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Slip sliding away?

CRU Phosphate Market Outlook

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CRU Phosphate Analysis

FOTC Ft Lauderdale 2017

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CRU's insights are built on a twin commitment to quality **primary research** and robust, transparent **methodologies**.

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CRU invests in a **global team of analysts**, the key to gaining a real understanding of critical hard-to-reach markets such as **China**.

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CRU – **big enough to deliver**, a high quality service, **small enough to care** about all our customers.

Agenda

Phosphate market outlook

Recent price developments

The MENA supply tidal wave

A new normal in China?

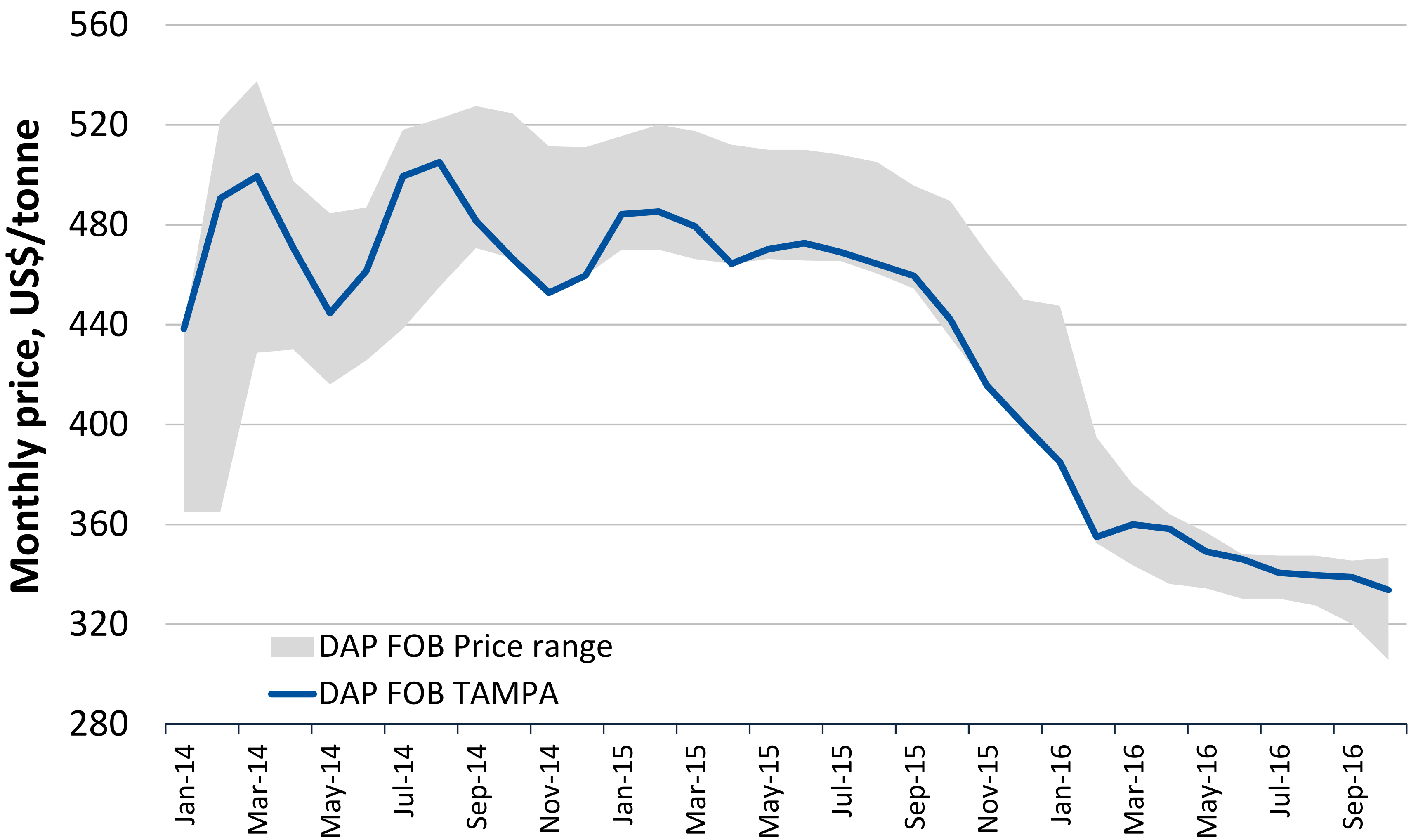
How long can India capitalize on low raw material costs?

Soy slowdown in Brazil?

Doom & gloom?

Fertilizer prices continue to slide

DAP FOB TAMPA price and other DAP benchmark price range



Source: CRU Phosphate Fertilizer Market Outlook – October 2016; Fertilizer Week

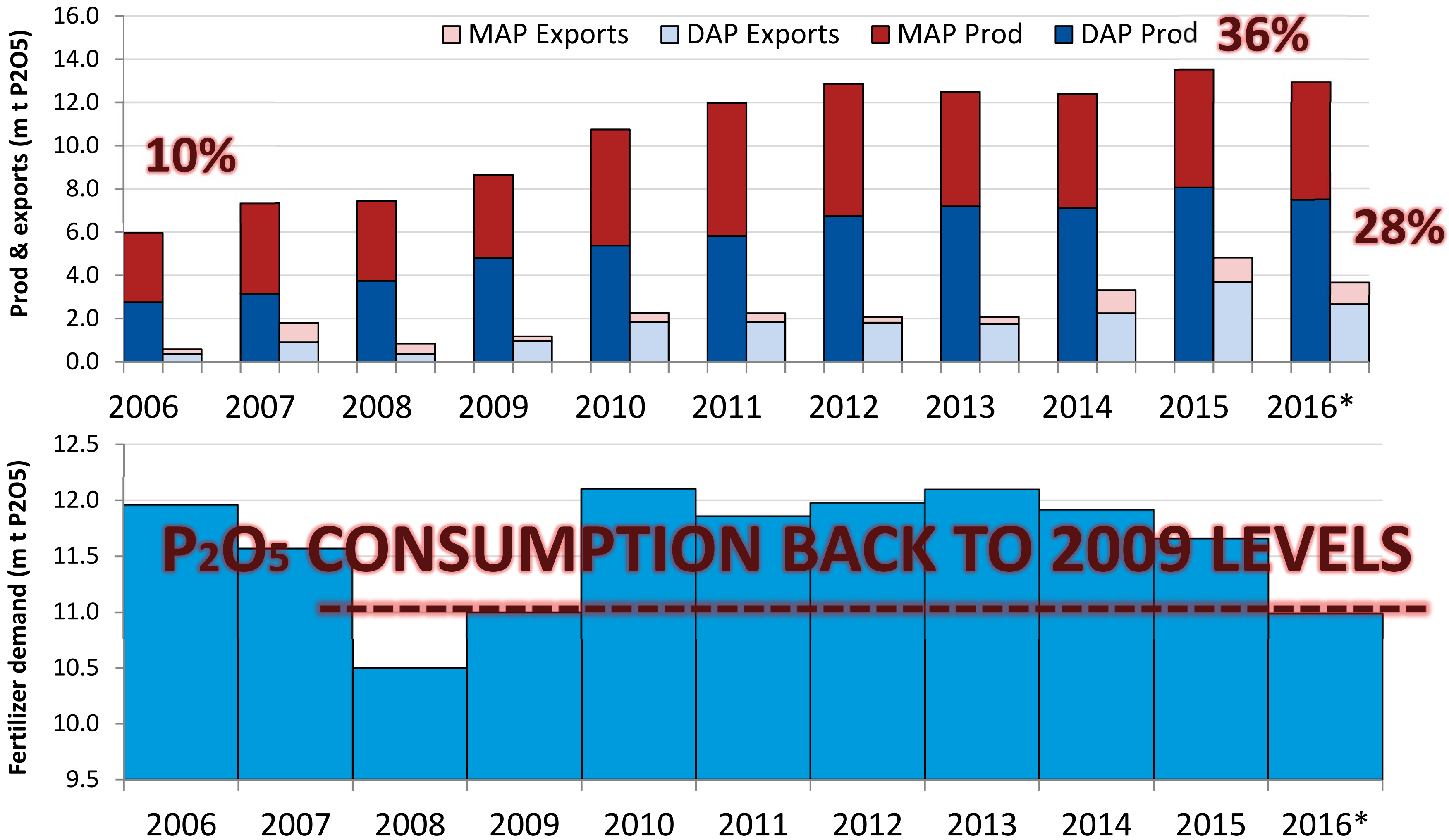
NOTE: Range includes FOB Saudi Arabia, Baltic/Black Sea, North Africa, Morocco, Tunisia, China, Mexico, Jordan, Australia

Agenda

Phosphate market outlook

China producers struggling for cash flow

China DAP & MAP production, exports and P_2O_5 demand



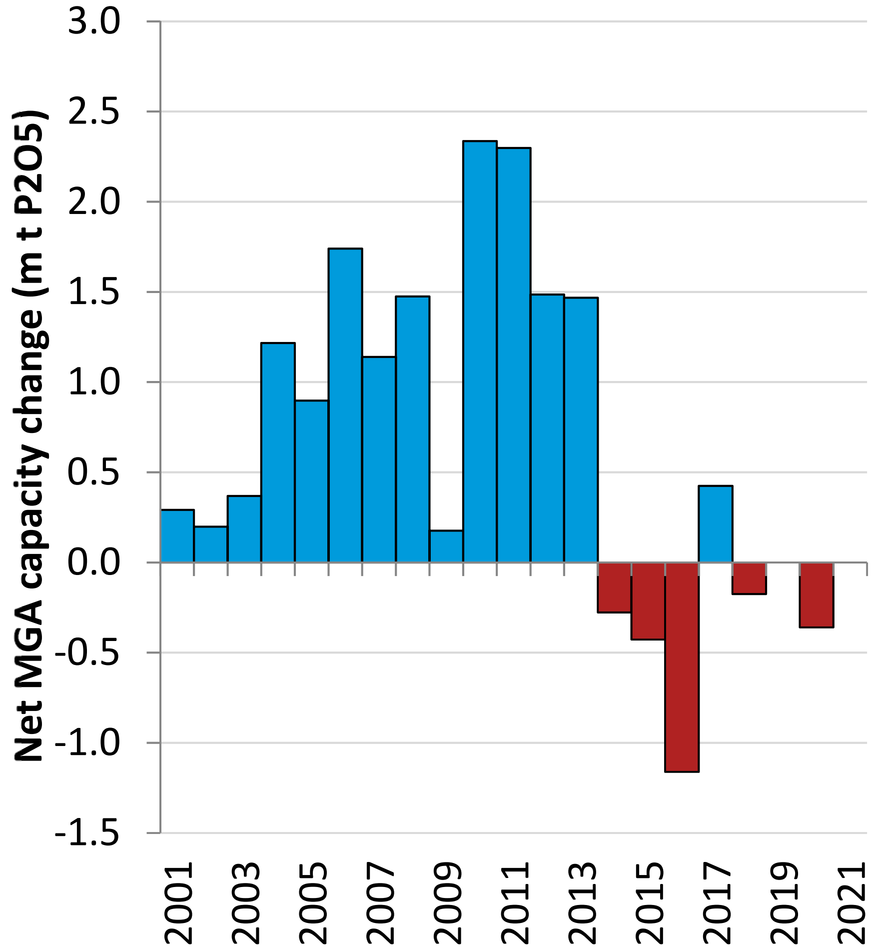
Source: CRU Phosphate Fertilizer Market Outlook –October **Note**: 2016* forecast

The problems keep piling up

Developments in the China market are telling for producers

- •Removal/lowering of export tax
- •Big-4 producer costs remain low
- •SE Asian demand to improve in 2017

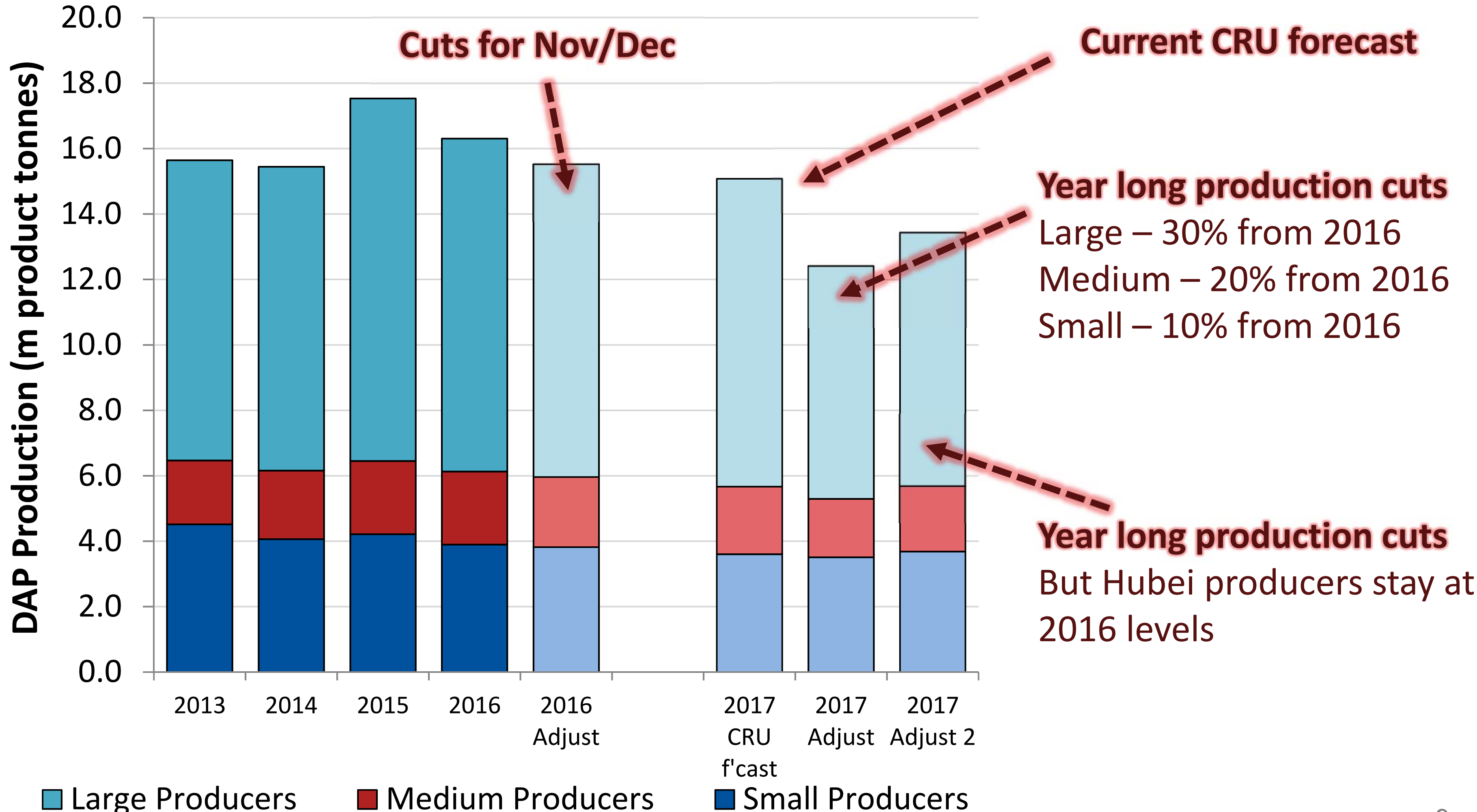
- •Domestic demand is hurting
- •↑ stocks
- •↑ transportation taxes
- •↑ coal prices
- •Investments being questioned
- •IN PRINCIPAL AGREEMENT TO CUT PRODUCTION…



Source: CRU Phosphate Fertilizer Market Outlook –October

The problems keep piling up

China DAP production cut scenarios



Source: CRU Phosphate Fertilizer Market Outlook –October ,CPFIA

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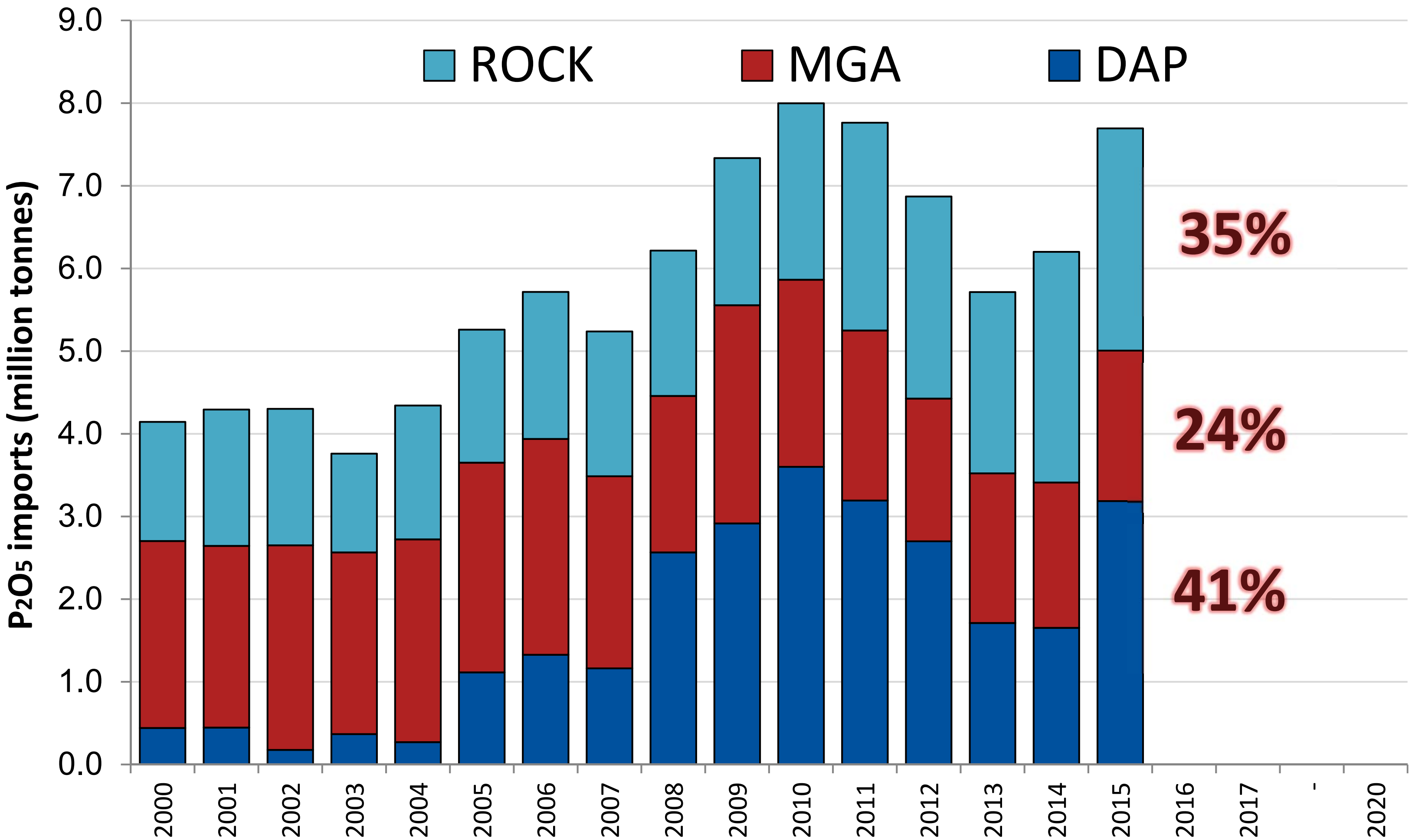
Phosphate market outlook

India the game changer- ↑MGA ↓ DAP

India P_2O_5 imports by DAP, MGA and Phos Rock.



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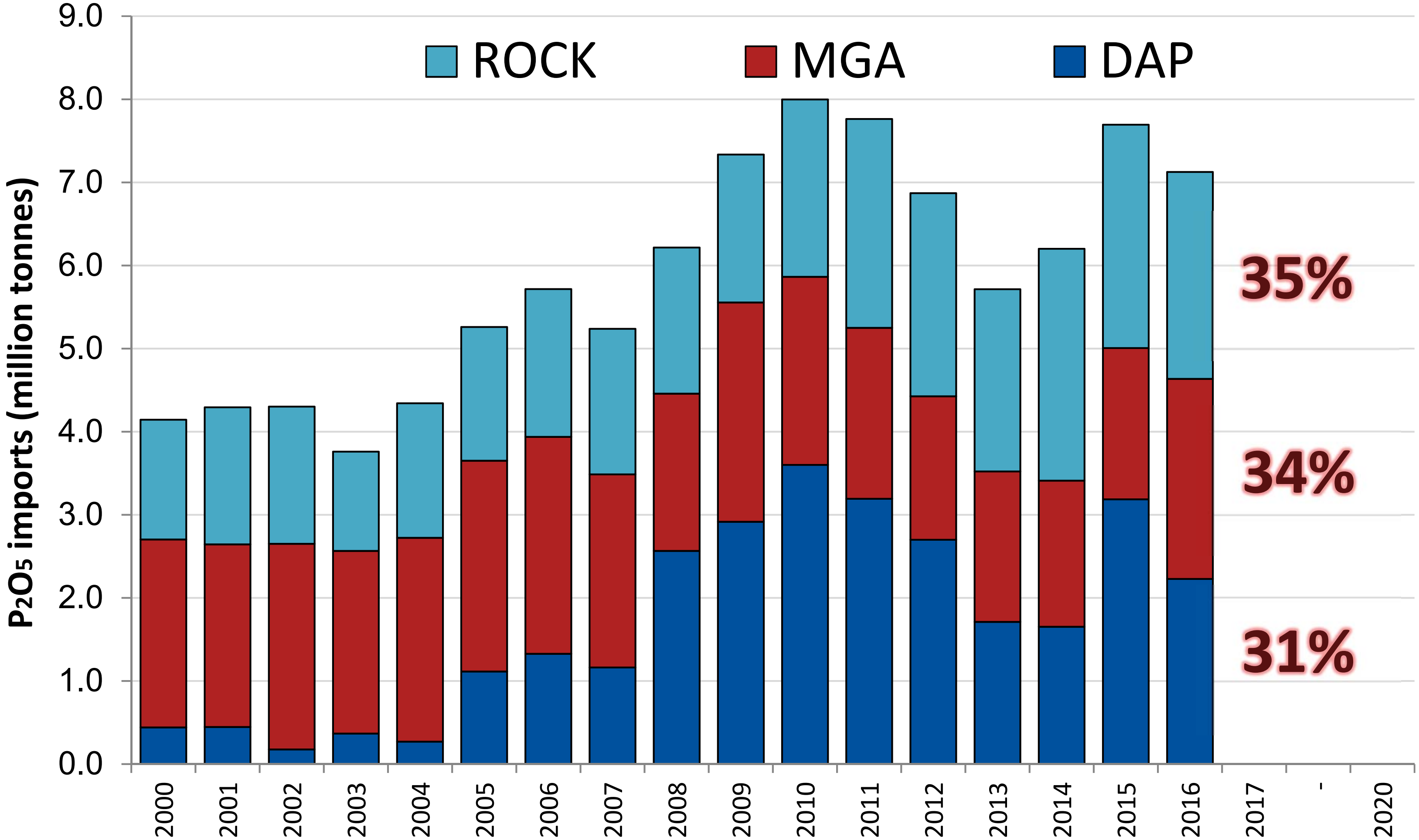

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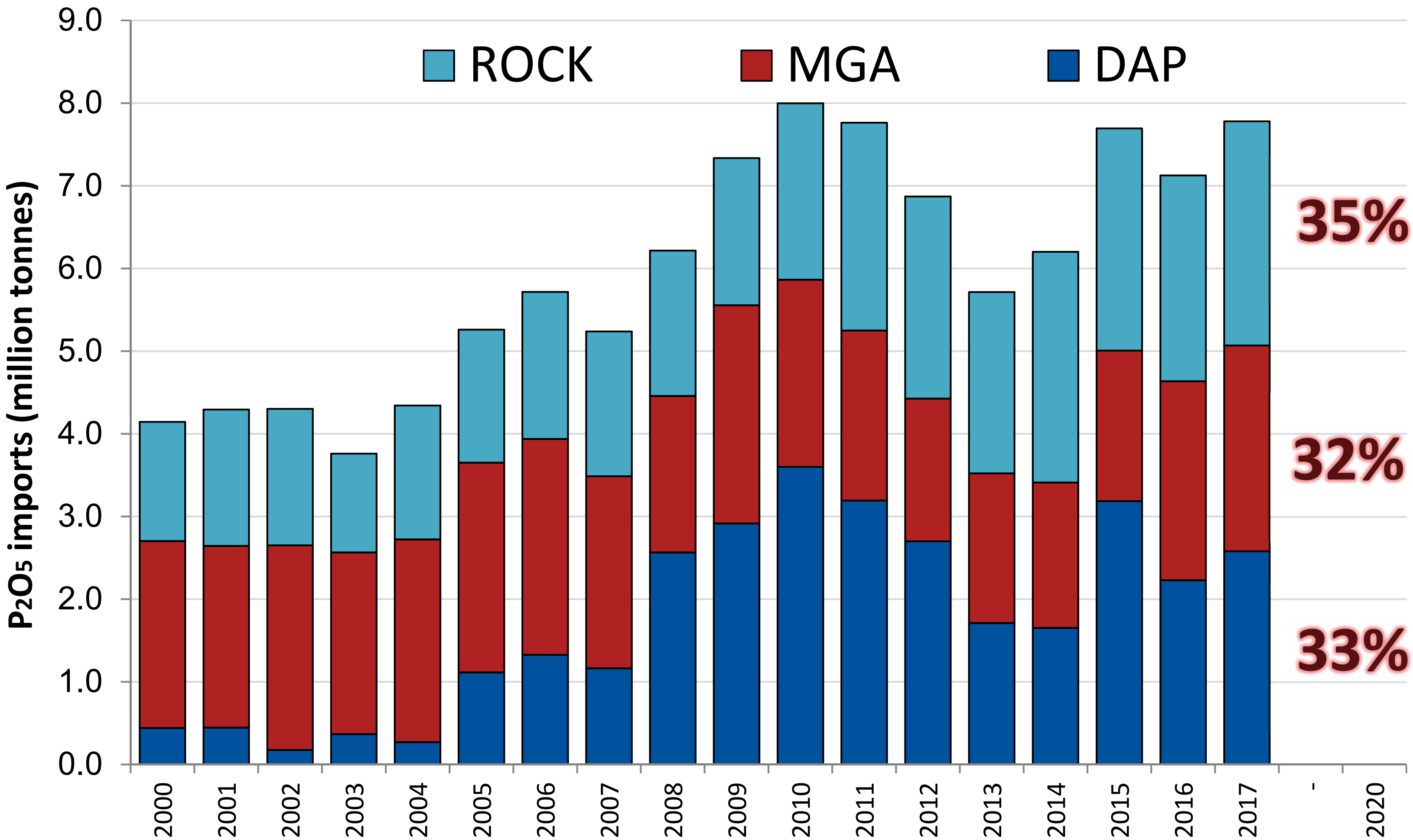

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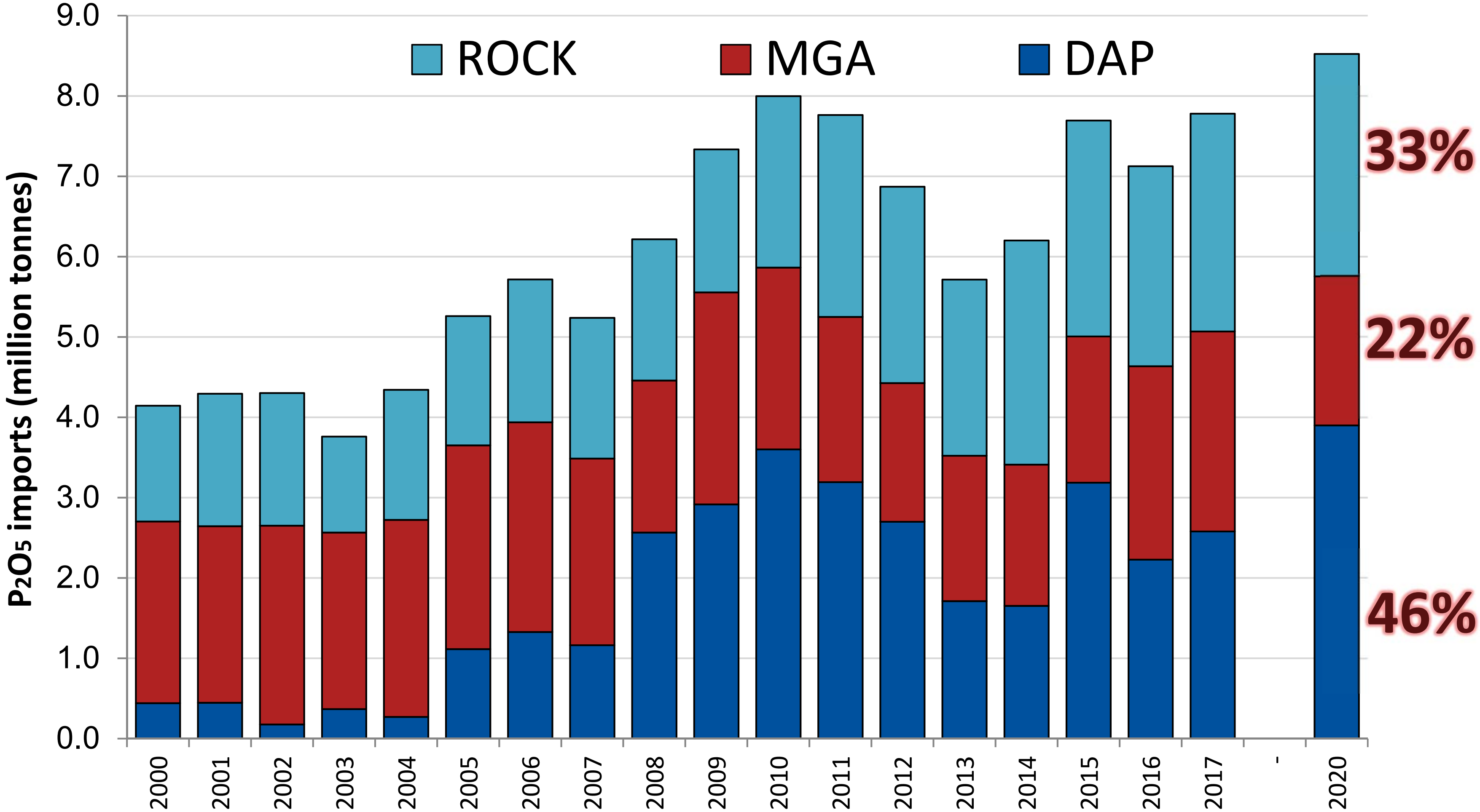

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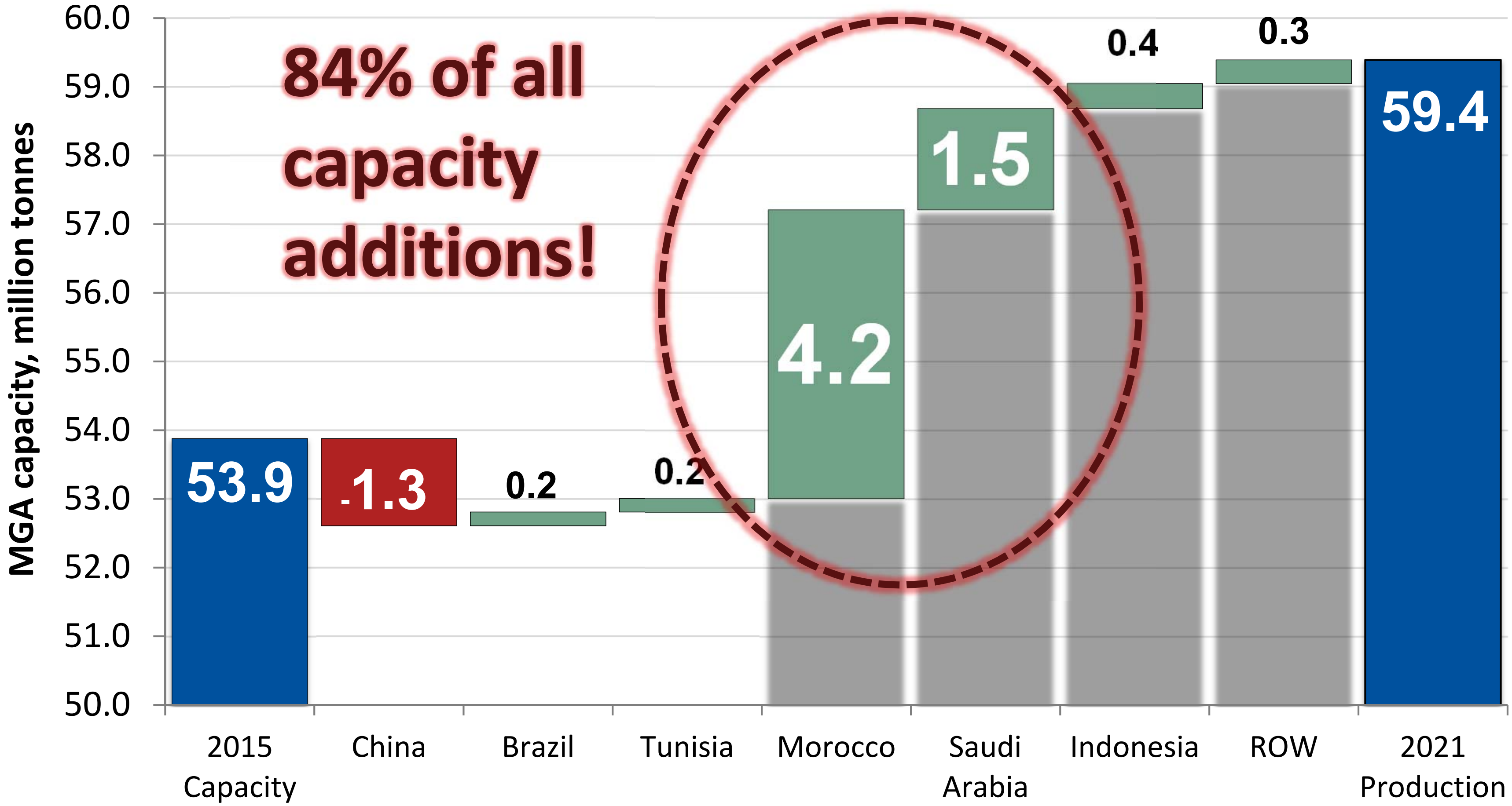
Phosphate market outlook

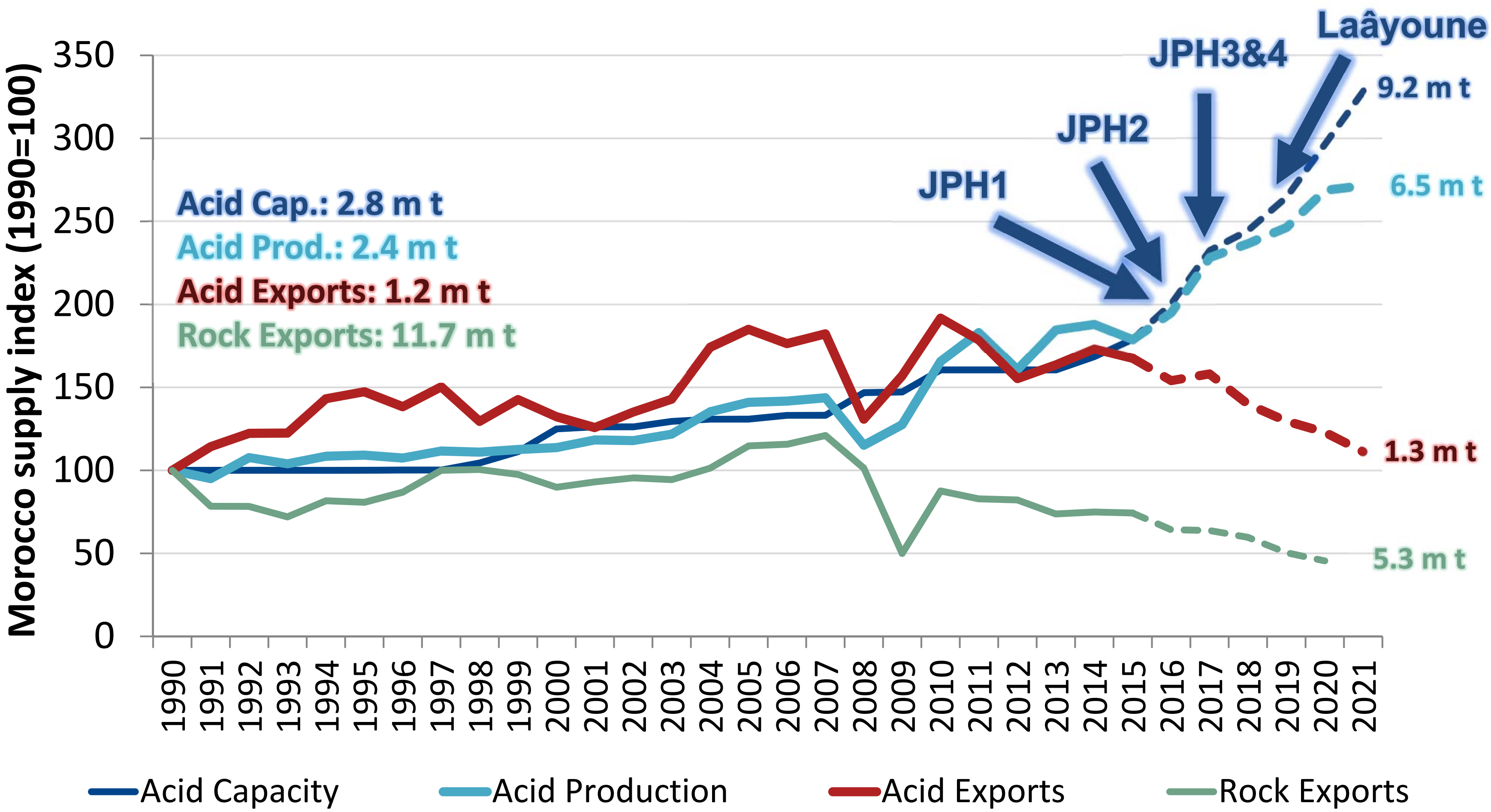
OCP & Saudi dominate capacity expansions

Capacity expansions 2015-2021



OCP focus shifts to downstream production

OCP supply index (tonnes P_2O_5)



Supply: MWSPC due for commissioning in 2017

Project update

Progress update (as at end of September 2016):

- Rock beneficiation plant 85% complete
- Sulphuric acid plant 88% complete
- Phosphoric acid plant 86% complete
- Ammonia plant complete (and active on export market)
- DAP plant 71% complete

Expectations:

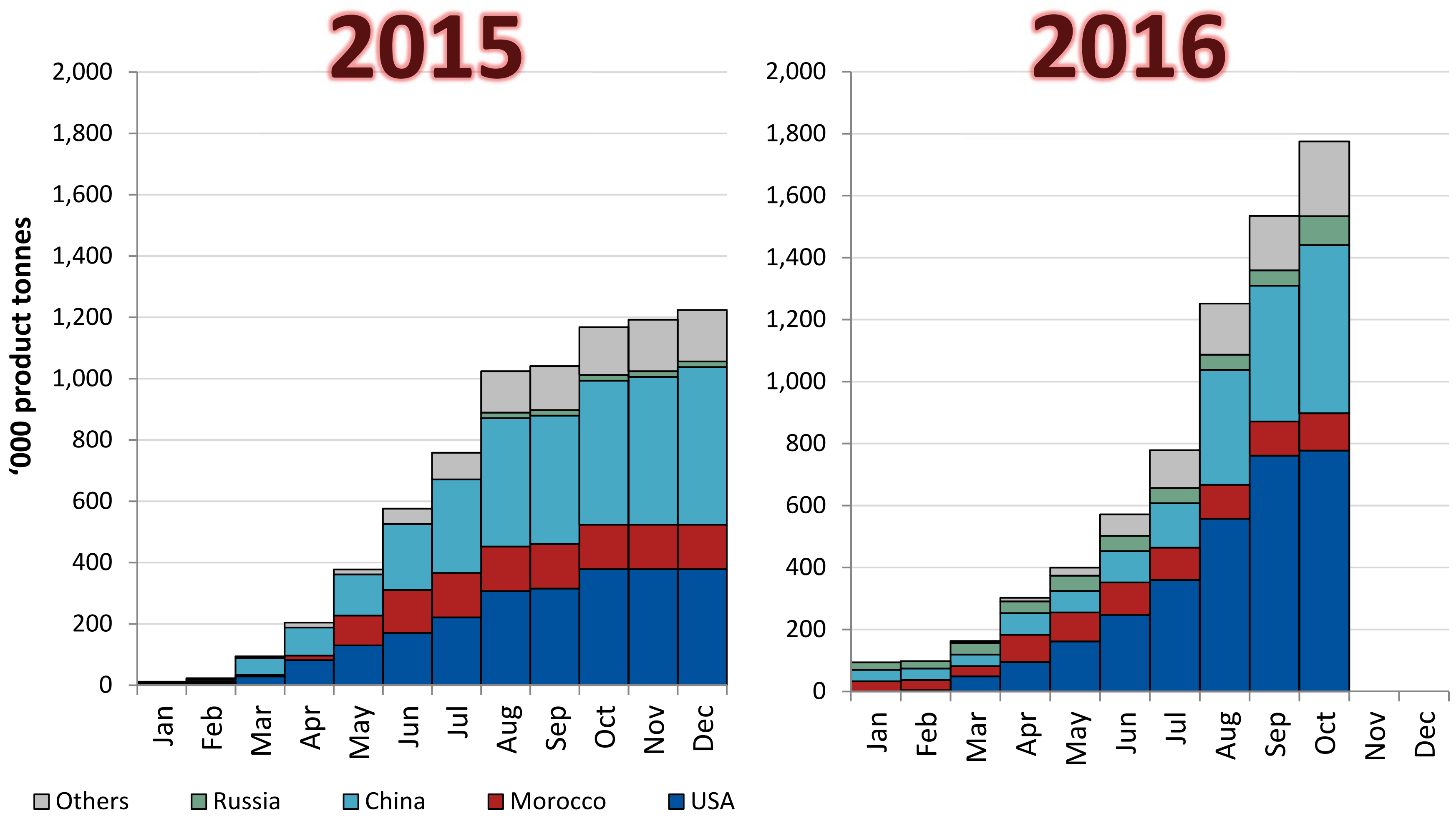
- In CRU's view completion will be in H2 2017 (but they say sooner)
- Project will be fertilizer focused, NO industrial & feed phosphate (at the moment)
- It will be among the lowest cost operations in the world, even once construction costs are taken into account

Agenda

Phosphate market outlook

Brazil NPS arrivals exceed expectations

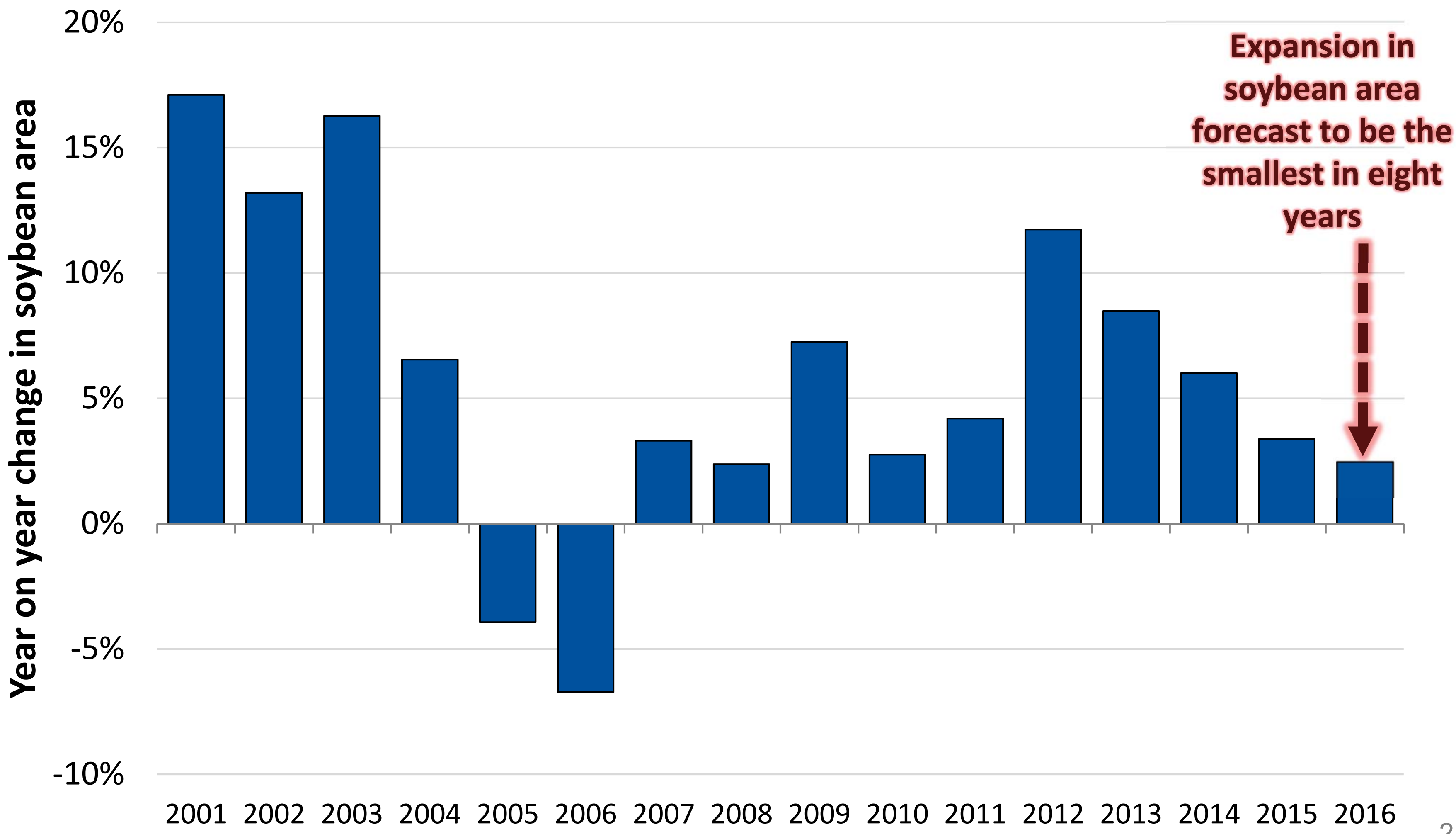
Brazil NP arrivals and sources



Source: CRU Phosphate Fertilizer Market Outlook – October 2016; IHS Global Trade Atlas, Wilson and Sons port arrivals data

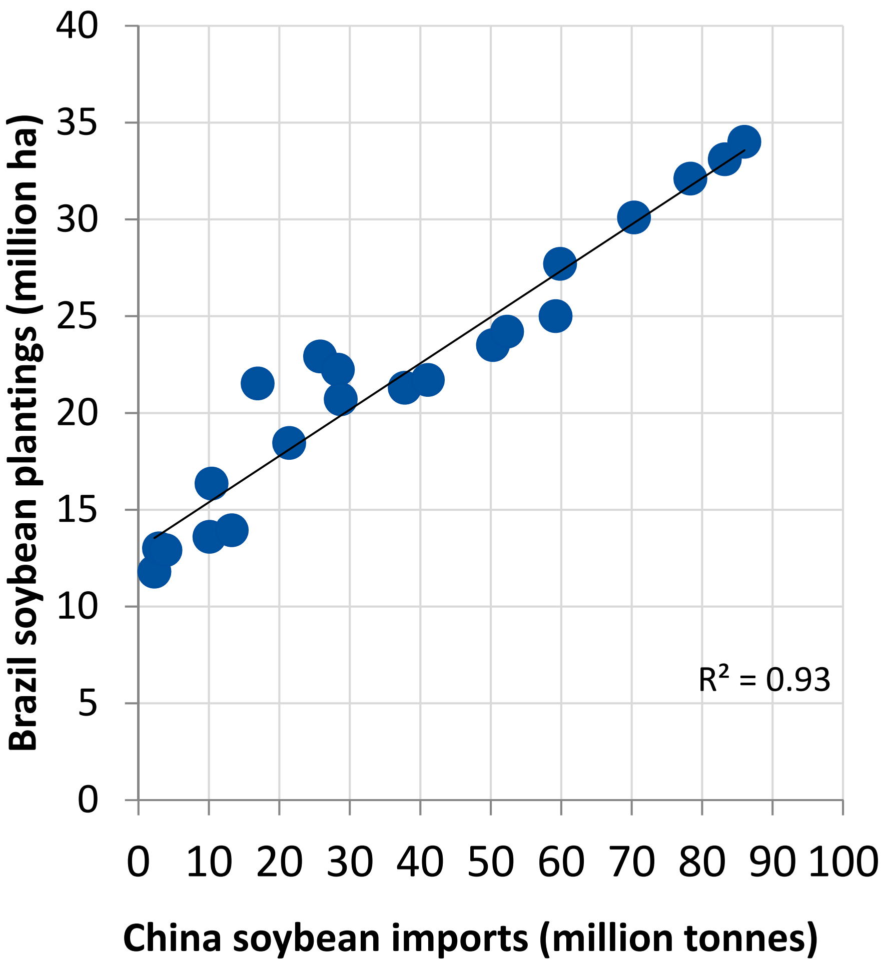
Brazil – are soybean are expansions slowing?

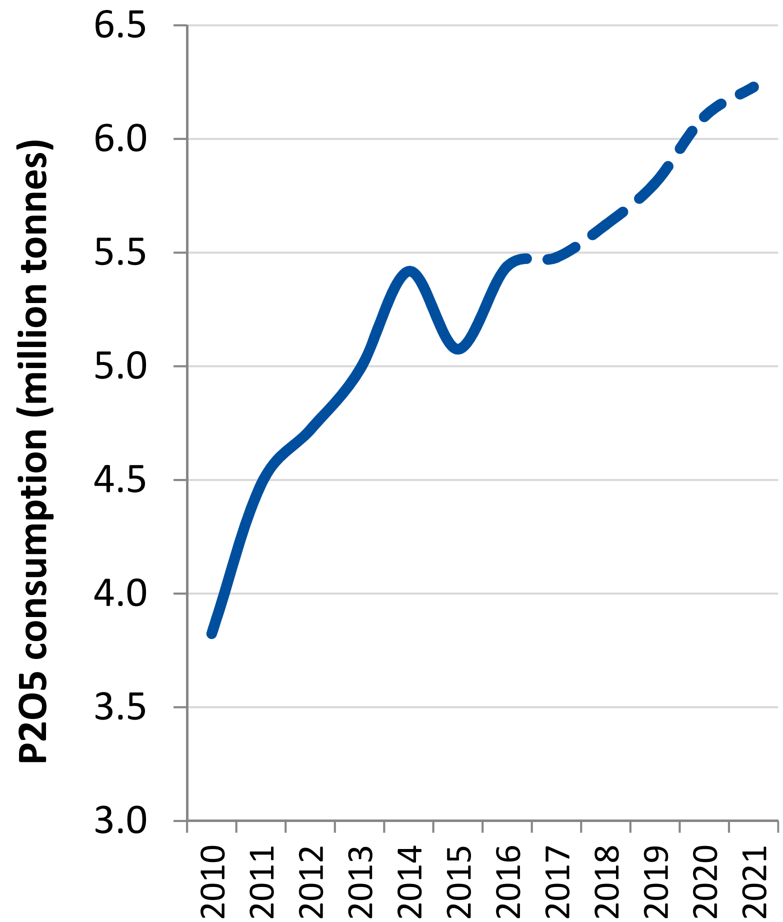
Year on year change in Brazil soybean area



What happens if China soybean imports slow?

China soybean imports v Brazil plantings & scenarios





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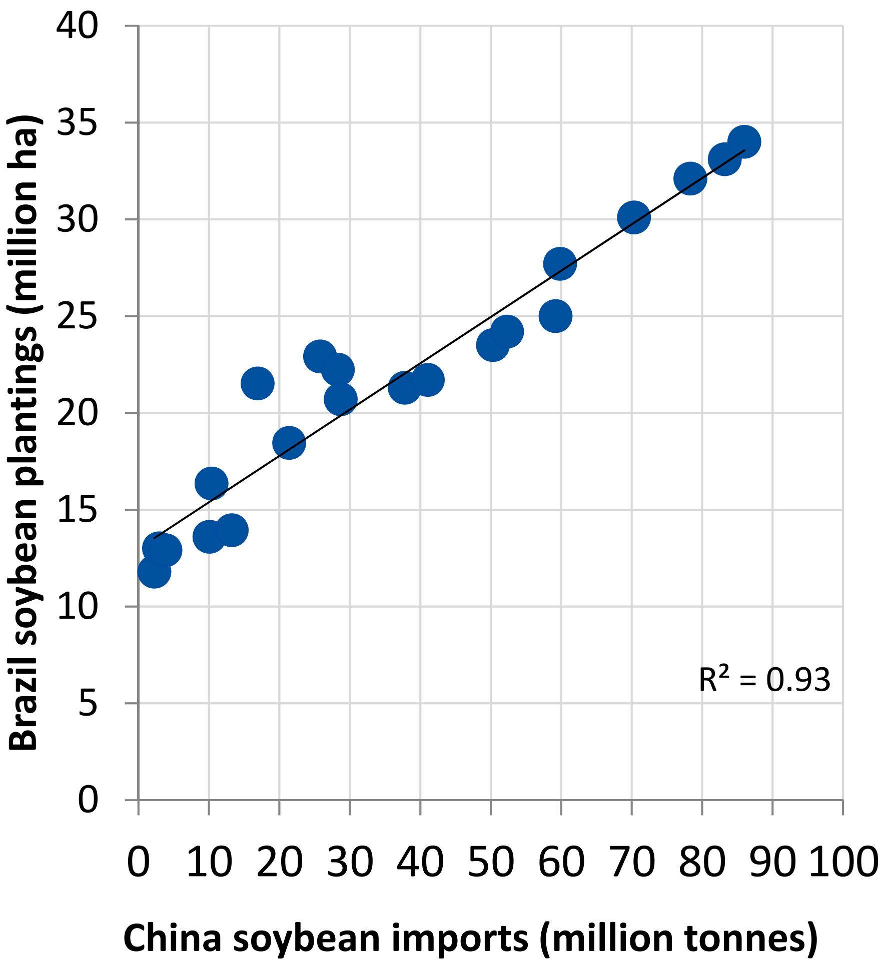

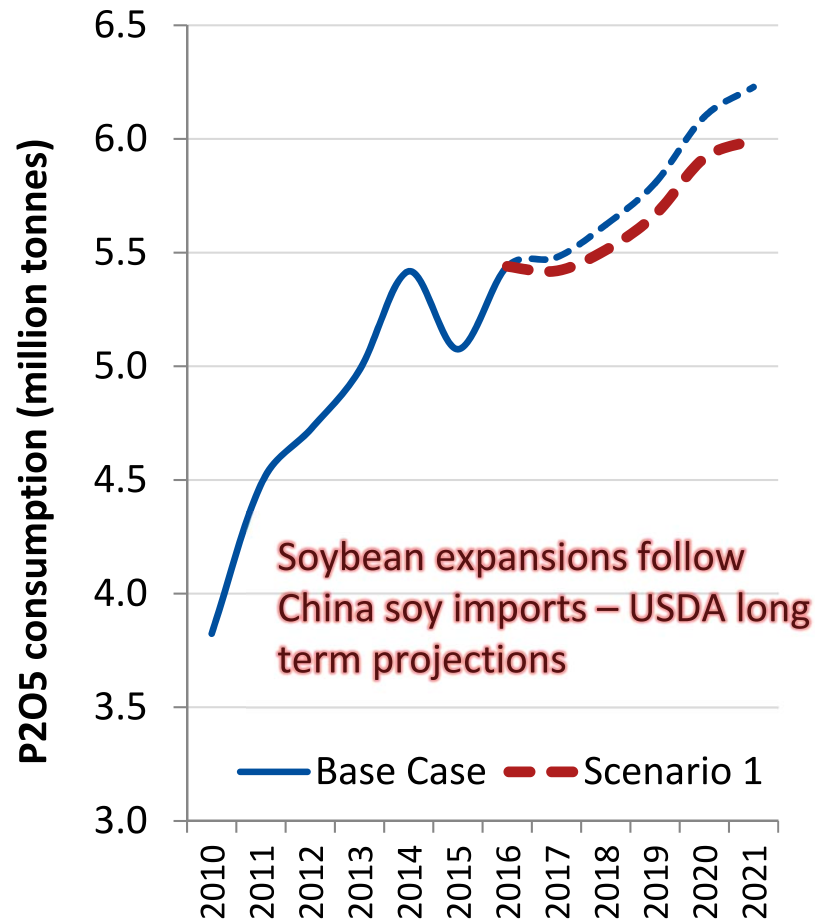

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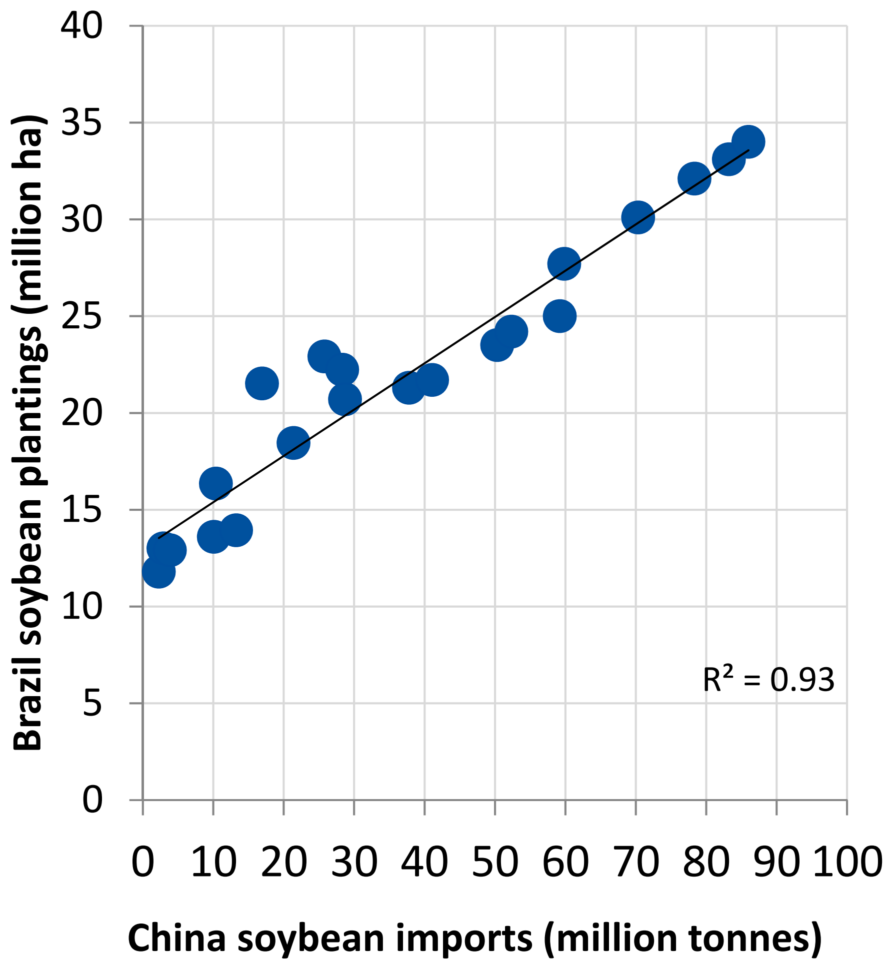

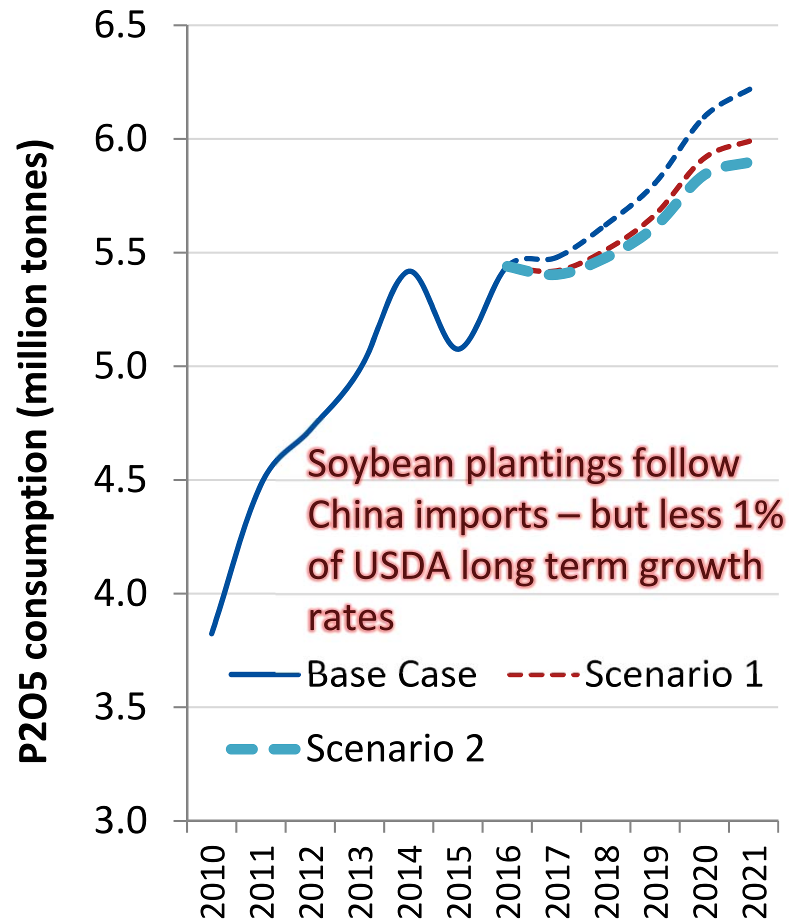

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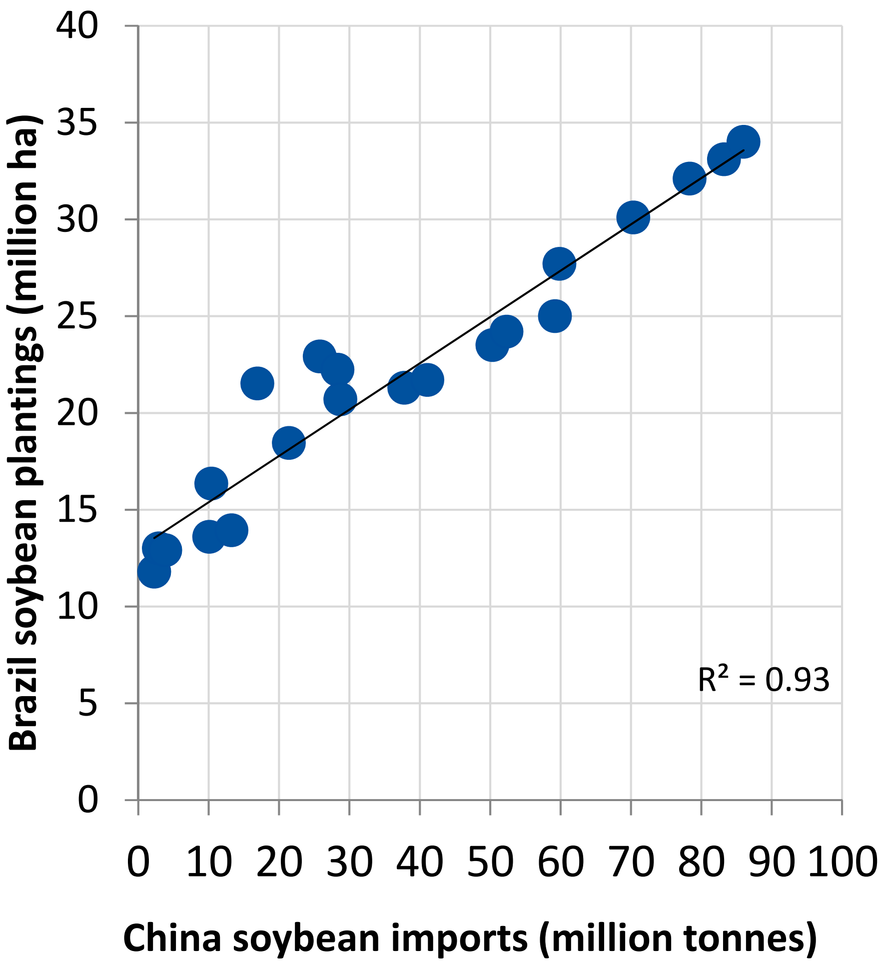

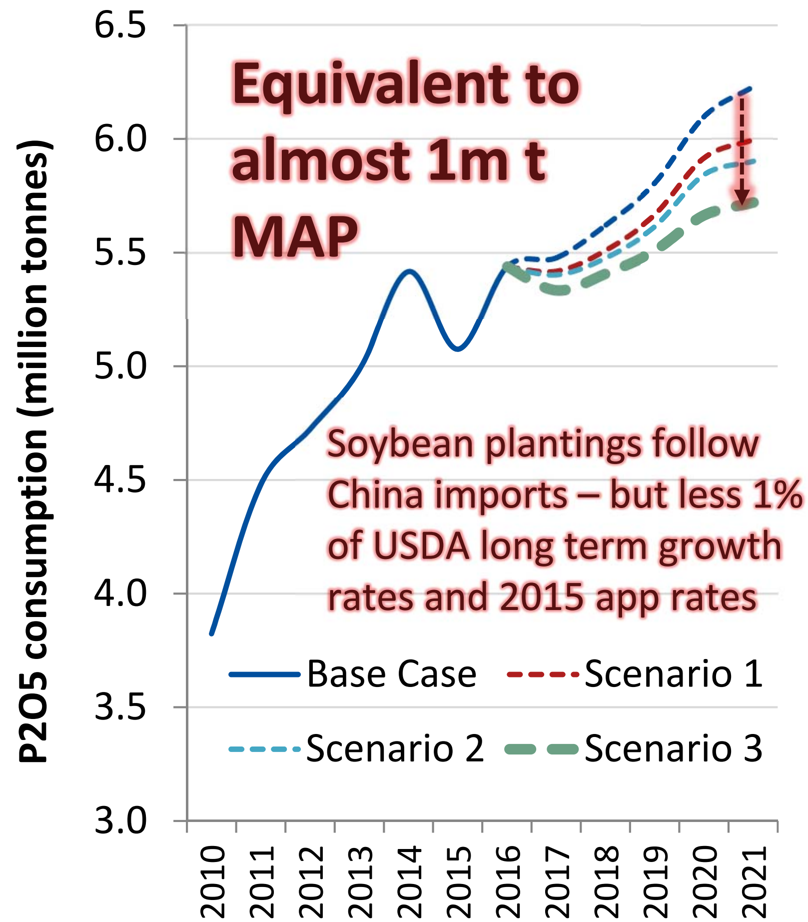

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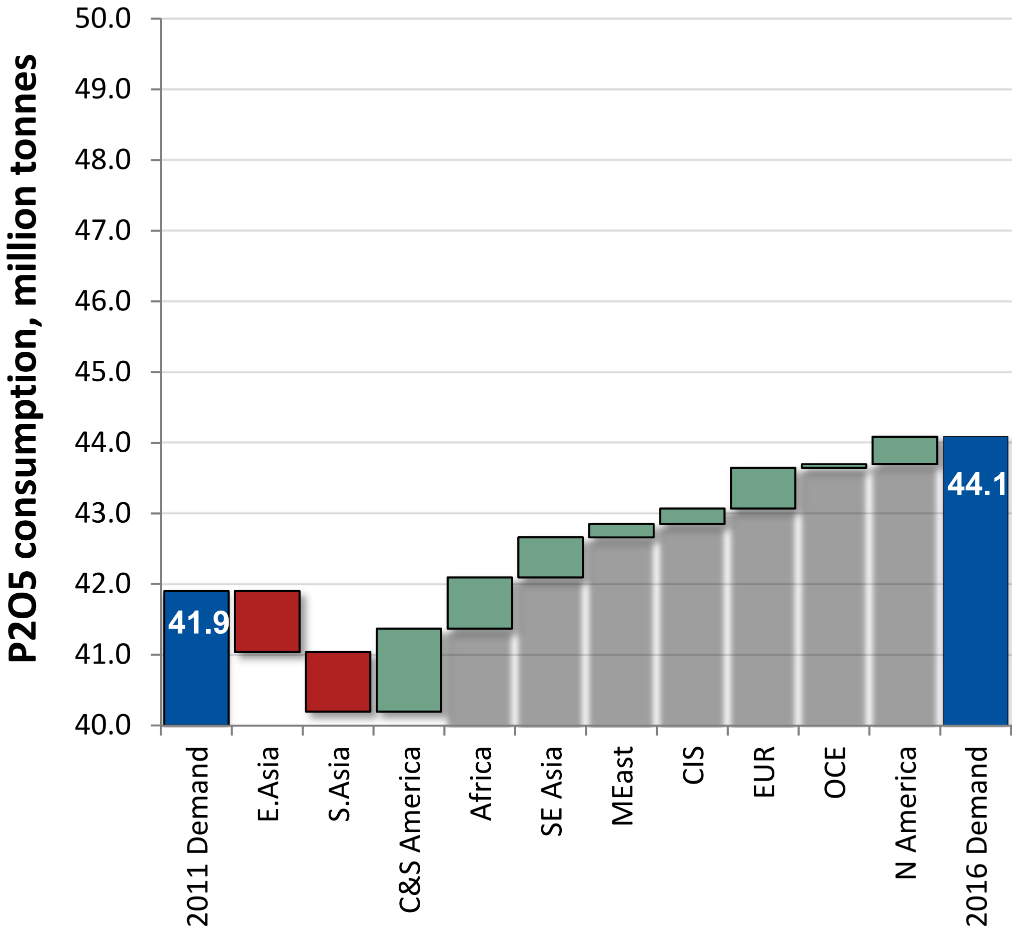
Phosphate market outlook

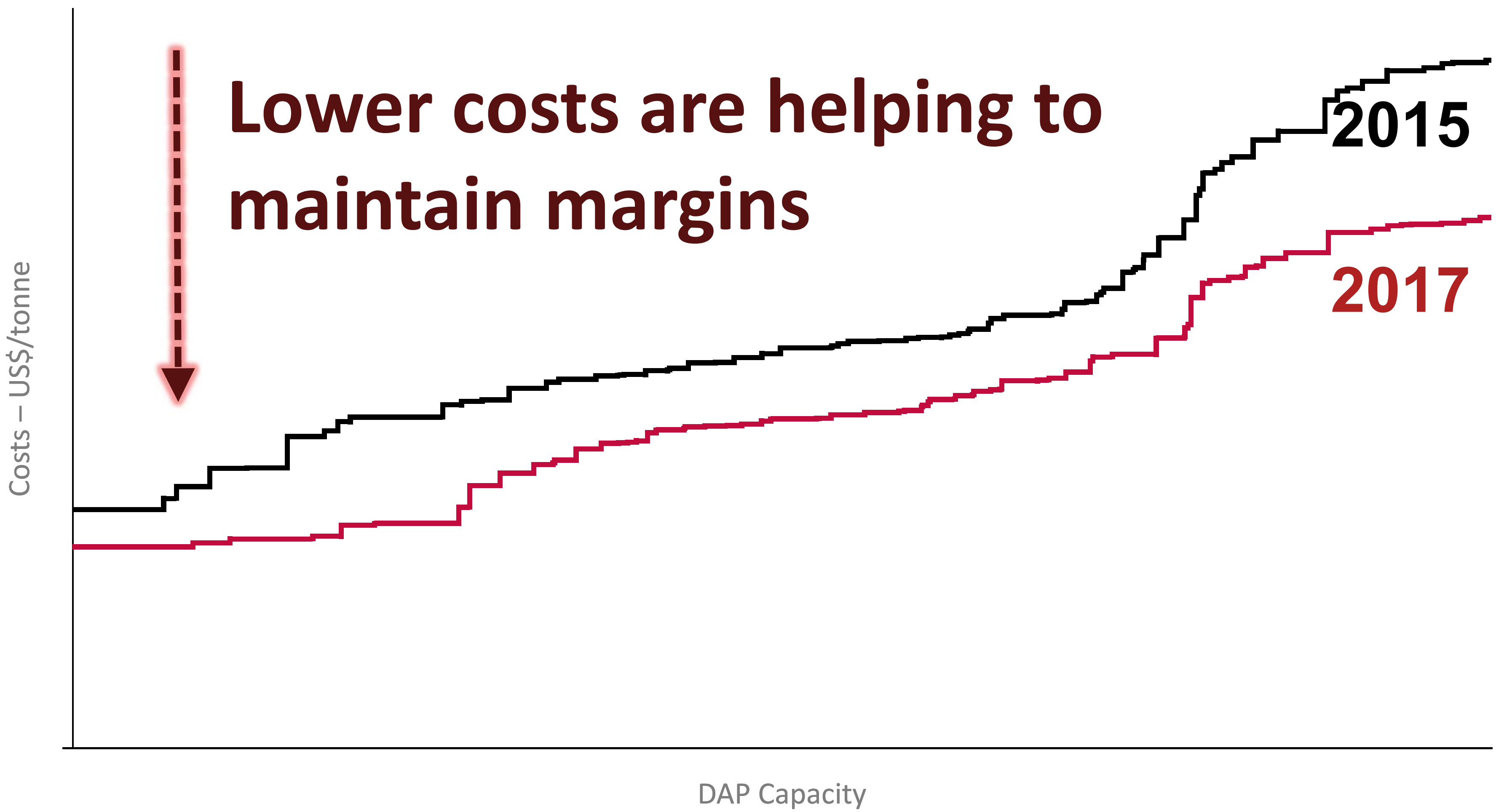
Demand growth forecast to remain strong

Components of P_2O_5 demand 2011->2016->2021



Don’t forget lower costs…

2015 & 2017 DAP site costs



Source: CRU Phosphate Fertilizer Market Outlook

Are margins slip sliding away?

Conclusions from Phosphate Fertilizer Outlook

Market will remain under pressure in 2017

- Wave of new capacity coming online in Morocco and Saudi Arabia.
- Could MWSPC be brought forward?
- China export tax removal. BUT could rationalisation be quicker than expected?
- India to continue high MGA shipments, but trend not expected to continue over the long term.

But it is not all doom and gloom…

- Lower raw material prices have brought down costs significantly. Margins have been squeezed, but remain.
- Demand growth strong despite Chinese contraction.
- Premium product sales have been strong.