

The Simple Fact: Science Dictates a Rebound

We believe 2009 was an aberration in fertilizer history. While global food requirements continued to rise, nutrient demand and consumption were reduced to unsustainable levels – affected, we believe, by widespread fear and caution. Satisfying the ongoing demand for food will require improved nutrient applications, which we believe will increase demand for all fertilizers.

The timing of buyer engagement and extent of rebuild will determine 2010 rebound. Strong farmer returns, a depleted distributor pipeline and the agronomic need to replace soil nutrients are expected to lead to improved potash and phosphate fertilizer markets in 2010. We believe this rebound has begun, but the timing of engagement by key markets and the appetite to fully replenish soil nutrient banks and distribution channels will determine the level of demand in the near term.

1 Economy

The developing world continued to generate wealth in 2009 amidst the global economic downturn, although that growth slowed. Risks to the rate of world recovery persist in 2010, which include: in the US, excess housing inventory, high unemployment levels and a projected large multi-year budget deficit; in Europe, sovereign debt uncertainty; and in China, the country’s ability to sustainably manage its high rate of economic growth.

The International Monetary Fund forecasts global economic growth to average a historically strong 4.3 percent annually over the next five years, with emerging economies projected to far outpace the developed world. This wealth creation in countries with the largest share of the world’s population is expected to keep the global development story strong as more food is required and more modern conveniences are desired.

2 Agriculture

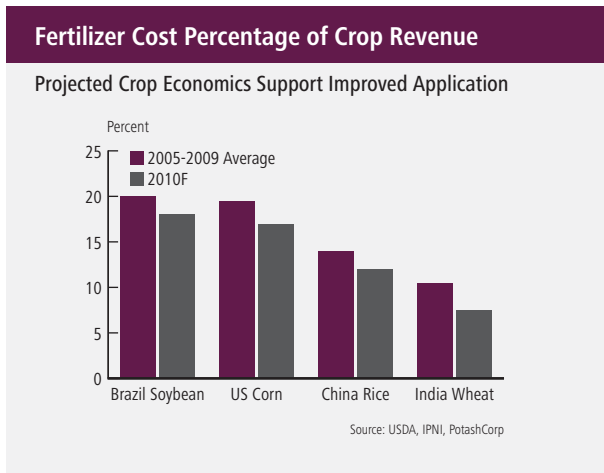
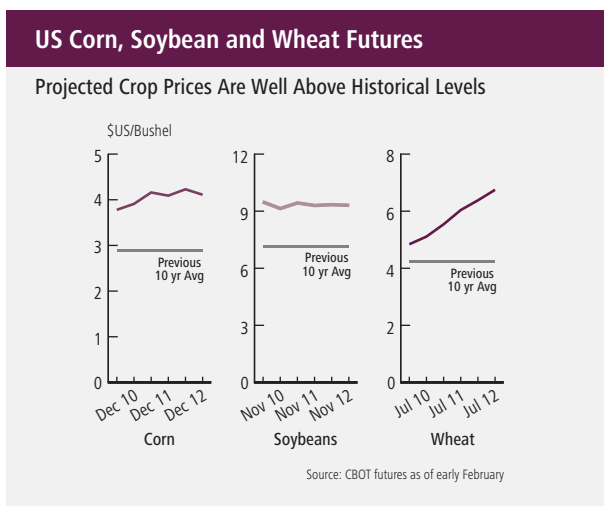
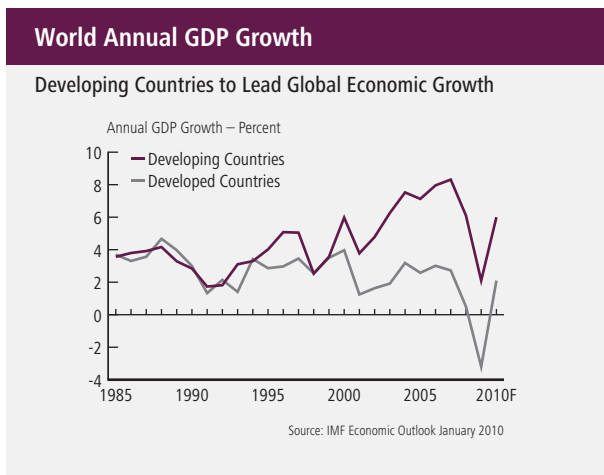
Corn, rice and sugar stocks are still historically low, only slightly improved from the record low levels that raised concern during the reported food crisis in 2007 and early 2008. Despite projections for record US corn and soybean crops in 2009, reduced fertilization and less than ideal weather resulted in lower yields in many other regions, limiting increases in global grain stocks.

In response to the tight global grain supply/demand balance, futures prices for grains and oilseeds remain well above historical levels, with certain commodities such as sugar and coffee at or near record highs. These futures prices could be weakened by excellent global growing conditions or strengthened if those conditions are adverse. Rising demand is expected to keep prices for the coming growing season above historical averages.

Beyond these higher commodity prices, lower input costs have improved farmer margins and are expected to encourage efforts to maximize yields in 2010. In the US, for example, cash margins near historically high levels are anticipated. Strong margins for most major global crops are improving confidence among farmers, we believe, and should support a return to more normal fertilizer application.

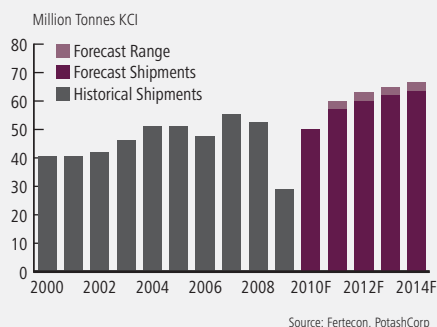
3 Potash

We believe that the sharp reduction in potash use and destocking of the distribution system in 2009 created the need for a multi-year replenishment, which we expect to begin in 2010. We estimate global



World Potash Shipments

Need for Multi-Year Rebound Beginning in 2010

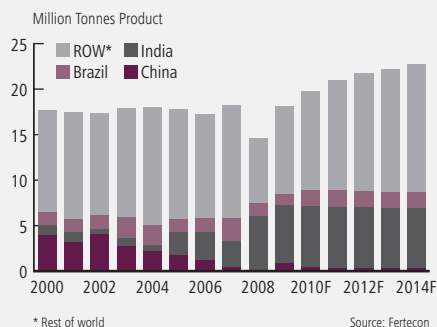


shipments of approximately 50 million tonnes, marking the transition between the historical lows of 2009 and a return to higher demand in 2011. This would represent a meaningful rebound from 2009 levels of approximately 30 million tonnes but would not address the multi-year process of refilling distributor inventories and soil nutrient levels. While weaker crop prices or delayed buyer engagement could result in potash shipments below our estimate, stronger crop economics or significant engagement of key markets could raise demand above this level.

The North American market began focusing on nutrient needs late in 2009. Strong potash applications are anticipated during the coming planting season as a result of the limited fall application period and the need to prevent further reduction in soil nutrient levels that were mined in the previous growing season. We expect India's demand will likely be 5.5-6 million tonnes due to rising food requirements and reduced grain yields in the most recent harvest. Strong crop economics, significant potassium requirements to support crop production and extremely low inventories are expected to encourage improved sales to Brazil and Southeast Asia, with anticipated imports of 5.5-6.5 million tonnes and 4-5 million tonnes, respectively. China is projected to consume 8-9 million tonnes of potash (KCl) and import approximately 4.5-5 million tonnes in 2010.

World DAP and MAP Imports

India Significant Player in World DAP and MAP Trade



4 Phosphate

Low global inventories of solid phosphate fertilizer and strong import demand from India are expected to lead to a stronger phosphate market in 2010. US exports are anticipated to be slightly above 2009 levels, while its domestic phosphate fertilizer sales are expected to exceed those in both 2008 and 2009.

Markets for sulfur and ammonia, major inputs in phosphate production, are expected to tighten in 2010, potentially leading to higher prices. Higher sulfur prices in particular could offset higher phosphate prices. Costs for non-integrated producers are projected to be above historical levels, providing a floor for prices for finished phosphate products.

5 Nitrogen

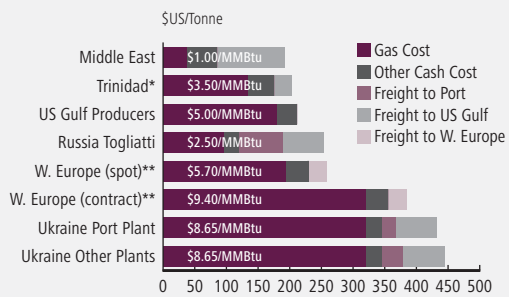
With larger supplies of conventional natural gas and increased availability of LNG in Europe, nitrogen producers there are expected to benefit by purchasing more gas through the spot market compared to the typically higher-priced contract markets. However, spot market gas prices are estimated to still exceed US gas prices and the majority of purchases would still be tied to higher-priced, oil-linked contracts. High natural gas prices from such contracts are expected to result in Western Europe and Ukraine maintaining their position as higher-cost nitrogen suppliers while US producers retain a favorable cost position.

World demand for nitrogen in 2010 is forecast to rebound from 2009 levels by nearly 5 percent. Improving industrial demand is expected to be led by growth in Asia and Europe, while improving agricultural demand is likely to lead to growth in consumption of nitrogen fertilizers.

With limited new nitrogen capacity coming on stream and natural gas prices projected to remain high in Western Europe and Ukraine, the expected rebound in demand for nitrogen should tighten world markets.

2010 US Delivered Ammonia Costs Forecast

Volatile Gas Prices Affect Competitiveness



* Trinidad gas price assumes annual average Tampa ammonia price of \$350/MT.
** W. Europe typically does not ship to the US market.

Source: Fertecon, OMS, PotashCorp