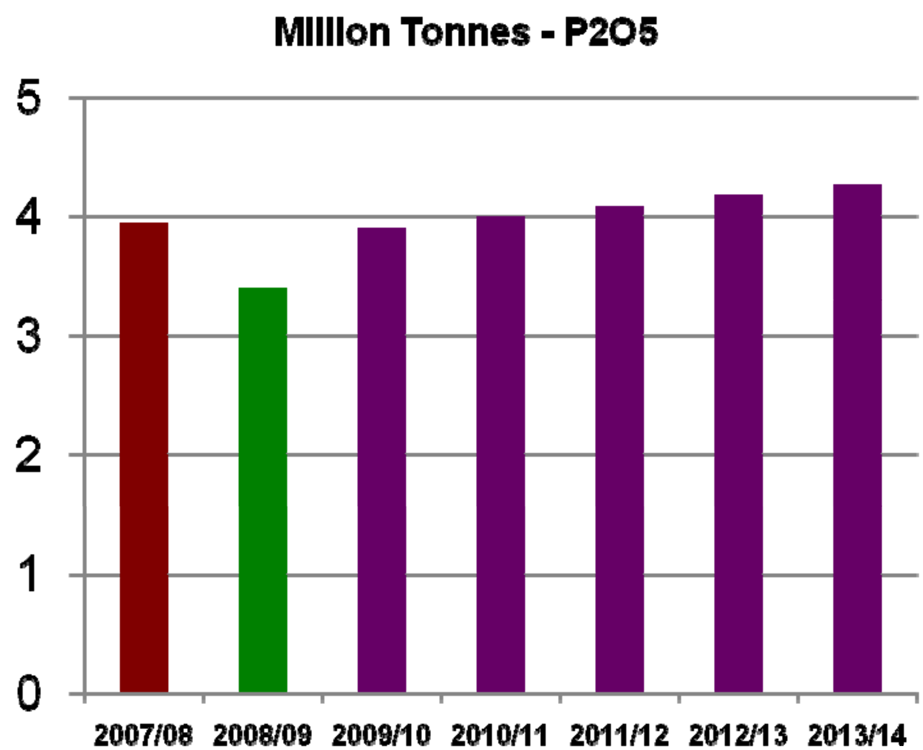


Bringing Earth's Resources to Life

Demand Outlook -USA

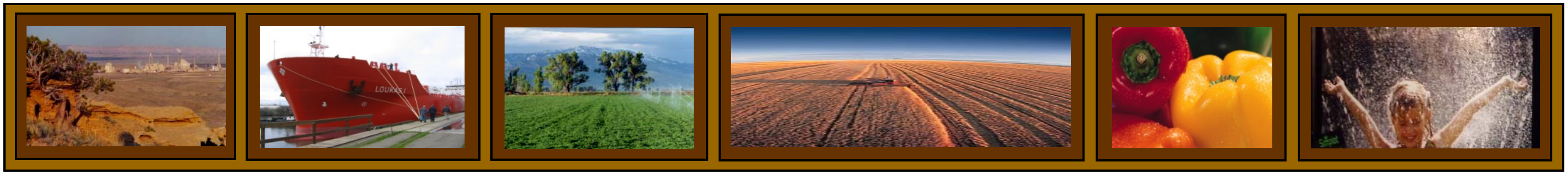
Medium Term Projection

- Near full recovery 2010
- Moderate growth
- Key drivers
  - ethanol policy
  - nutrient balance



Source: TFI / IFA

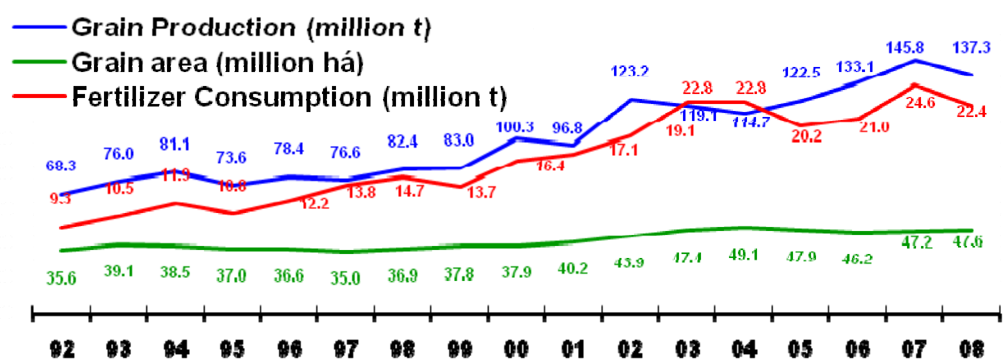
Simplot AgriBusiness



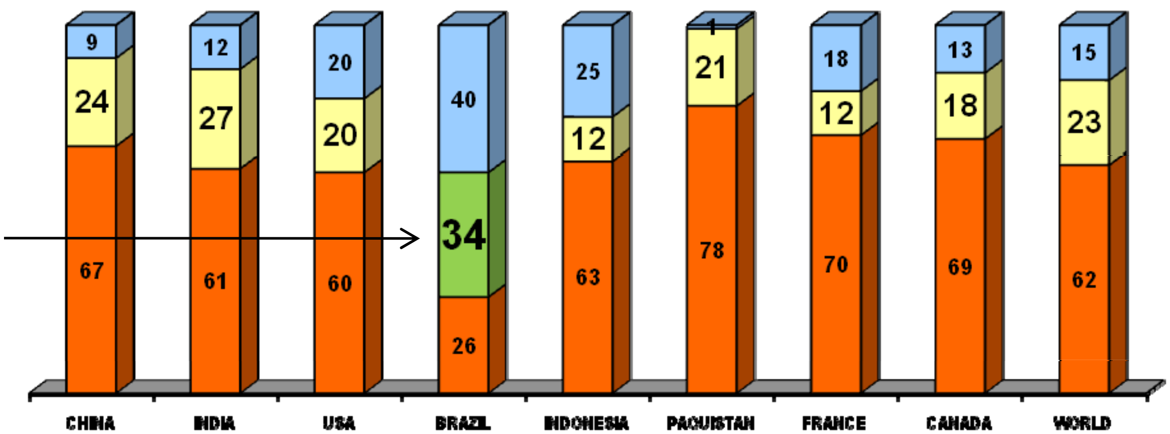
Bringing Earth's Resources to Life

Demand Outlook - Brazil

Growing Market

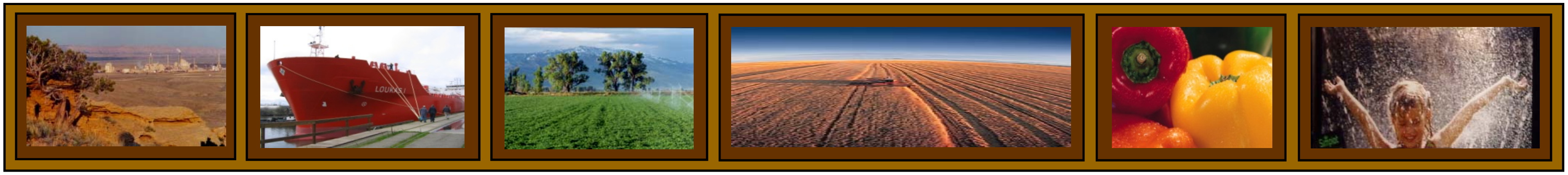


High P Requirement



Source: ANDA/CONAB/IBGE (1)preliminar

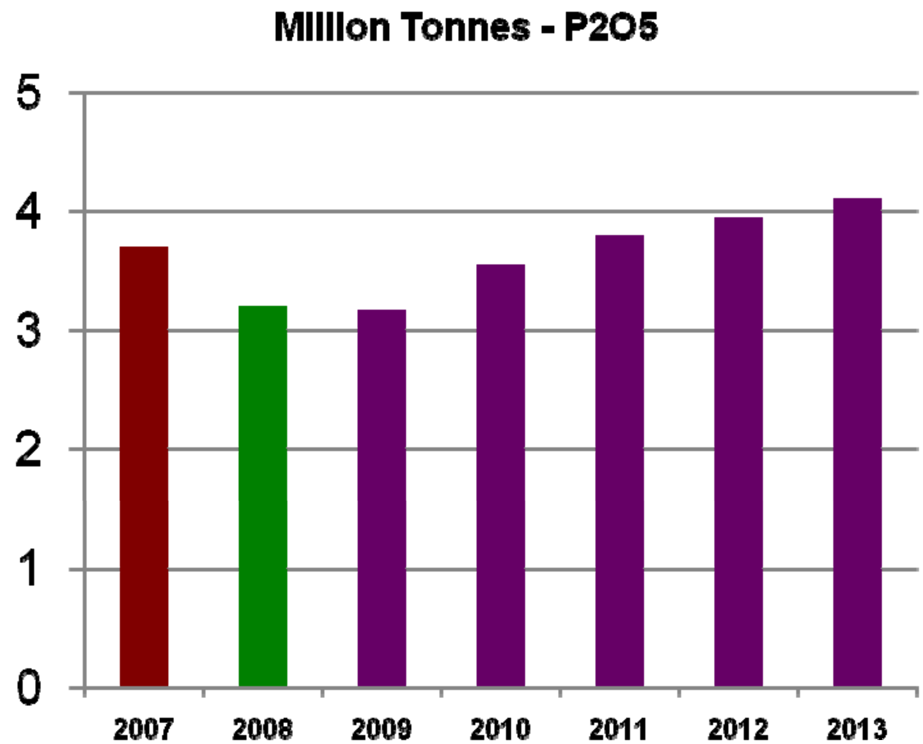
Simplot AgriBusiness



Bringing Earth's Resources to Life

Demand Outlook - Brazil

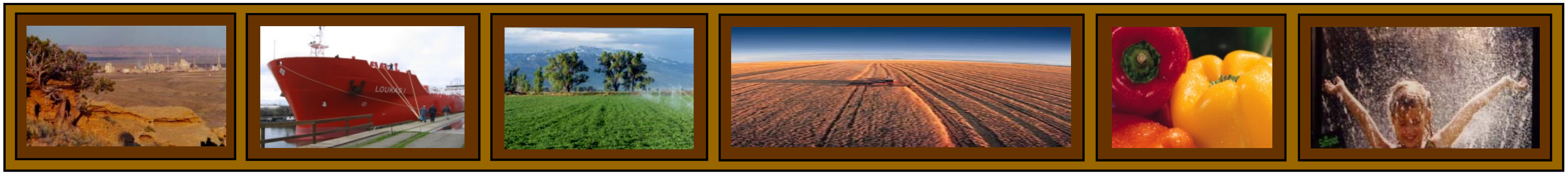
- Key drivers
    - access to credit
    - volatile currency



Nutrient Balance: Lower P reserves

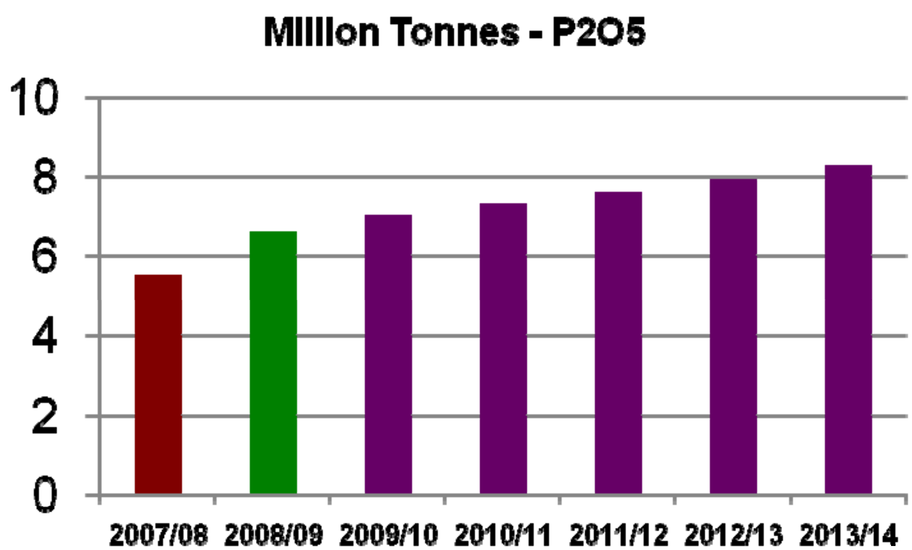
Source: ANDA/ IFA

Simplot AgriBusiness



Bringing Earth's Resources to Life

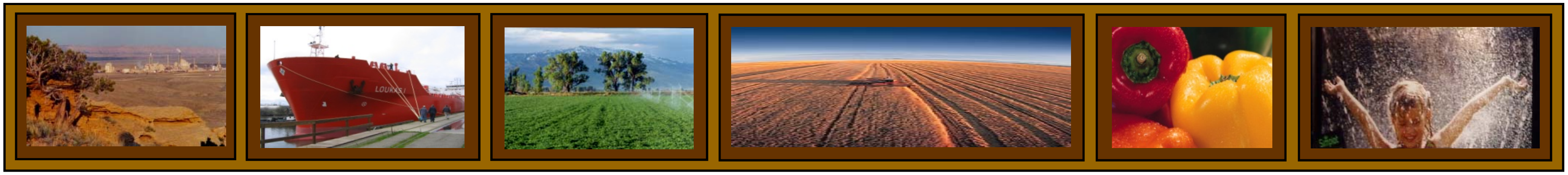
Demand Outlook – India



- Key drivers
  - subsidy changes
  - dependence on imports

Source: FAI/ IFA / IPNI

Simplot AgriBusiness



Bringing Earth's Resources to Life

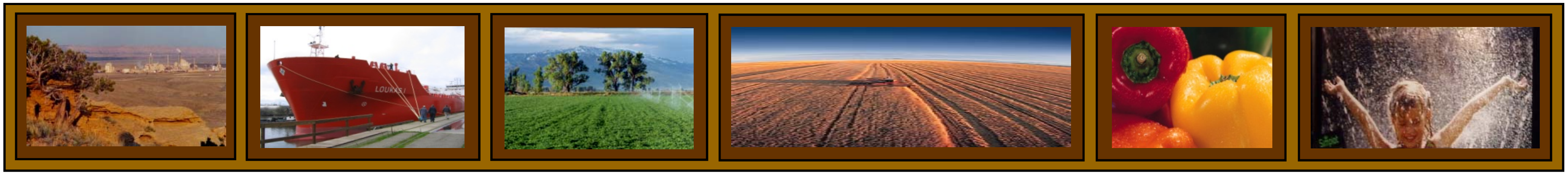
Demand Outlook – Key Driver

Nutrient Balance

2009
Yield

Very High
USA corn
France wheat

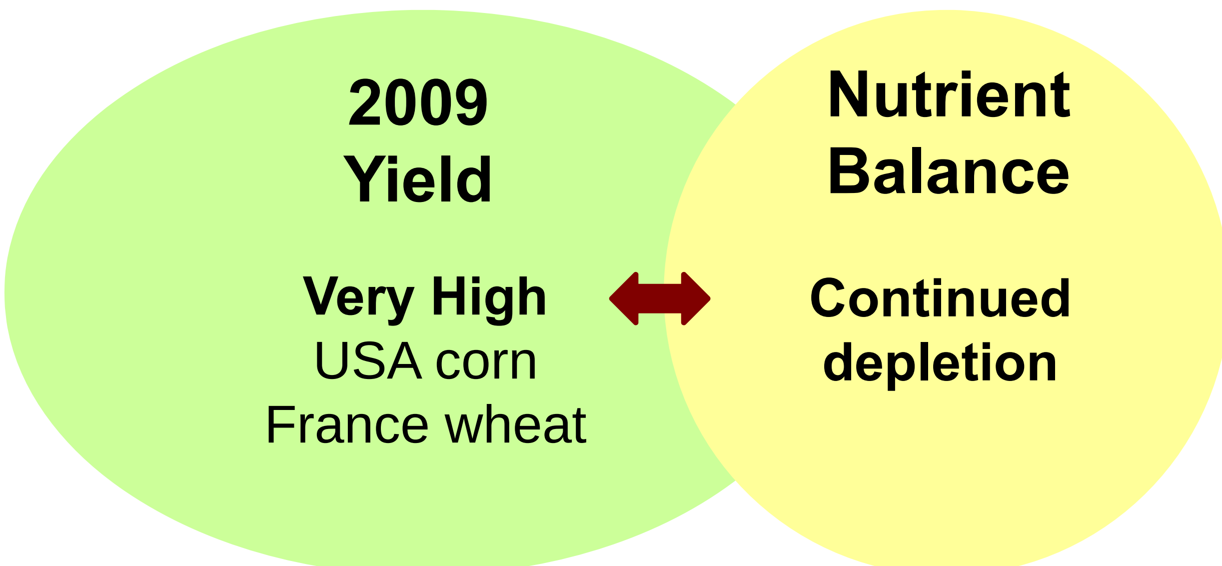
the dilemma



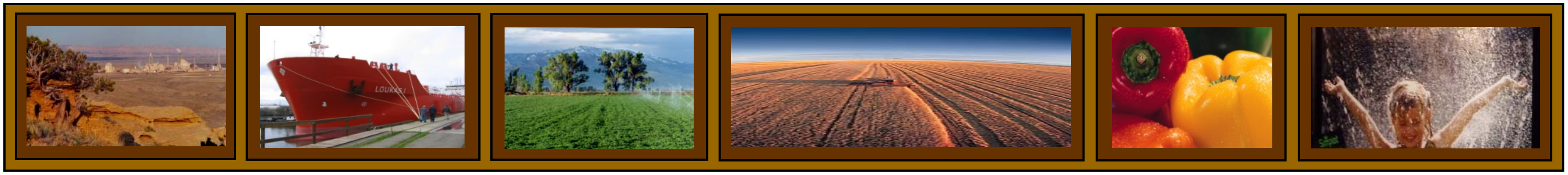
Bringing Earth's Resources to Life

Demand Outlook – Key Driver

Nutrient Balance



the reality



Bringing Earth's Resources to Life

Demand Outlook – Key Driver

Nutrient Balance

2009 Yield

Very High
USA corn
France wheat

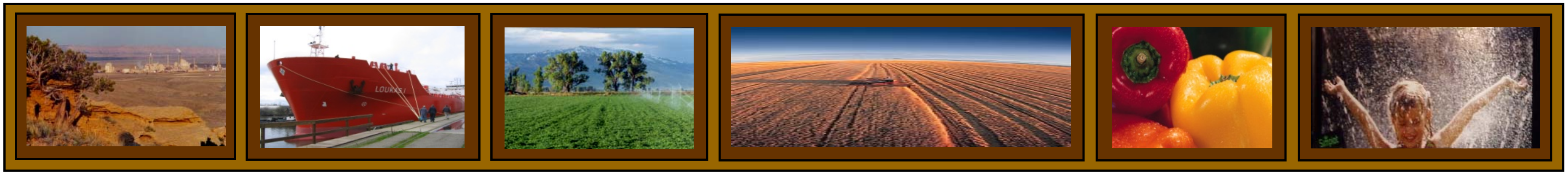
Nutrient Balance

Continued depletion

Future Behaviors

How will farmers manage risk and opportunity ?

the question



Bringing Earth's Resources to Life

Demand Outlook – Key Driver

Nutrient Balance

2009 Yield

Very High
USA corn
France wheat

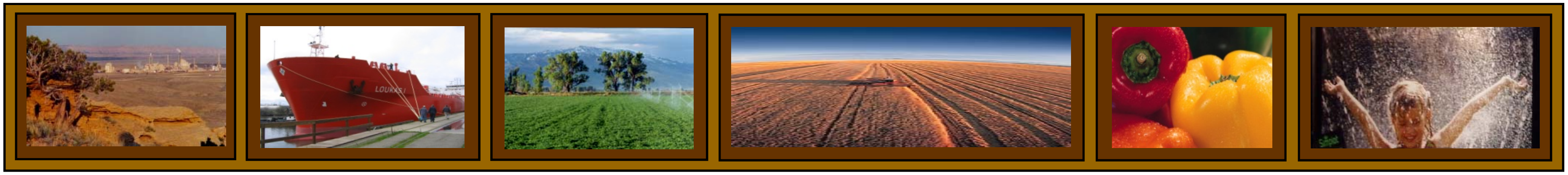
Nutrient Balance

Continued depletion

Future Behaviors

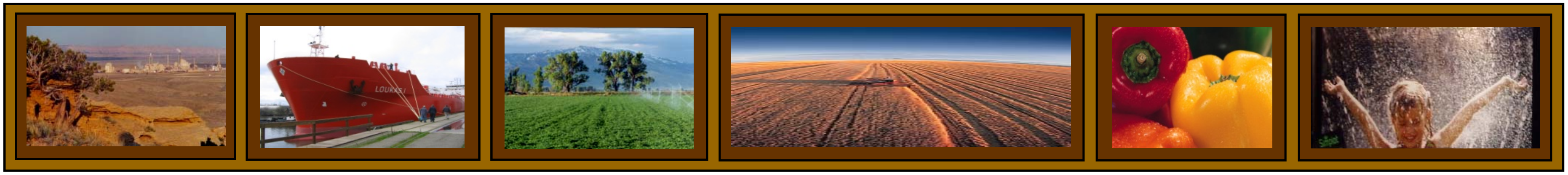
How will farmers manage risk and opportunity ?

Nutrient Balance: will have + demand impact 2010 or 2011



Demand Outlook – Other Key Factors

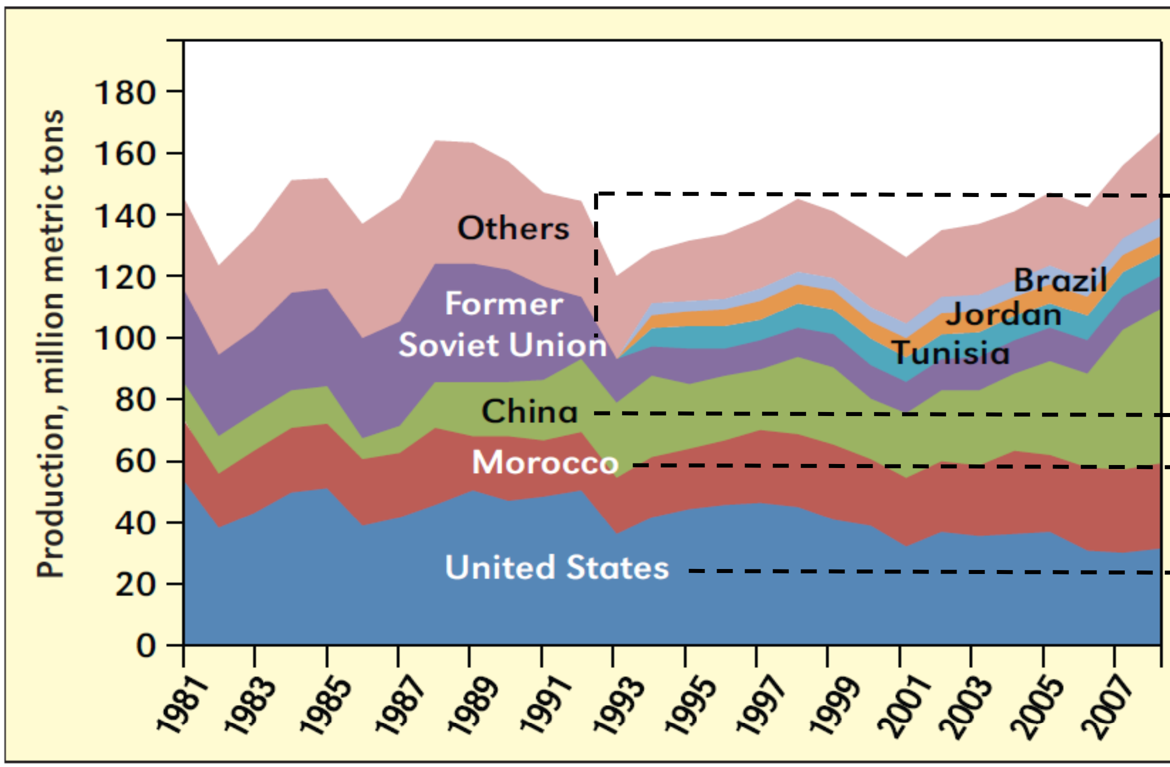
- More caution on forward purchasing
- Less buffer in the system
- Excessive moisture in Midwest USA
- Economic crisis / recovery – access to credit; freight rates
- Correlation of grain vs. fertilizer price
- Continued volatility, albeit less extreme



Bringing Earth's Resources to Life

Supply Outlook

Historical perspective



→ collapse

emergence

→ rapid growth

→ moderate growth

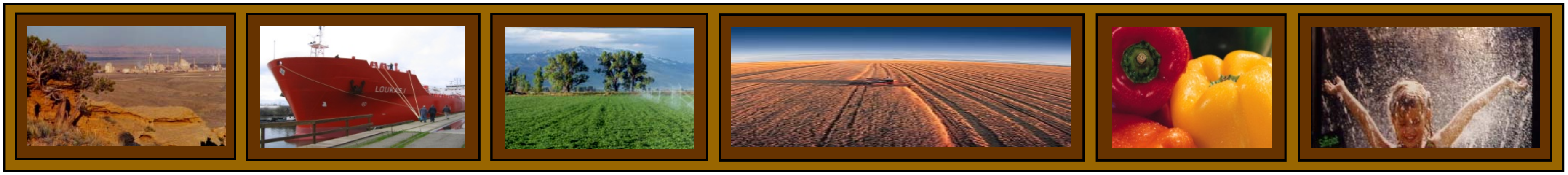
→ moderate decline

Source: IPNI / IFA

[1]1992-1997 FSU includes Kazakhstan and Russia data; afterwards, Russia only.

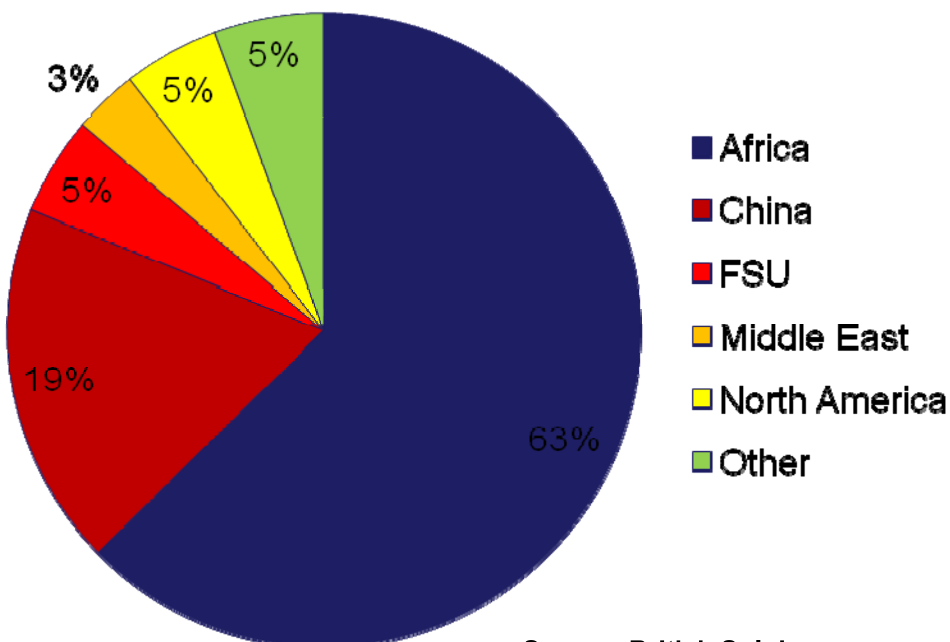
[2]Compiled from USGS Mineral Commodities Reports, 1983-2009. Year 2008 estimated.

Simplot
AgriBusiness

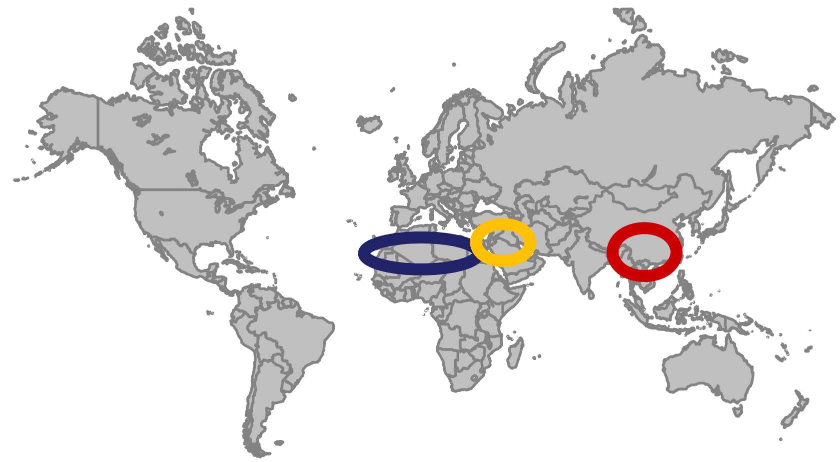


Bringing Earth's Resources to Life

Supply Outlook – Future Perspective

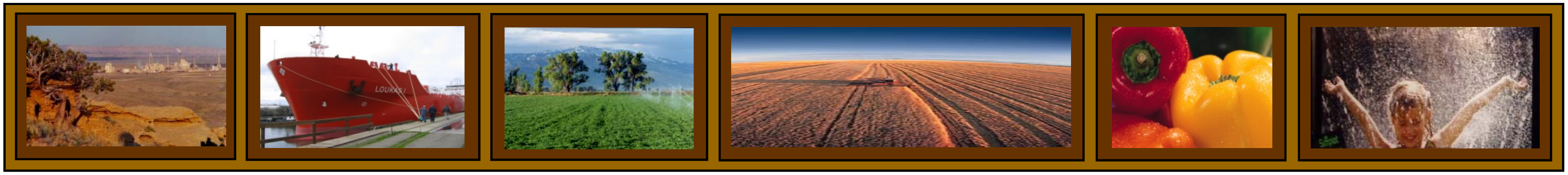


Source: British Sulphur



> 80% of world reserves concentrated in 3 regions

Simplot AgriBusiness

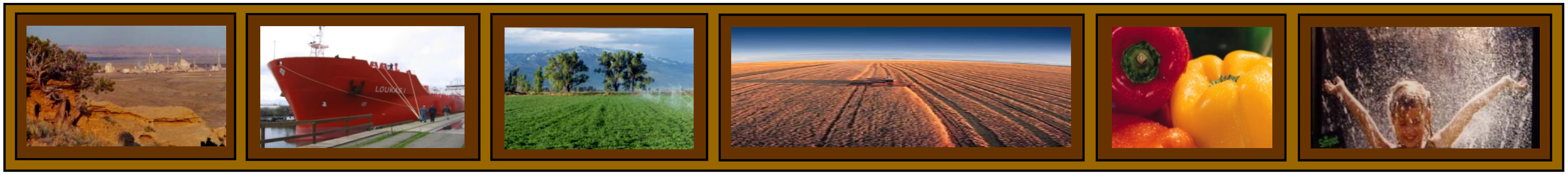


Bringing Earth's Resources to Life

Supply Outlook - Projects (2008 – 2013)

Country	Company	Product	2008	2009	2010	2011	2012	2013
			Kt product					
Morocco	OCP-Bunge JV	**MGA**	375					
Mexico	AgroIndustrias	DAP	590	590				
Venezuela	Pequiven	DAP		110			320	
Viet Nam	Vinachem	DAP		325			325	
Morocco	OCP-Bunge JV	TSP/MAP/DAP			730			
Tunisia	GCT	**MGA**				360		
Jordan	JIFCO	**MGA**				500		
Brazil	Fosfertil	TSP+Acid+MAP				240		1,200
Saudi Arabia	Maaden MPC	DAP					2,900	
Morocco	OCP-JVs	MAP/DAP/TSP					1,800	900
Morocco	OCP-JVs	**Purified Acid**					450	
Brazil	Copebras	MAP/TSP						800
Egypt	Egyphos	DAP/MAP/TSP						600
China	Various	DAP/MAP	1,520	1,630	2,680	1,500	1,020	

Source: IFA

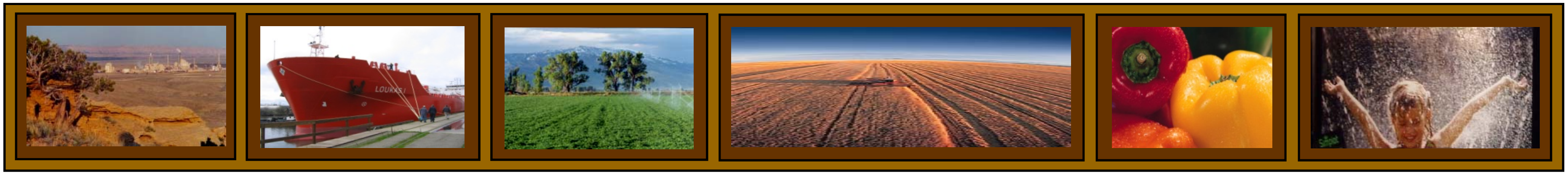


Bringing Earth's Resources to Life

Supply Outlook - Projects (2008 – 2013)

Country	Company	Product	2008	2009	2010	2011	2012	2013
			Kt product					
Morocco	OCP-Bunge JV	**MGA**	375					
Mexico	AgroIndustrias	DAP	590	590				
Venezuela	Pequiven	DAP		110			320	
Viet Nam	Vinachem	DAP		325			325	
Morocco	OCP-Bunge JV	TSP/MAP/DAP			730			
Tunisia	GCT	**MGA**				360		
Jordan	JIFCO	**MGA**				500		
Brazil	Fosfertil	TSP+Acid+MAP				240		1,200
Saudi Arabia	Maaden MPC	DAP					2,900	
Morocco	OCP-JVs	MAP/DAP/TSP					1,800	900
Morocco	OCP-JVs	**Purified Acid**					450	
Brazil	Copebras	MAP/TSP						800
Egypt	Egyphos	DAP/MAP/TSP						600
China	Various	DAP/MAP	1,520	1,630	2,680	1,500	1,020	

Source: IFA



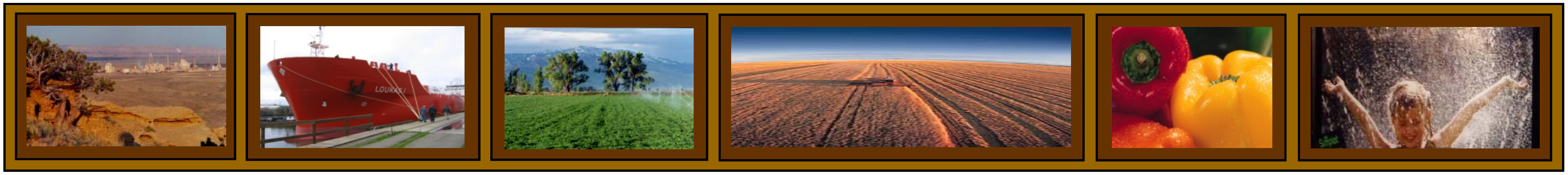
Bringing Earth's Resources to Life

Supply Outlook – Saudi Arabia (Ma'aden)

- **Projected 2011**
- **3 Mt DAP (~ 15% of world trade)**

How will Ma'aden change world DAP trade patterns ?

Simplot
AgriBusiness

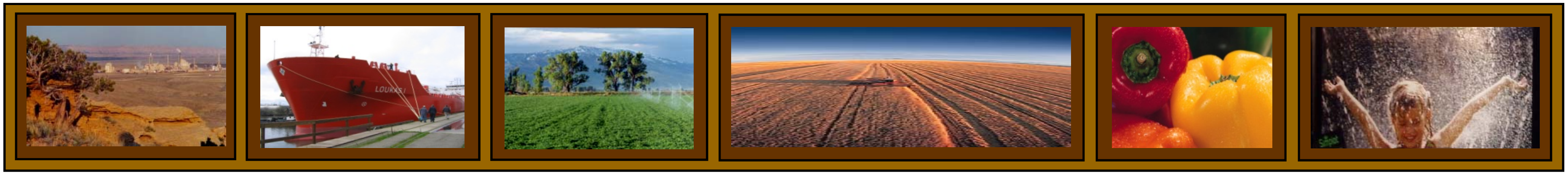


Supply Outlook – Morocco (OCP)

Expand Output (to 2014)

- **Upgrade Products**
  - MAP / DAP / TSP
  - Purified Acid
- **Joint Ventures**
  - 4 to 10 units
    (either under construction or proposed)

Source: IFA



Bringing Earth's Resources to Life

Supply Outlook – China

Expand Output (to 2014)

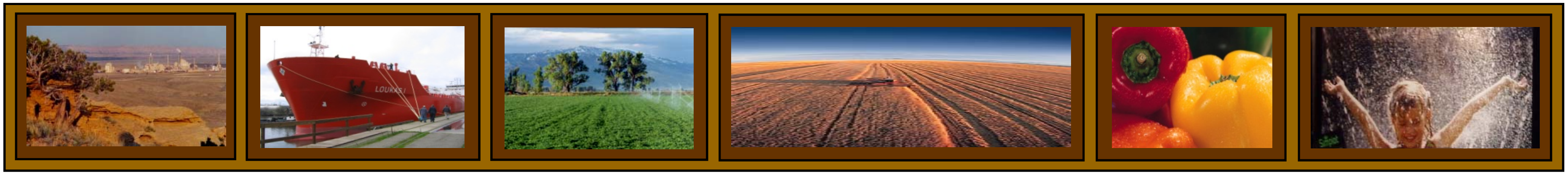
- **Up to 18 new units**

  Source: IFA

- **Linked to rock supply**

- **High analysis products**
  - MAP / DAP

Simplot AgriBusiness

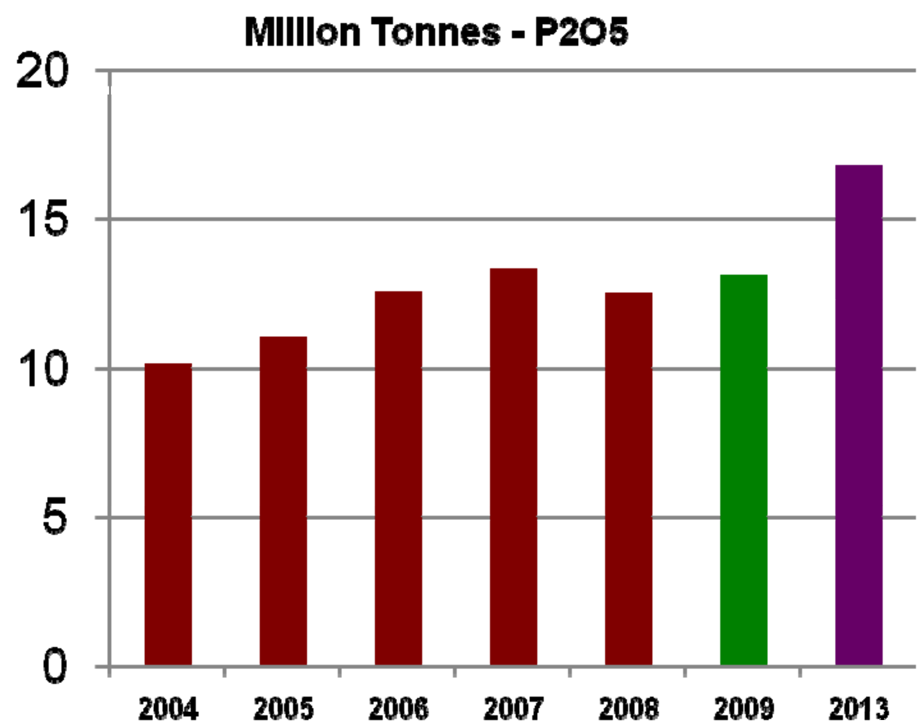


Bringing Earth's Resources to Life

Supply Outlook – China

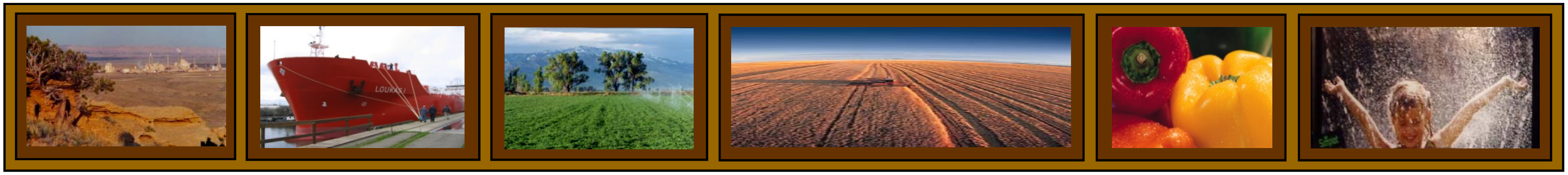
Expand Output

- **1st Goal – self sufficiency**
- **Export tariff policy**
    - self sufficiency
    - expansion
- **Increasing surplus**
    - + 3 Mt P2O5 by 2013 ?



Source: Beijing Shennong Kexin Agribusiness consulting Co. / IFA

Simplot AgriBusiness



Bringing Earth's Resources to Life

Supply Outlook – DAP / MAP Summary

Key DAP Capacity Evolution			
Mt P_2O_5	**2008**	**2013**	**Change**
China	5.1	7.2	2.1
Saudi Arabia	0.2	1.6	1.4
Morocco	0.8	1.7	0.9
Mexico (re-start)	0.3	0.6	0.3
Viet Nam	0.0	0.3	0.3
Russia	0.6	0.7	0.1
Venezuela	0.0	0.1	0.1
Pakistan	0.2	0.3	0.1
Sub-total	**7.2**	**12.5**	**+5.3**

80% of new capacity from key regions

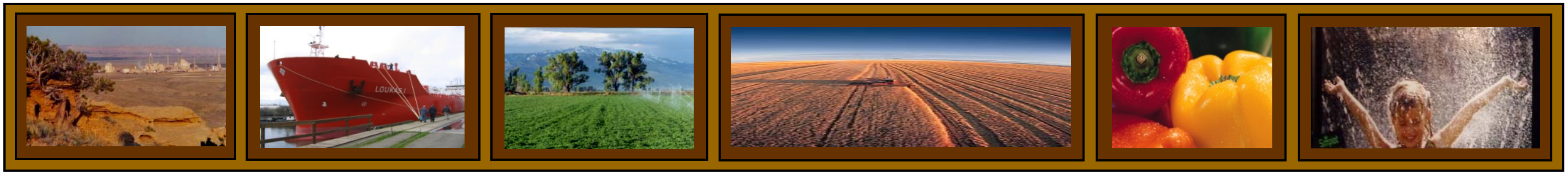
Net Capacity Δ (2008 – 2013)
Mt P2O5

DAP +4.7 Mt

MAP +3.3 Mt

Source: IFA

Simplot
AgriBusiness



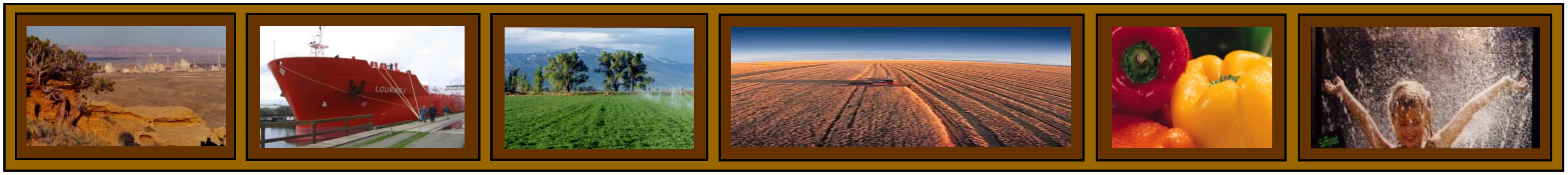
Bringing Earth's Resources to Life

Supply Outlook – Key Driver

Operating Rates

2008 / 2009
Run Rates

Unprecedented curtailments



Supply Outlook – Key Driver

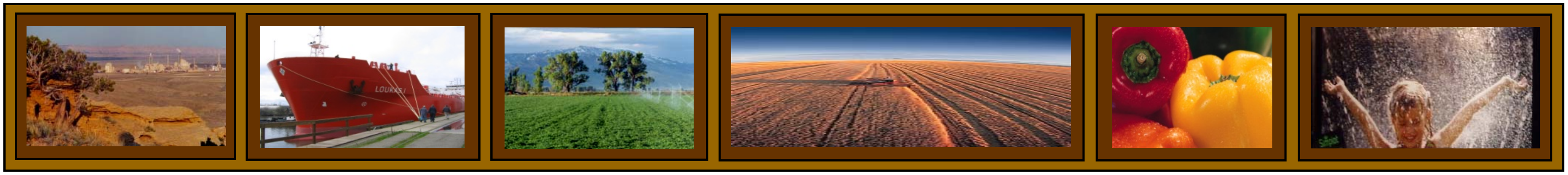
Operating Rates

2008 / 2009
Run Rates

Unprecedented curtailments

S / D
Balance

Elasticity key driver



Bringing Earth's Resources to Life

Supply Outlook – Key Driver

Operating Rates

2008 / 2009 Run Rates

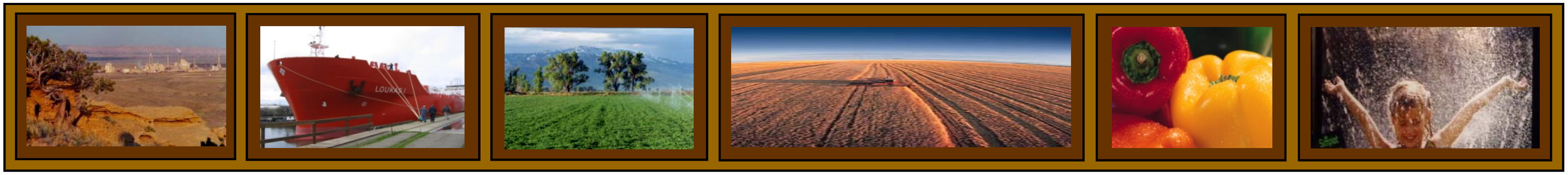
Unprecedented curtailments

S / D Balance

Elasticity key driver

Future Behaviors

How will producers manage risk and opportunity ?



Bringing Earth's Resources to Life

Supply Outlook – Key Driver

Operating Rates

2008 / 2009 Run Rates

Unprecedented curtailments

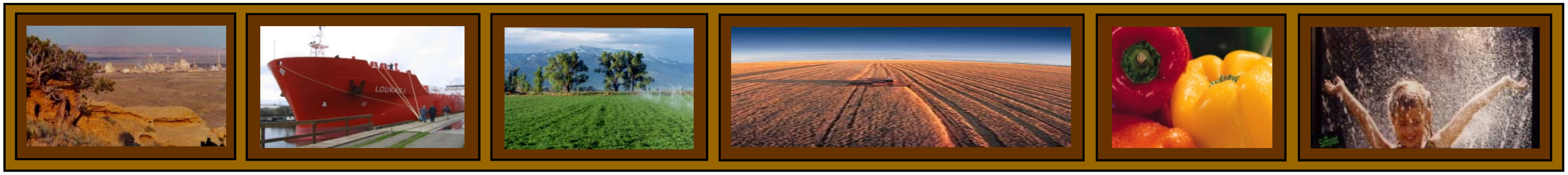
S / D Balance

Elasticity key driver

Future Behaviors

How will producers manage risk and opportunity ?

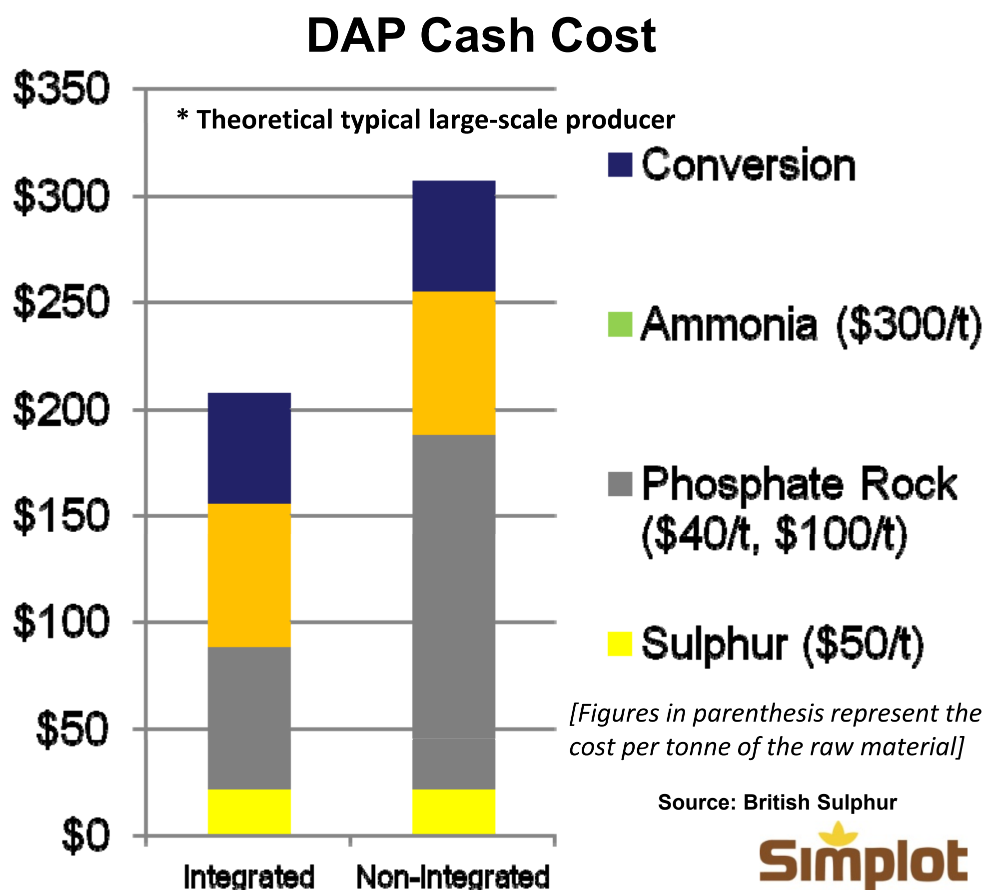
Operating Rates: Still in question



Bringing Earth's Resources to Life

Supply Outlook - Other Key Factors

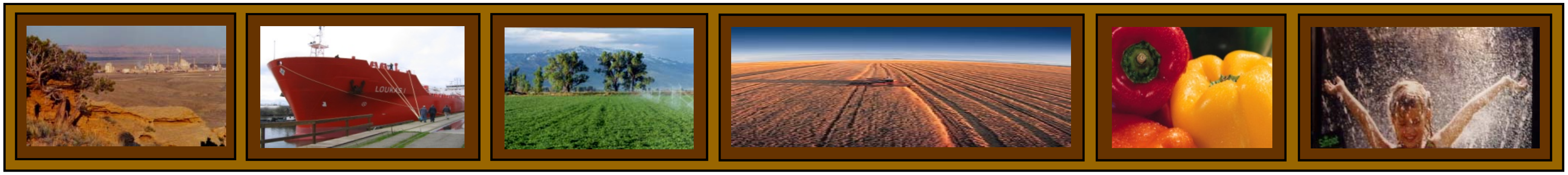
Integrated vs. non-integrated production



[Figures in parenthesis represent the cost per tonne of the raw material]

Source: British Sulphur

Simplot AgriBusiness

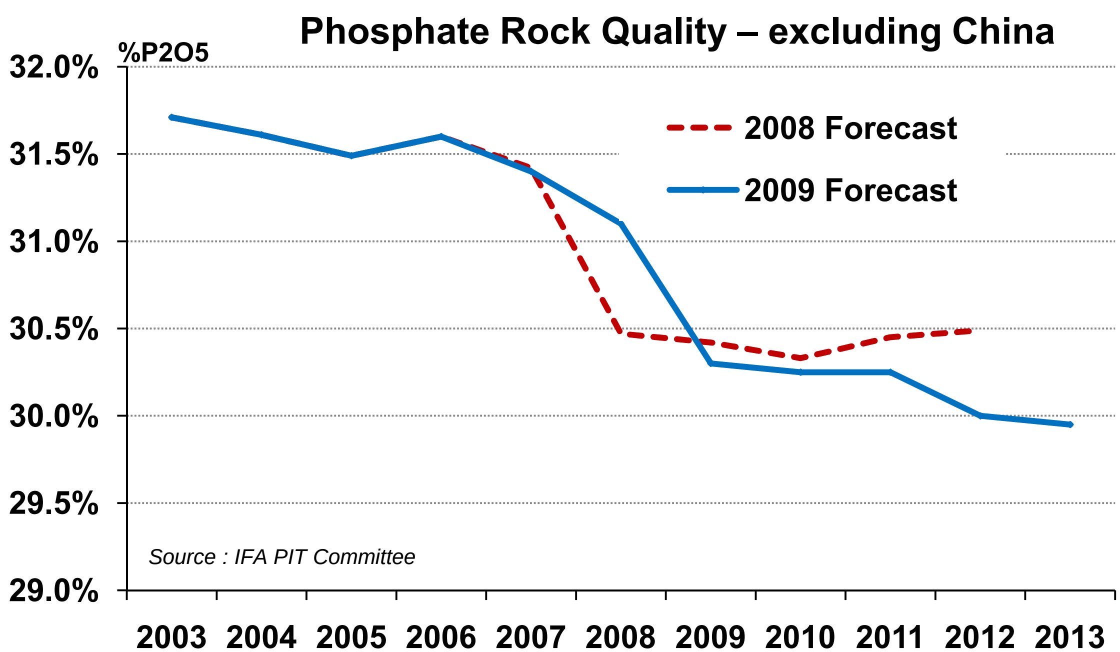


Bringing Earth's Resources to Life

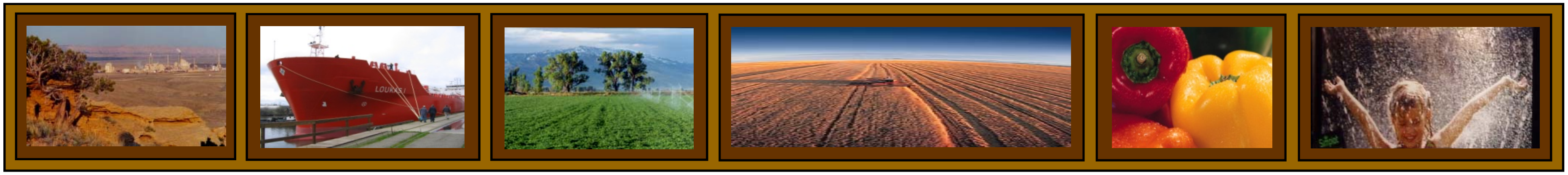
Supply Outlook - Other Key Factors

Diminishing quality of rock

… will increase costs and potentially alter trade patterns



Simplot AgriBusiness

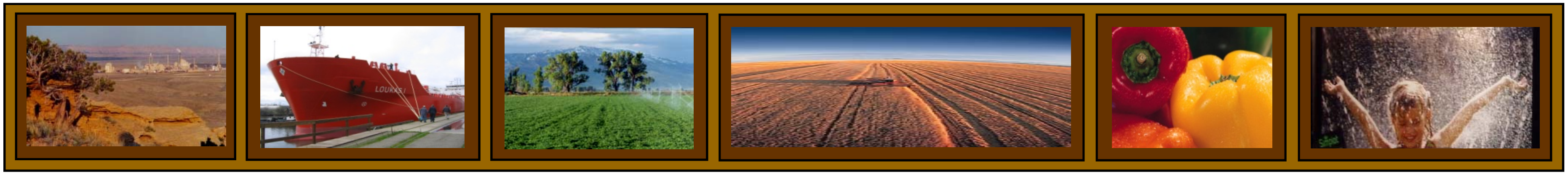


Bringing Earth's Resources to Life

Questions

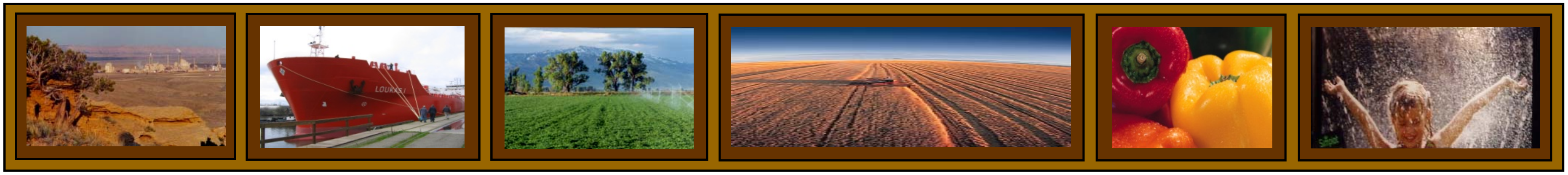
- Short Term
  - What is the impact of **reduced Phosphate rates** ?
  - What is the continuing impact of the **financial crisis** ?
  - How will **producers** manage volatility and uncertainty ?

Simplot AgriBusiness



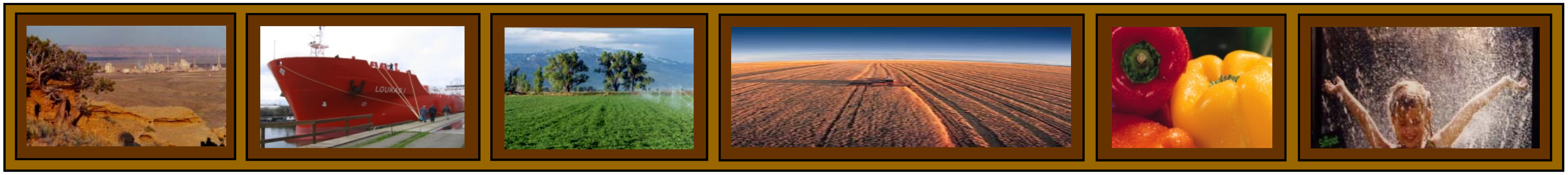
Questions

- Mid Term
  - How will **Ma'aden** alter world Phosphate trade ?
  - What will **China**'s supply / demand balance look like ?



Questions

- Long Term
  - How will **OCP** optimize its strategic Phosphate reserve ?
  - What role will **technology** play (efficiency, recycling, etc.) ?
  - Will **Isaac Asimov**'s view stand the test of time ?



Bringing Earth's Resources to Life

Thank You

Earth.

Without stewardship, Earth doesn't amount to much. However, proper management of our resources can produce great things. That's why the J.R. Simplot Company believes that Responsibility & Accountability, Operational Excellence, Innovation and Entrepreneurship, and Growth are not just words to us, they are our foundation for business, our culture and our commitment to our customers. It is through these principals that we are *Bringing Earth's Resources to Life*.

Simplot
AgriBusiness

www.simplot.com

Bringing Earth's Resources to Life

Simplot
AgriBusiness