

Potash

MORE OF THE QUALITY NUTRIENT

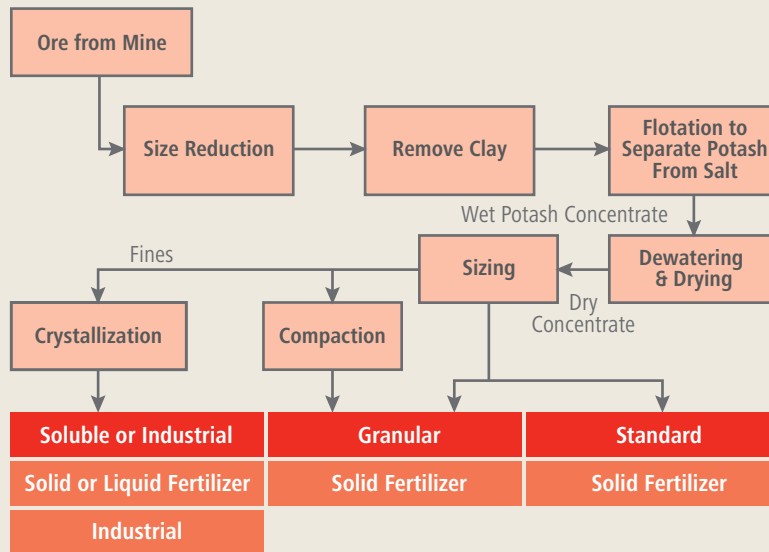
Potash is unique. It helps plants develop strong root systems and retain water, contributes to higher yields and greater resistance to disease and insects. It improves the taste and the nutritional value of food. It is the "quality nutrient". The potash industry is also unique, because minable deposits are rare, barriers to entry are high and expected growth in long-term global demand is fueling the need for more production.

PotashCorp, the world's largest potash producer by capacity, is uniquely positioned to meet this growth.

How Potash Products Are Made

Potassium chloride (KCl), commonly called potash, is predominantly mined from ore deposits located deep underground, using either conventional mining techniques, as in approximately 80 percent of global capacity, or the more energy- and cost-intensive solution mining. In limited circumstances, it can also be harvested from salt lakes or seas. The ore or brine is processed into the finished product in surface mills.

Production costs are affected by geological conditions; ore thickness, consistency and continuity; ore depth and K₂O content; energy costs; the level of mill recovery; operational capacity and degree of automation.



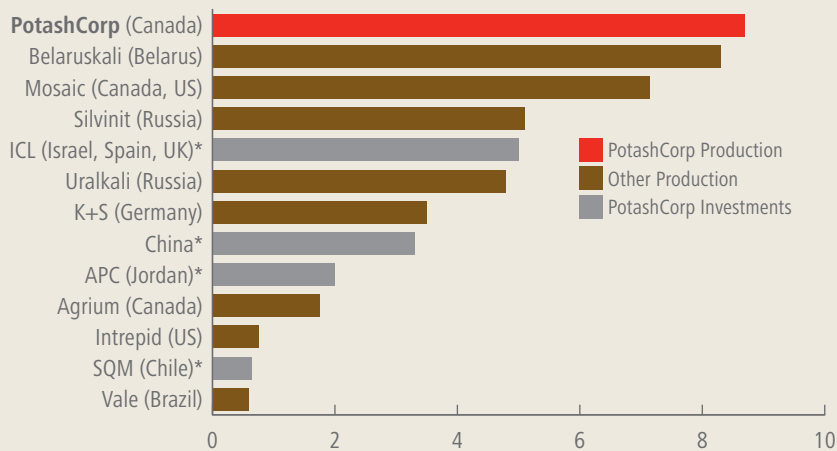
Source: PotashCorp

Largest Producer by Production and Capacity

Significant potash production occurs in only 12 countries, with Canada, Russia and Belarus together accounting for two-thirds of annual world production and approximately 80 percent of global reserves. Even with viable reserves, significant barriers to entry make becoming a potash producer a costly and lengthy undertaking.

PotashCorp is the largest global producer by capacity and, in 2008, 17 percent of world production came from our operations. We also have potash-related investment interests in ICL (Israel), APC (Jordan), SQM (Chile) and Sinofert (China).

Million Tonnes KCl Production – 2008



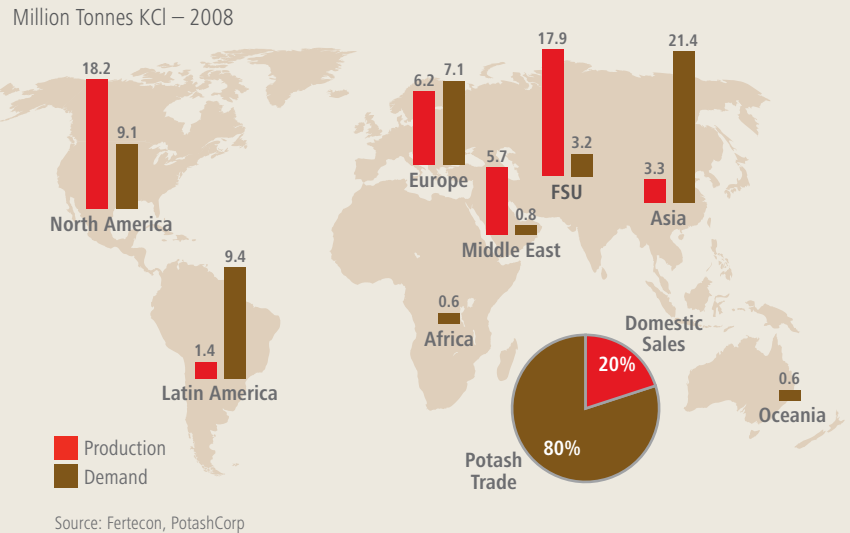
* Investments: ICL (11%), APC (28%), SQM (32%) and Sinofert (22%)

Source: Fertecon, IFA, PotashCorp

Few Producers but Many Consumers

While there are few global producers, potash is consumed in about 160 countries. As a result, approximately 80 percent of world potash is traded across borders. Canada and the former Soviet Union (FSU) countries of Russia and Belarus are home to the largest producers, while Asia, North America and Latin America are the largest consuming regions.

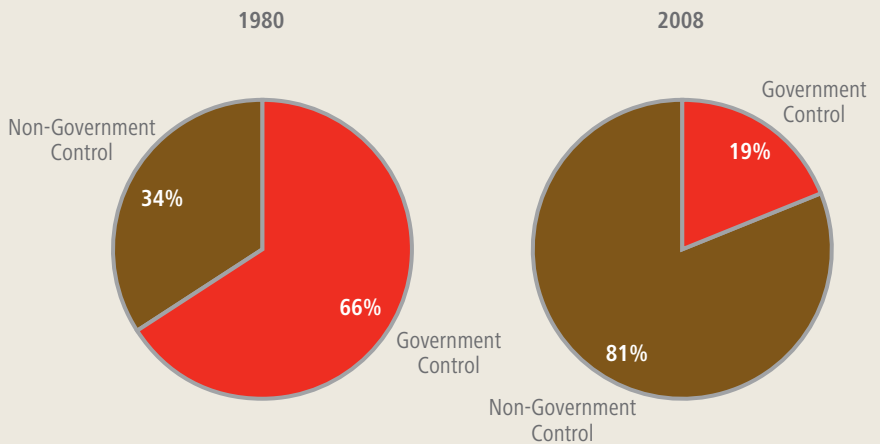
In addition to supplying their local markets, producers in North America, the FSU and the Middle East supply Latin American and Asian countries that have little or no indigenous production.



Minimal Government Control of Today's Potash Industry

More than two decades ago, two-thirds of the global potash industry was in government hands, but today only about 19 percent is government-controlled.

Governments can have socio-economic goals and investment hurdles that differ greatly from those of publicly traded companies, particularly related to decisions that affect capacity reinvestment and production. Today the only significant government ownership is in Belarus, where the economy and future GDP growth depend heavily on US dollar-denominated potash sales.

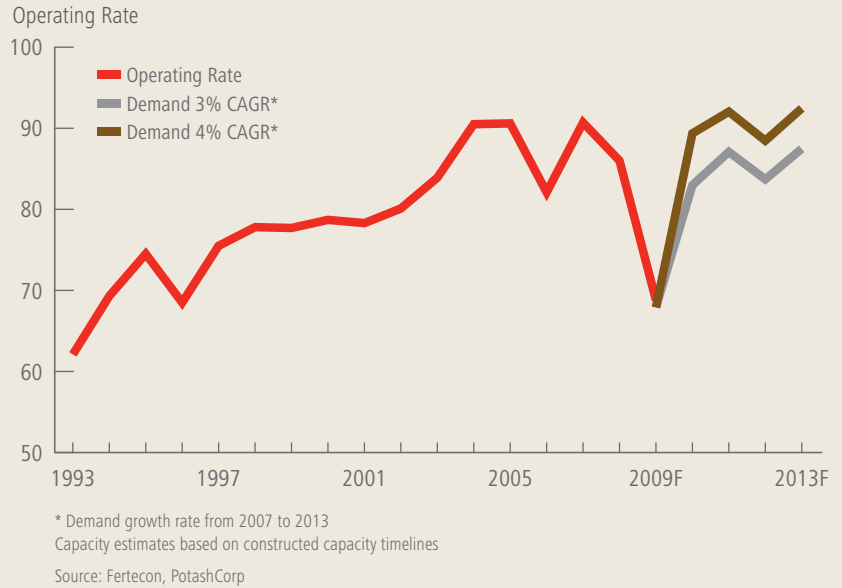


> WORLD POTASH OPERATING RATE

Expect Return to Supply-Challenged Industry (2010-2013)

Following the collapse of the Soviet Union and its domestic agriculture system, low operating rates ensued for much of the 1990s and early 2000s. During this period, prices remained low, eliminating capacity investment.

As global demand – particularly in Asia and Latin America – grew, excess capacity was absorbed and operating rates climbed. By 2003, we believe a fundamental change had occurred – the industry shifted from one defined by excess capacity to one that is expected to be supply-challenged for many years to come.

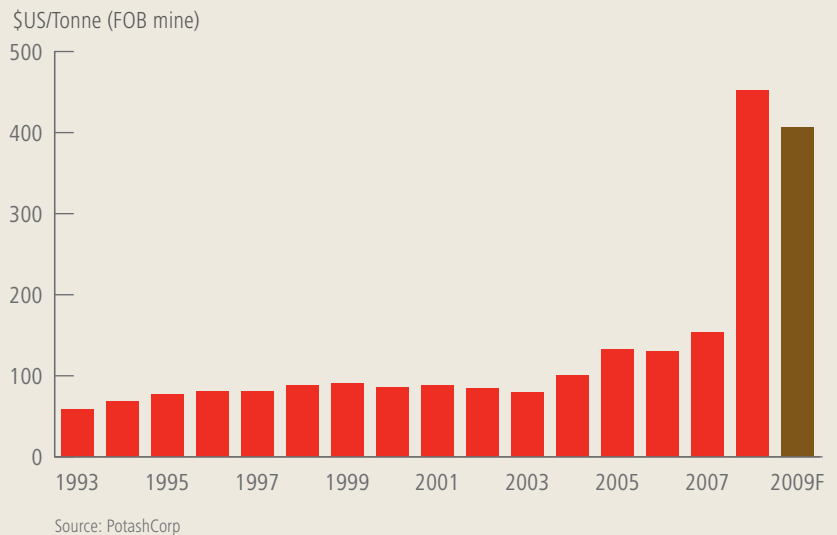


> POTASHCORP'S AVERAGE OFFSHORE REALIZED PRICES

2009 Forecast Average Price Near 2008 Level, Despite Recent Declines

By 2007, the industry was at or near available capacity, which drove prices up.

While the global economic slowdown softened pricing in 2009, potash was affected less than most commodities. Underpinned by the need for capacity investments to meet the world's growing need, potash prices are well above historical levels despite the dramatic deferral of demand that resulted from the global economic crisis.



Potash

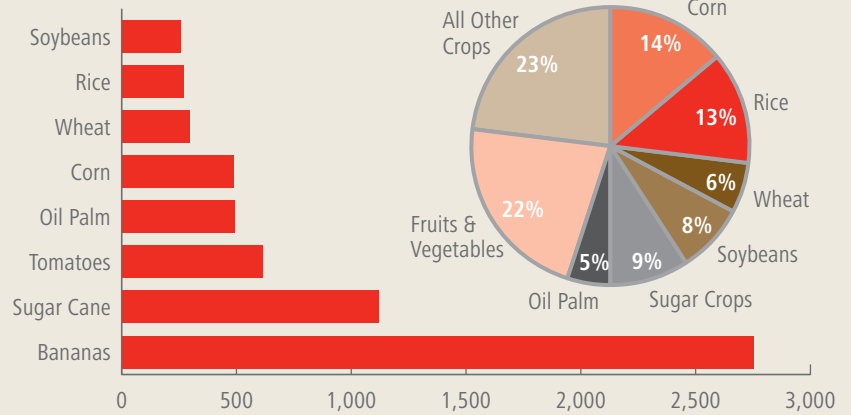
Potash-Intensive Crops Are in Demand

Rising global demand for crops in which quality and yield are essential affects the growth in fertilizer demand, especially for potash.

Fruits and vegetables are extremely nutrient-intensive crops and consume the largest portion of the world's potash. Corn and rice are also heavy potash users. Soybeans require more potash in Brazil than in the US because of soil conditions. The demand for ethanol as a substitute in transportation fuel is increasing Brazil's need for sugar cane, which uses about four times as much potash per hectare as soybeans.

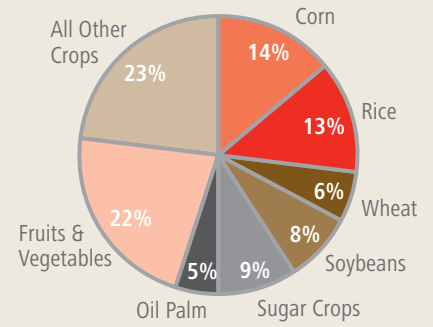
Potash Uptake by Crop

Kg/ha KCl



Source: IPNI

World Potash Consumption by Crop



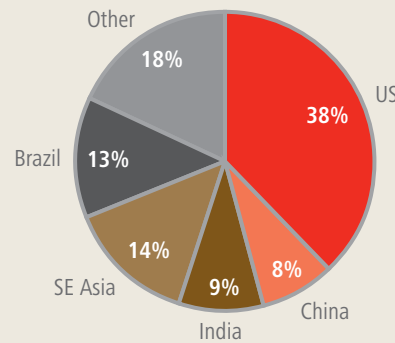
Potash

Focus on Large, Growing Offshore Markets

The growth in potash consumption has been most pronounced in developing countries that are beginning to address the need for balanced soil nutrition to increase yields. In 2008, 44 percent of Canadian potash exports went to the four major markets of China, India, Southeast Asia and Brazil.

These markets have no or limited domestic supply or reserves to develop, and depend heavily on imports. Driven by the need to produce more food for their rising populations, they have more than tripled their total potash imports in the last 20 years and continued growth is expected.

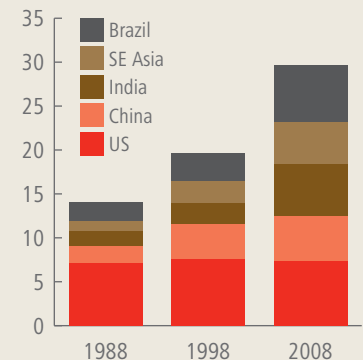
2008 Canadian KCl Exports by Market



Source: Fertecon, USDOC, Canpotex, PotashCorp

Total KCl Imports

Million Tonnes



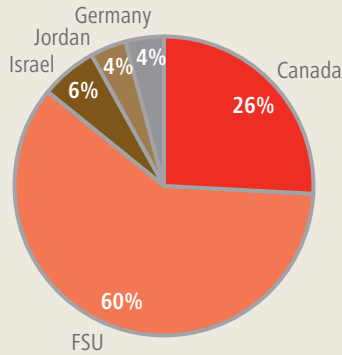
> CHINA POTASH PROFILE

Fruits and Vegetables Use Half of China's Potash

China, which buys potash under contracts, is expected over the long term to import approximately 75 percent of its annual requirements. Historically, it has received about 60 percent of its potash imports from FSU producers who can supply it by both rail and sea. Production from Canada typically represents about 30 percent of Chinese imports.

Potash helps improve the taste, texture and quality of crops, which is why half of China's consumption of this nutrient is on high-value, potash-intensive crops such as fruits and vegetables.

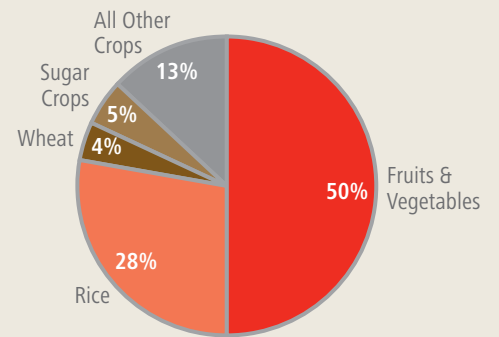
2008 Import Profile



2008 Imports = 5.1 million tonnes

Source: Brilliant Pioneer Consultants, IFA

Potash Use by Crop



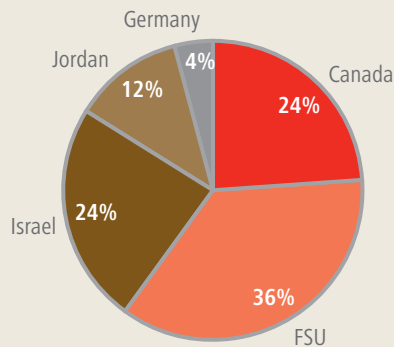
> INDIA POTASH PROFILE

Large Potash Imports Help India Increase Food Production

With no potash production capability, India relies entirely on imports bought through contracts. It imported a record 6.0 million tonnes in 2008 from global producers; Canadian producers provided approximately one-quarter of that supply.

India is focused on increasing food production and half of its potash use is allocated to grain and oilseed production for human and animal food. Like China, it emphasizes the fertilization of crops that are strategically important – such as rice, wheat and fruits and vegetables.

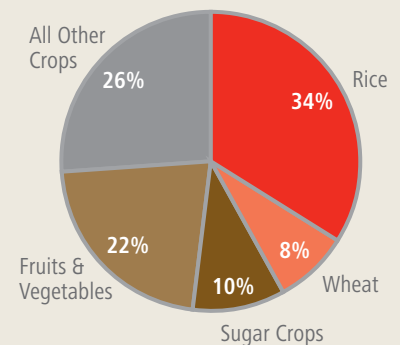
2008 Import Profile



2008 Imports = 6.0 million tonnes

Source: Fertecon, Canpotex, IFA

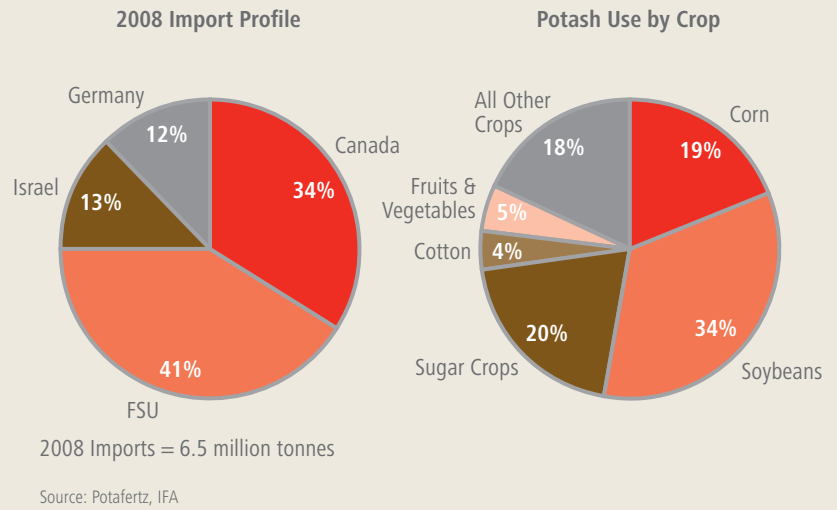
Potash Use by Crop



Potash Fuels Brazil’s Soybean and Sugar Cane Production

Brazil has become an agricultural superpower, but its soils are particularly deficient in potash. With limited minable reserves, it typically imports 90 percent of its needs, which makes it an important spot market. Brazil’s 2008 potash imports totaled 6.5 million tonnes, with about one-third coming from Canadian producers.

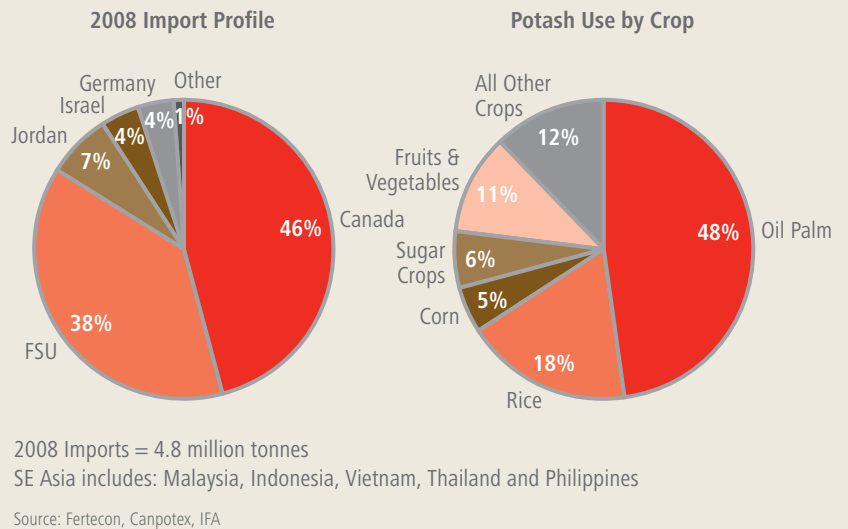
Soybeans and sugar cane use approximately 34 percent and 20 percent, respectively, of the potash consumed in Brazil.



Oil Palm Is a Major User of Potash

Southeast Asian countries of Malaysia, Indonesia, Vietnam, Thailand and Philippines comprise another key potash spot market. Together, they imported a record 4.8 million tonnes of product in 2008, with almost half coming from Canadian producers.

High palm oil prices, driven by strong global demand for edible oils in Asia, have pushed up potash consumption in this key growing region. Oil palm consumes nearly half of total potash used.

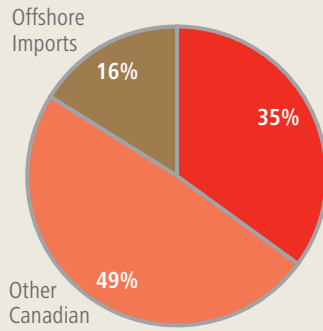


Large US Corn and Soybean Production Fed on Potash

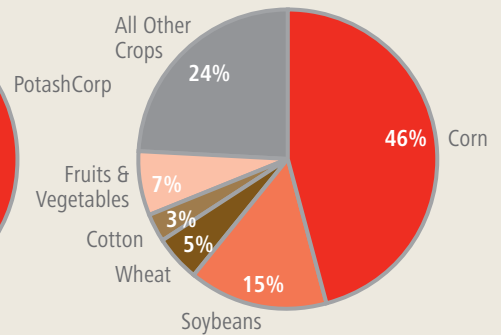
The US market, made up of many private spot buyers, is typically stable and mature. Imports in 2008 totaled 7.3 million tonnes – more than one-third from PotashCorp.

A large producer of corn and soybeans, the US represents almost 60 percent and 30 percent, respectively, of world exports of these crops. Heavy consumers of potash, together they use over 60 percent of the US total.

2008 Import Profile



Potash Use by Crop



2008 Imports = 7.3 million tonnes

Source: Fertecon, USDOC, IFA, PotashCorp

Shorter Shipping Routes Benefit PotashCorp

The global nature of the potash business, with virtually all new demand coming from offshore markets, requires cost-effective, efficient transportation. Getting product to key markets quickly at the lowest possible cost benefits both customers and suppliers. Canpotex’s shipping distance to China from Vancouver, BC and PotashCorp’s distance to Brazil from Saint John, NB are significantly shorter than those of our competitors.

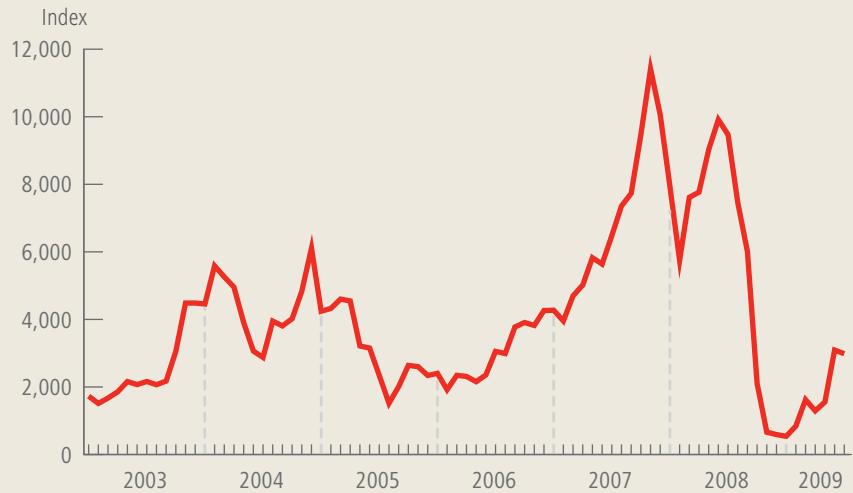
Israel and Jordan, two of our offshore potash investments, benefit from the shortest sailing distances to India, a large potash market.

	China	India	Brazil
Vancouver	17	30	28
Saint John	35	26	16
Israel	24	10	23
Jordan	24	10	23
Germany	37	22	19
Russia	38	23	21

Source: OMS

Sharp Decline in Ocean Freight Rates

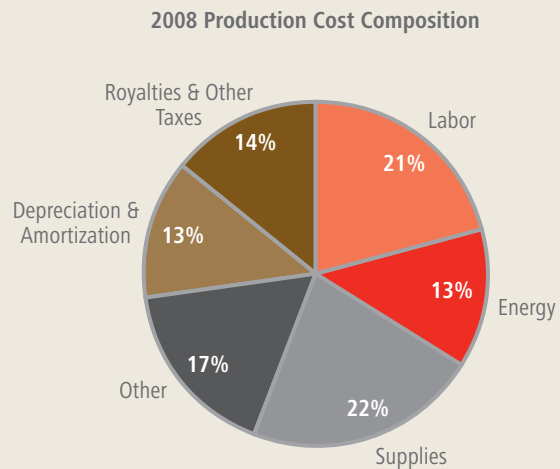
Ocean freight rates fell dramatically in the second half of 2008 due to significant reductions in world commodity trade caused by the economic crisis. The Baltic Panamax Freight Index declined by more than 90 percent from mid-May to the end of December. Potash spot vessel rates from Vancouver to Asia fell by approximately 80 percent over this period. Since Canpotex does up to three-quarters of its business on a delivered basis, lower freight rates can positively affect our realized prices.



Source: Overseas Marine Service (Baltic Exchange)

Low Fixed Costs Provide Operating Flexibility

Key to our strategy of matching production to market demand is the ability to take our potash mining operations up and down relatively easily. Approximately 70 percent of our potash operating costs are variable, which gives us the flexibility to greatly reduce production and costs in the event of a decline in demand.

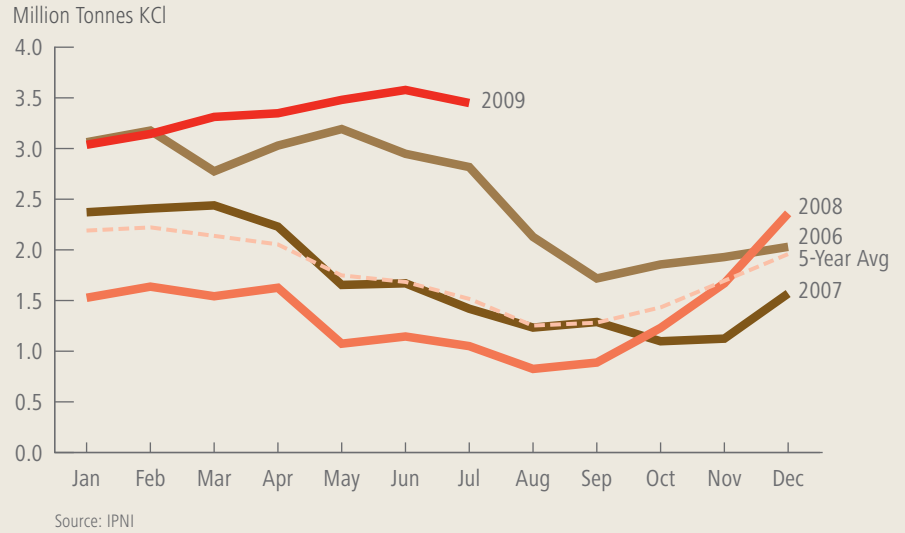


Source: PotashCorp

Resumption of Demand Expected to Shrink High Producer Inventories

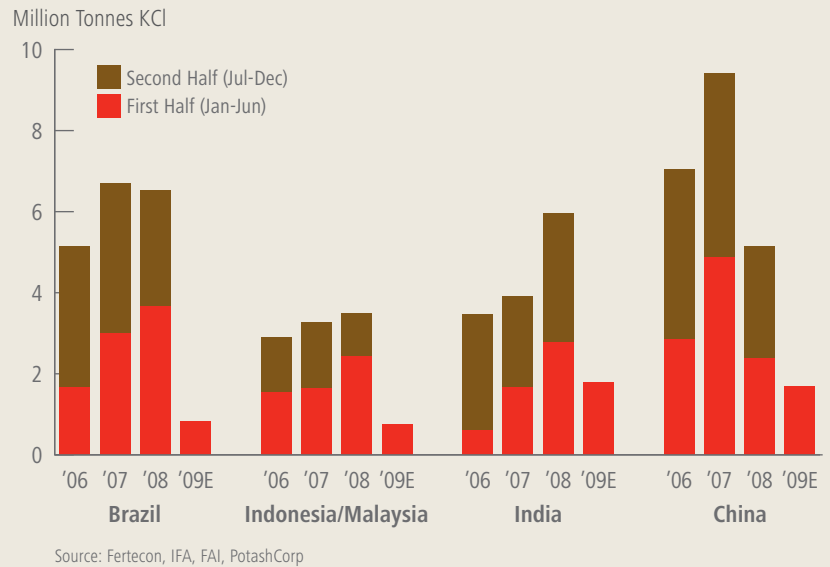
North American producer inventory levels are a reasonable proxy of the tightness of the overall market, and were at or near record low levels through most of 2007 and 2008. In the unprecedented deferral of demand during the global economic crisis – as nutrients were being depleted at the distributor level and in the soils – producer inventories rose well above the five-year average.

Announced production curtailments and an expected resumption of demand by global customers should draw down stocks to lower levels by the end of 2009.



Significant Downstream Destocking in First-Half 2009

Potash demand has grown substantially as key offshore markets continue to address soil nutrient imbalances, especially of potash. However, demand never grows in a straight line upward, and although record crops pulled large volumes of nutrients from world soils in 2008, distributors and farmers largely suspended fertilizer purchases amid the economic uncertainty. They drew from inventories, buying only as needed and driving first-half shipments to low levels in all major markets. Potash inventories – in the soil, in farmers' bins and in dealer warehouses – are now significantly destocked and we believe will require a multi-year rebuilding effort.

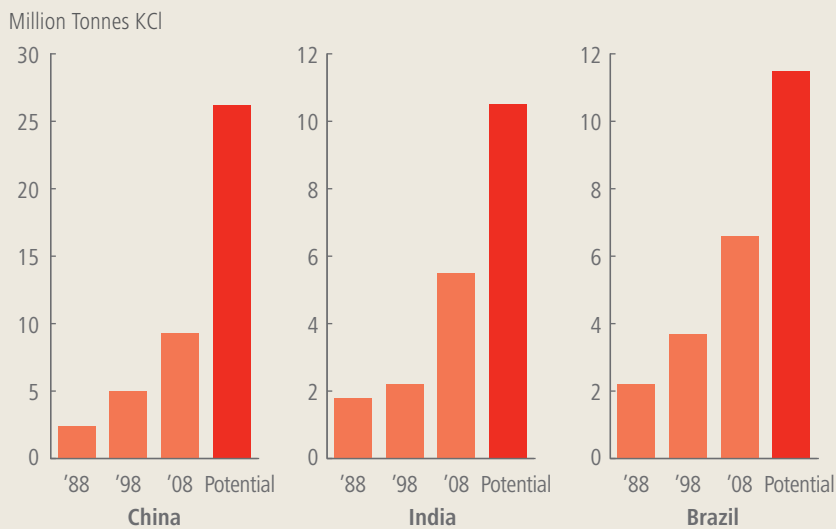


Significant Catch-Up to Meet Scientifically Recommended Levels

Beyond the restocking of nutrients, the long-term, scientifically based reality is that potash consumption must grow in key markets to improve yields and nutrient balances. China’s annual consumption needs to increase by almost 18 million tonnes from the 2008 level to achieve the scientifically recommended NPK applications ratio of 2:1:1.

More than 70 percent of India’s soils are low to medium in potash fertility. Its consumption must rise by 5 million tonnes to bring its NPK application ratio from 6:2:1 to the recommended 4:2:1.

Brazilian soils require close to 5 million tonnes of additional potash to achieve recommended levels on current acreage.

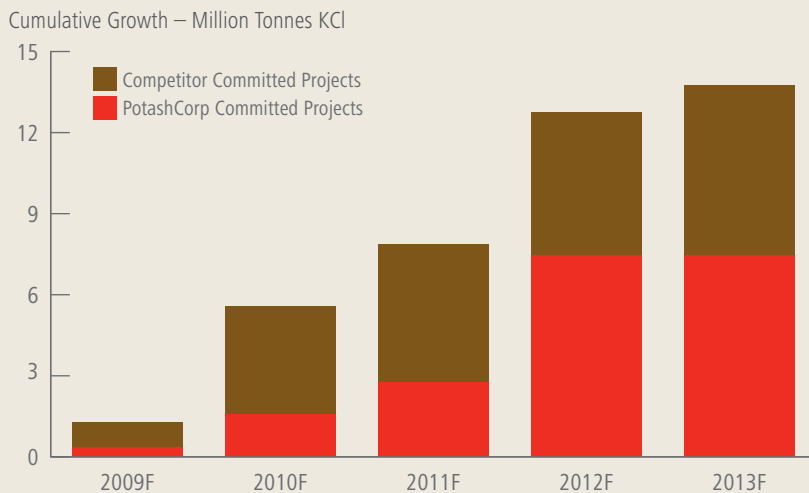


Source: IPNI, Fertecon, IFA, PotashCorp

Accounting for Over Half of New Global Capacity

To meet this expected growing global need for potash, we are increasing our capacity. Between 2005 and the end of 2012, we expect to bring our constructed capacity to 18 million tonnes. This is more than half of the constructed capacity being built worldwide in that period of time.

With the economic crisis negatively impacting credit availability, providing general market uncertainty and delaying or ending greenfield plans of some potential market participants, we believe the capacity represented by our projects is even more valuable today than when we announced them.



Projects are shown as of completion date for construction and do not include ramp-up time

Source: Fertecon, PotashCorp