Food & Fertilizer: Defusing the Crisis

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President & CEO

PotashCorp.com
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Thomas Malthus
Historical World Population Growth 1500-1800
Malthus Observed Relatively Slow Population Growth

Source: US Census Bureau
Average Corn Yields 1860-1940
Historical Corn Yields Remained Low and Flat

Average Yield (Bushels per Acre)

Source: USDA, ICRSAT, John Deere, Monsanto
Norman Borlaug and the Green Revolution
Fertilizer Consumption Growth 1955-Present

Strong Growth Supports Increased Food Demand

Million Tonnes Nutrient

Source: FAO, IFA, Fertecon fertilizer datafiles mid 2000
Potential Potash Consumption Growth

Significant Catch-Up to Meet Scientifically Recommended Application Levels

Source: IPNI, Fertecon, IFA, PotashCorp
Crop Production Factors’ Effect on Yield
Balanced Fertilization Is Essential to Achieving Higher Yields

- Irrigation
- Seed
- Technology
- Pest Control
- Planting
- Density
- Cultivation
- Practices

Fertilizer: 50%

Source: IPNI, IFA
Low Cropland per Capita in Developing World
Need to Improve Crop Production Through Fertilization and Farming Practices

Acres/Capita

Source: FAO, United Nations Population Database
Time Line of Average Corn Yields
Several Developing Countries’ 2010 Yields Lag US Corn Yield Progress

Average Yield (Bushels per Acre)

Source: USDA, ICRSAT, John Deere, Monsanto
World Undernourishment

Source: FAO
World Crop Production Growth
2007 to 2050

Source of Growth
- Increased Crop Yields & More Crops per Year: 90%
- Other: 10%

Location of Growth
- Developing Countries: 80%
- Developed Countries: 20%

Source: FAO
Global Corn Stocks-to-Use Ratio vs Price
Last Four Years, Higher Correlation Between Stocks-to-Use Ratio and Price

US Farm Gate Price – US$/Bu

Source: USDA
Global Soybean Stocks-to-Use Ratio vs Price
Price Levels Moved Higher in the Past Four Years

US Farm Gate Price – US$/Bu

Source: USDA
Agriculture Commodity Prices

Higher Prices Reflect the Long-Term Challenge of Meeting Rising Demand for Food

October 2011 - Percentage Price Increase Compared to 2001-2010 Average

Source: World Bank
Defusing the Food Crisis – Education & Communications

- Continued education of growers
Dr. Jin Jiyun – Inspecting Heilongjiang Corn Research Station
Defusing the Food Crisis - Infrastructure

- Continued education of growers
- Increased use of higher technology communications such as the internet and cell phones
The internet and mobile phones provide complementary options for acquiring needed information and transmitting a recommendation.

- **Computer via Web connection**
- **Mobile phone via Web connection**
- **Mobile phone SMS compatible**

*Uses Interactive Voice Response (IVR)
**Nutrient Manager Mobile-SMS version uses interactive voice response (IVR)**

- The user calls a toll-free number to access the software
- Once connected, a voice prompt instructs the caller to select statements describing his/her field conditions by pressing a number on the phone.
- After all statements are answered, the field-specific fertilizer guideline is sent as a text message.

NMRice: For 105-115 sacks of palay on 1 hectare in dry season: Apply 3&1/2 bags 14-14-14 w/in 14 days after transplanting (DAT), 1 bag urea at 24-28 DAT, 1 bag urea + 1&1/2 bags 17-0-17 at 35-39 DAT. For queries, call DA at 02-982-2474
Defusing the Food Crisis - Infrastructure

- Continued education of growers
- Increased use of higher technology communications such as the internet and cell phones
- Development of infrastructure to transport fertilizer to the crops and the crops to market
Russia Fertilizer N, P & K Consumption
Soviet Union Economic Collapse Reduced Consumption – Recovery Is Slow

Million Tonnes

1985 1987 1989 1991 1993 1995 1997 1999 2001 2003 2005 2007 2009 2011

Source: Fertecon
Brazil’s Cerrado

1,600 kilometres

Cuiaba

Santo

Paranagua

Rio Grande

Vitoria

PotashCorp

Helping Nature Provide
Fertilizer Use in Africa

2007

Kg/ha

US fertilizer use = 181 lbs/acre or 203 kg/ha. Africa average = 8

Africa’s Goal

25% of US Level

20% of US Level

15% of US Level

10% of US Level

5% of US Level

3% of US Level

Africa’s Current Average Application

Source: IFDC

* Data taken from IFDC Report Volume 36, No 2, Page 17
Defusing the Food Crisis – Farm Consolidation

• Continued education of growers
• Increased use of higher technology communications such as the internet and cell phones
• Development of infrastructure to transport fertilizer to the crops and crops to market
• Continued consolidation of farms from small holdings to larger units taking advantage of economies of scale
Boom in China’s Apartment Building Construction
China’s Average Farm Size
Policies allowing greater land flexibility have increased farm size since 2003

Rental markets are rising for cultivated land

Small farms challenge labor productivity, modernization and food safety

Source: NSBC
China - Sources of Farmers’ Income
Non-agricultural income now exceeds agricultural income

Source: Center for Chinese Agricultural Policy, Chinese Academy of Sciences
Percentage of China’s Farmland Rented by Holder
Farmland rentals increase due to enhanced land tenure & rising off-farm income

The percentage of land rented in developed provinces such as Zhejiang exceeds 40%
Defusing the Food Crisis – Fertilizer Availability

- Continued education of growers and increased use of higher tech communications such as the internet and cell phones
- Development of infrastructure to transport fertilizer to the crops and crops to market
- Continued consolidation of farms from small holdings to larger units taking advantage of economies of scale
- Fertilizer availability
The Fertilizer Industry is Investing in the Future

Fertilizer Industry Capital Expenditures

2008-2010 $40 Billion
2011-2015 $80 Billion
Global Potash Estimated Operational Capability*
Excluding PotashCorp, Limited New Operational Capability Expected in Medium-term

Million Tonnes KCl

2011F  POT  Other NA  FSU  Middle East  Other  2015F

~69 MMT  ~72 MMT

* Estimated annual achievable production level from existing operations; announced probable and possible projects; assuming typical ramp-up periods for new capacity. Probable and possible projects based on PotashCorp’s view of project probabilities.
### PotashCorp Expansions/Debottlenecking Projects

#### History of Successful Project Execution

<table>
<thead>
<tr>
<th>Facility</th>
<th>Investment CDN$ Billions</th>
<th>Standard Capacity* Expansions/Debottlenecking</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construction Projects Completed (2005-2010)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rocanville</td>
<td>$0.13</td>
<td>0.75MMT</td>
</tr>
<tr>
<td>Allan</td>
<td>$0.21</td>
<td>0.40MMT</td>
</tr>
<tr>
<td>Lanigan</td>
<td>$0.41</td>
<td>1.50MMT</td>
</tr>
<tr>
<td>Patience Lake</td>
<td>$0.11</td>
<td>0.36MMT</td>
</tr>
<tr>
<td>Cory I</td>
<td>$0.90</td>
<td>1.20MMT</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1.76</strong></td>
<td><strong>4.21MMT</strong></td>
</tr>
<tr>
<td><strong>Projects in Progress</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Brunswick**</td>
<td>$1.66</td>
<td>1.20MMT</td>
</tr>
<tr>
<td>Cory II</td>
<td>$0.74</td>
<td>1.00MMT</td>
</tr>
<tr>
<td>Allan</td>
<td>$0.55</td>
<td>1.00MMT</td>
</tr>
<tr>
<td>Rocanville</td>
<td>$2.80</td>
<td>2.70MMT</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5.75</strong></td>
<td><strong>5.90MMT</strong></td>
</tr>
</tbody>
</table>

* Includes, as applicable, both bringing back previously idled capacity and expansions to capacity and does not necessarily reflect current operational capability

** Net capacity increase assuming closure of existing 0.8MMT mine

Source: PotashCorp
Estimated Greenfield Potash Capital Costs
Greenfield Projects Require Significant Investment

<table>
<thead>
<tr>
<th>Component</th>
<th>CDN$ Billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conventional Mine and Mill*</td>
<td>$4.1B</td>
</tr>
<tr>
<td>Development of Infrastructure**</td>
<td>$0.6B-$1.2B</td>
</tr>
<tr>
<td>Acquisition of Deposits***</td>
<td>$0.0B-$1.0B</td>
</tr>
<tr>
<td>Potential Greenfield Cost</td>
<td>$4.7B-$6.3B</td>
</tr>
</tbody>
</table>

* Based on 2mmt per-year conventional mine in Saskatchewan; costs could vary depending on conventional vs. solution mine, depth of ore body, geographic location, and other factors.

** Dependent on geographic location, access and distance to port. Includes railcars, utility systems, port facilities, etc.

*** Based on publicly reported cost of recent purchases.

Source: AMEC, PotashCorp
Saskatchewan Brownfield and Greenfield Sensitivities
Significant Cost and Time Advantage for Brownfield Projects

US$/tonne Netback Required (fob mine)

- Brownfield 10% IRR
- Brownfield 15% IRR
- Greenfield 10% IRR
- Greenfield 15% IRR

Assumptions:
- Brownfield: 1-million-tonne project constructed in Saskatchewan, excluding cost of infrastructure; 5-year construction and ramp-up timeline; does not include profit tax savings from immediate CAPEX deduction
- Greenfield: 2-million-tonne project constructed in Saskatchewan, plus cost of infrastructure; minimum 7-year development and ramp-up timeline; $US/CDN at par

Source: PotashCorp
Defusing the Food Crisis – The Four Rs

- Continued education of growers and increased use of higher tech communications such as the internet and cell phones
- Development of infrastructure to transport fertilizer to the crops and crops to market
- Continued evolution of farms from small holdings to larger units taking advantage of economies of scale
- Fertilizer availability
- Production and transport of fertilizer using the four Rs
Historical World Population Growth
Growth Is Far Exceeding Limits Proposed by Malthus

Source: United Nations Medium Variant
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