



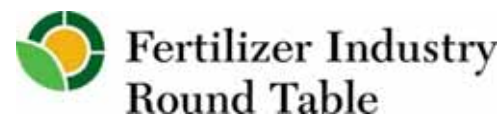
**MAKING THE RIGHT MOVES**  
OUR CHALLENGES. OUR IMAGE. OUR FUTURE



## Ken Taylor

Vice President of Business Development  
and Research  
Intrepid Potash, Inc.

## Potash Outlook





Near Term Potash Outlook

## Trust the Trends

Fertilizer Outlook and Technology Conference

Savannah, GA

November 19, 2014

Ken Taylor, VP Business Development and Research, Intrepid Potash



# Safe Harbor

The views I express today are my own and do not necessarily reflect the views of Intrepid or its management.

This presentation contains forward-looking statements — that is, statements about future, not past, events. Forward-looking statements are based on estimates and assumptions that I believe are reasonable. Actual results could be materially different from these forward-looking statements. For forward-looking statements about Intrepid, factors that could cause actual results to differ are discussed in Intrepid's periodic filings with the Securities and Exchange Commission. Forward-looking statements speak only as of the initial release date of this presentation, November 19, 2014. We have no duty to update publicly or revise any forward-looking statements to conform the statements to actual results or to reflect new information or future events.



## The Forecasters Dilemma...

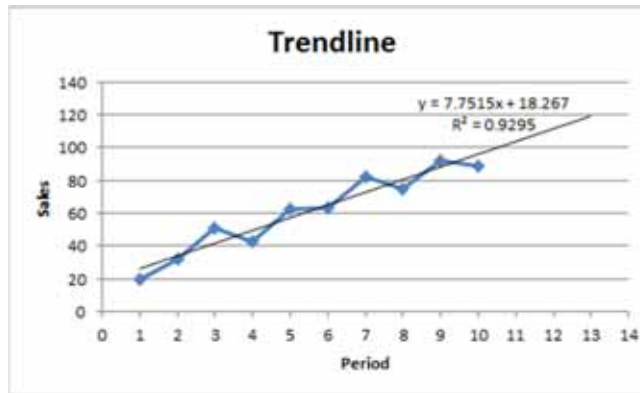
- Study on experts making predictions that used **284 experts making predictions in their field of expertise**
- Study conducted by Phil Tetlock, Professor of Psychology and Management at the University of Pennsylvania.

“... it is impossible to find any domain which humans clearly outperformed crude extrapolation algorithms.”

*Expert Predictions Fare Worse than Crude Extrapolations*

## Trend will likely Predict Better than My Opinion

In other words, the trend line is a better predictor than experts.



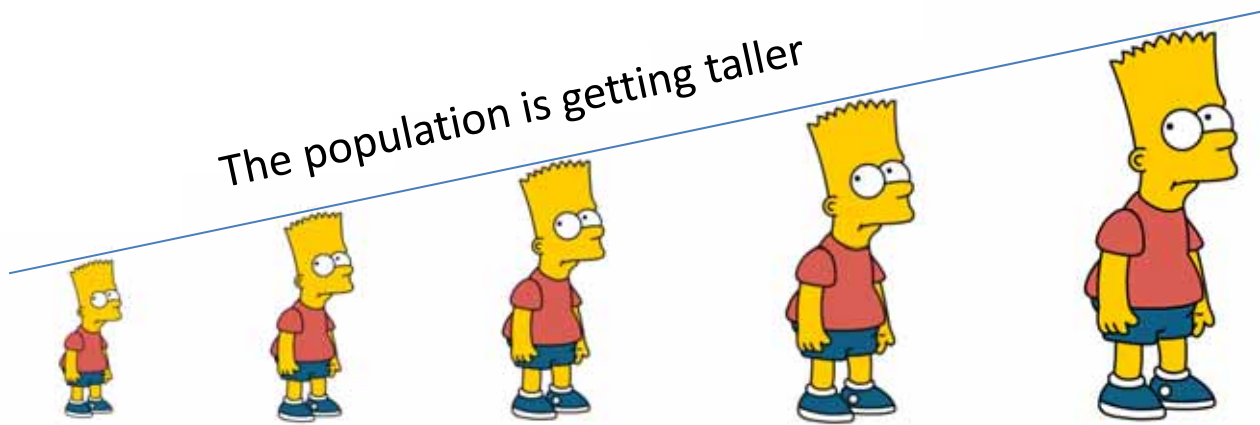
- ☐ Extra education... does not boost prediction accuracy
- ☐ Experts in the media... worse than non-media experts
- ☐ Some good news, Experts... usually better than novices

*Hmmm...What are the Trends then?*

## I Therefore Predict – Continuation of the Trends

Two powerful trends in statistics –

### 1. The Trend



And

*My ACT score used to be special, but now it's not so hot!*

## I Therefore Predict – Reversion to the Mean and...

Two powerful trends in statistics –  
2. Reversion to the Mean



*How do you explain Yao Ming? Anomaly, Don't try to predict him!*

## You May Still Learn Something of Value

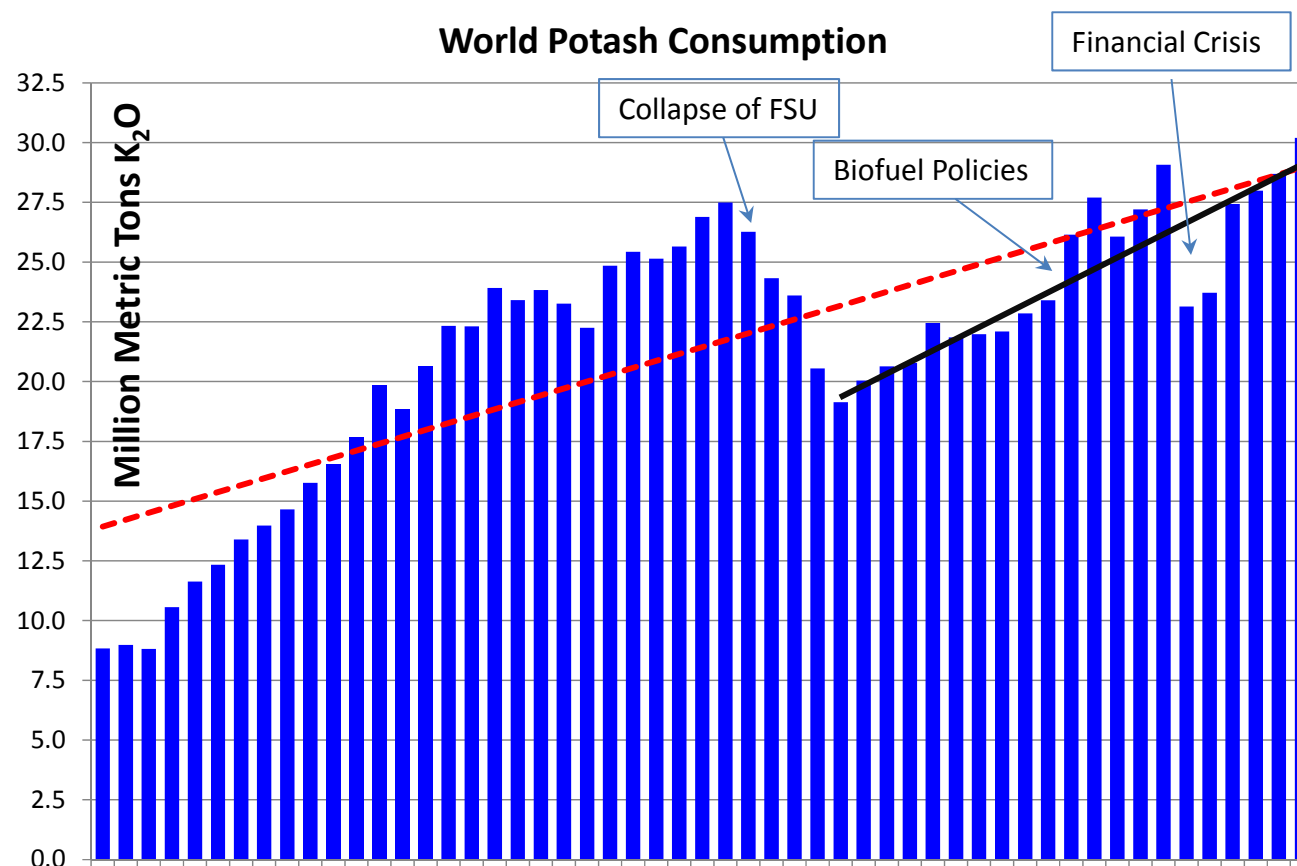
Focus areas of this outlook:

1. Trends in key potash variables & shocks that influence them
2. Two mean reversions of interest
3. Current Market Conditions
4. My “Expert” Predictions for 2015

*An expert who knows the trends, may have insights about them.*



## World Potash Demand Trends Strongly with Shocks

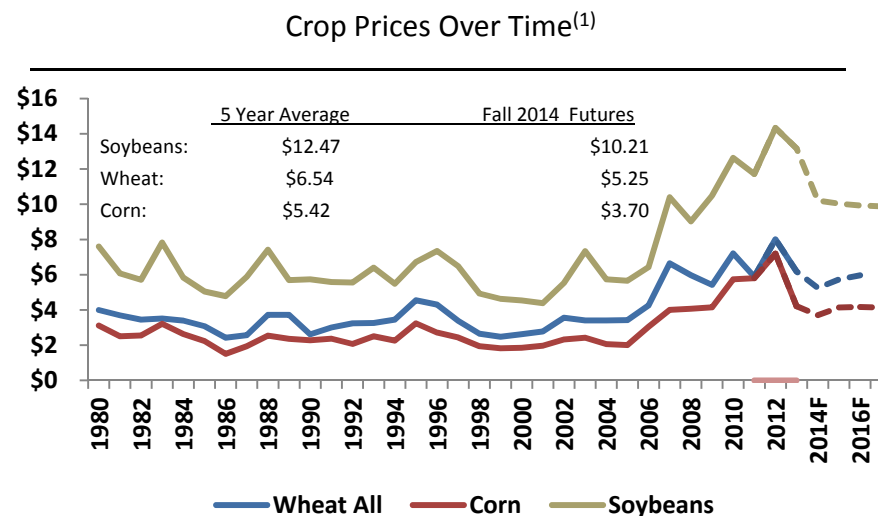
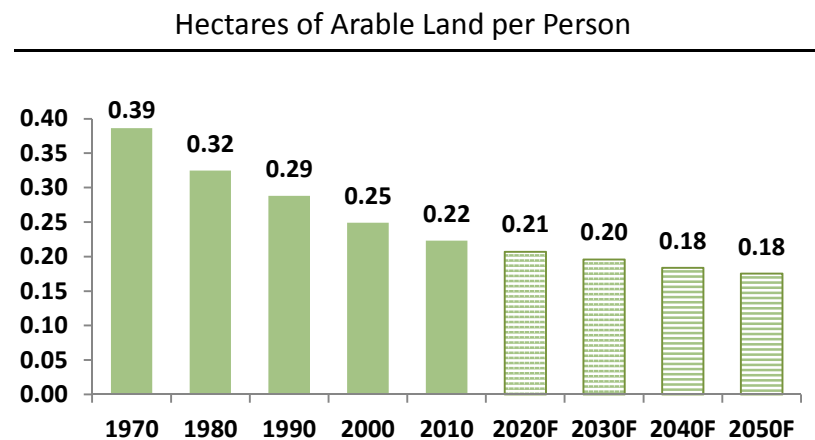
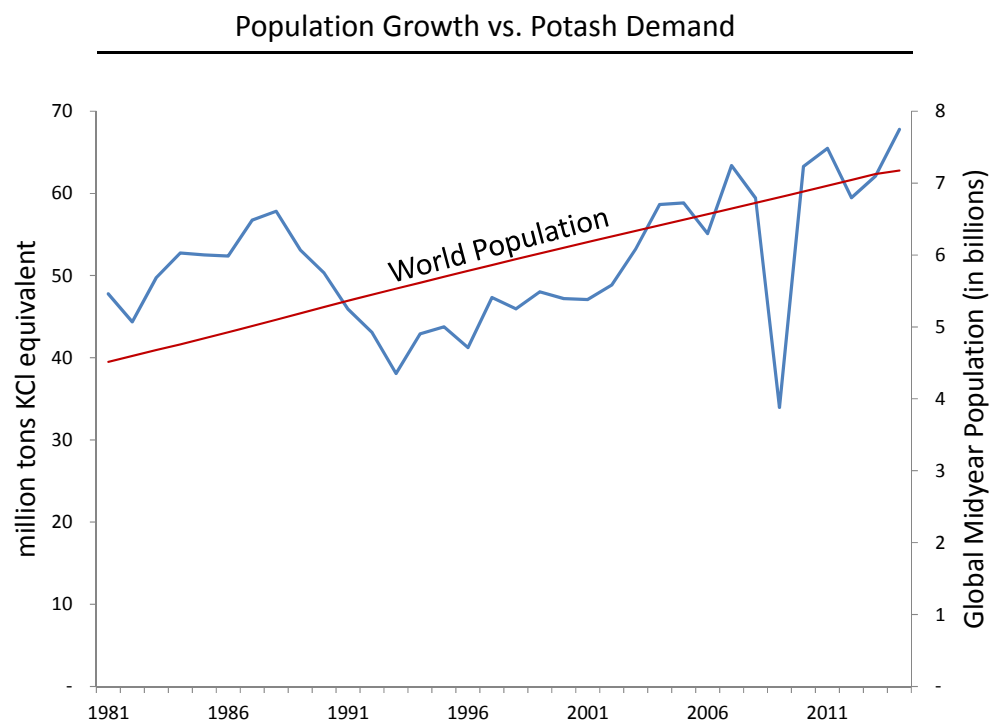


Source: International Fertilizer Industry Association, June 2014.

*Which Trend is the Right Trend?*

Trends in Key Potash Variables & Shocks that Influence Them

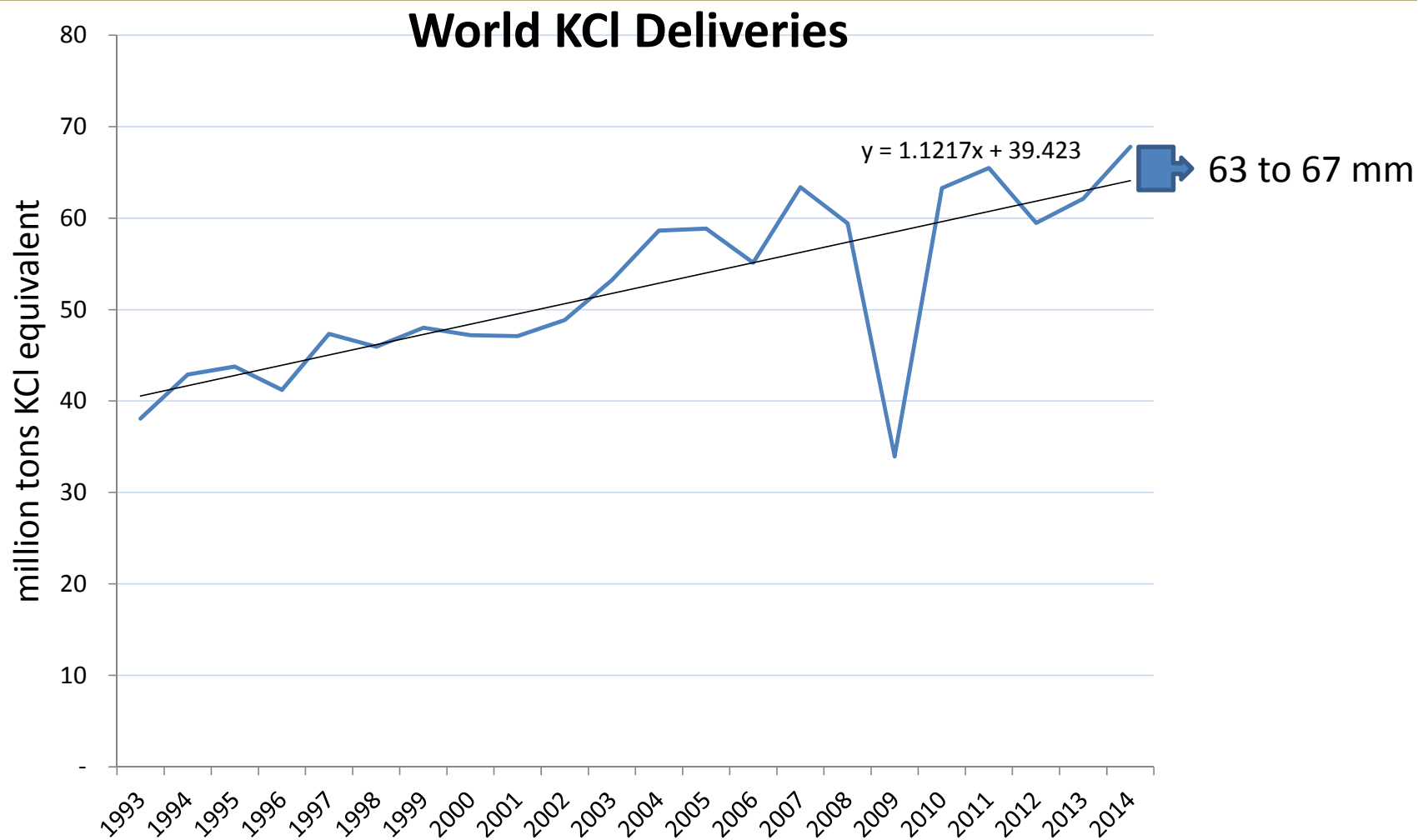
# World Potash Demand Has Strong Trend Tailwinds



Sources: United Nations Food and Agriculture Organization (FAO), World Bank, US Census Bureau, USDA, Potash & Phosphate Institute (PPI), International Fertilizer Industry Association (IFA), Fertecon

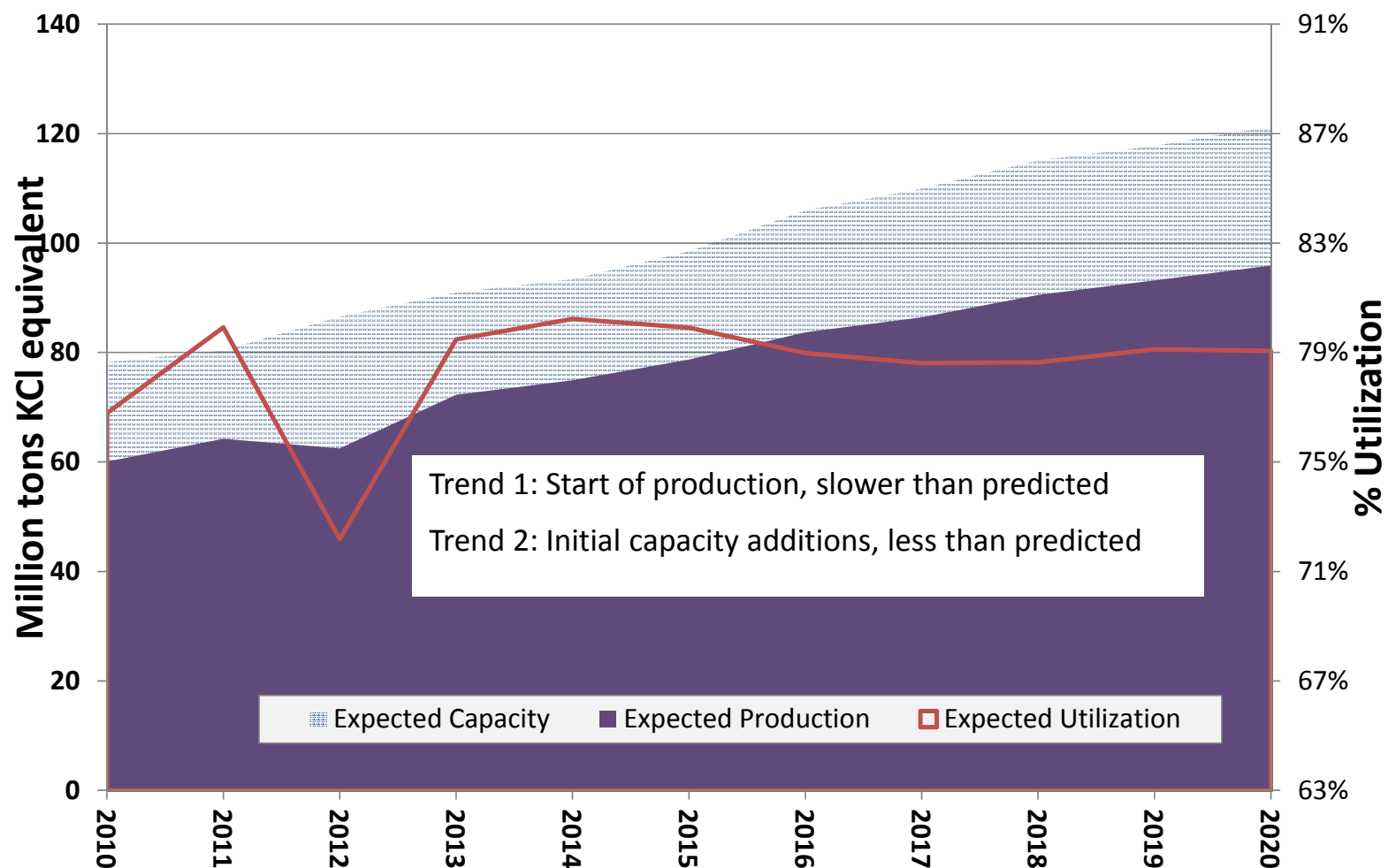
(1) Futures prices based on closing price of Chicago Board of Trade futures contracts as of 11/5/14; futures prices for November/December delivery in forecast years.

## World Potash Demand Trends... No Surprises, Growth



*Trend Prediction: 63 to 67 mm tons of potash demand in 2015*

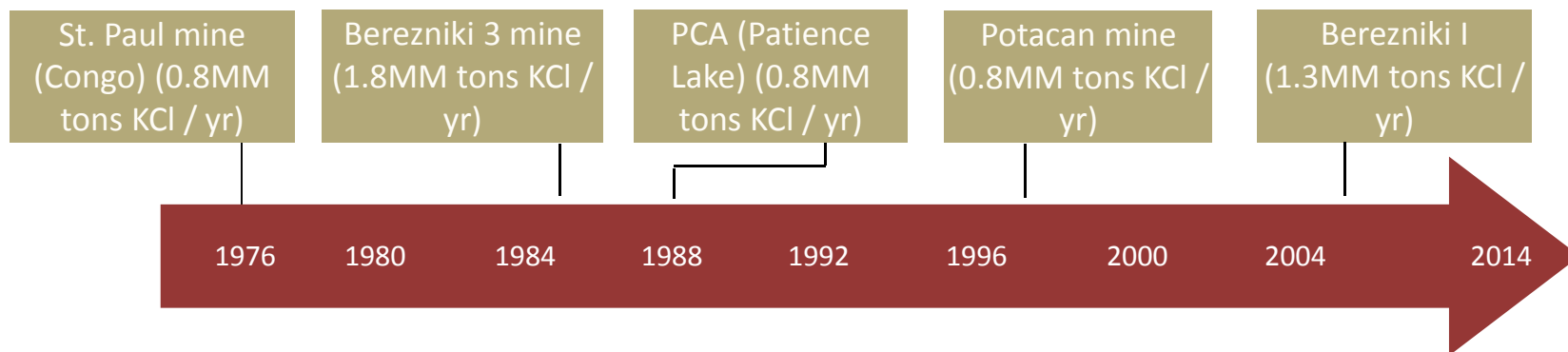
## World Potash Supply Increasing , But with a Capital B



*Trend Prediction: Capacity additions will continue to be delayed and ramp up slowly*

## Global Industry Susceptible to Production Interruption and Supply “Shocks”

### Mine Closures Due to Water Inflows



### Mine Closures Due to Depletion

#### Depleted Conventional Mines

- Theodore, Amelie, Marie Louis mines- France
- Pasquasi and San Cataldo mines - Italy
- Salzdetfurth, Friedrichshall, Bergmannsseggen-Hugo, Siegfried-Giesen, and Niedersachsen-Riedel - Germany
- Trona, California
- Horizon-Amax, Wills-Weaver, Saunders – Carlsbad, New Mexico

#### Mines Currently With Less than 15 Years Reserve Life

- Carlsbad, NM, United States – Mosaic\*, scheduled to close
- Boulby, England – ICL
- Soligorsk I, Belarussia - Belaruskali
- Taquari, Brazil – Vale
- Sigmundshall – K + S

\*On July 21, 2014, Mosaic stated that it is discontinuing MOP production in Carlsbad.

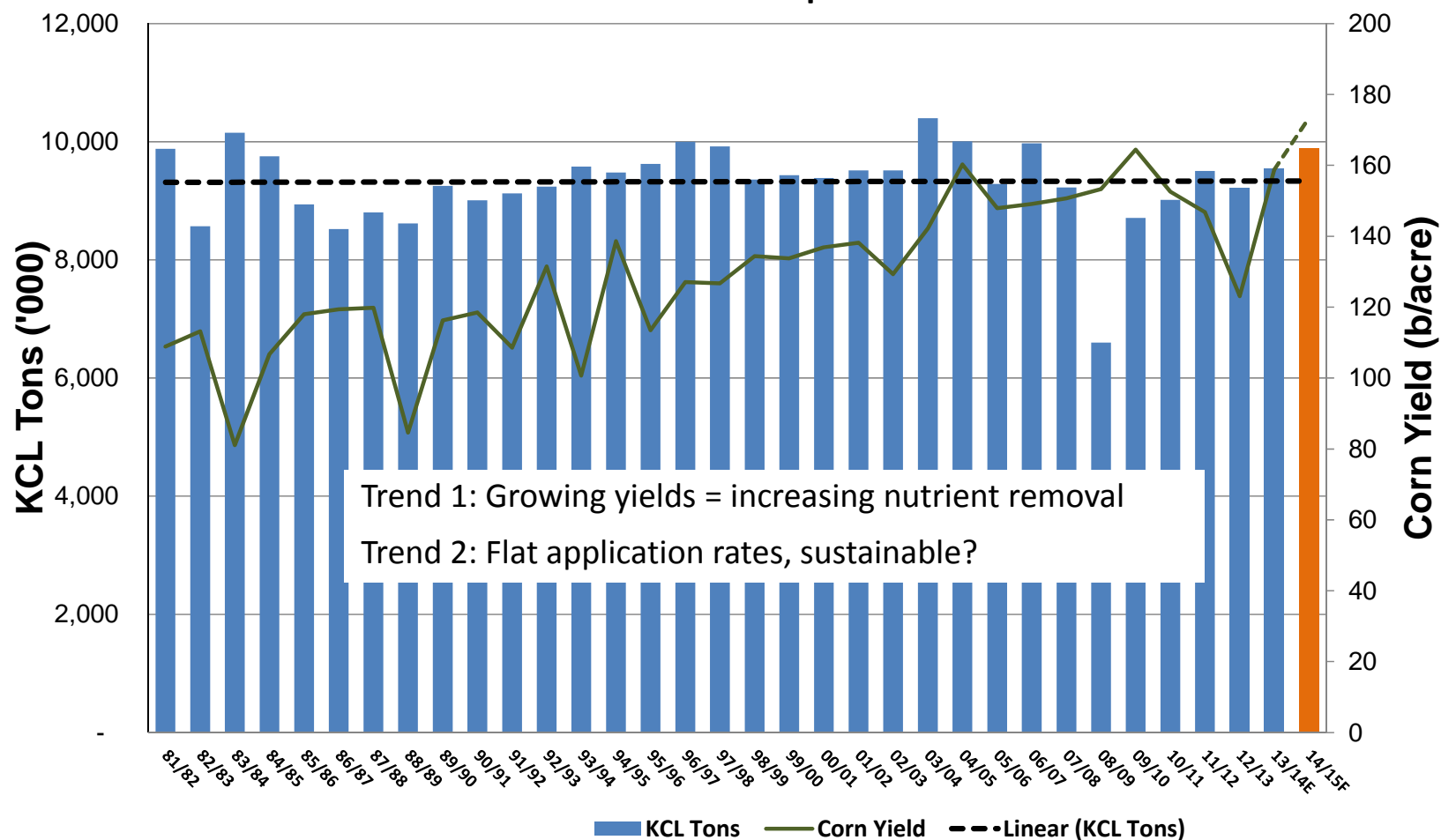
sources: Fertecon, Intrepid Potash®, and public filings





# U.S Potash Demand – Steady Going

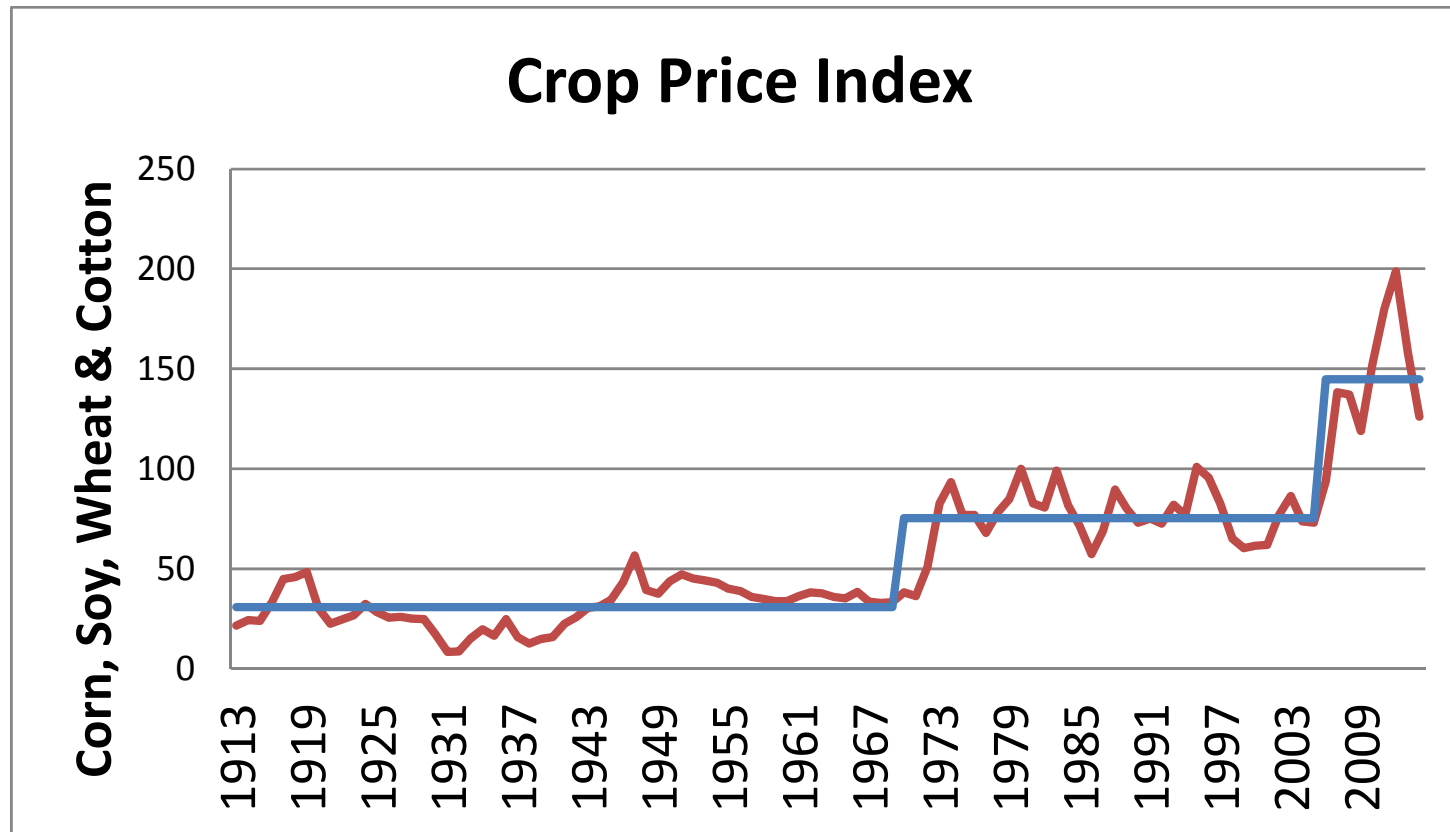
**FERTECON U.S. Potash Consumption and Corn Yield**



*Trend Prediction: 9.5mm tons of potash equivalent demand in 2015*



## Crop Prices Currently Below the Trend Line

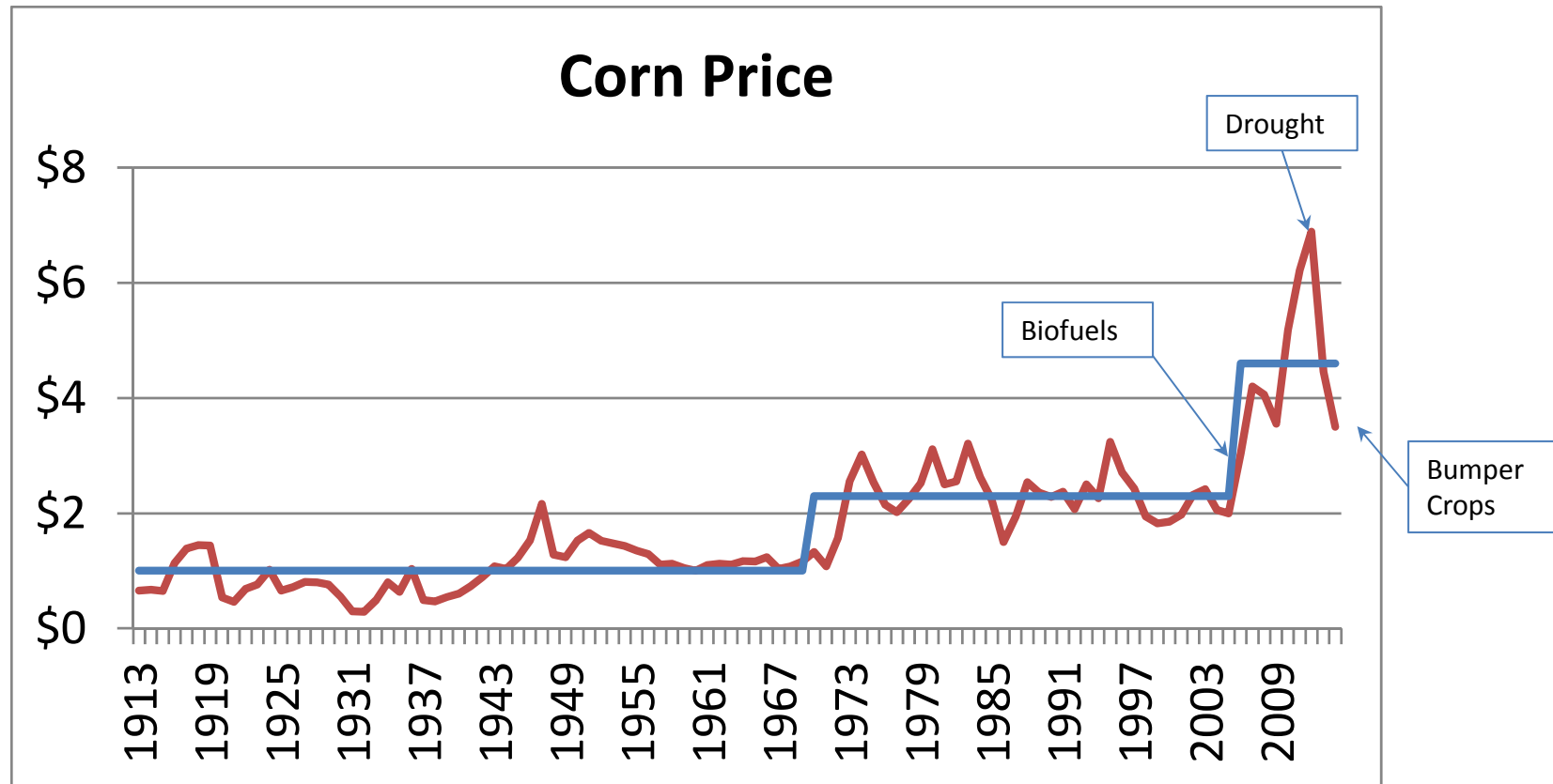


Trend 1 – Step change in mean pricing

Trend 2 – Variation around the mean due to harvest sizes (weather)

*Trend Prediction: Crop prices will revert to the mean (increase)*

## Corn Price Reflects a Stepped Trend



Is the step in Corn Price a Trend?

*Trend Prediction: Corn Price will revert to the mid \$4's...long-term*

## Rail Service May Continue to be a Problem in 2015

2014 Rail Service saw a drop in train Velocities

1. Extreme winter in 2013/2014
2. Large grain crop in Western Canada in 2013
3. Oil and Gas service increases

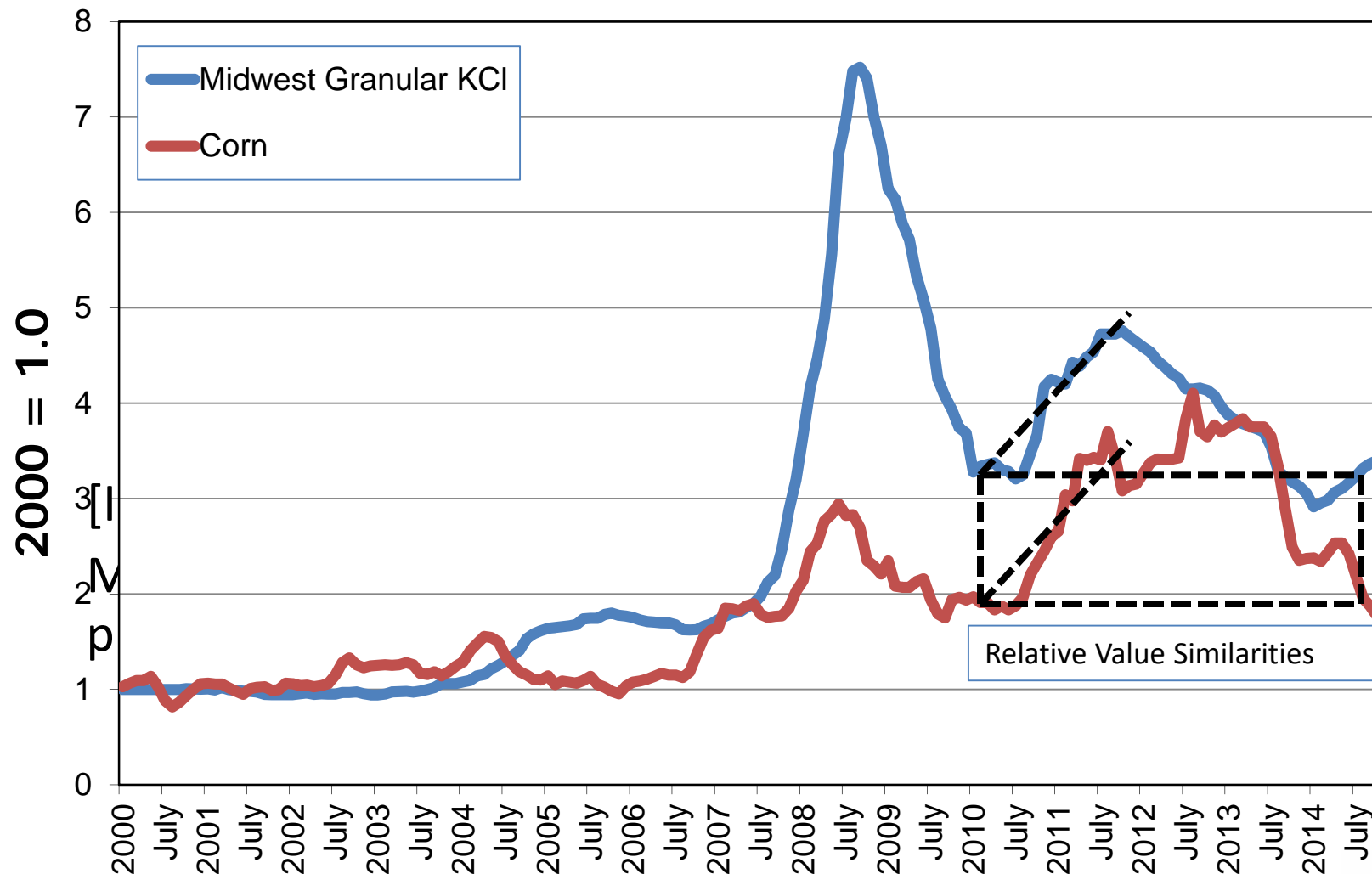
Rail service will eventually revert to the mean

1. Below trend grain crop in Western Canada in 2014
2. Large investments by rail companies
3. Average weather 2014/2015?

*But service likely to revert to the mean*

# What Does History Teach us About the Crop / KCl Value Gap?

## Index of Corn vs. Potash Prices, Jan. 2000 - Oct. 2014



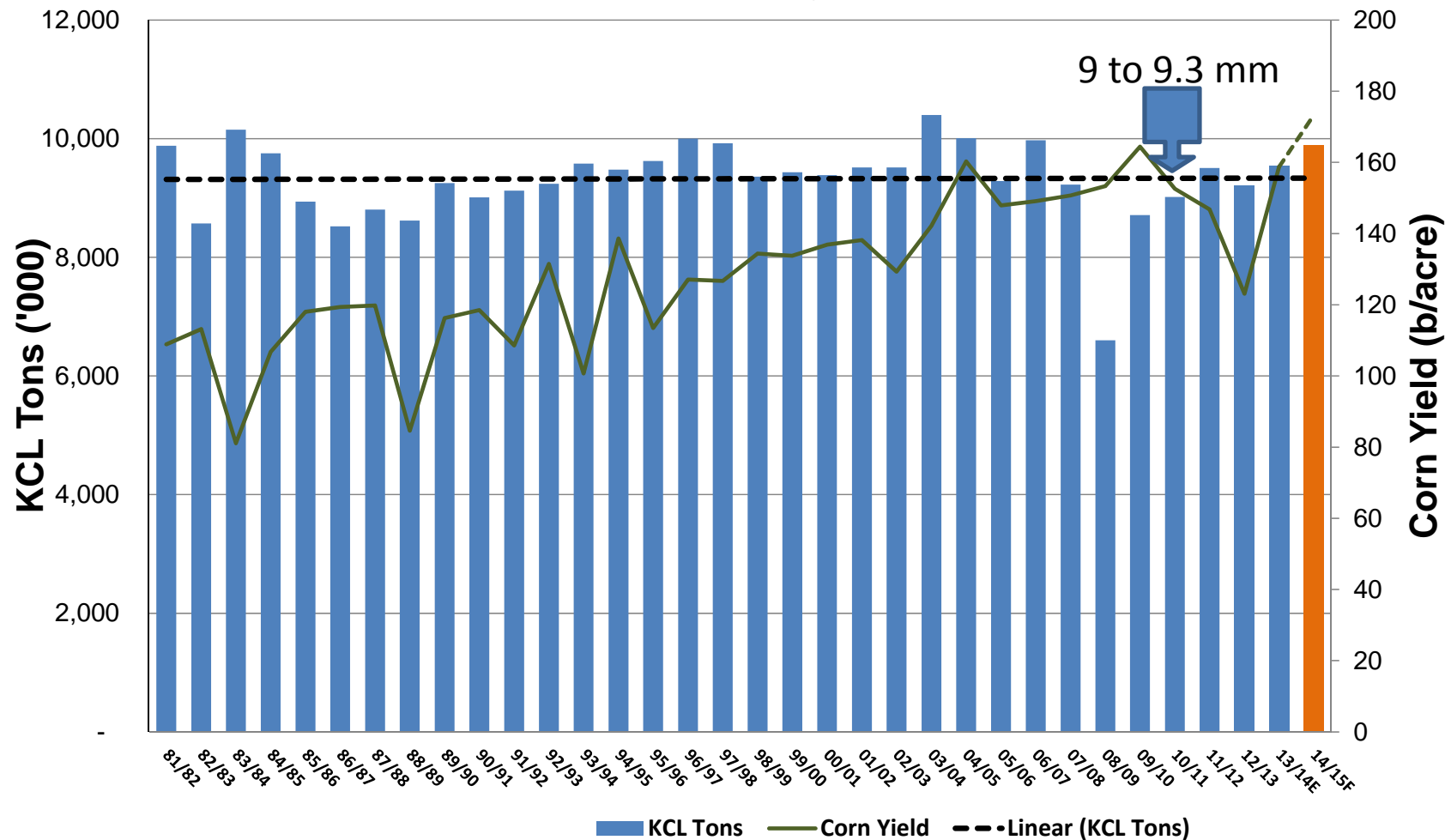
Source: Computed from data reported by the National Agricultural Statistics Service, USDA. and Greenmarkets



Trends in Key Potash Variables & Shocks that Influence Them

## Demand During the Last Comparable Value Proposition Was...

### FERTECON U.S. Potash Consumption and Corn Yield



*In the 9.0 to 9.3 million tons of KCl equivalent demand*



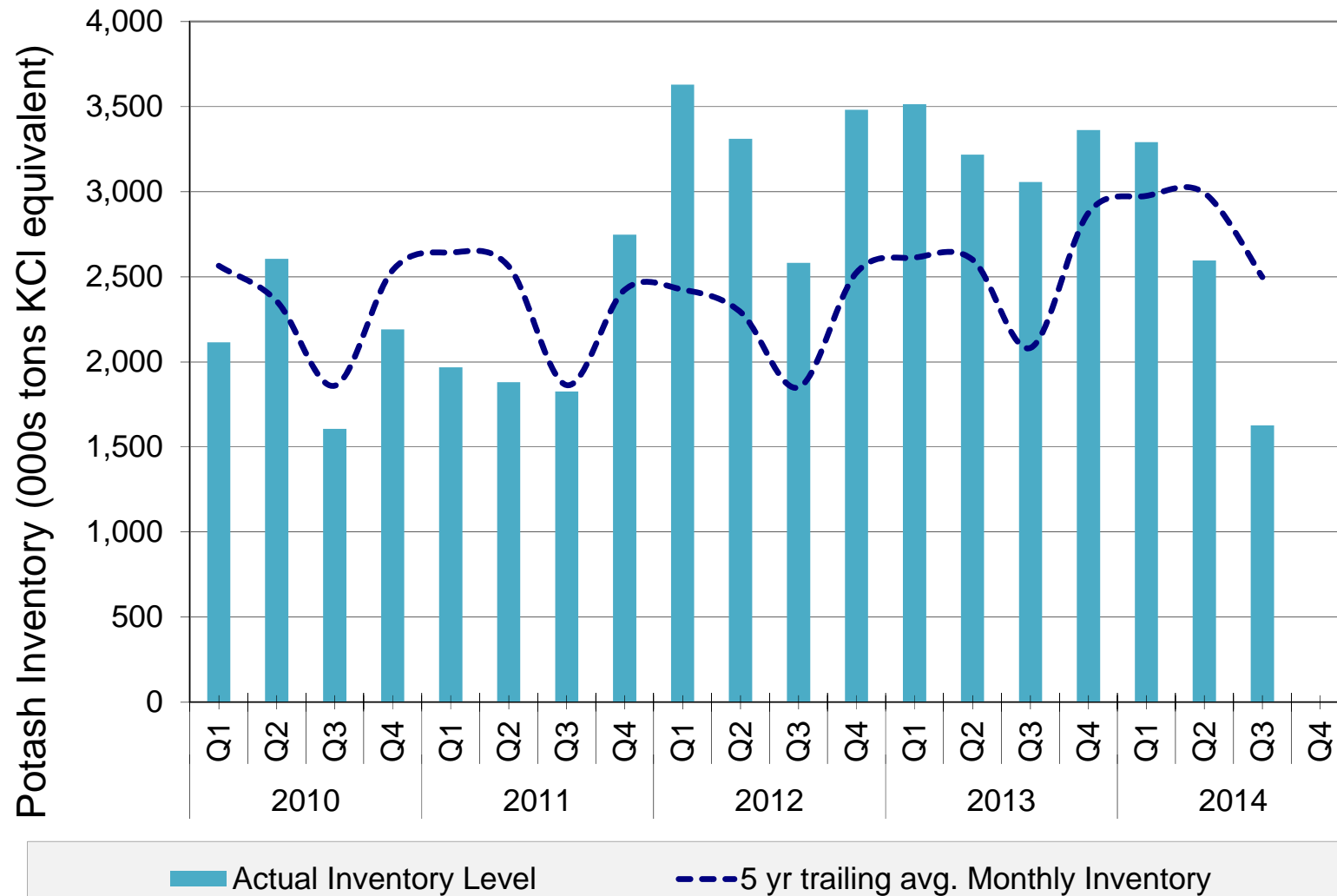
## Before I Predict, Current Market Dynamics

- ❑ Strong 2014 Shipments prior to the fall season
- ❑ Strong World Demand
- ❑ India improving
- ❑ Crop Prices are the headwind (temporary?)

*But there is always room for a shock of some kind!*

## Before I Predict, Current Market Dynamics

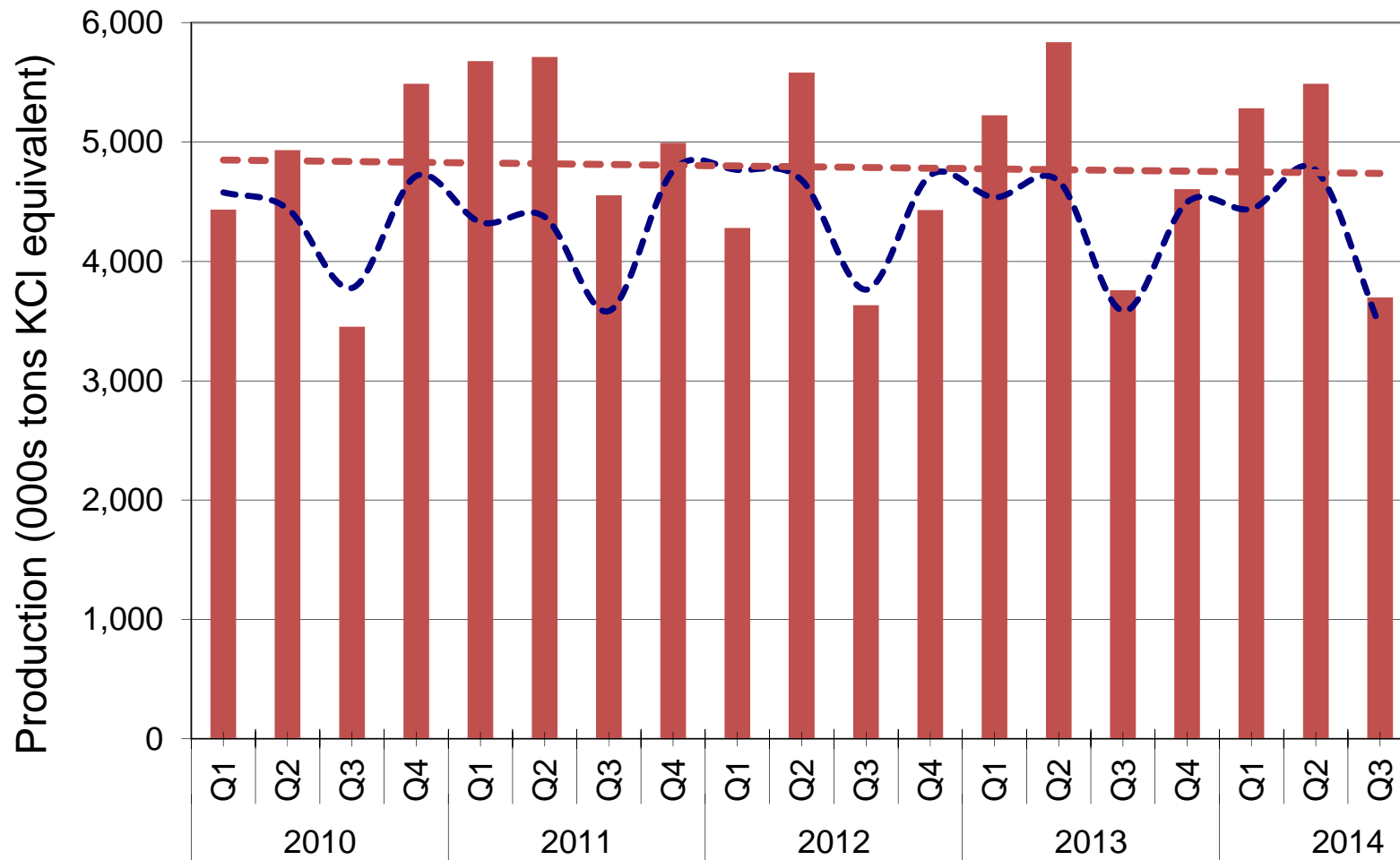
### North American Potash Inventory



Predictions for 2015

## Before I Predict, Current Market Dynamics

### North American Production



Production

5 yr trailing avg. Monthly Production

Linear (Production)



## I Predict the World Trends Will Continue

- ❑ World Consumption – Predict to be close to trend of 63 to 67 million tons of KCl equivalent
- ❑ Supply Expansion – Added tons coming, but not as much or as fast as announced

*But there is always room for a shock of some kind!*



## I Predict Crops Prices and Rail Logistics Will Mean Revert

- ❑ Crop Prices – Eventually will increase, but weather will determine if its this year or another year
  - Predict corn at +/- \$4.50/bushel long-term
- ❑ Rail – Predict average velocities to start increasing, but could still face logistics challenges in 2015.

*But the reversions may not happen in 2015*

## I Predict U.S. Potash Demand May be Down Some in 2015

- ☐ US Demand – Trend points to 9.5mm tons, a reversion to the mean from 9.8mm tons in 2014
- ☐ History suggests the gap between crop prices and fertilizer prices would tend to result in a modest decline in potash demand in the United States
- ☐ I predict the second trend will prevail resulting in a modest below trend demand of 9.0 to 9.3 mm tons in 2015, a 5% to 8% decline from 2014
- ☐ I will be wrong if crop prices revert quickly

*But if Crop Prices revert quickly (rise), trend demand*



**INTREPID POTASH<sup>®</sup>**

*Supplying a Growing America<sup>®</sup>*

Special thanks to  
Harry Vroomen, TFI

Questions

