

Potash Outlook

TFI/FIRT Fertilizer Outlook &
Technology Conference

Jason Newton

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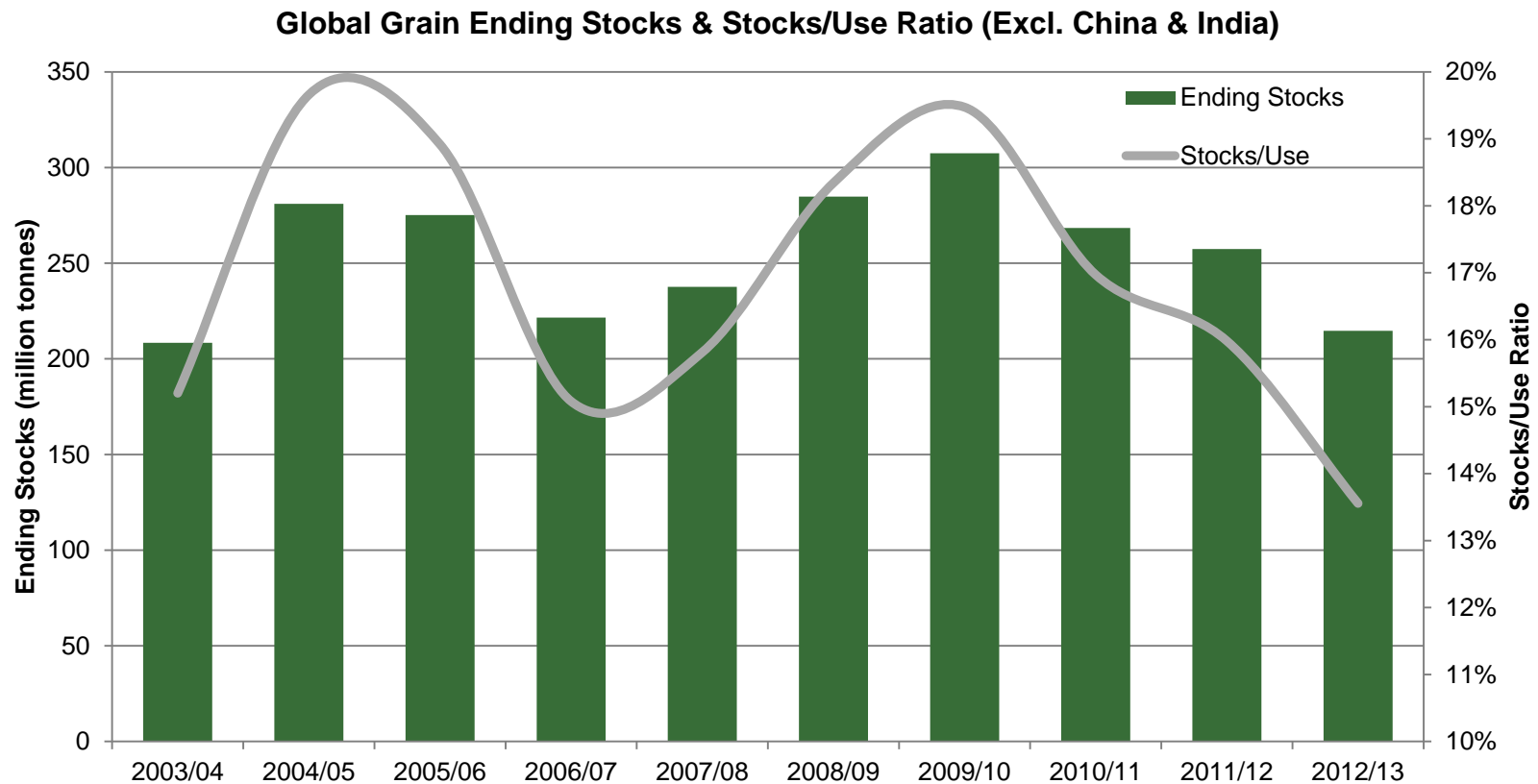
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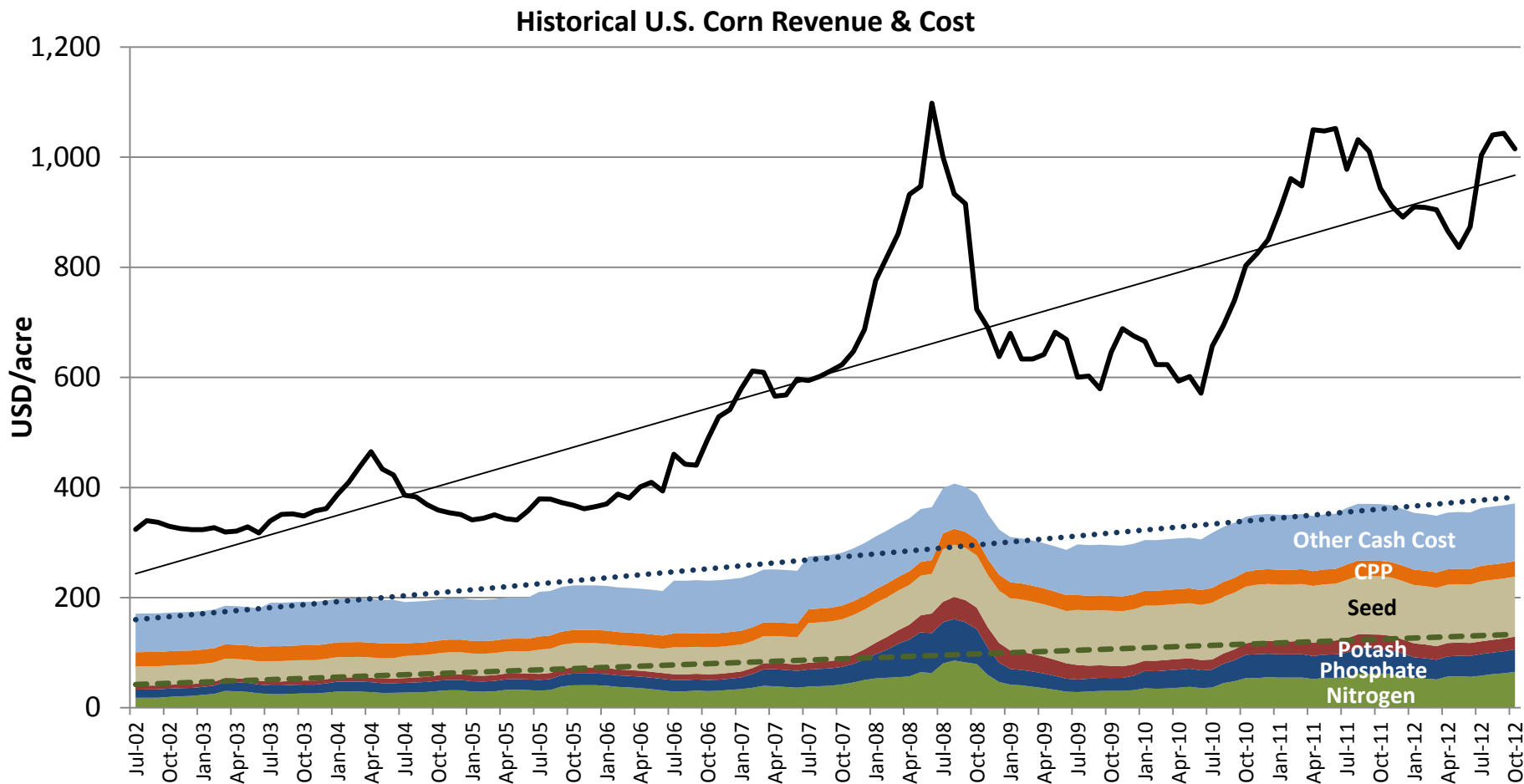
Historically Tight Global Grain Supply/Demand Balance

- Outside of China and India, the global grain stocks/use ratio is at its second lowest level ever



U.S. Corn Cash Margin Prospects

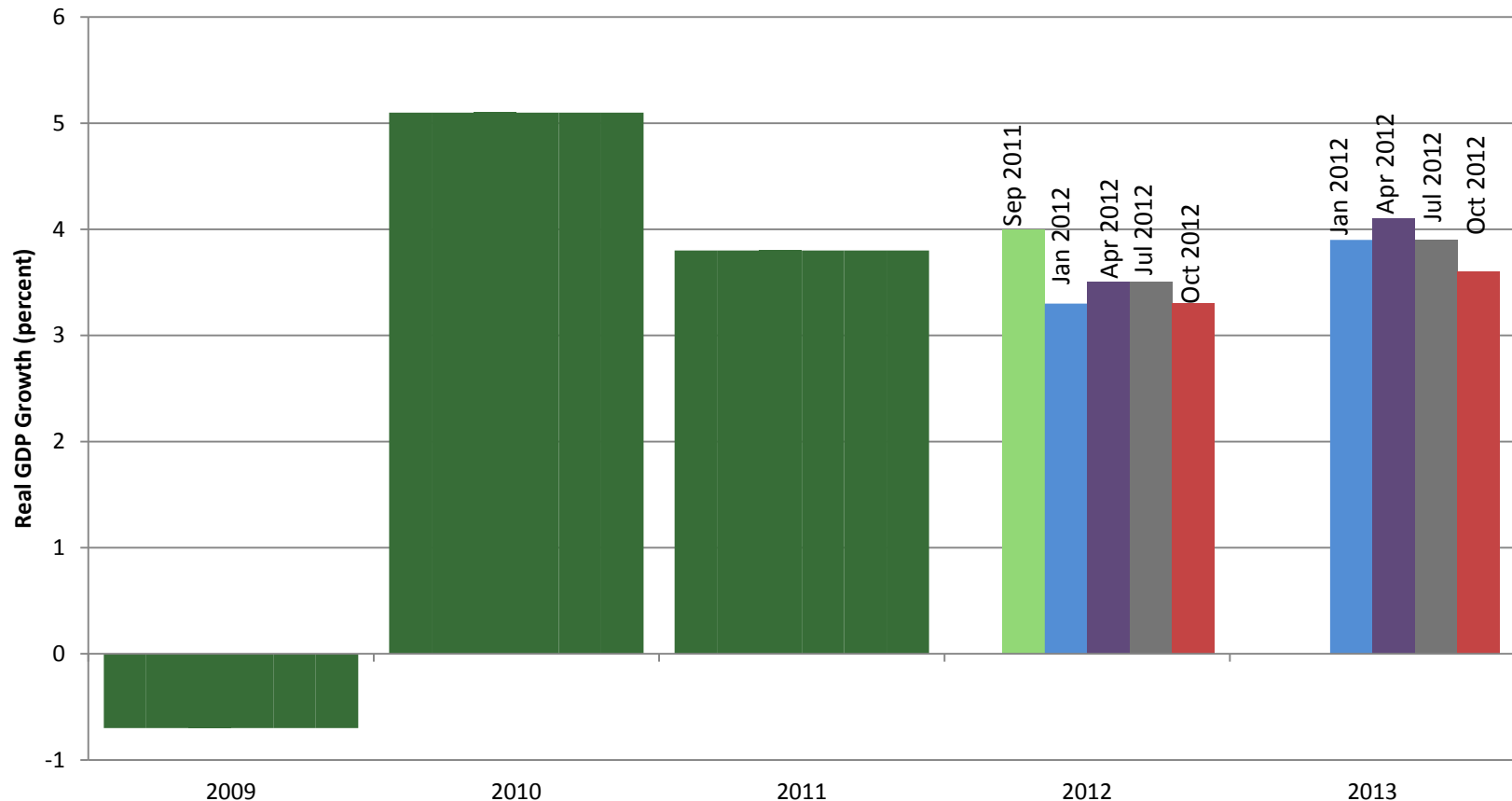
- Crop input prices very attractive relative to Dec 2013 corn futures



Economic Growth Slower than Expected

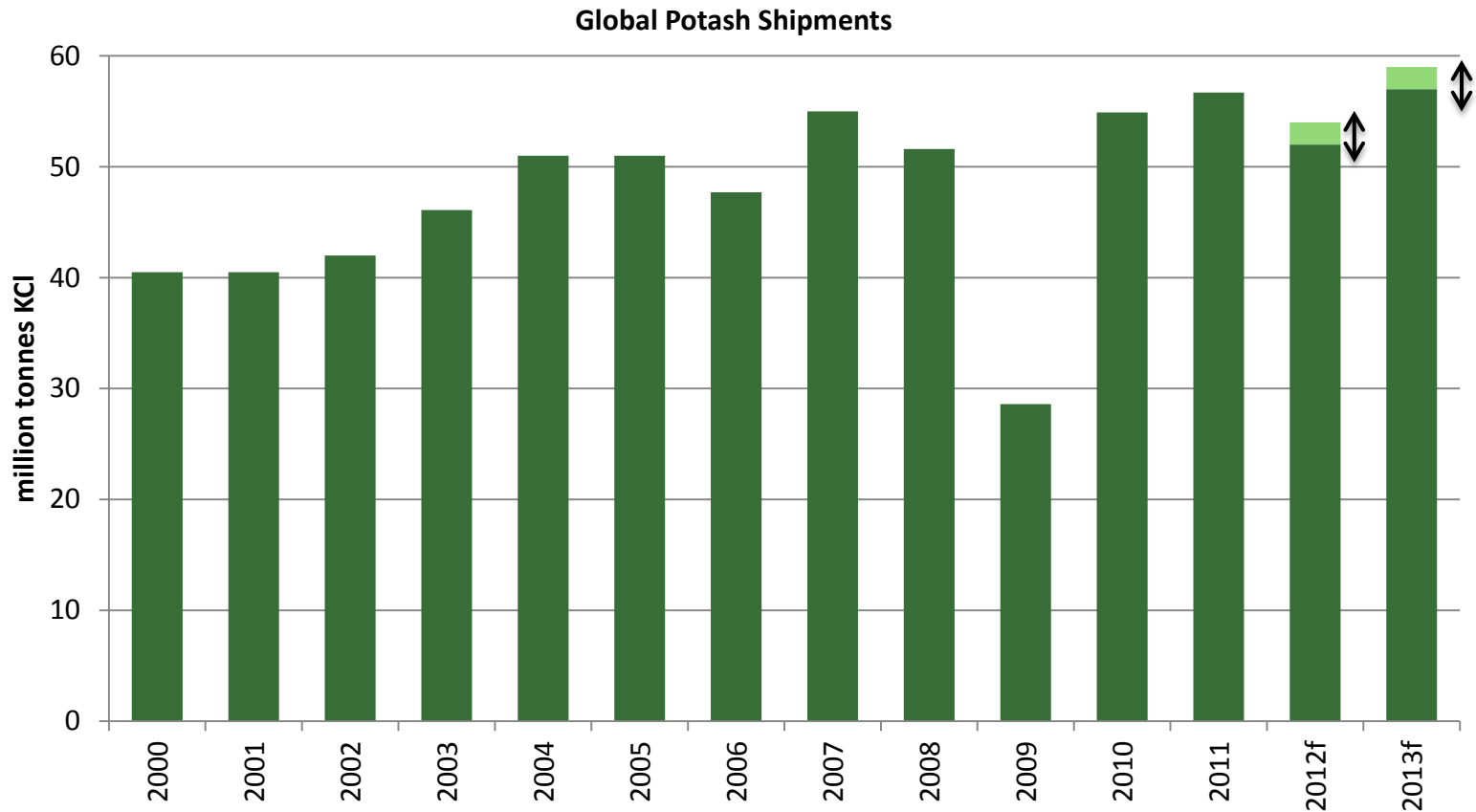
- Global economic growth forecasts have been cut over the past year
- Significant risks for economic growth in 2013

Global Real GDP Growth



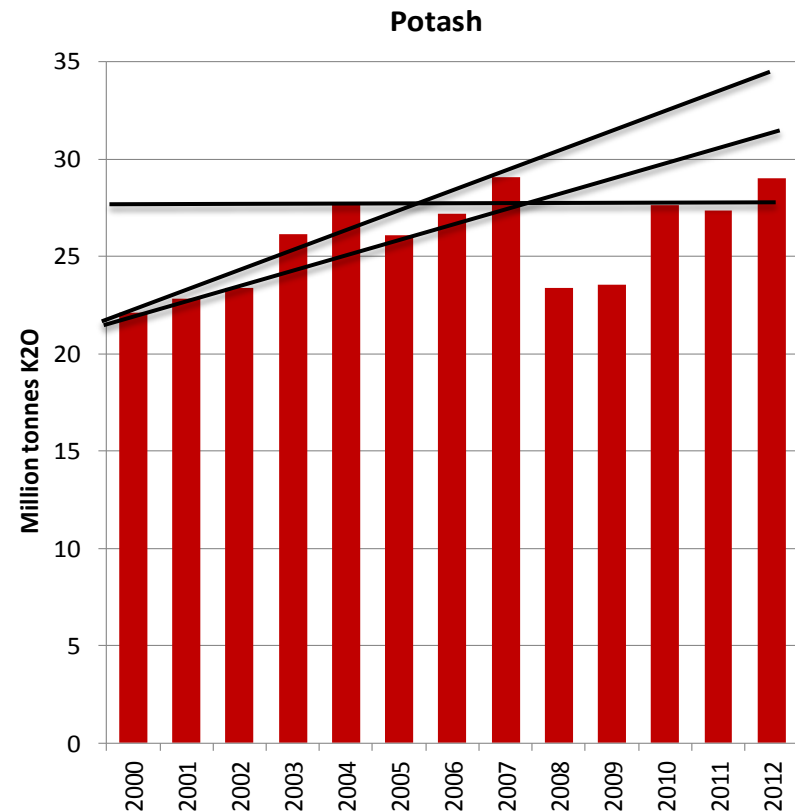
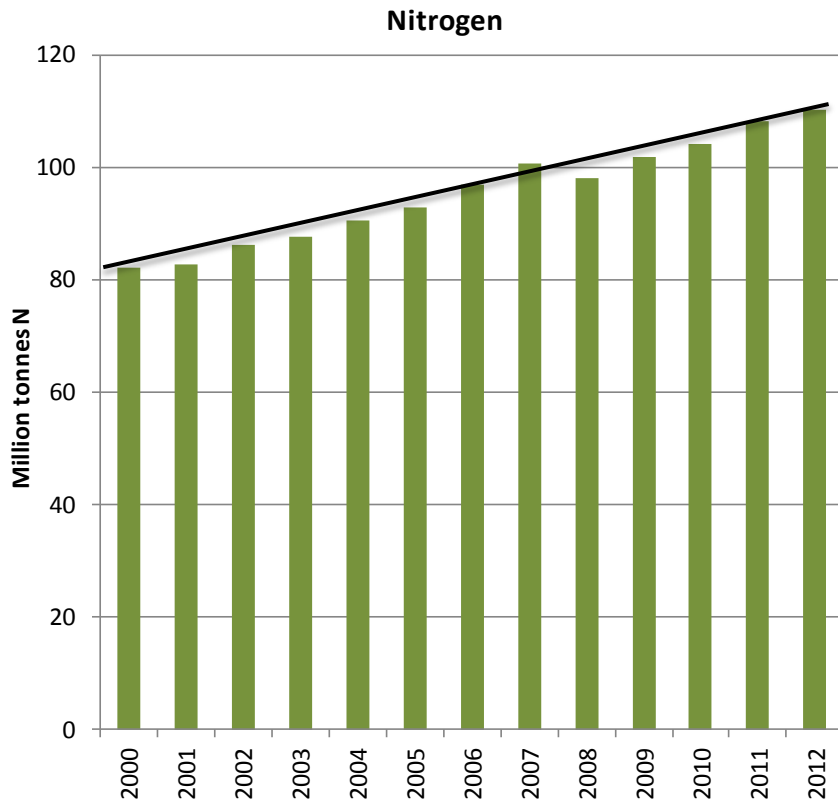
Global Potash Shipments

- Since 2007, global potash shipments have been relatively flat
- Expect a strong rebound in 2013



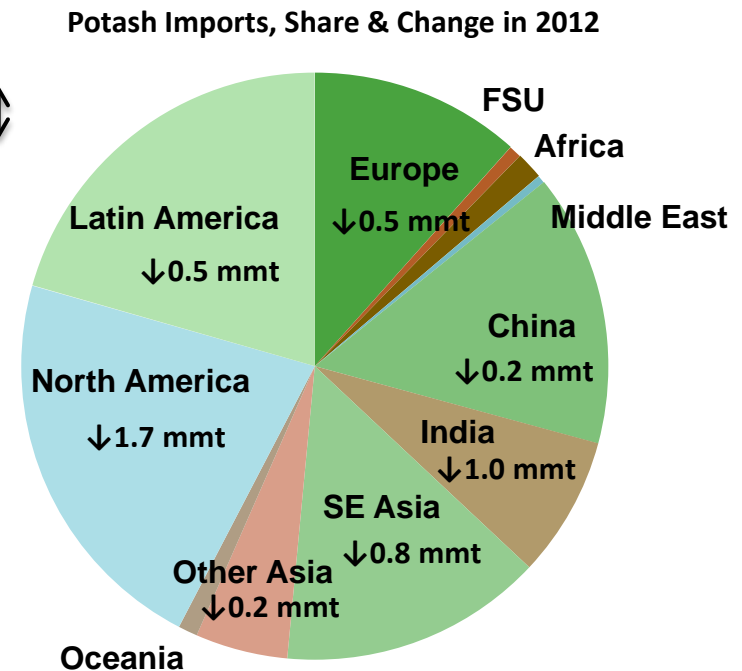
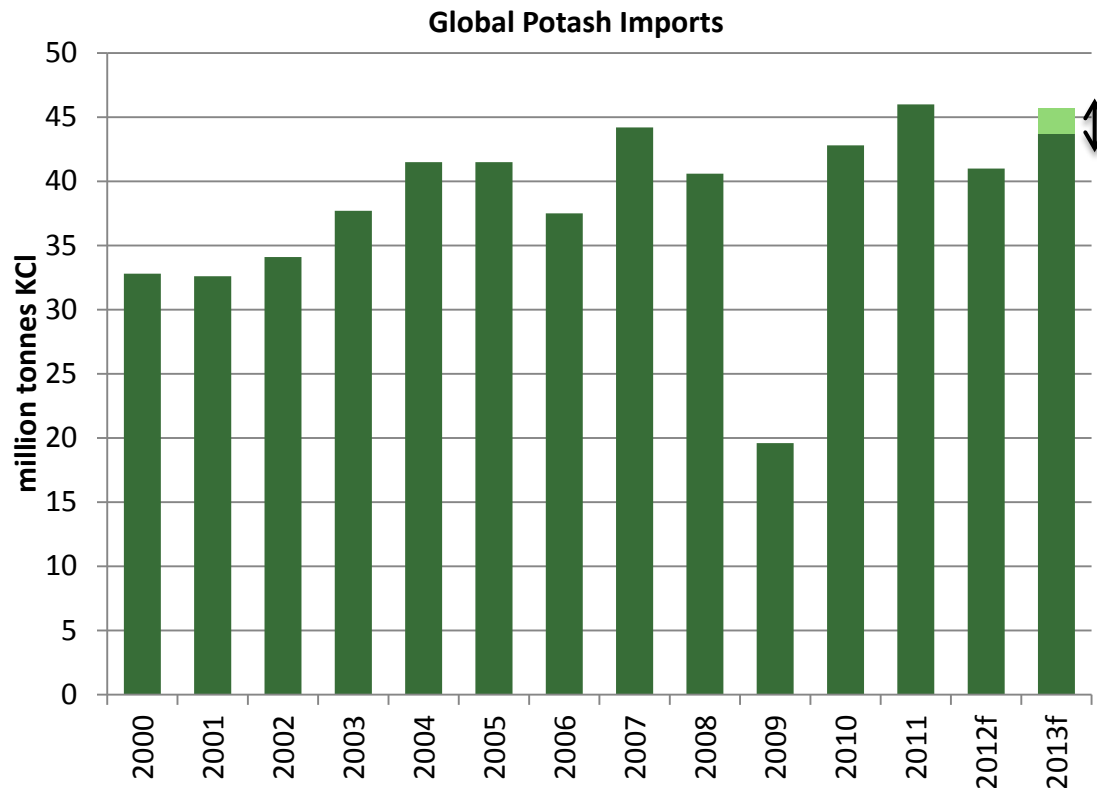
Potash Consumption Growth Relative to Nitrogen

- Rapid rate of potash consumption growth from 2000 to 2007 was unsustainable
- Flat consumption growth rate since 2007 is unsustainable



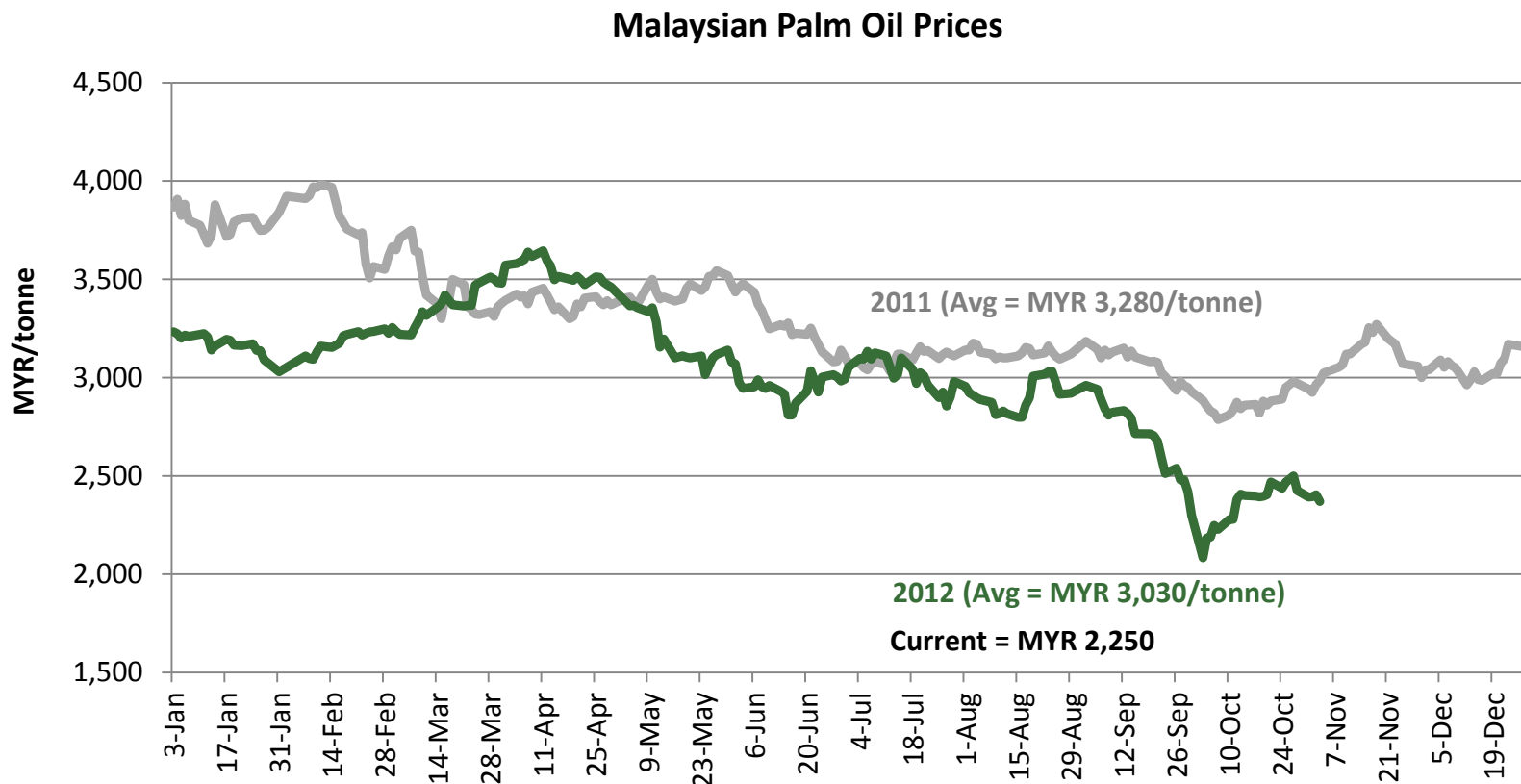
Global Potash Trade

- Total global potash trade down ~5 mmt in 2012
- Expect rebound in trade in 2013



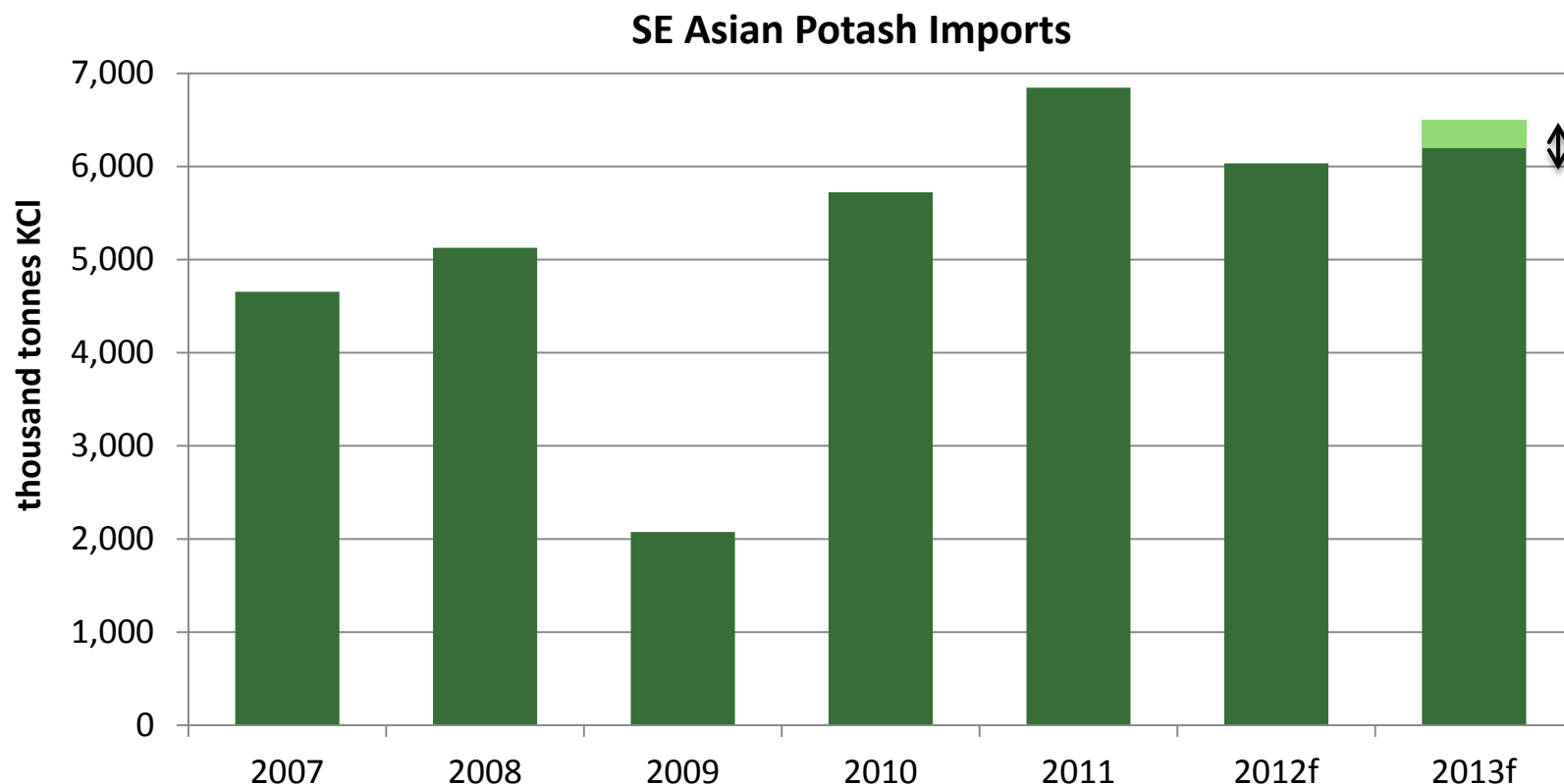
Not all Crop Prices are at Historic Highs

- Palm Oil prices have declined significantly over the past year



Impact on SE Asian Potash Imports

- Inventories increased due to high 2011 imports, but have been drawn down

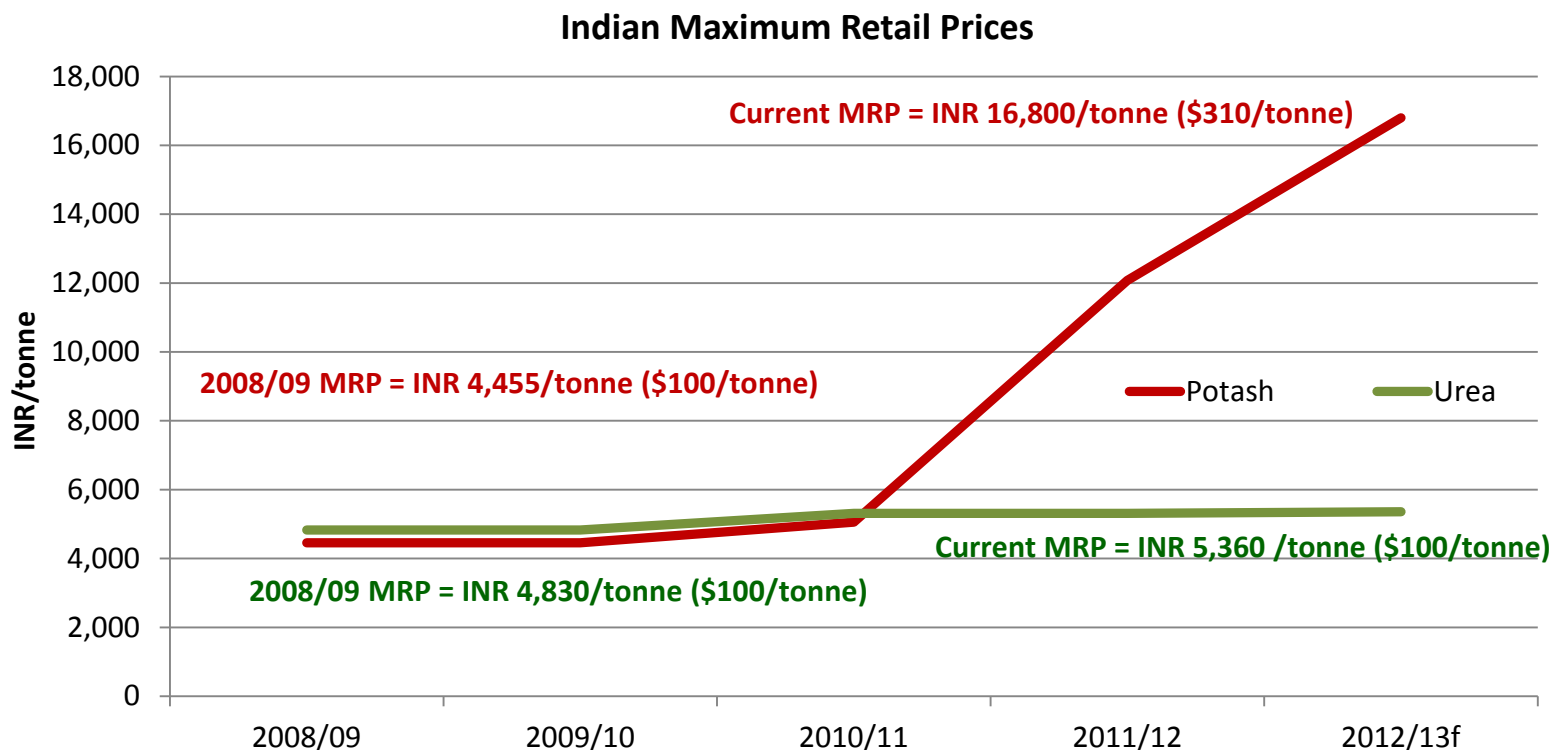


Source: Fertecon, Agrium

SE Asia includes Indonesia, Malaysia, Vietnam, Thailand and Philippines

Indian Potash MRP Increase Impacts Demand

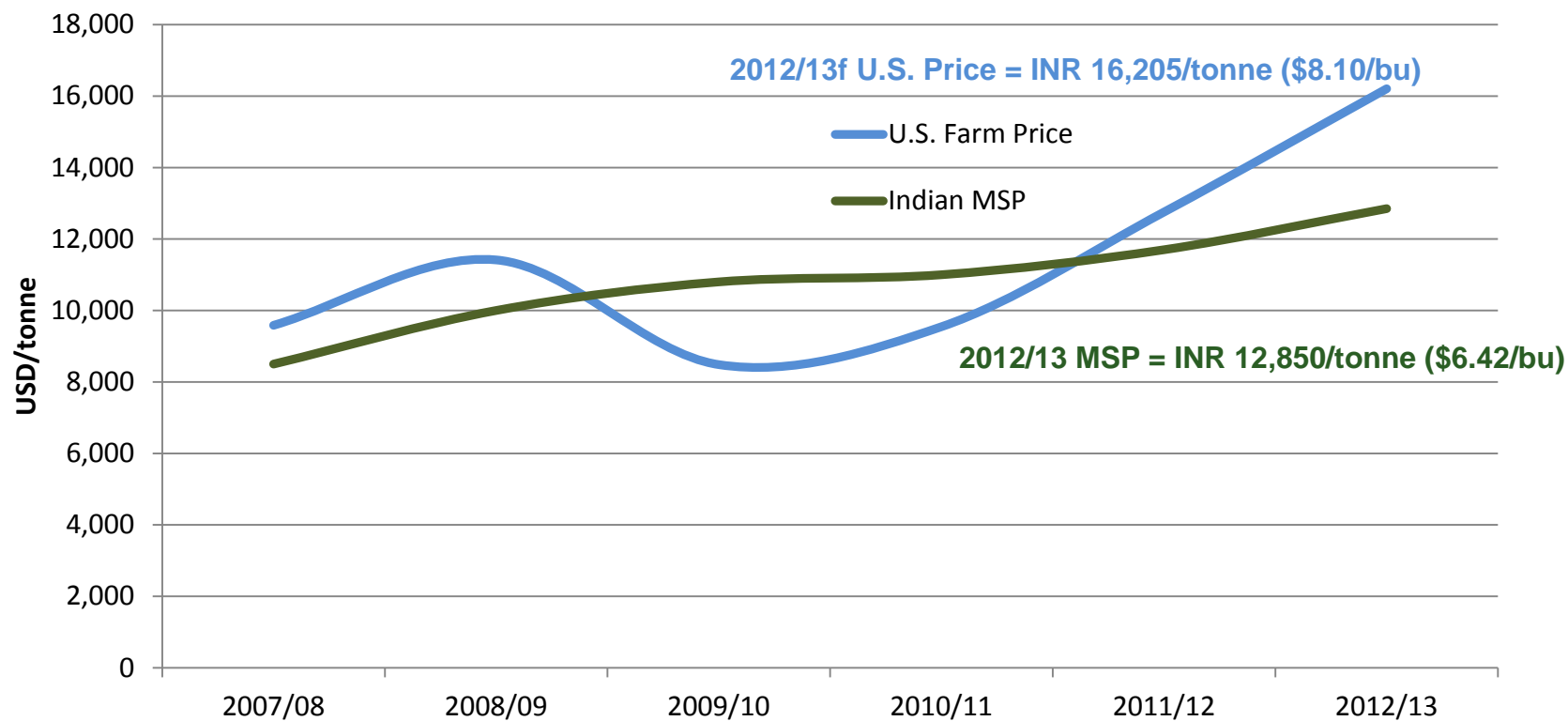
- Indian Maximum Retail Price (MRP) of potash has increased by over 3 times since 2009/10



Indian Crop Prices Lower than the World Market

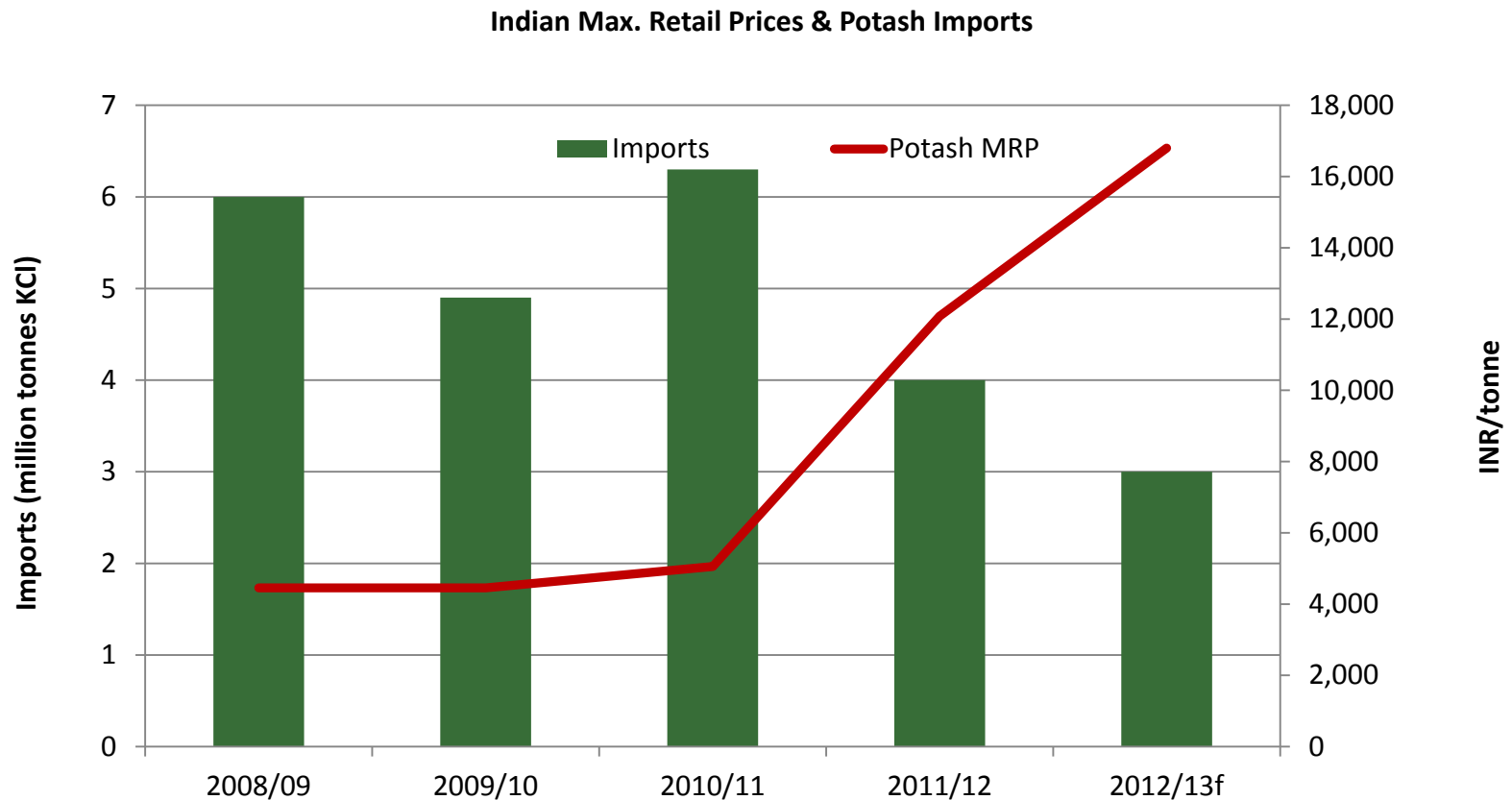
- Large domestic wheat crops in recent years have limited increase in the Minimum Support Price
- Unlike the rest of the world, fertilizer price increases are outpacing crop price increases

Indian Wheat MSP & U.S. Avg. Farm Wheat Price



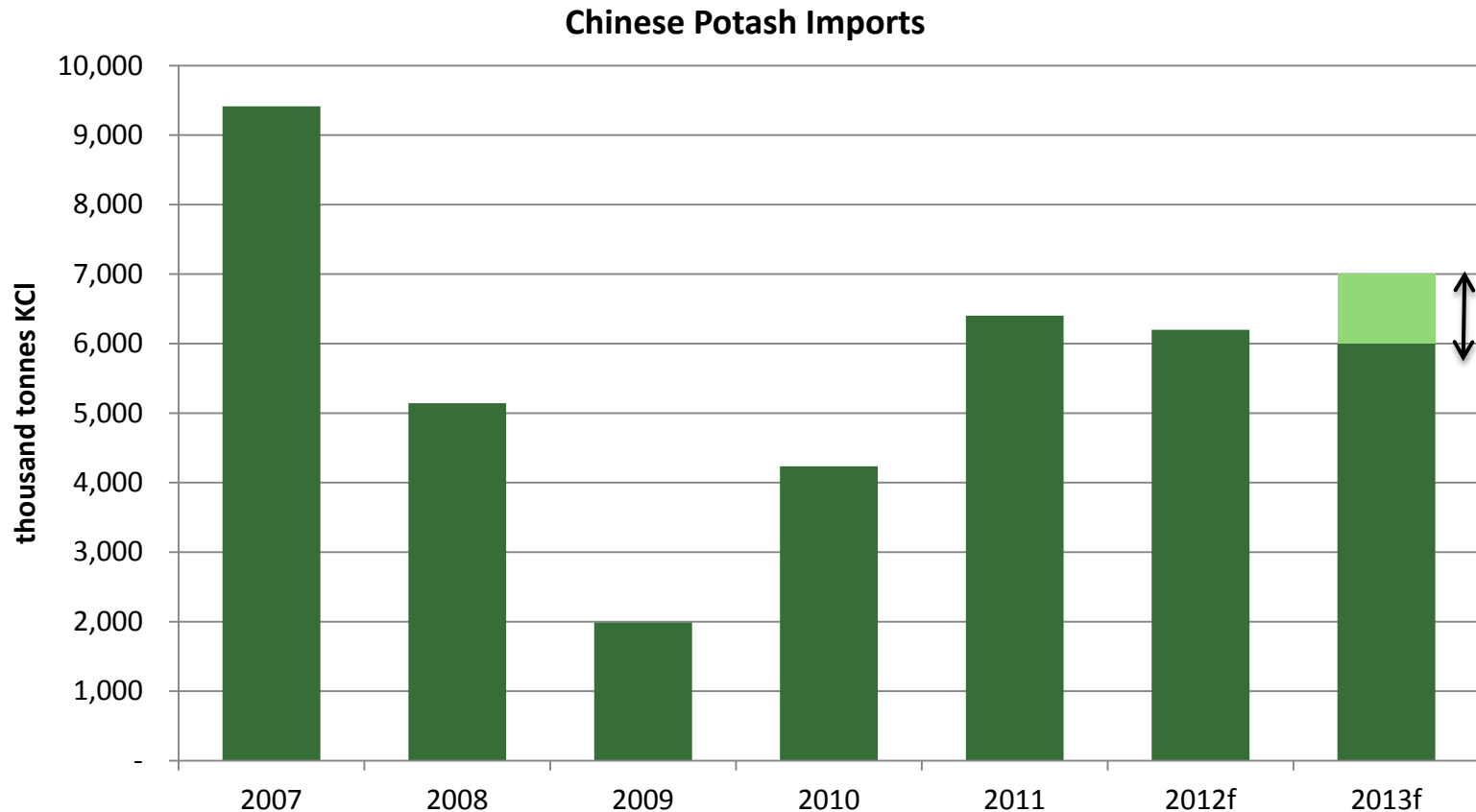
Potash Demand Impacted

- Indian potash consumption and imports have declined significantly
- Modest increase expected in 2013



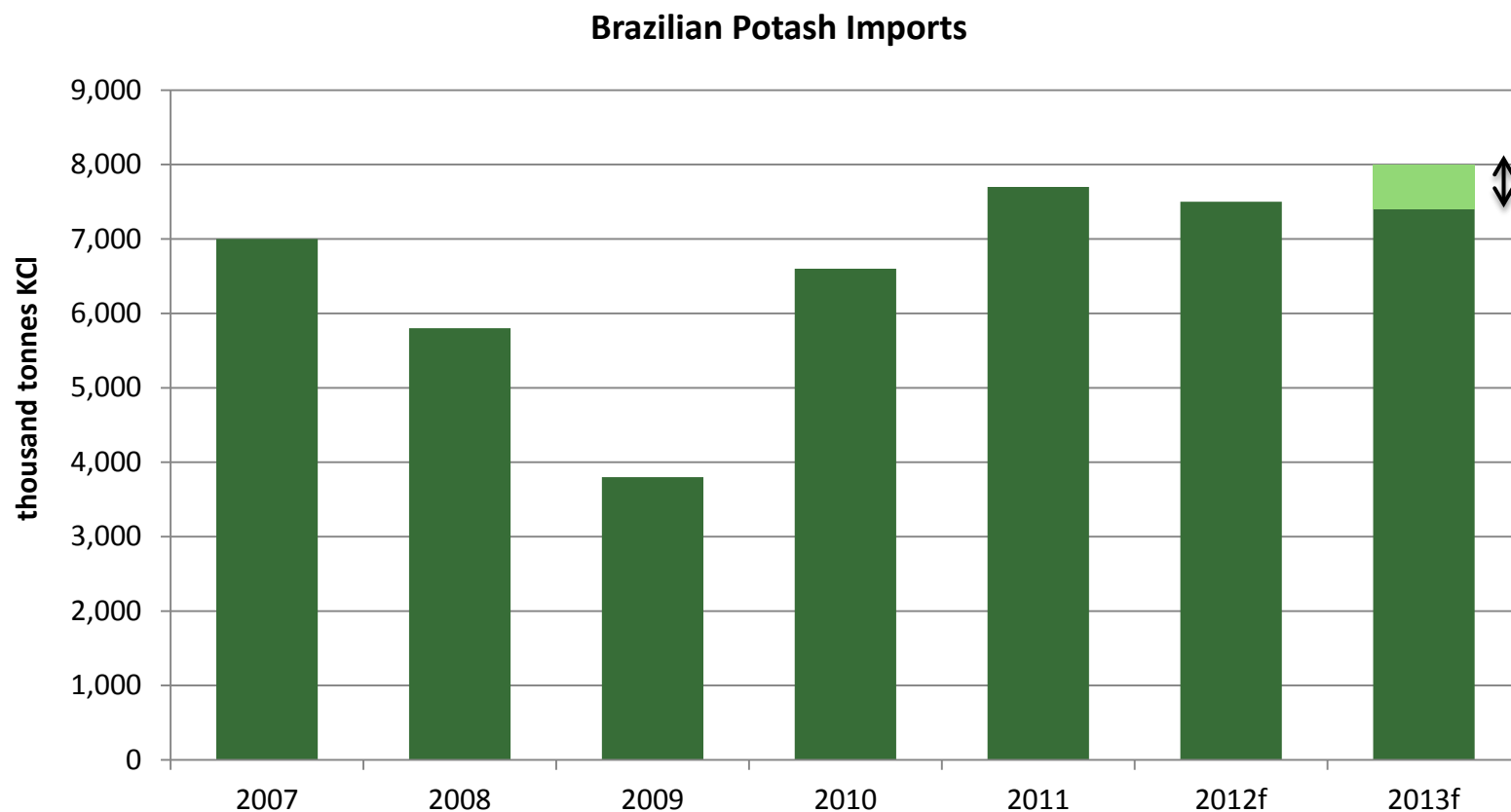
Chinese Potash Imports

- Chinese potash imports were strong in early 2012
- Inventory build and cross border shipments have delayed new supply agreements

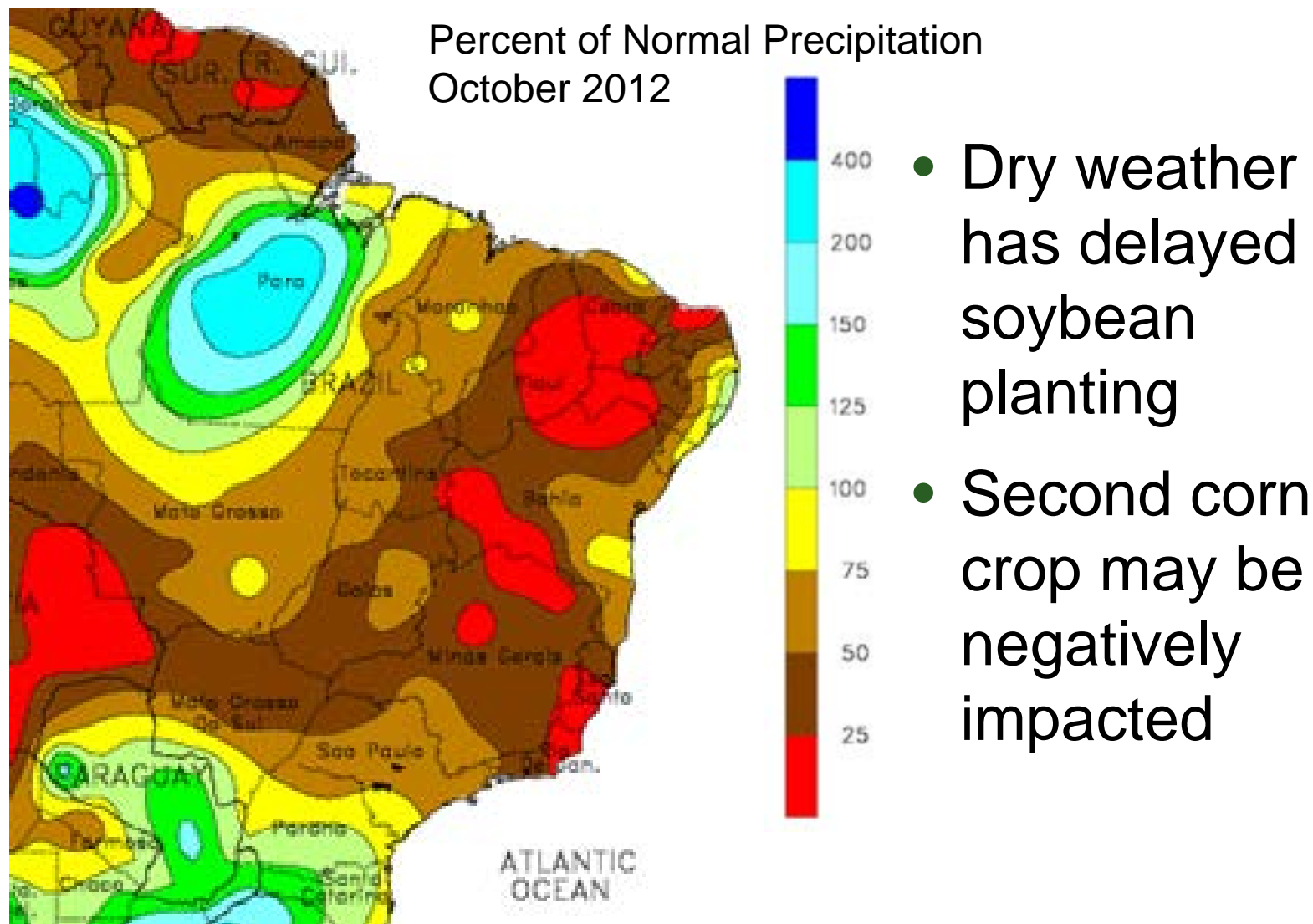


Strong Brazilian Potash Demand

- 2012 imports have been close to 2011 record levels
- Domestic inventories likely to be drawn down by the end of 2012

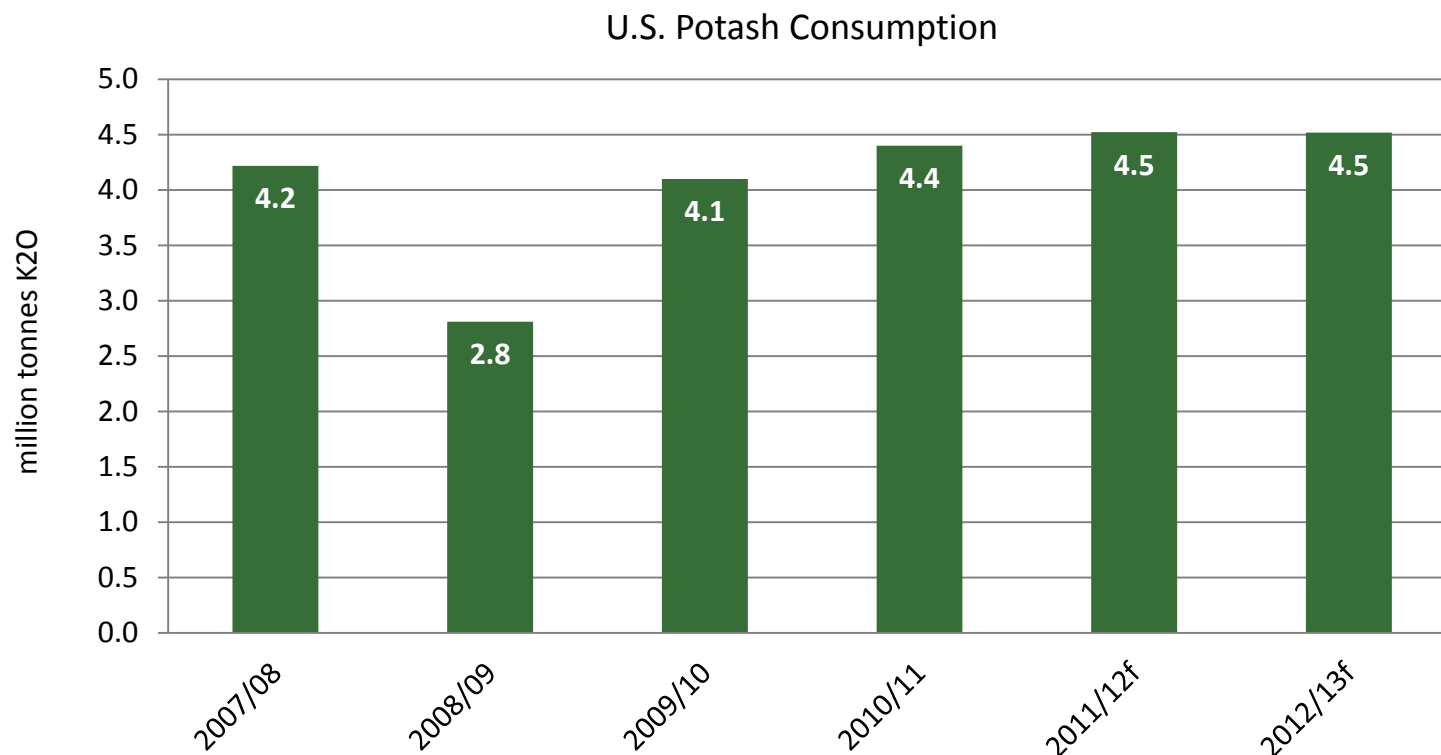


Weather Could Impact Brazilian Demand



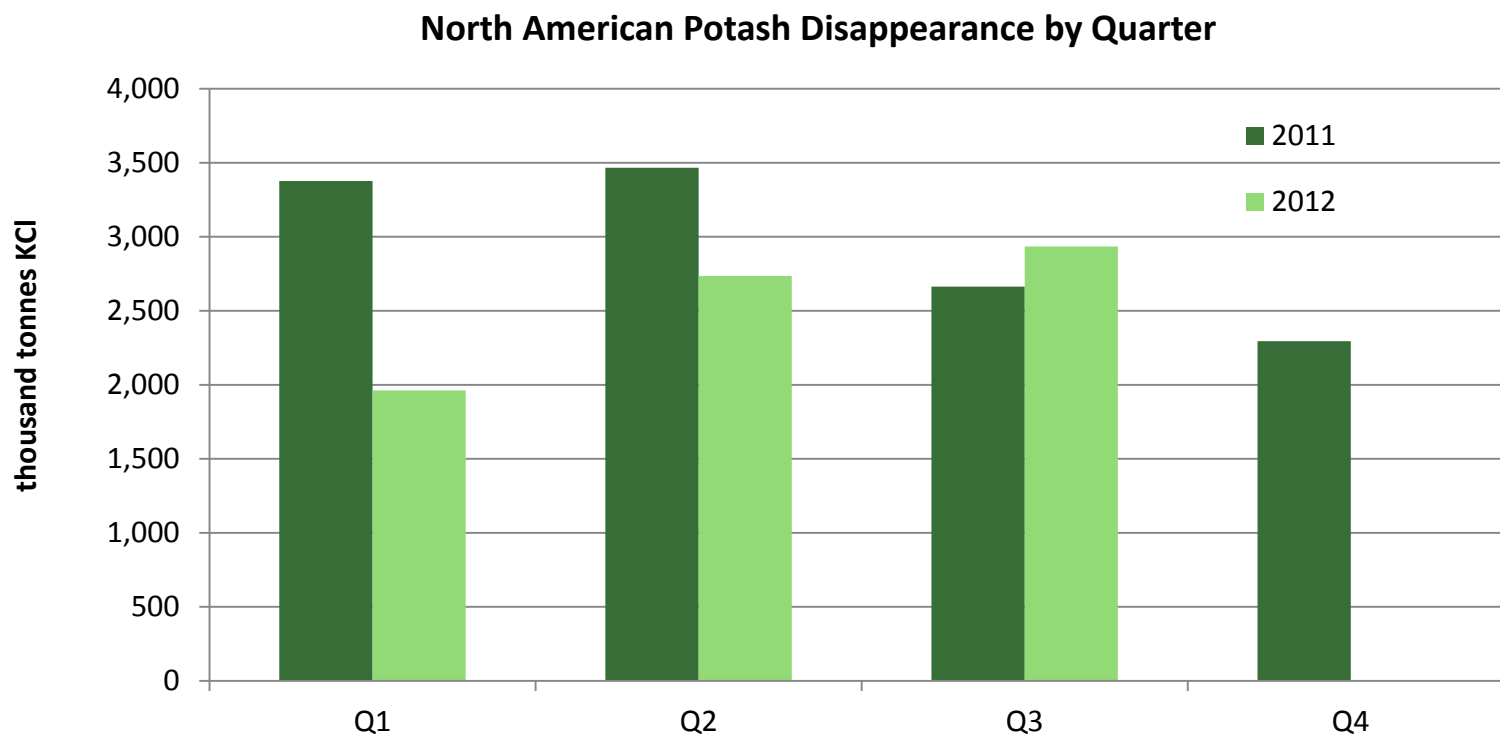
North American Potash Consumption

- Expect overall consumption to be flat, driven by crop area and application rates



North American Potash Disappearance

- Strong potash shipments in Q1 to Q3 2011 built inventories downstream in the supply chain
- Inventories diminished by the end of the first half of 2012
- Record North American shipments in Q3 2012

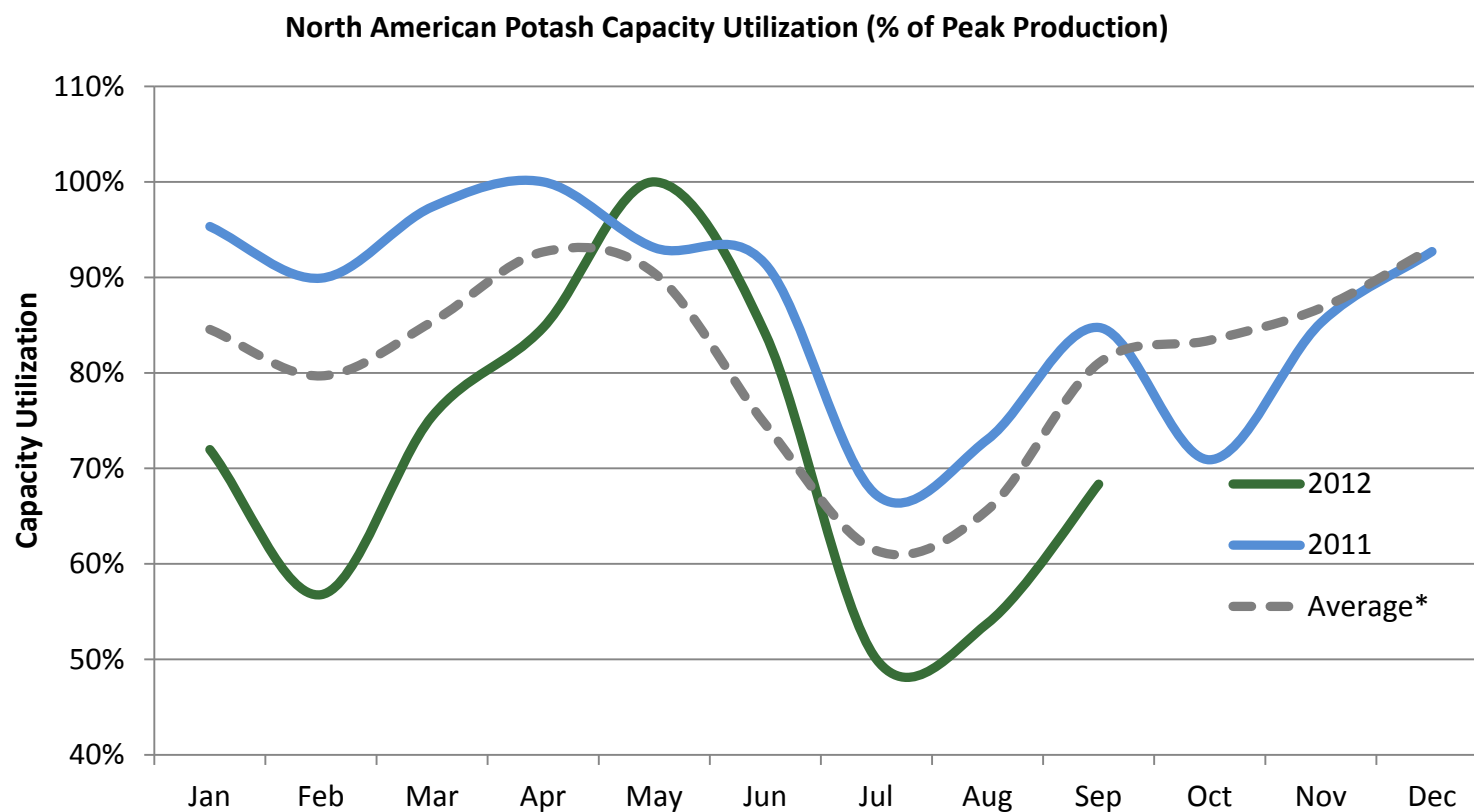


Impact of the Drought on U.S. Potash Demand

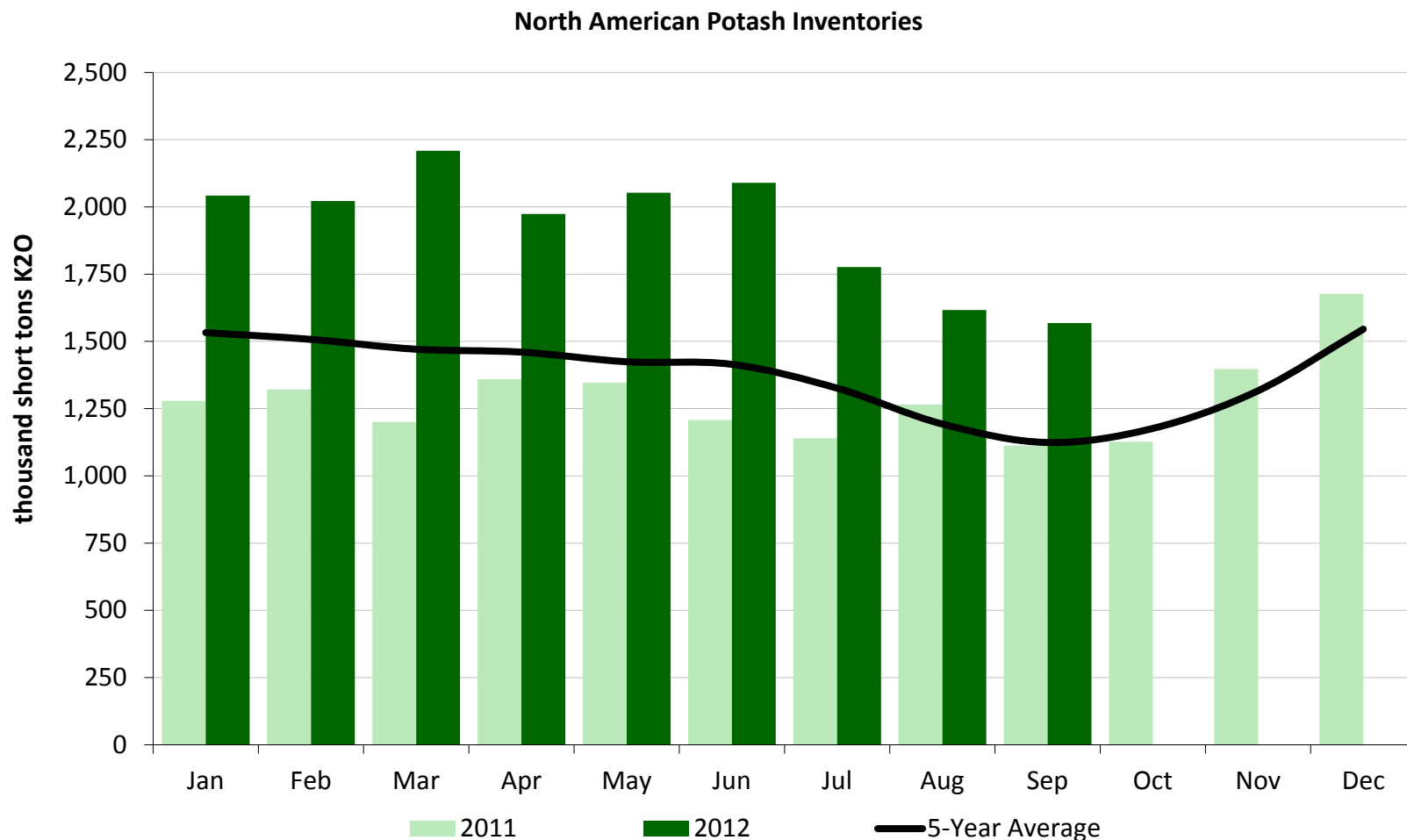
- Most severely affected regions likely to reduce application rates
- Expect most regions to apply at or above average application rates
- Soil test results not significantly different than previous years
- Most corn is grown following soybeans, which ended up with okay yields
- Areas west of Central Illinois still require moisture
- Upside potential
 - Long term trend of declining potash levels in U.S. soils
 - Increased silage equates to increased K₂O uptake
 - Improved moisture in the Eastern Corn Belt

North American Capacity Utilization

- Production spiked in Q2, corresponding to global demand and in anticipation of strong demand and turnarounds in Q3
- Production declined in Q3 due to turnarounds

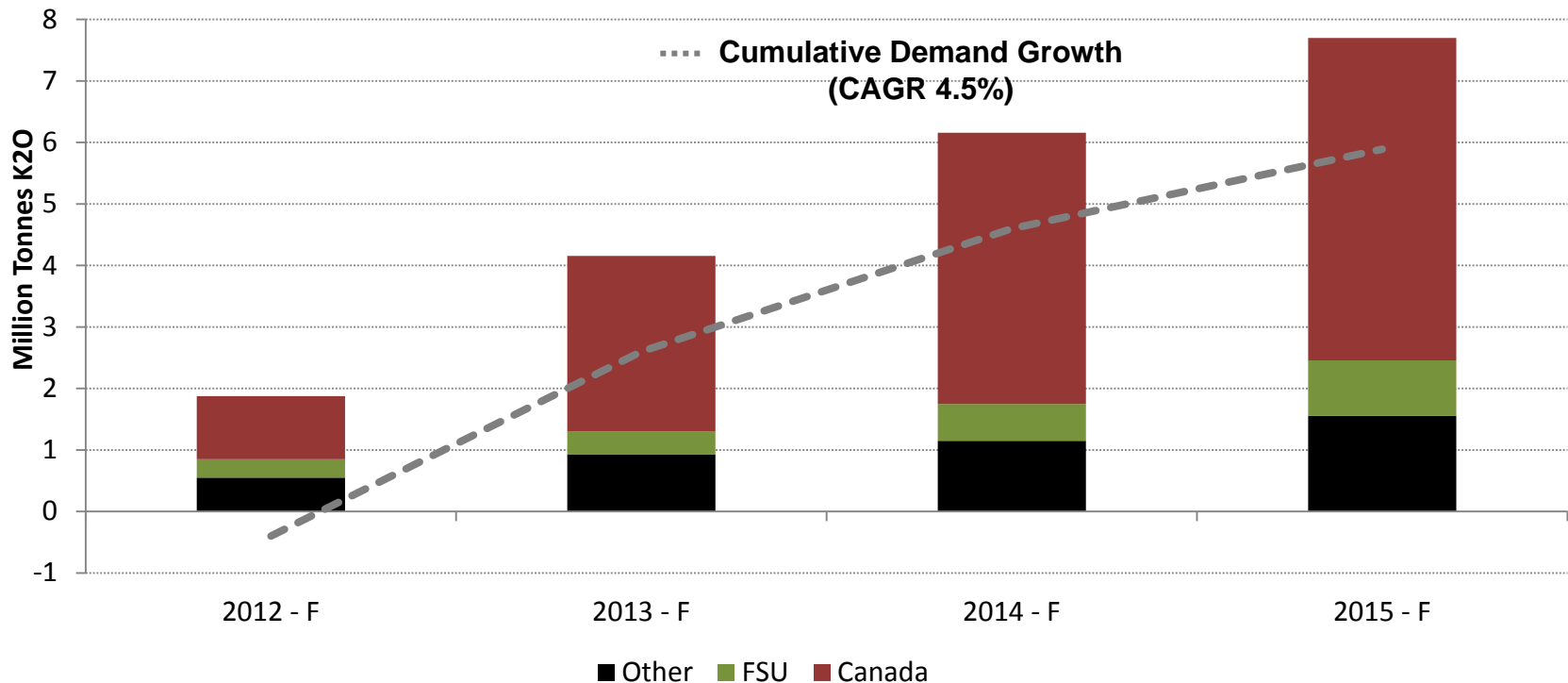


North American Potash Inventories



Global Potash Balanced Through 2015

- Global potash deliveries were supply constrained in 2011, surplus in early 2012, projected total deliveries of 52-54 million tonnes this year
- Potash deliveries projected to grow to 57-59 million tonnes in 2013
- All capacity expansions through to 2015 are brownfield projects by existing producers



Summary

Bulls

- Agricultural fundamentals have never been stronger
- Grower cash margins and income levels at record highs
- Pipeline inventories down year-over-year in key markets
- Strong rebound in shipments expected

Bears

- Overall uncertainty about the global economy and affect on buyer confidence
- Indian domestic market situation
- Dry weather in Brazil and the impact on short term demand

Questions?



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