March Madness: Phosphates

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Forward Looking Statements

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Plant nutrients remain an attractive proposition despite rising prices (a U.S. farmer example)

- **The example below shows the fertilizer cost for corn increasing $34/acre y-o-y (though this assumes the fertilizer was purchased in March 2021)**
- **But expected revenue has risen by $128/acre**

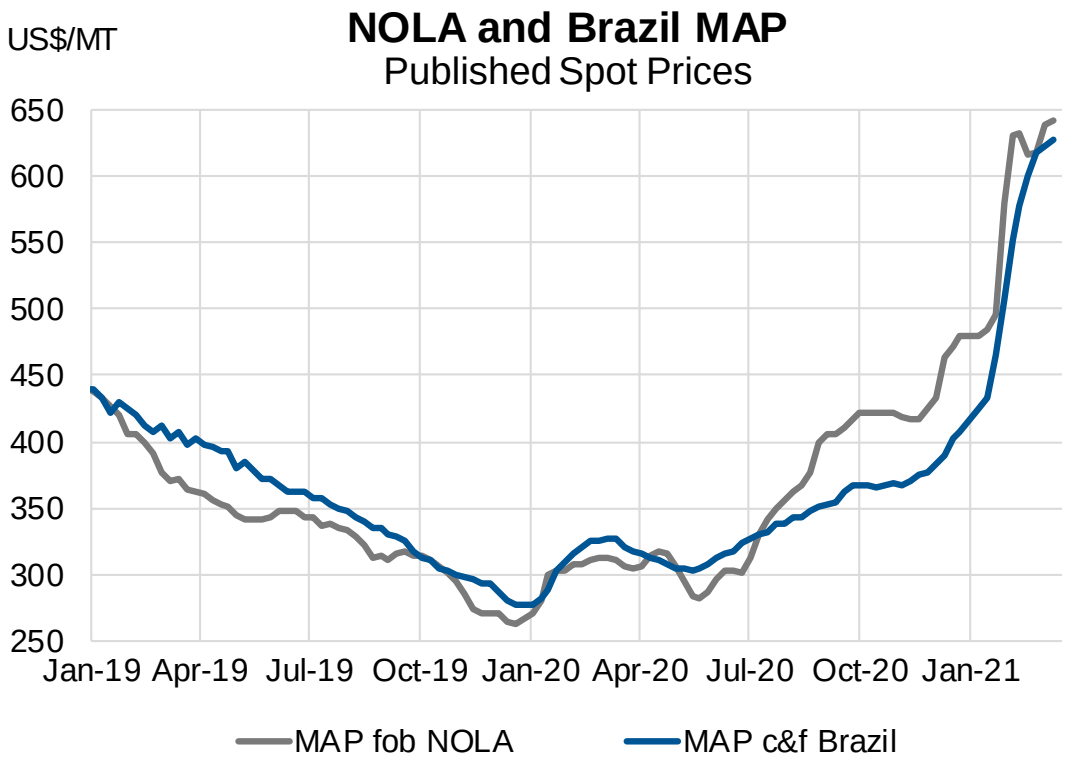
Corn		Spring 2021			Spring 2020		
Nutrition Cost	Application Rate (lbs/ac)	$ / lb nutrient	Retail Price* ($ / ton)	$/acre	$ / lb nutrient	Retail Price ($ / ton)	$/acre
N - ammonia	220	0.39	640	86	0.30	492	66
P - MAP (no N credit)	50	0.65	680	33	0.42	432	21
K - MOP	60	0.35	425	21	0.30	370	18
Nutrition Cost				**139**			**105**
Expected Crop Revenue		**Price ($/bu)**	**Yield (bu/acre)**	**Revenue ($/acre)**	**Price ($/bu)**	**Yield (bu/acre)**	**Revenue ($/acre)**
Mid-March Expected Revenue**		**4.58**	**180**	**824**	**3.87**	**180**	**697**
Revenue - Nutrition Cost				**685**			**592**

*Retail Prices via DTN for late-March or early-April.
Note: farmers are not all paying the latest fertilizer prices for this year's crop.
** Average February new crop CME contract price and 180 bu/ac yield forecast (to align with application rates).

Source: Mosaic

U.S. Phosphate Update: As expected, prices reverting towards parity and trade flows adjusting

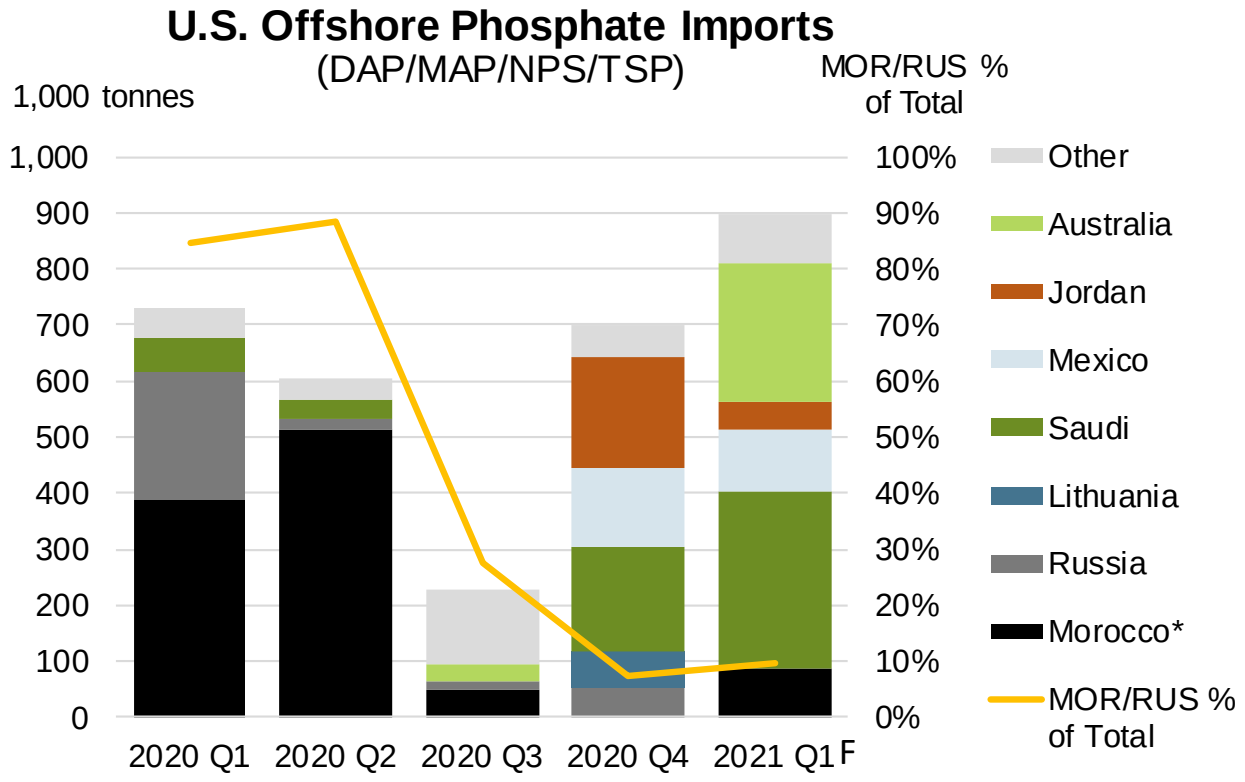
- **NOLA DAP/MAP prices at a ~$20/mt discount to global benchmarks prior to the CVD**
- **Most benchmarks have "caught up" to NOLA**



**weekly average reported spot pricing for prompt delivery*

Source: Argus, Green Markets

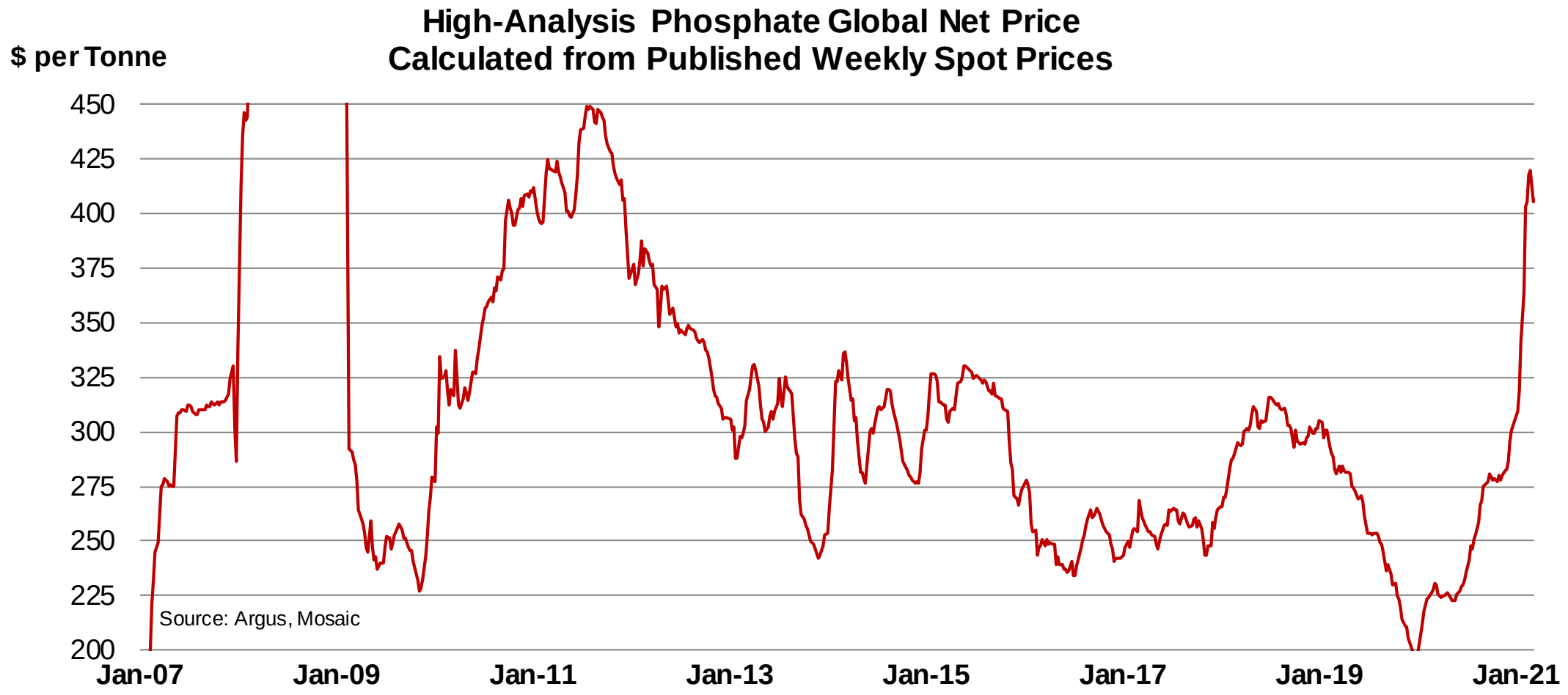
- **Trade flows are adjusting as new entrants fill the gap left by Moroccan and Russian suppliers**



** Estimated volume from Morocco in Q1 2021 was for bonded shipment to Canada*

Source: Genscape; Mosaic

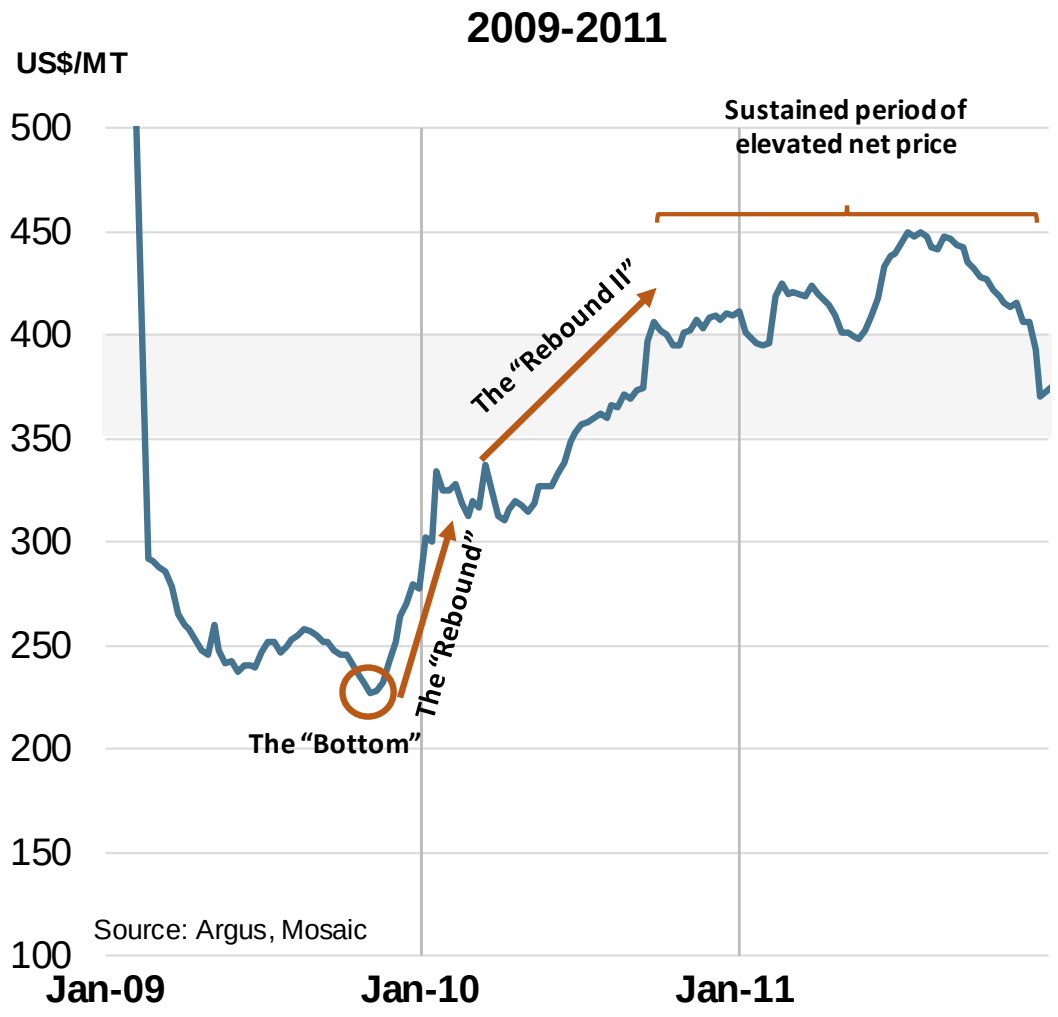
Global Net Price History

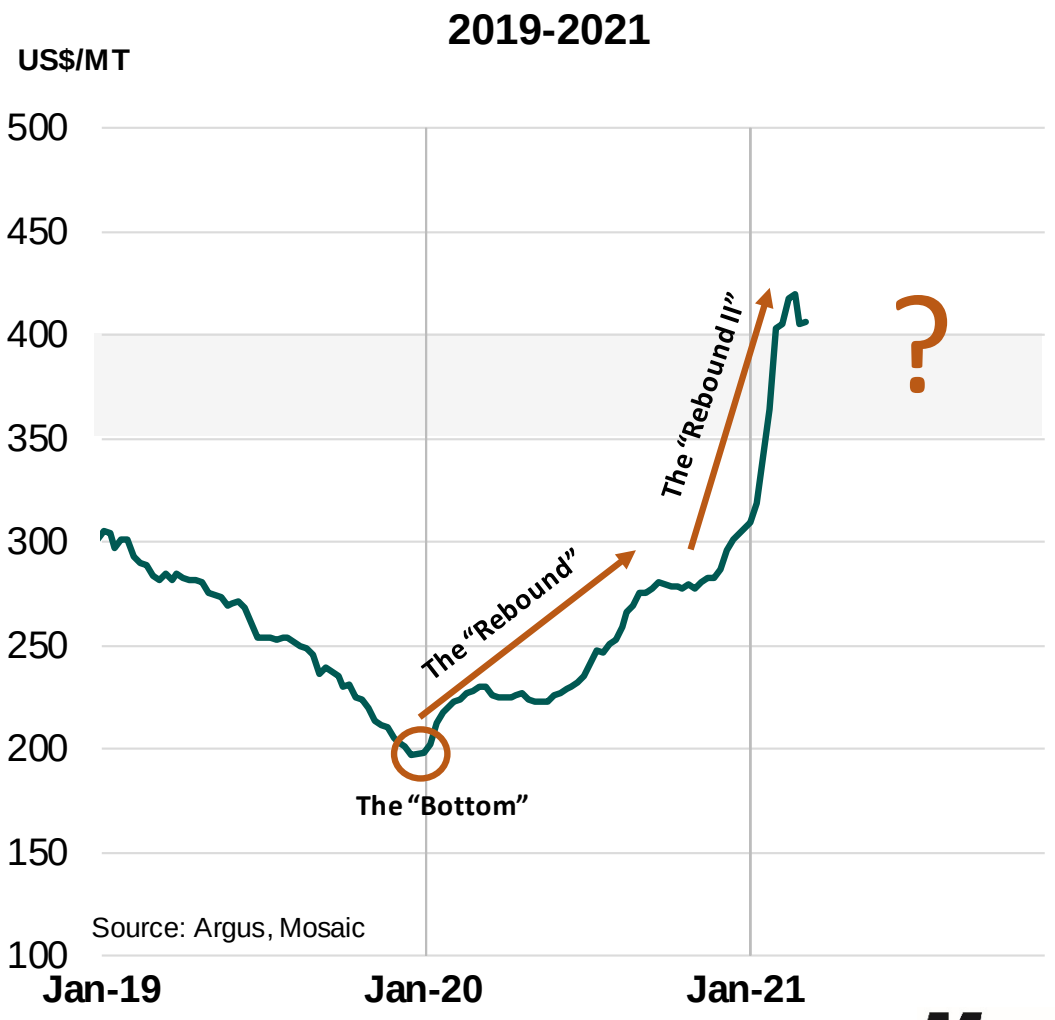


Global net price averages several global price benchmarks for finished phosphates and raw materials. It does not include any handling, storage, transportation or conversion costs.

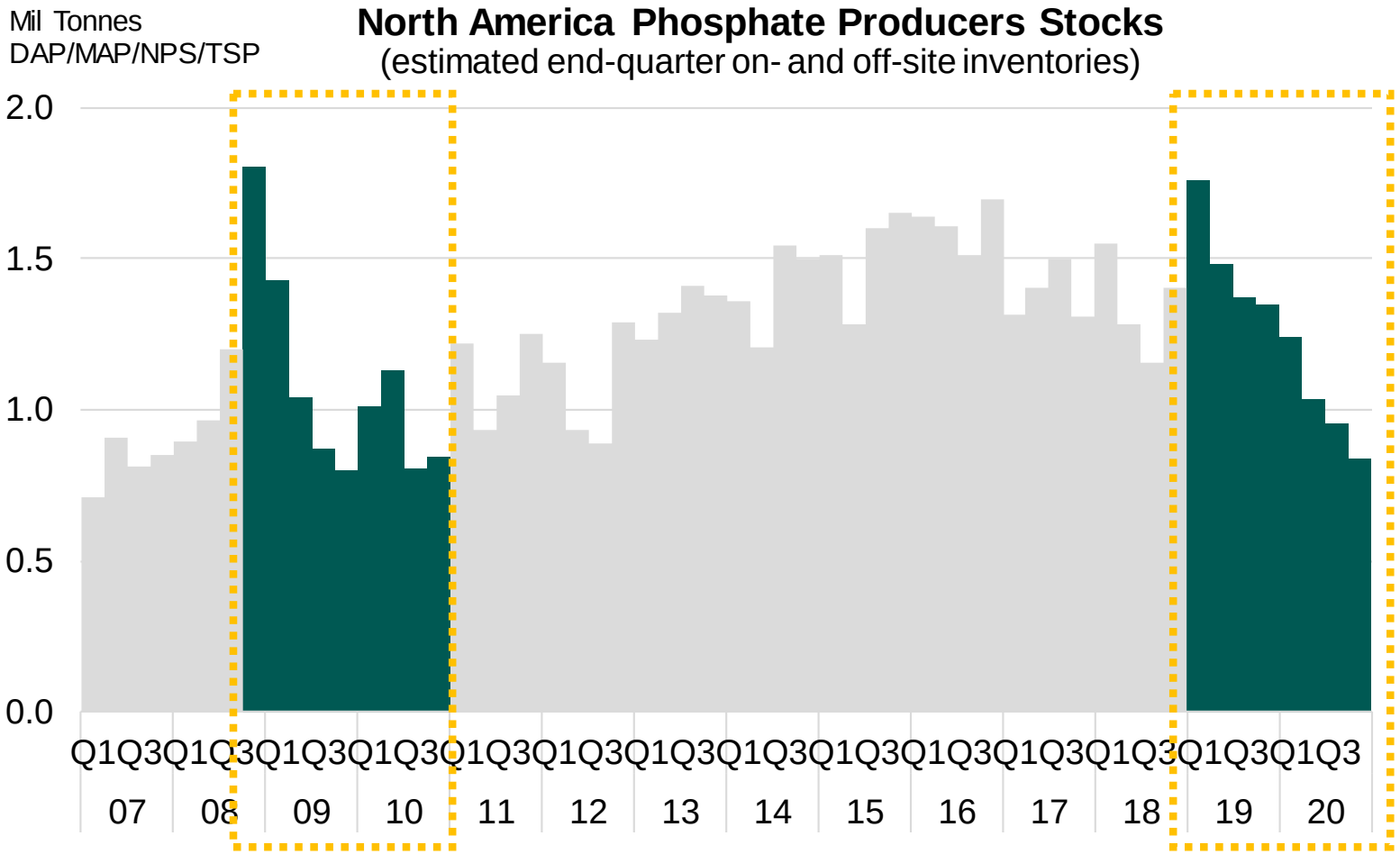
Global Net Price Déjà vu?

2009 bottom through 2011 versus 2019 bottom through this year





Phosphate S/D: Then and Now

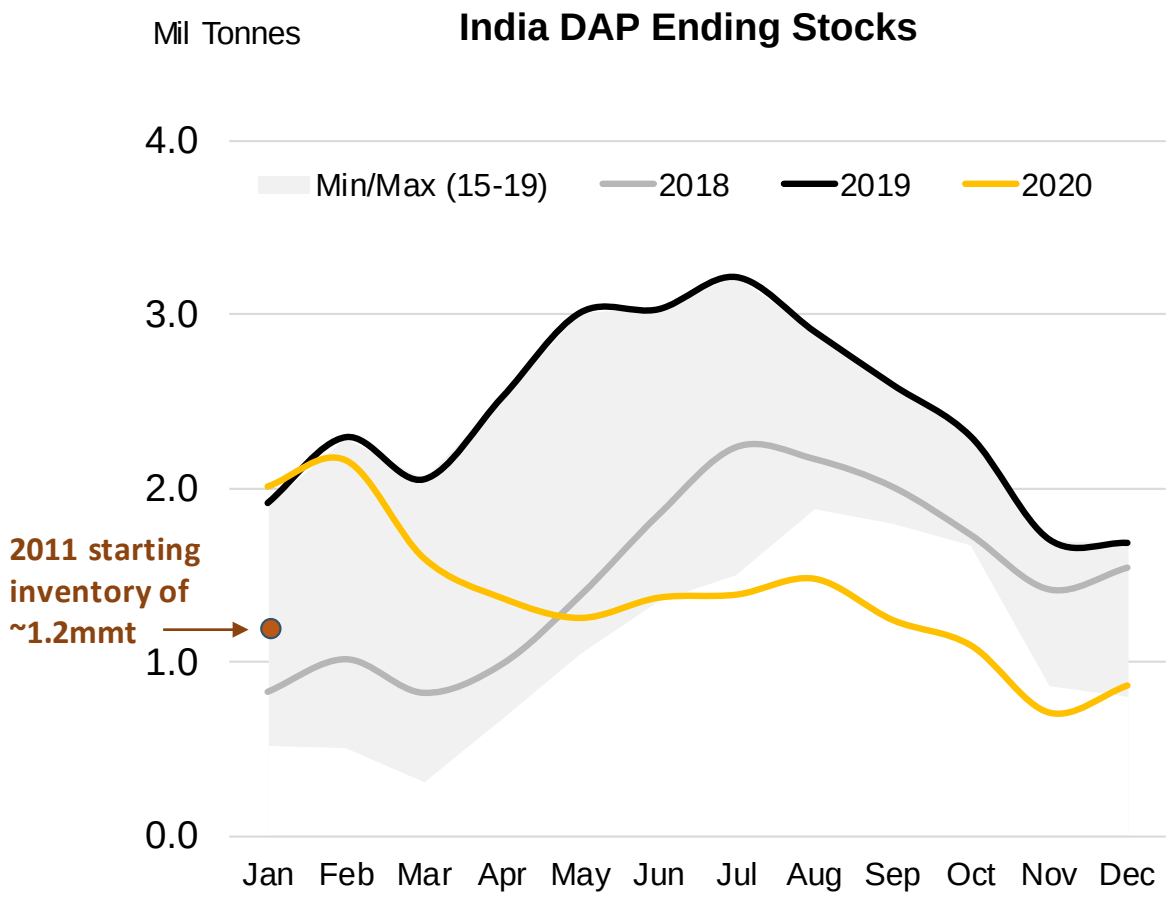


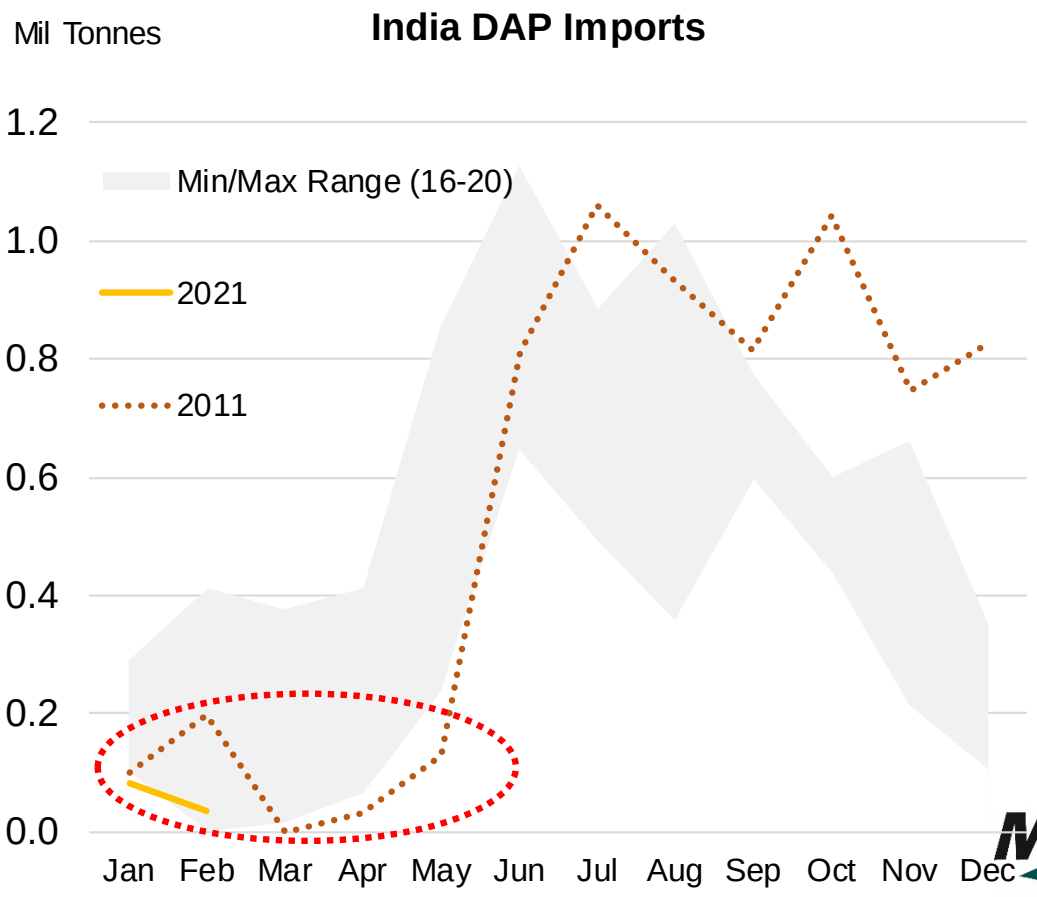
- **Using North America inventories as a proxy for market tightness, a similar pattern has developed over the past two years as had occurred in 2009-10**

Source: TFI and Mosaic

India Import Timing: It is not unusual for delayed buying (but they need the tonnes and will be back)

- **India DAP pricing remains disconnected with global values and volumes have dried up**
- **India has low starting inventory, but despite that it would not be uncommon for India to forgo significant import volumes through May**

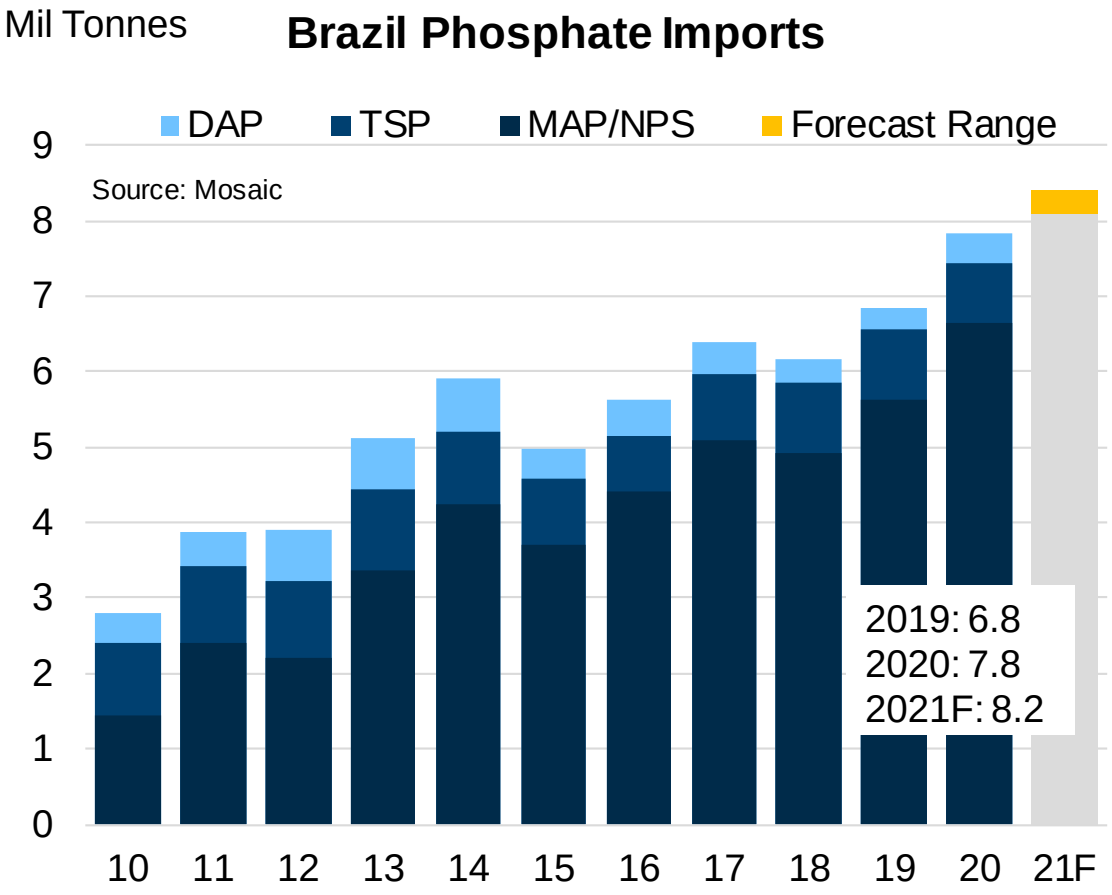


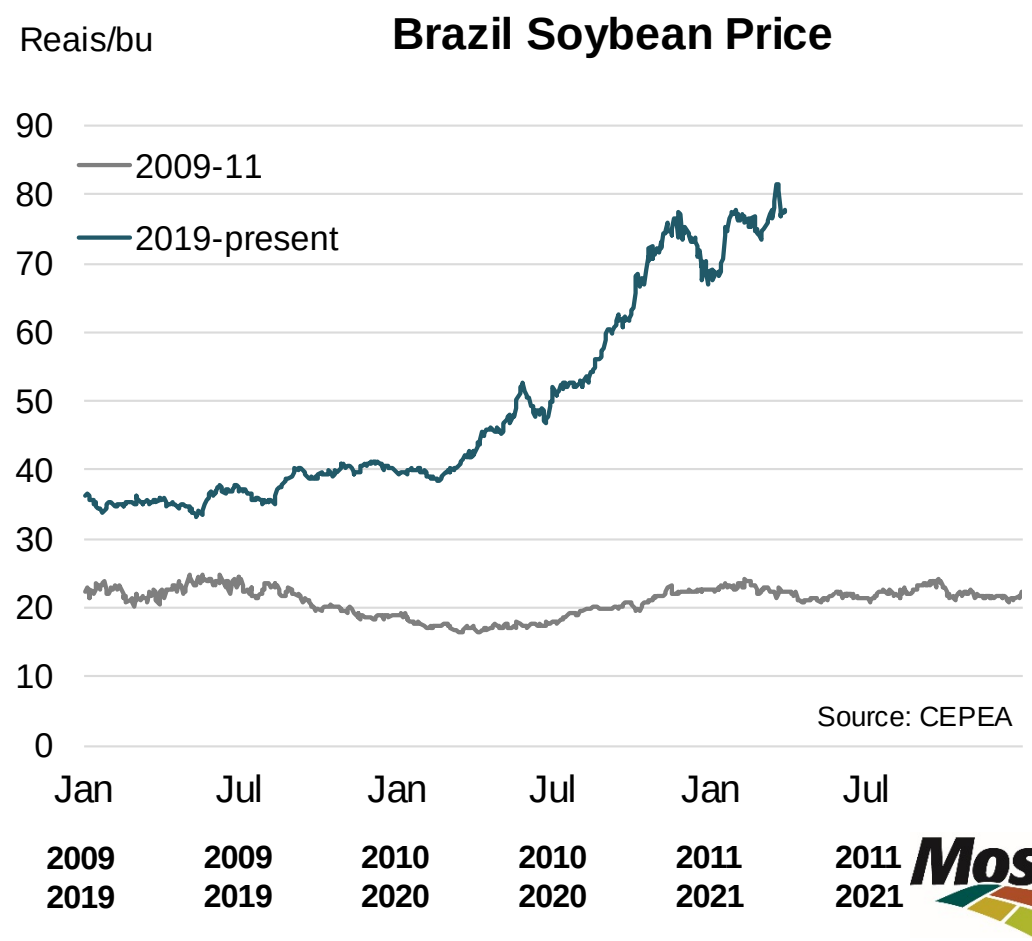


Source: FAI

Could Brazilian demand outperform our expectations to provide an offset to India?

- **Import volumes starting the year on a very strong pace (up ~15% y-o-y in Q1)**
- **Record-high farm economics drive demand**





Summary

Global phosphate market remains tight with NOLA at global parity

Phosphate global demand strength expected to continue

- Farmer economics are strong
- India demand risk driven by subsidy uncertainty
- Brazil growth may offset any Indian decline

Phosphate global supply growth limited

- China capacity diminished by restructuring
- Long lead time for new projects / debottlenecking

Raw materials are expected to increase, lowering global net price from peak, though expected to remain at a historically-elevated level

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