Nitrogen Market Update

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Presentation Outline

• Brief Agriculture Overview & US Nitrogen Demand Outlook

• Review of Current and Forecasted Costs For Key Global Producers

• Capacity and Trade Outlook
Agriculture Overview & US N Demand Outlook
Global Crop Condition

Less Than Ideal Conditions Have Impacted 2012 Crop Production

- Projected corn yield is the lowest since 1995. Significant demand rationing required for corn and soybeans.
- Brazilian soybean acres expected to increase by 8-10%. Market will be closely monitoring weather conditions.
- Argentina expected to increase soybean acreage but excess moisture has delayed planting.
- Expect limited FSU grain exports over next 6-9 months; Russian wheat exports could be down by 60% in 2012/13.
- Weak Indian monsoon impacted Kharif (summer) crop, improved rain should support Rabi (fall) crops.
- Australian wheat production could be down by more than 20%.

Key Factors to Watch:
- How will US corn and soybean demand be rationed?
- Uncertainty of FSU grain export supply
- Planted area and crop conditions in Brazil
- China corn and soybean import demand
World Grain Stocks-to-Use Ratio

Consecutive Years of High Growth in Production Required to Replenish Stocks

2012F refers to the 2012/13 crop year. Assumes demand growth of 2 percent. Previous 10-year growth in production/consumption averaged approximately 2 percent annually.

Source: USDA, PotashCorp
US Fertilizer Use Following Major Yield Declines

Fertilizer Use Increased in Most Fertilizer Years Following a Major Yield Decline

Percentage Change
- Change in US Fertilizer use (in following fertilizer year)
- Change in US N Fertilizer use (in following fertilizer year)
- Year-over-Year Corn Yield Decline


Source: USDA, AAPFCO
US Crop and Retail Fertilizer Prices

Nitrogen Prices are Lagging Increases in Crop Prices

Source: DTN, Bloomberg
Fertilizer Cost Percentage of US Corn Revenue

Expect Farmers Will Respond to Favorable Fertilizer Economics
US N Use by Crop and Acreage Forecast*

Expect Another Large Planted Acreage of Major Nitrogen Consuming Crops

US N Use by Crop, Percentage

- Corn: 47%
- Wheat: 13%
- Cotton: 6%
- Other Cereals: 13%
- Fruits & Vegetables: 4%
- Other: 2%

US Major Crop Acreage*

- Corn
- Wheat
- Cotton

Million Acres

* Based on corn, wheat and cotton acreage. 2013F refers to the 2013/14 crop year.

Source: USDA, IFA, Doane
US Nitrogen Consumption

US Nitrogen Demand Expected to Be Strong in 2013

Source: USDOC, TFI, CRU
Nitrogen Costs Update
Natural Gas Prices in Key Nitrogen-Producing Regions

Gas Prices Remain Elevated In Required Producing Regions

US$/MMBtu – 2012F

- North Africa: $0.80
- Middle East: $1.10
- US Gulf: $2.75
- Russia: $3.40
- Trinidad: $6.05
- China: $6.50
- W. Europe (Spot): $9.35
- Ukraine (Port): $10.50
- W. Europe (Contract): $13.90

Source: Fertecon, CRU, PotashCorp
Natural Gas Forecast For Key Producing Regions

Input Costs Expected To Remain High In Many Key Producing Regions
Nitrogen Production Cash Costs

High-Cost Production Required During Periods of Strong Demand

Ammonia

US$/Tonne

- Gas Cost
- Freight & Handling
- Other Cash Cost

Urea

US$/Tonne

- Gas Cost
- Other Cash Cost
- Freight & Handling
- Coal Cost

Note: Cost of production estimates based on natural gas price forecast for 2012

Source: Fertecon, CRU, PotashCorp
Supply Cost Curves for Nitrogen Exporters

Wide Range In Cost Profiles Intensifies Typical Market Seasonality

Note: Cost of production estimates based on natural gas and coal price forecast for 2012. Excludes transportation cost.
Capacity & Trade
World Ammonia Supply and Demand

Relatively Balanced Ammonia Market Outside of China

*Estimated annual achievable production level from existing operations and projected new capacity.
**Operating rate forecast based on forecasted demand divided by estimated operational capability (including announced projects; assuming typical ramp-up period for new capacity).

Source: Fertecon, PotashCorp
World Ammonia Trade

Expect Majority of Import Growth From Asian Markets

Import Profile

US 35%
Asia 26%
Western Europe 20%
Other 14%
Africa 5%

Export Profile

others 24%
Trinidad 24%
FSU 18%
Middle East 14%
Asia 11%
Europe 9%
Africa 7%

Global Ammonia Trade 2011: 19.6 Million Tonnes

Source: Fertecon, CRU, PotashCorp
Global Urea Capacity Additions*
Uncertainty Over Timing and Probability of Announced New Capacity

*Excludes Chinese urea capacity additions and capacity curtailments
*Approximately 80 percent of the new capacity is export oriented
† Indicates the country is a net importer

Source: CRU, Fertecon, PotashCorp
World Urea Supply and Demand

Modest Pressure On Market Possible If Proposed Project Are Completed

*Estimated annual achievable production level from existing operations and projected new capacity.

**Operating rate forecast based on forecasted demand divided by estimated operational capability (including announced projects; assuming typical ramp-up period for new capacity).
Nitrogen Capacity Projections vs. Actual Additions

Numerous Global Urea Project Delays Have Impacted the Market

Source: Fertecon, CRU, PotashCorp
World Urea Trade

The Middle East and Africa are Forecast to Supply Import Growth

Import Profile:
- US: 14%
- Latin America: 18%
- Other Asia: 19%
- Other: 19%
- Europe: 11%
- India: 18%
- Other: 19%

Export Profile:
- Middle East: 36%
- FSU: 24%
- Africa: 8%
- China: 10%
- Other: 23%
- Other: 8%

Global Urea Trade 2011: 40.6 Million Tonnes

Source: Fertecon, CRU, PotashCorp
US Capacity Story
Ammonia Cost and Natural Gas Price Comparison

US Natural Gas Situation Provides Significant Interest In Nitrogen Production

Source: NYMEX Henry Hub, Fertecon, PotashCorp
# Proposed Capacity Additions in North America

<table>
<thead>
<tr>
<th>Company</th>
<th>Location</th>
<th>Ammonia ST/Year</th>
<th>Urea ST/Year</th>
<th>Start up</th>
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<tr>
<td>LSB</td>
<td>Pryor, OK</td>
<td>60,000</td>
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<td>4Q12</td>
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<tr>
<td>OCI</td>
<td>Beaumont, TX</td>
<td>250,000</td>
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<td>2Q12</td>
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<td>PCS</td>
<td>Augusta, GA</td>
<td>70,000</td>
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<td>Q412</td>
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<td>PCS</td>
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<td>550,000</td>
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<td>1Q13</td>
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<td>Austin Powder</td>
<td>Moshein, TN</td>
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<td>CF-Brownfield</td>
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<td>Yara</td>
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<td>CF-Brownfield</td>
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<td>Port Neal, IA</td>
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<td>2016</td>
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<td>Agrium - Brownfield</td>
<td>TX, AB</td>
<td>135,000</td>
<td>890,000</td>
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<tr>
<td>OCI</td>
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<td>CHS</td>
<td>Spiritwood, ND</td>
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<td>Agrium - Greenfield</td>
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<td>1,980,000</td>
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<td>500,000</td>
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<td>IFFCO</td>
<td>East Canada (on water)</td>
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<td>ND Corn Growers</td>
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Major North American Fertilizer Production Locations

Numerous Nitrogen Capacity Announcements

- Existing N Complex
- Select N Expansions and Greenfields
NA Nitrogen Supply Profile Scenarios

New Capacity Expected to Impact Imports

2017 Sc. 1: assumes major debottlenecking and expansions proceed at existing sites.
2017 Sc. 2: In addition to Sc. 1, three greenfields proceed.
Concluding Summary and Comments

• Agriculture fundamentals are providing an optimistic backdrop for the upcoming fertilizer season – especially North American N demand.

• Appears to be minimal relief in cost profile for key offshore producing regions.

• Numerous projects in various stages of development but history shows timing of completion is often optimistic.
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