

Food & Fertilizer: Defusing the Crisis

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Thomas Malthus

Historical World Population Growth 1500-1800

Malthus Observed Relatively Slow Population Growth

Population - Billions



Source: US Census Bureau

Average Corn Yields 1860-1940

Historical Corn Yields Remained Low and Flat

Average Yield (Bushels per Acre)



Source: USDA, ICRSAT, John Deere, Monsanto

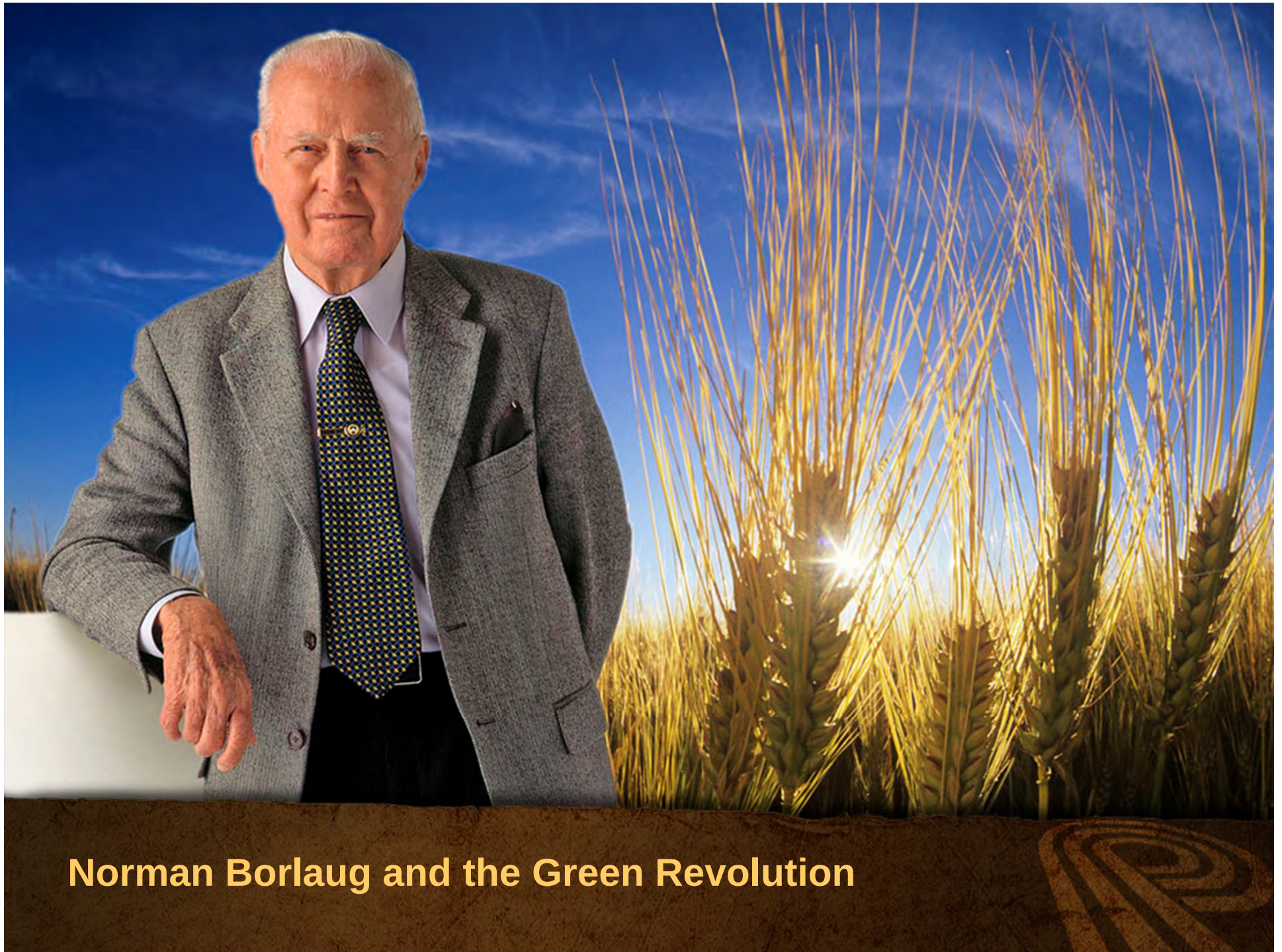


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The Green Revolution and Fertilizer Development

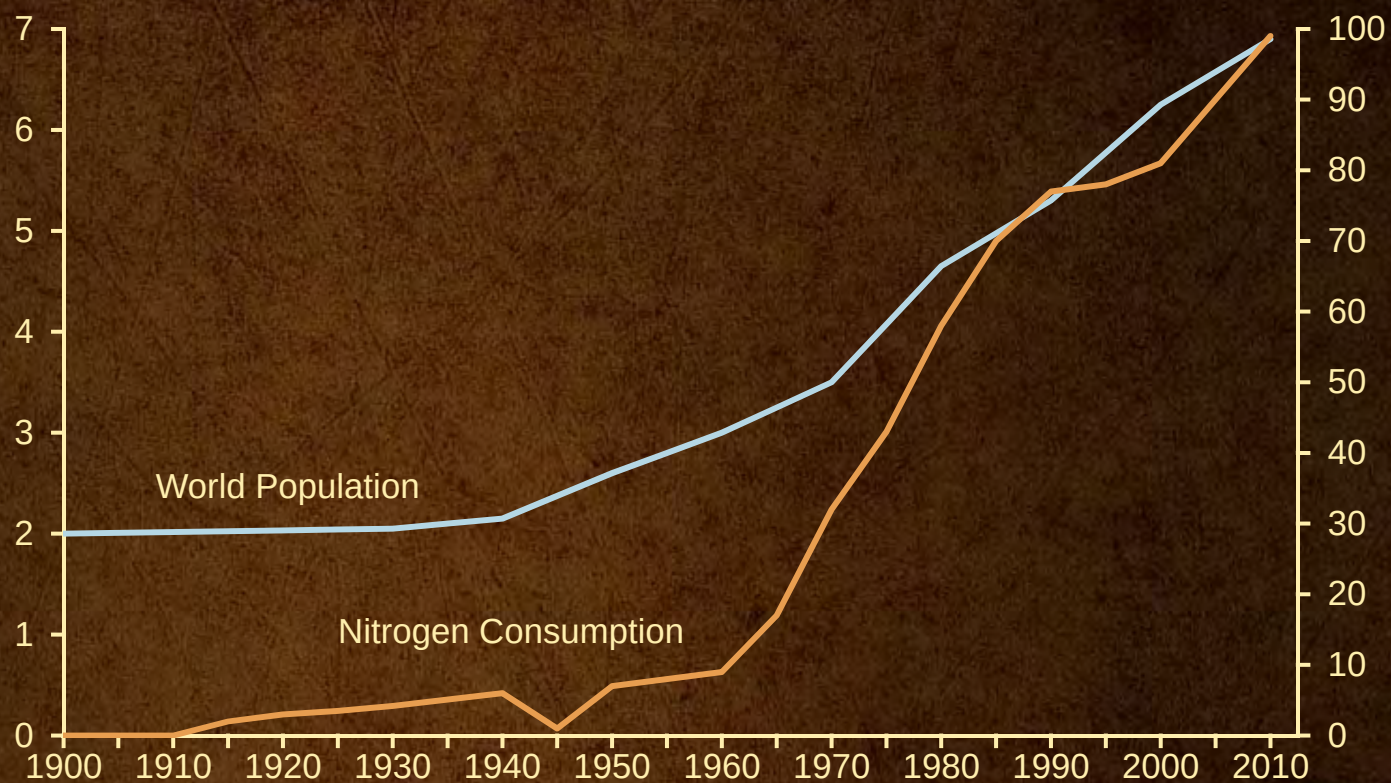


Norman Borlaug and the Green Revolution

World Population & Nitrogen Fertilizer Consumption 1900-2010

World Population (Billions)

Annual Nitrogen Consumption (Million Tonnes)

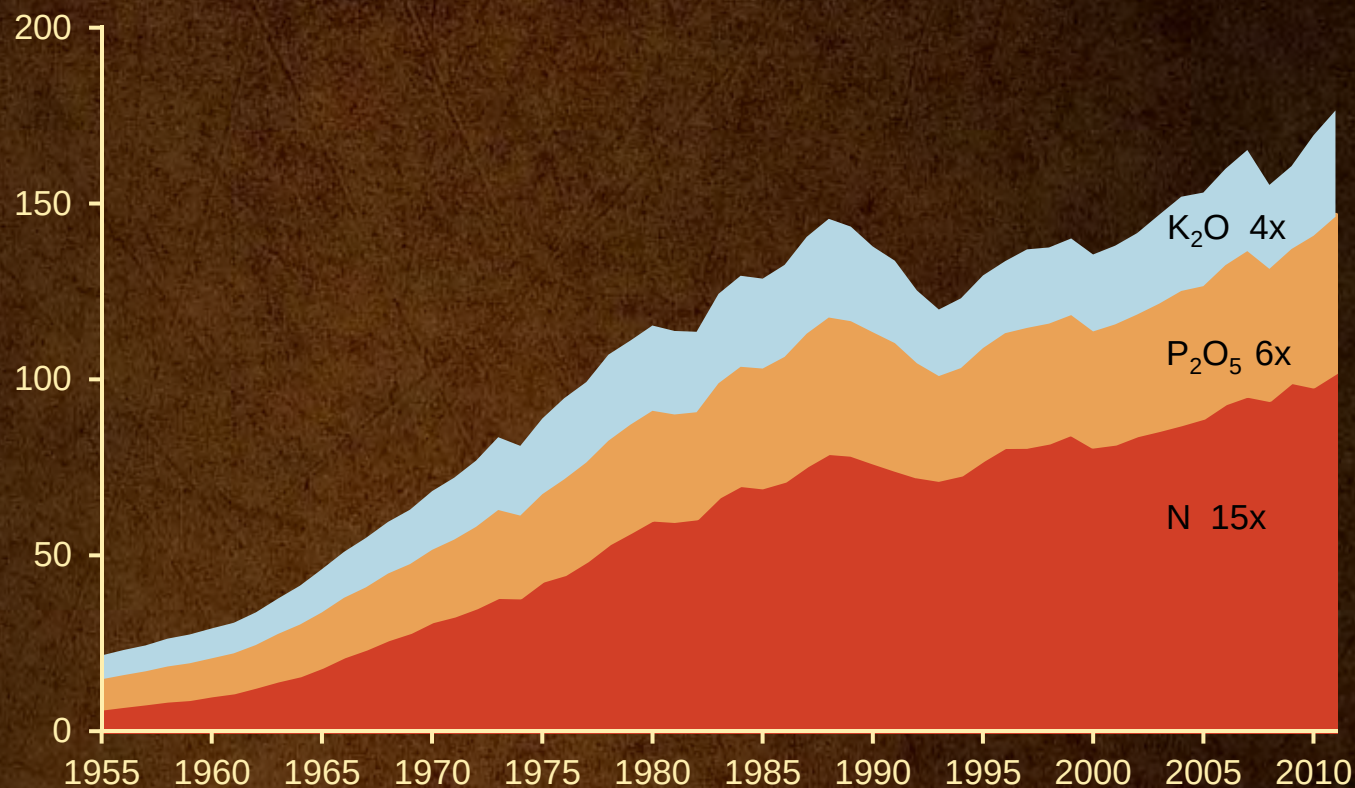


Source: Fertecon, USDA

Fertilizer Consumption Growth 1955-Present

Strong Growth Supports Increased Food Demand

Million Tonnes Nutrient

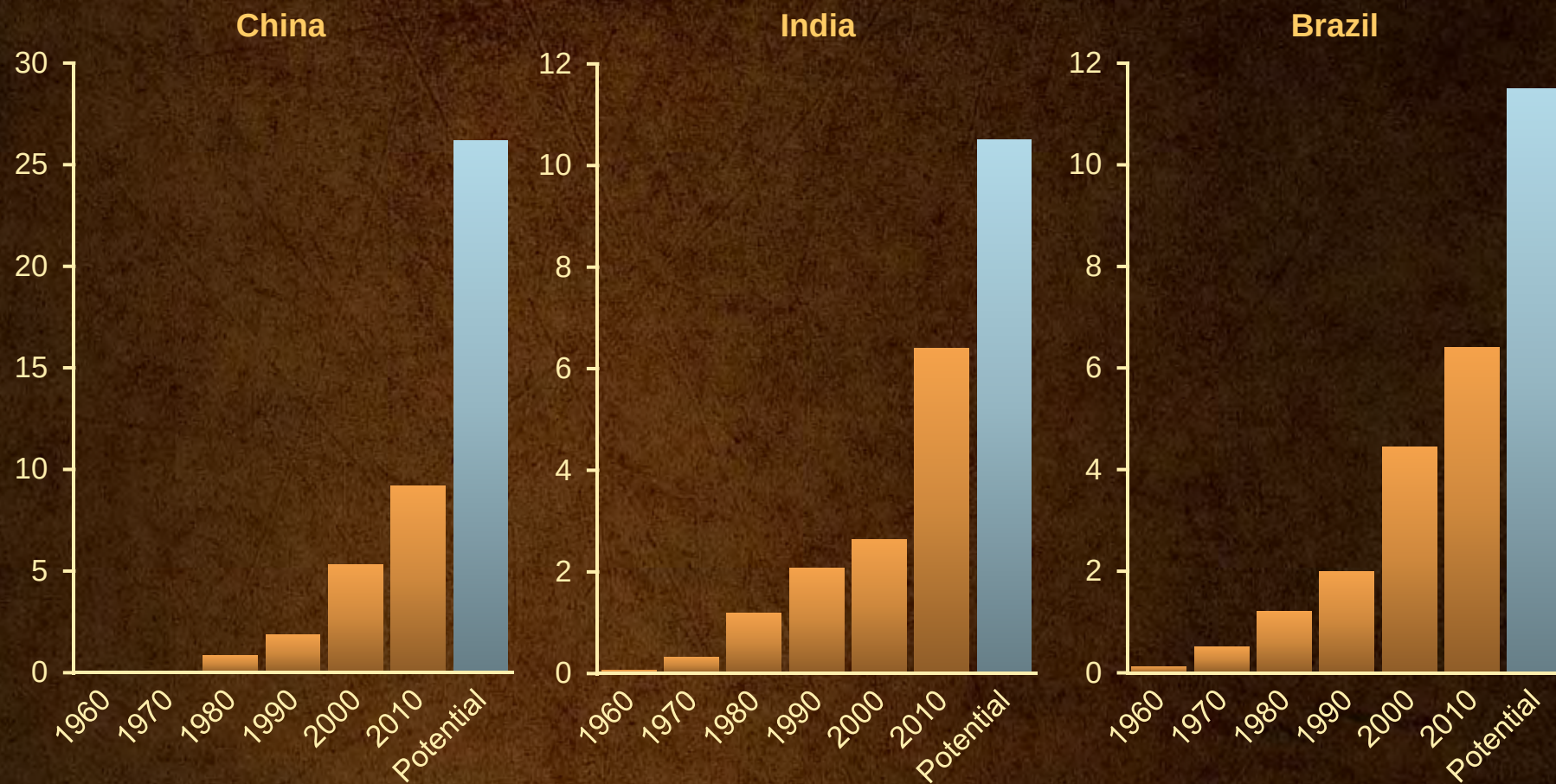


Source: FAO, IFA, Fertecon fertilizer datafiles mid 2000

Potential Potash Consumption Growth

Significant Catch-Up to Meet Scientifically Recommended Application Levels

Million Tonnes KCl

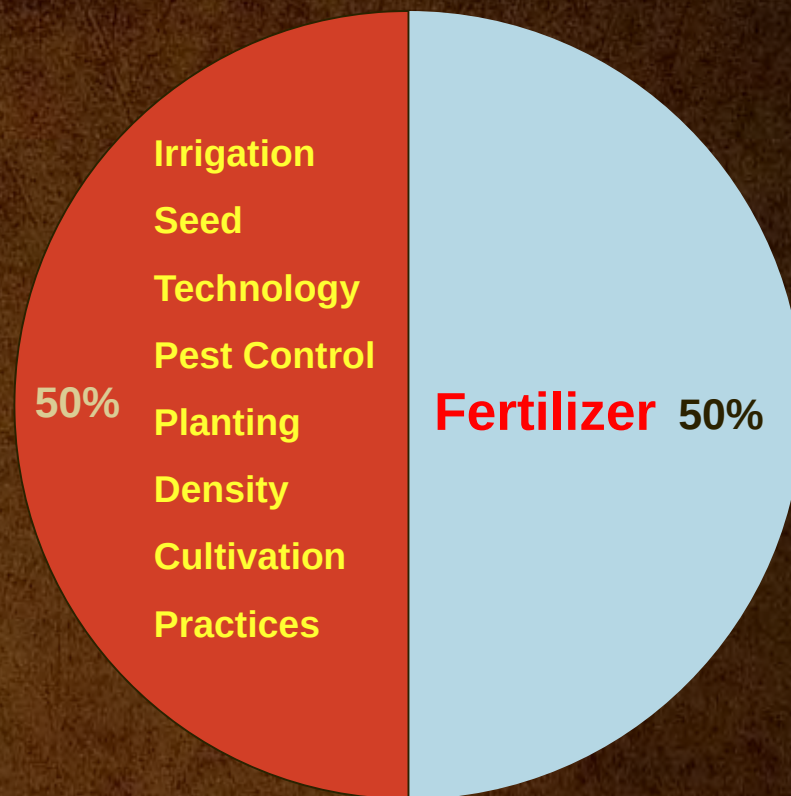


Brazil potential is based on current cropped area only

Source: IPNI, Fertecon, IFA, PotashCorp

Crop Production Factors' Effect on Yield

Balanced Fertilization Is Essential to Achieving Higher Yields



Source: IPNI, IFA



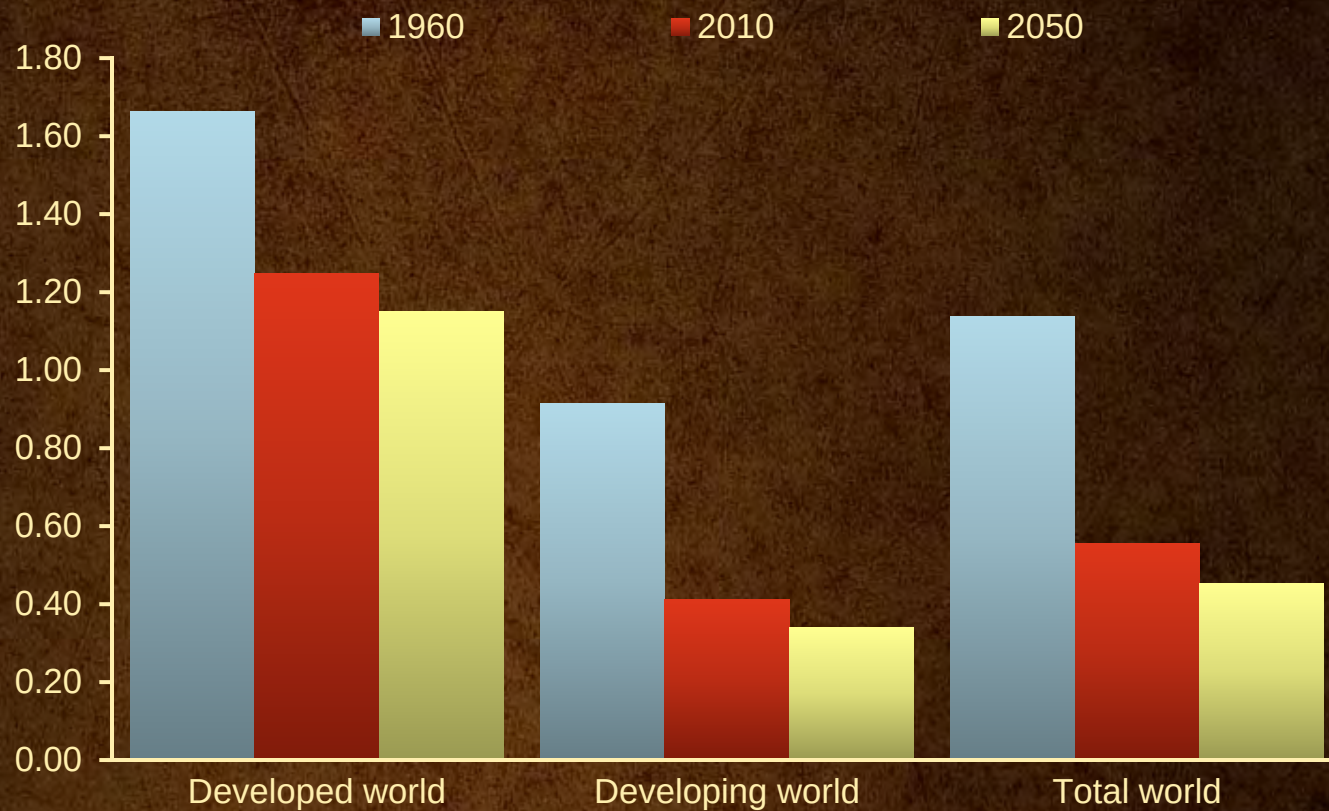
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Low Cropland per Capita in Developing World

Need to Improve Crop Production Through Fertilization and Farming Practices

Acres/Capita

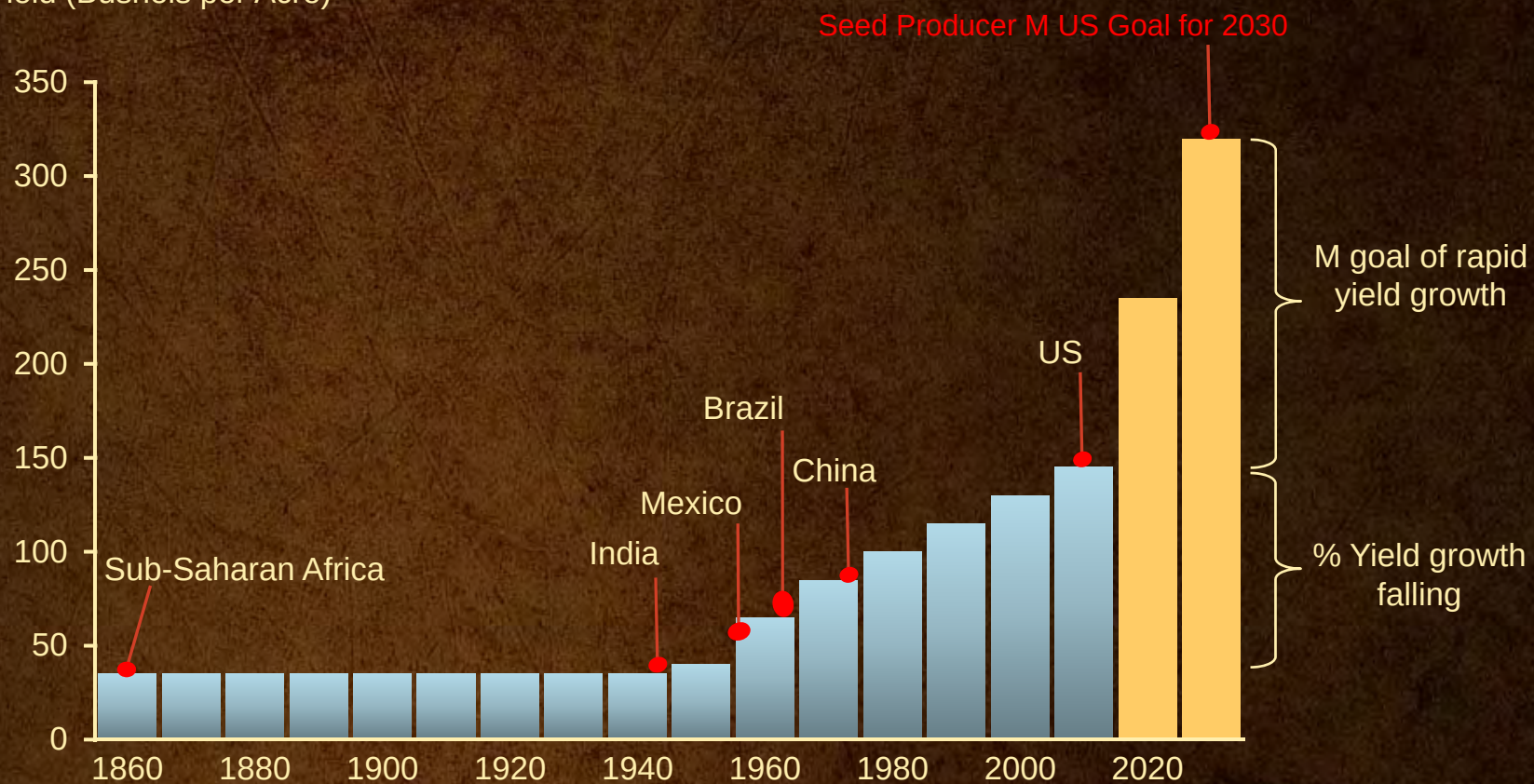


Source: FAO, United Nations Population Database

Time Line of Average Corn Yields

Several Developing Countries' 2010 Yields Lag US Corn Yield Progress

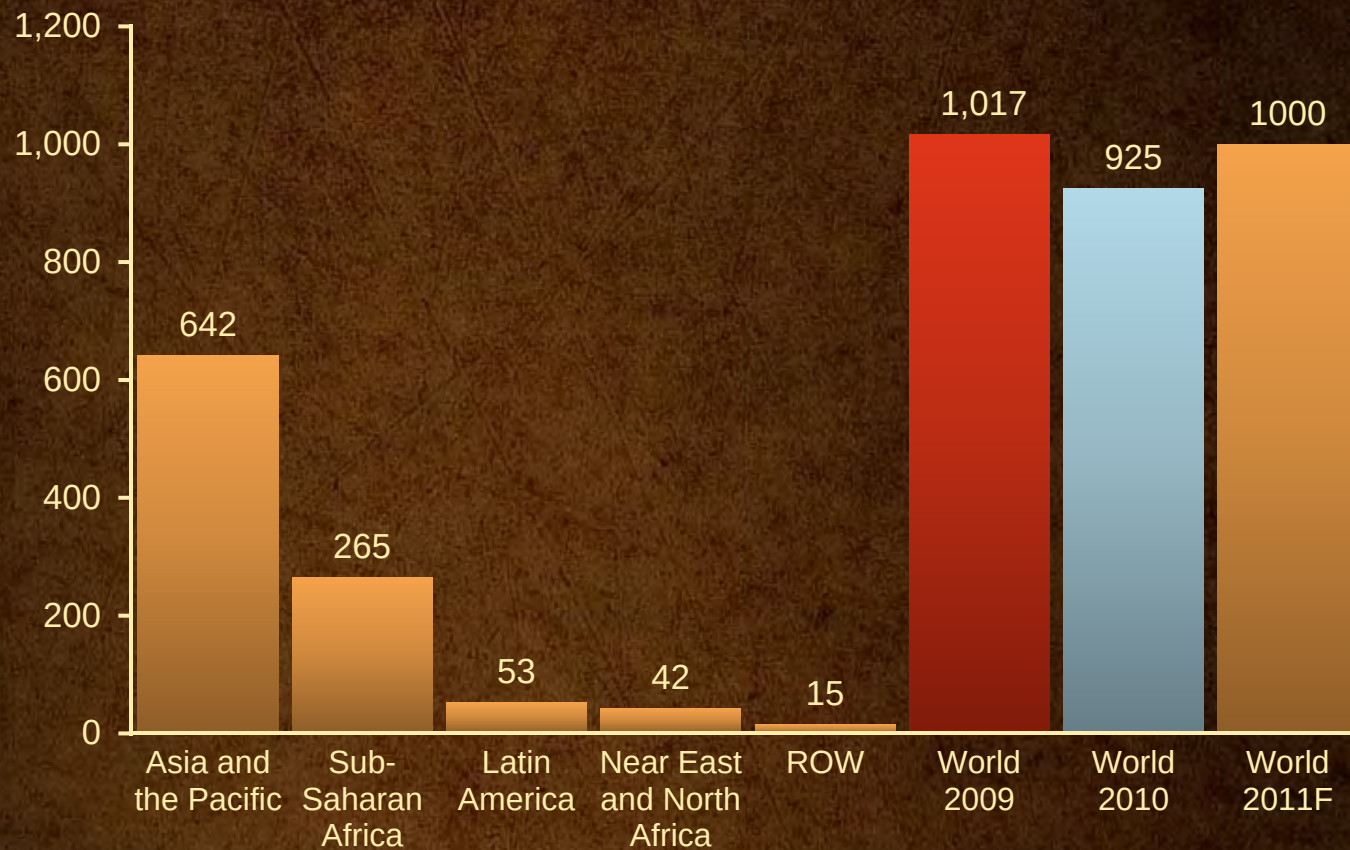
Average Yield (Bushels per Acre)



Source: USDA, ICRSAT, John Deere, Monsanto

World Undernourishment

Million People

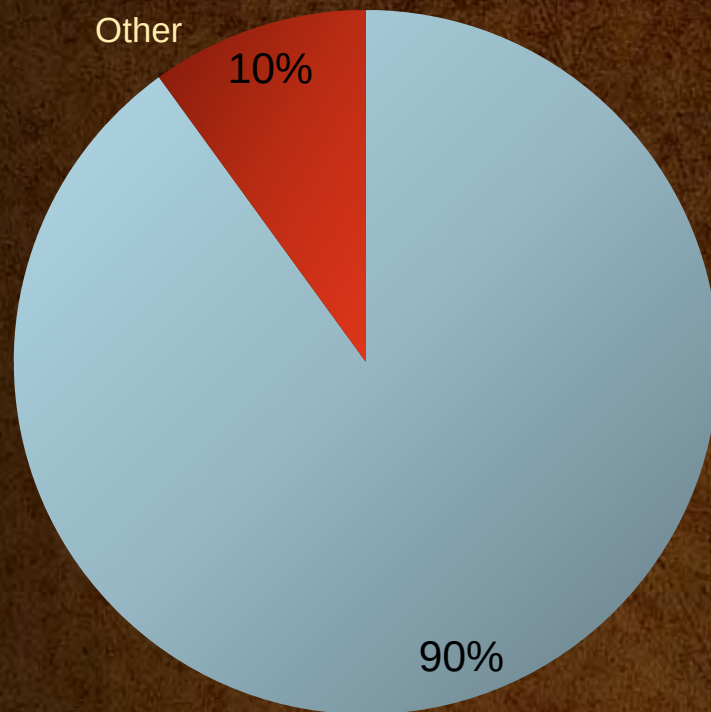


Source: FAO

World Crop Production Growth

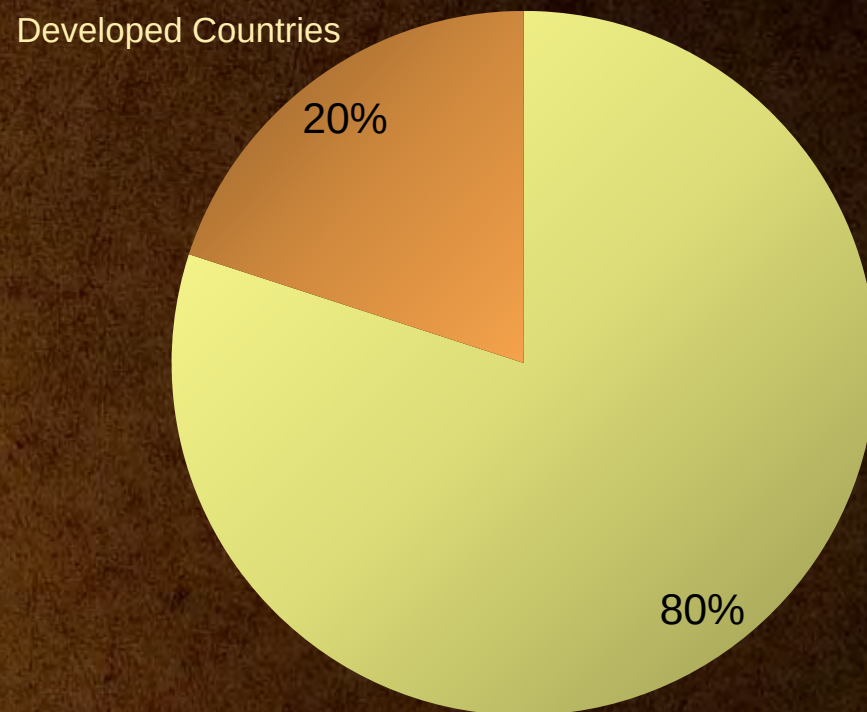
2007 to 2050

Source of Growth



Increased Crop Yields & More Crops per Year

Location of Growth



Developing Countries

Source: FAO



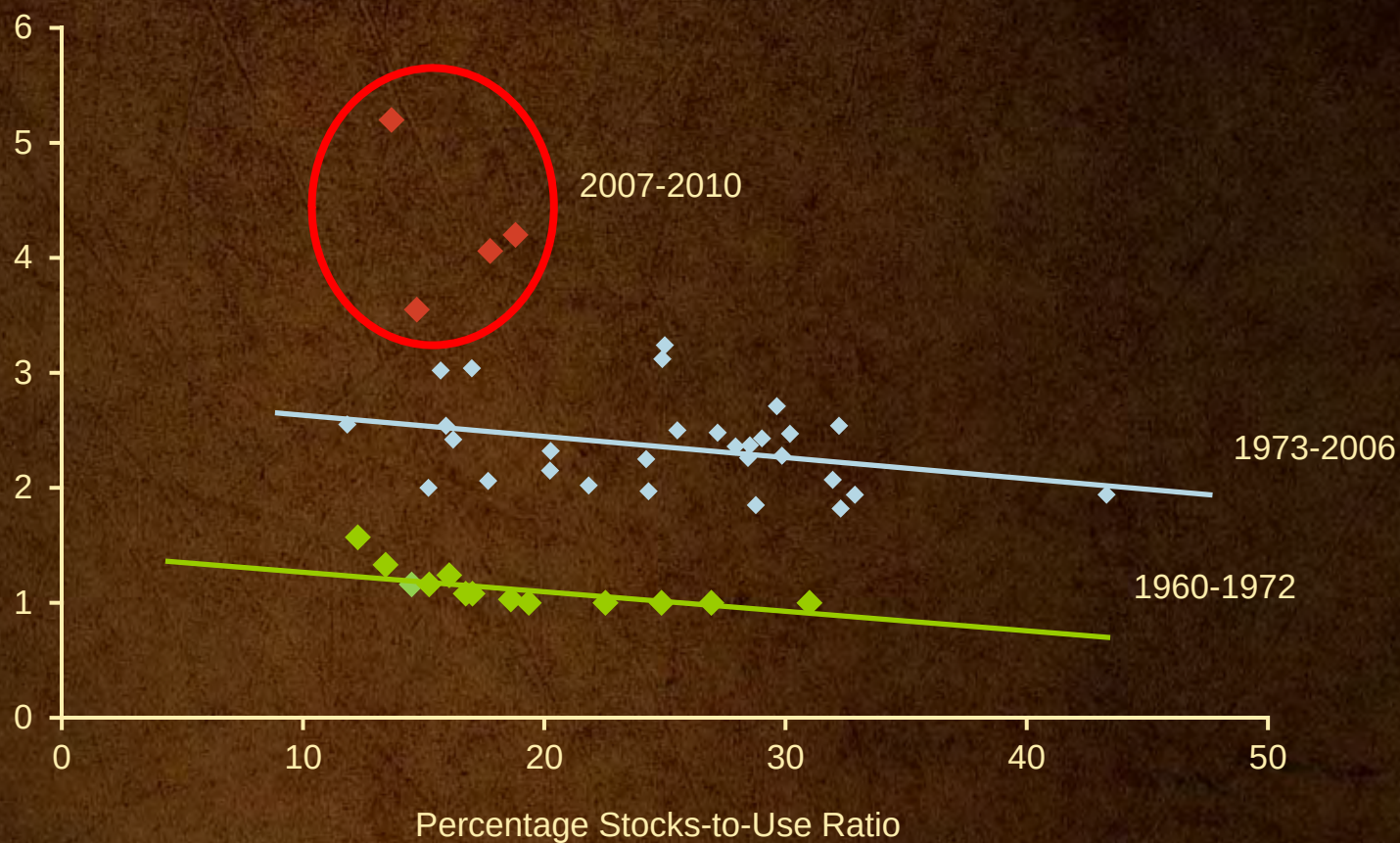
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Global Corn Stocks-to-Use Ratio vs Price

Last Four Years, Higher Correlation Between Stocks-to-Use Ratio and Price

US Farm Gate Price – US\$/Bu

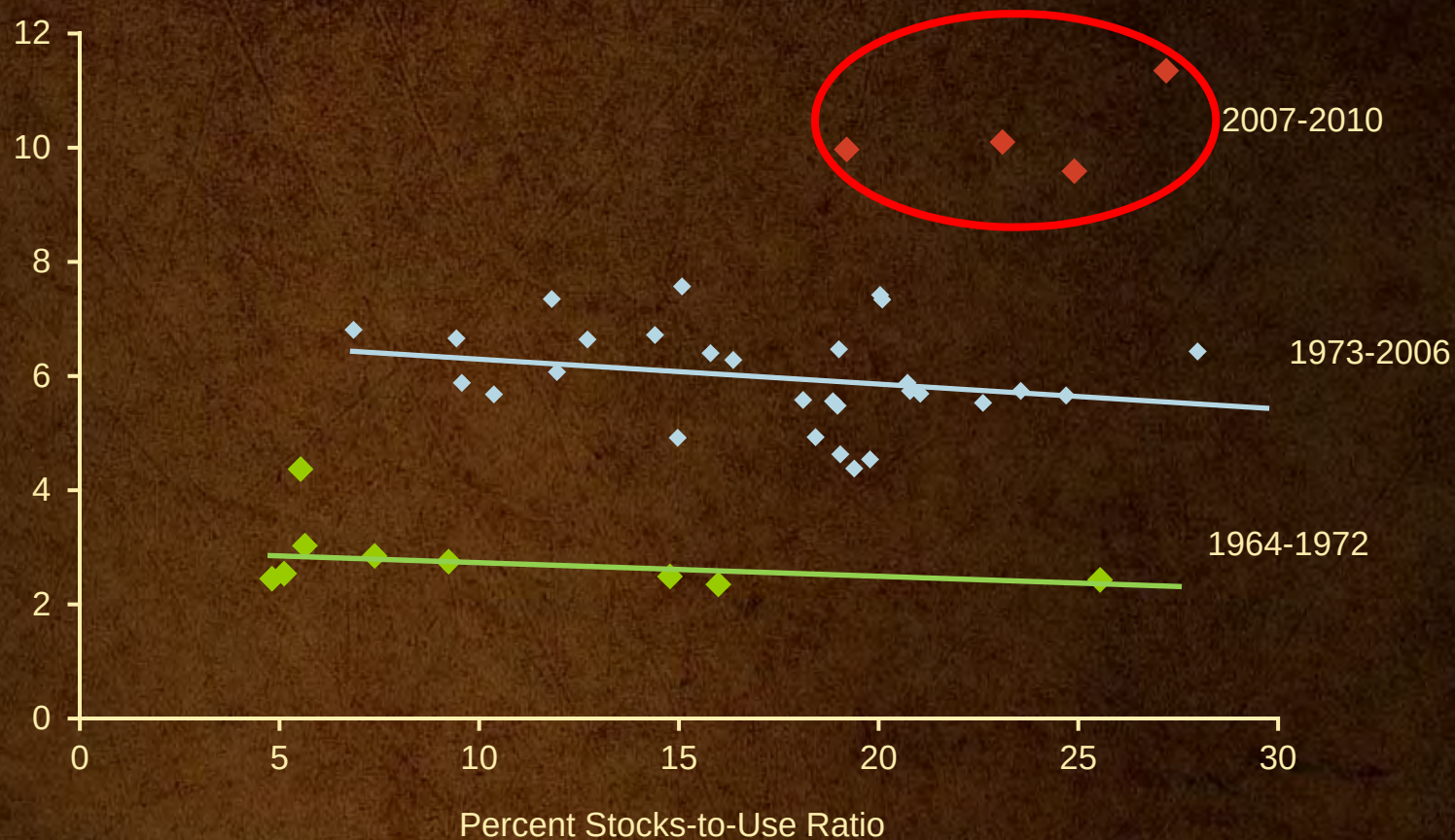


Source: USDA

Global Soybean Stocks-to-Use Ratio vs Price

Price Levels Moved Higher in the Past Four Years

US Farm Gate Price – US\$/Bu

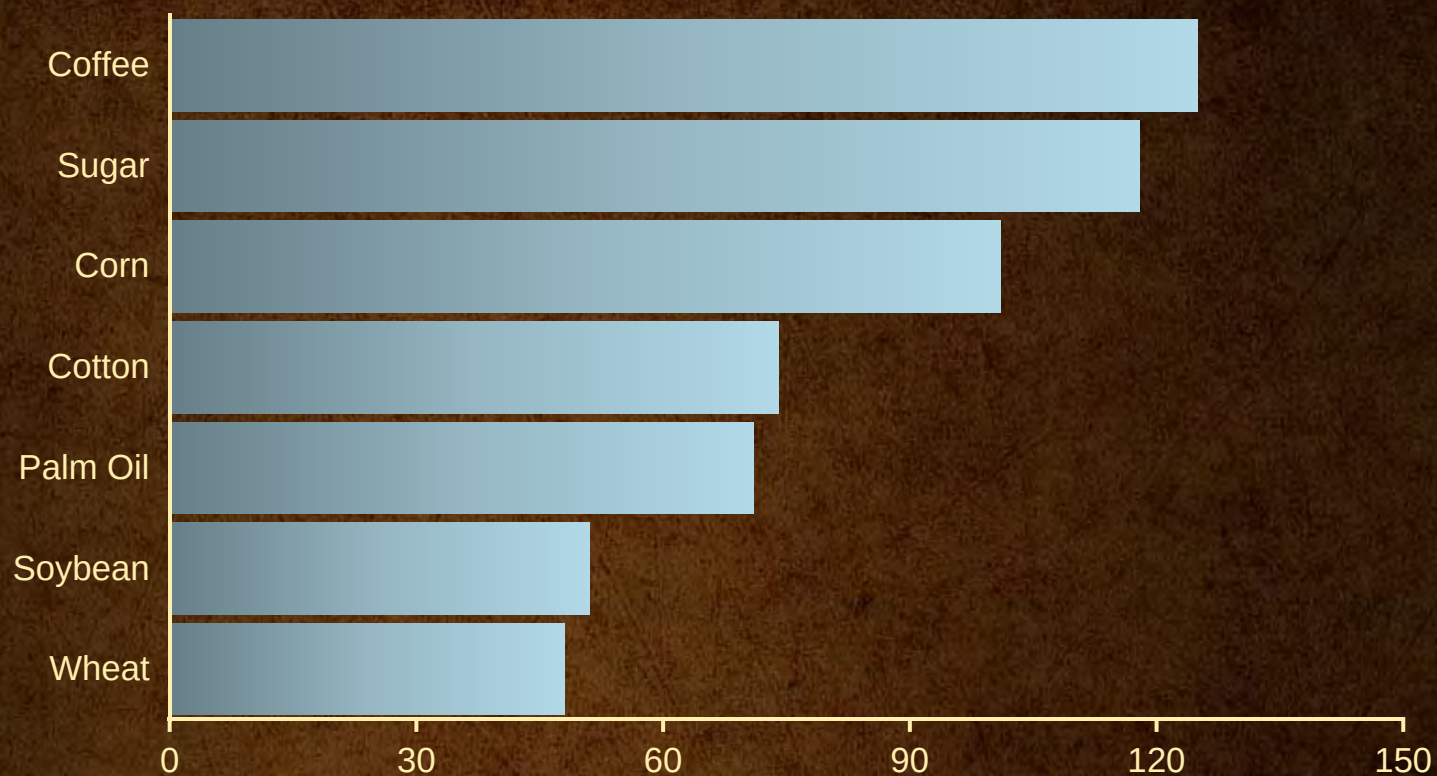


Source: USDA

Agriculture Commodity Prices

Higher Prices Reflect the Long-Term Challenge of Meeting Rising Demand for Food

October 2011 - Percentage Price Increase Compared to 2001-2010 Average



Source: World Bank

Defusing the Food Crisis – Education & Communications

- Continued education of growers



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Dr. Jin Jiyun – Inspecting Heilongjiang Corn Research Station

Defusing the Food Crisis - Infrastructure

- Continued education of growers
- Increased use of higher technology communications such as the internet and cell phones



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The internet and mobile phones provide complementary options for acquiring needed information and transmitting a recommendation

Computer via
Web
connection



*Nutrient
Manager
Web*



Mobile phone
via Web
connection



*Nutrient
Manager
Mobile-web*



Mobile phone
SMS
compatible



*Nutrient
Manager
Mobile-SMS**



*Uses Interactive Voice Response (IVR)

Nutrient Manager Mobile-SMS version uses interactive voice response (IVR)

- The user calls a toll-free number to access the software
- Once connected, a voice prompt instructs the caller to select statements describing his/her field conditions by pressing a number on the phone.
- After all statements are answered, the field-specific fertilizer guideline is sent as a text message.



NMRice: For 105-115 sacks of palay on 1 hectare in dry season: Apply 3&1/2 bags 14-14-14 w/in 14 days after transplanting (DAT), 1 bag urea at 24-28 DAT, 1 bag urea + 1&1/2 bags 17-0-17 at 35-39 DAT. For queries, call DA at 02-982-2474

Defusing the Food Crisis - Infrastructure

- Continued education of growers
- Increased use of higher technology communications such as the internet and cell phones
- Development of infrastructure to transport fertilizer to the crops and the crops to market

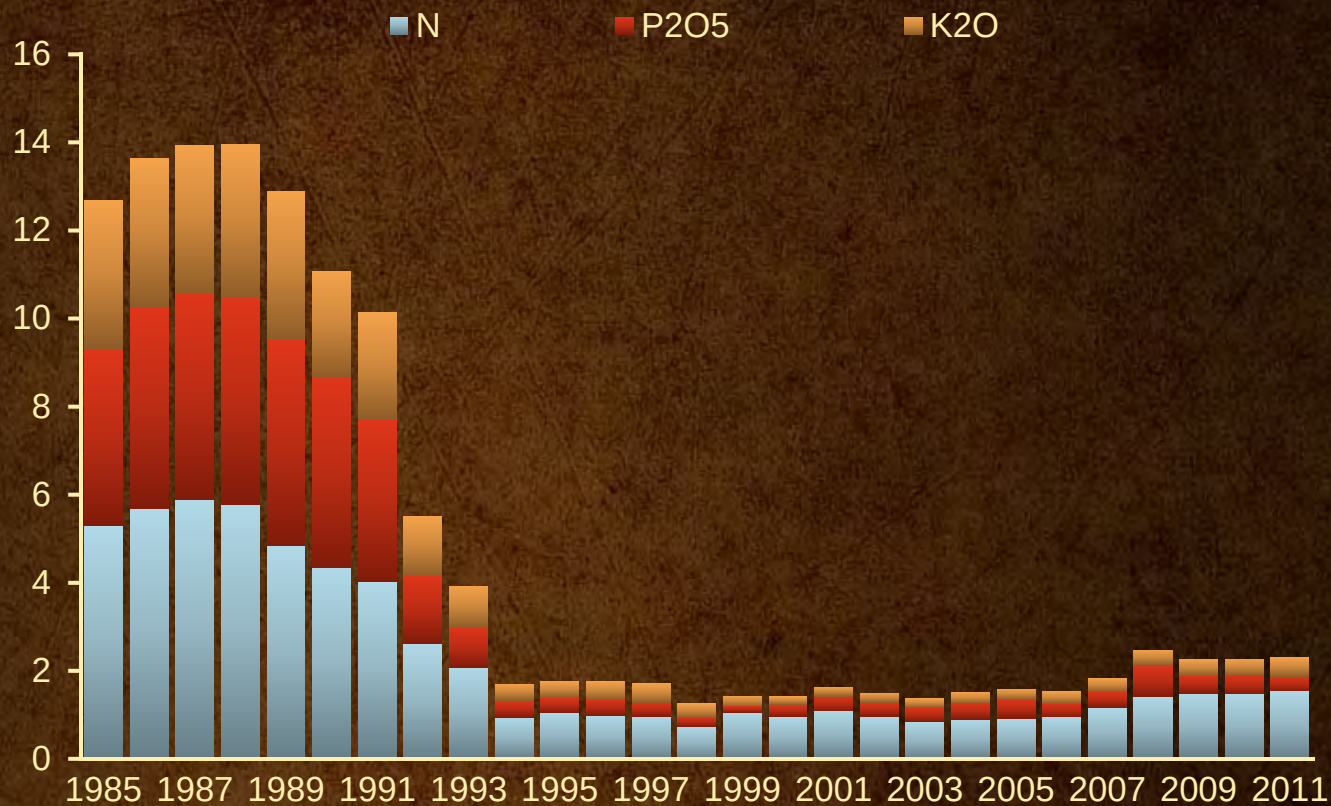


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Russia Fertilizer N, P & K Consumption

Soviet Union Economic Collapse Reduced Consumption – Recovery Is Slow

Million Tonnes



Source: Fertecon

Brazil's Cerrado

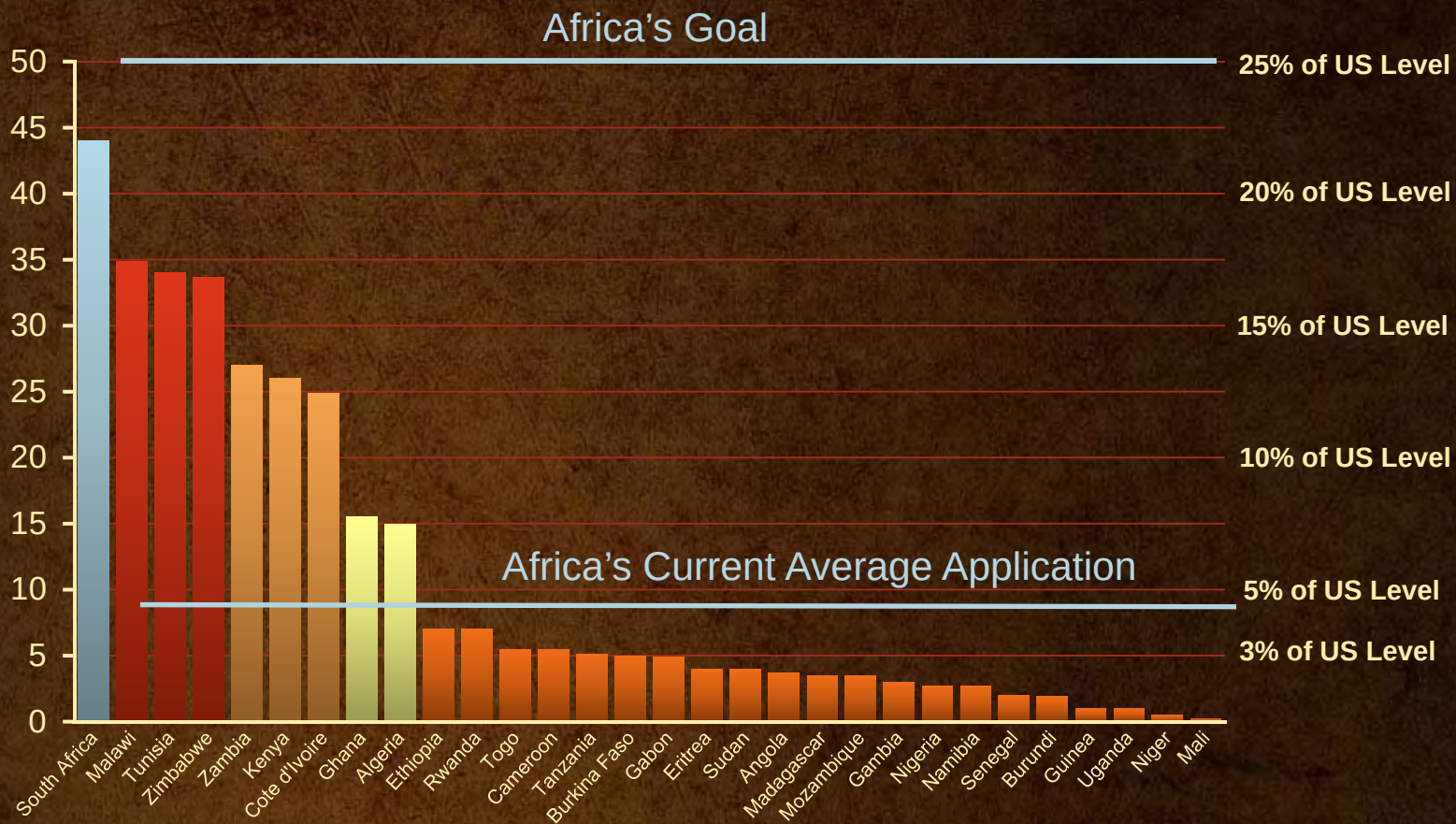


Fertilizer Use in Africa

2007

Kg/ha

US fertilizer use = 181 lbs/acre or
203 kg/ha. Africa average = 8



Source: IFDC

* Data taken from IFDC Report Volume 36, No 2, Page 17

Defusing the Food Crisis – Farm Consolidation

- Continued education of growers
- Increased use of higher technology communications such as the internet and cell phones
- Development of infrastructure to transport fertilizer to the crops and crops to market
- Continued consolidation of farms from small holdings to larger units taking advantage of economies of scale



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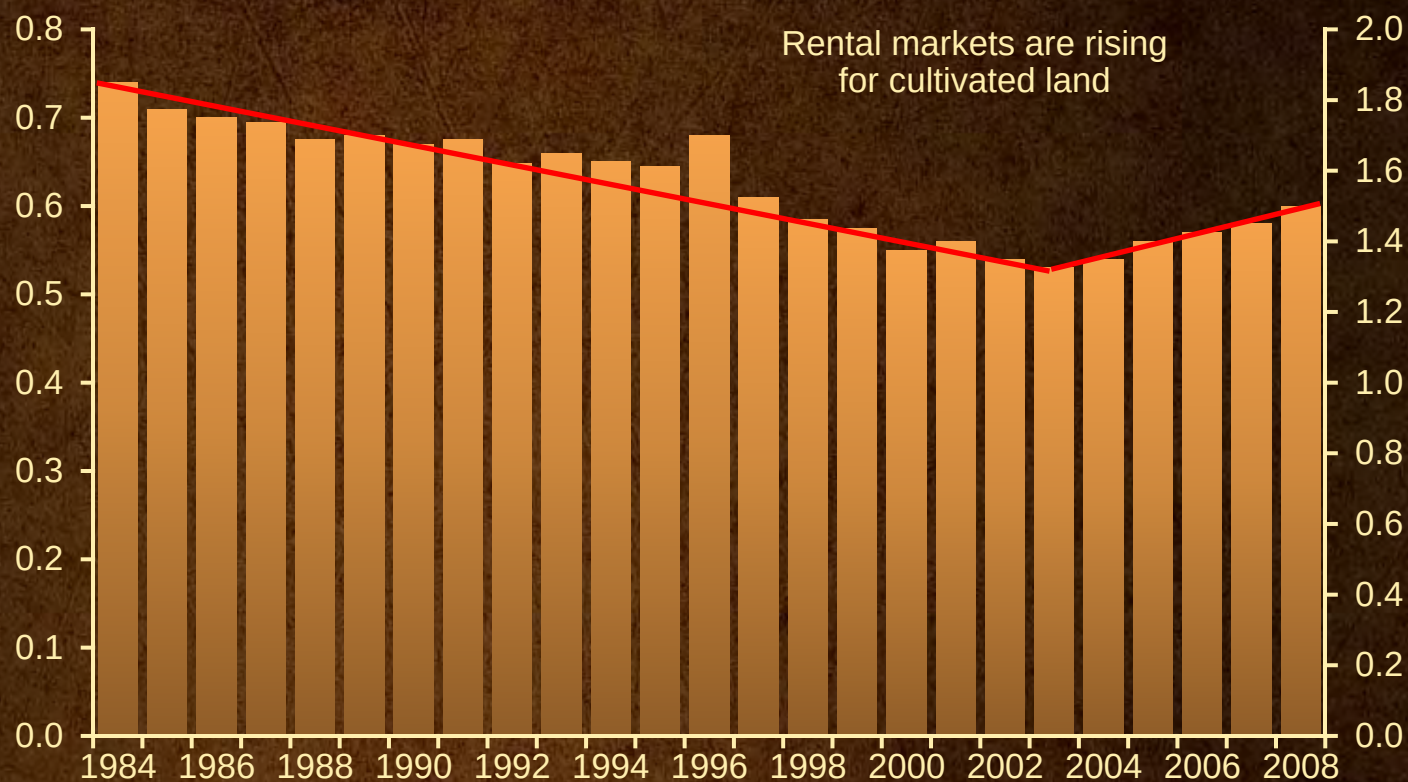
Boom in China's Apartment Building Construction

China's Average Farm Size

Policies allowing greater land flexibility have increased farm size since 2003

Hectares

Acres



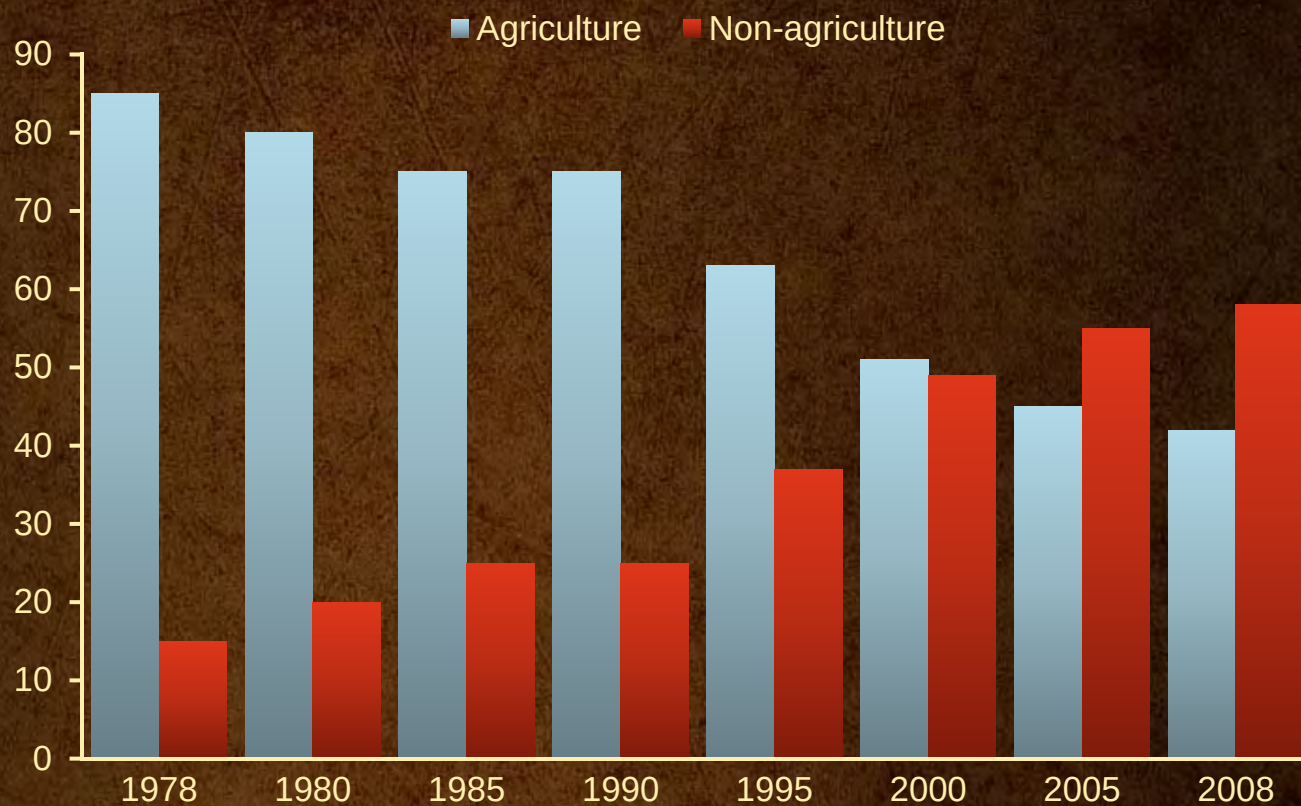
Small farms challenge labor productivity, modernization and food safety

Source: NSBC

China - Sources of Farmers' Income

Non-agricultural income now exceeds agricultural income

Percent

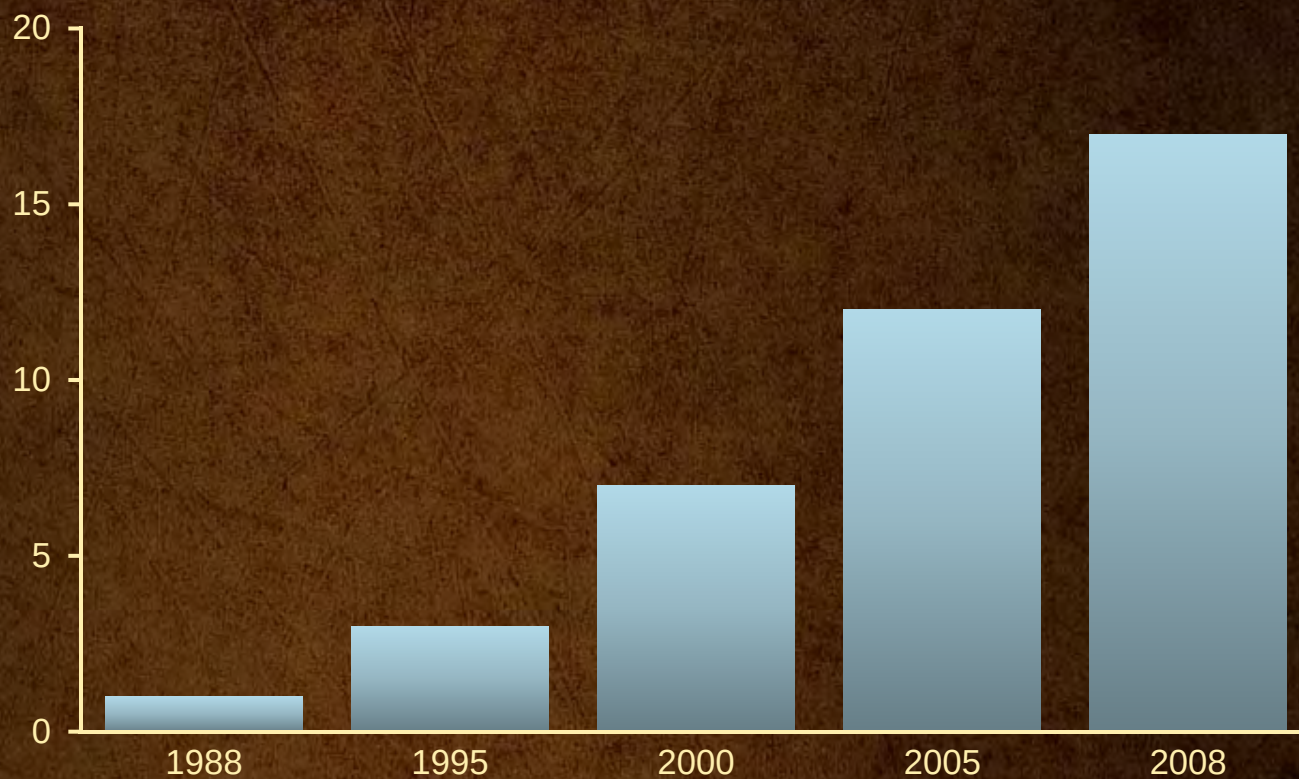


Source: Center for Chinese Agricultural Policy, Chinese Academy of Sciences

Percentage of China's Farmland Rented by Holder

Farmland rentals increase due to enhanced land tenure & rising off-farm income

Percentage rented



The percentage of land rented in developed provinces such as Zhejiang exceeds 40%

Source: Center for Chinese Agricultural Policy, Chinese Academy of Sciences



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Defusing the Food Crisis – Fertilizer Availability

- Continued education of growers and increased use of higher tech communications such as the internet and cell phones
- Development of infrastructure to transport fertilizer to the crops and crops to market
- Continued consolidation of farms from small holdings to larger units taking advantage of economies of scale
- Fertilizer availability



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Fertilizer Industry Capital Expenditures

2008-2010 \$40 Billion

2011-2015 \$80 Billion

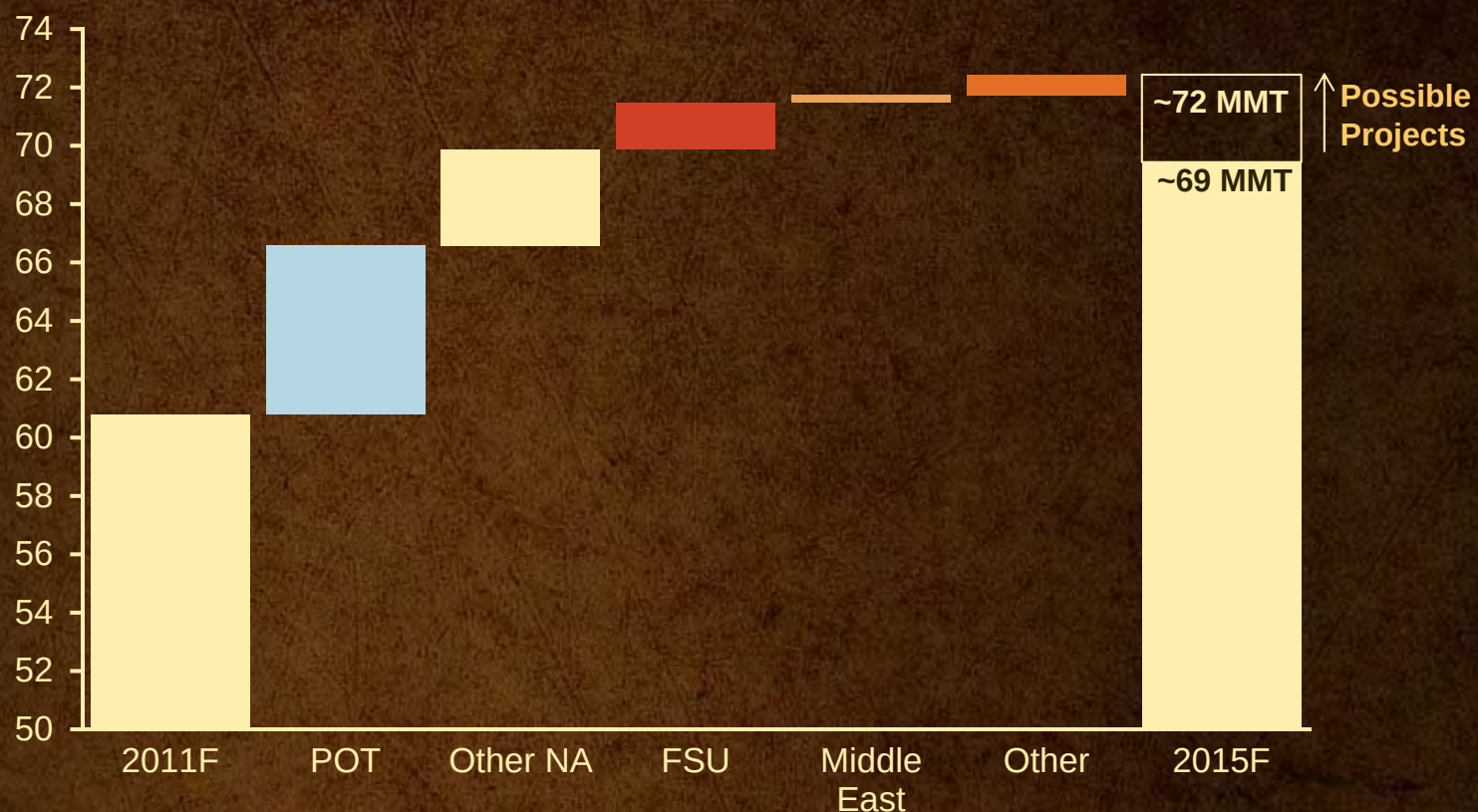


The Fertilizer Industry is Investing in the Future

Global Potash Estimated Operational Capability*

Excluding PotashCorp, Limited New Operational Capability Expected in Medium-term

Million Tonnes KCl



* Estimated annual achievable production level from existing operations; announced probable and possible projects; assuming typical ramp-up periods for new capacity. Probable and possible projects based on PotashCorp's view of project probabilities.

Source: Fertecon, Public Filings, PotashCorp

PotashCorp Expansions/Debottlenecking Projects

History of Successful Project Execution

Facility	Investment CDN\$ Billions	Standard Capacity* Expansions/ Debottlenecking
Construction Projects Completed (2005-2010)		
Rocanville	\$0.13	0.75MMT
Allan	\$0.21	0.40MMT
Lanigan	\$0.41	1.50MMT
Patience Lake	\$0.11	0.36MMT
Cory I	\$0.90	1.20MMT
Total	\$1.76	4.21MMT
Projects in Progress		
New Brunswick**	\$1.66	1.20MMT
Cory II	\$0.74	1.00MMT
Allan	\$0.55	1.00MMT
Rocanville	\$2.80	2.70MMT
Total	\$5.75	5.90MMT

* Includes, as applicable, both bringing back previously idled capacity and expansions to capacity and does not necessarily reflect current operational capability

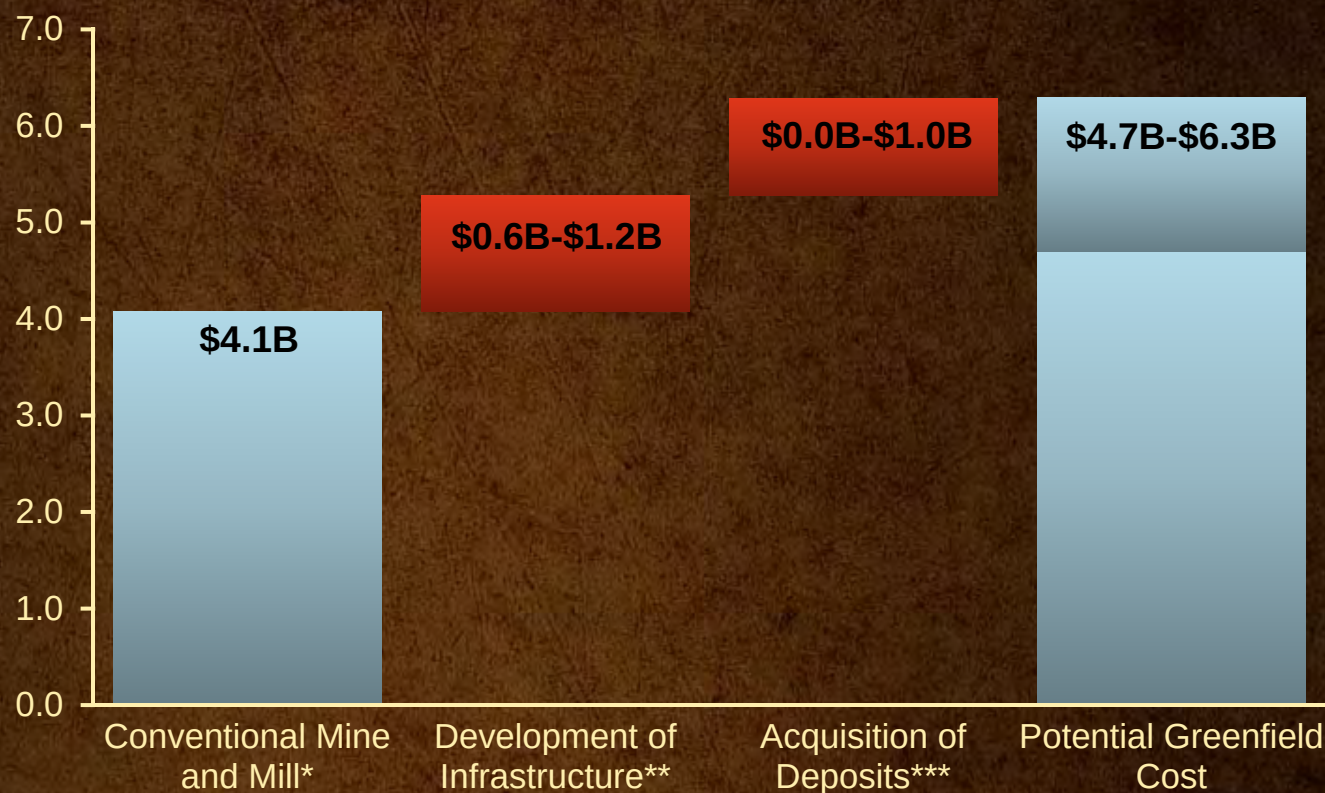
** Net capacity increase assuming closure of existing 0.8MMT mine

Source: PotashCorp

Estimated Greenfield Potash Capital Costs

Greenfield Projects Require Significant Investment

CDN\$ Billions



* Based on 2mmt per-year conventional mine in Saskatchewan; costs could vary depending on conventional vs. solution mine, depth of ore body, geographic location, and other factors.

** Dependent on geographic location, access and distance to port. Includes railcars, utility systems, port facilities, etc.

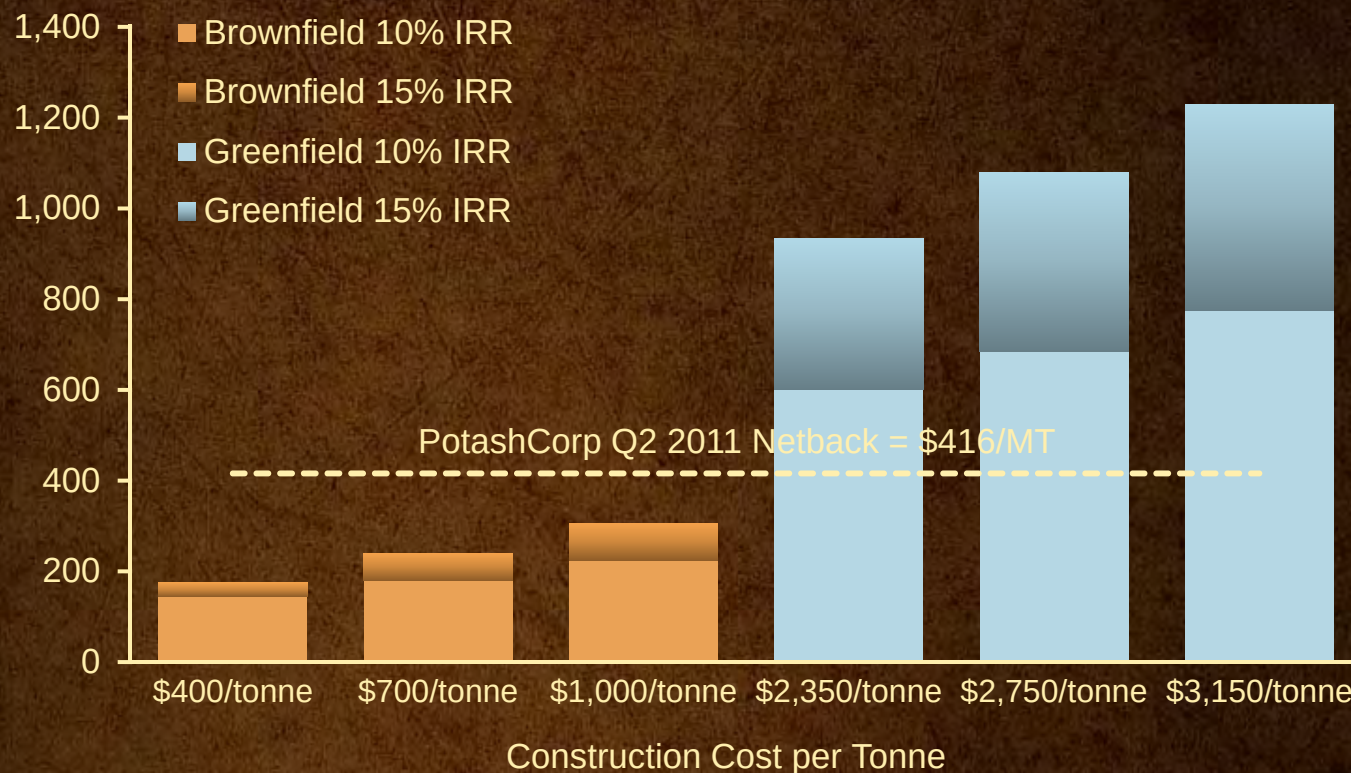
*** Based on publicly reported cost of recent purchases.

Source: AMEC, PotashCorp

Saskatchewan Brownfield and Greenfield Sensitivities

Significant Cost and Time Advantage for Brownfield Projects

US\$/tonne Netback Required (fob mine)



Assumptions:

- Brownfield: 1-million-tonne project constructed in Saskatchewan, excluding cost of infrastructure; 5-year construction and ramp-up timeline; does not include profit tax savings from immediate CAPEX deduction
- Greenfield: 2-million-tonne project constructed in Saskatchewan, plus cost of infrastructure; minimum 7-year development and ramp-up timeline; \$US/CDN at par

Source: PotashCorp

Defusing the Food Crisis – The Four Rs

- Continued education of growers and increased use of higher tech communications such as the internet and cell phones
- Development of infrastructure to transport fertilizer to the crops and crops to market
- Continued evolution of farms from small holdings to larger units taking advantage of economies of scale
- Fertilizer availability
- Production and transport of fertilizer using the four Rs



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Historical World Population Growth

Growth Is Far Exceeding Limits Proposed by Malthus

Population - Billions



Source: United Nations Medium Variant

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