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Jochen E. Tilk - PotashCorp, President & CEO

Good morning everyone. Well, I'm glad to have sat in this discussion, because when we talk about the merger, you can compare notes and I think you'll see that there's tremendous alignment. And even had I not sat in this, I can assure you that my comments would be entirely in line with those of my colleague. I'm very glad to be here, it's a fantastic city. Thank you very much, Kevin and Jacob, colleagues, for putting this conference together; and thank you all for coming out this morning and listening to our presentation.

A quick introduction after I find the remote control. And we've got to change the presentation. Okay. Ah, there we go. After the quick introduction to the forward-looking statements. Potash Corp is the world's largest fertilizer producer by capacity. We are an upstream producer wholesale, and we produce all nutrients - that is potash, nitrogen, phosphate - and we have a number of strategic investments. We are, by capacity, the largest potash company in the world. We have six mines with a capacity of approximately 18 million tonnes - and that's all in nameplate capacity - and I'll speak more about how we operate and what our approach to the market is. What I like to emphasize is that we have the highest quality of the world's potash assets, and that's because we're blessed to be in Saskatchewan, which geologically has the highest compilation of that resource in geologically pristine conditions; and I'll show that when I talk a little about where our costs stand today. And that of course provides us, as a North American producer, with a tremendous platform to compete internationally.

Two comments about potash, just for your perspective: Sixty-six percent of the world's potash reserves and resources are in two parts of the world, Saskatchewan, Canada and the Perm Region in Russia, borderline Belarussia. That's where more than two-thirds are. Seventy-five percent of potash is traded, meaning that it has to move globally because the majority of the world's countries do not have a domestic resource. Very unique when you compare that virtually to any other resource.

Nitrogen, we have three facilities, and the large facility in Trinidad. We're essentially a North American nitrogen play. In phosphate, we have two mines and adjacent processing plants, and over the years, we've migrated into specialty products. We have the largest number of specialty products, and the reason for that is it's technically a little more complex and therefore gives us a higher margin as we sell those products.

We have four strategic investments - strategic because they're all related to potash and all related to better understanding the world market. That is in Jordan, APC, our potash company; Israel, Sinofert and SQM, the potash - potassium nitrate producer in Chile, now, I think currently more known for its lithium production.

When we look at essentially what drives our company, and looking into 2017 and beyond, which I'm sure is the interest that we all share here, we look very much at the AG economics in general as being the biggest and largest driver. And my colleague, Chuck, referred to that a little bit in terms of affordability as percentage of the farmer's cost; and we'll add to that from a slightly different or complimentary perspective. You look at the big drivers in U.S., it's corn. I mean, really, corn drives a lot of the AGs, 95 million acres were planted last year - and you look at where corn prices are despite another bumper production. When you talk to people in the United States, they'll say this is the third year in a row that the U.S. bumper production crop - highest crop production. Very rare; normally there's some weather event, there's a disease that'll offset it. Now, whether or not we see a fourth or fifth year, but nevertheless in this trajectory, in a relatively weak economic in general, you still have prices close to four dollars, which is good.

Soy, Brazil, 28 billion dollars of export of soy in Brazil, and you can see that as being a huge driver for that country; and soy is actually hanging in there. Sugar cane, the same thing, that's the second largest export value generator. Prices are constant. And the third one, CPO, palm oil, a big driver for our business in Indonesia, Malaysia. Both countries combined are by far the largest exporter of CPO, crude palm oil, and prices have come up. They are now around - about just close to 27 - 28 hundred Ringgits, and we see that as a driver pushing consumption, and hopefully therefore prices upwards as well in the coming year.

When you look at that as what we use, the crop price index that Chuck referred to, you can see it's still very affordable. The combination of where fertilizer prices are lower and where crop prices are from a farmer's perspective, certainly a very affordable business to put fertilizer on. And this is actually what we're seeing today. When we talk to people, we see that they're quite engaged to replenish what they have extracted from the soil, and that's mostly a function of the fact that the ratio between crop economics and the cost of fertilizer is very much favorable for the farmer.

Question number one that we get: where's the world of potash heading? As you all know, potash is a supply and demand story, and it's one where historically - certainly in the last 40 years - the potash producers have balanced markets to the extent it's possible, and perhaps the swing production - not perhaps, the largest swing producer in the world is PotashCorp. We have been very instrumental in approaching the market from a point that we don't produce what the world does not consume. The question next, to you of course, is what do we see? Where do we see production and consumption heading? And this is the consumption. So, this is the demand part of it. And when you look at it historically and in 2017, the upshot is that we are cautiously optimistic. We see that certainly after a difficult year in 2016, there is clearly signs across the globe that things are picking up. Our projection for next year is 61 to 64 million tonnes - so, around the 62 to 63 mid-point. And the question is, why do we believe that? Why do we think markets go up three million tonnes in consumption, which is about five percent compared to last year. A very quick look around the country.

So, India, we think, will be about four-and-a-half million tonnes. India today is about four million tonnes. There is a number of reasons - affordability is the biggest part. India this year has consumed more than it had imported. So, I think it's for the first time, they have actually depleted

domestic inventories, which is very unusual.

The other Asia, mostly Malaysia and Indonesia, the big driver there is palm oil. We've looked at palm oil prices and we've seen that the first couple of - and they're usually federal because their federal owned companies of tenders have gone out around \$240 dollars per tonne, which is an indicator that things are picking up Malaysia and Indonesia. And palm oil depletes a lot of potash. If the weather conditions are good - meaning that there's rain - farmers - palm oil farmers will apply more potash because it actually goes to the plant.

North America, the market that we perhaps know extremely well, what drives it in North America is the depletion of nutrients because of a bumper crop. And farmers are very smart, they're technically very sophisticated and they understand that once you extract that from the soil, and you can afford it, you have to put it back on. Another indicator for us is inventories in the U.S. are empty. We see product going straight to the farm. So, when we ship now in what we call the winter fill, which is going out now, we still see good application; and that's not always the case. Sometimes it goes into inventory. We don't like that very much, and I'll show you another slide in a second here, which will demonstrate the difference between last year and this year.

Latin America, which is essentially Brazil - and Brazil has a good year in terms of usage of fertilizers already - we're estimating about 32.5 million tonnes of consumption of what we call NPK. That's the three nutrients combined. That's a record year for Brazil, and potash, of that, is approximate eight-and-a-half to nine million tonnes. So, a little bit less than one third. And Brazil is actually - this is not necessarily us, but the Brazilians and the distributors who are in the field, expecting a record year for next year. They definitely believe that consumption of NPK in Brazil will go up, and we equally believe that the application of potash will go up. Now not by a lot, but we're looking in combined Latin America, about 11-and-a-half, 12 million tonnes; and of that, approximate nine million tonnes of potash. And the big driver again is sugar and soy bean.

And finally, China, which is the most opaque and mysterious. Here you can see that we actually see that we have a bit of a wider range to China. Two factors that are really interesting, maybe even three that I would like to offer. One is, is domestic production in China going to further increase? And I would say no, I don't believe that. A) For technical reasons, it's hard to do, but also for economic reasons. We think that about two of the seven domestically produced tonnes are not economic at this stage, or borderline marginally economic. So, it would make little sense to actually either increase that or even perhaps continue at that level. The second is consumption will go up modestly, we think, a couple of hundred thousand over last year. And thirdly is the question on inventory, which is a big driver in China, and as you know, there's an annual negotiation and the amount of inventory is always the leverage that China will apply. And even though inventories aren't fundamentally different compared to last year, there's more inventory with companies that are not affiliated with the state-owned SOEs, who are the negotiators. So, much more inventory sitting with NPK producers, and those; and that to us, makes a difference, because if you're not in control of the inventory, it's tougher to negotiate. So, those three points in mind, we are slightly more optimistic, but, you know, once negotiations start, then we'll all have to see where they will go.

Now the other, the flip side is the inventory, and this is a chart that shows you both - the producer inventory, which is what is on our side, and that on the other end, port inventory. And you can see that in most years, producer inventory and the consumer or distributor inventory are counter cyclical. So, in other words, once we draw inventory down, it generally goes up on the other end. And if we add to our inventory, it goes down at the other end. And that makes a lot of sense intuitively. However, this year, we see that both the consumer inventory and the distributor inventory has gone down. And the reason for that is, quite frankly, that we, PotashCorp in particular, very very carefully managed our inventory. We have kept in mind the ramp up of Rocanville, and we wanted to ensure that our inventories come down. Others have done the same. But likewise, on the other end, people have drawn down inventory, and the reason there is that when prices are going down, people don't take a chance, they don't take risks, so they keep pulling down. Now, when you see the exception of that, it does bode well for the next year for sure. And as another - just as a data point, in the previous year, it was the exact opposite. Both inventories have gone up, and that is, in part, can explain why it has been a difficult year.

One quick comment on what we have done the last couple of years. We have focused tremendously on getting our costs down. We have clearly made some investments that support us strongly, predominantly at Rocanville. With Rocanville, we have built the world's largest potash mine, and now it is ramping up to a capacity of six million tonnes. We think that mine is about three average potash mines combined. It's got a tremendous cost benefit. We have very carefully, but I think very smartly, shifted our production toward Rocanville. We have carefully adjusted our mine portfolio. You may recall our closure of New Brunswick early in the year. We have just reduced one of our mines to all white premium products, and stay away there from the general fertilizer potash. And so, by doing so, we were able to get our cash costs down just in the last four years, if I include the forecast for 2017, from about \$115 - \$120 dollars per metric tonne to just about \$70 dollars - so, not quite half, but close to it. And when you look at Rocanville, which I would call, with respect for all of our operations, but our flagship. You can see that we're approximately \$45 - \$50 dollars U.S. per tonne, per metric tonne.

Now the relevance of that is we are always compared to the Russians and the Belarussians, and people always say, "Well, you know, they get the ruble advantage and they've got this advantage." This is what we can control. This is in our control, this is what we have achieved by efficiency, by economy of scale, by the ability of our miners to extract that deposit. I also believe - and that's somewhat subjective - that we have never skimped on one dollar of sustaining capital to keep our operation pristine, even in the most difficult times. Now you all have your view where the ruble might go, and you all may have your view how people have applied sustaining capital in difficult times, but I can assure you that we are very very well set up to compete in any market; and more importantly, that we sustain our margin even in difficult times.

So, going forward, we'll continue. There is still room for us to do, and quite frankly I think the merger will further facilitate further optimization. You know, Vanscoy is a single mine. Putting our portfolio together will give us further opportunity to really extract that part, and those are, in part, the synergies that Chuck, my colleague, referred to.

Finally, a quick slide on how we executed on that. I already made reference to a lot of these steps

and activities, but it does show you our focus strategically on efficiency, operating excellence that is, on lowering our costs in difficult times. But also on our approach to market, balancing the market without foregoing opportunities to provide value for our shareholders. We've reduced our dividend twice, and the reduction of dividend was to keep our balance sheet pristine, to keep our credit rating, and to make sure that we don't put our company in any risky situation. It's unfortunate, we didn't like doing it, we would have preferred not to, but we definitely believe it was the right response in a very difficult market. We have gone through a number of mine closures or adjustments and inventory adjustments. That's our approach to market, and we see potash prices improving. Today, they're approximate \$250 dollars a tonne. Just six months ago, they were around \$200 dollars a tonne. You know, that's \$50 dollars, that's an increase of 25 percent, and we think that step was absolutely fundamental to how we see next year shaping up.

Finally, we'll speak just a little bit about our merger announcement. You've heard a lot from my colleague, and Rocanville has been, so far, a very successful ramp up. We started skipping ore in November, and we're now ramping up, and things are going quite well. So, we're very optimistic, and look forward to Rocanville becoming our mine of the future, as we call it, for its technology and for its setup. And I can tell you - and I close on potash with that comment - building a potash mine and operating a potash mine is a very very complex and technically challenging undertaking. And so, when you look at mines to come - and I have every belief they will get there, but it's a long journey of technical challenges. You know, for those who have been involved in that mining, business, it is difficult, and everyone - including us - have experienced that. So, we're at a point where we have the confidence, but there's still a ways go, I think, for others. Now speaks only to timing, and it's not a quantifiable comment I admit, but it's one that I think we all should keep in mind as we look into the future.

This is the same slide that you have seen if you were in the room with my colleague. I don't want to repeat. I will echo everything Chuck said. We are extremely excited about this merger. All my colleagues have really stepped up to now starting looking at integration. I think the signs of the anti-trust review, which is the one outstanding, are positive, even though we can't definitively speak to the outcome. We have clearly communicated it to our shareholders in the way that, I think Agrium has with the strategic merit going forward, with a strong platform of our combined balance sheet, with the opportunity to grow in the future. And the fact that we receive 99 or 98 percent respective approval speaks for that, and we're certainly glad to see that. The next step now is to develop the synergies in detail, and as Chuck said, there's some things we can do, others we cannot do at this point; but we have every intention to do and develop what we can do under the current situation. And once approval is there, we're going to hit the ground running. We will be ready to move forward and to deliver on our timeline.

One final comment, to echo Chuck's point, 90 percent of the combined companies' earnings are in the United States, and I have to be honest, when I looked at the pro-forma the first time, it actually surprised me. I didn't - you know, I should have known, but intuitively I thought, you know, we're both very global companies. The beauty of that is bifold. One is, the United States remains - aside from political events but - it remains the most stable market in the world. And I think for us to have captured a business that provides us that background in a currency that we can rely on, in a market that we know is extremely stable, extremely sophisticated, is great, with

tremendous growth opportunities on the retail side. But the other comment is that we do, as a merged-co, a great opportunity to grow globally. You know, we have a great business in Brazil. Brazil is a market to be in, for any fertilizer, potash in particular. I think the opportunity to expand there is significant, and that just sets the stage for the new company to really look at the next step.

With that, I conclude my comments, and Jacob, I'm all yours.

Jacob Bout – CIBC World Markets

Thank you for that. Please take a seat. So, we have five or six minutes left here. Maybe we can talk a bit about the potash pricing and the potash industry. You know, during your tenure at PotashCorp, I think prices have been on a fairly steep downward trajectory. It's been like that for the past, say, four years. Talk a bit about, you know, how you look at the industry. You know, we spent a lot of time, if you go back to 2007, 2008, even through until, say, 2012. Talk about producer discipline, the importance the that. Are we now at a point where we should be thinking about the industry from a marginal cost perspective, and really the producer discipline is no longer relevant?

Jochen E. Tilk - PotashCorp, President & CEO

Yeah, no it's - it is such a key question, and I'll respond, but I'll frame it in a way that I can only speak for PotashCorp, and I can't really speculate what others think. I mean, you all know that potash is, by definition, a market that is captured by a small number of producers; and historically it has been a very efficient market from that perspective. Individually, producers believe that the best approach is to balance that market and only produce collectively what the world consumes. But there is more producers now, there is more players coming on. I mentioned one, K+S is another one. And so, we see more companies entering that market, and there is more capacity. And so the concept of approach to market and therefore what is the future in terms of potash prices is different. It clearly is, and if you analyze that, it's actually relatively straightforward. You know, someone looking back and then looking into the future would say, "What did you expect?" However, the fundamentals haven't changed, you know? I gave you the number 66 percent, and that was 10 years ago, and today it's exactly the same, by the way. That hasn't changed, so the opportunity still exists.

What I see going forward is everyone has gone through three very difficult years, miserable years; and us, our Russian colleagues, our Belarussian colleagues. Everyone has to decide for themselves what is the better economic model going forward. But if experience is a relevant factor, I can tell you, the last three years will tell you that the better model going forward is that of a certain approach to market that we publicly state; and I think that experience is relevant. You know, I would go as far as thinking that this year, our friends in Eastern Europe will not have been, you know, very profitable or whatever; and that experience should tell you something going forward.

So, I think that's one factor, is that people have learned what the experience was going back; and whatever conclusion they draw from that will be their own, but I think if you're savvy, you should look into one certain direction.

The second one is, I think demand has been relatively flat, and you can speculate on the factors that are given forward, two-and-a-half to three percent as growth year over year. But we've seen a lot of step change. When you go back every 10-year period, there has been a step change for whatever reason. Sometimes it was a policy change, sometimes it was educational, and of course we're looking to India as being, "Wow, when is it coming?" You know? Sooner or later, that step change will kick in again. I think this year we'll see 63 to 64 million tonnes, and I think that would be another factor. So, if I combine that, I would - you know, I'm cautiously optimistic. I don't think we'll ever see - and we shouldn't see - the peaks that we saw in 2007 and '08. That was not healthy, and I don't believe we'll see that; and I think that's a good thing. But I also believe that there's more upside today than there's downside. And like, Chuck, I won't call the bottom, but I think there's more upside than there's downside.

Jacob Bout – CIBC World Markets

Maybe just to finish off, you've made some changes to Cory, adjusted some of the production schedules, you talk about anything else that you can actually tweak. I mean, do you still need Cory to produce the white product? Could you invest more money and do that at another mine?

Jochen E. Tilk - PotashCorp, President & CEO

Yeah, you know, we have shifted the production that is what we call the more generic granular and standard market to the lowest cost mine; and for us to exhaust Rocanville, will always make sense. I mean, that's quite obvious and that's simple math. We have then brought Cory, one of our other operations, to the premium products; and, of course, much depends going forward whether those products do fetch its premium. And if that margin shrinks, then of course the dynamics are different. Other opportunities that we have is continuing around along that trajectory, and of course if one were to believe that there is downside going forward, then we would take steps - and we have in the last three years. Given that we're cautiously optimistic, we see markets that we hope that the steps we've taken so far are adequate. But, you know, we've got more in the toolbox, but I think right now we're in very good shape and we'll see how the markets evolve, and we'll make our decisions at that point.