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Down, but not out...

...and the implications for US producers

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Outline of our discussion today:



The short term demand outlook

Global demand development

Subsidies are key for Indian import requirement

Impact of new supply on Brazilian import requirement

What about domestic consumers

The outlook for 2012 & 2013

The short term supply outlook

Global supply outlook

Short term developments in MENA?

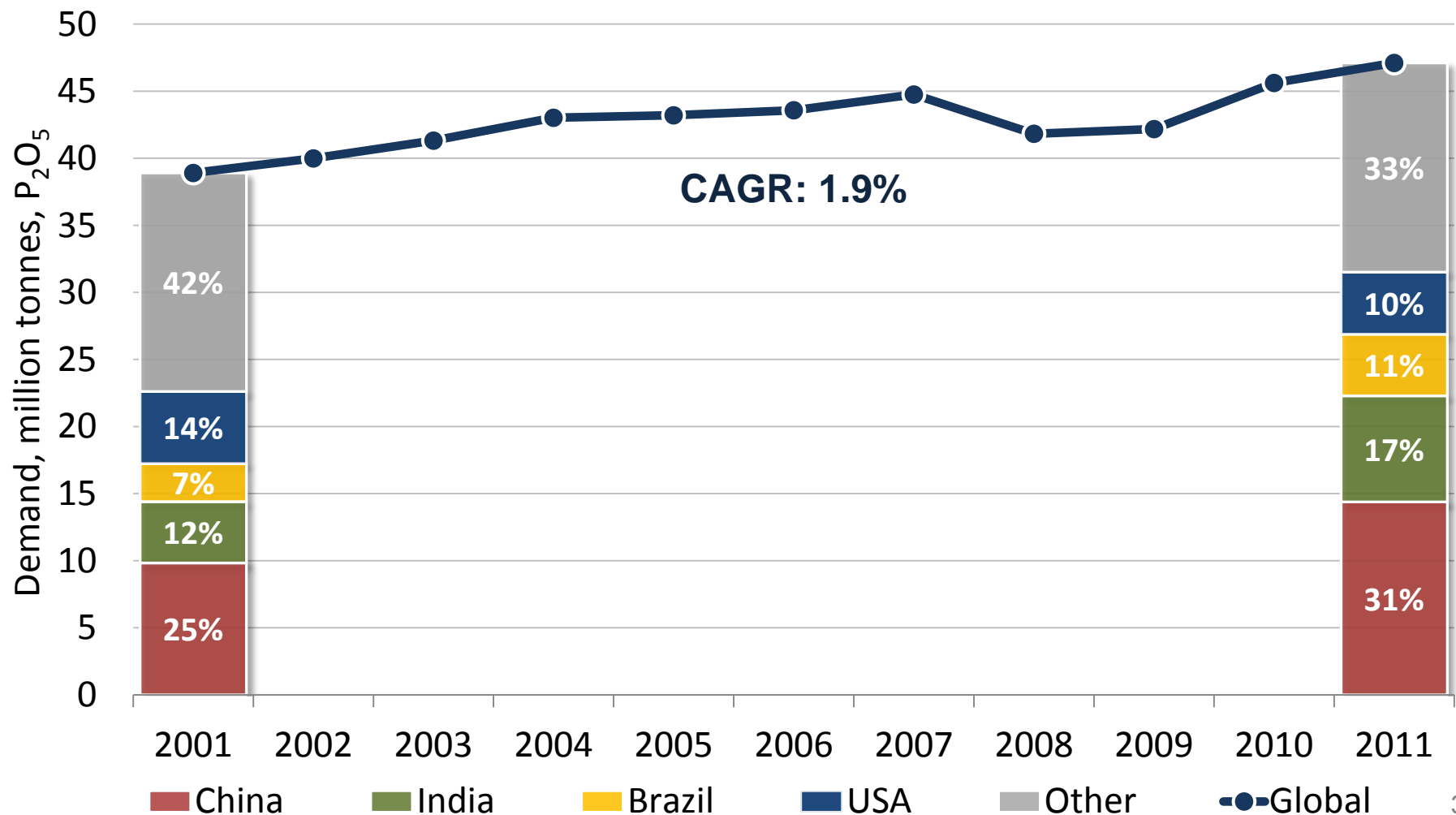
Can China continue to raise production?

Implications for US based producers

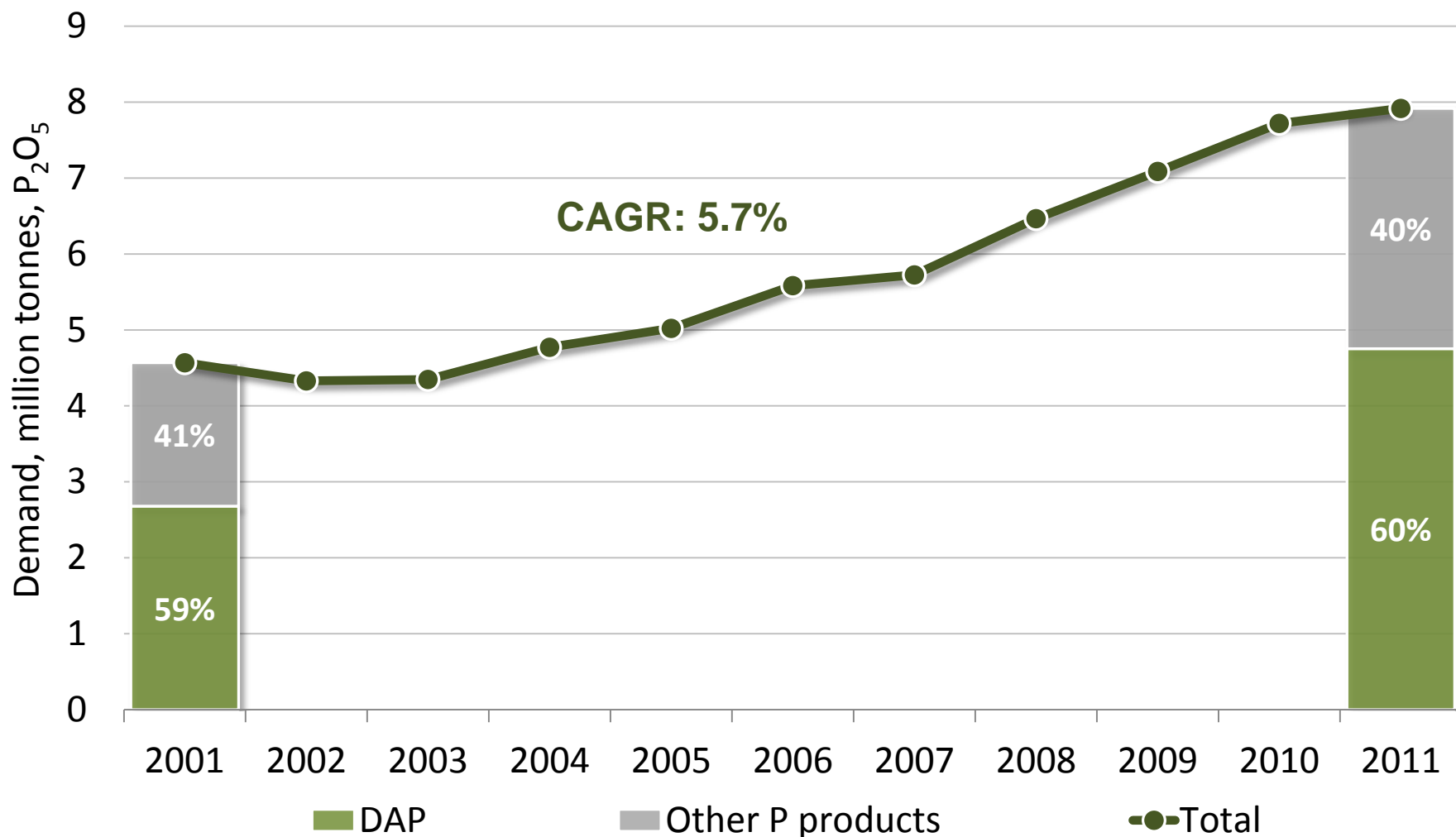
Conclusions



Brazil, India and China have driven global demand growth over the past decade...



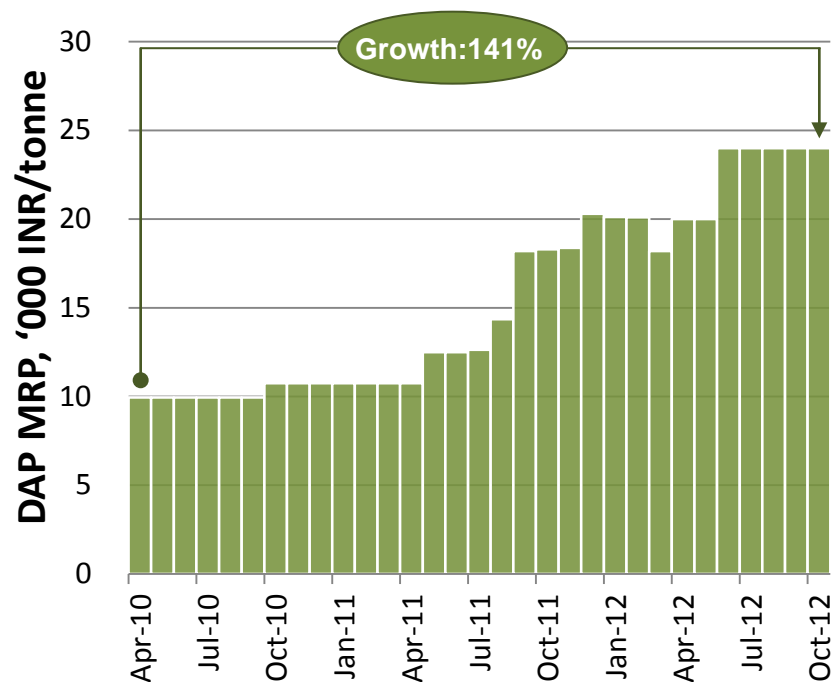
In India, growth has been supported by the use of subsidies...



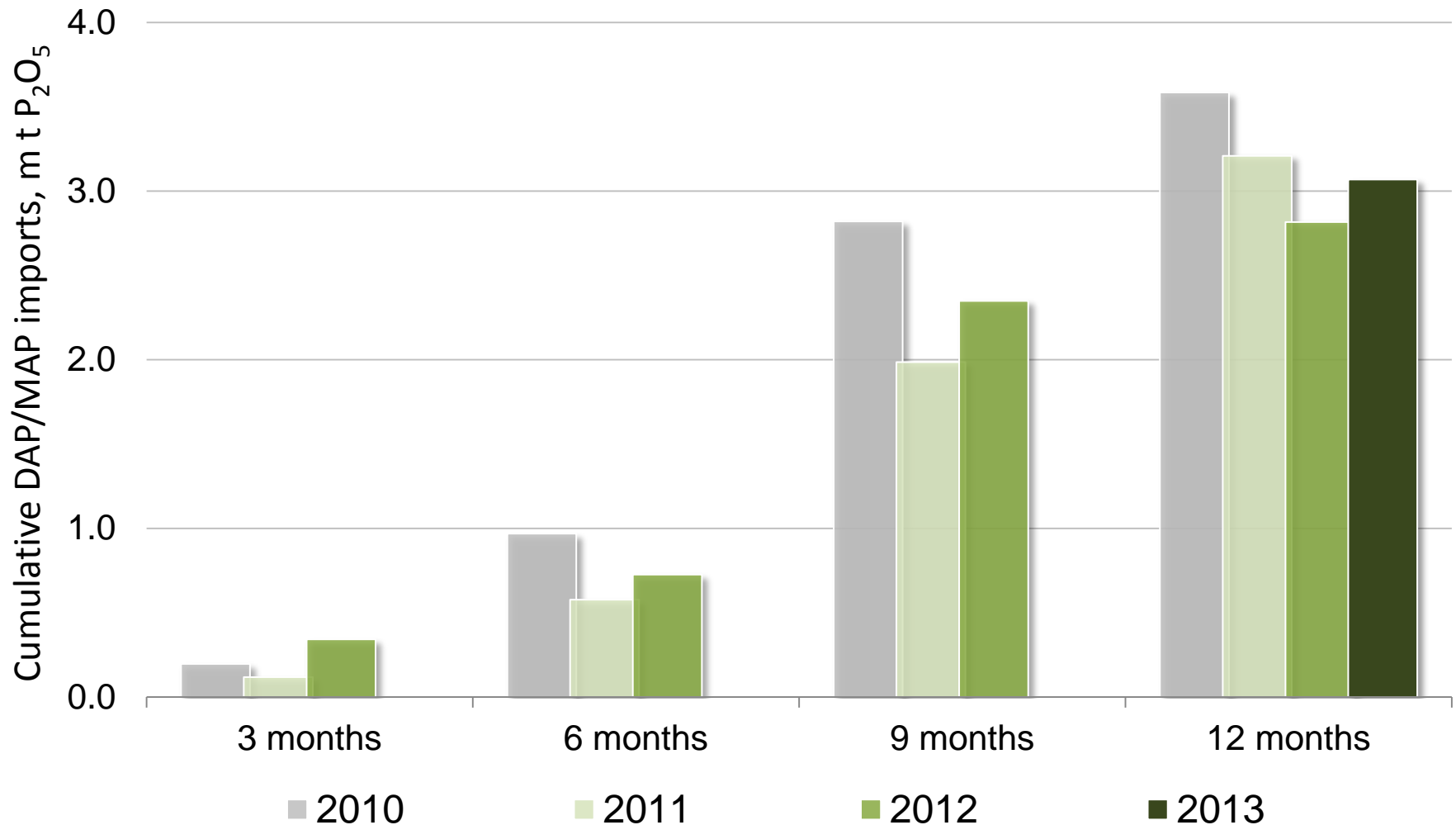
2012 has been difficult: subsidies have been cut and the MRP raised

- In March 2012 the Indian DAP **subsidy was set at INR14,349/tonne**
- Economic growth has stumbled, resulting in a weaker rupee (since July 2011 it **has lost 18% of its value**).
- The economic outlook for 2013 is more bullish & the government to avoid **raising subsidies, but may have no other option**.

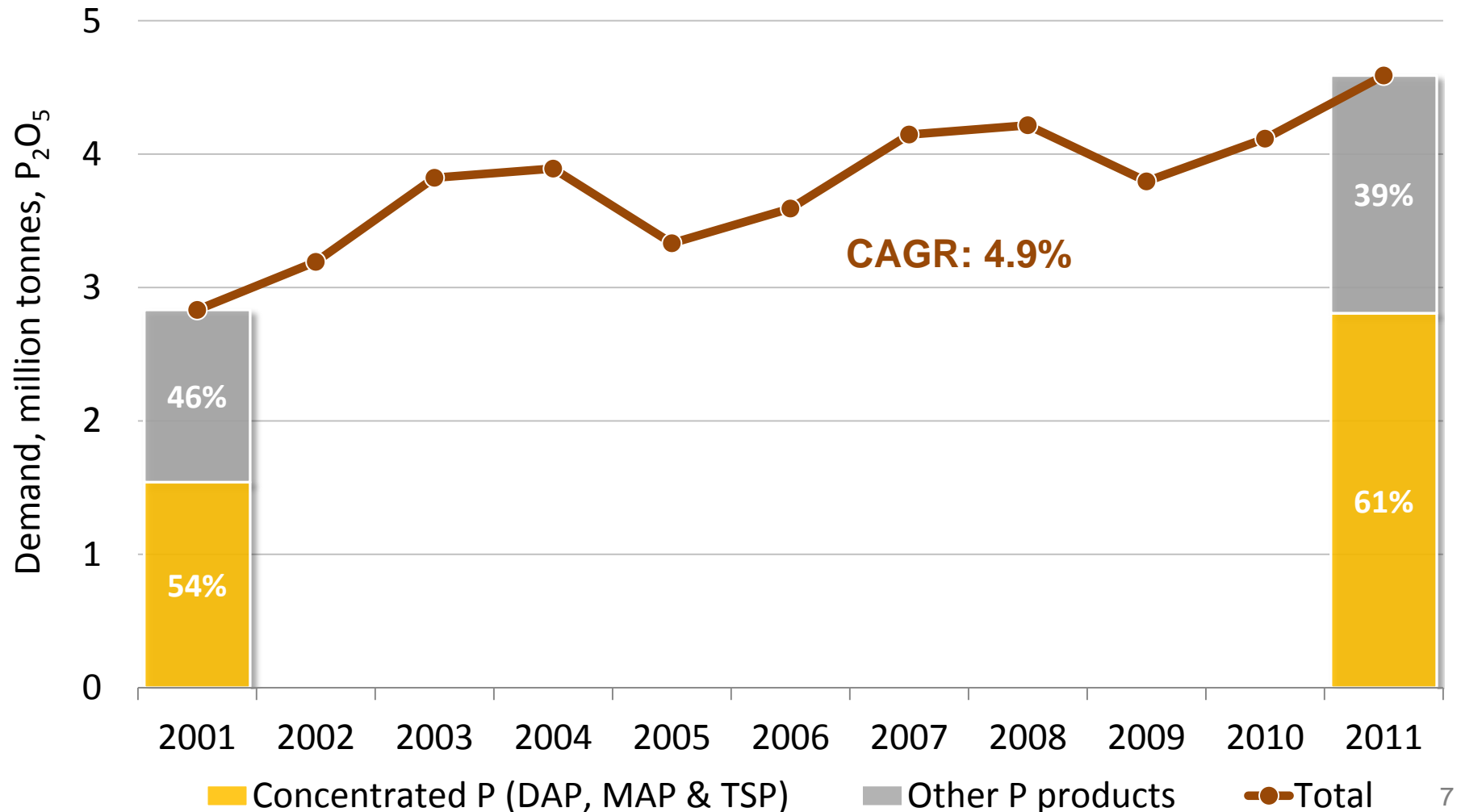
Component	Unit	US\$/tonne
Import price of DAP	US\$/t	580
Duty on imported DAP	5.20%	36
Handling and bagging costs	US\$/t	56
Selling price	US\$/t	672
Less: NBS Subsidy	Rs1.00=US\$0.018	264
DAP price to Indian farmer	US\$/t	407
DAP price to Indian farmer	Rs/tonne	21,475



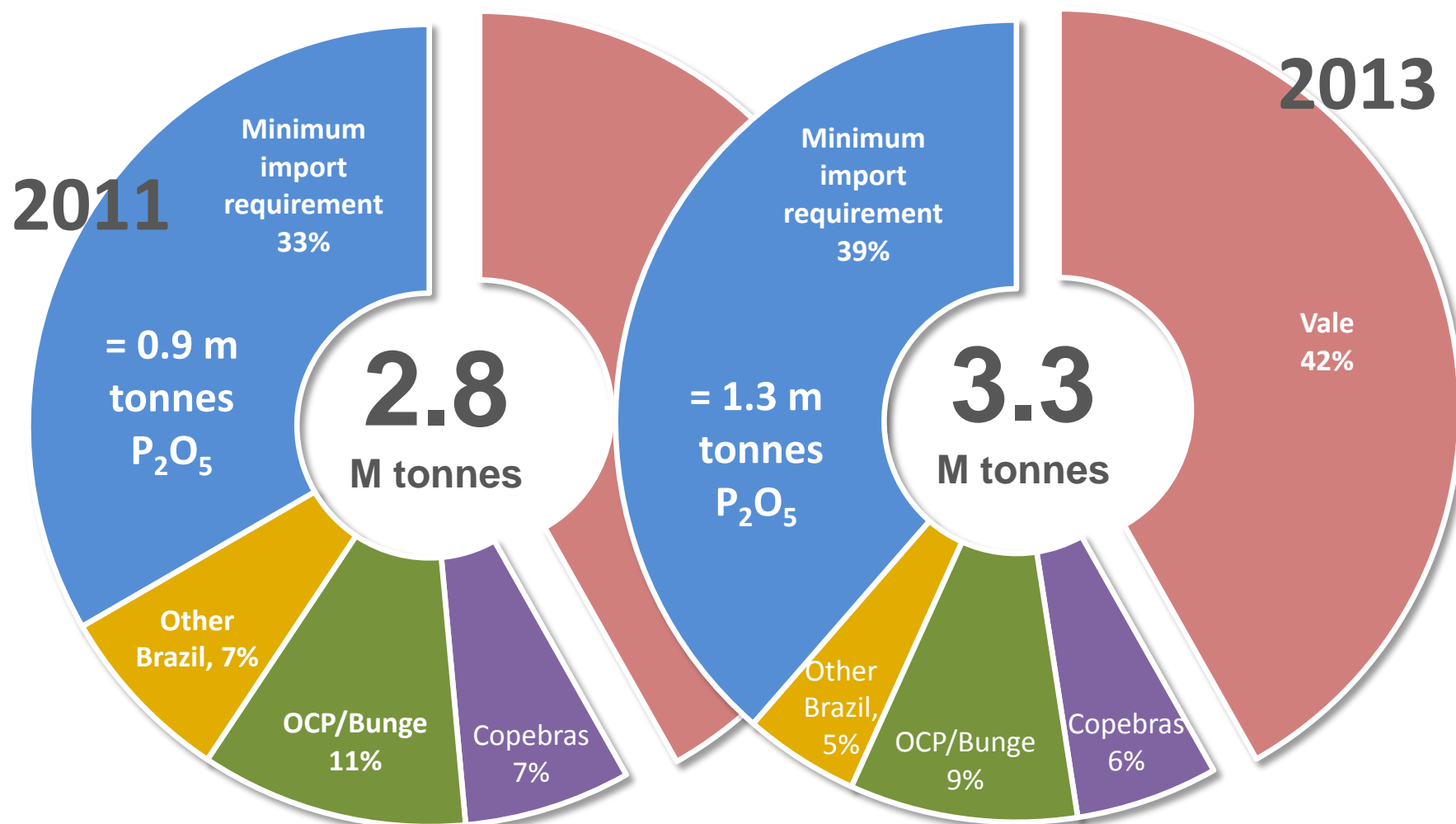
The effect can be seen on imports... That said, the outlook for 2013 is better.



In Brazil, growth is explained by expanded acreages...

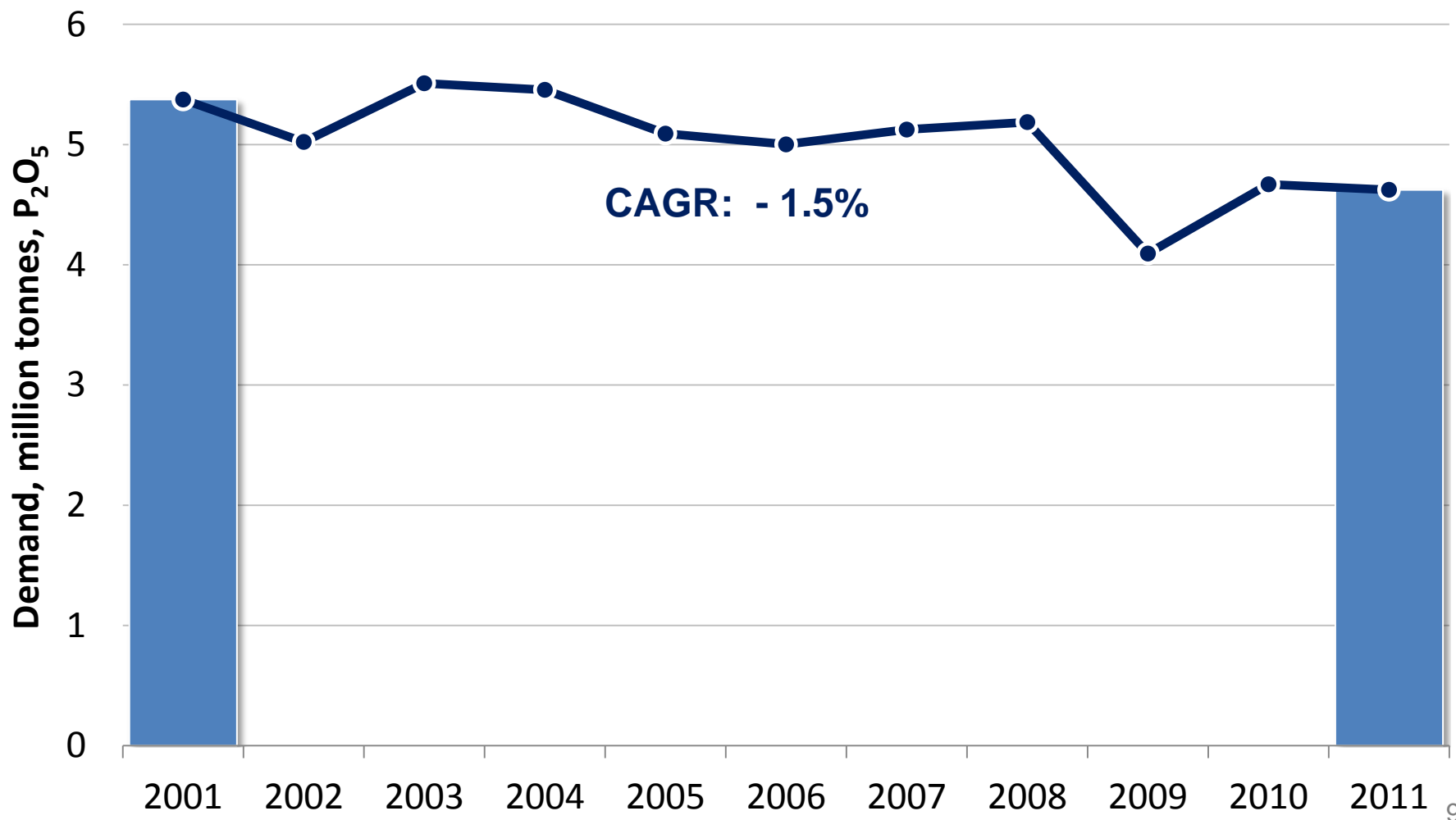


...and for the moment, global exporters should benefit

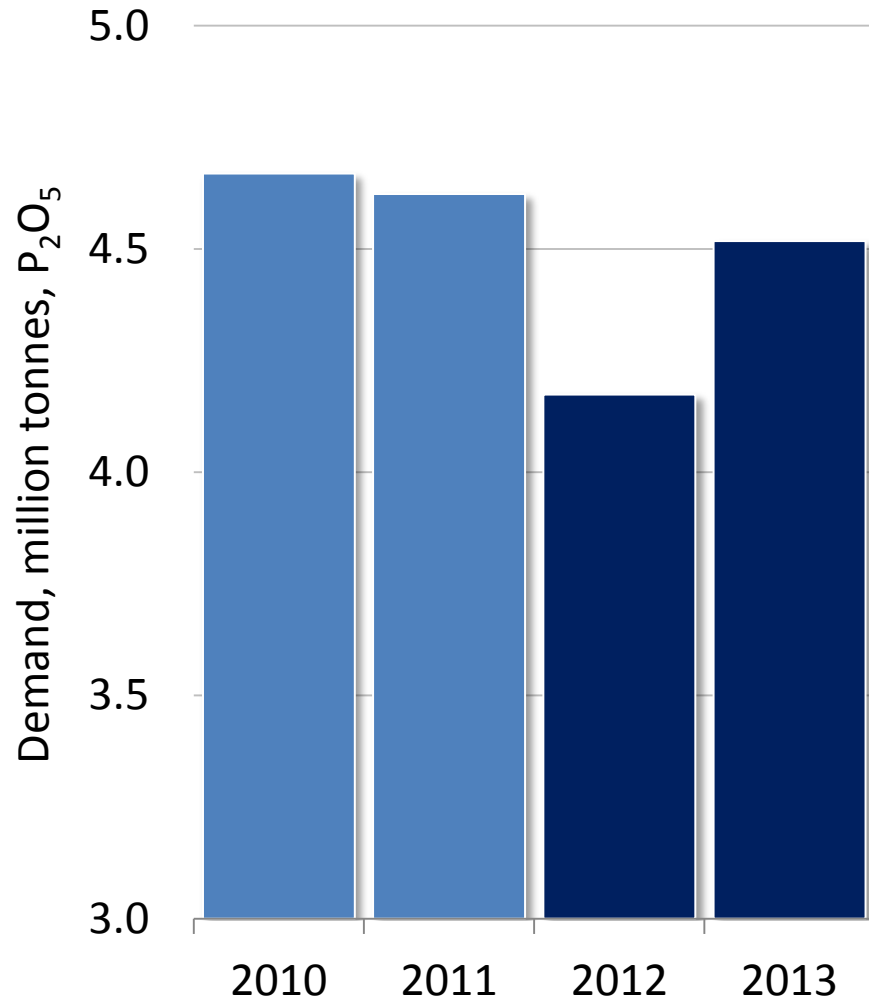


USA is a mature market with falling demand....

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US demand is down in 2012, but a recovery is expected in 2013...



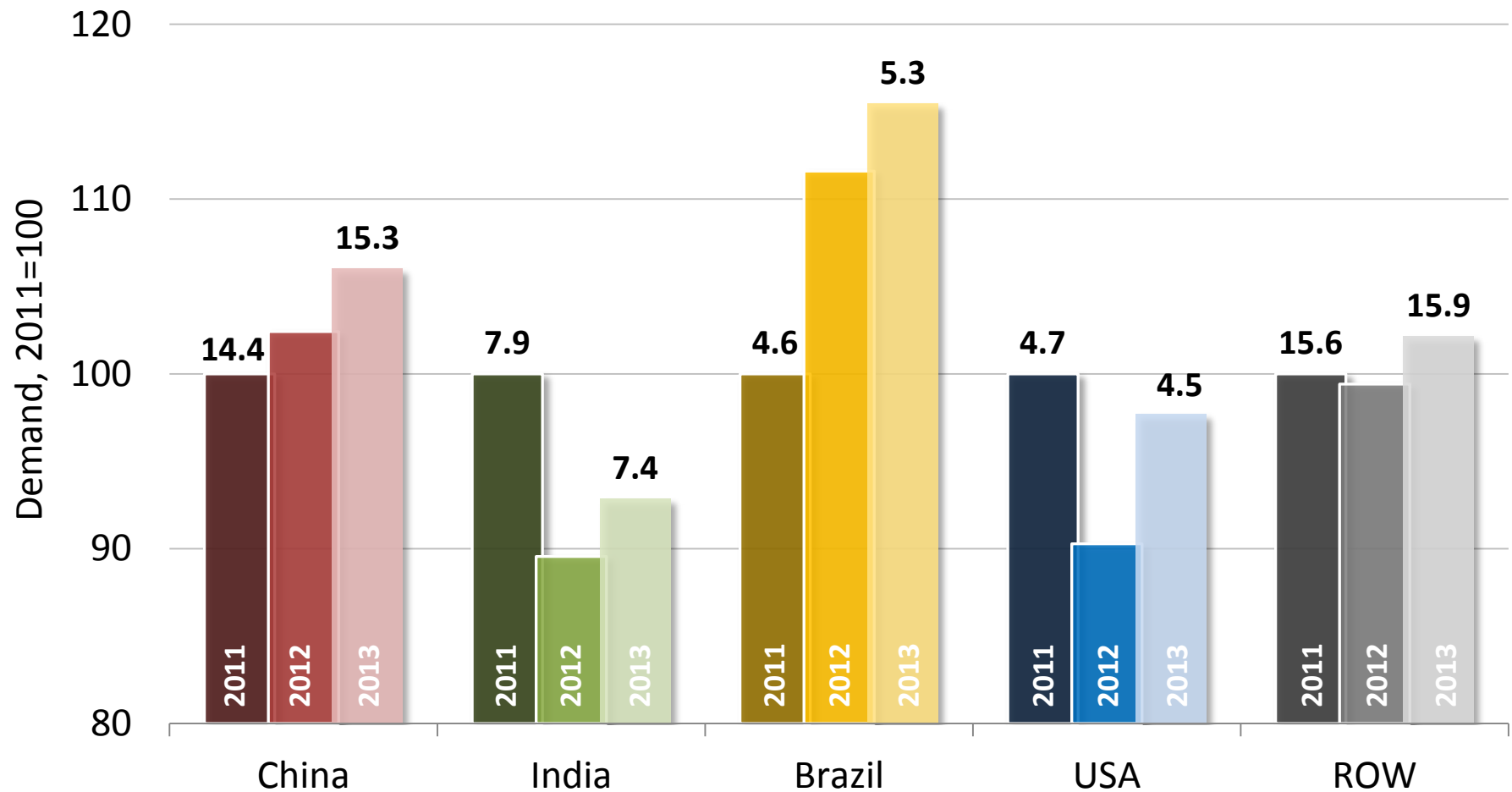
Factors driving down demand in 2012

- Forward buying in late 2011 for 2012 spring application
- Distributors reluctant to restock
- Application rates remained below expectations

Factors driving up demand in 2013

- Strong acreages
- Phosphates at good value compared to crop prices

... and a similar outcome is expected for the global picture



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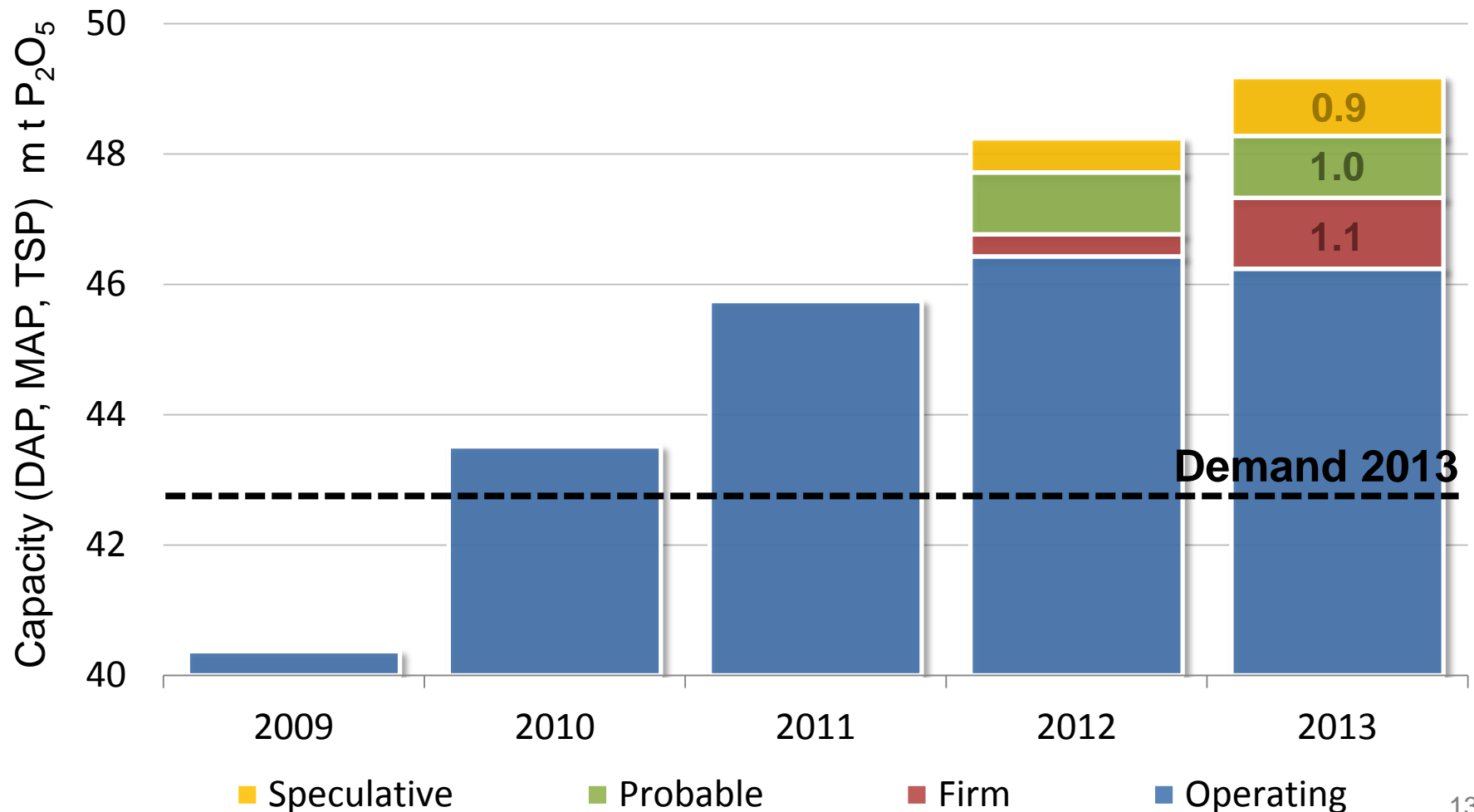
Can China continue to raise production?

Implications for US based producers

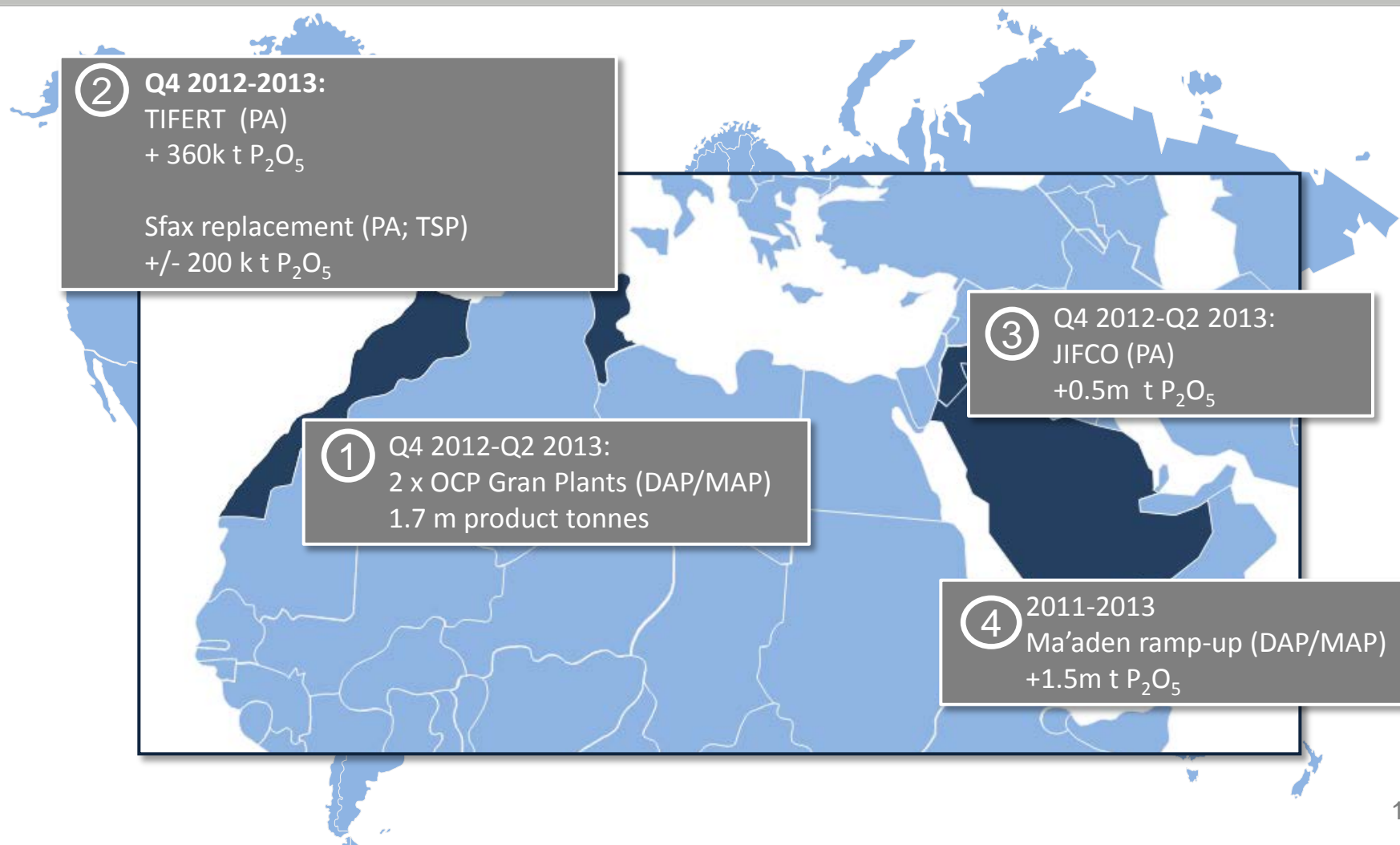
Conclusions



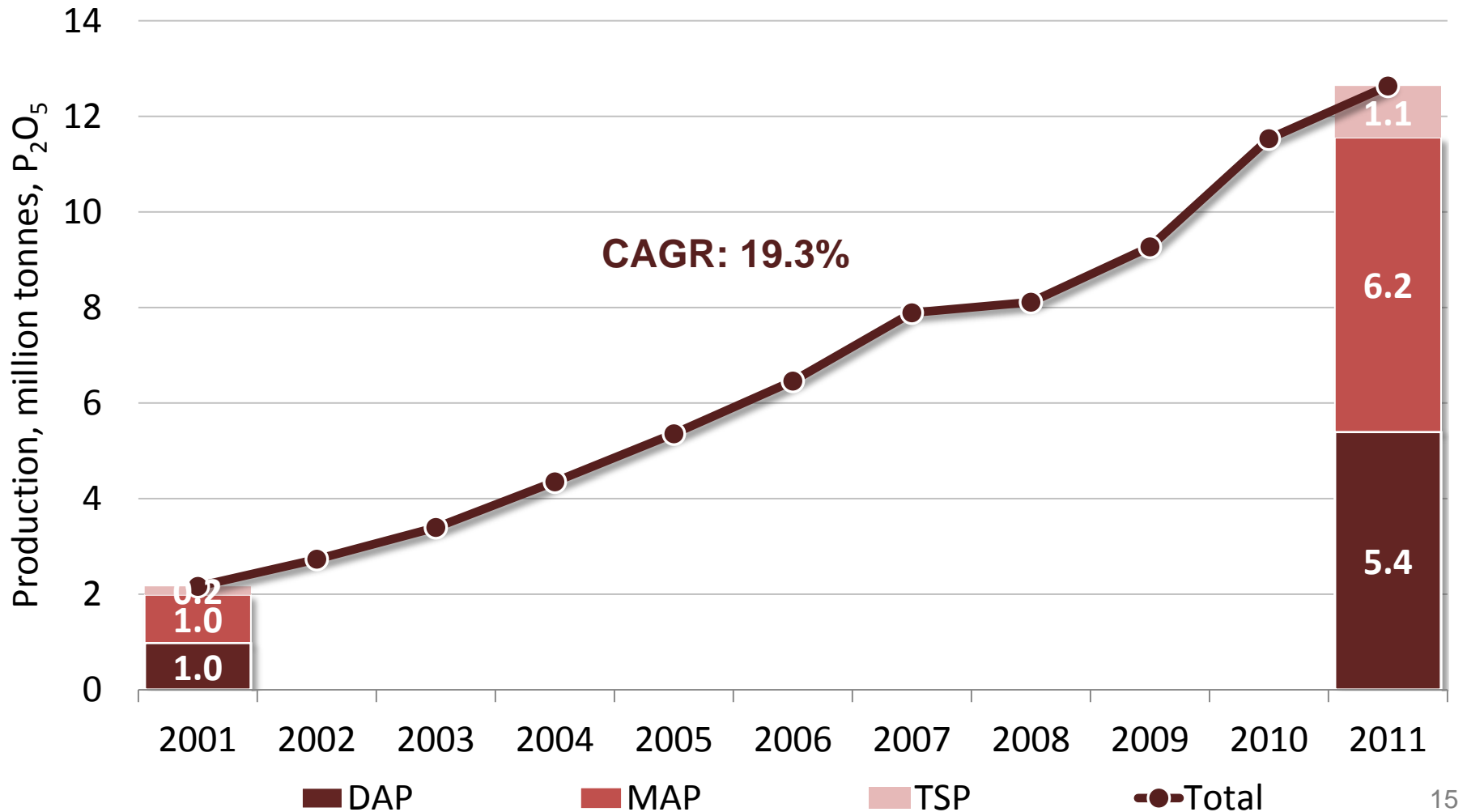
On a global basis, 3.0 million tonnes P_2O_5 of granular capacity could emerge by end 2013



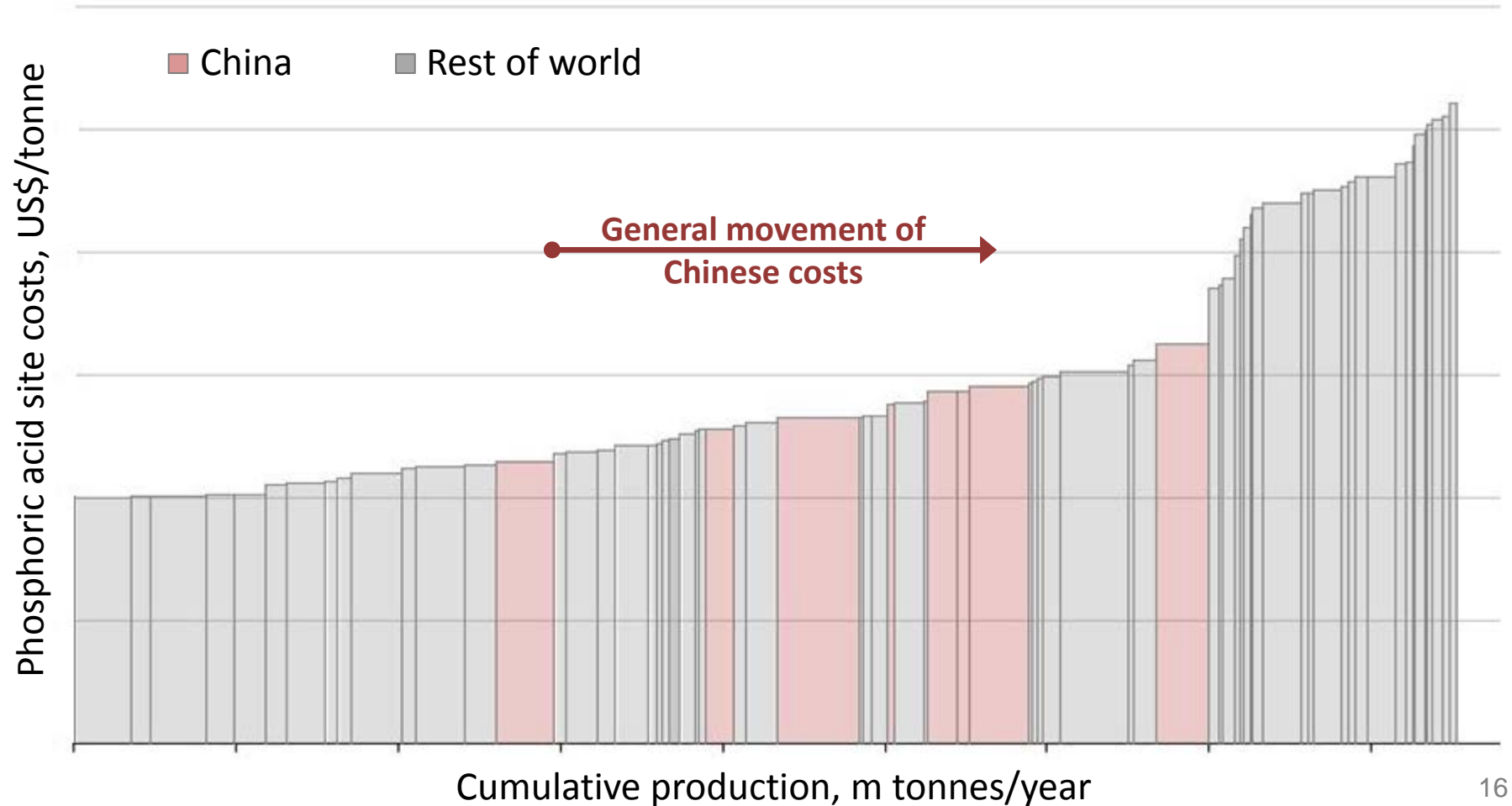
This will be driven by greater supply in MENA



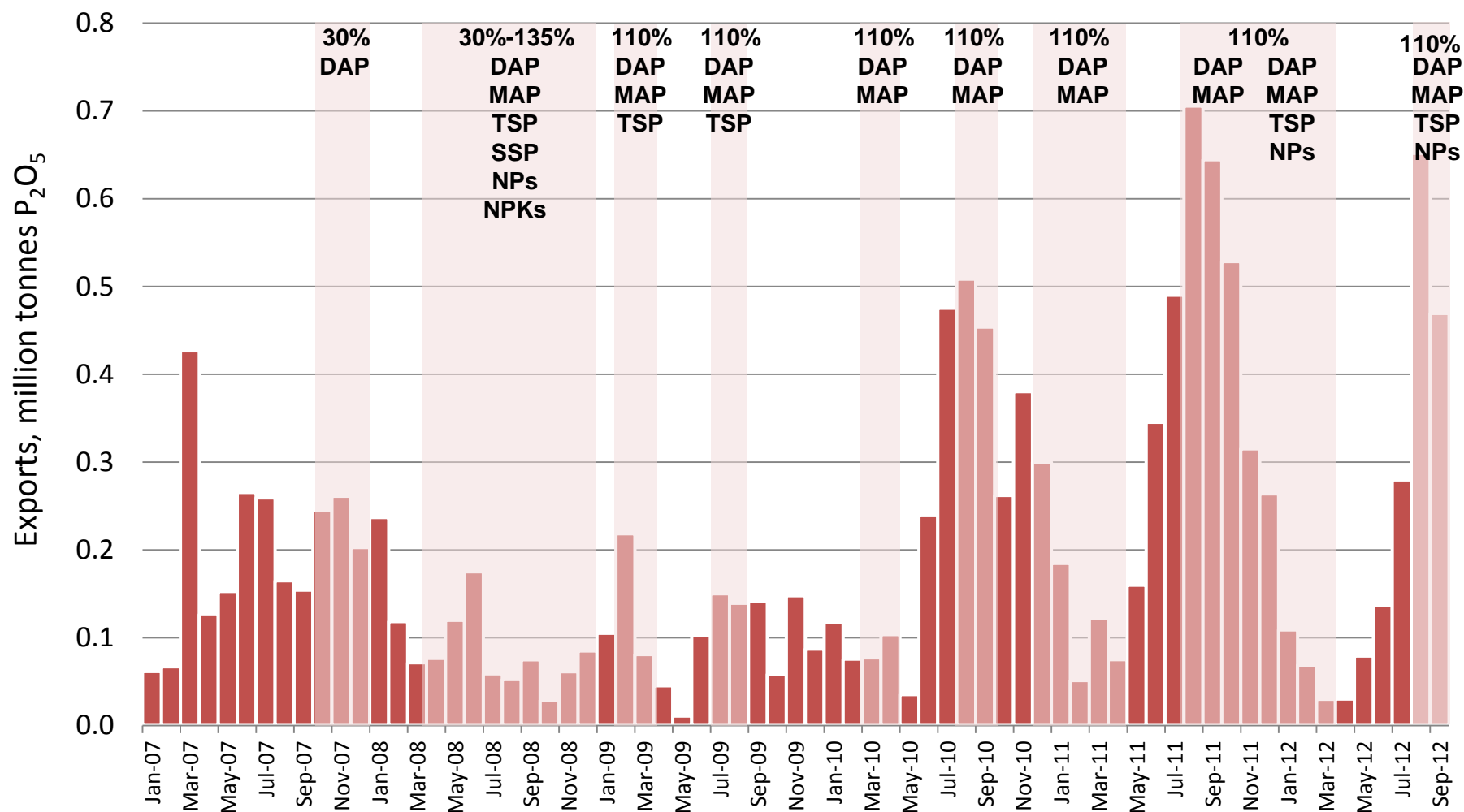
The question is, can China's supply continue to grow in line with previous trends?



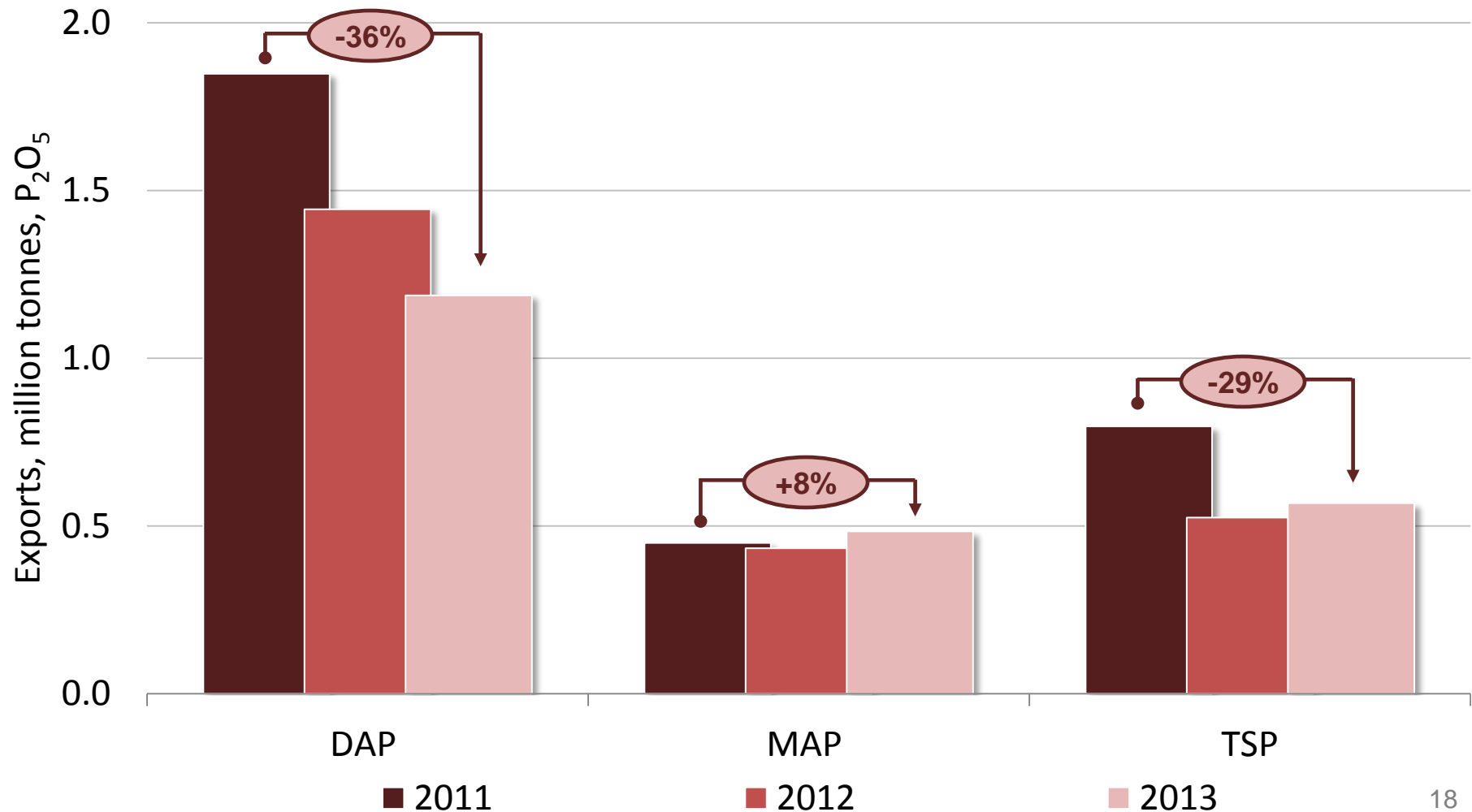
This will be difficult, because of: rising costs...



... and tighter government control



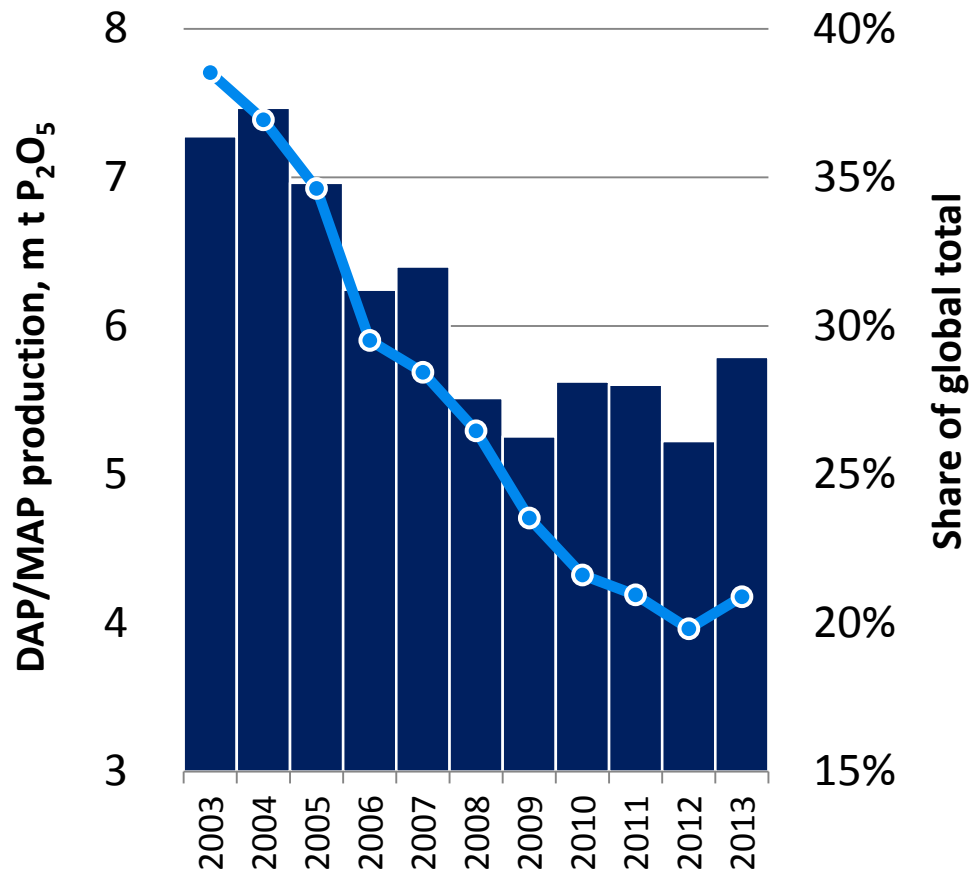
... therefore limiting future Chinese production and export volumes



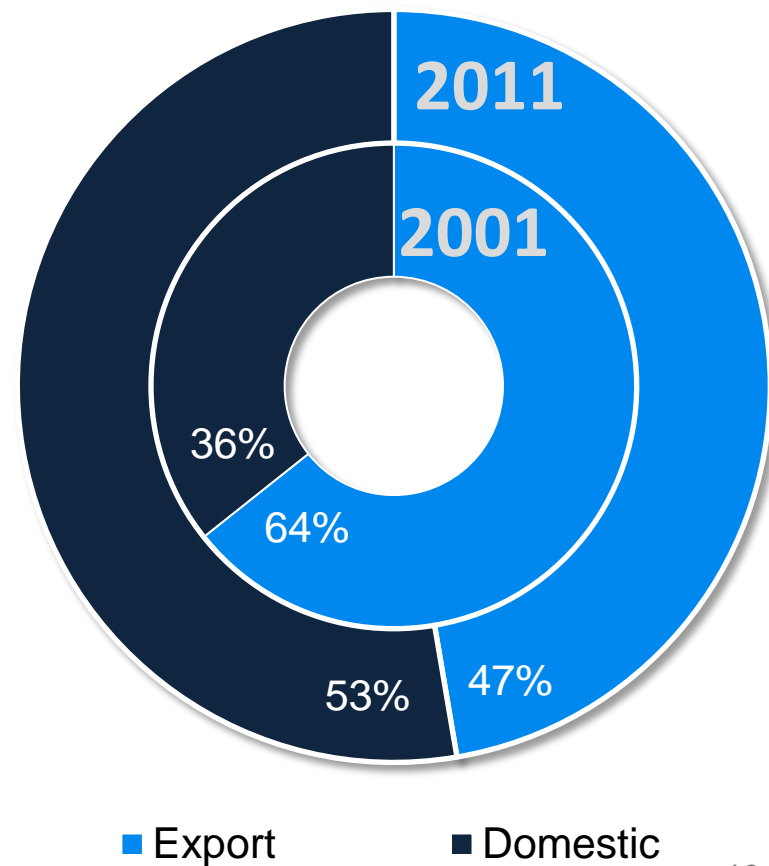
In the USA, export volumes & shares have been declining for sometime...

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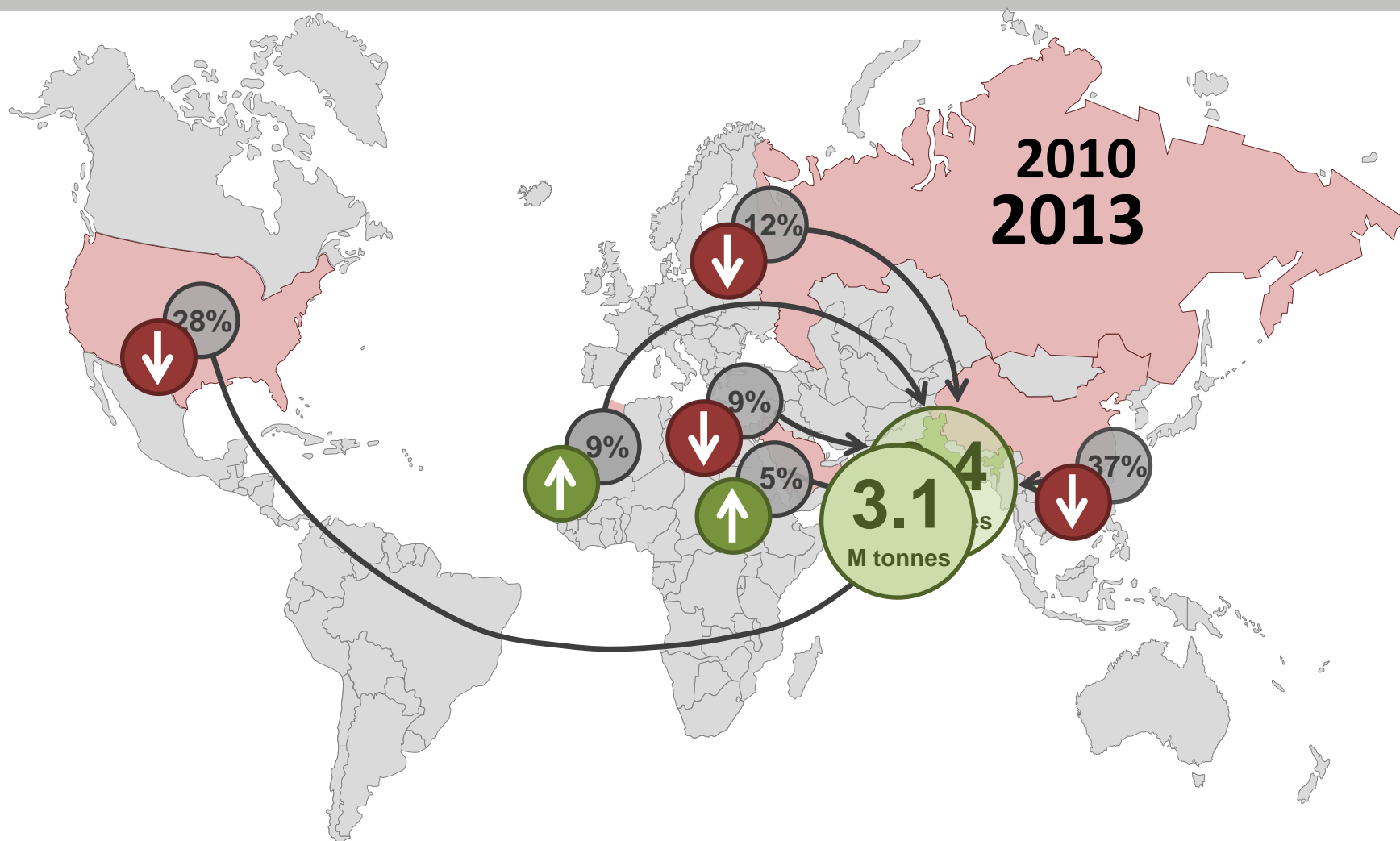
Ammoniated phosphate production outlook



Where is this going?



This is illustrated by P_2O_5 exports to India



So what is the overall outlook for the USA?

Demand, million tonnes P ₂ O ₅				
	2010	2011	2012	2013
Domestic	5.4	5.6	5.2	5.5
Foreign	3.3	3.3	3.1	3.3
Total Demand	8.7	8.9	8.3	8.8

Supply, million tonnes P ₂ O ₅				
Phosphoric acid	8.1	8.3	7.9	8.4
... as DAP	3.2	3.1	2.8	3.1
... as MAP	2.4	2.5	2.5	2.7
Imports & other	0.6	0.6	0.4	0.4
Total Supply	8.7	8.9	8.3	8.8

In summary: the view for 2012 is bearish, but the medium term outlook is better



- **Global & US phosphates industry** appear to be down in 2012 but should rebound in 2013
- **Indian demand has been a concern in 2012**, but so far robust demand elsewhere has seen consumption of granulated P products remain fairly flat in 2012.
- **Phosphate acidulation & granulation capacity** is expected to grow, but at a **slower** pace than in the past (**China** to **consolidate** not grow).
- The outlook for **2012** as a whole is **negative**. The downward trend is likely to **flatten** in **2013**, before **recovering** a year later.



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Thank you for listening

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