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Fertilizer, Grains & Oilseed Outlook: A Review & Look Ahead At 2010

Wisconsin Crop Production Association

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Agenda

- Overview of Cleveland Research
- Fertilizer Outlook
- Grain Outlook
- Oilseed Outlook
- Questions

Cleveland Research Overview

- **Cleveland Research Company**
  - Sell-side equity research firm started in June 2006
  - Cover 4 industries, 15 analysts
  - 65 employees
- **Stock Market Research**
  - In-depth financial research on publicly traded companies
  - Clients include the 125 largest institutional investors such as Fidelity, Alliance Bernstein, T. Rowe Price, as well as hedge funds.
- **What Sets us Apart?**
  - We go to greater lengths than most of our peers to find out what's new and what is changing with the companies we cover.
  - We spend a large amount of time talking with customers, suppliers, distributors, and competitors.
  - Our clients find this differentiated and highly value-added versus other sell-side firms.

Our Food/Agribusiness Coverage

- Fertilizer
  - Potash Corp, Mosaic, CF Industries
- Grain & Oilseed Processors
  - Archer Daniels Midland, Bunge, Corn Products
- Protein & Dairy Processors
  - Tyson Foods, Smithfield Foods, Sanderson Farms, Dean Foods
- Packaged Food
  - Hershey Foods, Hain Celestial

Top Fertilizer Headlines: Demand Recovery And M&A Activity

- Phosphate Prices Move Higher On Chinese Imports, Tight Supplies, Potash Demand Improves Following BPC/China Agreement
- Merger & Acquisition Activity Picks Up:
  - Vale: Acquires Bunge, Mosaic and Yara's stakes in Fosfertil (Brazil)
  - Yara/Terra
  - BHP Billiton/Althabasca Potash (Saskatchewan)
  - Agrium still attempting to acquire CF Industries

Lower 2010 Production Costs Driving Recovery In Crop Input Demand

Corn Following Soybeans	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Machinery	79.6	85.7	93.4	97.4	100	108	114	122
Seed, Chemicals, etc	125	136	156	169	189	230	344	266
Labor	23.4	24.7	27.7	27.3	28.6	28.6	28.6	28.6
Land	135	140	140	145	155	190	205	195
Total Cost Per Acre	363	386	417	439	473	557	692	613
Assumed Yield (per bushel)	150	150	150	155	160	160	160	180
Total Cost Per Bushel	2.42	2.57	2.78	2.83	2.96	3.48	4.32	3.40

Soybeans Following Corn	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Machinery	43.4	41.5	40.5	45.9	46.8	48.5	55.8	57.7
Seed, Chemicals, etc	84.5	90.8	96.5	107	108	126	203	154
Labor	22.1	23.3	23.3	25.7	27	27	27	27
Land	135	140	140	145	155	190	205	195
Total Cost Per Acre	285	296	300	323	336	392	491	434
Assumed Yield (per bushel)	45	45	45	45	50	50	50	50
Total Cost Per Bushel	6.33	6.57	6.67	7.19	6.73	7.83	9.81	8.67

Source: Iowa State Extension, Cleveland Research

Higher Y/Y Farmer Profitability & Stronger Corn Economics Favor Increased Fertilizer Use

Estimated Returns For An Iowa Farmer Renting Land	Corn On Corn			Corn On Soy			Soy on Corn		
Item	2008	2009	2010F	2008	2009	2010F	2008	2009	2010F
Price/bu	4.11	3.80	3.90	4.11	3.80	3.90	11.00	9.97	9.00
Yield (bu/acre)	145	160	165	160	175	180	47	50	50
Price per acre	596	608	644	658	665	702	**517**	**499**	**450**
Costs									
Pre Harvest Machinery	40	38	37	40	31	30	27	26	26
Seed	63	94	103	63	94	103	37	54	50
Nitrogen lbs/acre	175	155	179	120	108	127	0	0	0
Nitrogen price (c/lb)	0.46	0.68	0.33	0.46	0.68	0.33	0	0	0
Nitrogen Cost Per Acre	81	105	59	55	60	42	0	0	0
Phosphate lbs/acre	55	54	62	60	54	68	40	40	40
Phosphate Price (c/lb)	0.50	0.90	0.45	0.50	0.90	0.45	0.50	0.90	0.45
Phosphate Cost Per Acre	28	49	28	30	49	31	20	36	18
Potash lbs/acre	45	44	50	50	48	54	75	75	75
Potash Price (c/lb)	0.27	0.72	0.43	0.27	0.72	0.43	0.27	0.72	0.43
Potash Cost Per Acre	12	32	22	14	35	23	20	54	32
Total Fertilizer**	120	186	108	99	143	96	40	90	50
Lime	7	7	10	7	7	10	7	7	10
Herbicide/Insecticide	43	55	35	25	38	25	16	22	20
Crop Insurance	15	20	17	15	20	17	8	13	11
Misc	9	9	9	9	9	9	9	9	9
Interest	15	16	12	12	14	12	7	9	7
Total Operating Costs	312	424	331	271	356	302	151	229	183
Allocated Costs	291	314	313	296	317	316	238	263	254
Cost Per Acre	604	738	645	567	673	617	389	492	436
Profit Per Acre	-8	-130	-1	91	-8	85	128	6	14

Source: IA State, USDA, Cleveland Research

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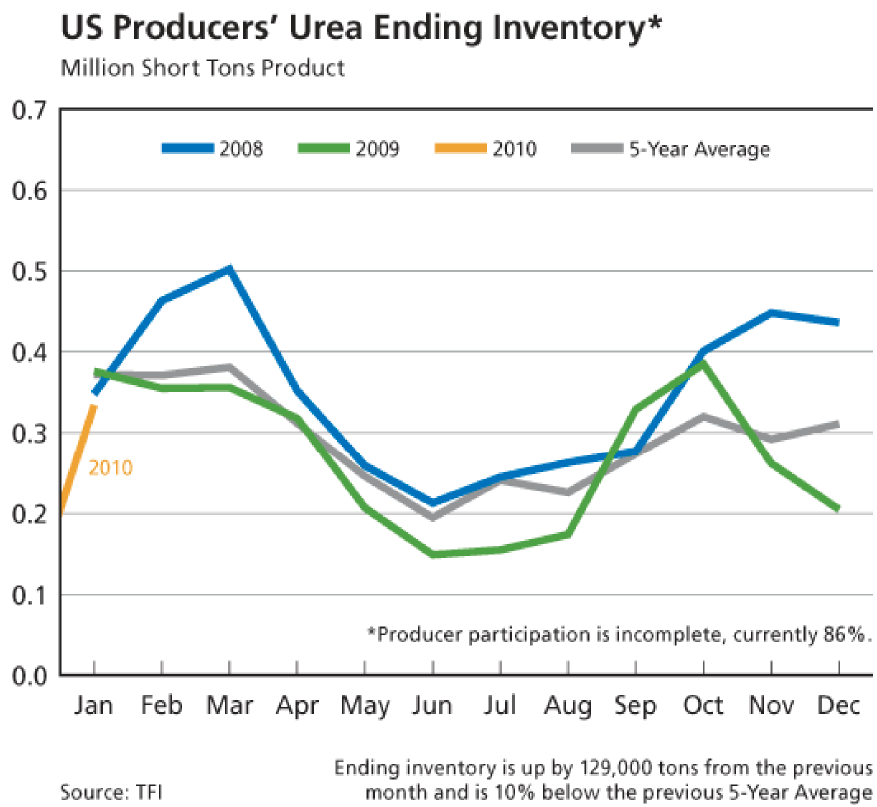
Key Factors Driving Nitrogen Markets

- Tight Supplies
  - Producer Urea Inventories 10% Below 5 Year Average
  - Dealers Slow To Restock Inventories
  - Reduced Imports (Chinese Urea export tariff back to 110%)
  - New Helm (Trinidad) Plant Slow To Reach Full Capacity
- Improved Demand
  - US Demand Forecast +Mid SD (Higher Corn Acreage, Return To Historical Application Rates)
  - Global Demand Improving
- US Nitrogen Producers Benefitting From Favorable Nat Gas
- Which N Product Wins (Ammonia, Urea or UAN)

Urea Inventories 10% Below 5 Year Avg.



Source: TFI, Potash Corp, Cleveland Research

August 2009 – Dealers Exercise Caution On Nitrogen Purchases

- “Dealers are being much more cautious on restocking urea because it is selling for \$350/ton and NH3 (ammonia) is a better bargain right now – historically, this area uses more ammonia anyway.”
- “I don’t think the recent increase in urea prices is sustainable. You had a combination of tight supplies from Koch’s Enid plant shutdown, increased buying from India, reduced US imports along and increased demand from US rice farmers who got off to a late start.”
- “We haven’t bought much ammonia for the spring season because producers don’t want to sell it for less than \$400/ton. They are insisting on the higher price because natural gas futures are trading about \$2/mmBTU above spot prices.”
- “We are 60% committed on Ammonia, 30% on Urea and about 20% on UAN.”

Source: Cleveland Research

Early October 09– Caution Still Reigns

- "After what we just went through, it is going to be hard for any of us to take an aggressive position on any fertilizer product."
- "Most farmers are focused on harvesting this year's crop. Until they finish harvesting their crops, buying fertilizer isn't high on their list of priorities."
- "I've never seen so many empty fertilizer bins at this time of year."
- "Even though UAN looks attractively priced, I don't want to commit to a position at this point."
- "With the rising natural gas cost curve, manufacturers are asking for $400/ton+ on anhydrous for next spring. That isn't going to stimulate sales."

Source: Cleveland-Research

Late October 09– First Signs Of Optimism

- Higher Corn Prices Drive Optimism Through Corn Belt
- UAN and urea purchases pick up during the fall
- Dealers still cautious after previous inventory write-downs
- Delayed harvest impacts fall application rates
- Spring pre-buying on hold because of rising natural gas cost curve

Source: Cleveland-Research

Mother Nature Delivers Strong November

– but not enough to completely offset harvest delays

- "Wisconsin has been really slow until the last 10 days. Things have been booming since then. Growers have put down 80% of their normal fall ammonia application rates and P & K demand have also picked up. Not everyone is buying potash, it depends on the soil tests."
- "We saw a big pickup in fertilizer purchases in IA and parts of Illinois 3 weeks ago. Then it got wet again and purchases slowed down. Purchases have resumed recently, but the fall window is closing. I expect our fall volumes are going to fall short of year-ago levels, but this was largely weather related so I'm feeling pretty good about the spring."
- In my section of IN, we typically don't apply N until the spring. After taking a large amount of write-downs, we are being a lot more cautious on restocking inventories even though we don't see too much downside risk. We haven't taken too many forward positions, but we have taken the most forward exposure on nitrogen."

Source: Cleveland-Research

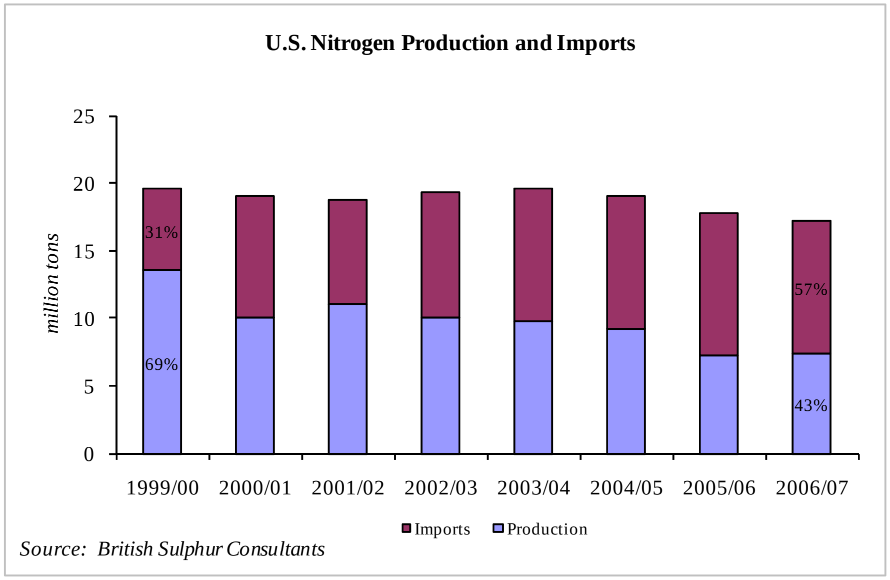
Net Result: Improved 4Q Nitrogen Sales

Company	% N 4Q Volume Change
Agrium	+35%
CF Industries	+0%
Terra Industries	+9%
Potash Corp	+7%

Source: Company Reports, Cleveland Research

Increased Reliance On Imports Requires Quicker Purchasing Decisions

US Increases Imports From ~30% Demand in 1999 to 57% in 2007

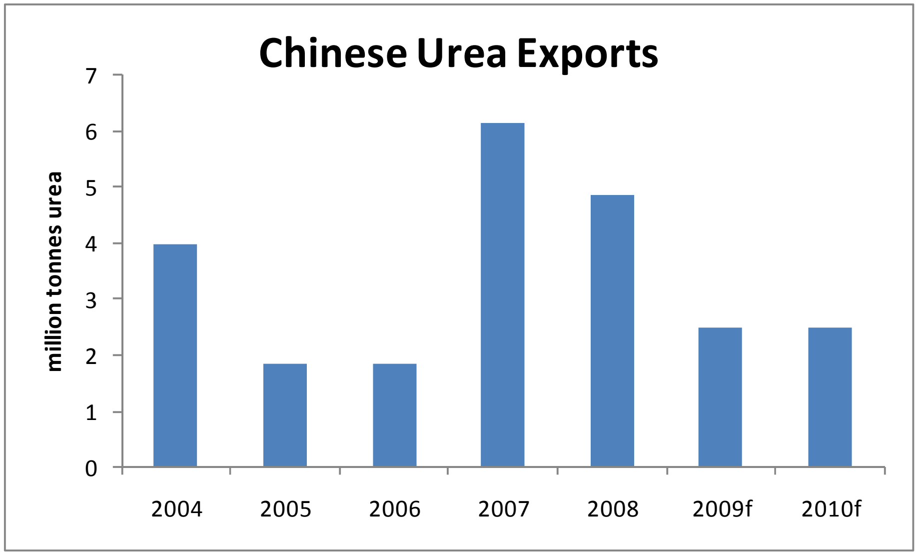


Source: British Sulphur, Cleveland Research

What Does Shift Toward Offshore Production Mean To You?

- Longer Lead Times – Product Takes Longer To Arrive
  - Could Late Ordering Create Shortages This Spring?
- Higher Freight Costs
  - Ammonia Freight Rates: Currently $60/mt from FSU, $80/mt from Middle East
  - Urea Freight Rates: $20/mt from Trinidad, $35/mt from China
  - UAN Freight Rates: $35/mt from Romania, $30/ton from Middle East
  - US Price Must Be High Enough Including Freight To Attract Imports
- Trade Policy – Fluctuating Chinese Tariffs
  - Chinese urea export tax fluctuates between 7% (low season) and 110% high season
  - China back to 110% export tax, makes Chinese urea exports uncompetitive through spring

Chinese Urea Down On Higher Export Tariffs



Source: Agrium, Cleveland Research

Moving Forward, The Late January View

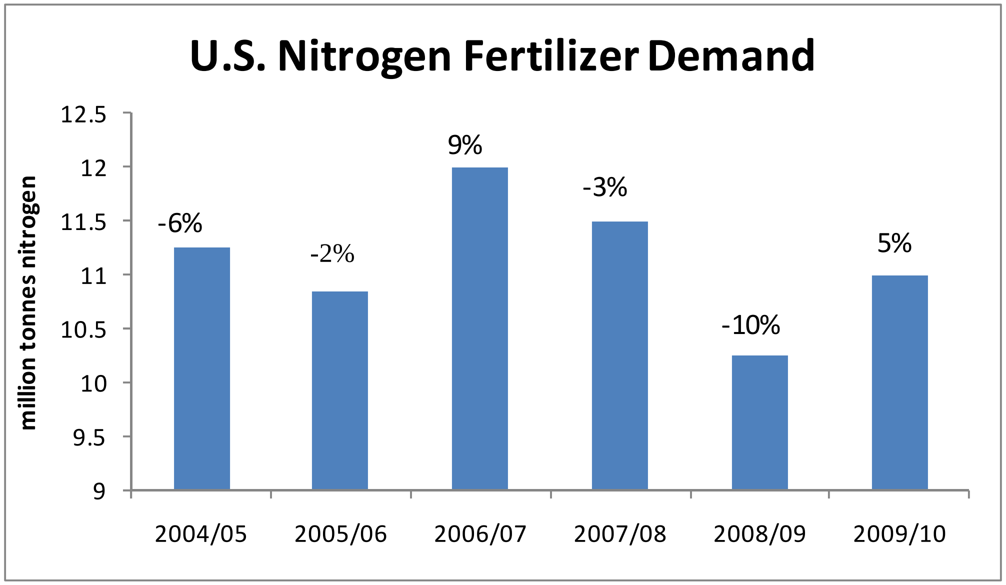
- "For the March, April time period we are getting quotes of around \$420-\$430/ton FOB terminal for ammonia, urea is around \$350-\$360/ton and UAN is around \$230-\$250/ton. Of the three major nitrogen products I think UAN has the most upside, maybe \$0.50-\$1.00 per unit."
- "The US is still way behind on urea imports. I expect ~400-500,000 tons to arrive during January which is a heavy number, but so far the order book is still pretty light for February and March. While the US is being cautious on purchases, the rest of the world has been restocking. If we want to attract the imports, either the US price needs to rise or the global price needs to decline."
- "It takes around 3 weeks for Black Sea UAN to reach the Eastern US or Gulf and about 3 weeks for Middle Eastern urea to arrive at the Gulf Coast. Then depending on how far you up the river it can take anywhere from several weeks to a month for the product to arrive. This means orders need to pick up fairly soon in order for there to be sufficient product by the spring."
- "Farmers hear about the potential for shortages every spring so they don't believe it could actually happen and dealers are being somewhat slow to restock."

So What Should You Do

Issues To Consider In Deciding When To Purchase

- We see domestic agricultural nitrogen demand increasing mid SD
  - 2-3M increase in corn acreage
  - Return to full application rates in areas where farmers took slight cuts
- Economics currently favor ammonia and UAN over urea
- International ammonia/UAN prices rising
  - Ammonia demand supported by higher phosphate prices
  - UAN helped by delays at Trinidad/ cost advantage over urea
  - Domestic urea inventory levels still tight – wheat, rice growers still generally prefer urea
- Weather Remains Big Unknown
  - Some meterologists calling for wet, cool spring (delays?)
  - Planting delays favor UAN and urea over ammonia
- Supply Factors
  - Favorable natural gas costs should keep US producers running near full capacity
  - Gazprom prices to Ukraine likely to set floor for global nitrogen prices
  - 110% Chinese export tax should keep them largely out of market through spring
  - Most new capacity not scheduled to come on-line until 2011

CRC Outlook – Projected Mid SD % Increase In Domestic N Use (+2-3m corn acres, return to normalized application rates elsewhere)



Sources: Agrium, Cleveland Research

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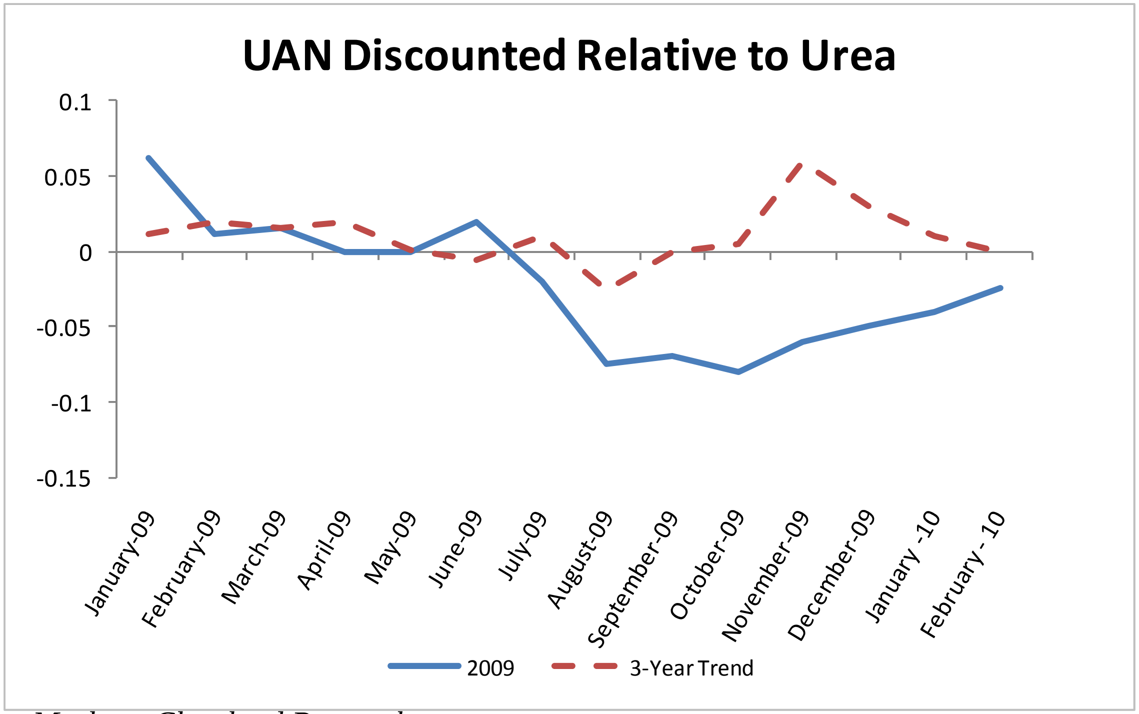
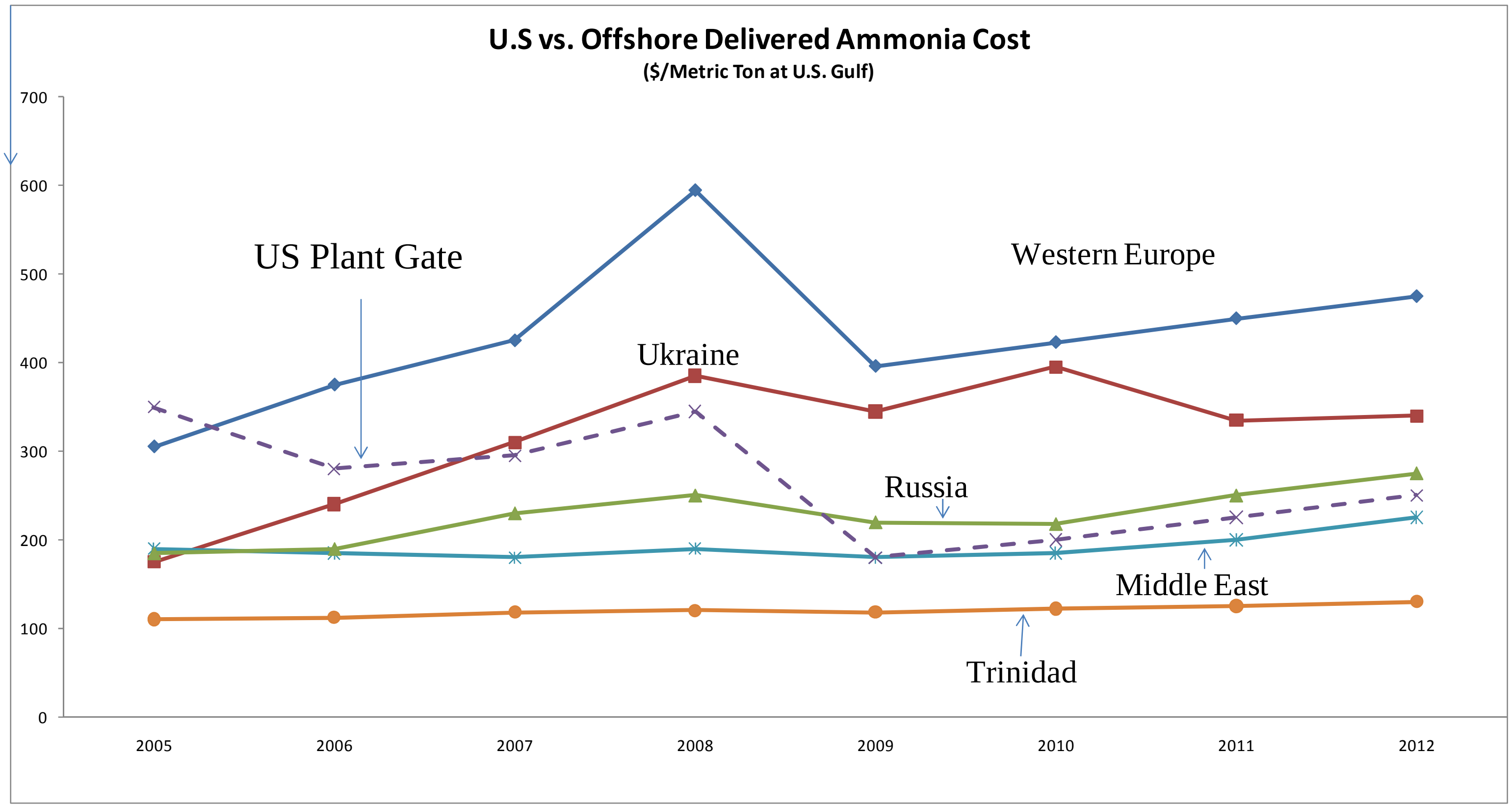
UAN priced more attractively than urea



Source: Agrium, Green Markets, Cleveland Research

Favorable Natural Gas Costs Should Keep US Producers Running Full Out

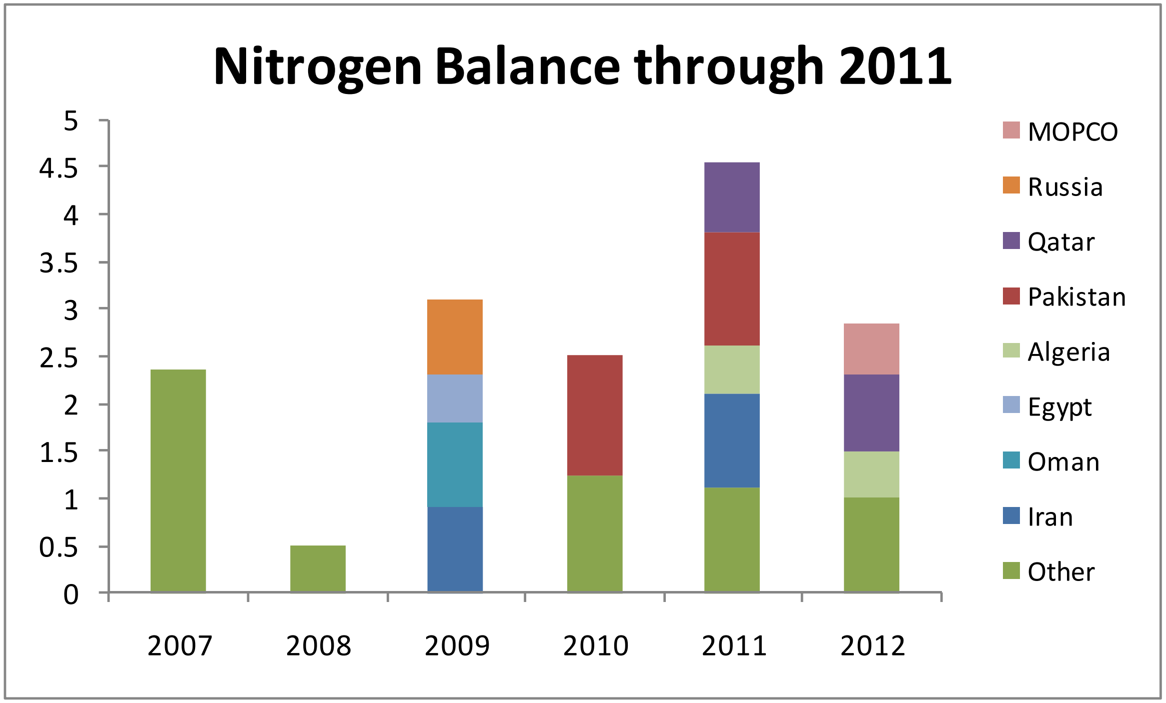


Source: CF Industries, *Cleveland Research*

Overseas Expansion Limited This Year

-but may become an issue in 2011

-will projects be completed on time



Source: Agrium, Cleveland Research

Final Nitrogen Takeaways

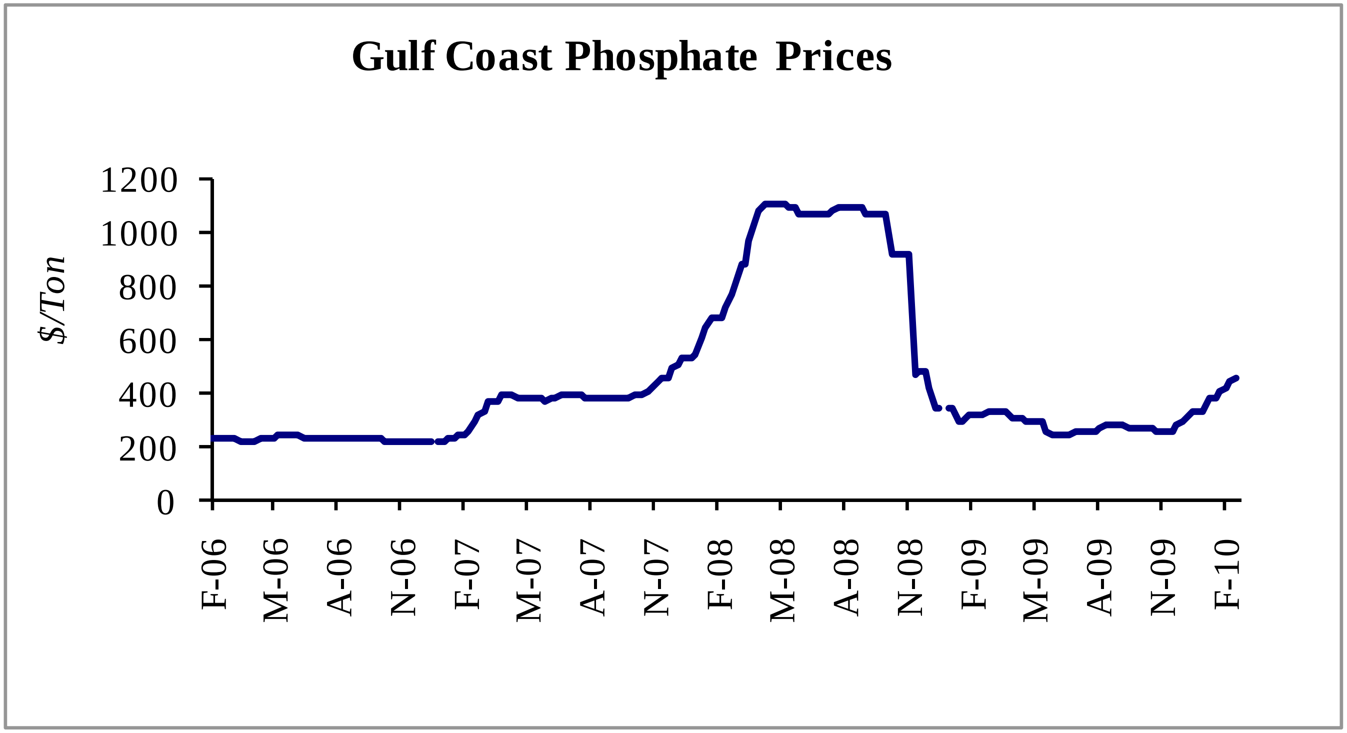
- Tight Inventories/Reduced Imports Could Lead To Tight Market This Spring
- International Ammonia Prices Trending Higher
- US UAN Prices Still Trading At $15-20/ton Discount To Global Prices
- Favorable Natural Gas Costs Should Keep US Producers Running Near Full Capacity
- Increased Corn Acreage & Better Weather Supportive Of Improved Demand
- Current Economics Favor Ammonia & UAN Over Urea, But
  - Late start to spring could shift ammonia demand toward UAN/Urea
  - New Trinidad plant could place upward limit on UAN prices
  - Some farmers/crops prefer using urea
- Expansion Could Pressure Nitrogen Markets Beginning In 2011

Key Factors Driving The Near-Term Phosphate Market

- Improved Demand
  - China Revives Global Phosphate Market In November
  - Other International Markets Follow
  - US Demand Expected To Increase 10-20% In 2010 Crop Year
- Tighter Supplies
  - US Producer Inventories 10% Below 5 Year-Average
  - Reduced Chinese Exports
  - Morocco Turnarounds
  - Sulfur Constraints
- Rising Sulfur/Ammonia Costs Drive Breakeven Costs Higher

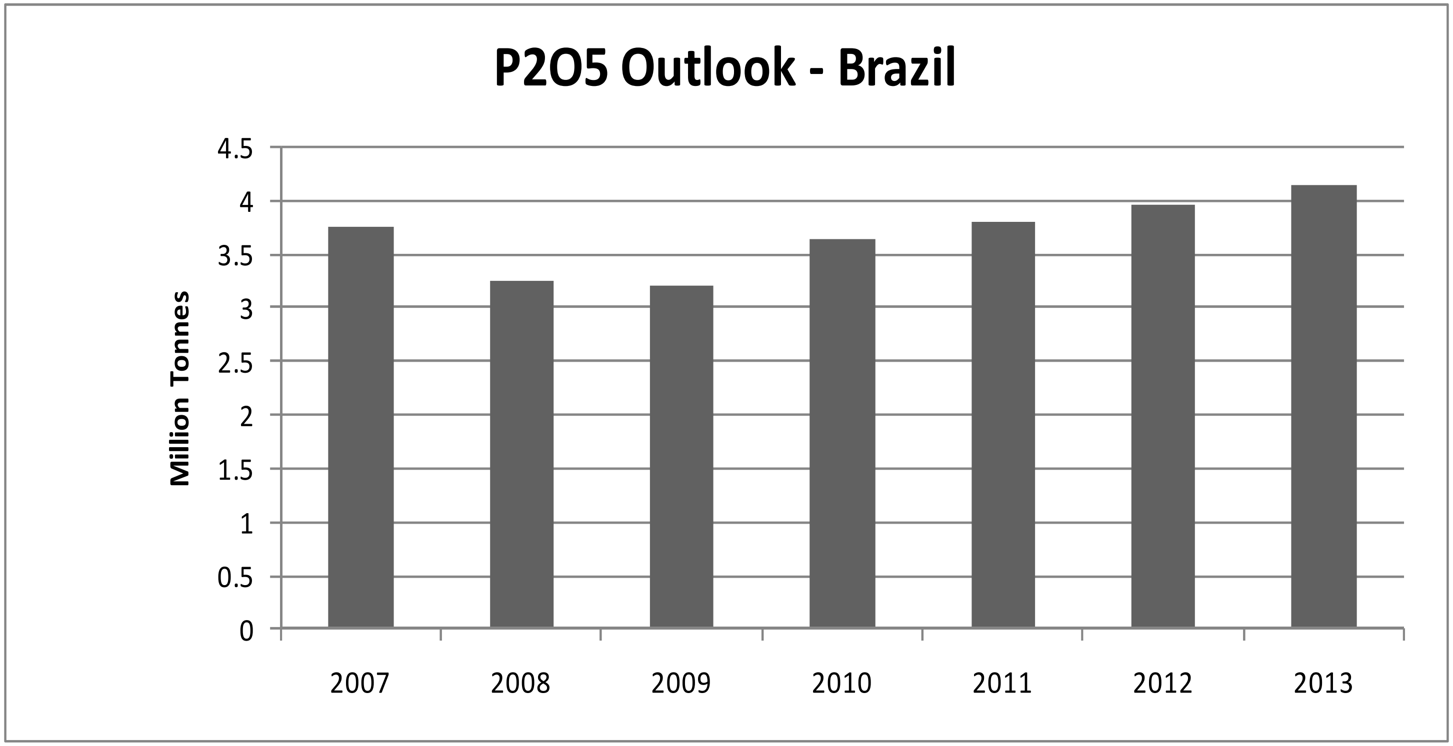
China Order Revives Phosphate Markets

Phosphate Prices +$170/st since China order



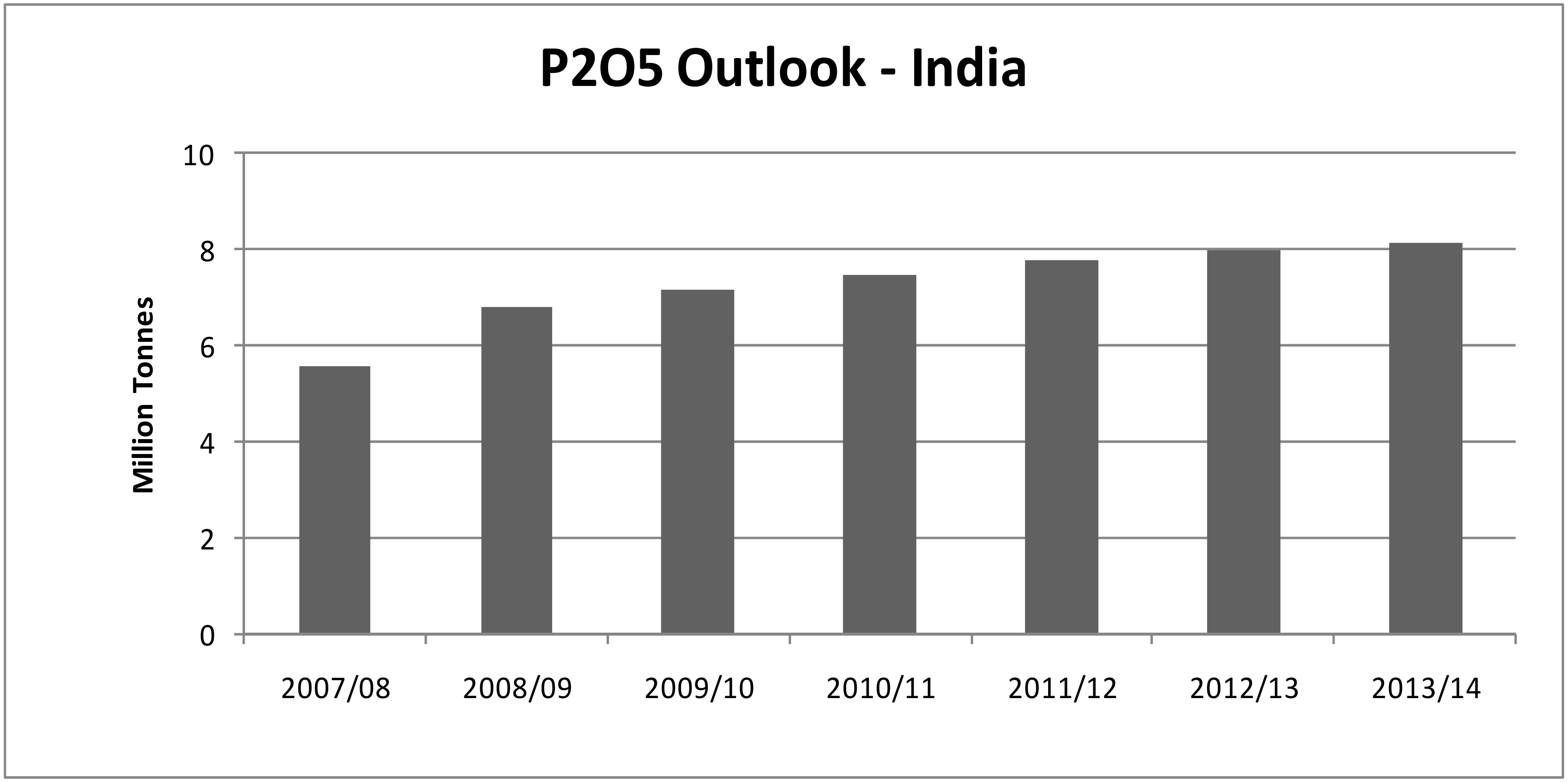
Source: Green Markets, Cleveland Research

Brazilian Demand Improves In 2H09



Source: ANDA, IFA, Simplot, Cleveland Research

India Expected To Return To The Market In Spring



Source: IFA, IPNI, FAI, Simplot, Cleveland Research

A Look Back At Domestic Demand – August 2009: Dealers Start Booking Phosphate, Caution Still In Air

- "In Minnesota, dealers are starting to buy and are restocking all forms of P (MAP, DAP, 10-34-0). We emptied our pipeline after the spring so dealers recognize they need to start refilling their warehouses."
- "In our area, farmers have made phosphate commitments for up to 80% of what they normally use in the fall. Orders are below year-ago levels and I expect it to remain this way for the foreseeable future. If my customers are being cautious, I need to be cautious."
- "Phosphate movement is going to be slow in the Eastern Corn Belt because of the late harvest, but demand should be fine next spring."
- "As a farmer, fertilizer availability is always my biggest concern. If you pay too much for fertilizer you lose some of your profit. If you run out of fertilizer there is no crop."

A Look Back At Domestic Demand –Late October 2009, Optimism Toward Spring Improves

- “Farmers like to complain, but with $4.00/bu corn futures and much lower phosphate prices, they are feeling much better about the 2010 outlook.”

- “Our hangover has abated, but we want to make sure we don’t have to go through another roller coaster ride like this again.”

- “The wet weather is going to hurt application rates for the fall, but we’ll be fine for the spring.”

A Look Back At Domestic Demand – Dealers Feel Better In December 2009

- "We are getting concerned about the availability of phosphate. Manufacturer and distributor inventory levels are getting tight right now so we've started to build a position."
- "In Southern IL, we are still harvesting our crops so we haven't had much of a fall season. A lot of farmers cutback on P and K pretty significantly last year and we're going to have to compensate for the reductions next spring. With the soil tests largely coming back showing low levels of P and K retained in our soils, we're going to need to go back to historical rates."
- "In Southern MN and N. Iowa, we are expecting a large increase (maybe 20%) in phosphate use next spring because the soils are testing really low for phosphate in our area. We didn't cut phosphate by that much in our region, but the record crop has really lowered the amount of phosphate in our soils. It also helps that phosphate is back at more affordable levels."

Net Result: Improved 4Q Phosphate Sales

Company	% P 4Q Volume Change
CF Industries	+36%
Mosaic Corp*	+90%
Potash Corp	+67%

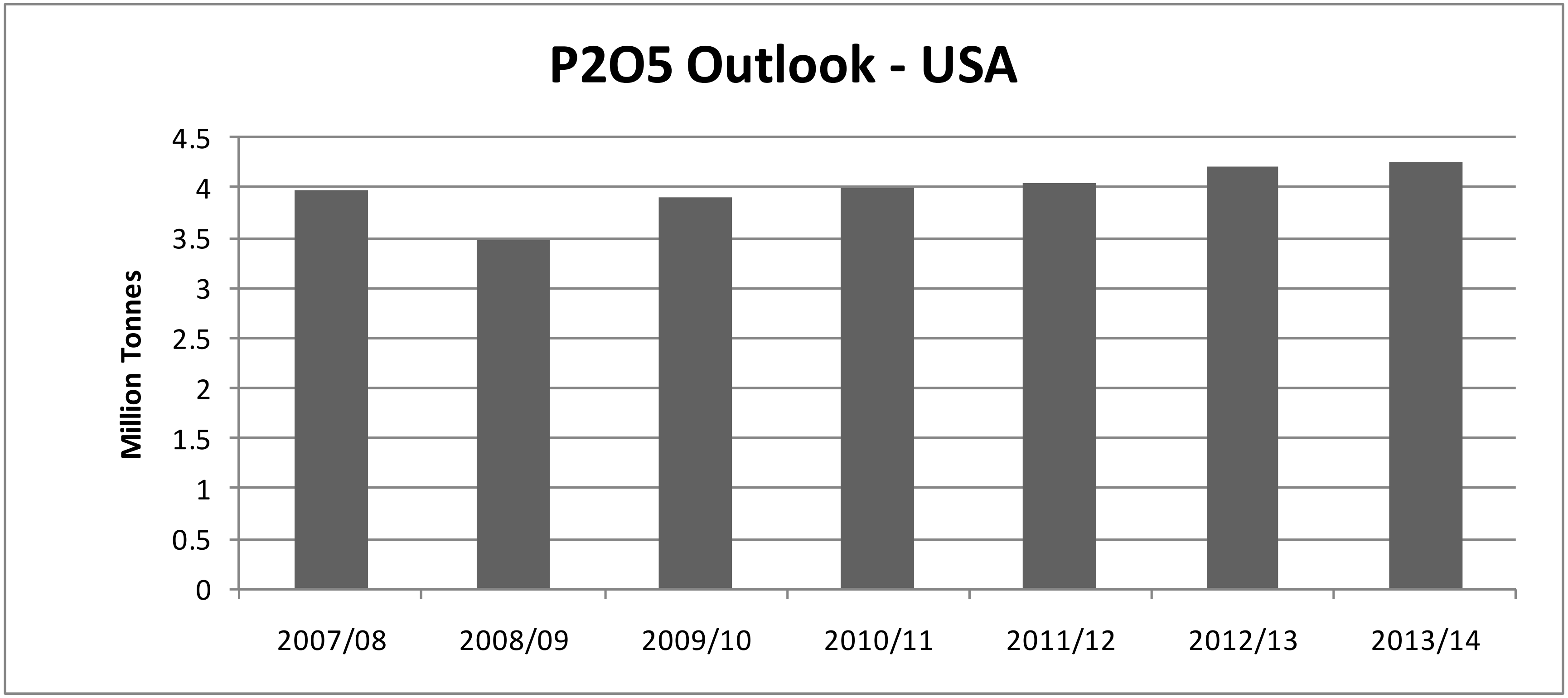
Source: Company Reports, Cleveland Research

**Quarter Ended November*

The Current View: Prices Keep Rising, But Some Dealers Express Concern Over Demand Destruction (late Jan/early Feb)

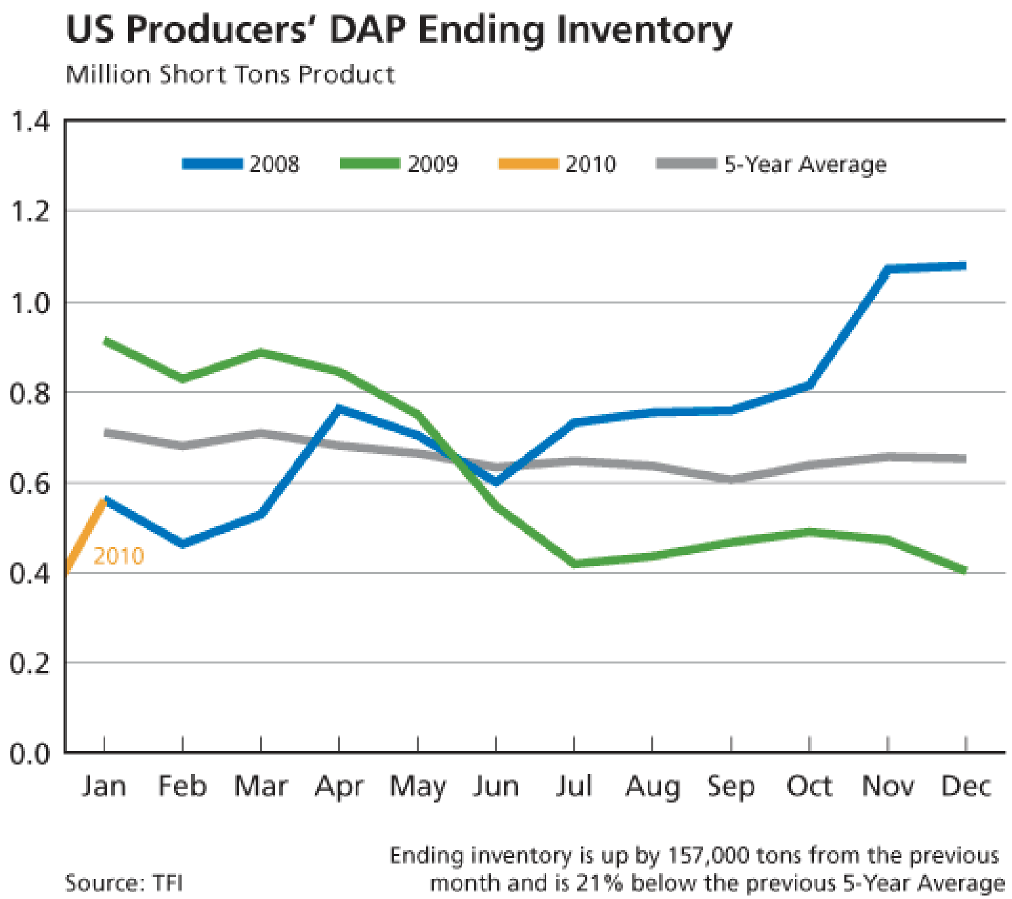
- "A fair number of dealers are waiting to the last minute to restock inventories. Purchasing needs to happen by the end of February or not everyone is going to get enough product."
- "We are about 60-70% covered on phosphate. There isn't a lot of product available right now to restock it. As long as retail phosphate prices remain below $500/ton, I see farmers paying for phosphate at $4/bu corn."
- "The biggest issue that could impact phosphate producers is the availability of sulfur. If producers can't get as much sulfur as they need, they might need to reduce their operating rates."
- "Dry phosphate is priced for perfection. Above $500 retail DAP was a deal killer on the last bull run. At this level, there is already some reduced demand in various areas. Of course, shipping 600,000 tons out of the market probably negated those areas. It is going to be hard to explain to growers why after record low global demand we have a supply shortage."

Bottom Line – We Expect a Low Double Digit Recovery In US Phosphate Demand



Source: TFI, IFA, Cleveland Research

Improved Demand Drives US Producer Inventories 21% Below 5 Year Average



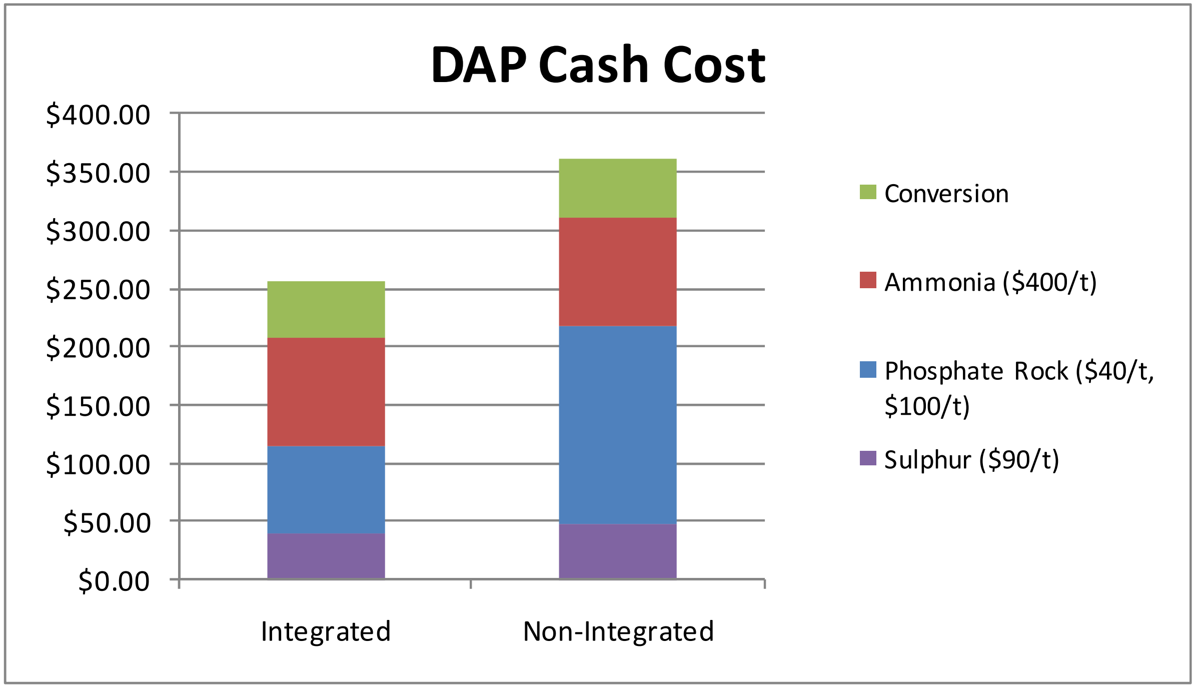
Source: TFI, Potash Corp, Cleveland Research

Other Factors Contributing To Near-Term Supply Shortness

- China
  - Accounted for ~18% of global DAP exports in 2007
  - Surprised global markets by importing 600,000 mt in late November
  - Phosphate export tax at 110%
  - Expected to export ~2.5m metric tons in 2010, mostly in 2H
- Morocco
  - Leading rock producer
  - Has not been running at full capacity for most of the past several months
- Tight Sulfur Markets
  - Each ton of DAP requires ~0.44 tons of sulfur
  - Sulfur markets tight on reduced oil and gas production, improved Chinese demand

Higher Sulfur & Ammonia Costs Raise Breakeven Costs For Non-Integrated Producers

This should help establish a floor on phosphate prices.
~33% of global DAP processors are non-integrated



Source: Mosaic, Simplot, CRC Estimates

Phosphate Tight Through Early 2010 – Longer-Term Outlook Less Clear

- Key Regions
  - China (ongoing)
  - Saudi Arabia (Maaden) – late 2011
  - Morocco/Middle East
  - Brazil
    - Vale (Recent Acquisition of Fosfertil Mines)
    - Government Pressure

Source: IFA, CRC

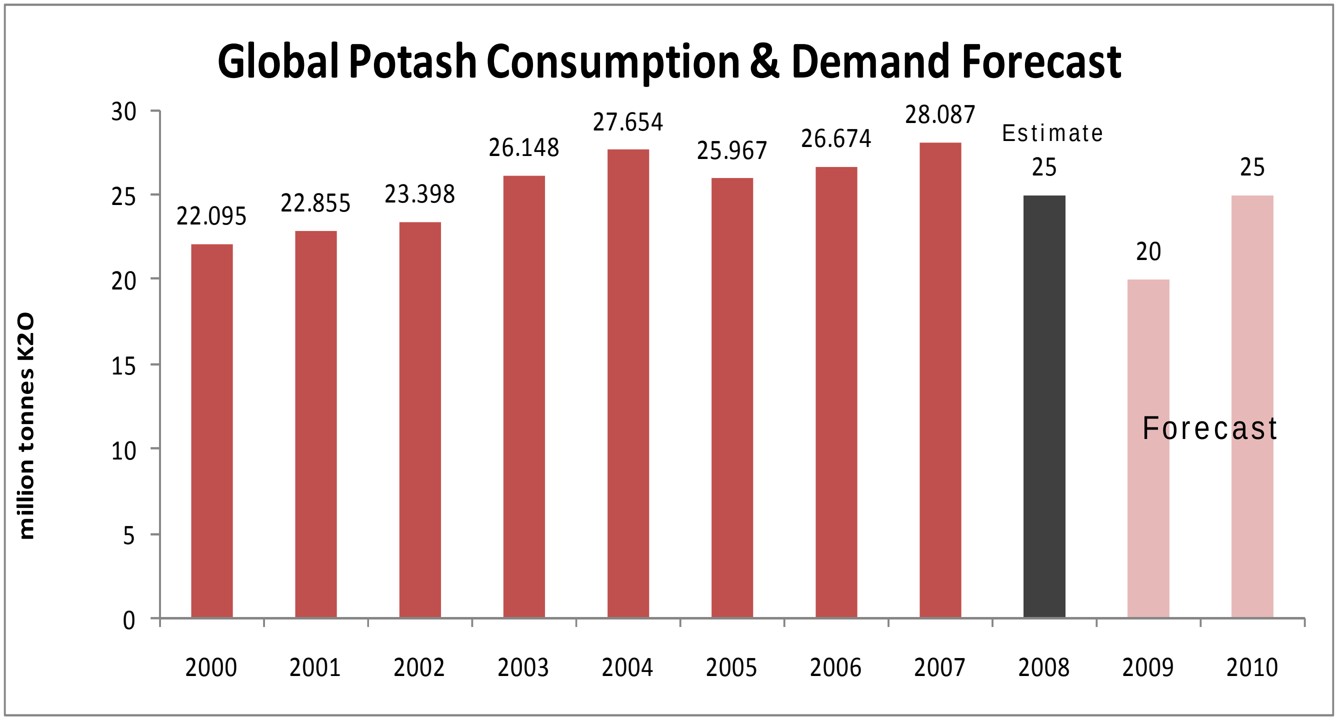
Final Phosphate Takeaways

- China & Tight Sulfur Supplies Could Limit P Availability During Spring
- Many Domestic Dealers Behind On Purchases
- Farmers Need To Play Catch Up Following Last Year's Cuts
- When Do We Reach The Point Of Demand Destruction?
- What Happens Past The Spring Planting Season?
  - If Demand Slows & China Reenters Export Markets Do You Want To Be Long Product?

Key Factors Driving The Near-Term Potash Market

- Improving Demand
  - Potash (K) demand took longer to recover than N or P
    - Producers reduced operating rates 50%+ to preserve prices
    - Potash prices took longer to collapse than other nutrients
    - IPC/India agreement ($460/mt delivered) was first major cutback
  - BPC/China Deal In December at $350/CFR Stimulates Global Demand
  - US Demand Finally Starting To Show Signs Of Life In 1Q10
  - Canpotex/India Announce 2Q Supply Agreement
- Mixed Supply Picture
  - North American Producer Inventories Steadily Declining/Returning To Historical Averages
  - Dealer Inventories Across Globe Remain Relatively Low
  - Lots Of Potash In The Dead Sea Region – How Quickly Can It Be Moved

Global Potash Use Declines 20-25% in 2009



Source: IFA, NR Canada, Cleveland Research

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Why Did Potash Demand Fall More Sharply Than The Other Nutrients In 2009

- Buyers In Other Markets Waited For China & India To Settle
  - Dealers wanted to wait for more visibility from 2 largest buyers
  - Farmers didn't want to overpay for potash, particulary with lower crop prices
  - India didn't settle until August, China didn't settle until December
- Potash Prices Stayed Higher For Longer
  - Producer cutbacks kept prices from declining more rapidly
  - Farmers were particularly upset with potash producers (relative to producers of other nutrients)
- US Farmers Felt They Could Get Away With Reducing P & K Rates
  - Aggressive producer cutbacks delayed, slowed pace of price reductions
  - Farmers paid more attention to soil tests – if soils tested high for K or P less potash was applied

A Look Back At Domestic Demand – August 2009: Dealers Generally Want No Part In Ordering Potash

- "$450-500/ton potash hasn't and won't stimulate demand. Today farmers need $250/ton potash and those of us that bought potash for $575/ton and above won't buy any until farmers write checks, we are tired of losing money."
- "Farmers want potash prices to move back in line with phosphate prices before they start buying again. The only exception to this rule is if there are soil deficiencies. That hasn't happened yet in Illinois."
- "The drop in potash prices hasn't created one drop of additional demand and I'm not sure another $100/ton price reduction would be enough to stimulate demand at current crop prices. Dealers are being cautious because the growers are being cautious."
- "I think that potash prices are little high right now – demand for K is going to depend on profits, if they come out ahead with a combo of yield and price they will put on the full amount of K. If they don't make a lot they will skimp again. Eventually this will hurt yields, but some farmers could cut for several years."

Dealers Still Cautious On Restocking Inventories During Early October

- Dealers didn't want to purchase potash in front of a likely lower Chinese settlement
- Many dealers still had potash leftover from the spring
- Nearly all Corn Belt dealers expected some spring recovery because soils were depleted
  - Opinions were sharply divided on the magnitude of the recovery
  - Most believed US demand would not reach 2007 levels
  - Most frequently cited numbers were a 15-25% recovery in US use coming off a year in which farmer demand declined ~40%

First Signs Of Optimism Appeared In Late October

- A 17% Increase In Corn Futures During October Was The Primary Motivator Behind The Increased Confidence Toward Next Spring
- Actual Dealer Stocking Remained Minimal Since
  - Many farmers were still out in the fields harvesting crops
  - Dealers wanted to work through their holdover inventories from spring first
  - Dealers were still concerned about lower prices since China hadn’t settled

By Dec, Corn Belt Dealers Feeling Better About Spring 2010, But Still Slow To Restock Potash, *Outside Corn-Belt Dealers More Conservative*

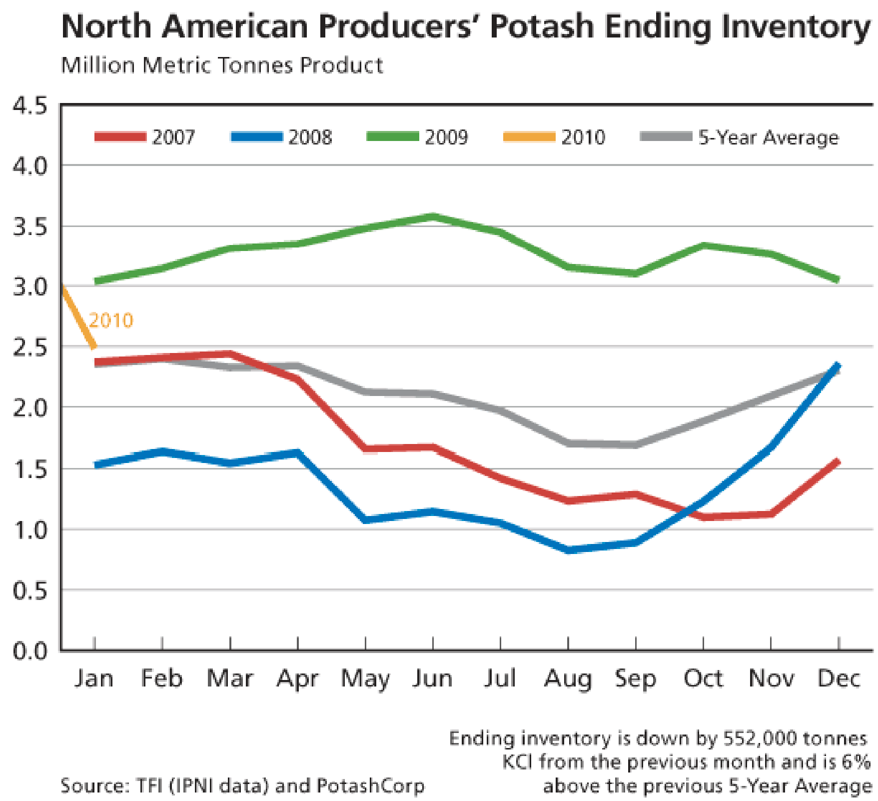
- "Distributors held a lot of potash at the end of the spring season. However, the fall has been strong enough that some of the same retailers who were holding several thousand tons of inventory heading into the fall season have turned around and started purchasing fertilizer from us just to meet fall demand."
- "In MI we had a good harvest this year, but we can see a major difference between the farms that applied normal rates of P and K and those who cutback. Several of our largest customers have already ordered as much as 90% of their fertilizer for next year and I think we'll see demand get close to 2007 levels."
- "In IN, we normally put down about 50% of our P and K needs this fall and we are getting close to that level. Farmers are finally coming to grips with the fact that potash is no longer cheaper than phosphate and realize they need to apply it. On potash, there is less urgency to buy as prices are unlikely to move higher from here."

China Finally Settles With BPC In Late December & Corn Belt Potash Orders Accelerate In January

Though Demand Still Slow In Some Pockets, Particulary Outside Corn Belt

- "There has been a lot of renewed interest in potash since the new pricing grid came out several weeks ago. A few of our customers bought twice as much as they normally do. I think you'll see potash prices rise later in the year, but I'm not sure the potash producers will be able to capture the entire $30/ton increase that was laid out on the grid."
- "There was a lot of potash still in the bins going into the fall. A lot of this was cleared out and a number of dealers went hand to mouth. A lot of these dealers are going to need to restock this spring."
- "In the Pacific Northwest, there is still reduced demand for potash. There were farmers in the Columbia basin who used almost no potash last year and had great yields. These guys also could skip potash again because they still have high levels in their soils. I know several farmers who have asked to have less potassium included in their NPK mix."

Higher January Orders Reduced Producer Inventories



Source: TFI, IPNI, Potash Corp

Fertilizer Manufacturers Express Optimism

- POT says it sold more potash in the US during January than it did the previous 7 months combined.
- POT establishes 2010 potash volume guidance of 7-8mmt vs. 3.0mmt last year
- MOS re-establishes potash volume guidance of 1.7-2.0mmt for Feb quarter versus .8m tons in year-ago period
- International Producers Have Started Raising Prices In Other Spot Markets
- Canpotex only agrees to shorter-term (3 mo) contracts with China and India
  - Reflects their expectations that potash markets should continue to tighten over next several months

Final Potash Takeaways: 2010 Outlook Improving

- Late December BPC/China settlement has led to increased purchases across the globe
- NA producer inventory levels have declined 1m tons from peak levels
- Distributor inventory levels are near historical lows in Brazil and India
- Prices have started to climb in spot markets
- US farmers are still going to soil test to be as efficient as possible
- The recovery in domestic potash demand should be stronger in Corn Belt if corn prices hold through the spring
- New capacity coming on next 3-4 years will come from Brownfield mine expansions
- POT and MOS have a high percentage of the new capacity coming on-line through 2012 - how quickly they increase production is likely to be tied to demand

Strong Spring Demand Contingent Upon Continued Favorable Crop Prices

- Key Corn Factors To Monitor Through Early Spring
  - Yield Potential Of Crop (400-500m bu) Still In Ground
  - Quality Concerns (Impact Of Mycotoxins On Feed Conversion)
  - US Prospective Plantings
  - Levels Of Discretionary Ethanol Blending
  - Pace Of US Corn Exports
  - Size Of South American Harvest
- Key Oilseed Factors To Monitor Through Early Spring
  - Size of South American Harvest
  - Prospective Plantings
  - Impoving Global Veg Oil & Protein Meal Demand
  - Chinese Import Demand

US Corn Balance Sheet Scenarios

US Corn Balance Sheet - Historical and Forecast*										USDA	CRC	CRC	CRC	CRC	CRC	CRC
in millions of bushels, unless otherwise indicated										Feb	Low	Med	High	Low	Med	High
Supply	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2009/10	2009/10	2009/10	2010/11	2010/11	2010/11
Area																
Planted (acre)	79.6	75.8	78.9	78.6	80.9	81.8	78.3	93.5	86.0	86.5	86.5	86.5	86.5	86.0	88.5	91.0
Harvested (acre)	72.4	68.8	69.3	70.9	73.6	75.1	70.6	86.5	78.6	79.6	79.6	79.6	79.6	79.1	81.4	83.7
Yield (bu/acre)	136.9	138.2	129.3	142.2	160.4	147.9	149.1	150.7	153.9	165.2	162.0	164.5	165.6	148.0	160.0	170.0
Beginning Stocks (MM bu)	1718	1899	1596.0	1087.0	958	2,114	1,967	1,304	1,624	1,673	1,673	1,673	1,673	1,707	1,707	1,707
Production (MM bu)	9,912	9,508	8,960	10,082	11,807	11,114	10,535	13,036	12,101	13,151	12,895	13,094	13,182	11,710	13,027	14,232
Imports (MM bu)	7	10	14	14	11	9		20	15	10	10	10	10	10	10	10
Total Supply (MM bu)	11,637	11,417	10,570	11,183	12,776	13,237	12,502	14,360	13,740	14,834	14,578	14,777	14,865	13,427	14,744	15,950
Use																
Feed & Residual (MM Bu)	5838	5877	5558	5798	6,162	6,141	5,598	5,938	5,250	5,550	5,600	5,550	5,550	5,000	5,300	5,600
Food, Seed, & Industrial (incl. Ethanol)	1967	2054	2340	2537	2,686	2,981	3,488	4,363	4,920	5,470	5,570	5,520	5,470	5,800	6,000	6,200
*Corn for Ethanol**			*996*	*1168*	*1,323*	*1,603*	*2,117*	*3,026*	*3,650*	*4,300*	*4,400*	*4,350*	*4,300*	*4,500*	*4,700*	*4,900*
Exports	1935	1889	1592	1897	1,814	2,147	2,125	2,436	1,850	2,050	2,050	2,000	2,000	1,700	1,800	1,900
Total Utilization	9,740	9,820	9,490	10,232	10,662	11,269	11,210	12,737	12,020	13,070	13,220	13,070	13,020	12,500	13,100	13,700
Ending Stocks	1,897	1,597	1,080	951	2,114	1,967	1,292	1,623	1,720	1,764	1,358	1,707	1,845	927	1,644	2,250
Ending Stocks/Use	19.5%	16.3%	11.4%	9.3%	19.8%	17.5%	11.5%	12.7%	14.3%	13.5%	10.3%	13.1%	14.2%	7.4%	12.6%	16.4%
Weeks Carryover	10.1	8.5	5.9	4.8	10.3	9.1	6.0	6.6	7.4	7.0	5.3	6.8	7.4	3.9	6.5	8.5
Average Farm Price ($/bu)	$1.85	$1.97	$2.32	$2.42	$2.06	$2.00	$3.04	$4.20	$4.10	3.40-4.00	4.30-4.90	3.50-4.10	3.30-3.90	4.50-5.10	3.50-4.10	3.00-3.60

USDA, Cleveland Research

Status Of Unharvested Corn Still Up In Air

- ~400-500m bushels of last year's crop still unharvested
- Much of this crop under the snow
- We've heard the stalks are still standing
- USDA set to update yield estimates in March crop report
- Most analysts are not expecting a huge downward revision to yields

Increased Corn Acreage Expected This Spring

- Consensus Estimates 88-89m Acre vs. 86.5m last year
- Current farmer profitability spreadsheets favor corn over soy
- Cold, wet spring forecast in sections of Corn Belt
  - Could delays eventually shift more acres into soybeans?

High Discretionary Ethanol Blending Makes USDA 4.3b bu Ethanol Use Estimate Achievable

- 2010 Mandate: 12b gallons
- We estimate over 12b gallons of capacity is currently on-line with another 1B on-line before year-end
- Several small to mid-size producers currently running above nameplate capacity
- Several Key Policy Initiatiatives In Motion
  - EPA Expected To Approve Higher Blend Rate (June)
  - $0.45/gallon Blender Tax Credit Expires 12/31/10… needs renewal
  - Pending Lawsuits Over CA Low Carbon Fuel Standard

Ethanol Producers Tell Us They Are Running Above Capacity, Lenders Concerned About Overcapacity

- "We're currently making about $0.25/gallon less than we did several months ago, but we're still making decent money and running our plant at 105% of listed capacity so we can't complain."
- "We're running our plant at a run rate of 62m gallons per year and our plant has a stated capacity of 62m gallons. The industry has the ability to run at 107% of capacity if everyone maxed out production."
- "If you look at how much capacity is already out there, the industry needs to run at around 90% in 2010 to meet the 12b gallon mandate. This assumes that imports remain at relatively small levels throughout 2010."

Downward Risks To Corn Over Next Several Months

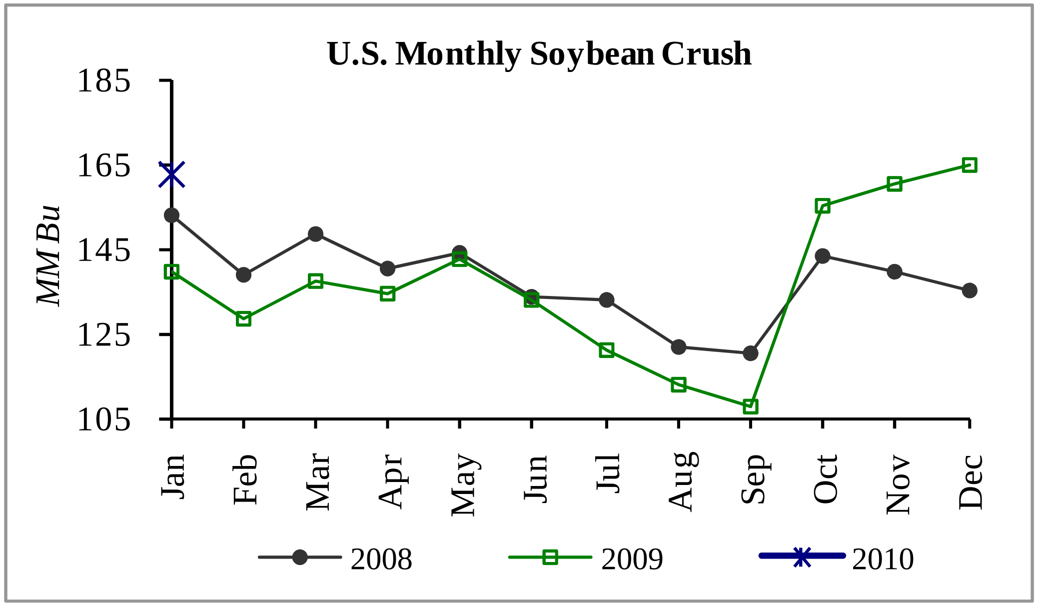
- Corn Export Demand Has Slowed Over Past Few Weeks
- USDA Raised Argentina 09/10 Corn Estimate 2mmt in Feb
  - This could further pressure US corn exports
  - Some concerns over too much rainfall have surfaced recently
- Brazil Safrinha Corn Plantings Running 10% Ahead Of Last Year’s Pace

Final Thoughts On Corn

- Higher Corn Prices Typically Translate Into Stronger Fertilizer Demand
- Farmer Profitability Expected To Be Close To $100/Acre Above Year-Ago Levels
- Discretionary Ethanol Blending Strong Today
- Larger SA Crop/Weaker Exports Remain Risks

Large South American Crop Poised To Change Soybean Dynamics

US Crushers Benefit From SA Soybean Shortage



NOPA, Cleveland Research

USDA Has Raised 09/10 Crushing & Export Estimates

-We anticipate reduced demand for US soybeans when SA Crop Is Harvested

US Soybean Balance Sheet - Historical and Forecast

in millions of bushels, unless otherwise indicated

												USDA	Low	Med	High
Supply	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2010/11	2010/11
Area															
Planted (acre)	72	73.7	74.3	74.1	74.0	73.4	75.2	72.0	75.5	64.7	75.7	77.5	75.0	77.0	79.0
Harvested (acre)	70.4	72.4	72.4	73	72.5	72.5	74.0	71.3	74.6	64.1	74.7	76.4	74.0	76.0	78.0
Yield (bu/acre)	38.9	36.6	38.1	39.6	38	33.9	42.2	43.0	42.7	41.7	39.7	44.0	40.0	43.0	45.0
Beginning Stocks (MM bu)	200	348	290	248	208	178.0	112	256	449	574	205	138	210	153	254
Production (MM bu)	2,739	2,650	2,758	2,891	2,755	2,458	3,123	3,066	3,185	2,677	2,967	3,361	2,960	3,268	3,510
Imports (MM bu)	3	4	4	2	5	6	6	3	9	10	13	8	8	8	12
Total Supply (MM bu)	2,942	3,002	3,052	3,141	2,968	2,642	3,241	3,325	3,643	3,261	3,184	3,507	3,178	3,429	3,776
Use															
Crush	1,590	1,579	1,641	1,700	1,615	1,530	1,696	1,739	1,806	1,801	1,662	1,720	1,650	1,700	1,800
Exports	801	973	1,000	1,063	1,045	880	1,103	947	1,118	1,161	1,283	1,400	1,200	1,300	1,400
Other Domestic	204	164	164	171	130	116	187	187	148	93	101	177	175	175	175
Total Utilization	2595	2716	2805	2934	2790	2526	2986	2873	3072	3055	3046	3297	3025	3175	3375
Ending Stocks	347	286	247	207	178	116	255	452	571	206	138	210	153	254	401
Ending Stocks/Use Ratio	13.4%	10.5%	8.8%	7.0%	6.4%	4.6%	8.5%	15.7%	18.6%	6.7%	4.5%	6.4%	5.1%	8.0%	11.9%
Weeks Carryover	6.9	5.5	4.6	3.7	3.3	2.4	4.4	8.2	9.7	3.5	2.4	3.3	2.6	4.2	6.2
Average Farm Price ($/bu)	4.93	4.63	4.54	4.38	5.53	7.34	5.74	5.66	6.43	10.10	9.97	8.70-10.20	9.00-10.50	8.25-9.75	6.50-8.00

Source: USDA, Cleveland Research

Larger Global Harvests Threaten Soybean Values

But Global Protein Meal Demand Expected To Stabilize
Strong Vegetable Oil Demand

- USDA Projecting Large Y/Y Increases Vs. Year Ago
  - US: 81mmt → 91mmt
  - Brazil: 57mmt → 66mmt
  - Argentina: 32mmt → 53mmt
  - World: 211mmt → 255mmt
- Improved European & South American Veg Oil Demand
- Global Protein Meal Demand Expected To Increase 1-3%
  - Recovery In Protein Meal Demand Led by Asia
  - We Are Seeing Stabilization In US Broiler & Hog Supplies

Soybean Conclusion: Large Harvests On The Way

- Soybean futures trading lower on expected record SA harvests.
- Protein meal demand starting to recover
- Vegetable Oil demand improving internationally
  - US Senate still needs to approve extension of biodiesel tax credit
- Based on current futures price, farmer economics favor corn over soybeans.
  - But soy on corn wins out slightly over corn on corn

Final Takeaways

- Phosphate is particularly tight
- Potash demand has improved sharply since late Dec
- US UAN prices are still too low to attract sufficient imports
- Many Dealers Are Waiting To The Last Minute To Order Fertilizer Supplies
  - Could this create near-term shortages in spring?
- Provided Corn Prices Remain Near Current Levels & We Have Decent Spring Weather, We Expect 2009/10 Fertilizer Demand To Exceed Year-Ago Levels
  - Improved Farmer Profitability
  - Depleted Soils

Good Luck!

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