



# *The Near Term Phosphate Outlook*

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# Topics and Take Aways

- Demand prospects look rock solid
- The supply/demand balance remains tight during 2007/08 based on our best estimates today
- Key swing factors point to more upside than downside risk

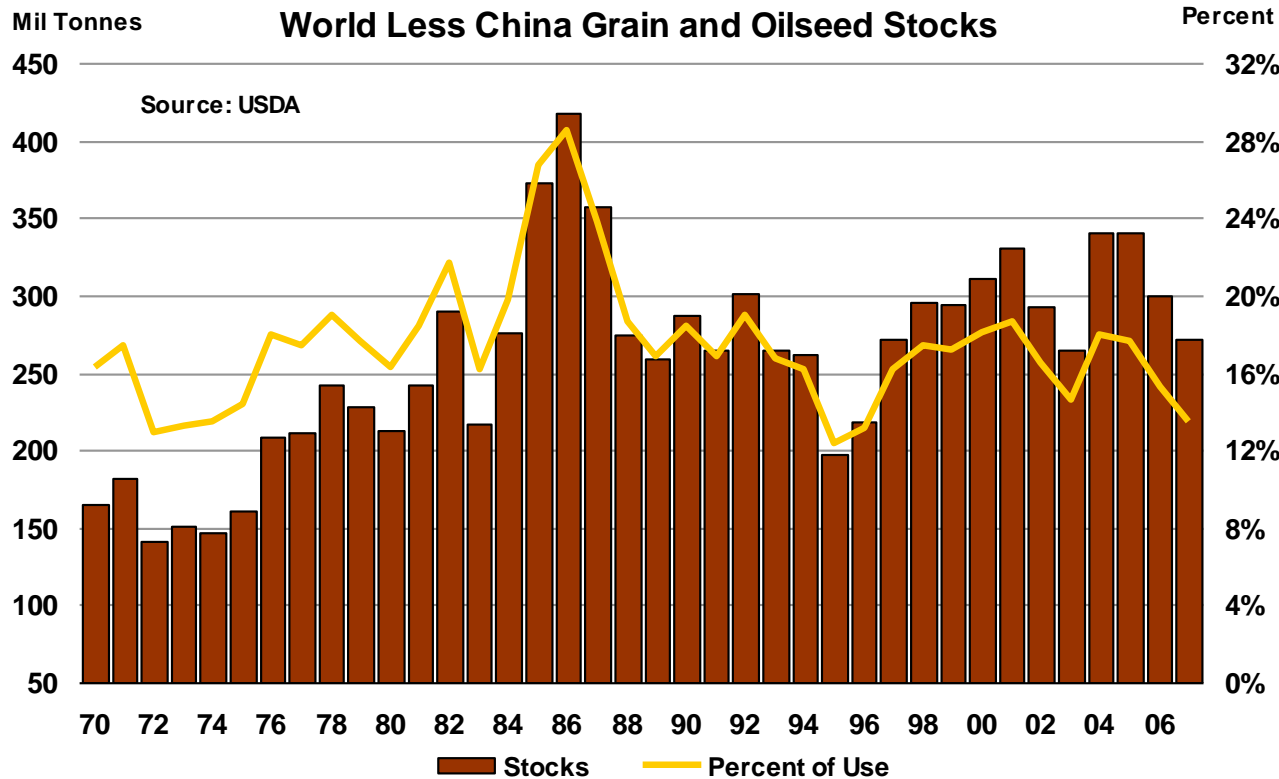


# Demand Prospects Look Rock Solid





# Global grain and oilseed stocks will fall again this year despite a record harvest



*Global grain and oilseed stocks will decline again in 2007/08 despite higher crop prices and the large increase in planted area this year.*

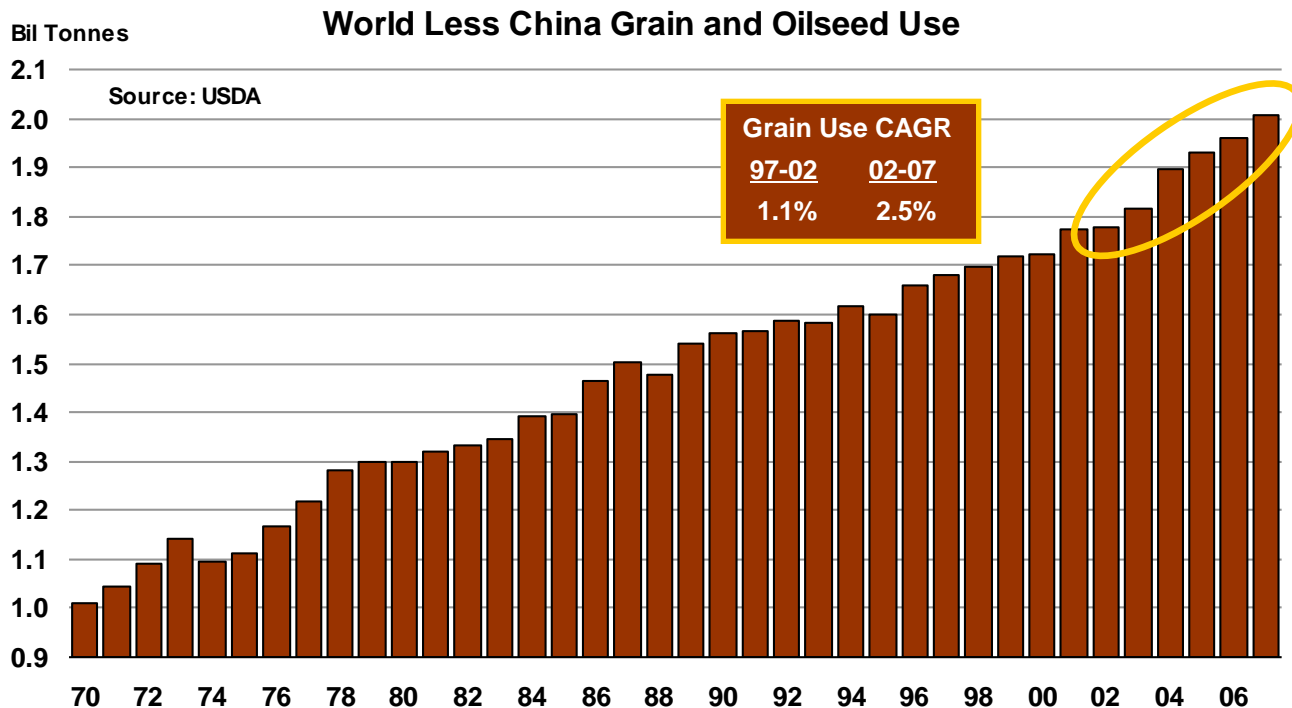
*Production is forecast to increase 4% to a record 2.02 billion tonnes in 2007, but global stocks will decline about 28 million tonnes in 2007/08.*

*Stocks as a percentage of use will drop to the fifth lowest level in recent history.*

*Note that this analysis excludes China due to the unreliability of USDA's estimates of Chinese grain and oilseed stocks.*



# Demand growth is accelerating



Note that this analysis excludes China due to the unreliability of USDA's estimates of Chinese grain and oilseed use.

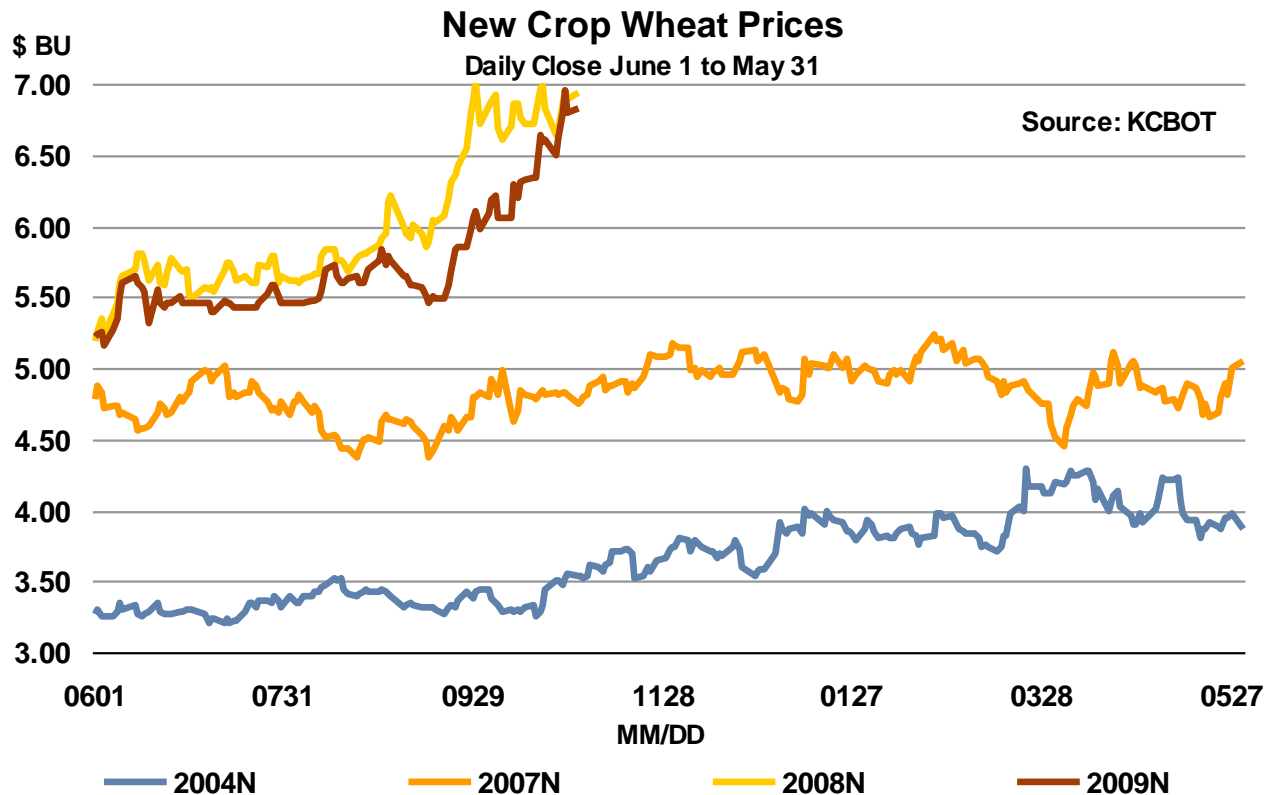
Global grain and oilseed demand growth is accelerating due to rock-solid traditional drivers for food, feed and fiber.

In addition, the exponential increase in biofuels production in the United States as well as developments elsewhere have provided an octane boost to grain and oilseed demand.

For example, grain and oilseed use outside China has grown 2.5% per year or almost 230 million tonnes since 2002. That compares to a 1.1% per year growth rate during the previous five years and a 30 year trend rate of about 1.8% per year.



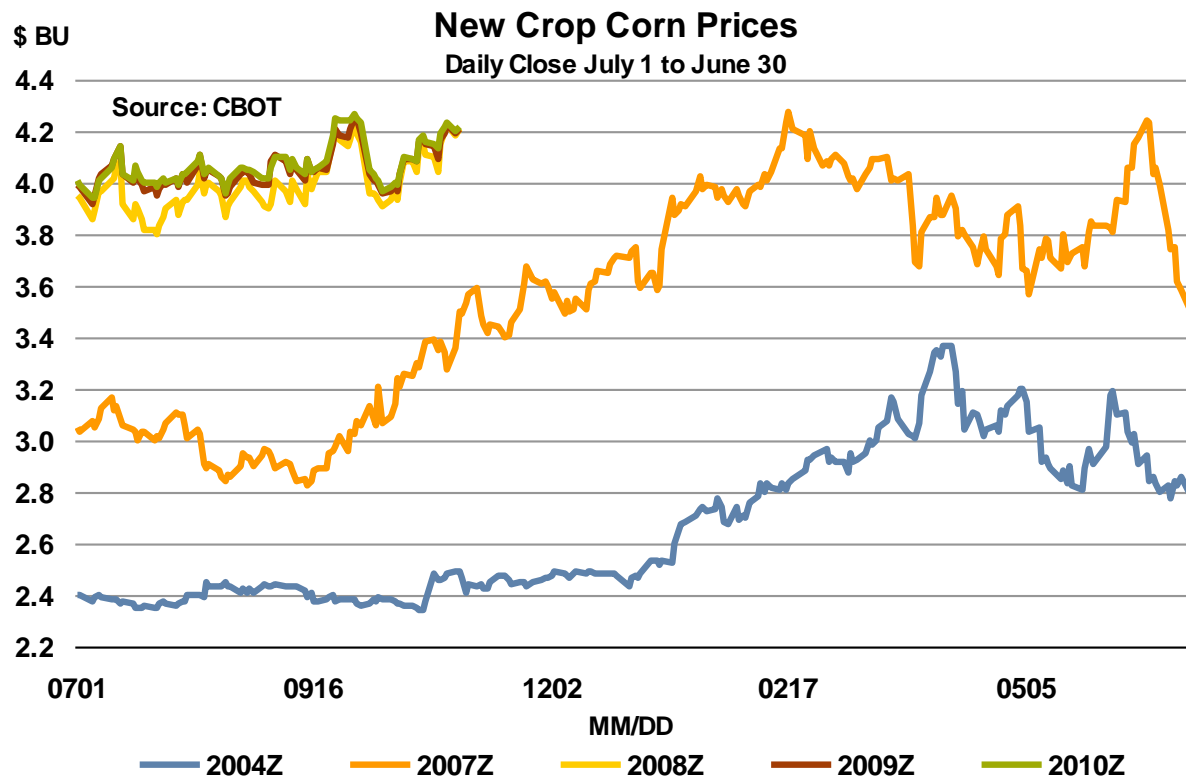
# Extraordinary new crop prices



*New crop wheat prices for the next two years have climbed to nearly \$7.00 per bushel and reflect the tight fundamentals at play in the global wheat market.*



# Extraordinary new crop prices



*New crop corn prices for the next three years have traded in the \$4.00 per bushel range since June and reflect the fundamental strength in the global corn market.*

*Farmers could have sold their 2008, 2009 and 2010 corn crops at more than \$4.20 per bushel based on the CBOT closing prices on October 31.*

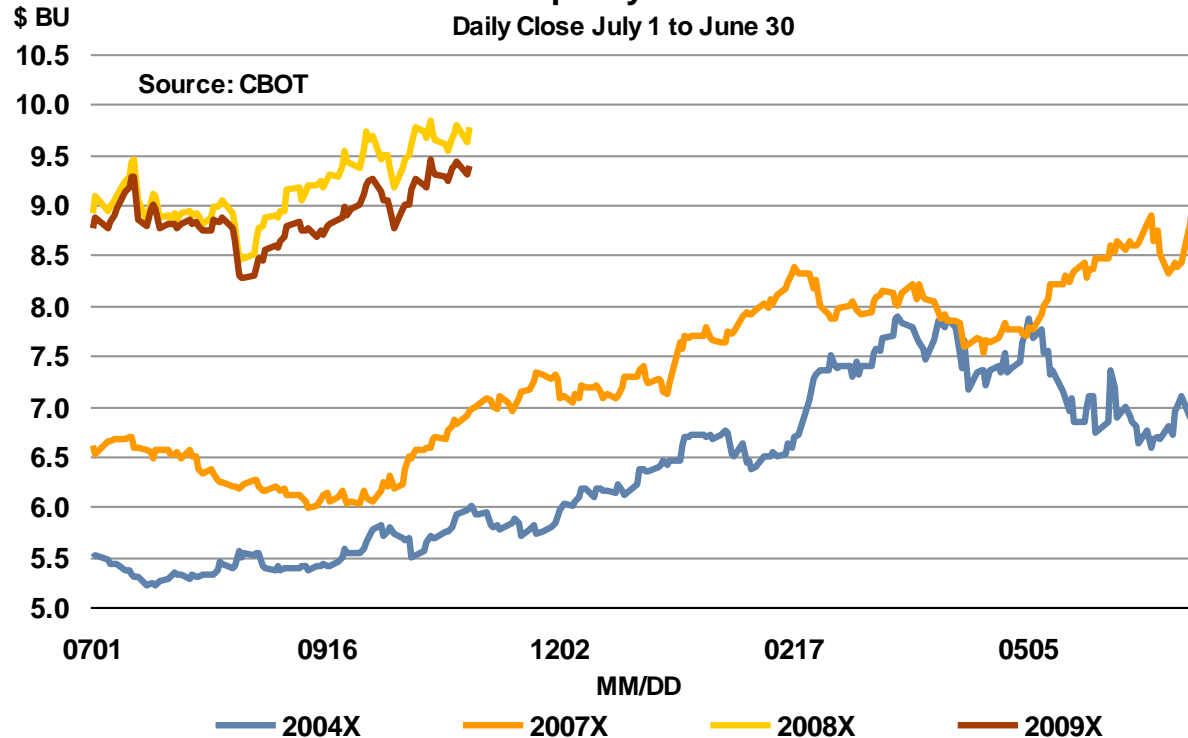




# Extraordinary new crop prices

## New Crop Soybean Prices

Daily Close July 1 to June 30



*New crop soybean prices for the next two years moved up to \$9.50 per bushel range and reflect the fundamental strength in the global oilseed market.*

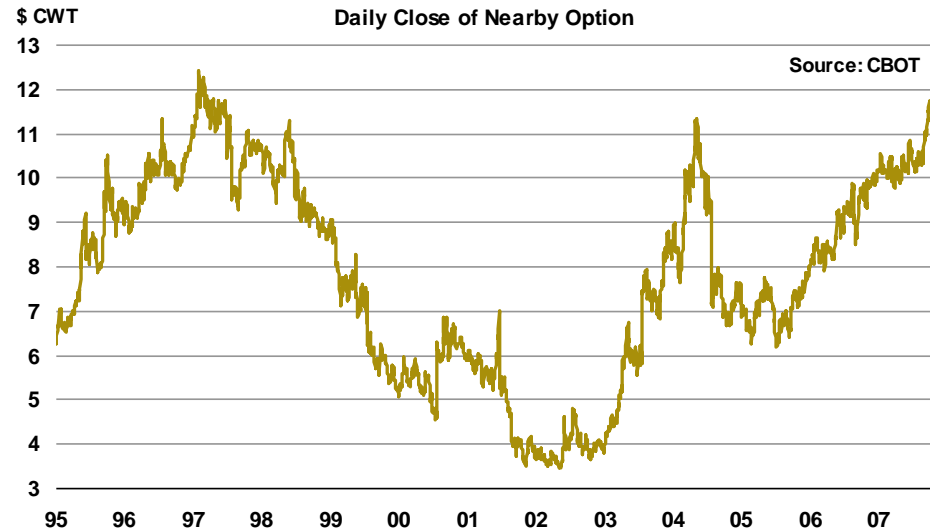
*The market will closely watch planting and crop progress in the Southern Hemisphere during the next several weeks.*



# More than corn, wheat and soybeans

**Rice Future Prices**  
Daily Close of Nearby Option

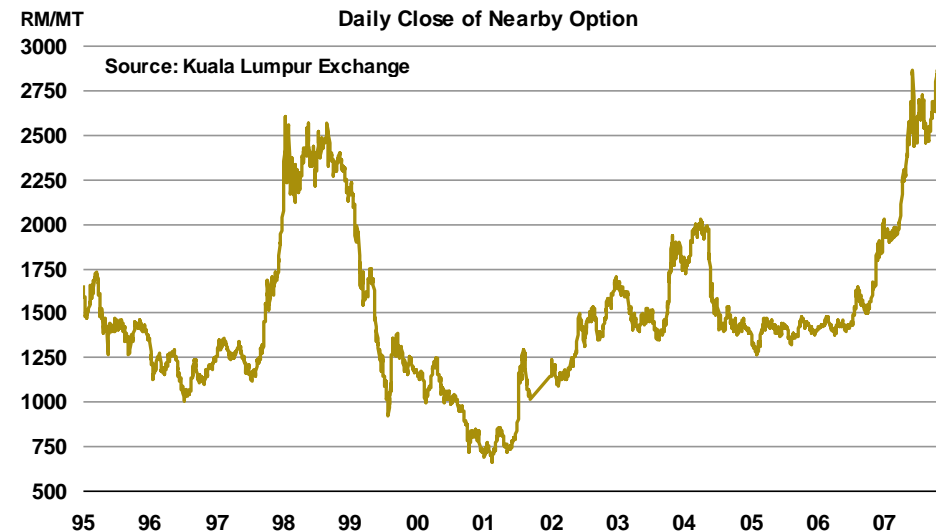
Source: CBOT



*The price of rice climbed to a 10-year high in October.*

**Palm Oil Future Prices**  
Daily Close of Nearby Option

Source: Kuala Lumpur Exchange



*Palm oil traded at an all-time high during the last week in October.*

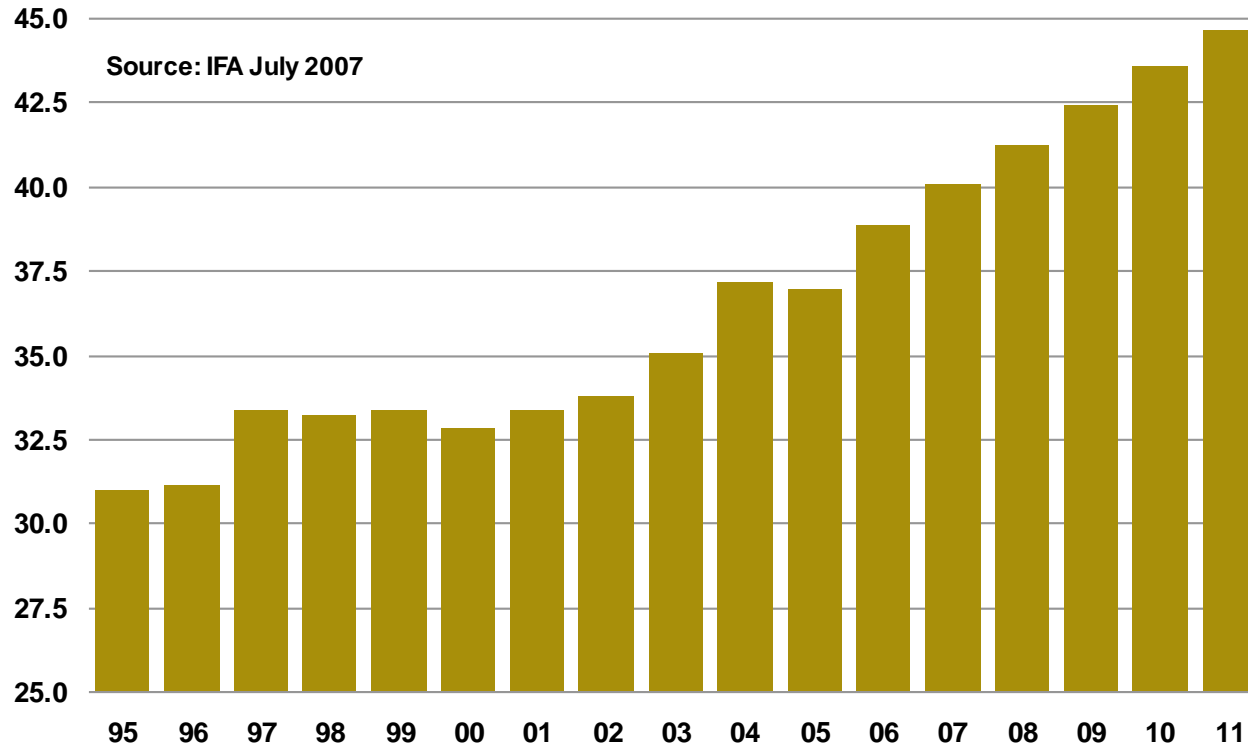


# Optimistic global demand forecasts

Mil Tonnes  $P_2O_5$

## World Phosphate Use

Source: IFA July 2007

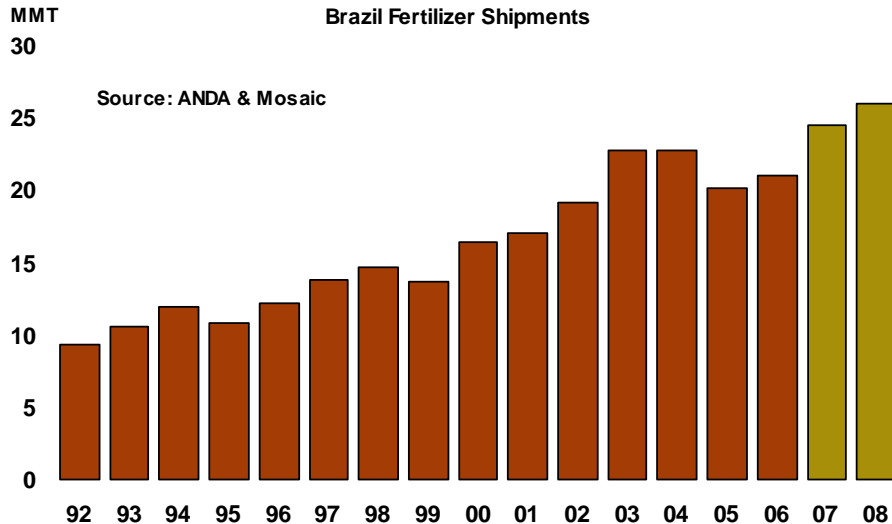


*IFA estimates that global phosphate use increased 5.2% or more than 1.9 million tonnes  $P_2O_5$  in 2006/07.*

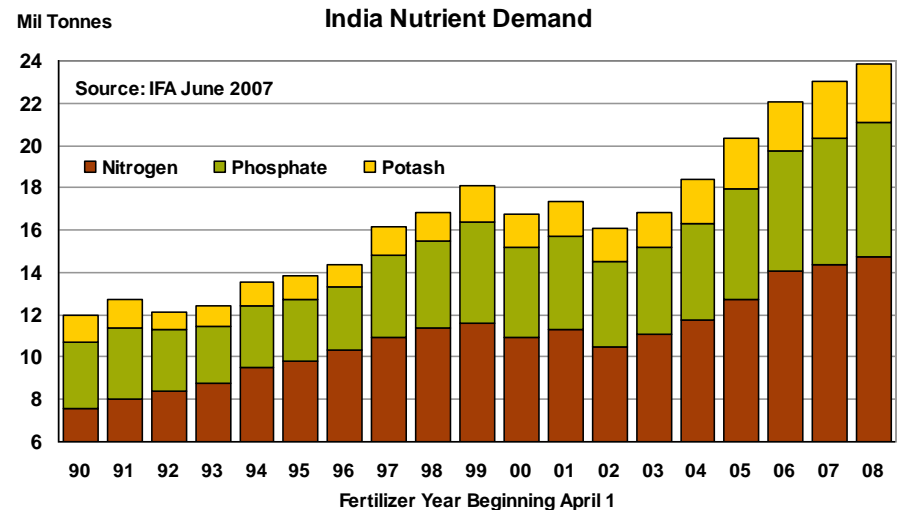
*Demand is forecast to increase another 3% or 1.2 million tonnes to just more than 40 million tonnes  $P_2O_5$  in 2007/08, the first time global demand has crossed the 40 million tonne mark.*



# Strong demand growth in Brazil and India



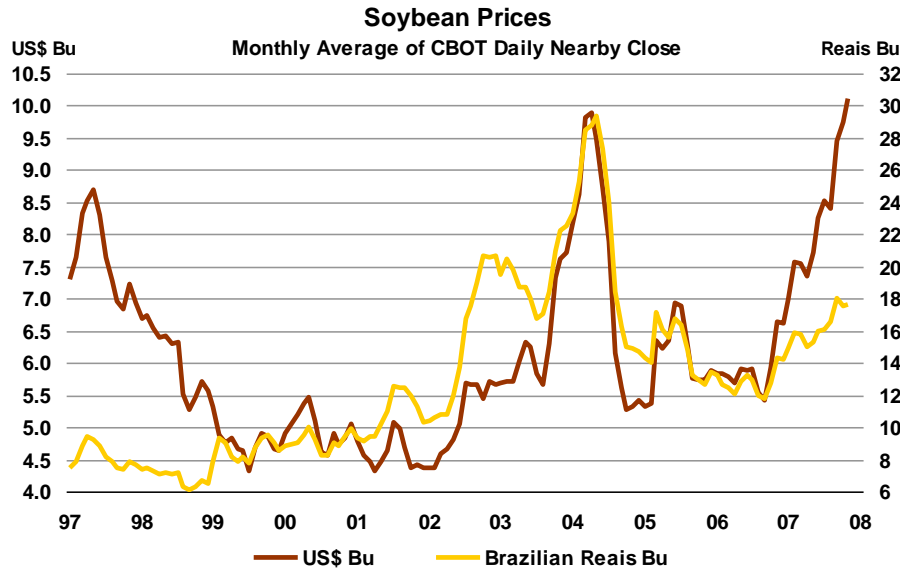
*Brazil is back. Total fertilizer shipments are projected to increase to a record 24.5 million tonnes in 2007, eclipsing the previous record by more than 1.5 million tonnes. Shipments are forecast to grow to 26 million tonnes in 2008. Supply availability could limit growth.*



*Farm economics in India are as strong, if not stronger, than any other market in the world. Retail prices of urea, DAP and MOP are roughly \$120, \$230 and \$110 per tonne, respectively. Not surprisingly, Indian nutrient use has increased more than 40% or almost seven million tonnes during the last five years.*

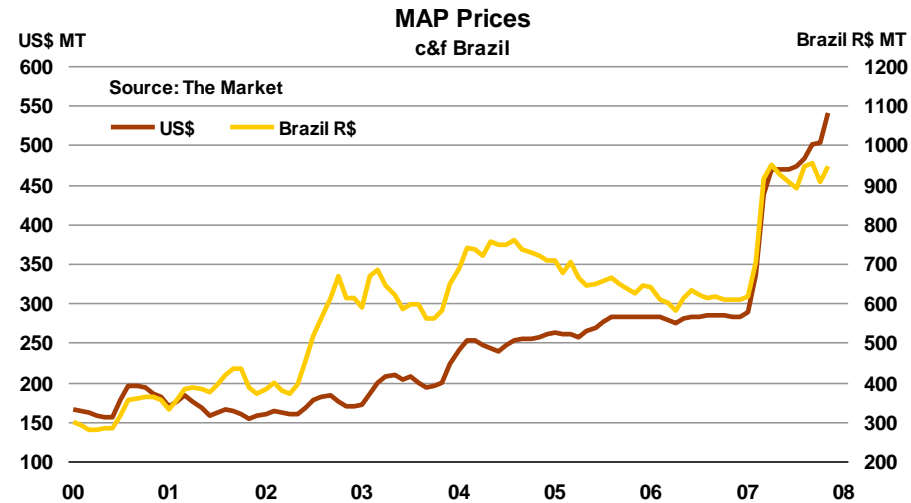


# Impact of the weak dollar



A stronger real has offset part of the increase in soybean prices. The real price of soybeans peaked in early 2004 at just less than R30 per bushel. In round numbers, that was the result of \$10 per bushel soybeans and an exchange rate of R3 per US\$. Today, soybean prices are roughly \$10 per bushel, but the real has strengthened to less than R1.8 per US\$.

A key question is whether a CBOT price of \$10 per bushel or R18 per bushel is sufficient to incent Brazilian farmers to grow a soybean crop as large as the market wants this year.

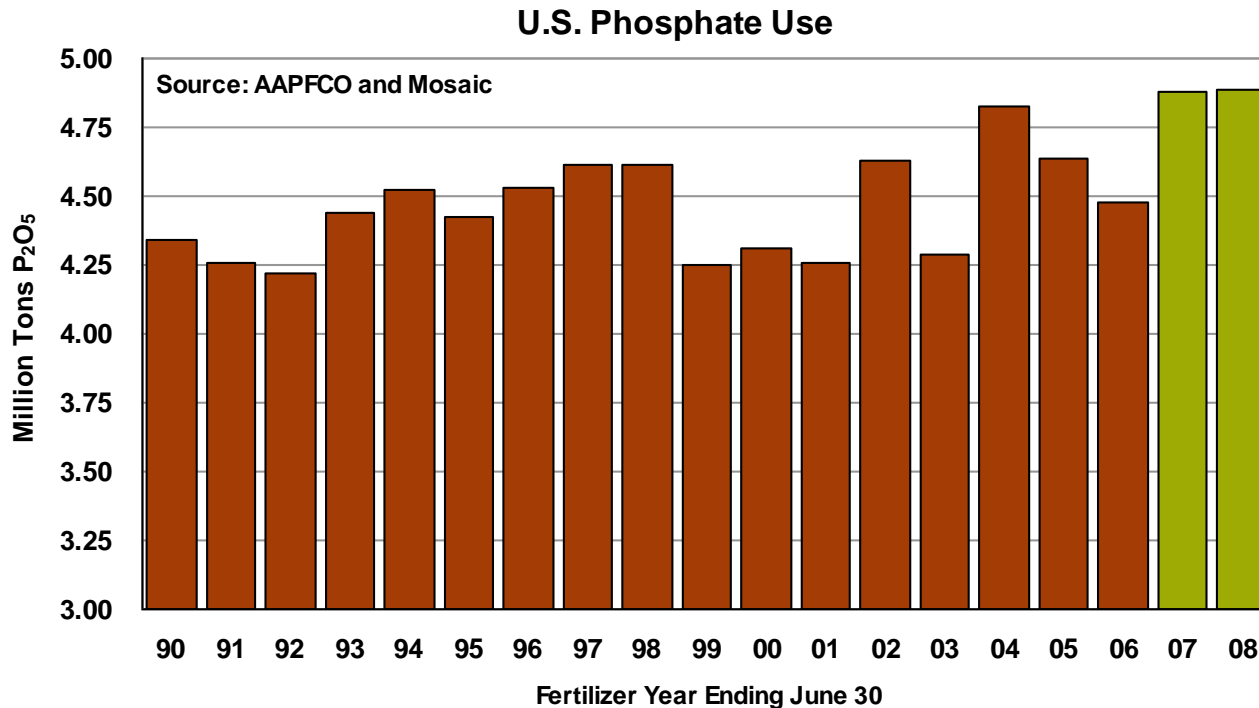


A stronger real, however, has cushioned some of the increases in phosphate prices. For example, the c&f price of MAP peaked at R757 per tonne in August 2004. That was the result of a MAP c&f price of \$252 per tonne and an exchange rate of R3.0 per US\$. Today the c&f price of MAP is in the R950 per tonne range or up about 25% from the peak in 2004. The c&f price of MAP has more than doubled, but part of the increase was offset by the strengthening of the real.





# High and stable U.S. phosphate use this year



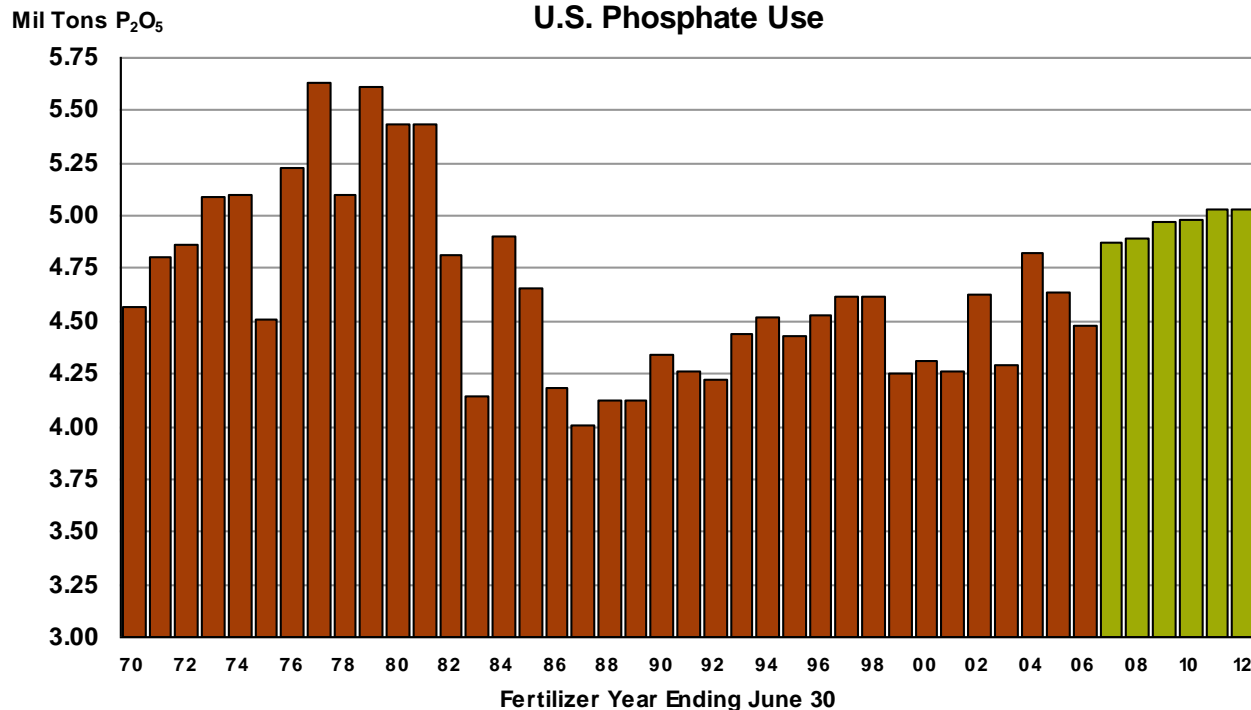
*We estimate that U.S. phosphate use increased about 9% in 2006/07 due to the large increase in corn acreage and a recovery in application rates.*

*U.S. demand is forecast to stay flat in 2007/08 due to a switch in acreage from corn to soybeans and wheat and stable to slightly higher application rates.*

*This forecasts assumes U.S. farmers will plant 88 million acres of corn, 65 million acres of all wheat and 69 million acres of soybeans.*



# Slight upward trend in U.S. phosphate use



*Small increases in acreage coupled with further increases in application rates are projected to drive up U.S. phosphate use to the 5 million ton range by 2011/12. Demand is expected to remain relatively stable at this high level due to the large amount of corn used for ethanol production.*

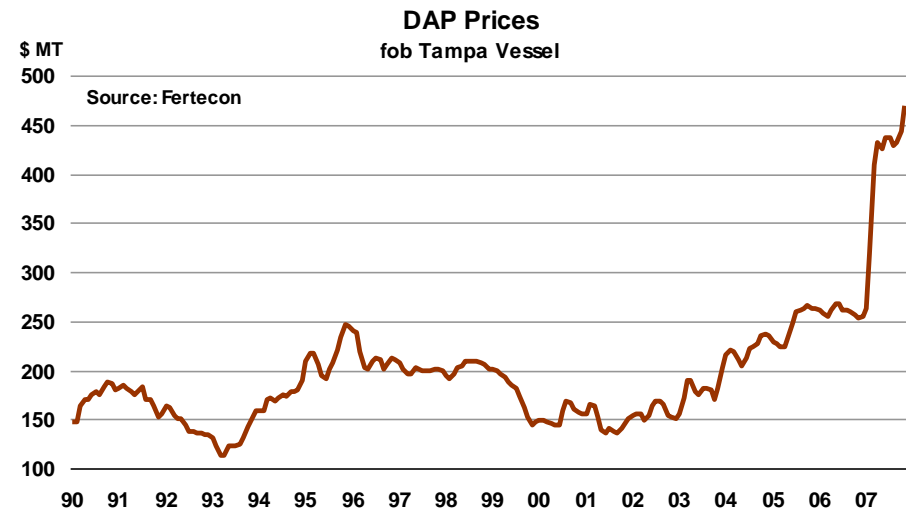
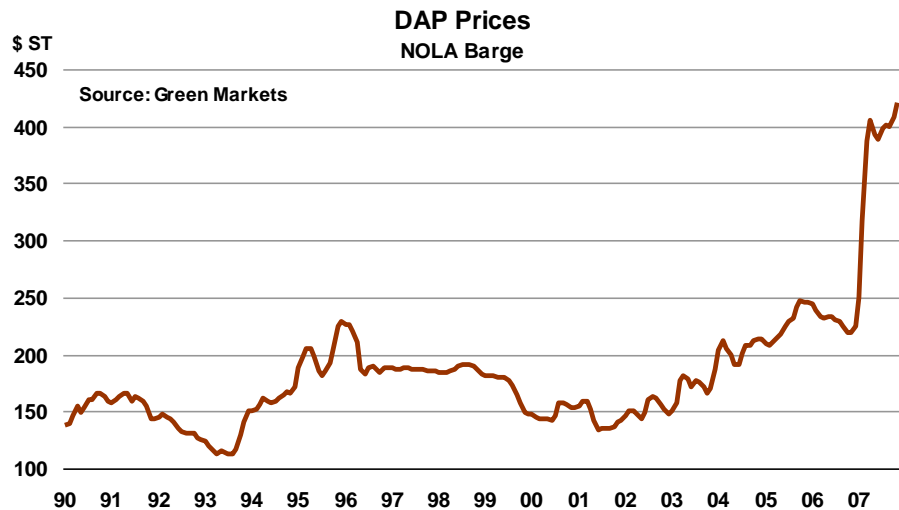
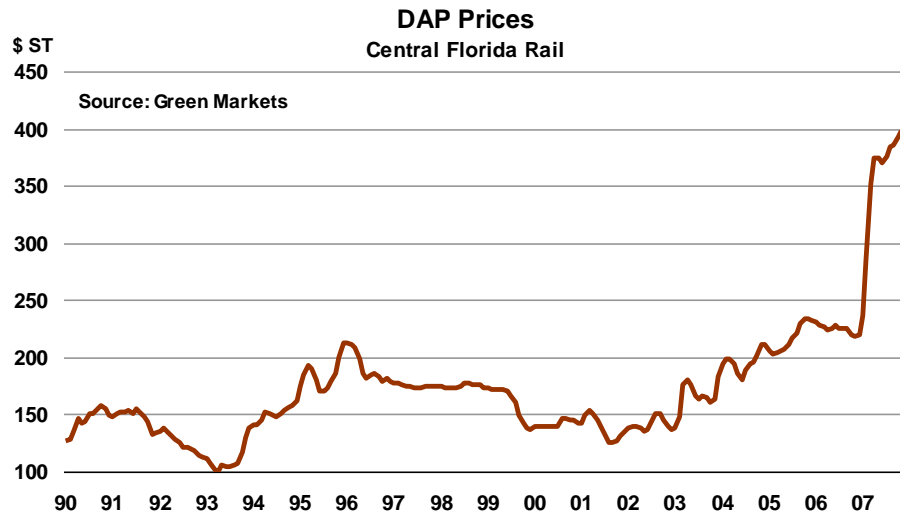




The supply/demand balance remains tight during 2007/08 based on our best estimates today



# Phosphate prices have climbed to record high levels this year



# Strong global import demand prospects

MMT World Less China Processed Phosphate Import Demand by Region

24

21

18

15

12

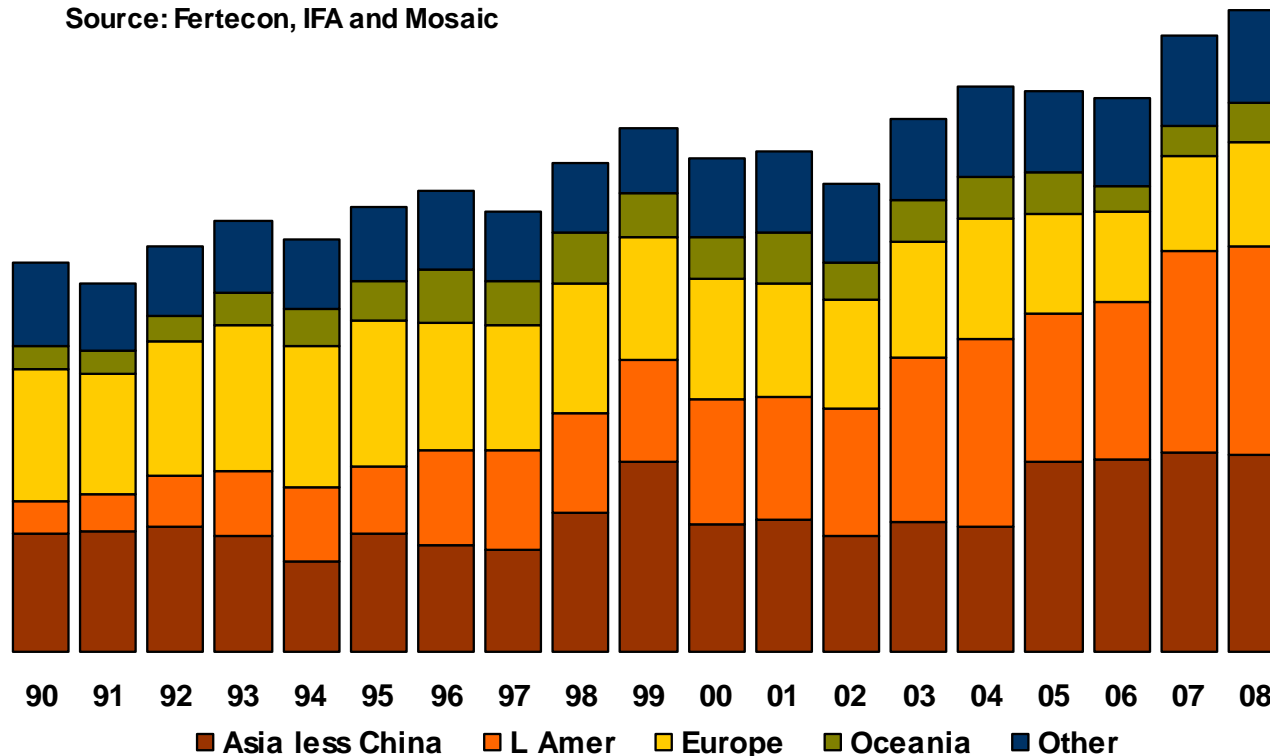
9

6

3

0

Source: Fertecon, IFA and Mosaic



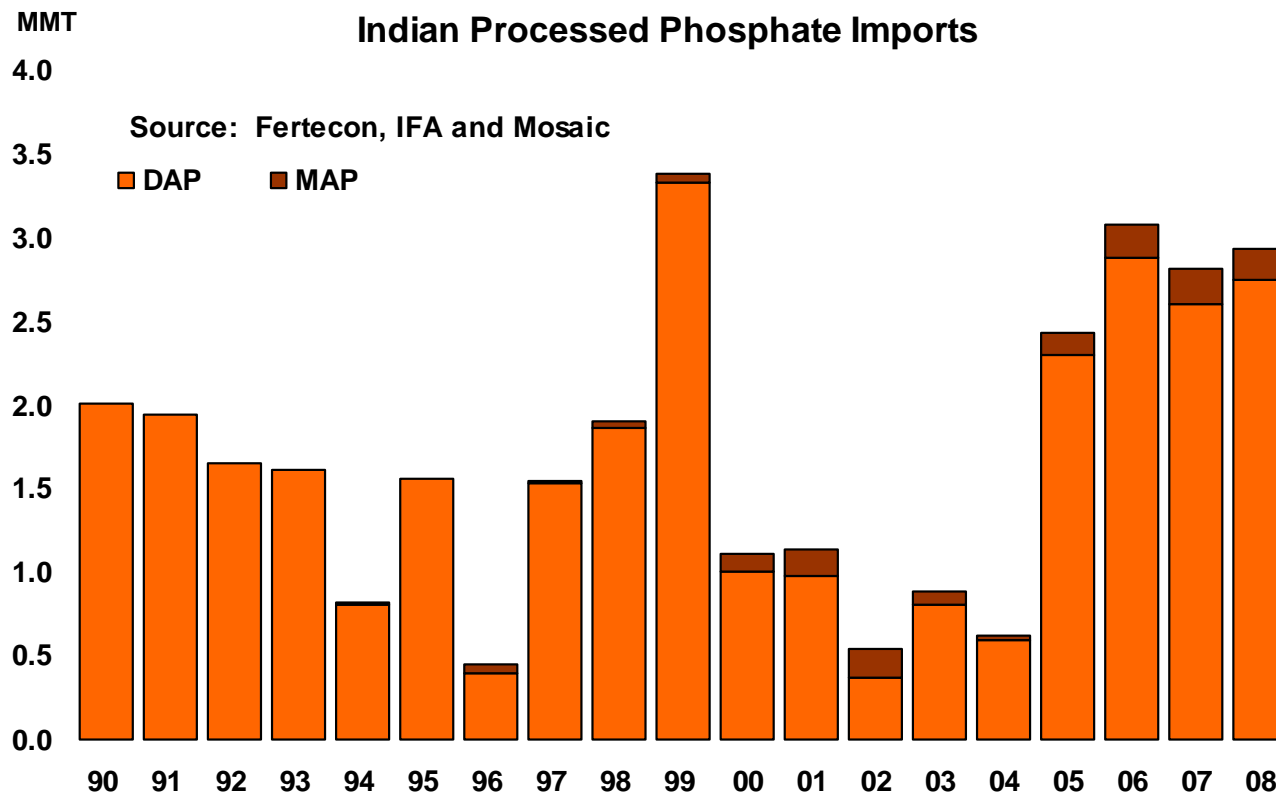
*We estimate that processed phosphate (DAP/MAP/TSP) import demand outside of China will increase 12% or 2.2 million tonnes in 2007.*

*Import demand is projected to increase another 4% or 850,000 tonnes in 2008.*





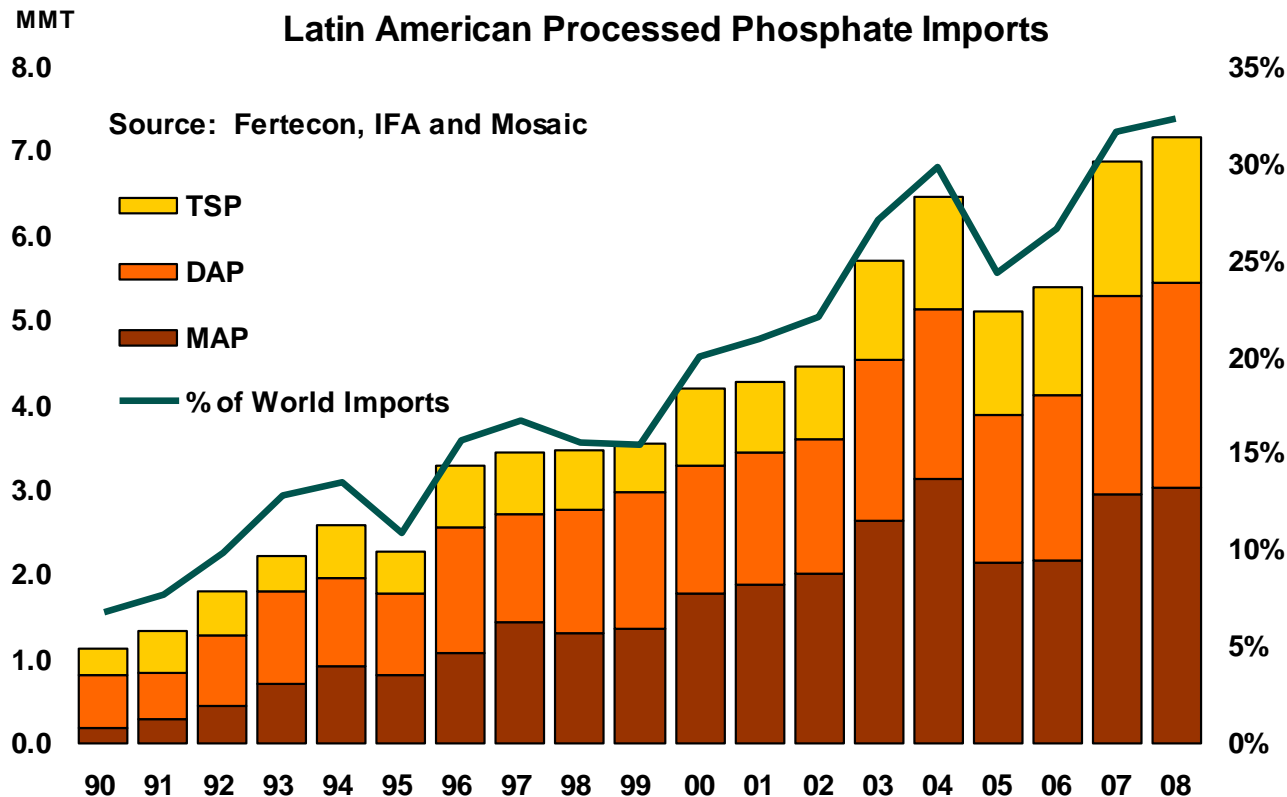
# Indian import demand remains at high levels



*DAP imports are forecast to decline slightly to 2.6 million tonnes in 2007 and then increase to about 2.8 million tonnes in 2008.*



# Latin America imports are projected to increase 28% in 2007



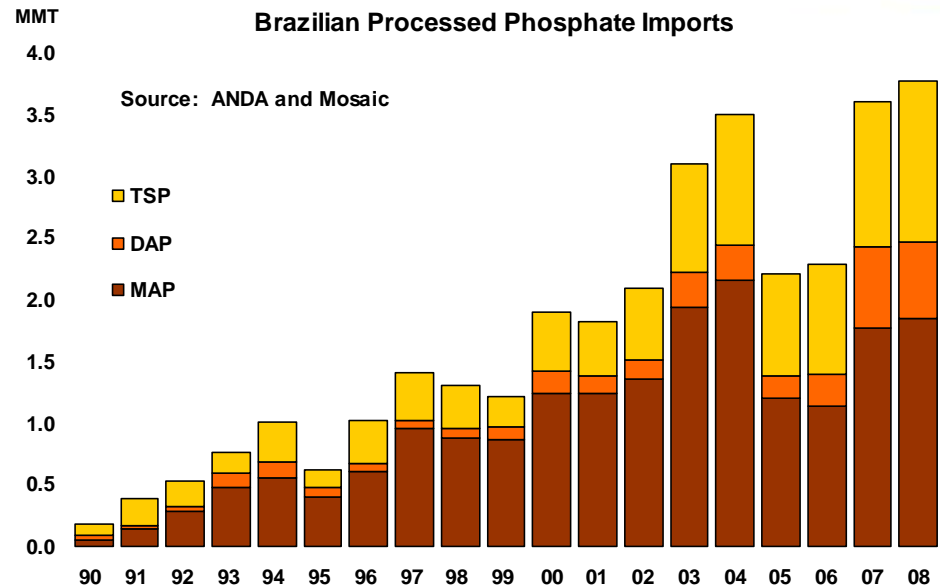
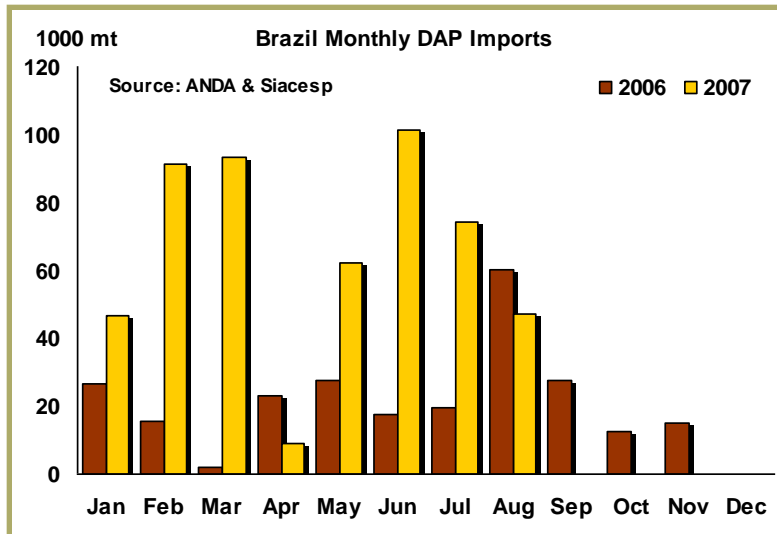
*Total processed phosphate import demand from Latin America is forecast to increase 28% or almost 1.5 million tonnes in 2007.*

*Brazil will account for the bulk of the increase this year, but demand in Argentina and most Central American countries remains strong in the face of record high phosphate prices.*

*Import demand is projected to increase another 4% in 2008.*



# Brazilian imports are forecast to increase 58% in 2007

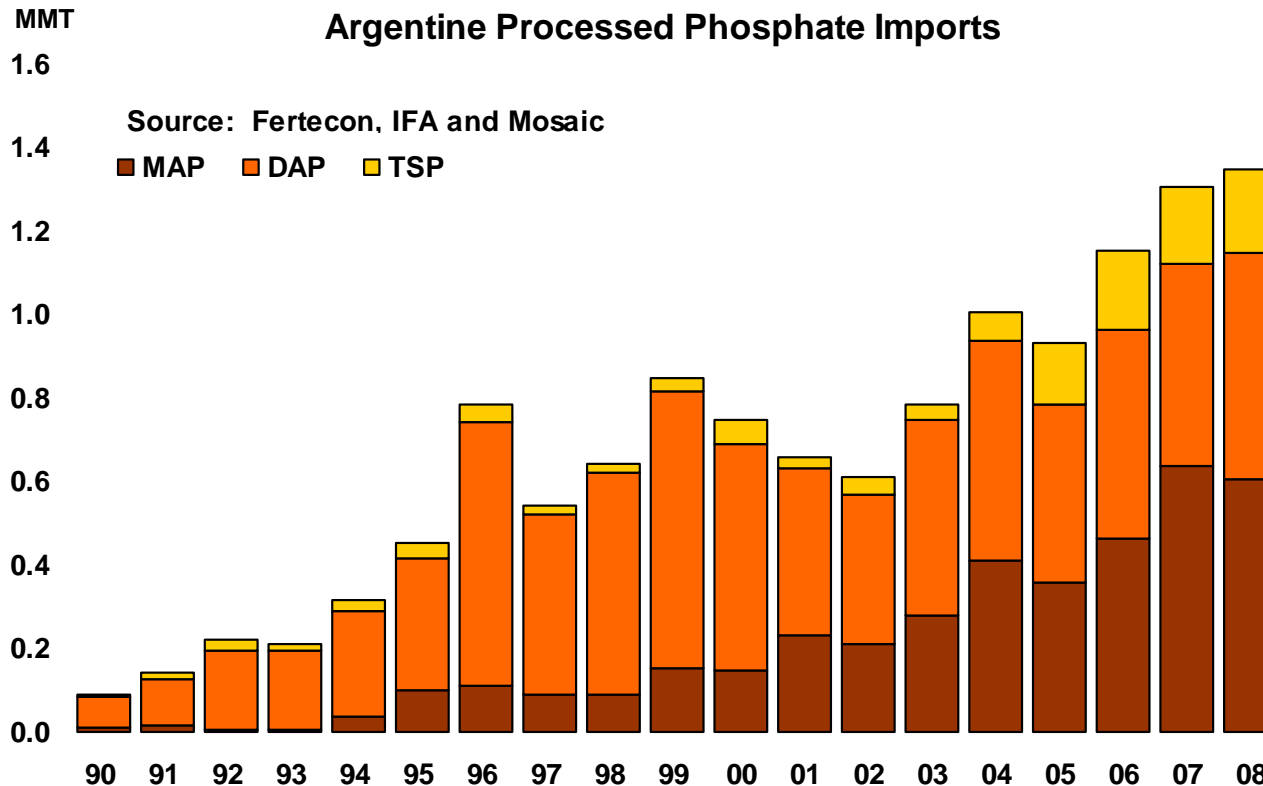


*Brazilian imports are expected to increase 58% or 1.3 million tonnes to 3.6 million tonnes in 2007. That eclipses the previous peak of 3.5 million tonnes in 2004.*

*DAP and MAP imports were up 174% and 52% respectively so far this year. Imports are projected to increase another 5% or 170,000 tonnes in 2008.*



# Argentine imports are projected to increase another 13% in 2007

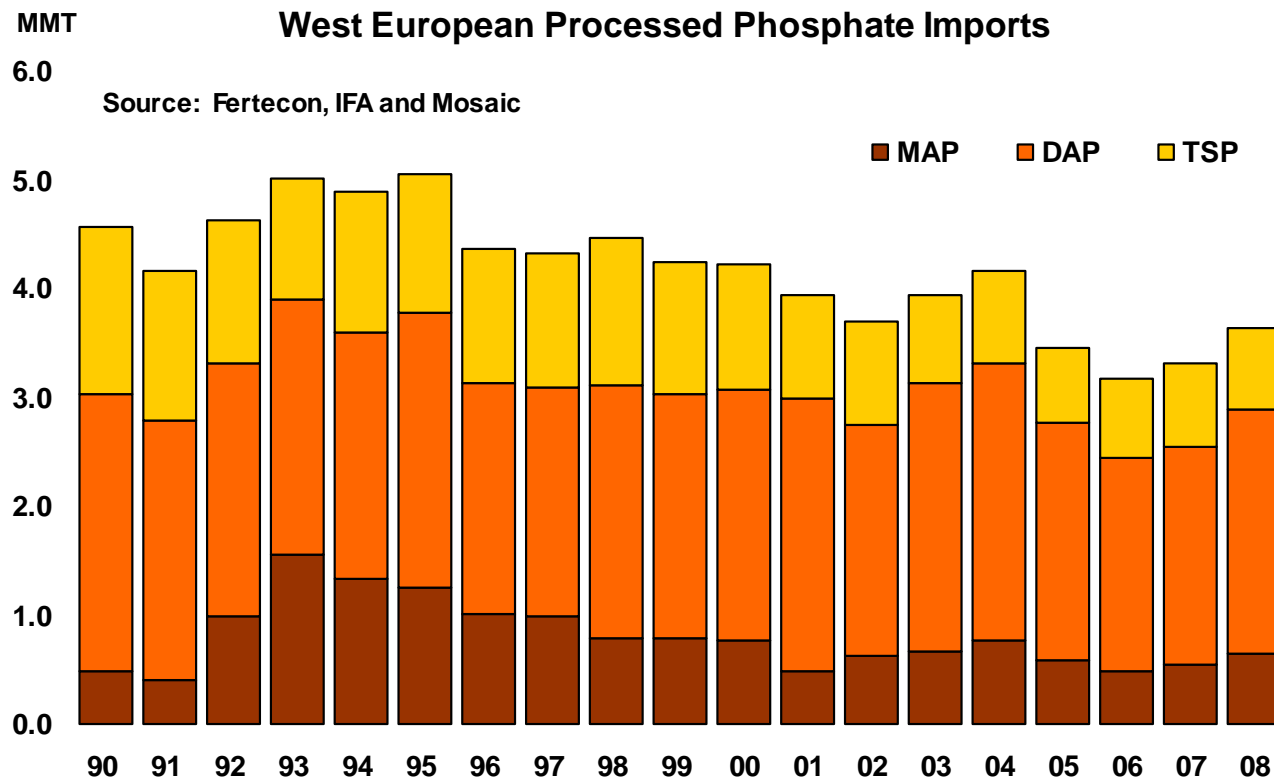


*Total processed phosphate import demand from Argentina is forecast to increase 13% or 150,000 tonnes to 1.3 million tonnes in 2007.*

*Total imports are projected to increase another 3% or 40,000 tonnes in 2008.*



# Western European imports are projected to increase about 320,000 tonnes in 2008

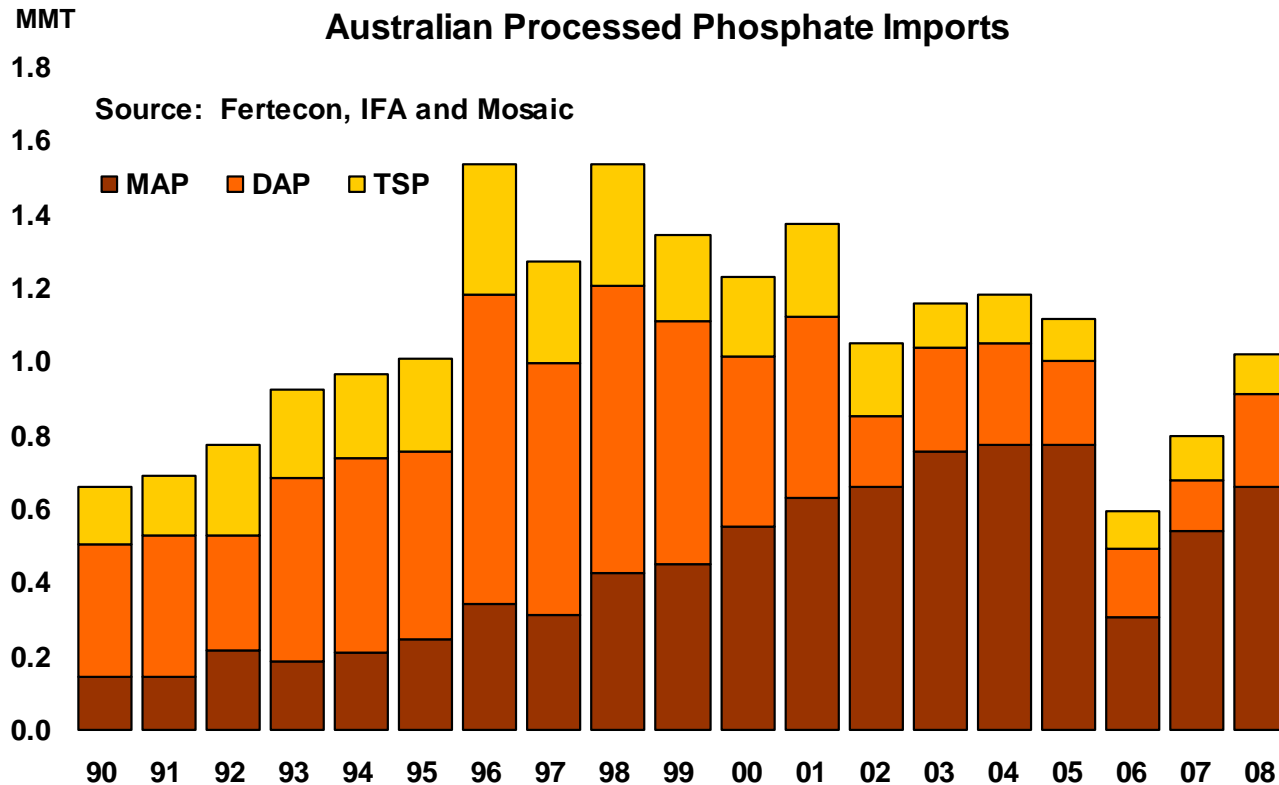


*The elimination of the set aside requirement for 2008 crops combined with high wheat and oilseed prices is expected to boost import demand about 10% or 320,000 tonnes in 2008.*





# Aussie demand is expected to rebound from drought-impacted levels of 2006 and 2007

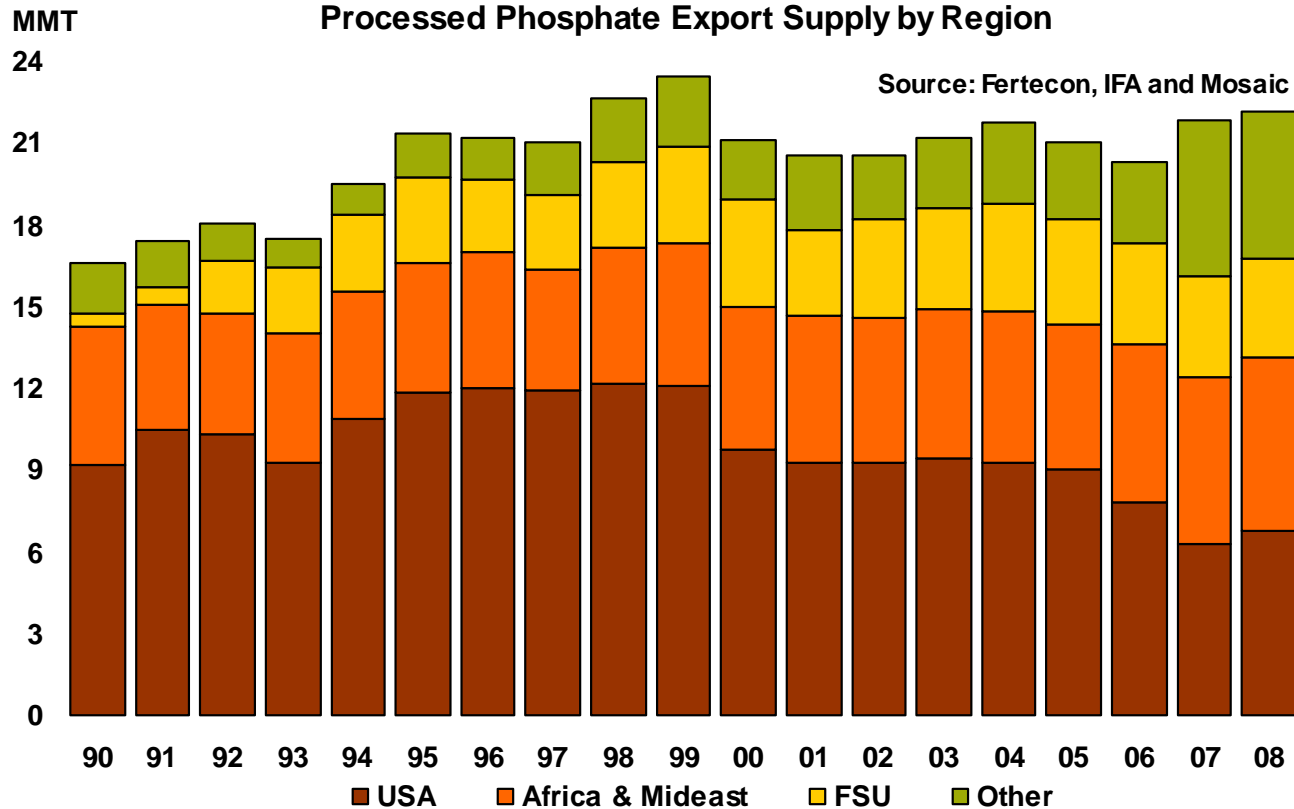


*Australian processed phosphate imports are forecast to increase 35% this year from the drought-impacted level of 2006.*

*Assuming more normal rainfall next year, processed phosphate imports are projected to increase another 28% or 220,000 tonnes from 800,000 tonnes to more than one million tonnes in 2008.*



# More exports likely required from U.S. producers in 2008



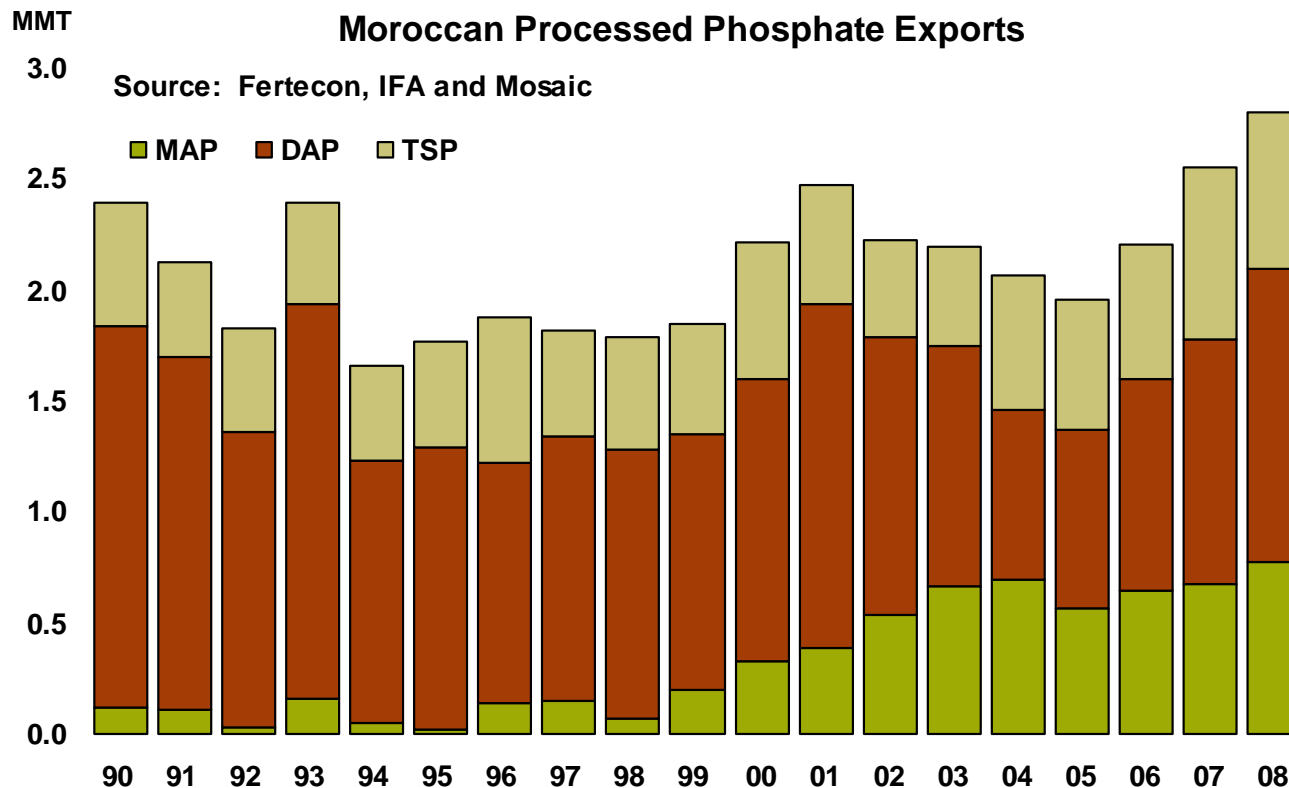
*U.S. processed phosphate exports required to meet projected demand are forecast to decline to 6.3 million tonnes in 2007.*

*U.S. processed phosphate exports are forecast to increase to 6.8 million tonnes in 2008 due to demand growth and an expected drop in Chinese exports in 2008.*

Processed phosphate includes DAP, MAP and TSP



# Moroccan processed phosphate exports are forecast to increase significantly



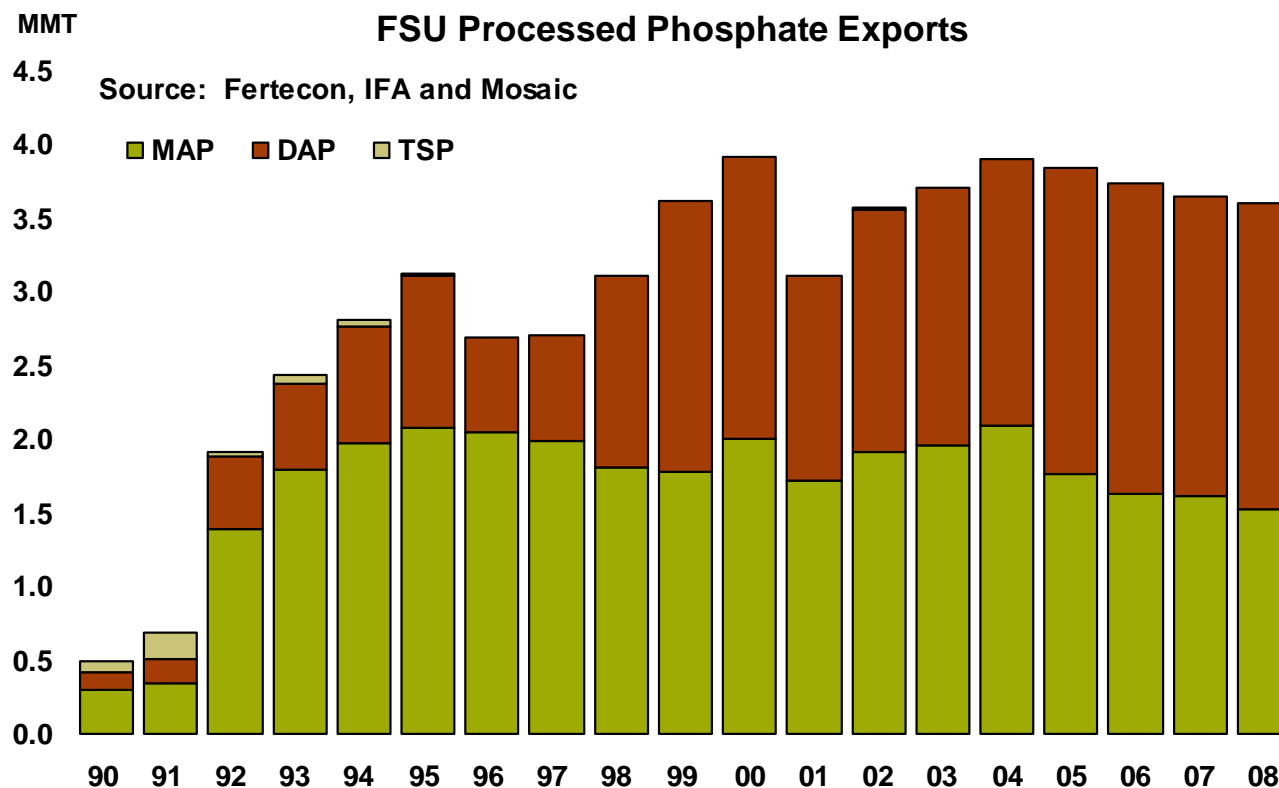
*Processed phosphate exports are forecast to increase about 16% in 2007 and 10% in 2008.*

*The OCP/Fauji JV is expected to commission a 375,000 tonne P<sub>2</sub>O<sub>5</sub> acid plant during Q4 2007.*

*The 375,000 tonne OCP/Bunge JV acid plant is expected to start up in mid-2008.*



# But FSU exports are projected to continue to trend down due to increases in domestic use

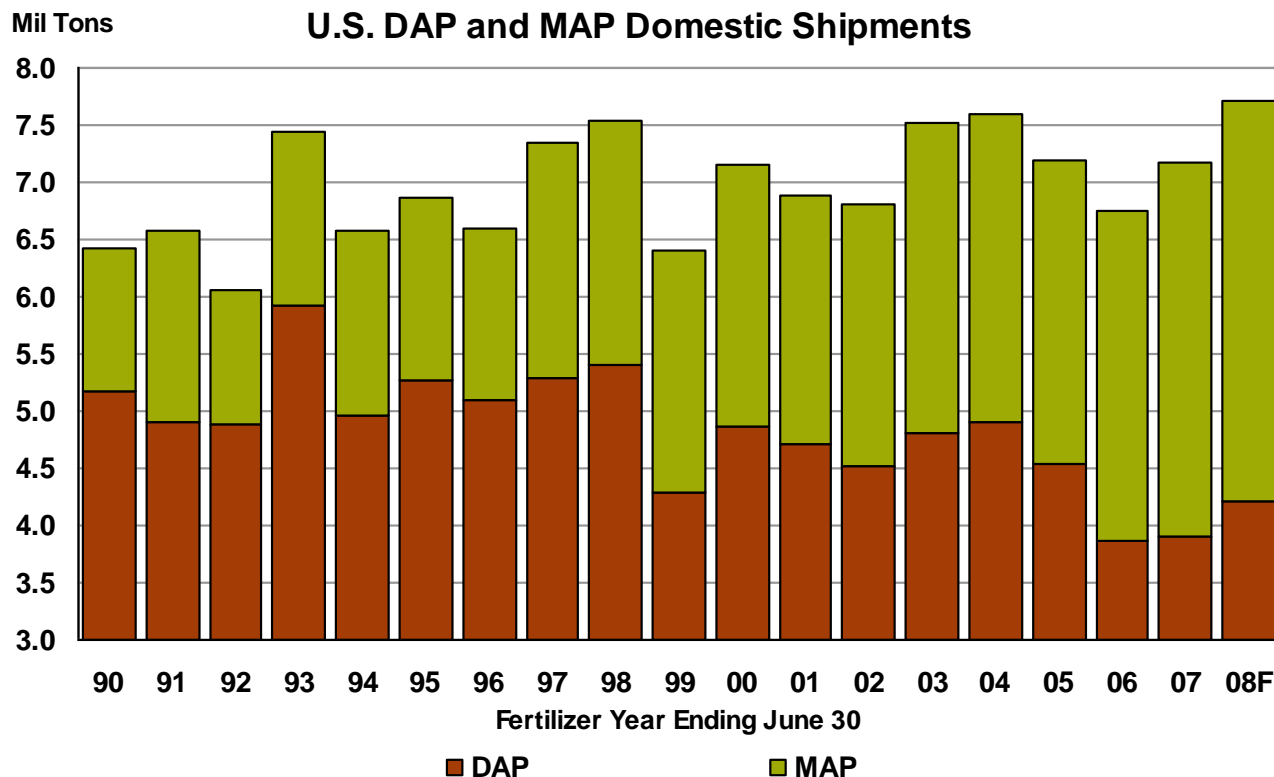


*FSU rock and processed phosphate production are forecast to stay flat during the next few years.*

*Steady growth in domestic phosphate demand – driven by higher wheat prices – is expected to reduce export supply in 2007 and beyond.*



# U.S. shipments are projected to increase 8%



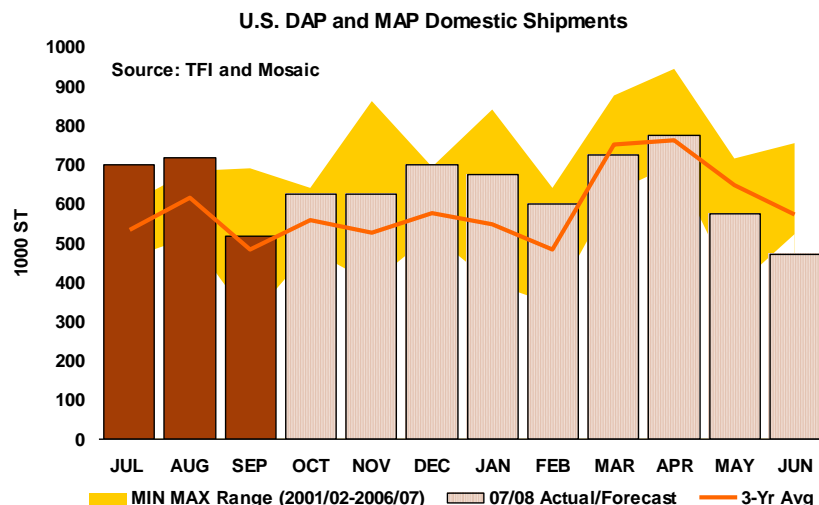
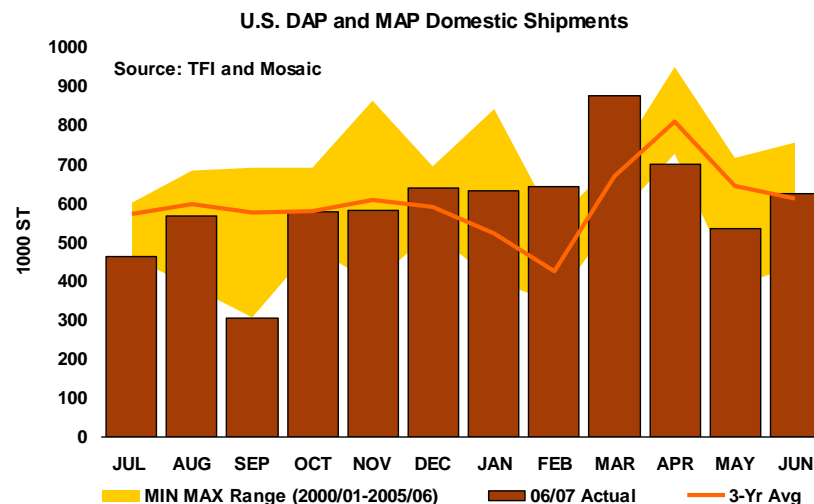
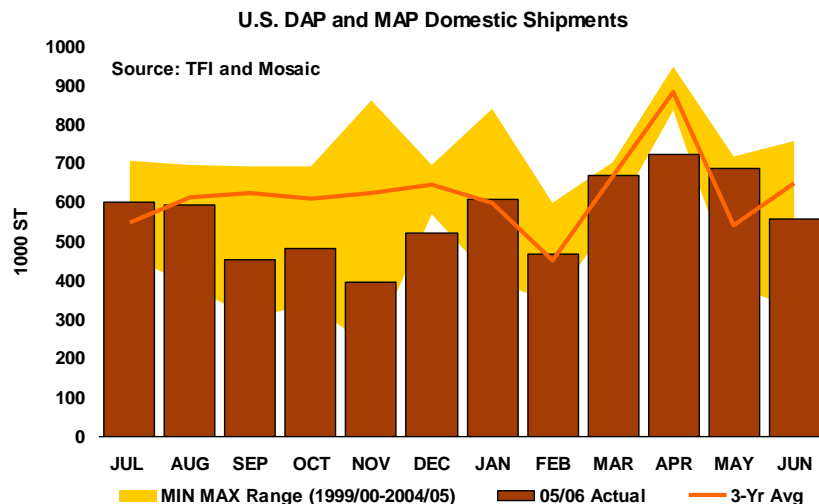
*U.S. DAP and MAP shipments rebounded 6% to 7.1 million tons in 2006/07. However, we estimate that total phosphate use increased at least 9% last year so some demand was met by de-stocking the pipeline.*

*Domestic shipments are forecast to increase another 8% to 7.7 million tons in 2007/08 due to a slight increase in use and an empty pipeline at the end of last year.*





# U.S. shipments are off to a strong start



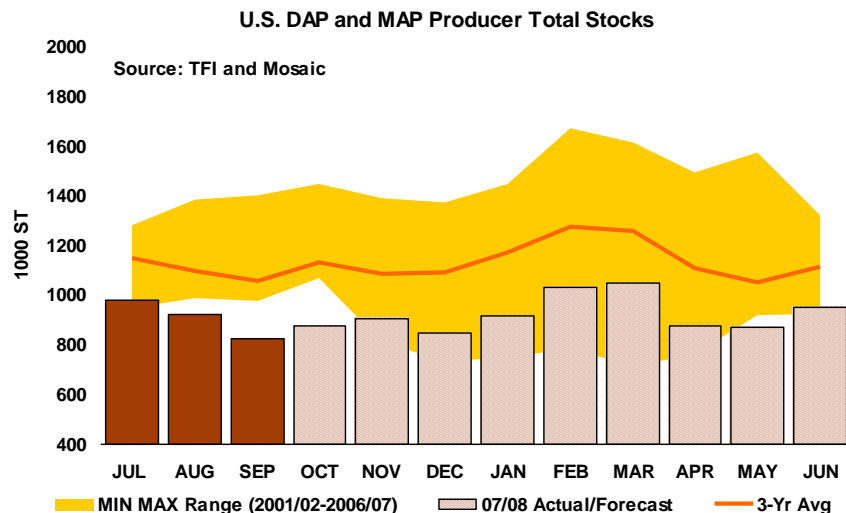
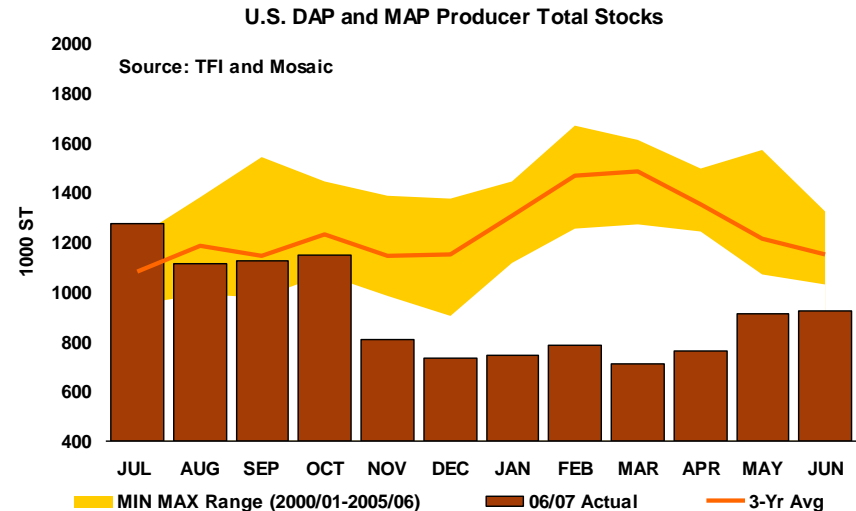
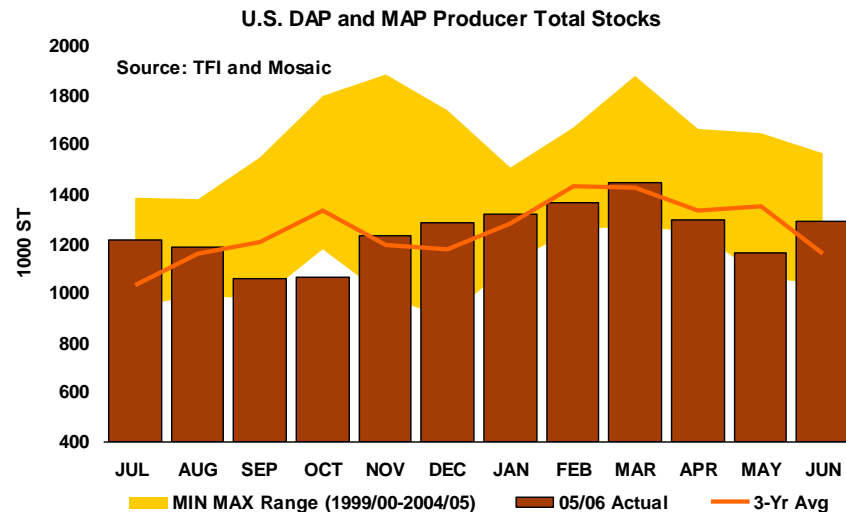
*U.S. phosphate demand is projected to increase another 1% in 2007/08.*

*U.S. DAP and MAP shipments are projected to increase another 8% to 7.7 million tons in 2007/08.*

*YTD shipments were up 45% from the low level a year ago.*



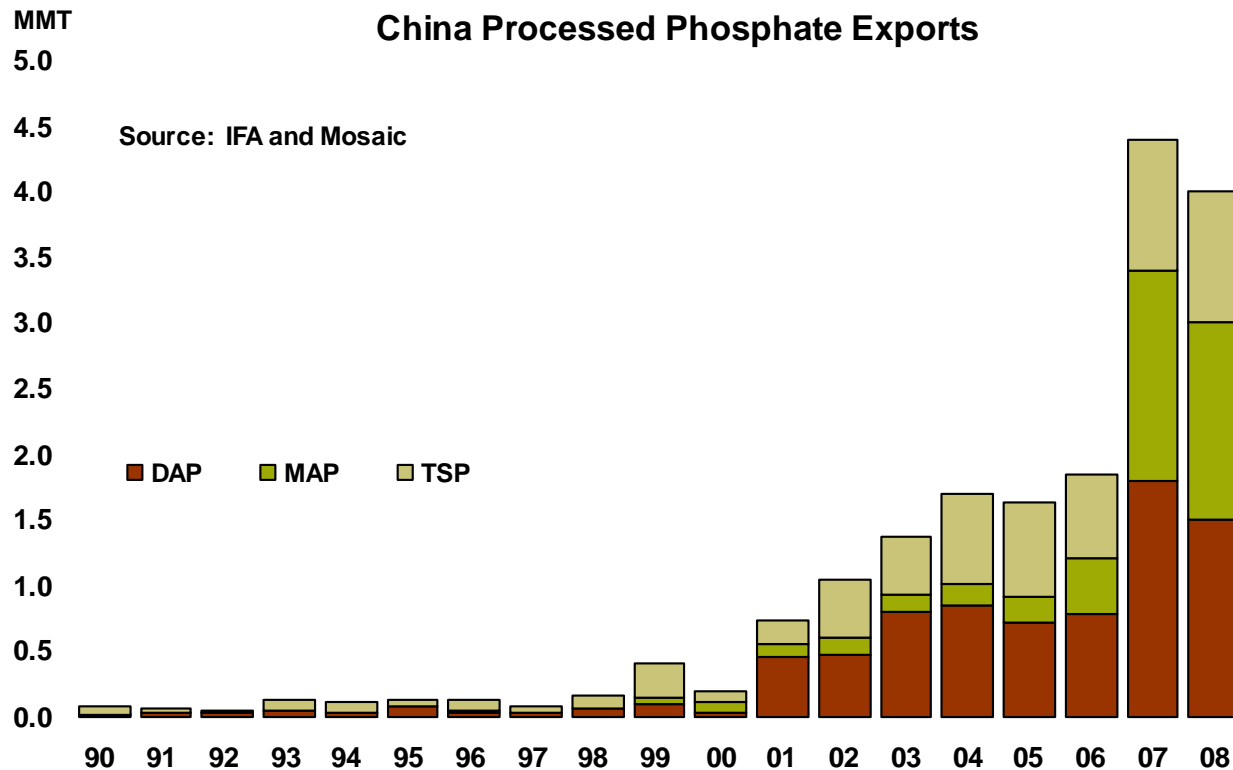
# A tight situation through 2007/08 based on our best estimates today



Key swing factors point to more upside than downside risk



# 1. Chinese exports are *the* wild card



*Chinese processed phosphate exports are forecast to increase to 4.4 million tonnes in 2007, up 2.5 million tonnes from 1.9 million in 2006.*

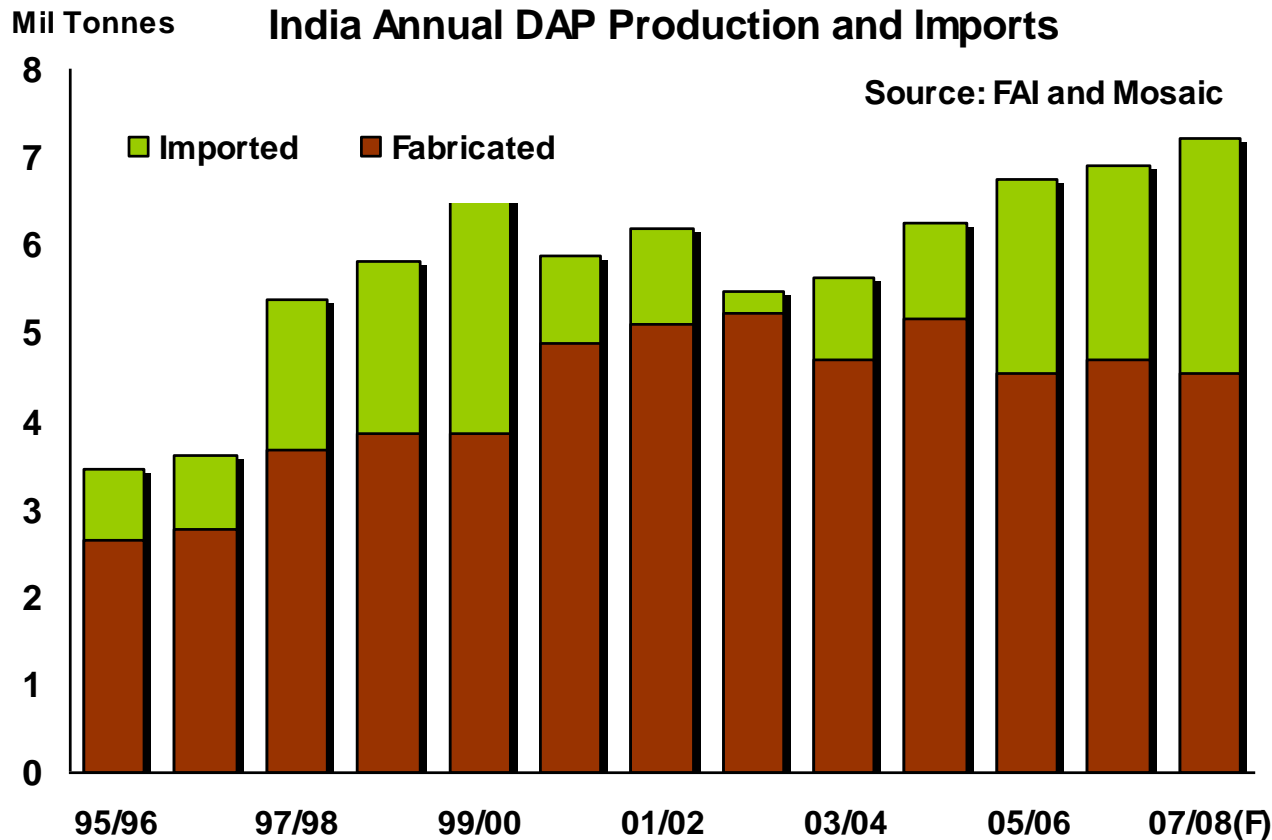
*China stepped up to fill the gap between demand and supply this year, but likely de-stocked its domestic pipeline in the process. Decent demand prospects and an empty pipeline imply much larger domestic shipments next year.*

*High rock and sulphur prices also are squeezing margins for small non-integrated producers. Output from this segment likely will decline in 2008.*





## 2. Indian DAP import demand



*DAP demand is expected to remain strong due to highly favorable farm economics.*

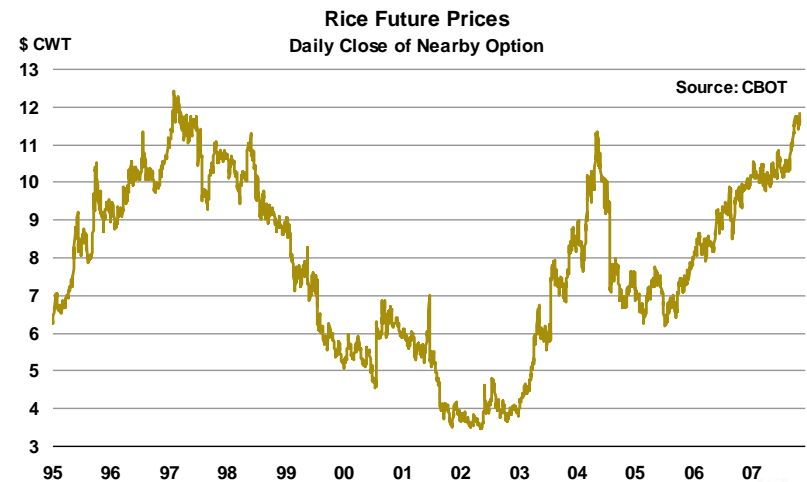
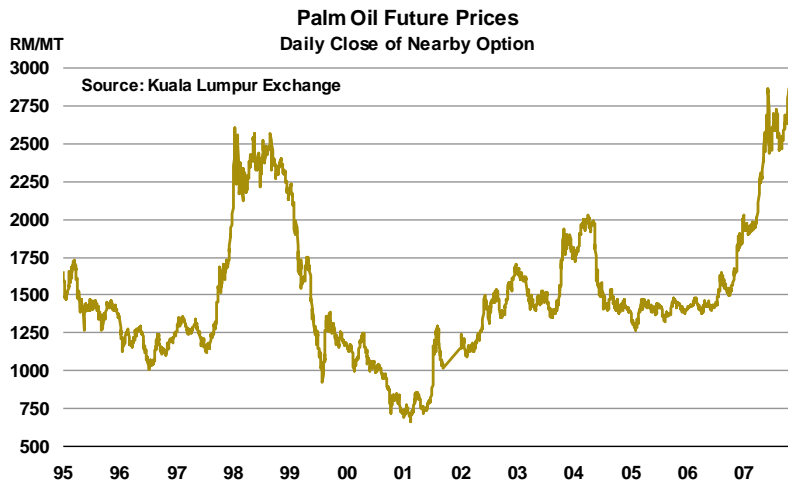
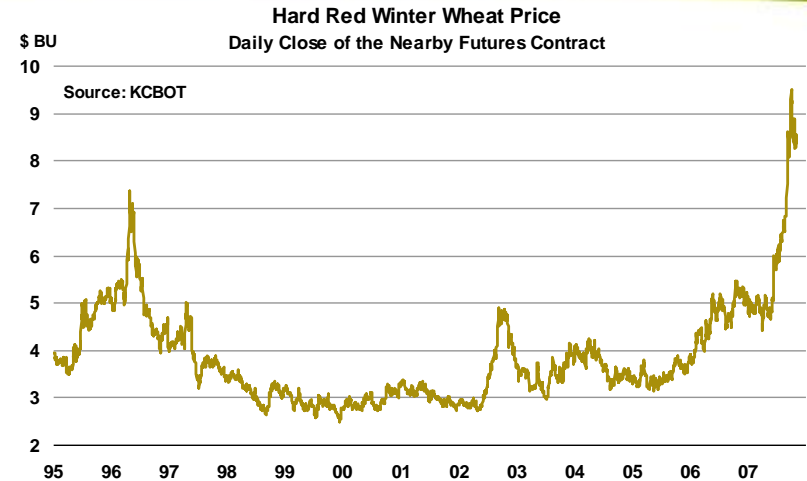
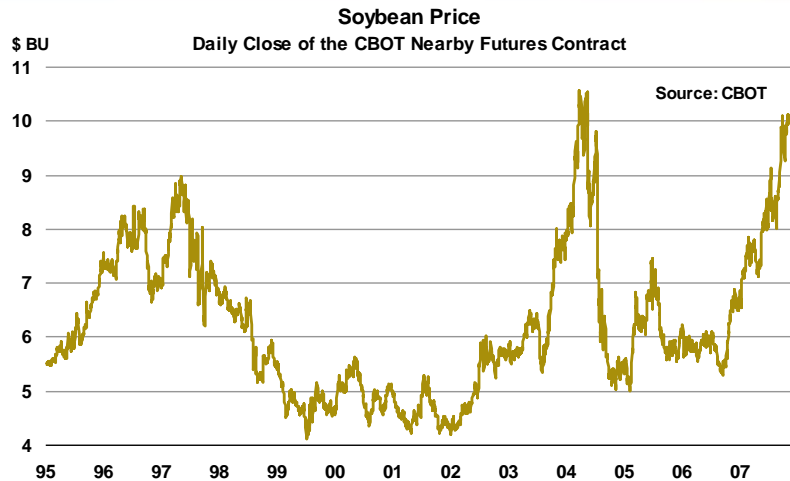
*Indian DAP use is projected to increase to 7.2 million tonnes in 2007/08, up from 6.9 million in 2006/07.*

*Imports have accounted for all of the growth in DAP use during the last five years or so.*





# 3. Grain prices and nutrient demand



# Topics and Take Aways

- Demand prospects look rock solid
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- Key swing factors point to more upside than downside risk





# Thank You

## *The Near Term Phosphate Outlook*

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