
Fertilizer Situation & Outlook

***David Asbridge
Doane Advisory Services
January, 2009***

Disclaimer Statement

✪ Certain statements contained in this presentation may constitute “forward-looking statements” within the meaning of federal securities laws. All statements in this presentation, other than those relating to historical information or current condition, are forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from such statements. These risks and uncertainties include: the relatively expensive and volatile cost of North American natural gas; the cyclical nature of the fertilizer business; changes in global fertilizer supply and demand and its impact on markets and selling prices; the nature of the products as global commodities; intense global competition in the consolidating markets in which we operate; conditions in the U.S. agricultural industry; weather conditions; our inability to accurately predict seasonal demand for our products; the concentration of sales to certain large customers; the impact of changing market conditions on any forward pricing programs; the reliance of operations on a limited number of key facilities; reliance of third party transportation providers; unanticipated adverse consequences related to the expansion of the market; the inability to expand business, including the significant resources that could be required; potential liabilities and expenditures related to environmental, and health and safety laws and regulations; inability to obtain or maintain required permits and governmental approvals; acts of terrorism; difficulties in securing the supply and delivery of raw materials and increases in their costs; losses on investments in securities; and the other risks and uncertainties included from time to time when dealing with government entities. We undertake no obligation to update or revise any forward-looking statements.

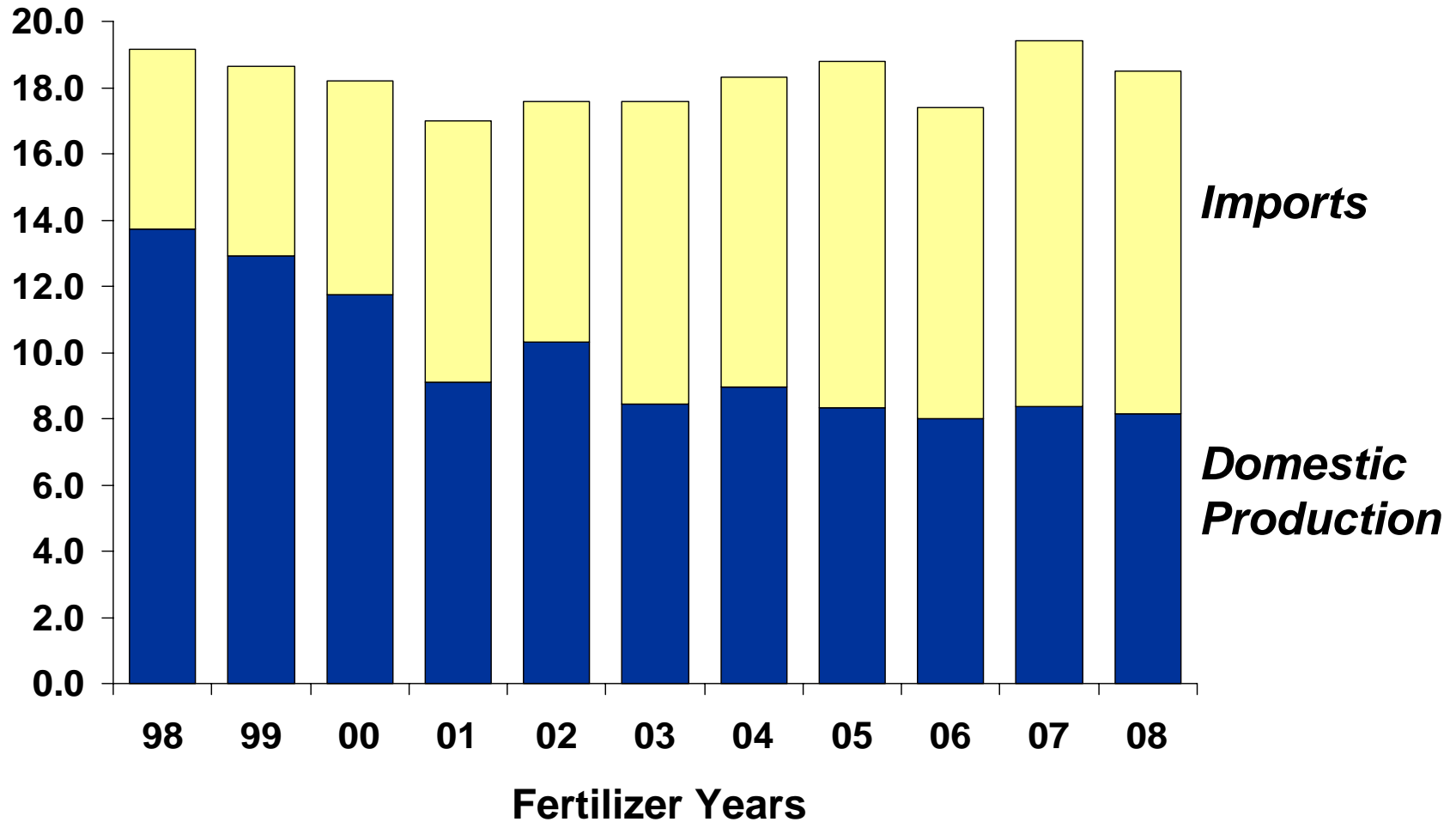
✪ **Basically, there ain't no guarantees on this forecast!!**

Nitrogen Situation & Outlook

U.S. Nitrogen Supply

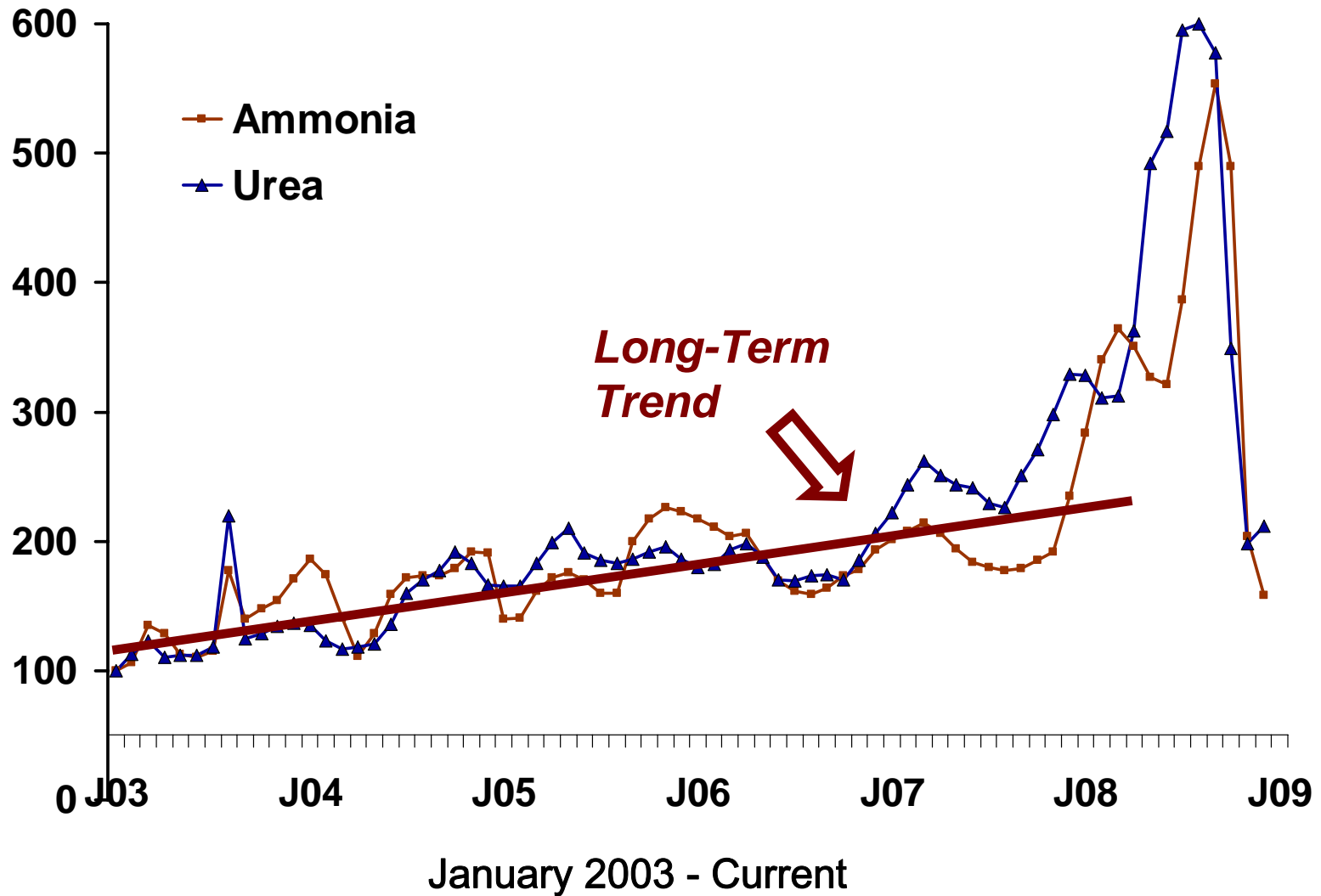
(MM Tons N)

“Imports now account for roughly 55% of total U.S. nitrogen supply”

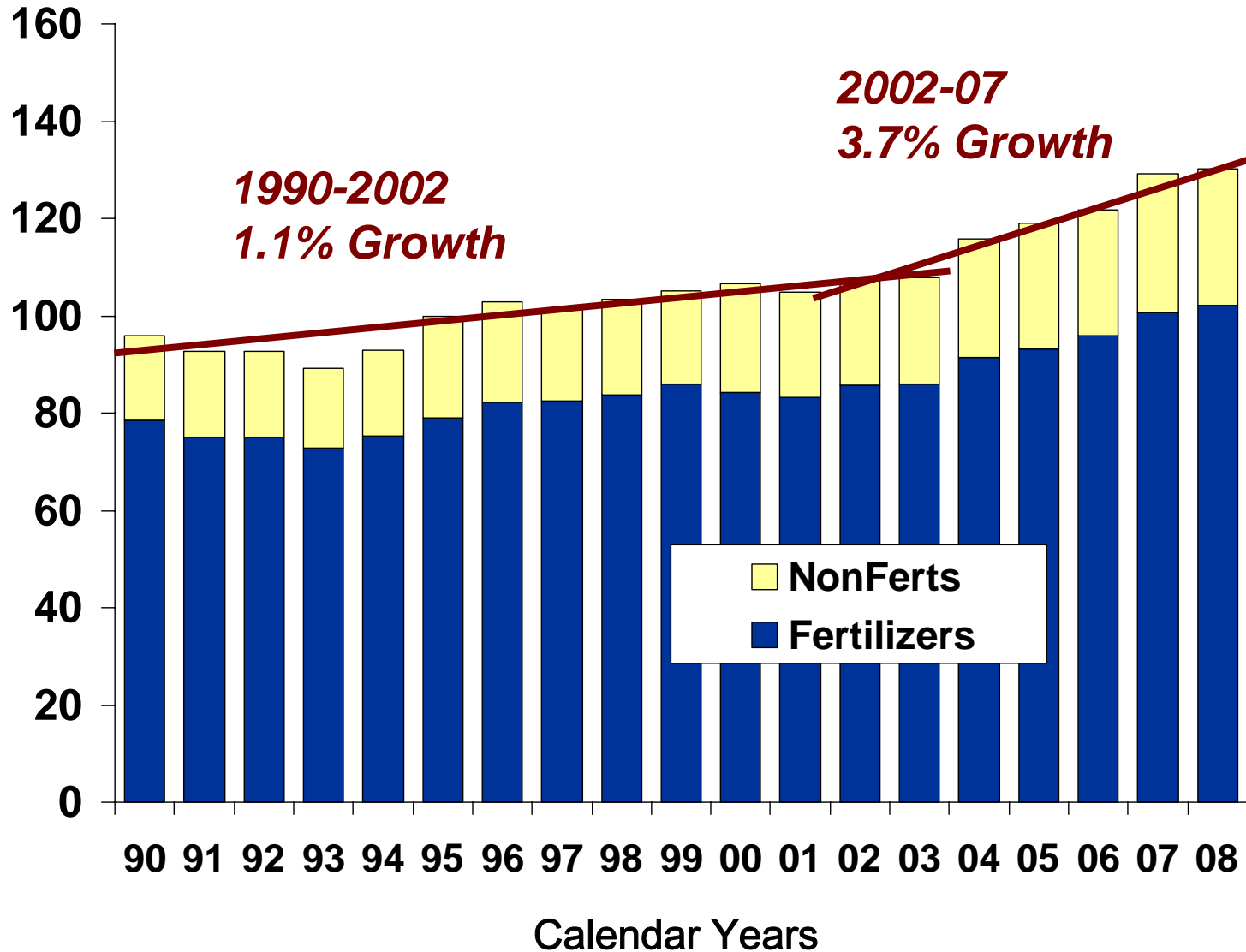


World Nitrogen Price Index

(January 2003 = 100)



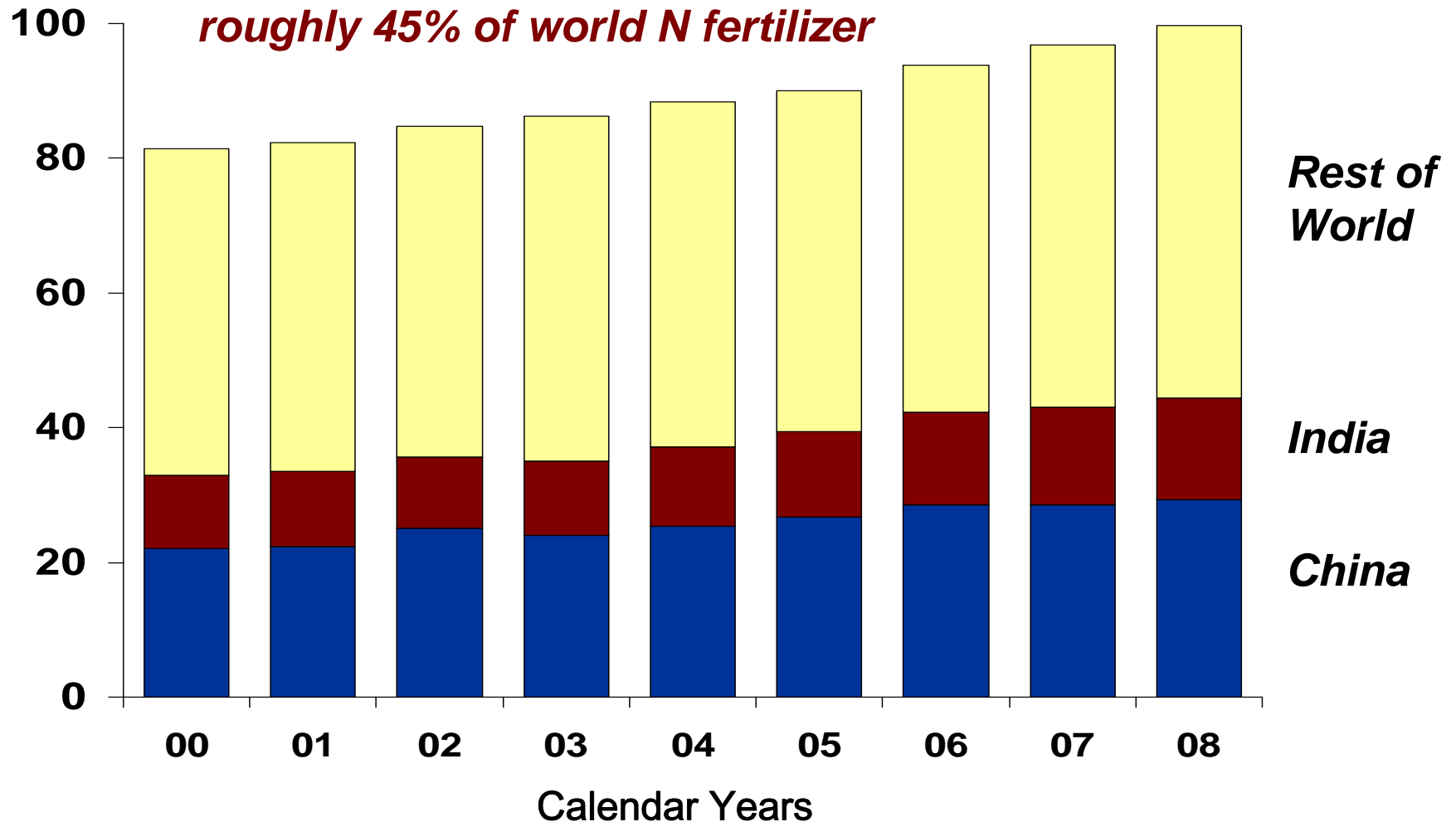
World Nitrogen Demand (MM Metric Tons)



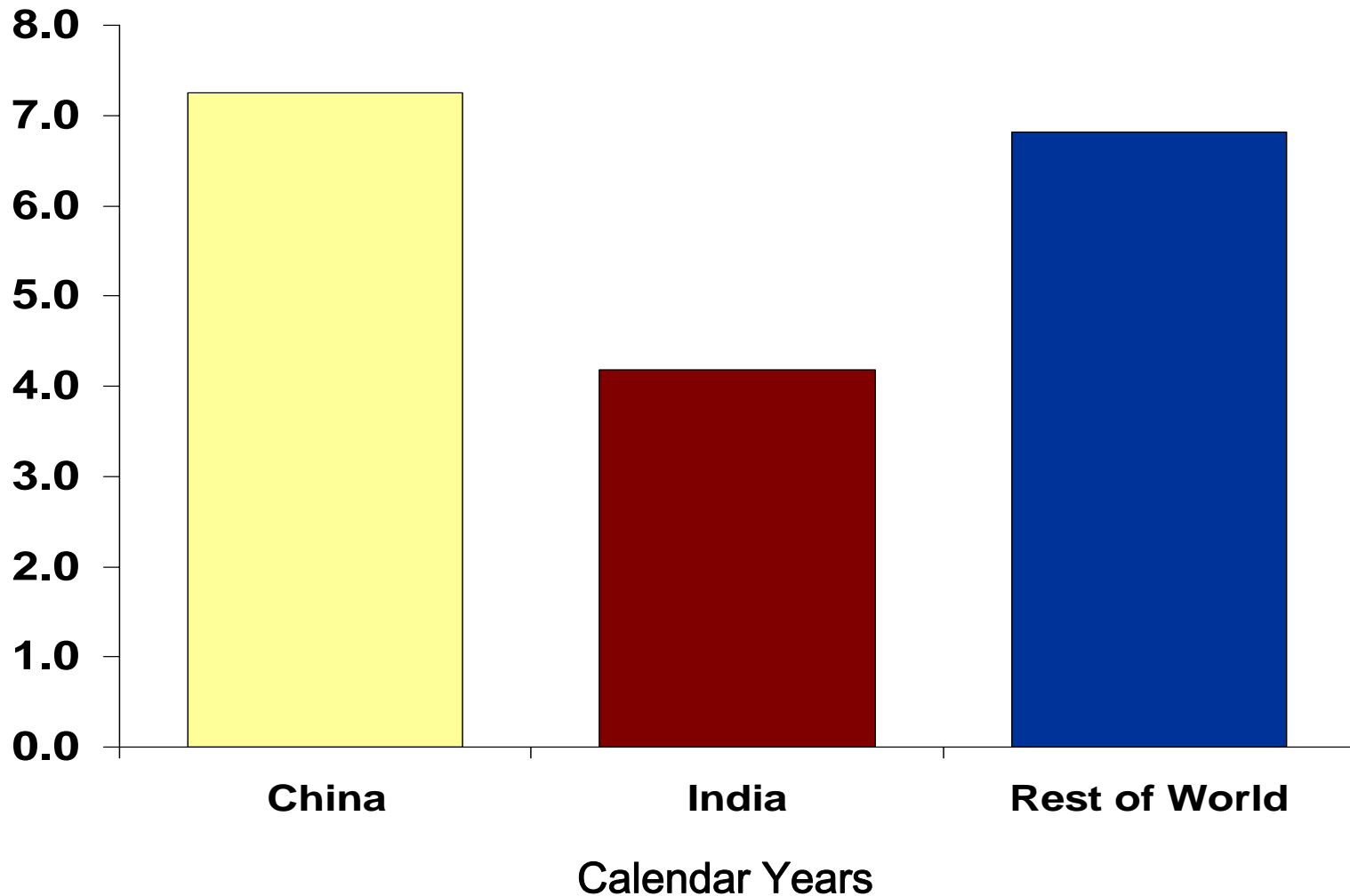
World Nitrogen Fertilizer Demand

(MM Metric Tons)

“China and India now account for roughly 45% of world N fertilizer”

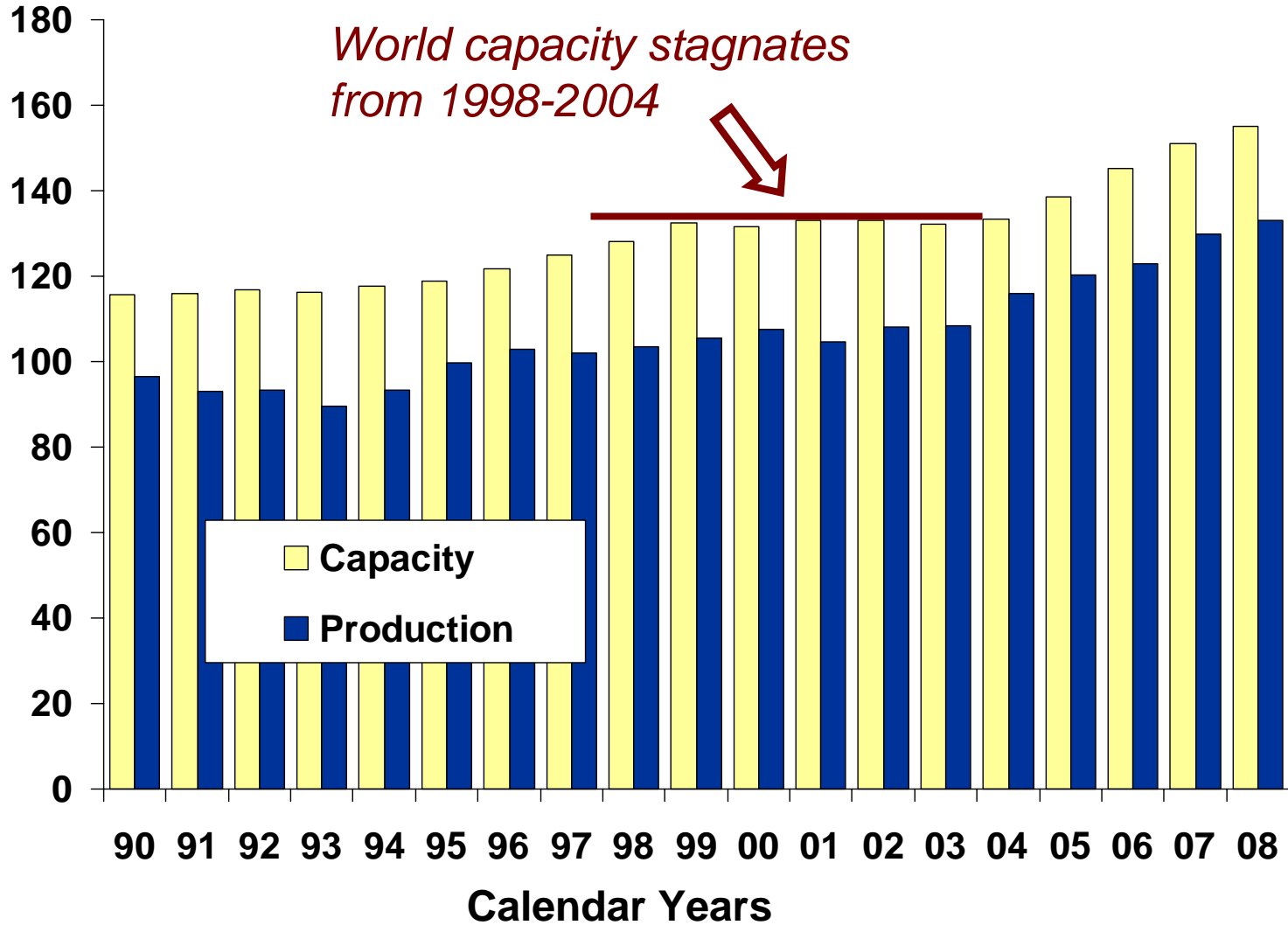


Growth in World Nitrogen Fertilizer Demand Since 2000 (MM Metric Tons)



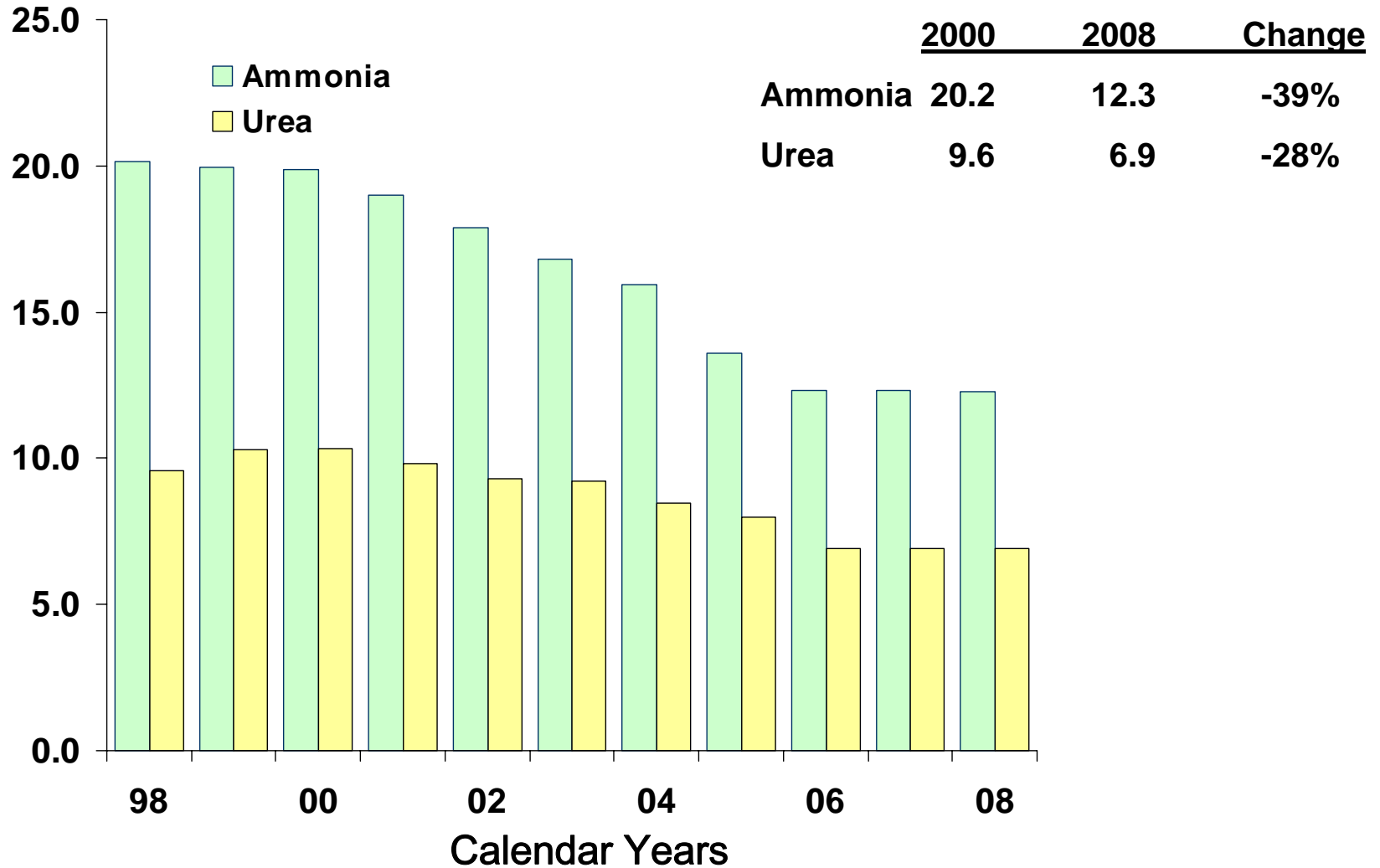
World Nitrogen Supply

MM Tonnes N



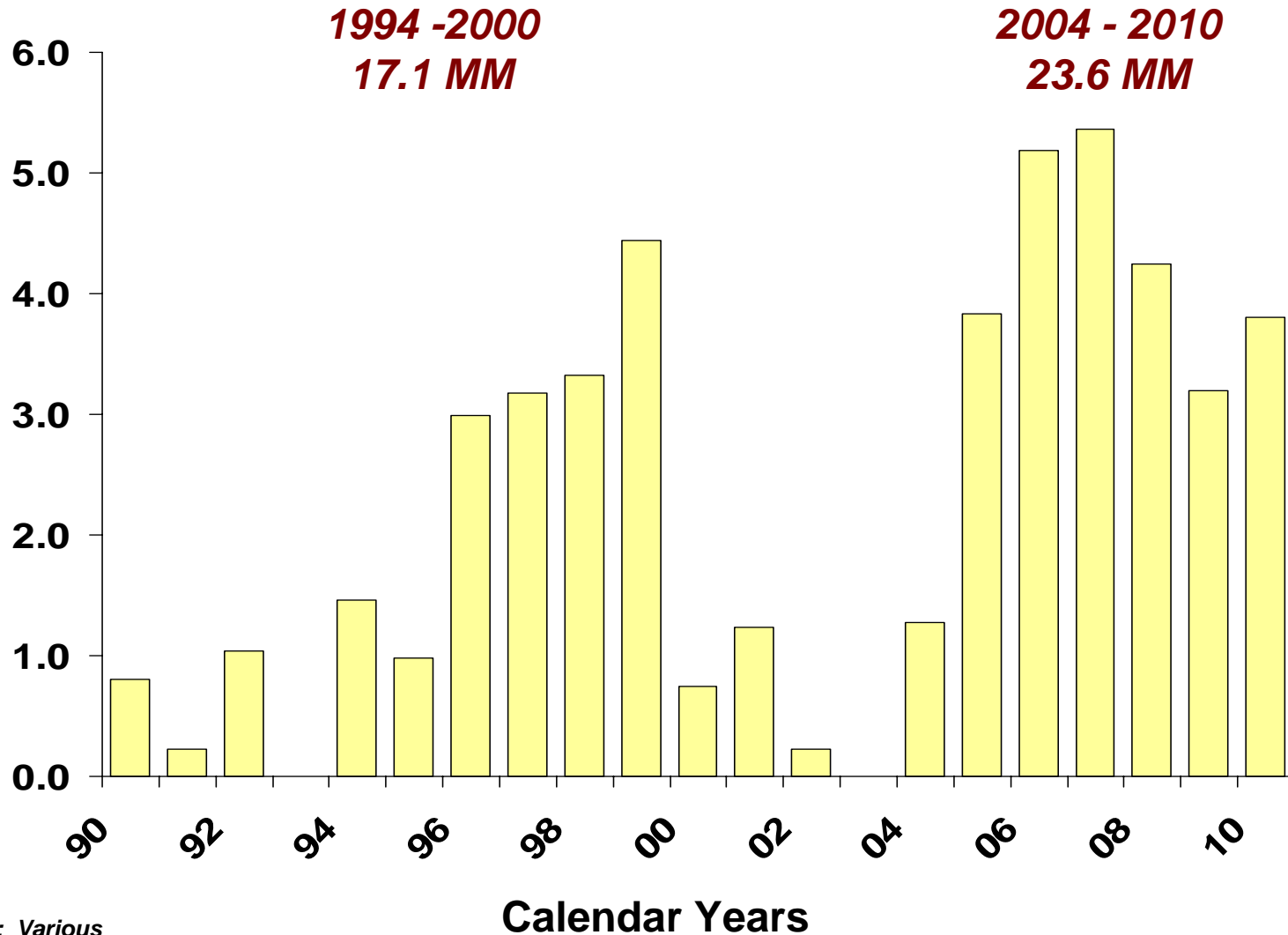
U.S. Ammonia and Urea Capacity

(Million Tons of Product)



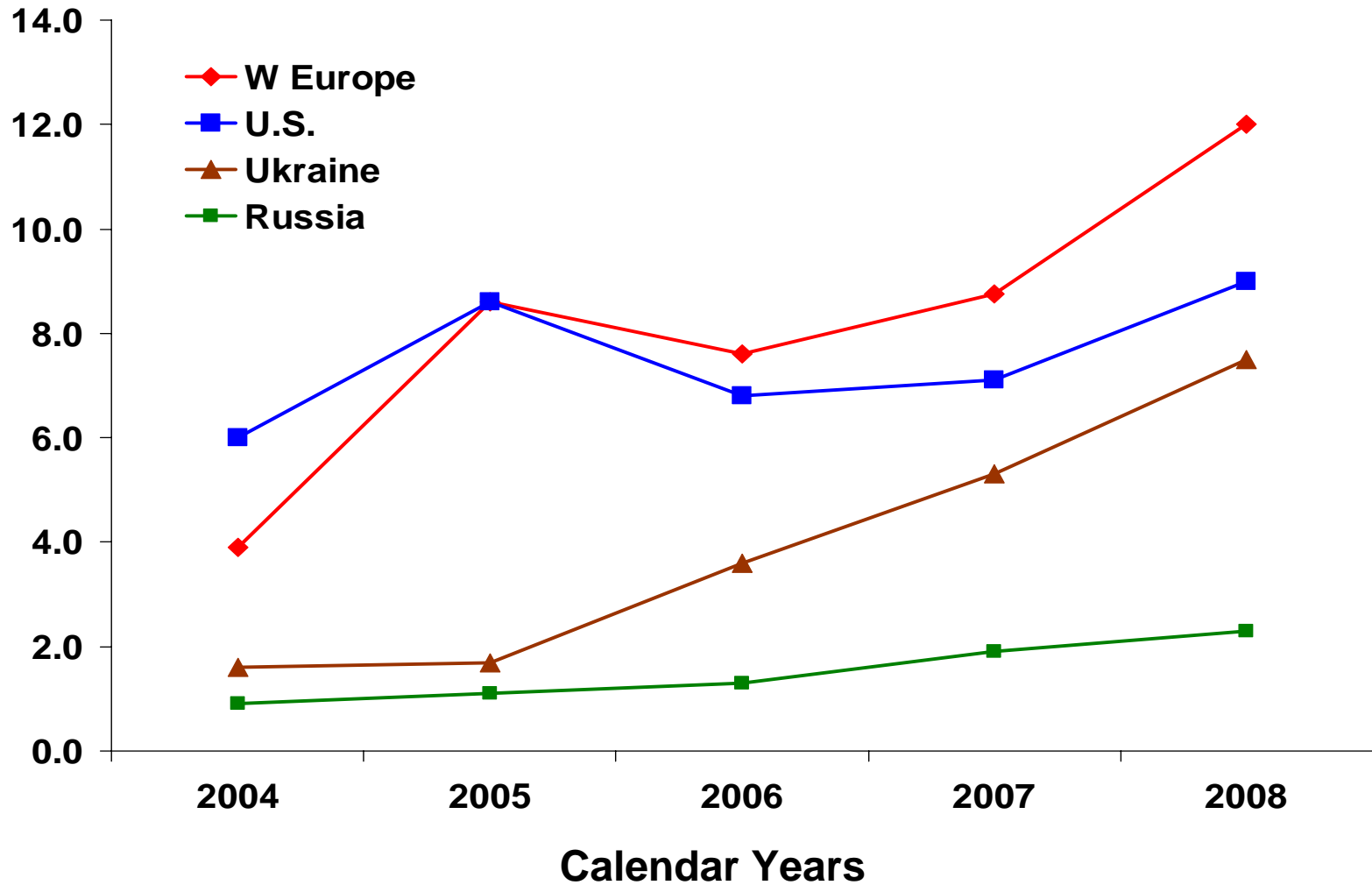
Net Change in World N Capacity

(Million Tonnes N)



Source: Various

World Natural Gas Prices (\$/MMBtu)



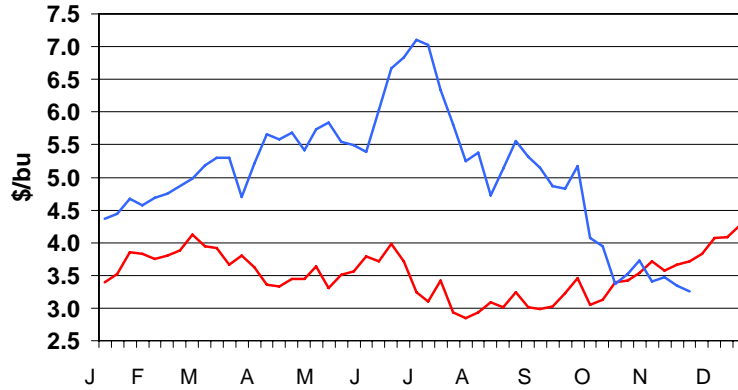
Nitrogen Project Listing

(000 Tonnes of Product)

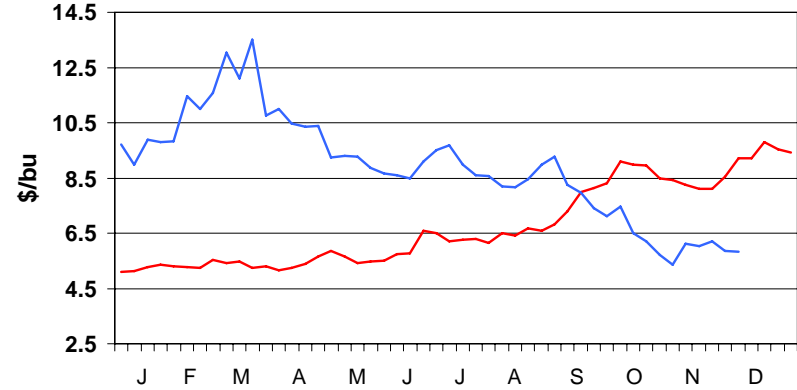
| Country | Location | Ammonia | Urea |
|----------------------|------------------|----------------|---------------|
| 2007 | | 5,731 | 5,608 |
| 2008 | | | |
| Iran | Ghadir II | 677 | 1,073 |
| Oman | Bahwan | 660 | 1,156 |
| Egypt | EBIC | 660 | |
| Russia | Acron | 400 | 400 |
| Egypt | Mopco | 396 | 635 |
| China | | 3,140 | 3,720 |
| Total | | 5,933 | 6,984 |
| 2009 | | 3,859 | 5,785 |
| 2010 | | 6,857 | 8,559 |
| 2007-10 Total | | 22,380 | 26,936 |

U.S. Crop Prices

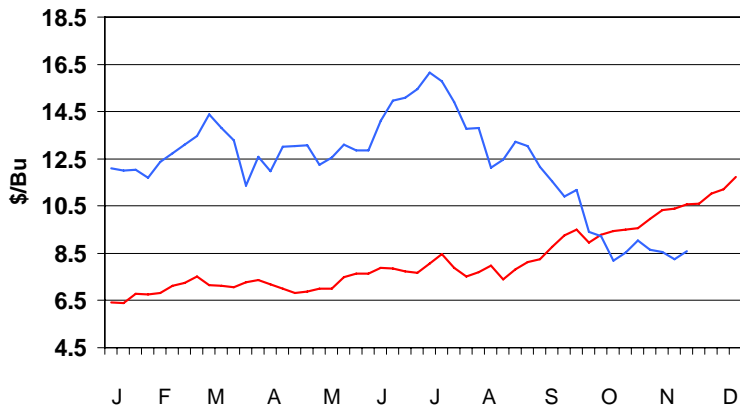
Corn Prices



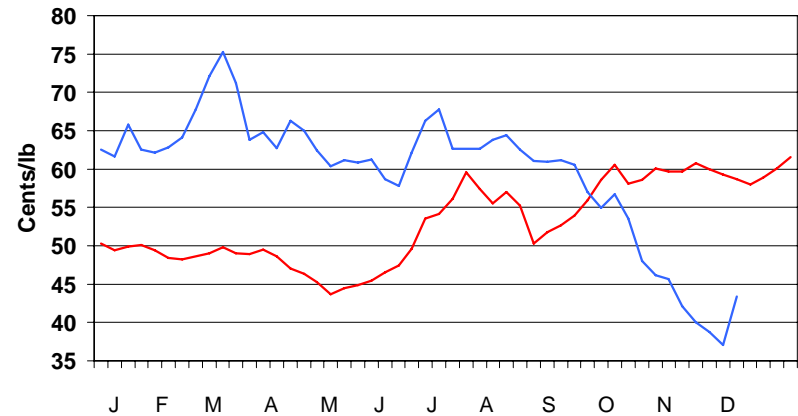
KC Wheat Price



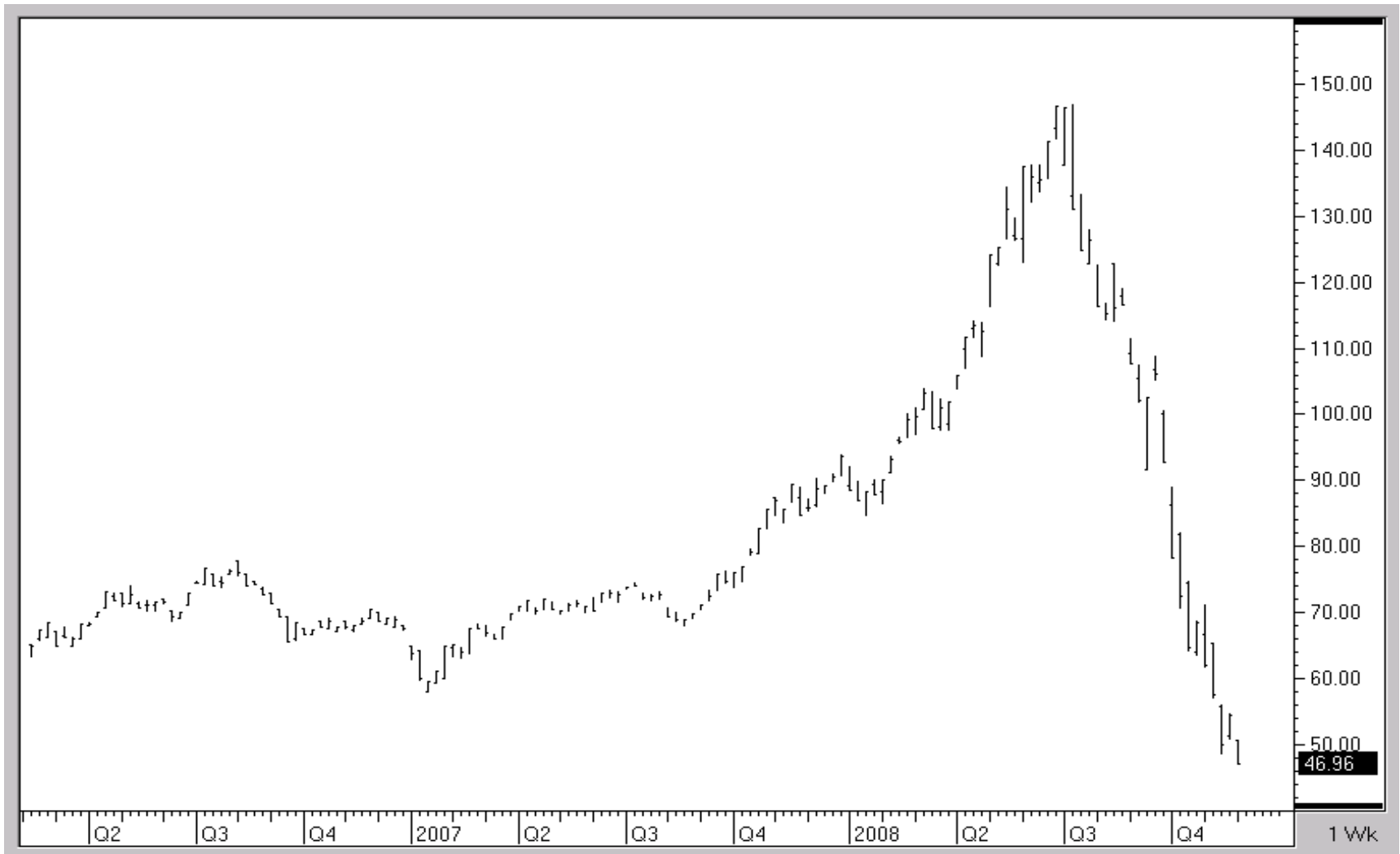
Soybean Prices



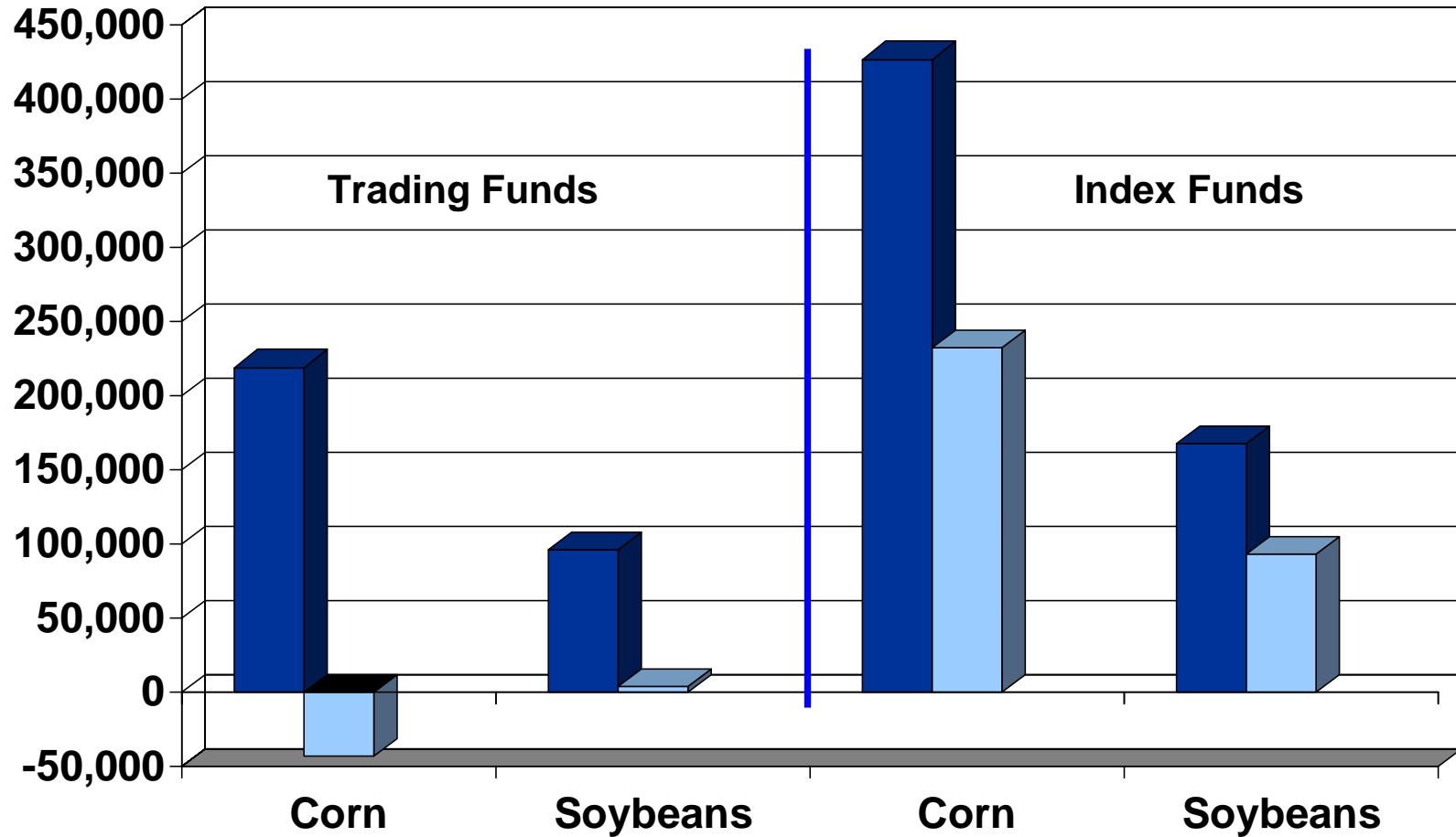
Cotton Price



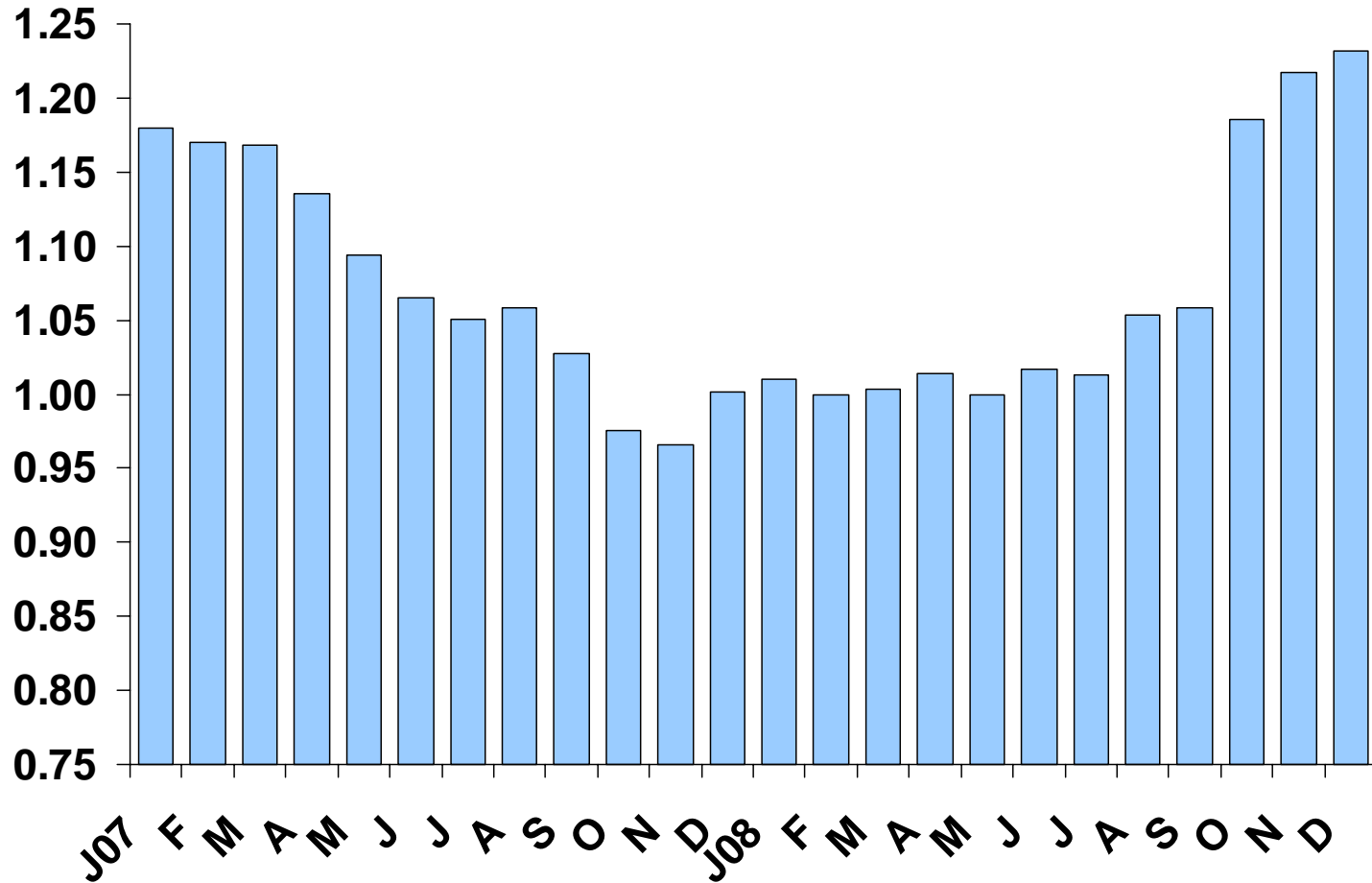
Crude Oil Prices (dollars per barrel)



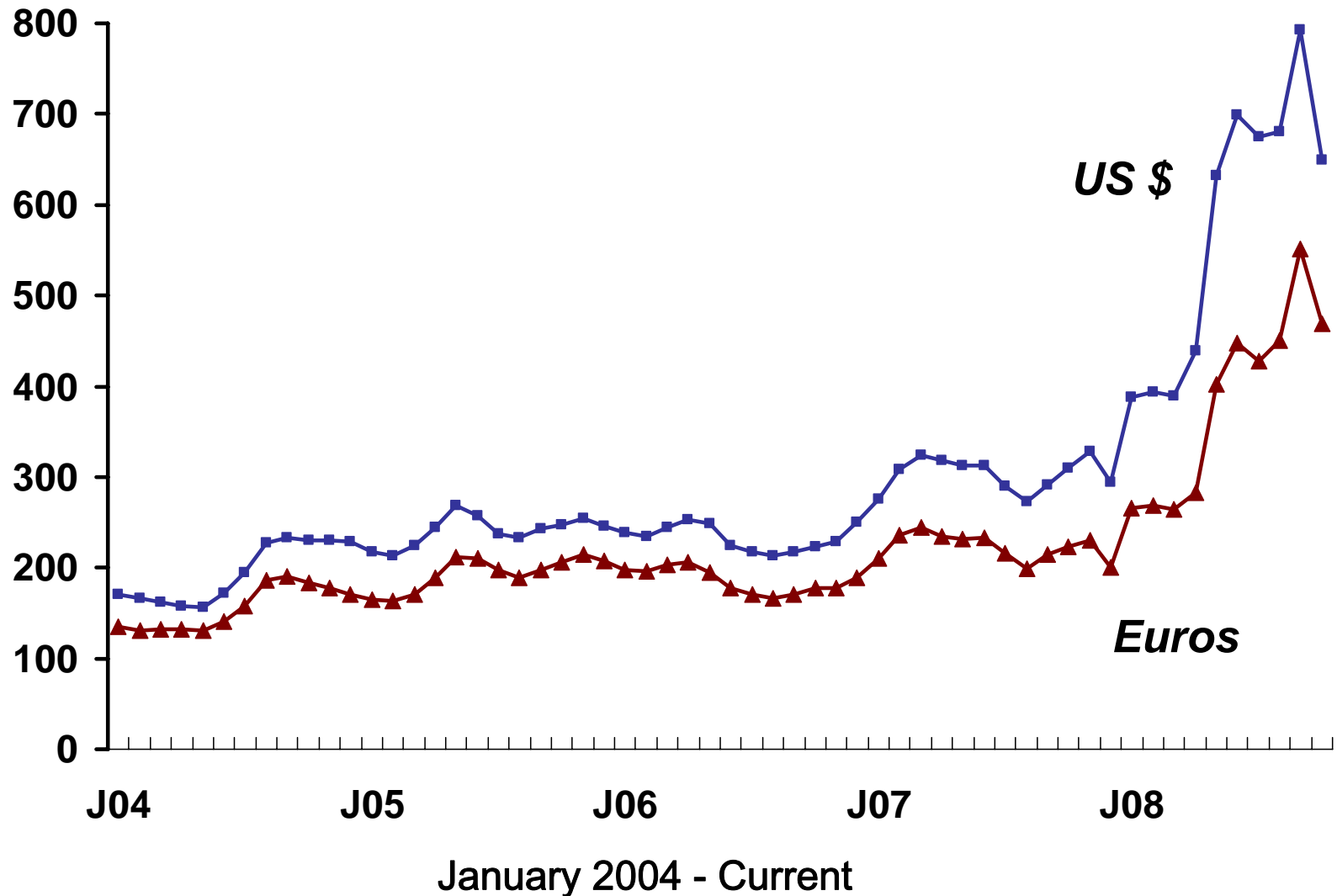
Change in Long Fund Positions (June to November)



Canadian Dollars vs \$1U.S.



Middle East FOB Urea Priced - Local Currencies

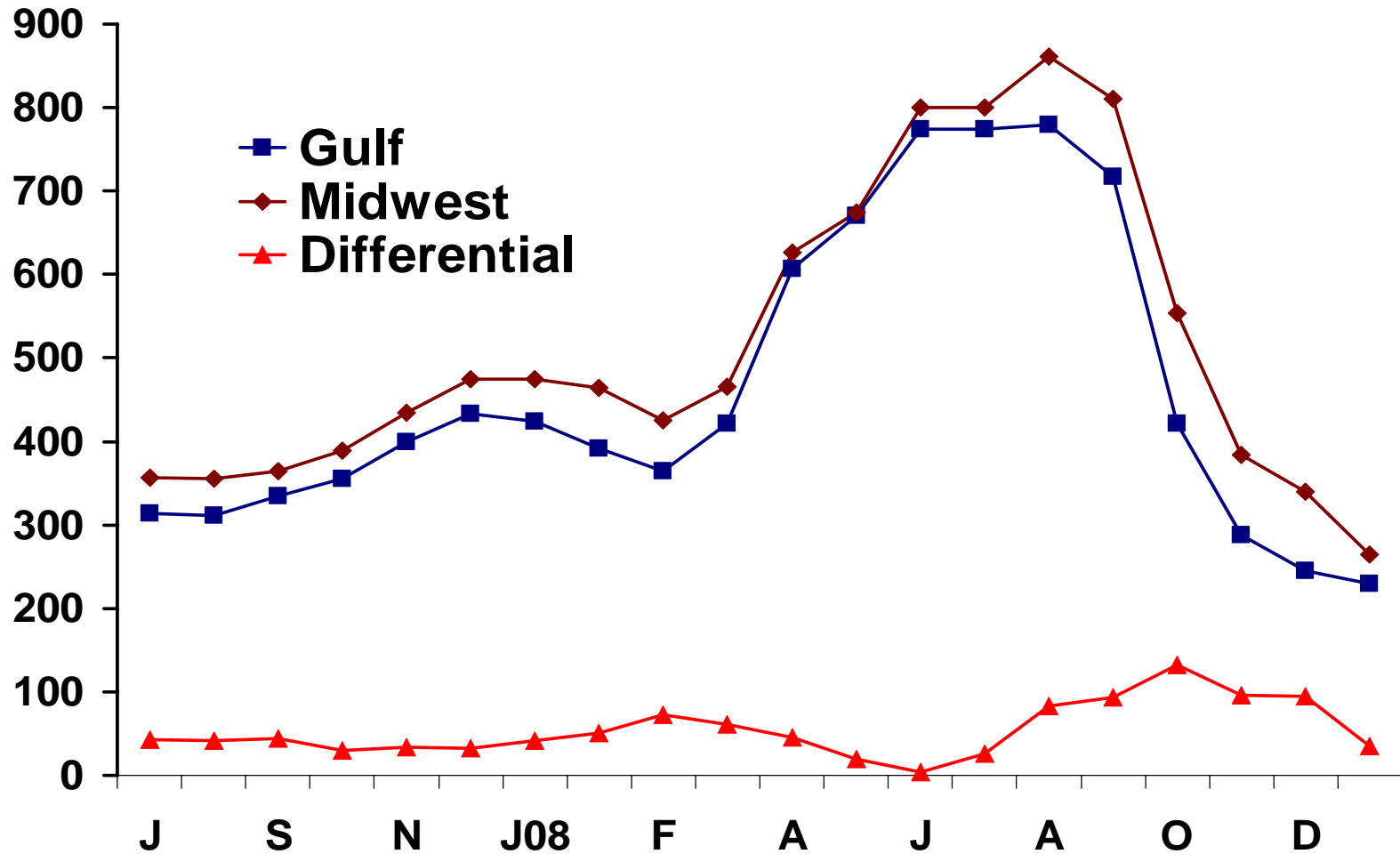


Over-riding Market Fundamentals

- **Strong World-wide growth in demand**
- **Sharp reduction in capacity from 2002-06**
- **Dramatic decline in U.S. capacity since 2000**
- **Escalating natural gas prices in NA/ W. Europe / E. Europe**
- **Value of the U.S. Dollar**
- **Record high freight rates**

Net Impact – Significant tightening in the world supply demand balance

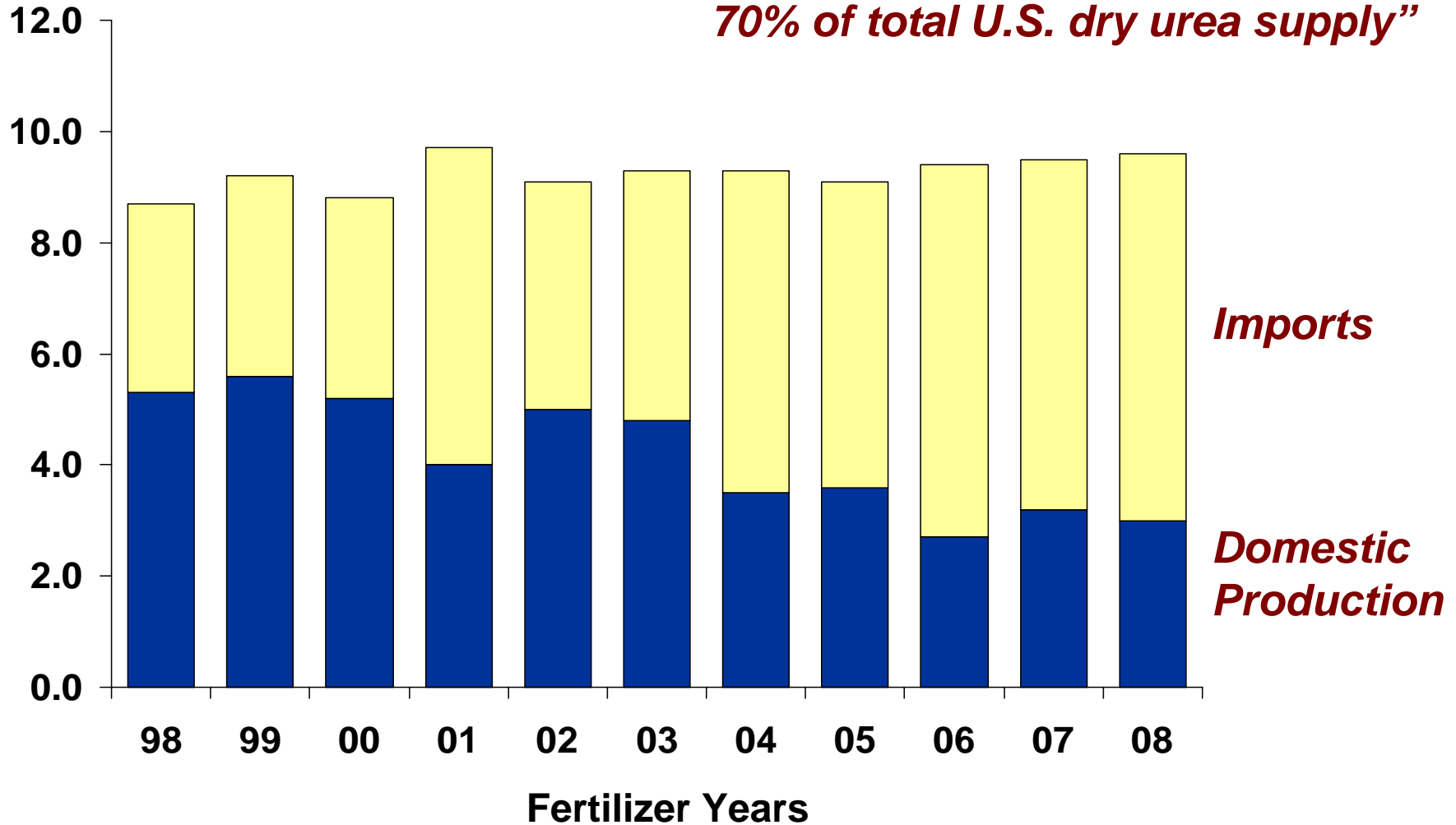
U.S. Dry Urea Prices (\$/Ton)



U.S. Dry Urea Supply

(MM Tons)

“Imports now account for roughly 70% of total U.S. dry urea supply”

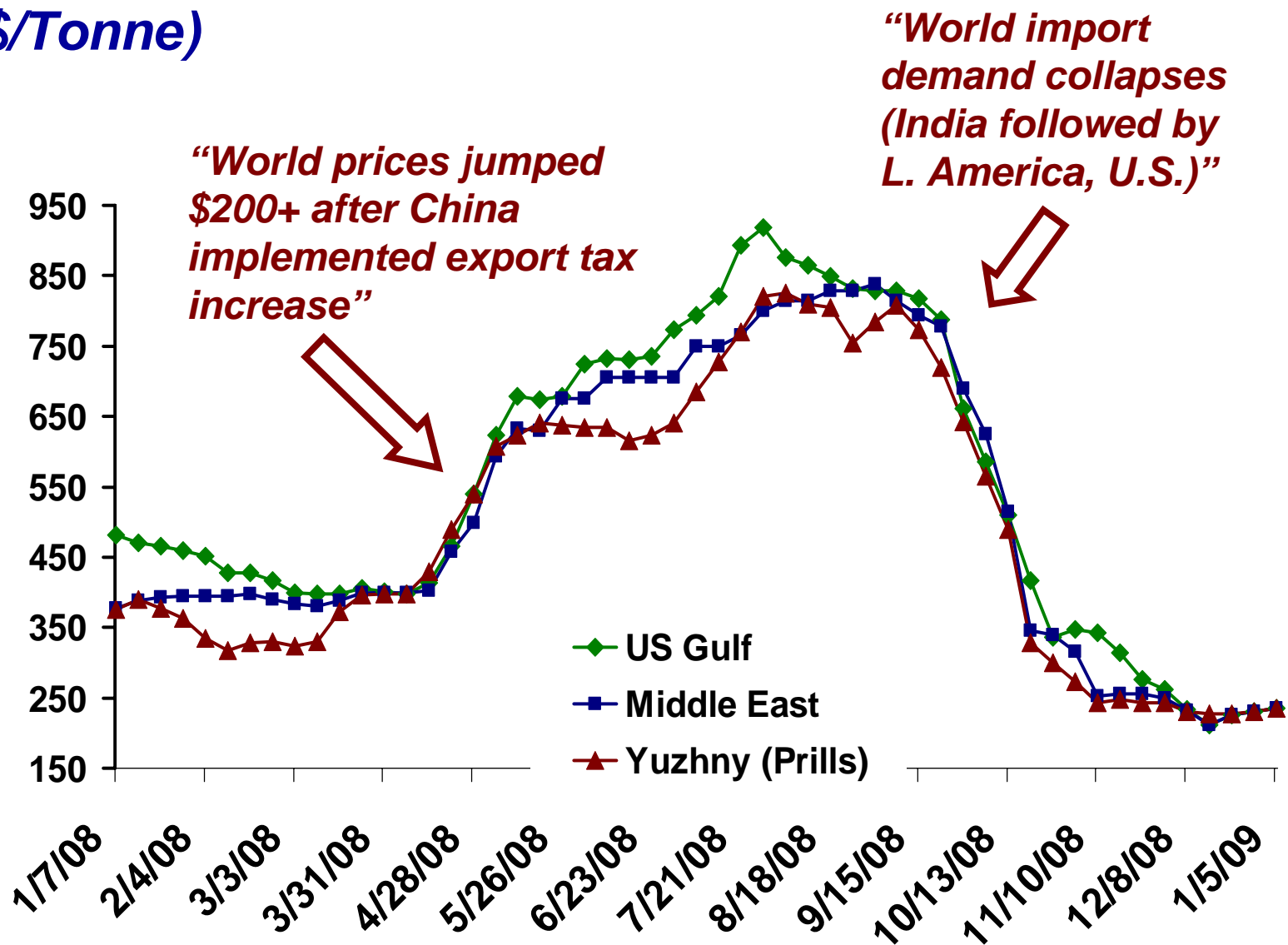


U.S. Dry Urea Supply by Source

(MM Tons)

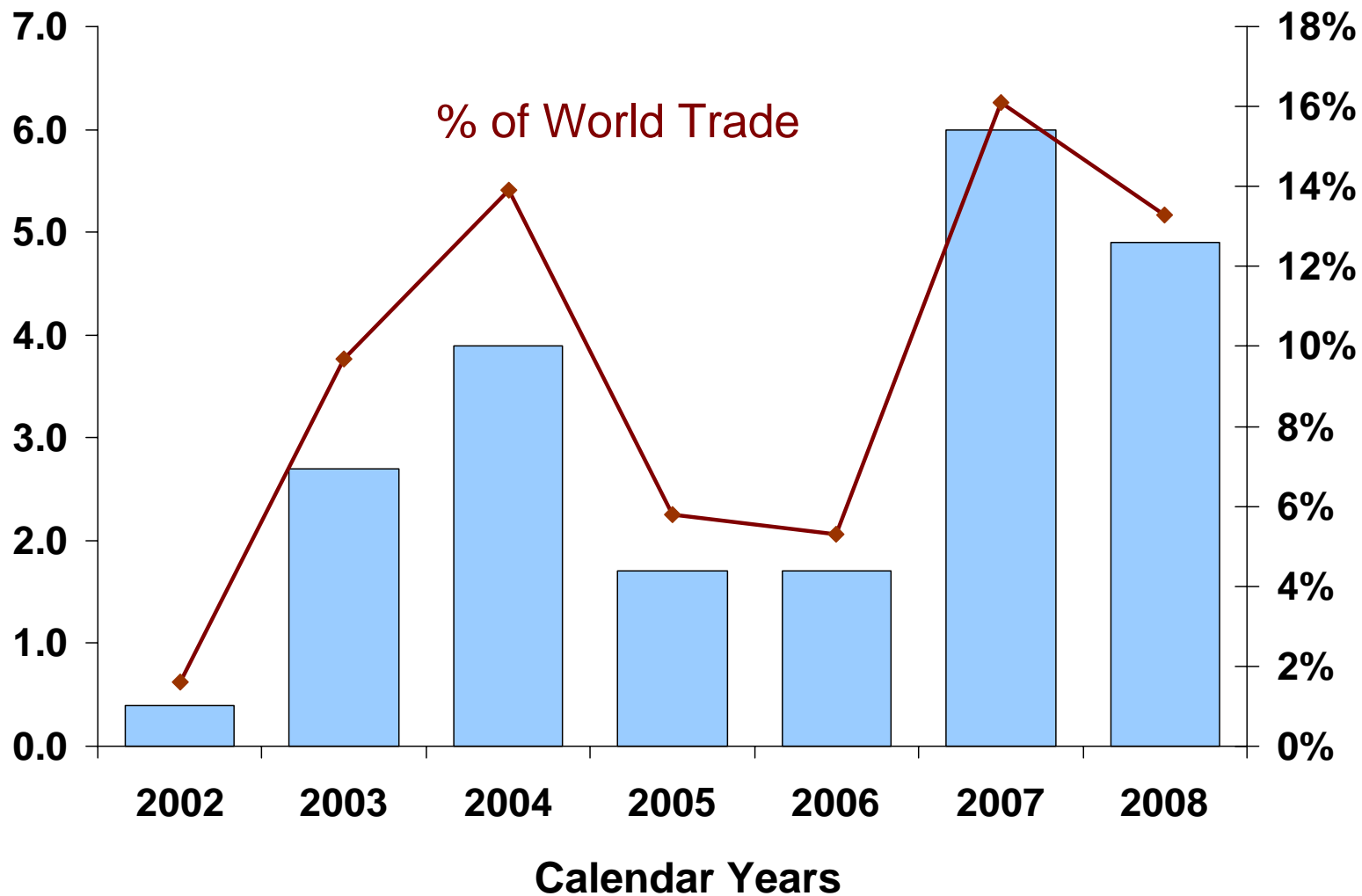
| | 2000 | 2008 | Change |
|--------------------|--------------|--------------|---------------|
| Canada | 2,032 | 1,749 | -283 |
| Middle East | 976 | 2,148 | 1,172 |
| China | 0 | 1,175 | 1,175 |
| Venezuela | 38 | 431 | 394 |
| Trinidad | 297 | 472 | 175 |
| Other | 264 | 579 | 314 |
| Total | 3,607 | 6,554 | 2,947 |

World Urea Prices (\$/Tonne)

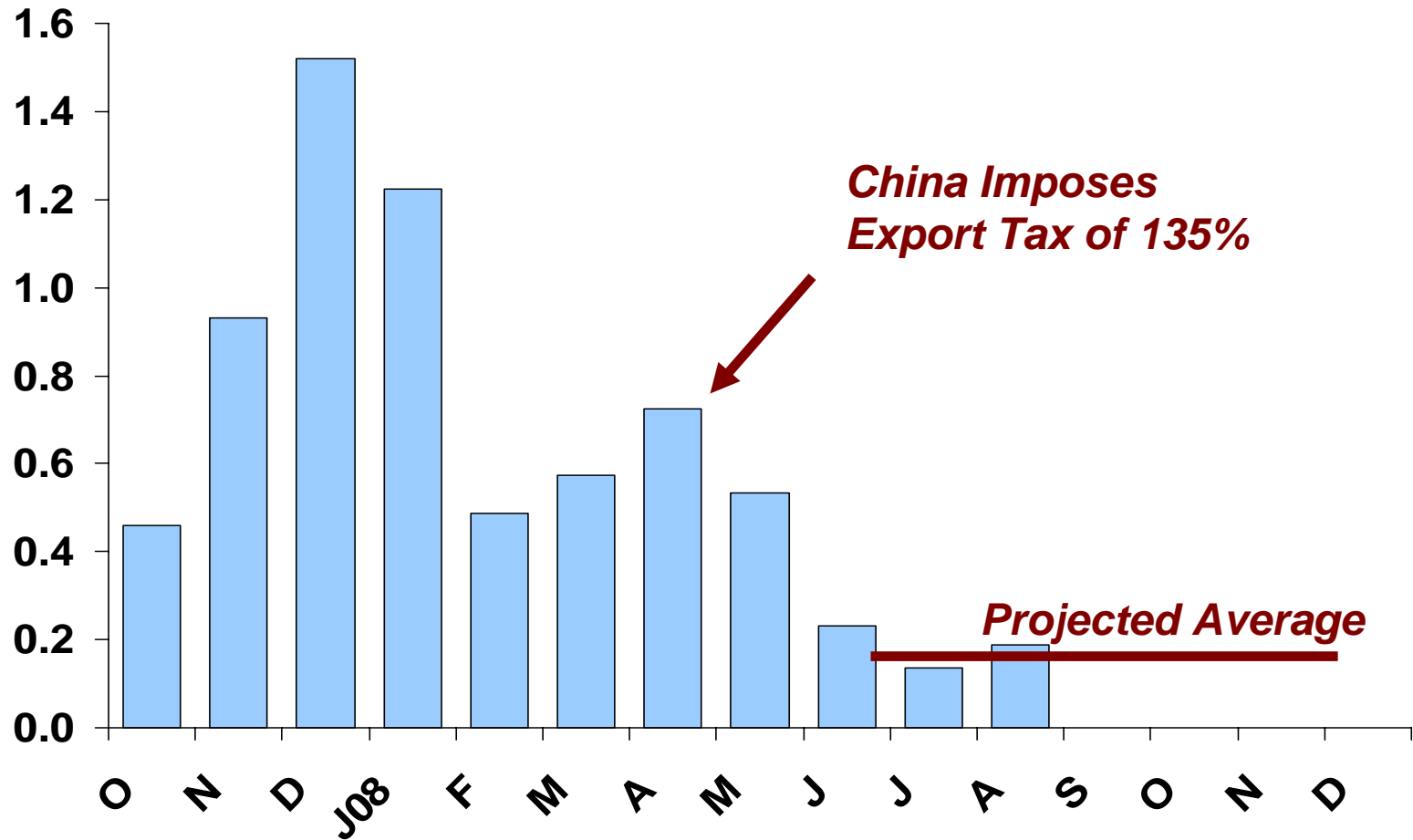


Chinese Urea Exports

(MM Tonnes)



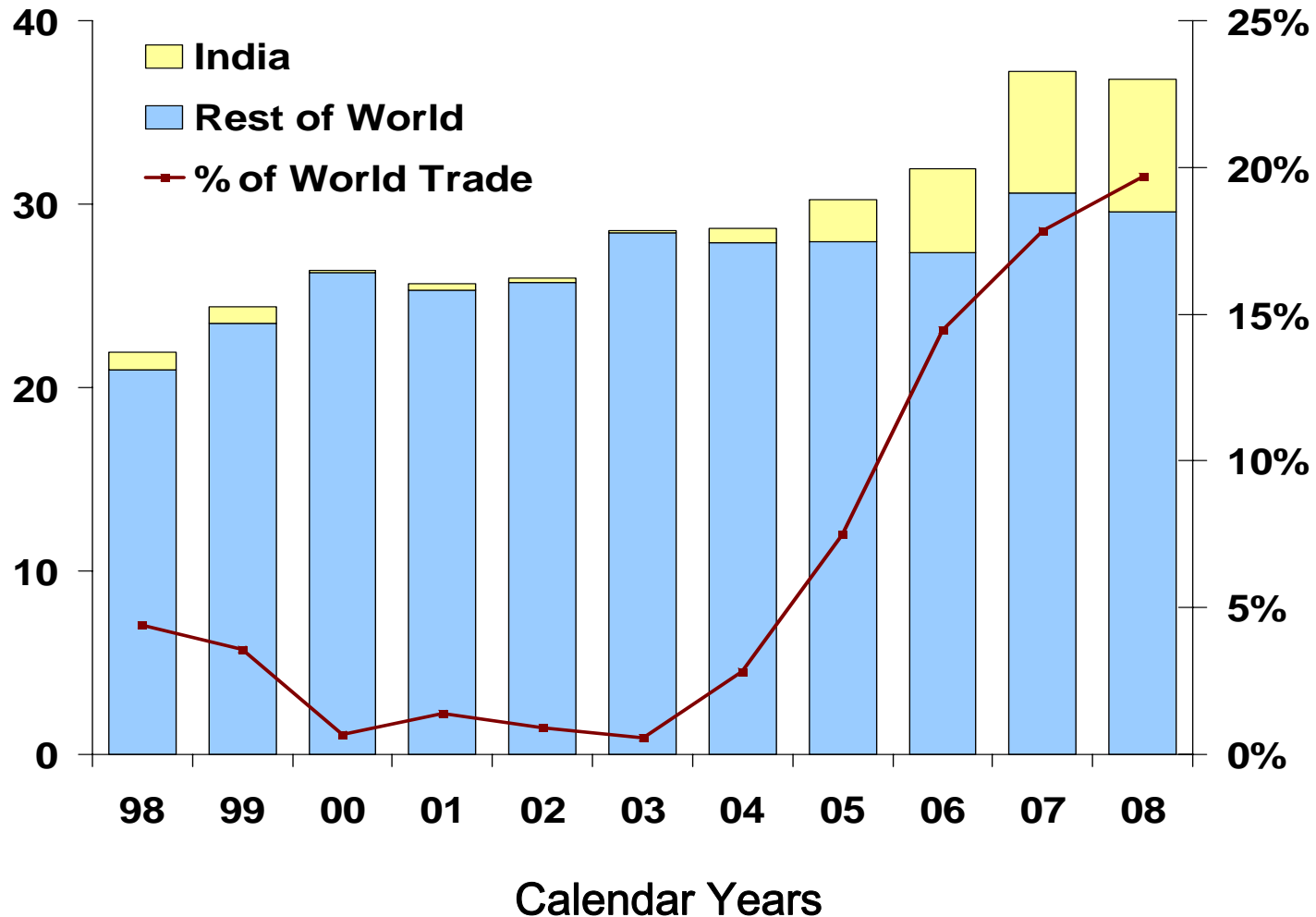
Chinese Urea Exports (MM Tonnes)



World Urea Trade

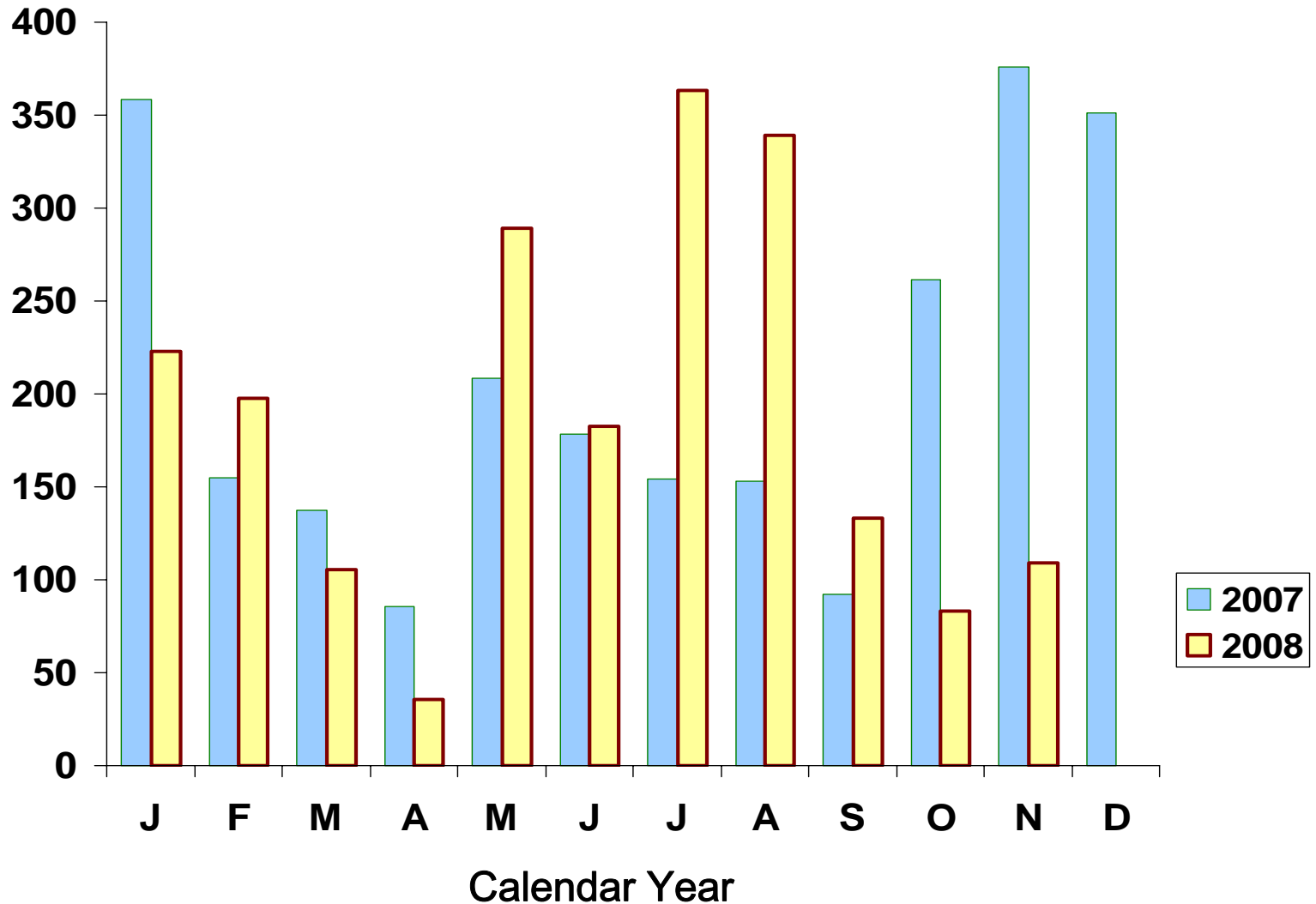
(MM Metric Tons)

“India now accounts for roughly 20% of world urea imports”



Brazil Urea Imports by Month

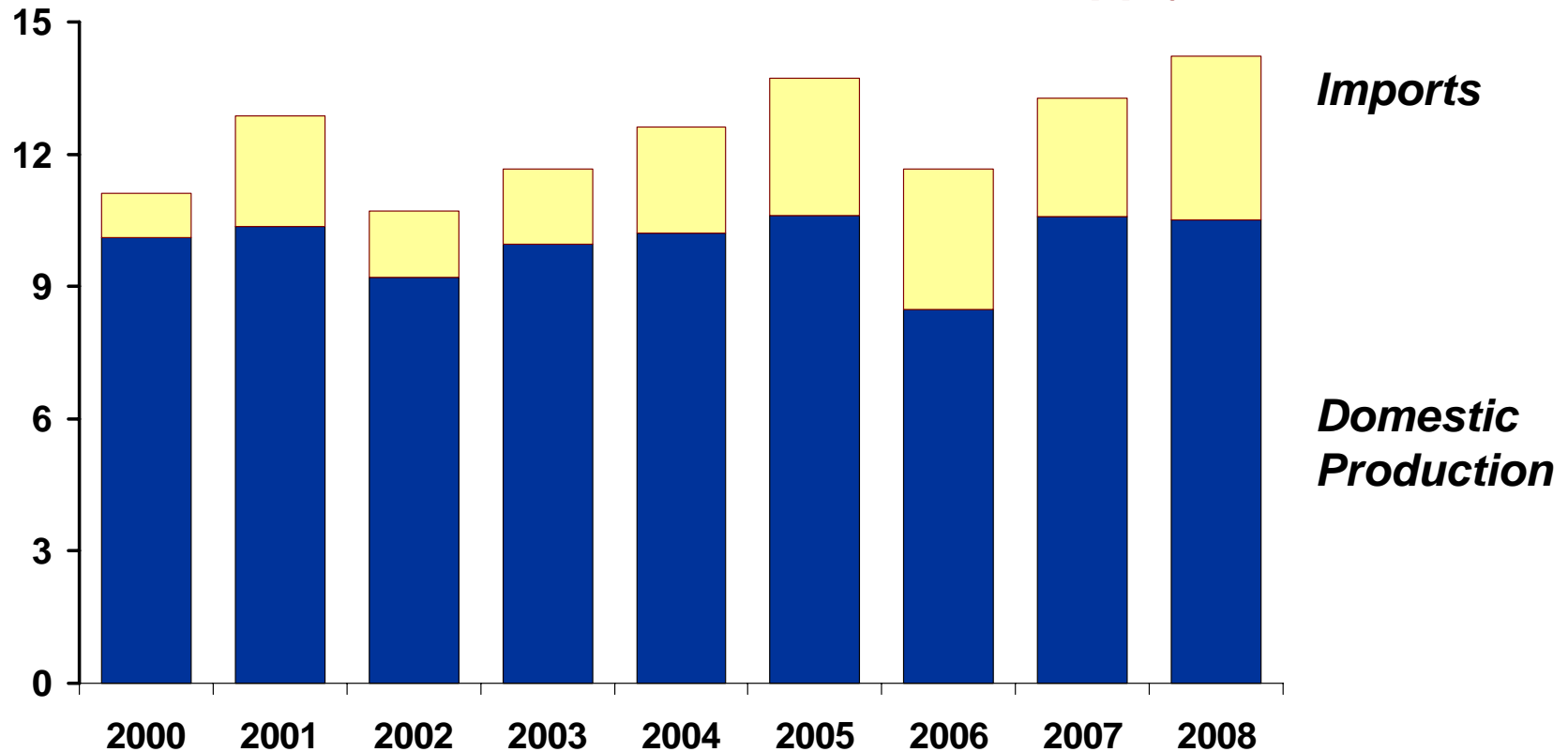
(000 Product Tonnes)



U.S. UAN Supply

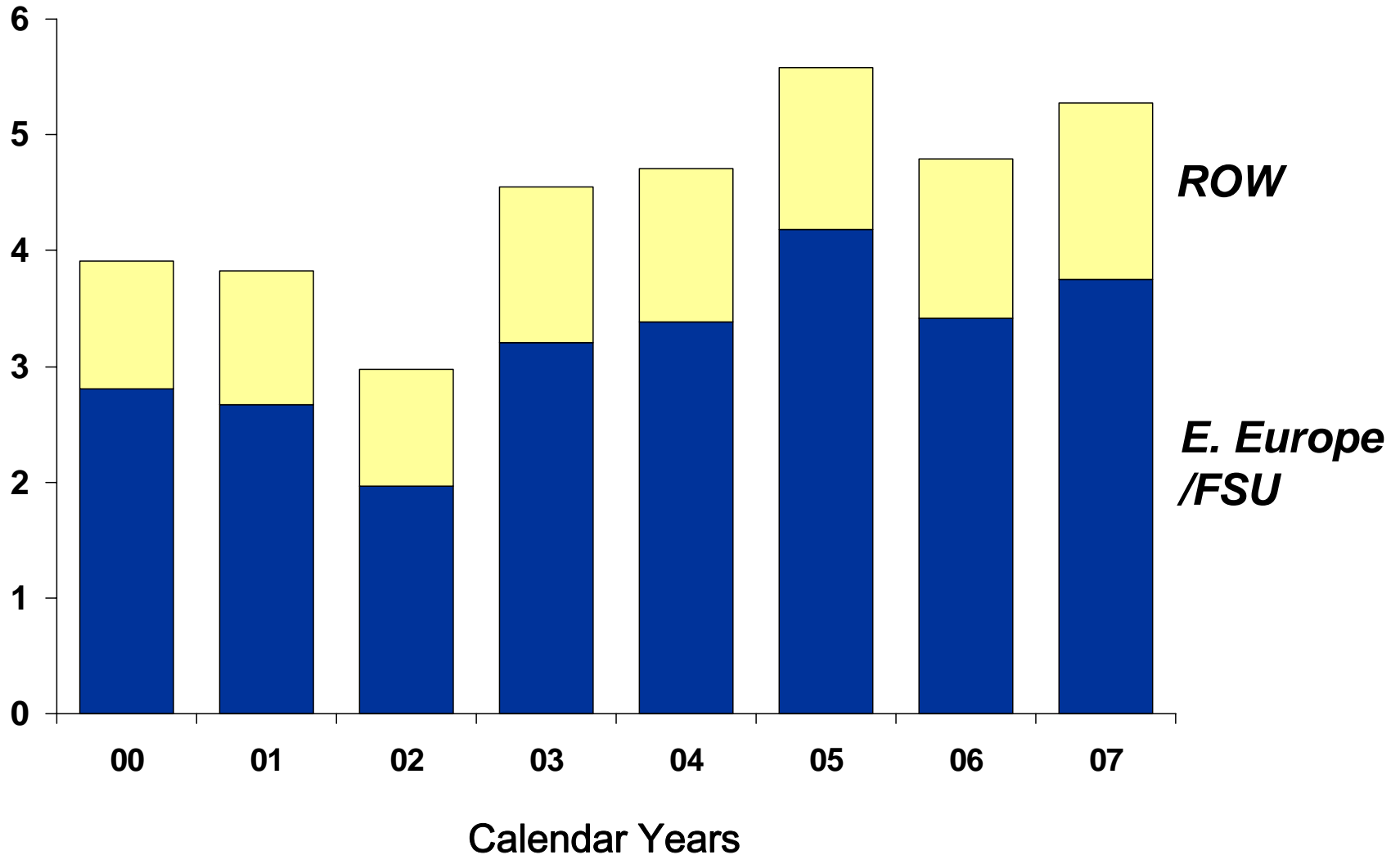
(000 Tons – 28%)

“Imports now account for roughly 25% of total U.S. UAN supply”



World UAN Exports

(MM Metric Tons)



U.S. UAN Imports

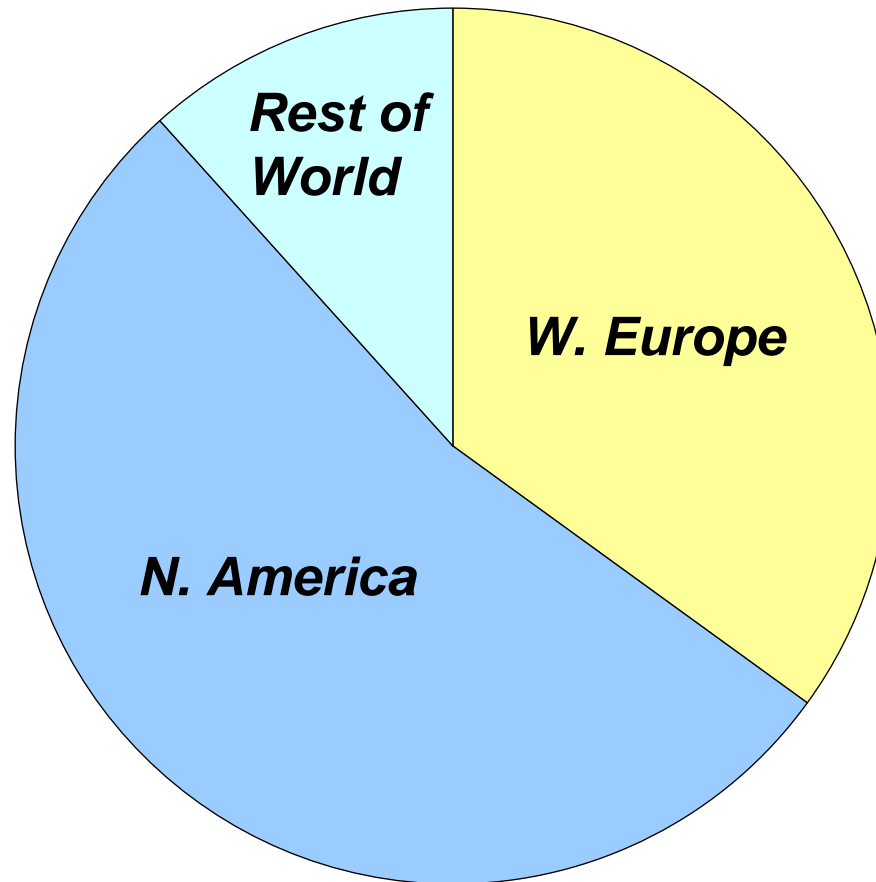
(000 Tons UAN 32%)

| | 2006 | 2007 | 2008 | % of Total |
|-----------|-------|-------|-------|------------|
| Canada | 467 | 673 | 634 | 18.2% |
| FSU | 1,405 | 1,122 | 1,951 | 55.9% |
| E. Europe | 301 | 410 | 320 | 9.2% |
| ROW | 665 | 183 | 587 | 16.8% |
| Total | 2,838 | 2,389 | 3,492 | 100.0% |

“Two-thirds of U.S. UAN imports are sourced from Russia, Ukraine, Romania and other Eastern Bloc countries”

World UAN Imports

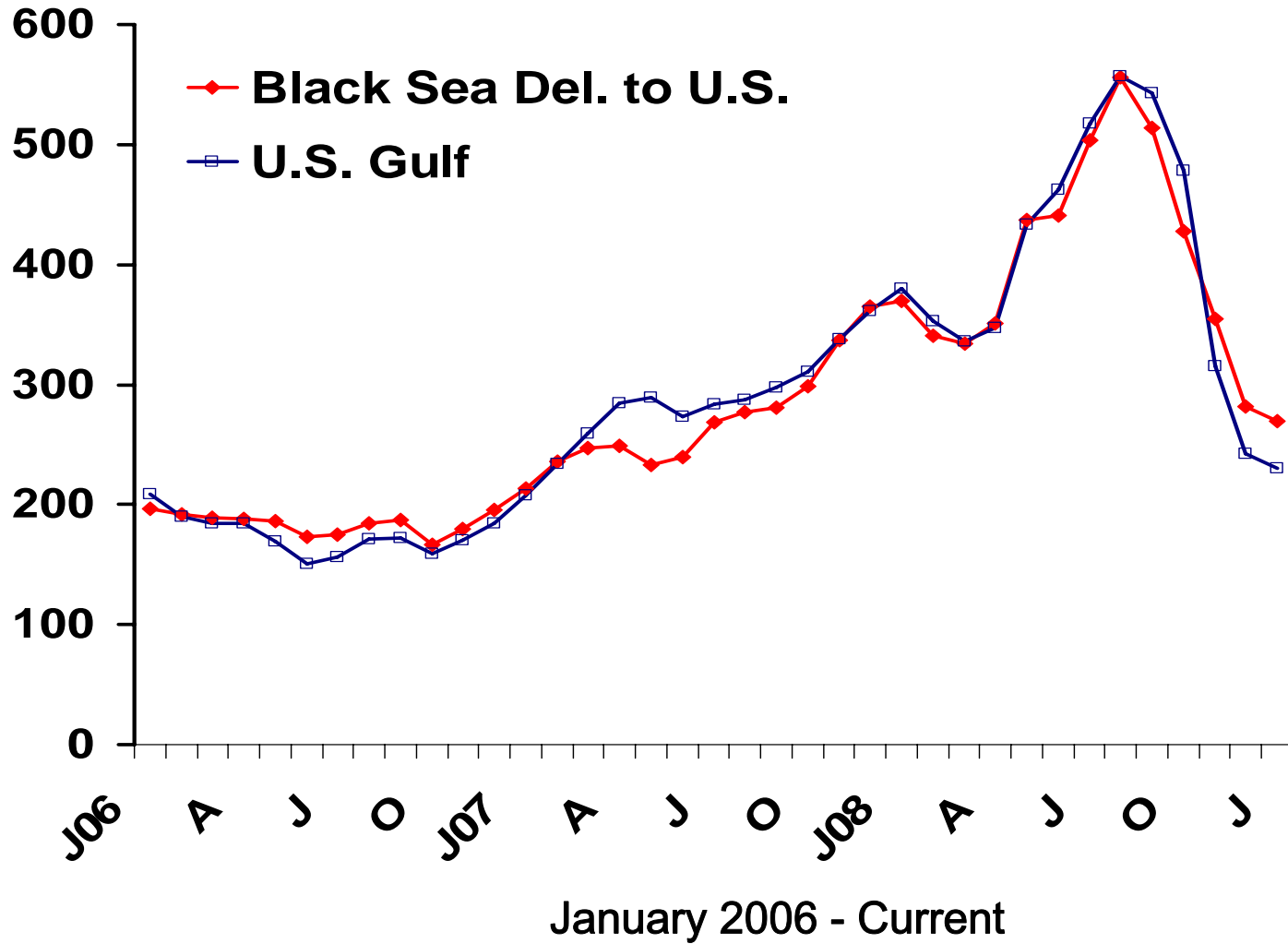
(MM Metric Tons)



Calendar Year 2007

World UAN Prices

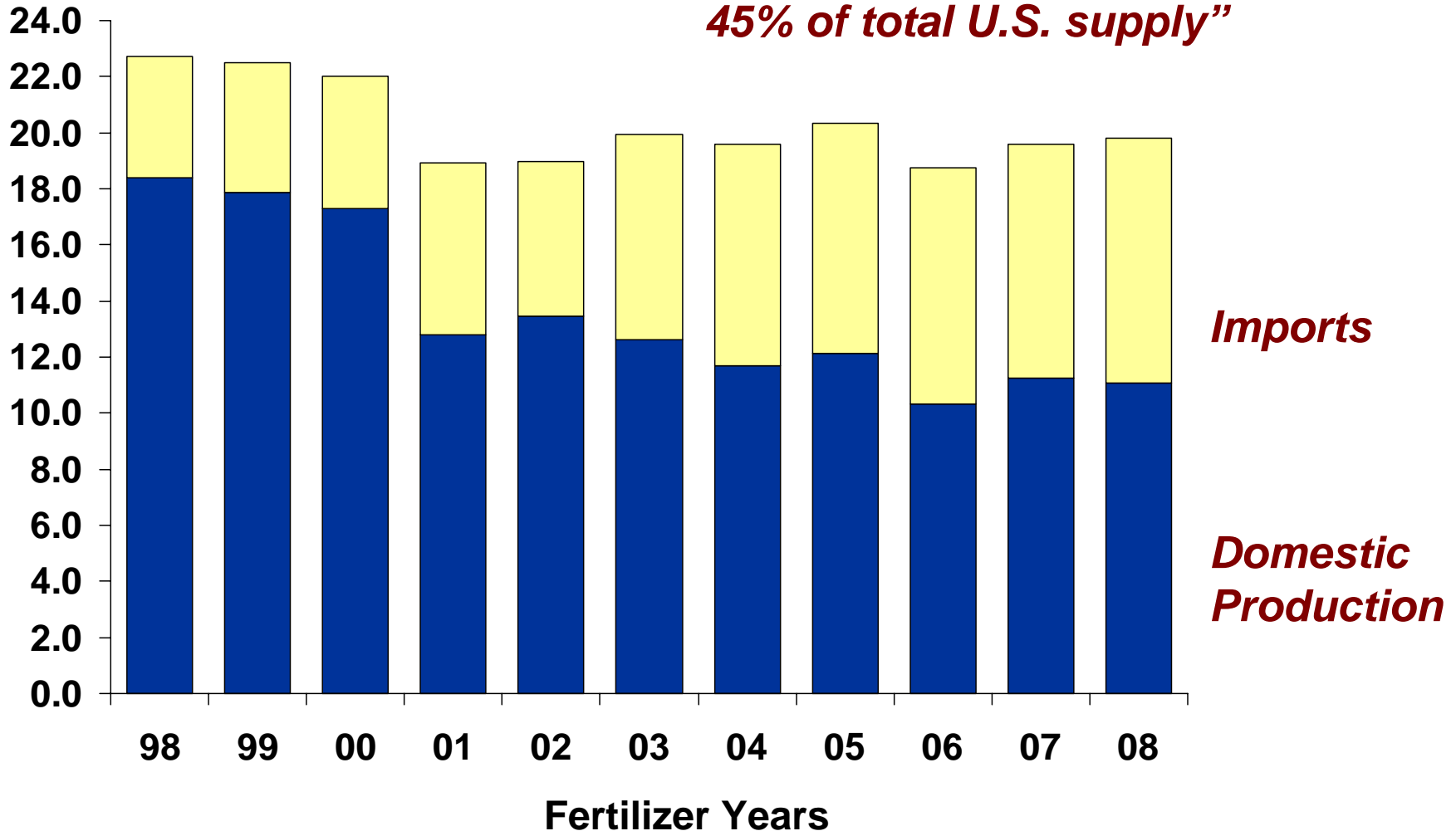
(\$/Tonne 32%)



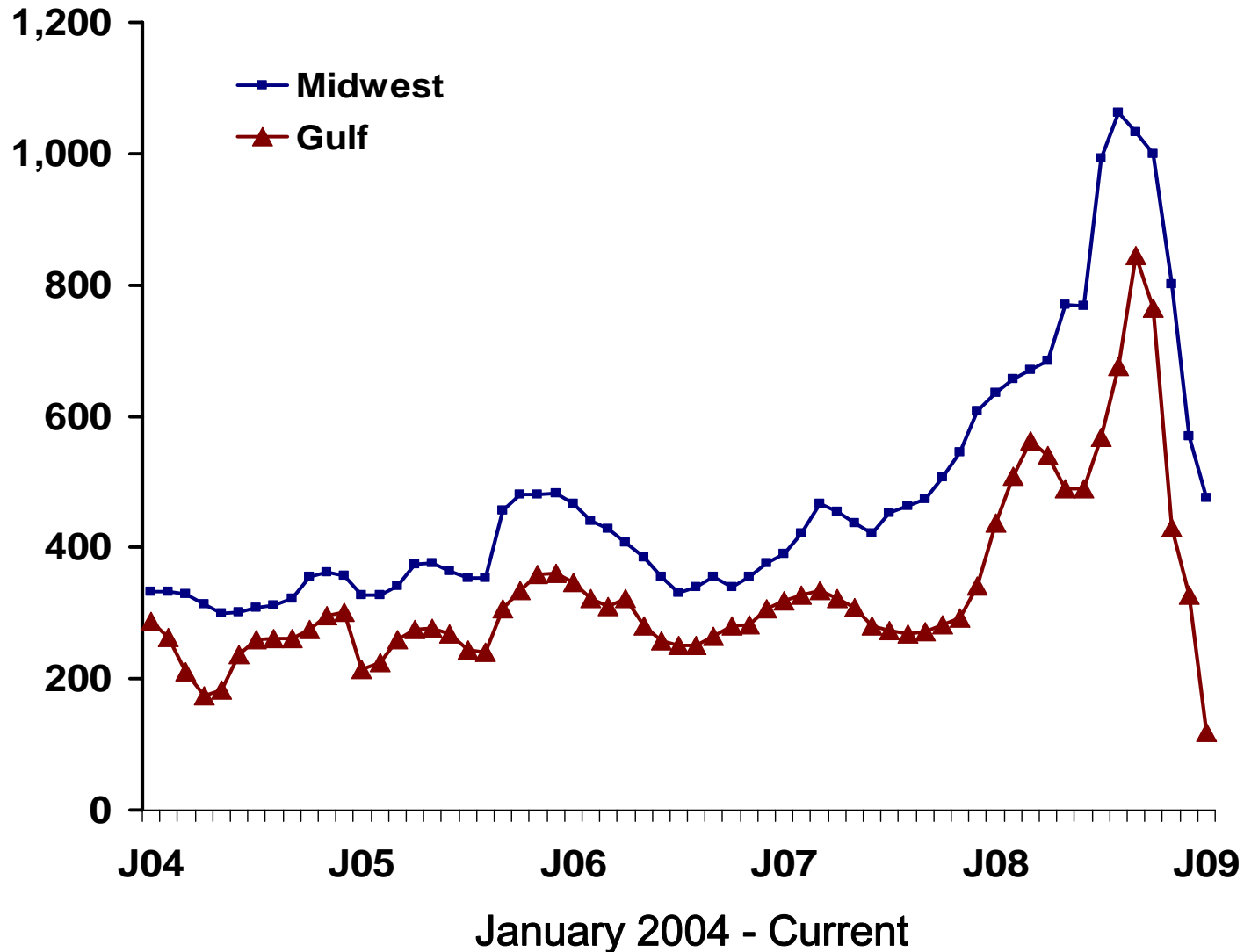
U.S. Ammonia Supply

(MM Tons)

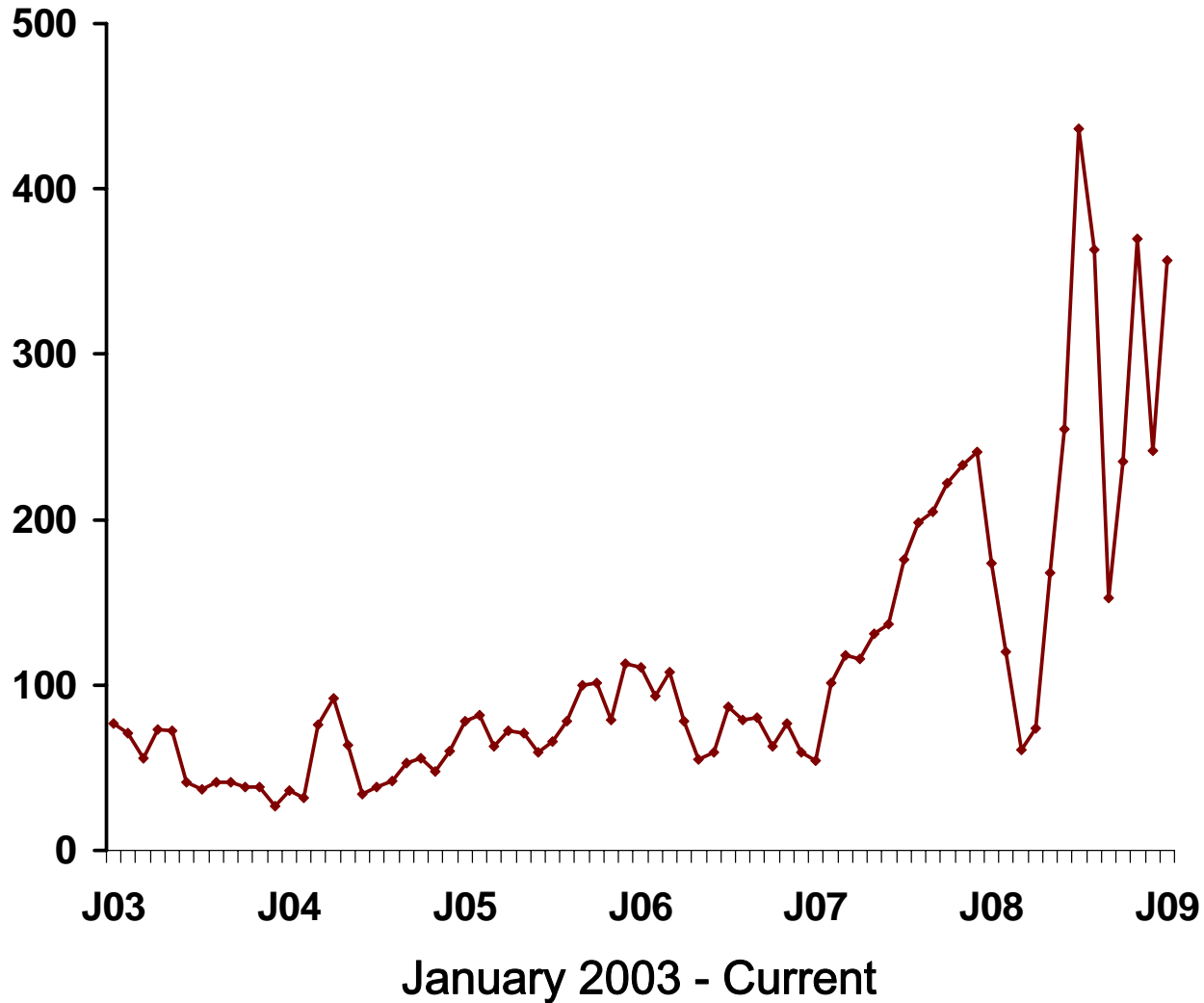
“Imports now account for roughly 45% of total U.S. supply”



U.S. Ammonia Prices (\$/Ton)



U.S. Ammonia Midwest – Gulf Price Differential **(\$/Ton)**



Disconnect Between Gulf & Midwest Markets

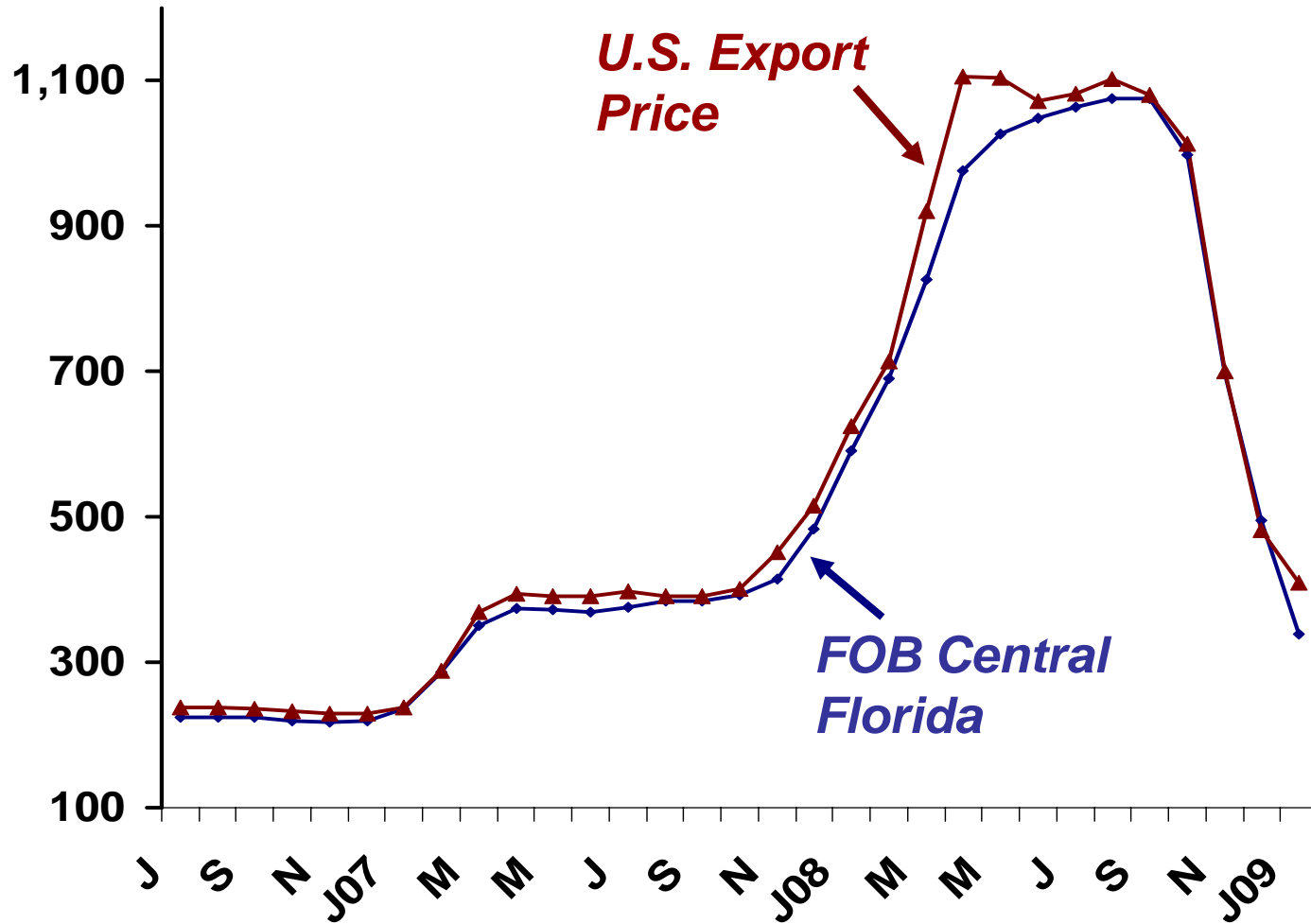
- **Distribution system was originally designed to move ammonia from U.S. plants to U.S. MW market**
- **Limited ability to offload and ship imports to the Midwest**
- **Pipeline & Barges system is currently fully utilized**
- **Limited ability to increase rail**
- **Tank space in the Midwest is being fully utilized with limited ability to increase thruput**

Net Impact – Midwest ammonia supply is for the most part fixed.

Phosphate Situation & Outlook

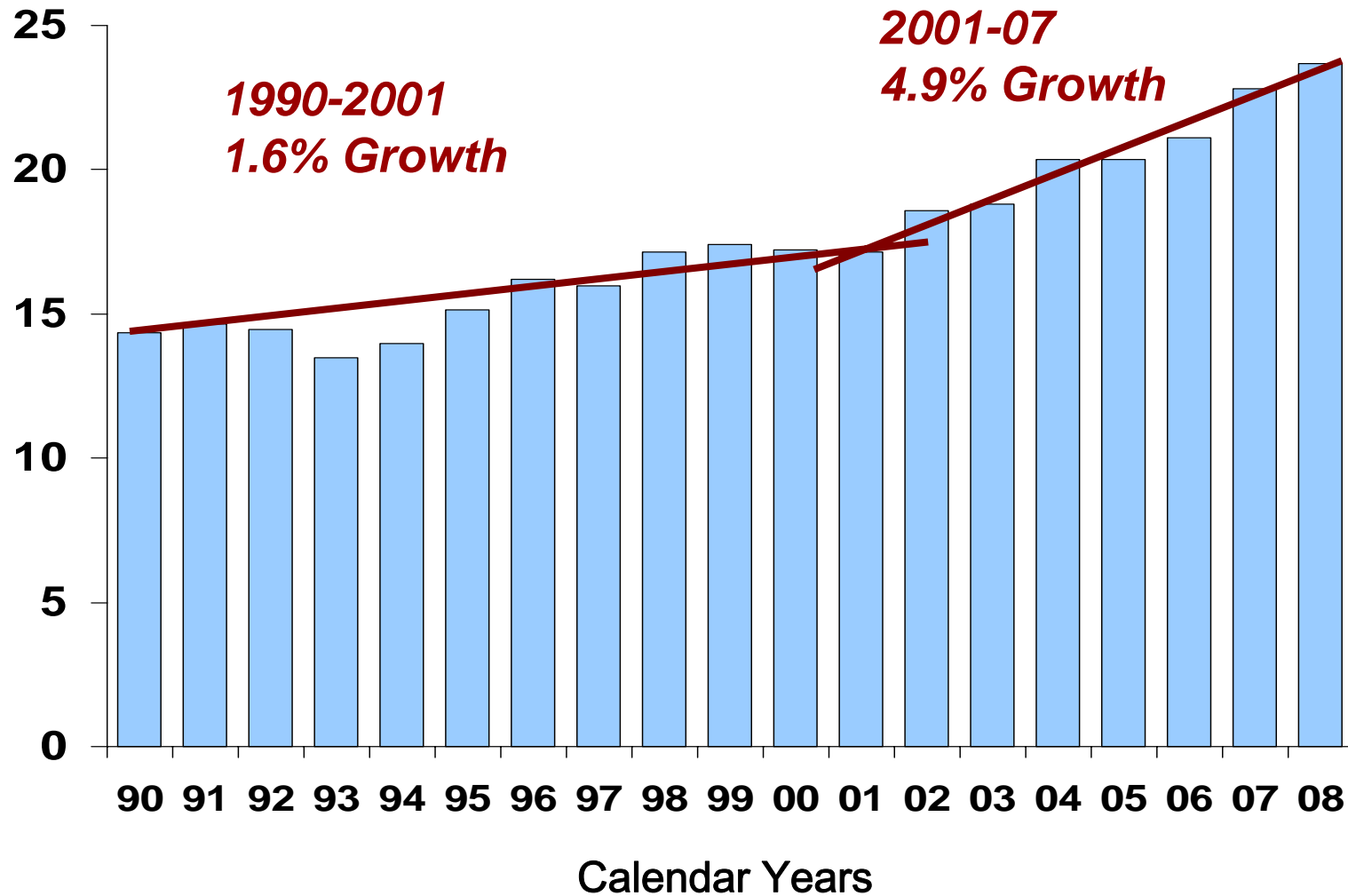
DAP Prices – C. Florida and Export

(\$/Ton)



World DAP/MAP Demand

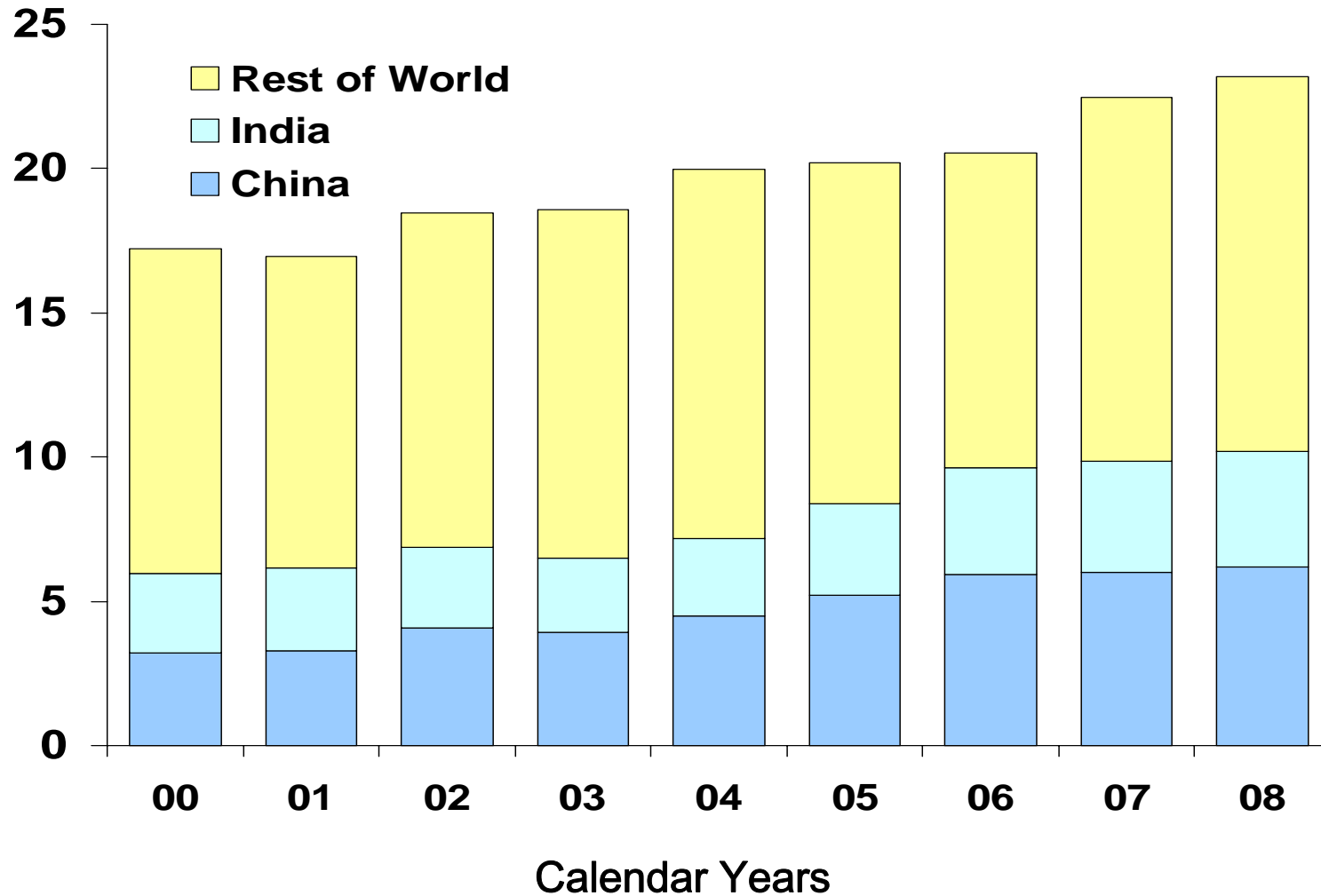
(MM Metric Tons)



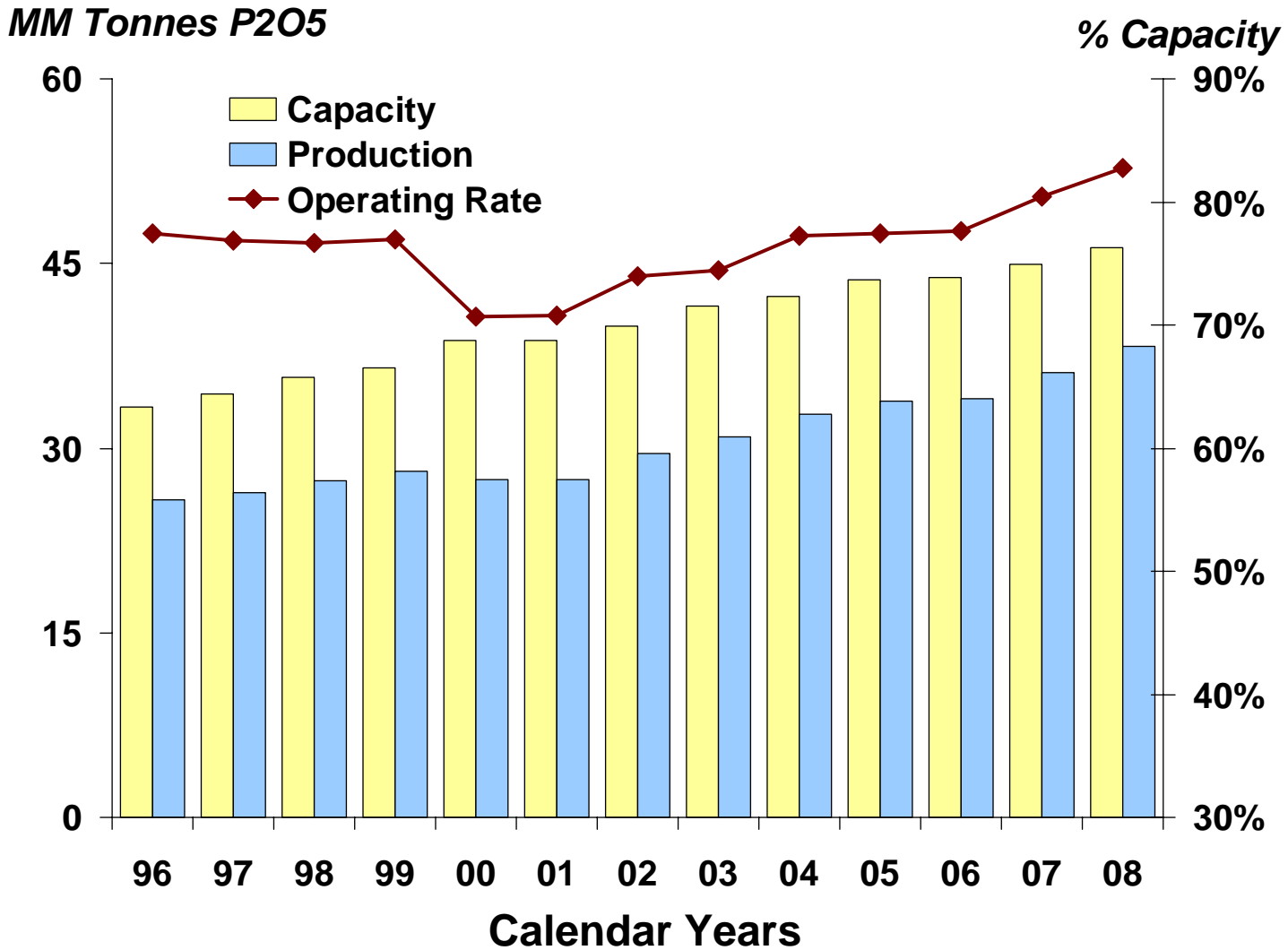
World DAP/MAP Demand

(MM Metric Tons)

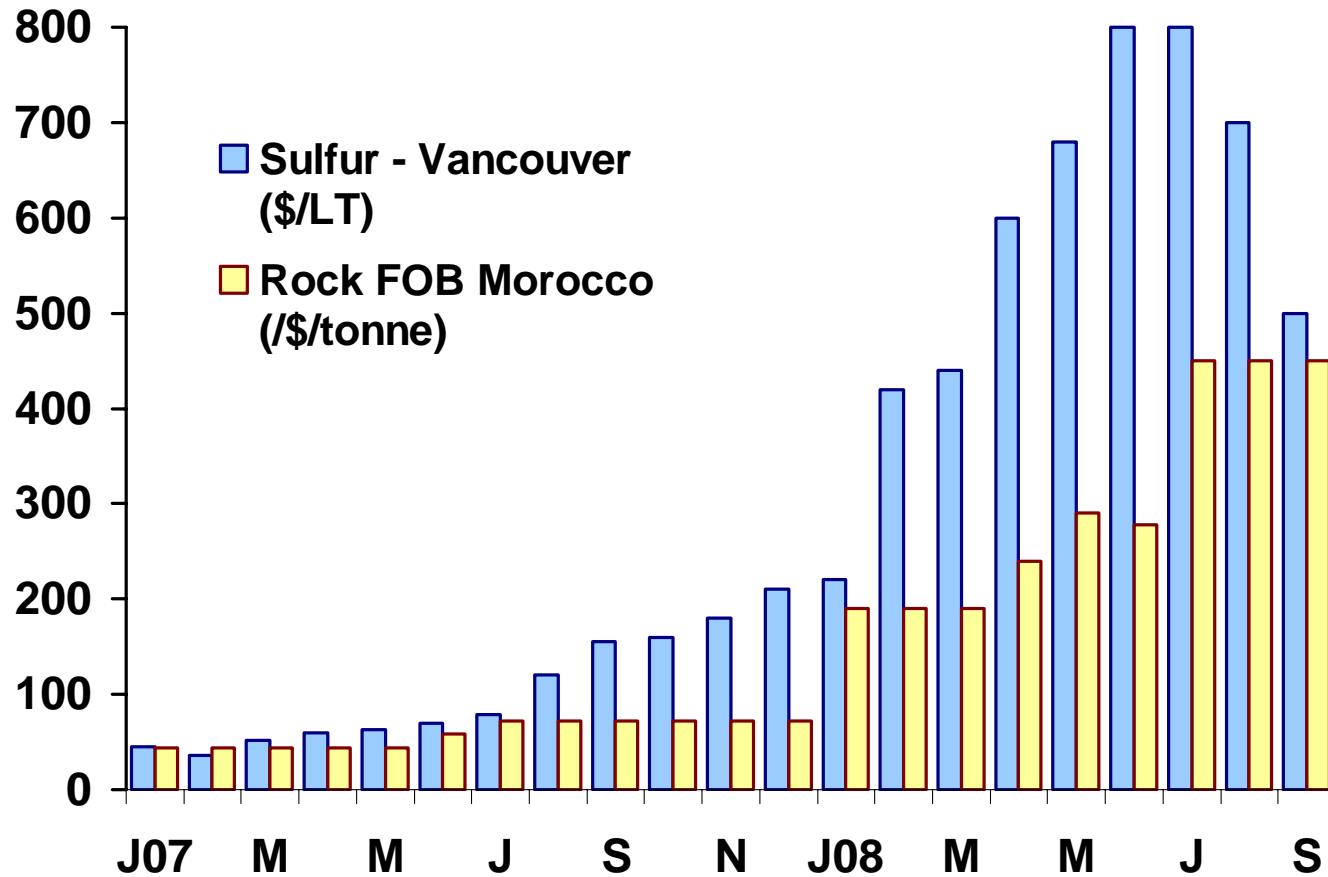
“Almost all of the growth has been in China and India”



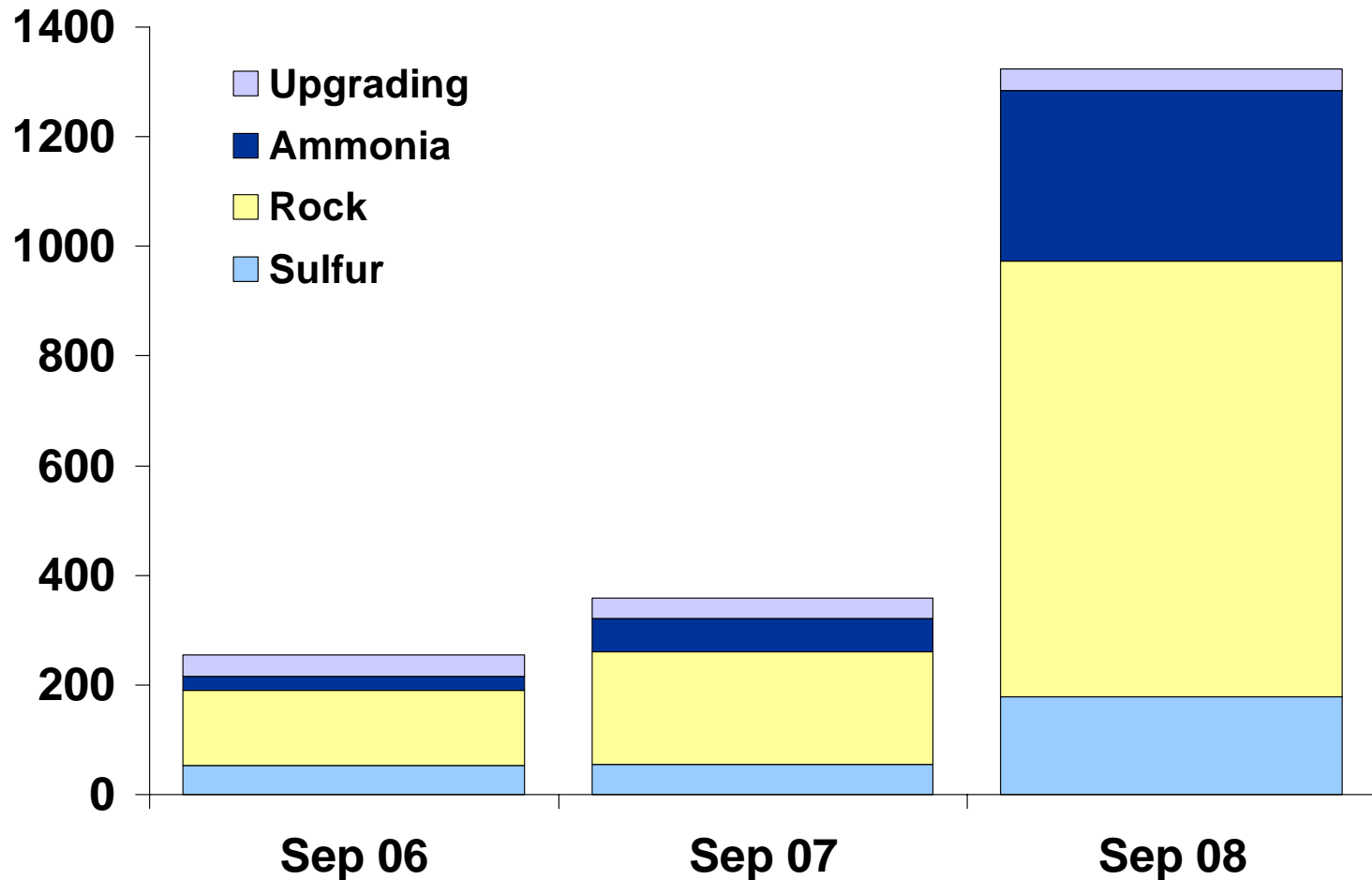
World Phosphate Supply Outlook



Current Spot Rock & Sulfur Prices (\$/Tonne)



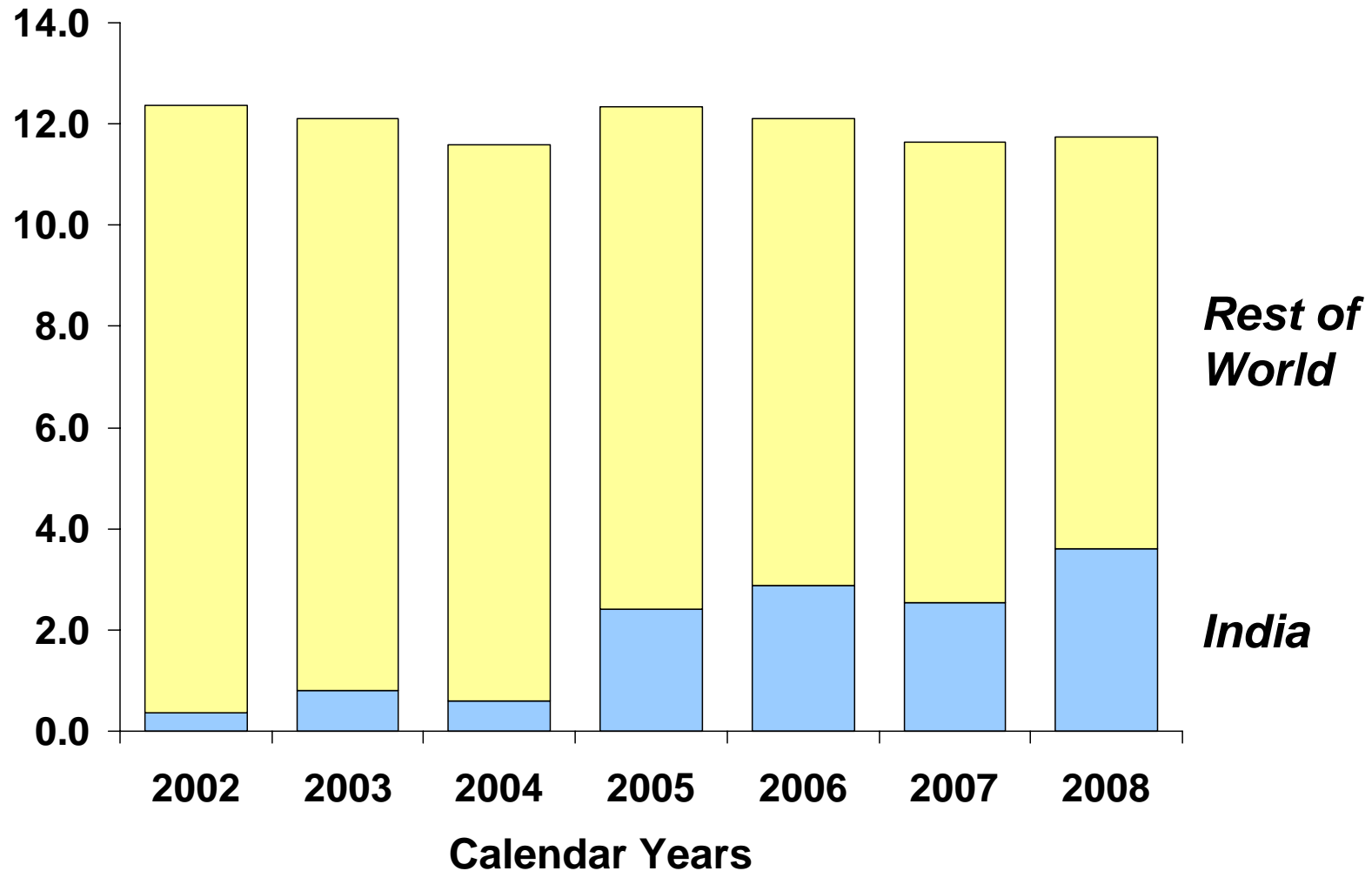
India DAP Production Cost - Imported Rock (\$/Tonne)



World DAP Imports

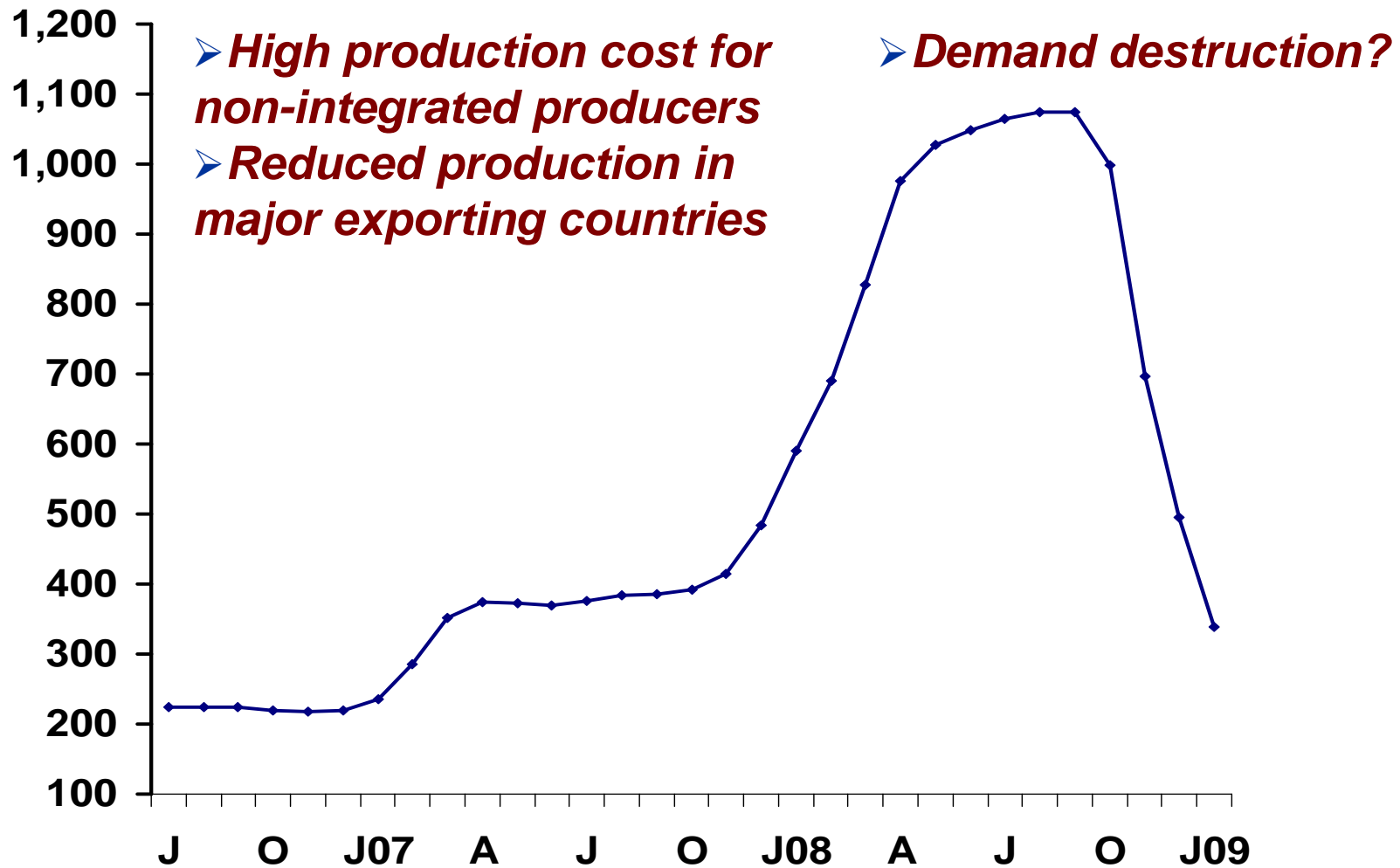
(MM Tonnes P2O5)

“India now accounts for 30% of total world DAP trade”



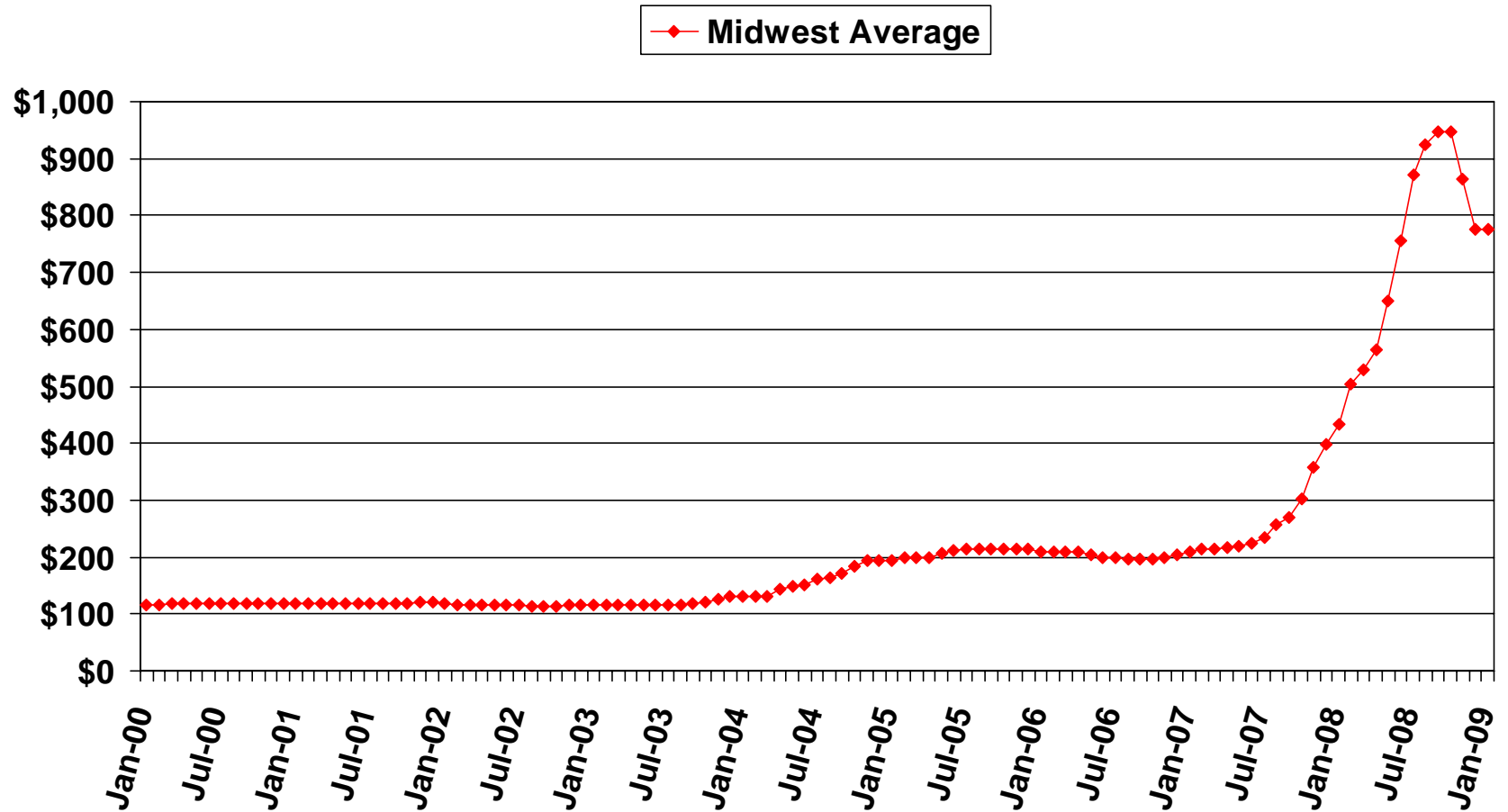
Central Florida DAP Prices

(\$/Ton)



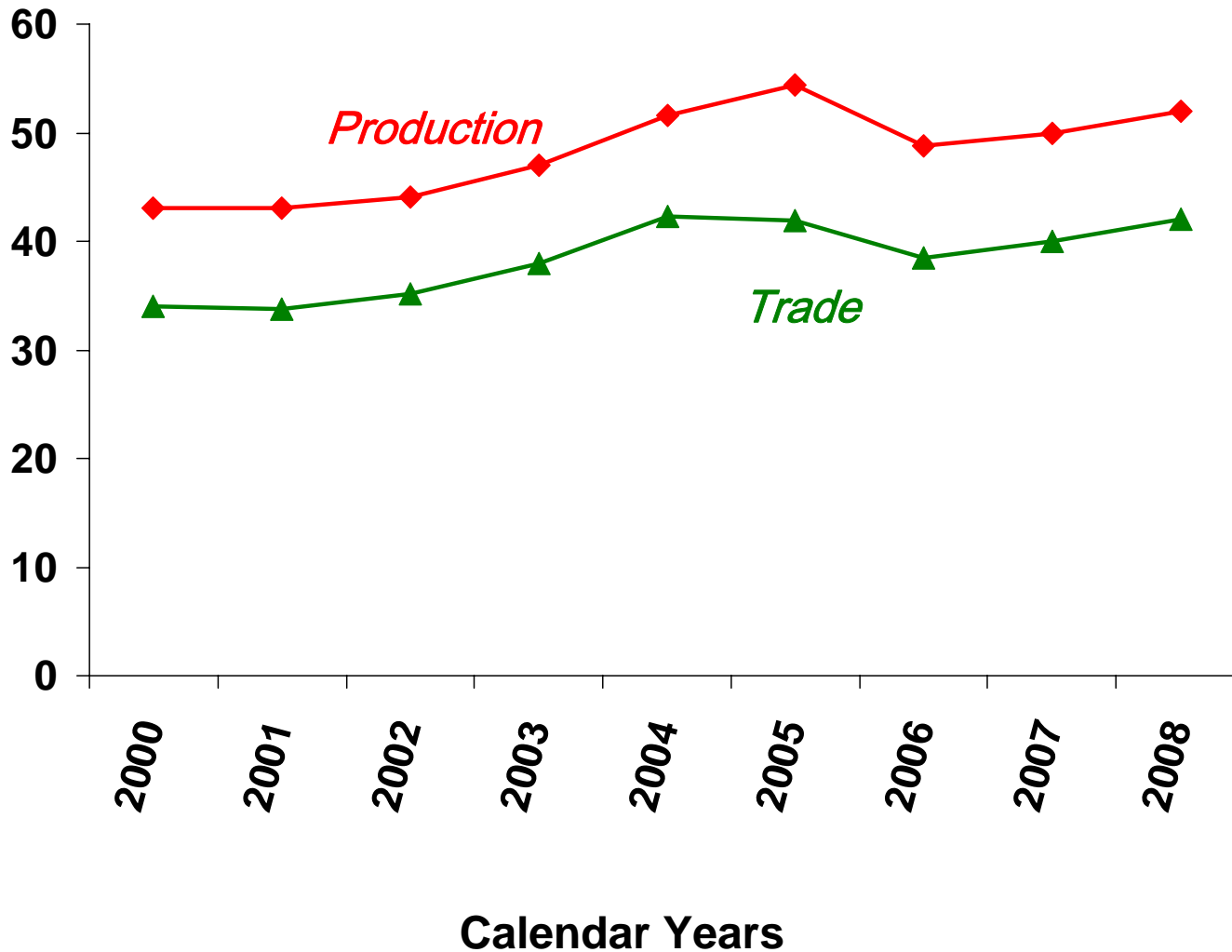
Potash Situation & Outlook

KCI (\$US/short ton)



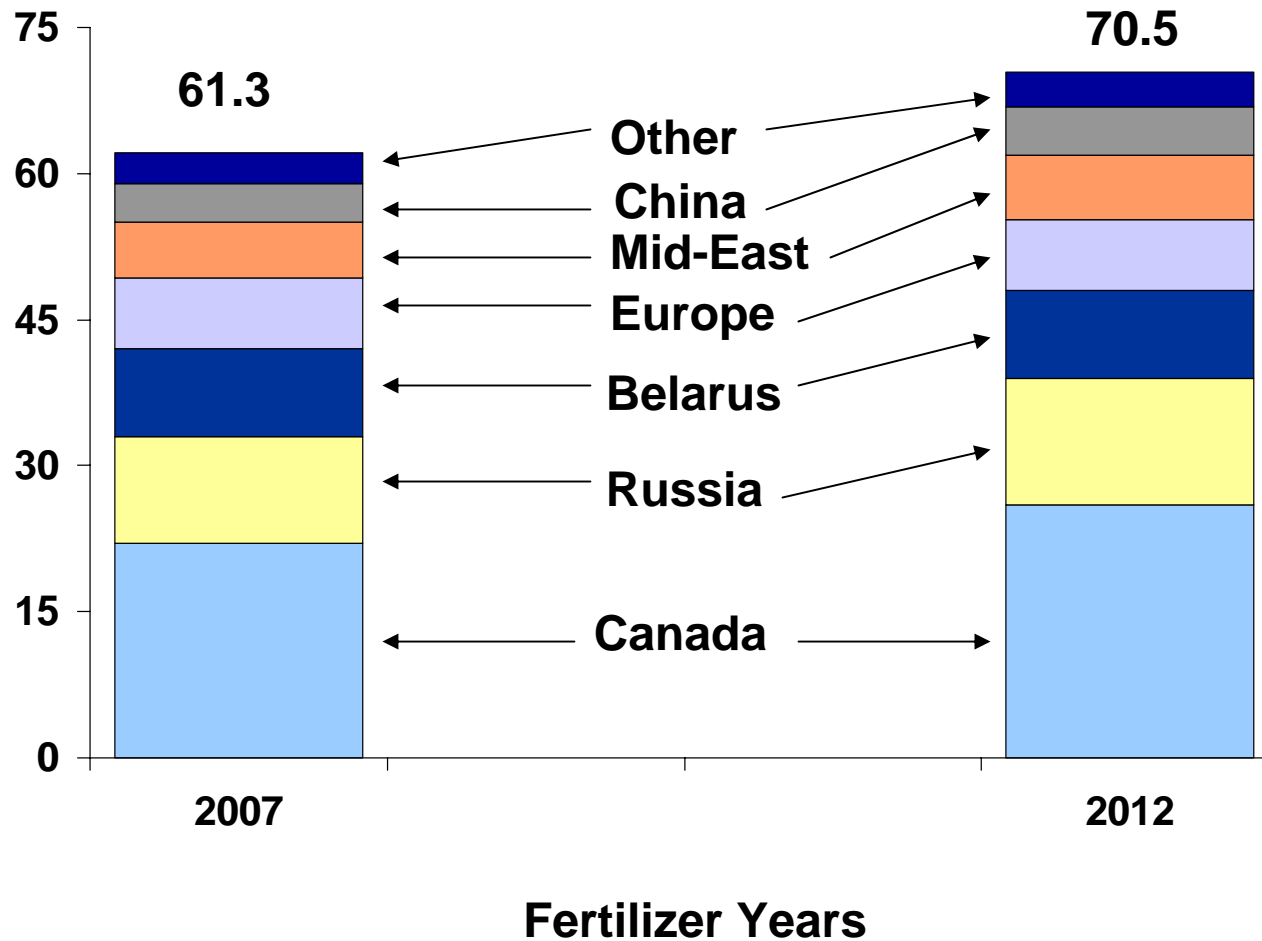
World Potash Production and Trade

(Million Tonnes KCl)



Potash Production Capacity Growth

(Million Tonnes/Yr KCl)



U.S. Planted Acreage ***(MM Acres)***

| | 2007 | 2008 | 2009 | Change 2008-09 |
|--------------------|--------------|--------------|--------------|---------------------------|
| Corn | 93.5 | 85.9 | 86.0 | 0.1 |
| Wheat | 60.4 | 63.0 | 57.5 | -5.5 |
| Soybeans | 64.7 | 75.9 | 79.5 | 3.6 |
| Cotton | 10.8 | 9.4 | 8.7 | -0.7 |
| Other | 91.9 | 91.7 | 90.0 | -1.7 |
| Total Acres | 321.4 | 325.9 | 321.7 | -4.2 |

U.S. NPK Fertilizer Demand – FY09

(MM Nutrient Tons)

| | 2007 | 2008 | 2009 | Change 08-09 |
|------------------|-------------|-------------|-------------|-------------------------|
| Nitrogen | 13.2 | 12.9 | 12.6 | -2.0% |
| Phosphate | 4.6 | 4.5 | 4.0 | -11.0% |
| Potash | 5.1 | 5.0 | 4.4 | -12.0% |
| Total | 22.9 | 22.4 | 21.1 | -5.8% |

Questions?

Average U.S. Corn Budget

(\$/Acre)

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> |
|---------------------------------|--------------|--------------|--------------|--------------|
| Yield (bu/pltd ac) | 138 | 153 | 144 | 147 |
| Price (\$/bu) | \$3.22 | \$3.60 | \$4.34 | \$3.80 |
| Value of Production | \$444 | \$551 | \$629 | \$559 |
| <u>Variable Cost:</u> | | | | |
| Seed | \$44 | \$45 | \$57 | \$62 |
| Fertilizer | \$80 | \$97 | \$155 | \$170 |
| Chemicals | \$24 | \$27 | \$28 | \$30 |
| Fuel, Lube, Electricity | \$29 | \$31 | \$43 | \$45 |
| Other | <u>\$29</u> | <u>\$30</u> | <u>\$32</u> | <u>\$34</u> |
| Total | \$206 | \$230 | \$315 | \$341 |
| Value less variable cost | \$238 | \$321 | \$314 | \$220 |

Average U.S. Soy Budget (\$/Acre)

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> |
|---------------------------------|--------------|--------------|--------------|--------------|
| Yield (bu/pltd ac) | 45.9 | 44.6 | 45.8 | 46.0 |
| Price (\$/bu) | \$5.54 | \$9.62 | \$11.90 | \$8.15 |
| Value of Production | \$254 | \$429 | \$547 | \$375 |
| <u>Variable Cost:</u> | | | | |
| Seed | \$34 | \$35 | \$42 | \$46 |
| Fertilizer | \$11 | \$12 | \$20 | \$22 |
| Chemicals | \$14 | \$15 | \$15 | \$16 |
| Fuel, Lube, Electricity | \$16 | \$17 | \$24 | \$27 |
| Other | <u>\$22</u> | <u>\$22</u> | <u>\$22</u> | <u>\$24</u> |
| Total | \$97 | \$101 | \$123 | \$135 |
| Value less variable cost | \$157 | \$328 | \$424 | \$240 |

2009 Avg. U.S. Corn vs. Soy Comparison (\$/Acre)

| | <u>Corn</u> | <u>Soy</u> |
|---------------------------------|--------------|--------------|
| Yield (bu/pltd ac) | 147 | 46.4 |
| Price (\$/bu) | \$3.80 | \$8.15 |
| Value of Production | \$559 | \$375 |
| <u>Variable Cost:</u> | | |
| Seed | \$62 | \$46 |
| Fertilizer | \$170 | \$22 |
| Chemicals | \$30 | \$16 |
| Fuel, Lube, Electricity | \$45 | \$27 |
| Other | <u>\$34</u> | <u>\$24</u> |
| Total | \$341 | \$135 |
| Value less variable cost | \$220 | \$240 |