

AAAC Outlook Day



Fertiliser Outlook

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Outline of Presentation



- Unprecedented price volatility over past 18 months
- Underlying reasons behind the volatility.
- The primary driver of fertiliser pricing.
- Snapshot of World Food Production
- Snapshot of World Fertiliser Use and Production
- How reliable are Fertiliser Supply Demand Projections
- Impact of Major World Fertiliser Players – China an example
- World Fertiliser Exports and Australian Imports
- Conclusions and Questions



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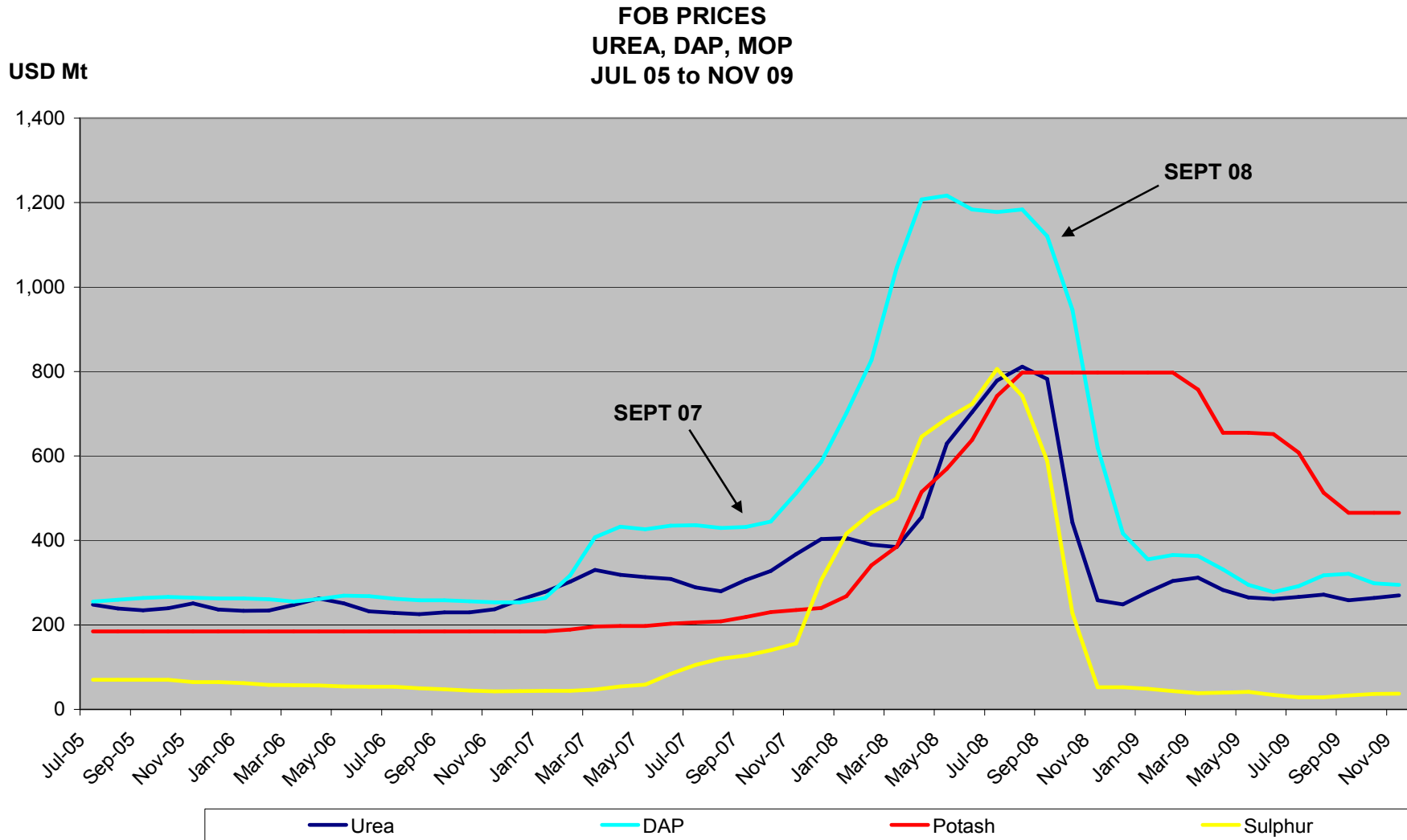


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World Fertiliser FOB Prices





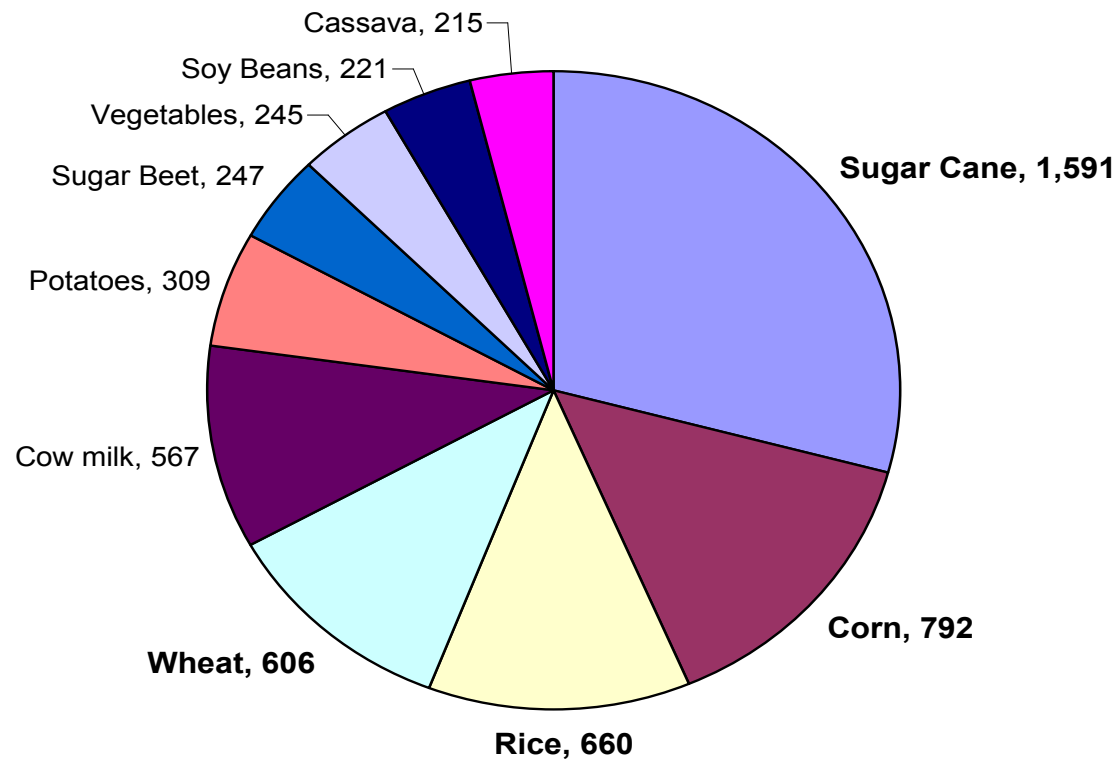
Pricing volatility

- Early 2008, rising consumption of agri-commodities associated with tightening grain stocks gave a very bullish outlook for fertiliser demand.
- At end of 2007 and early 2008, the fertiliser industry was producing at full capacity, there was no slack in the system.
- All raw material input prices for fertiliser manufacture were increasing.
- Fertiliser imports and fertiliser prices reached record levels by mid 2008.
- The financial crisis then turned into a global economic crisis that led most developed economies into recession.
- Global demand of most commodities slowed drastically.
- Fertiliser sales and import demand collapsed, driven by weakening financial and economic conditions and extremely tight access to credit.
- Coupled with demand destruction and purchase deferrals, fertiliser pricing collapsed.



Worlds Top 10 Grown Foods

**Top 10 World Grown Foods
Million Tonnes
2007**



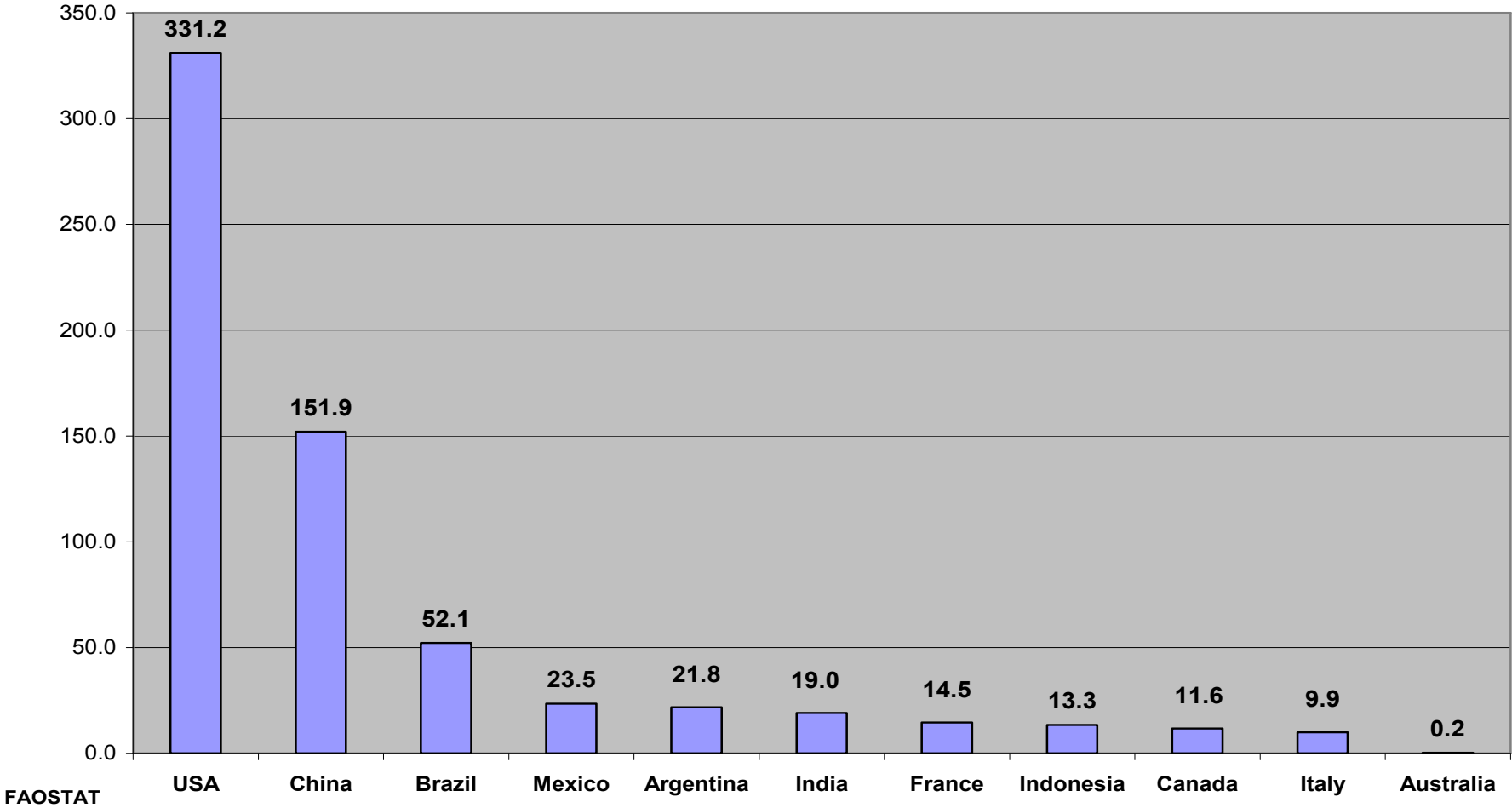
FAOSTAT PROD'N STATS

Corn Production



**Corn Production
2007**

Million Tonnes



FAOSTAT

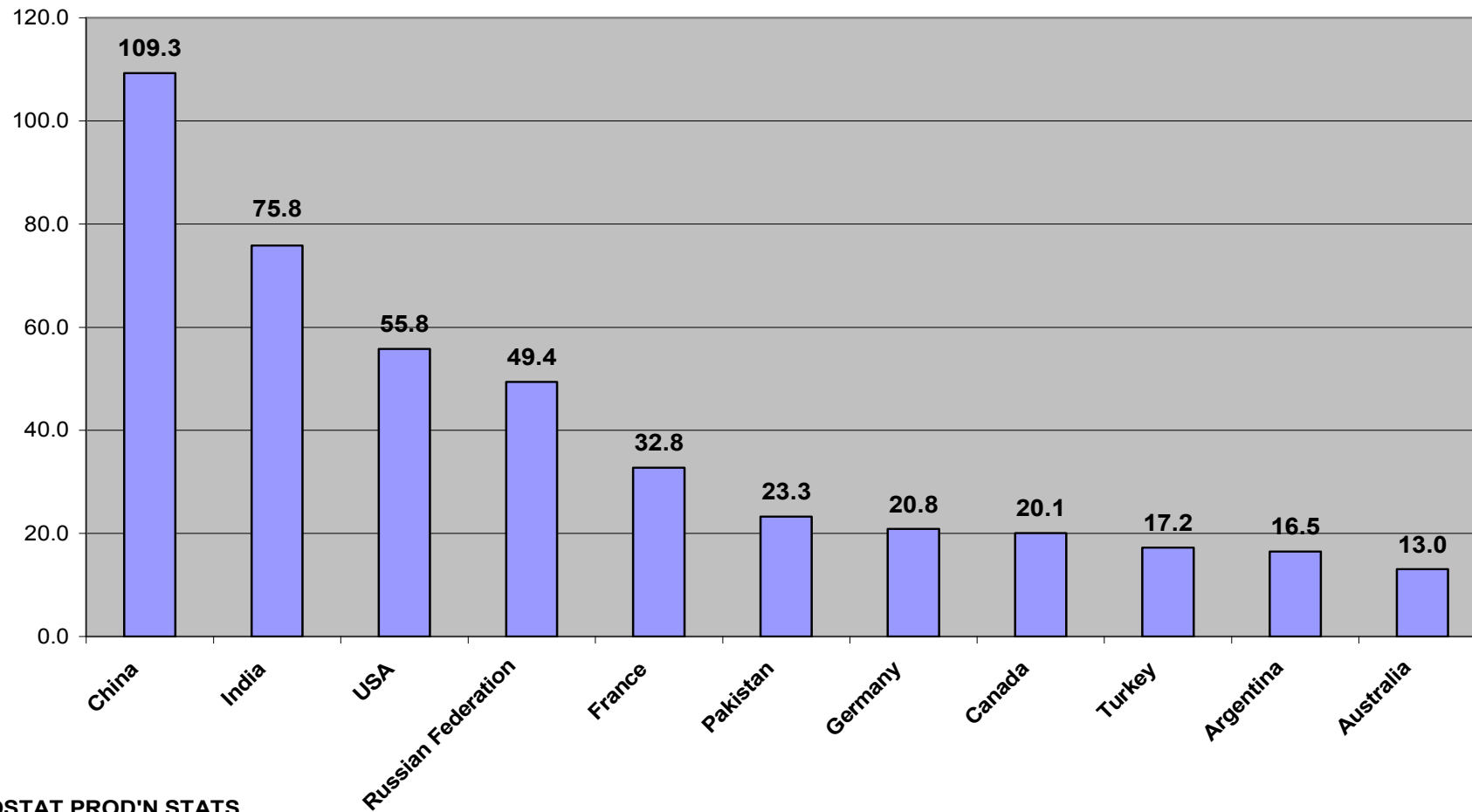




Wheat Production

Wheat Production
2007

Million Tonnes



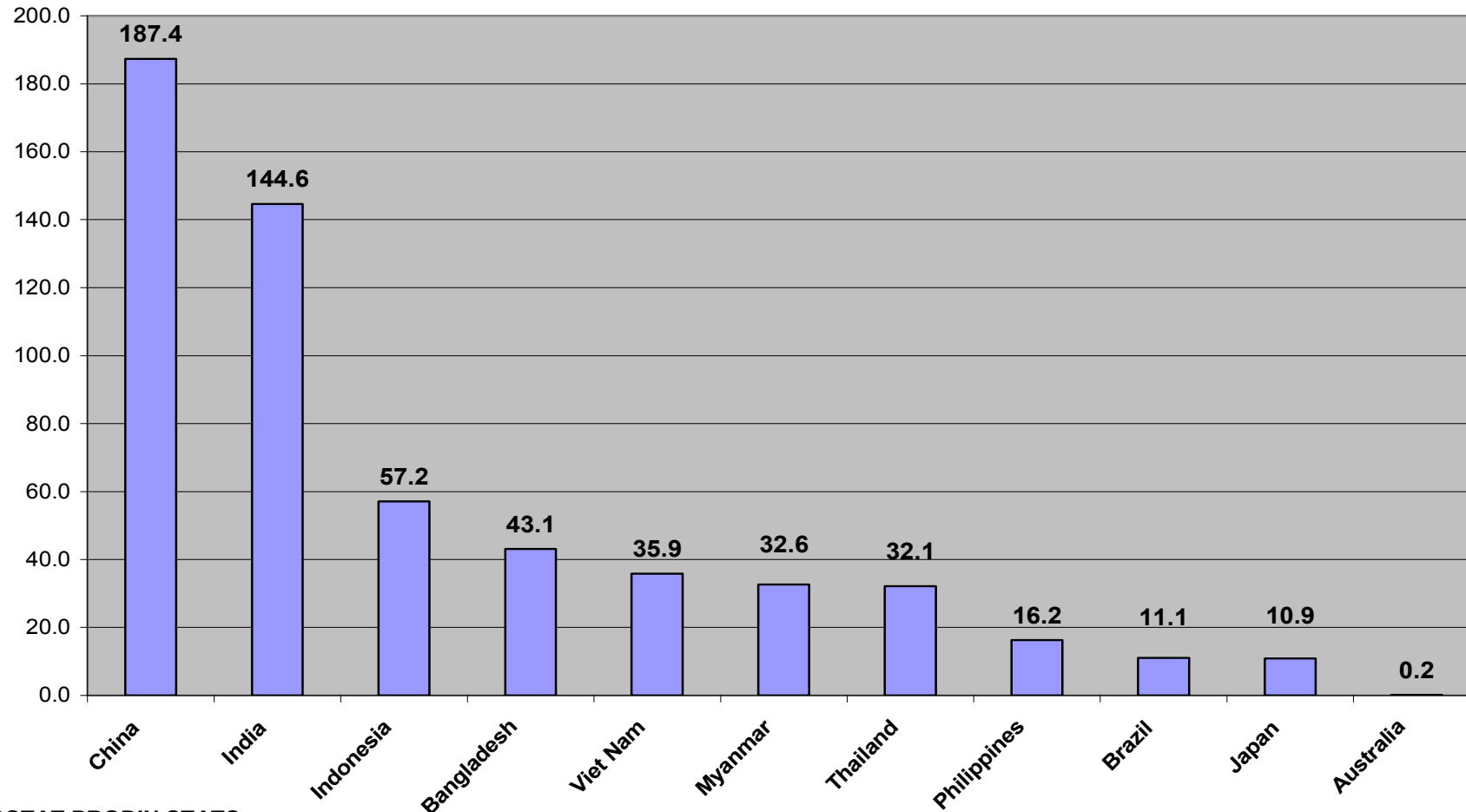
FAOSTAT PROD'N STATS



Rice Production

**Rice Production
2007**

Million Tonnes

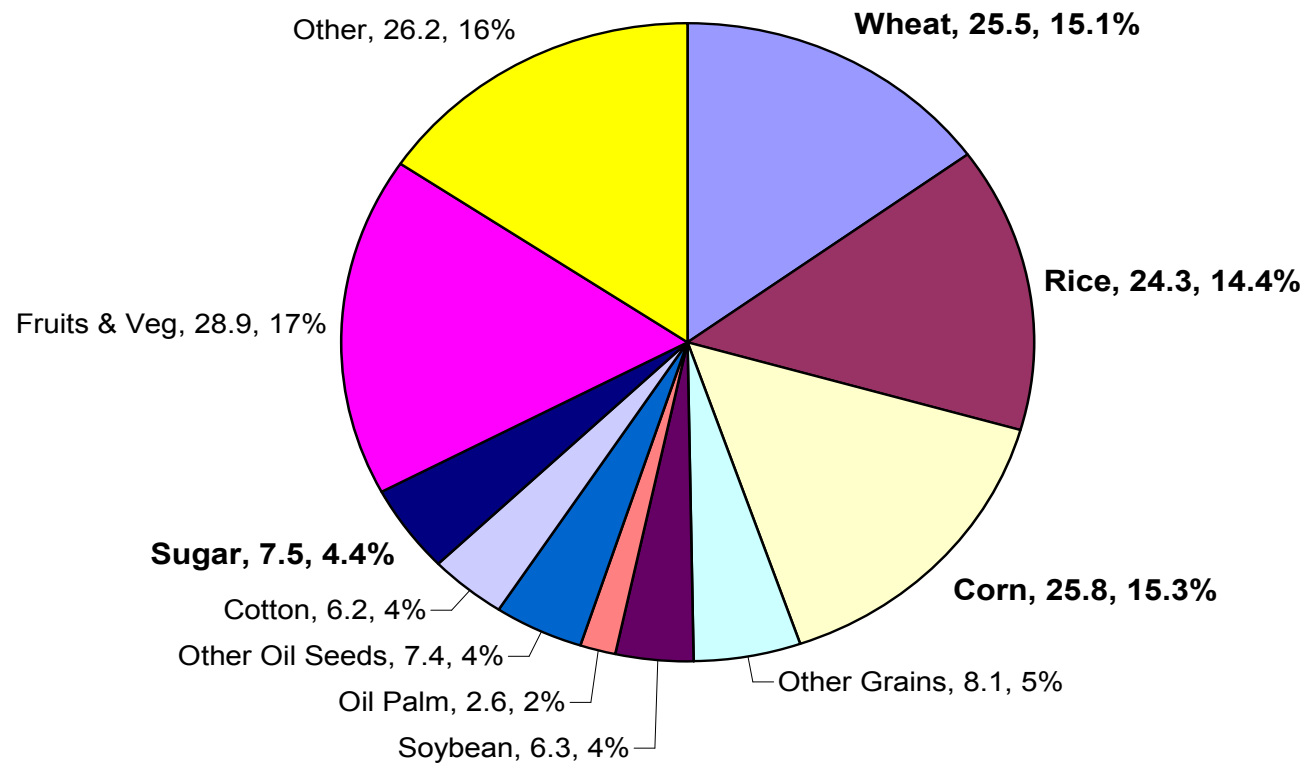


FAOSTAT PROD'N STATS

World Fertiliser Use by Crop



**World Fertiliser Use by Crop
Million Tonnes
2007**



IFA APRIL 09





Fertiliser Supply and Demand

- Approximately 30% of global fertiliser production is exported.
- The fertiliser industry is unduly impacted by any policy that influences the supply of fertiliser in large consuming or exporting countries. Such as, fertiliser export taxes in China, or fertiliser subsidies in India.
- In early 2008, China imposed new export taxes on fertilisers at 25% - 35% rising to 150% -185% in Q3 of 2008. This had a significant effect on the global availability of Urea and DAP/MAP.
- Chinese exports of DAP and MAP for 2008 were reduced 50% compared to 2007. Close to 12% (2 Million Tonnes) of world traded DAP and MAP was removed.
- In the USA, it has been estimated that in 08/09 phosphate use declined between 15% to 20% (1.5 Million Tonnes) and potash use declined 35% to 40% (3 Million Tonnes). A decline in % use perhaps similar to that of Australia.
- Price of natural gas, the primary feedstock (ammonia) for DAP, MAP and Urea remains high.
- Capital costs for new plants are in order of USD 1.0 to USD 3.0 Billion.

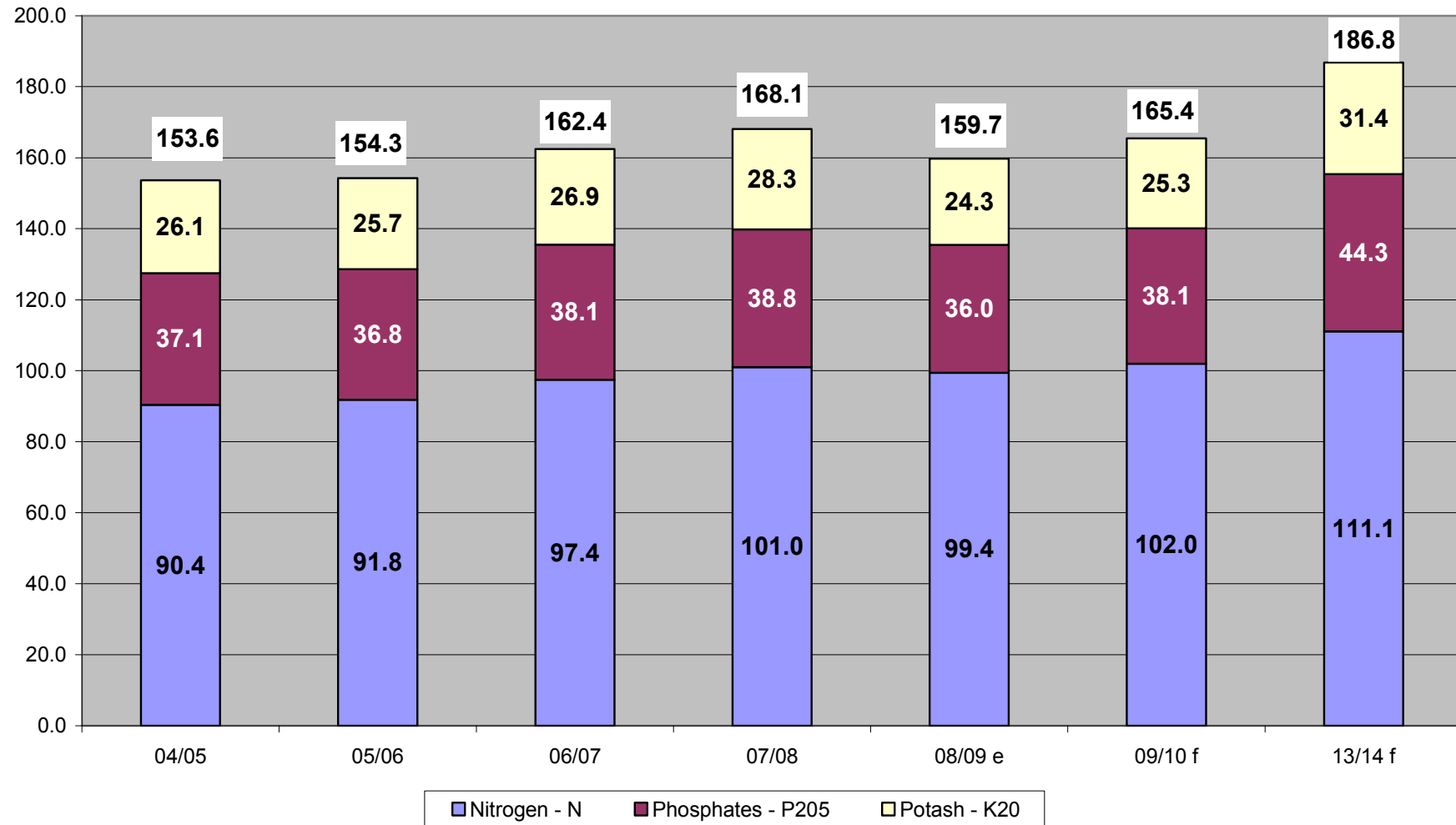




World Fertiliser Consumption

Million Tonnes Nutrient

World Fertiliser Consumption

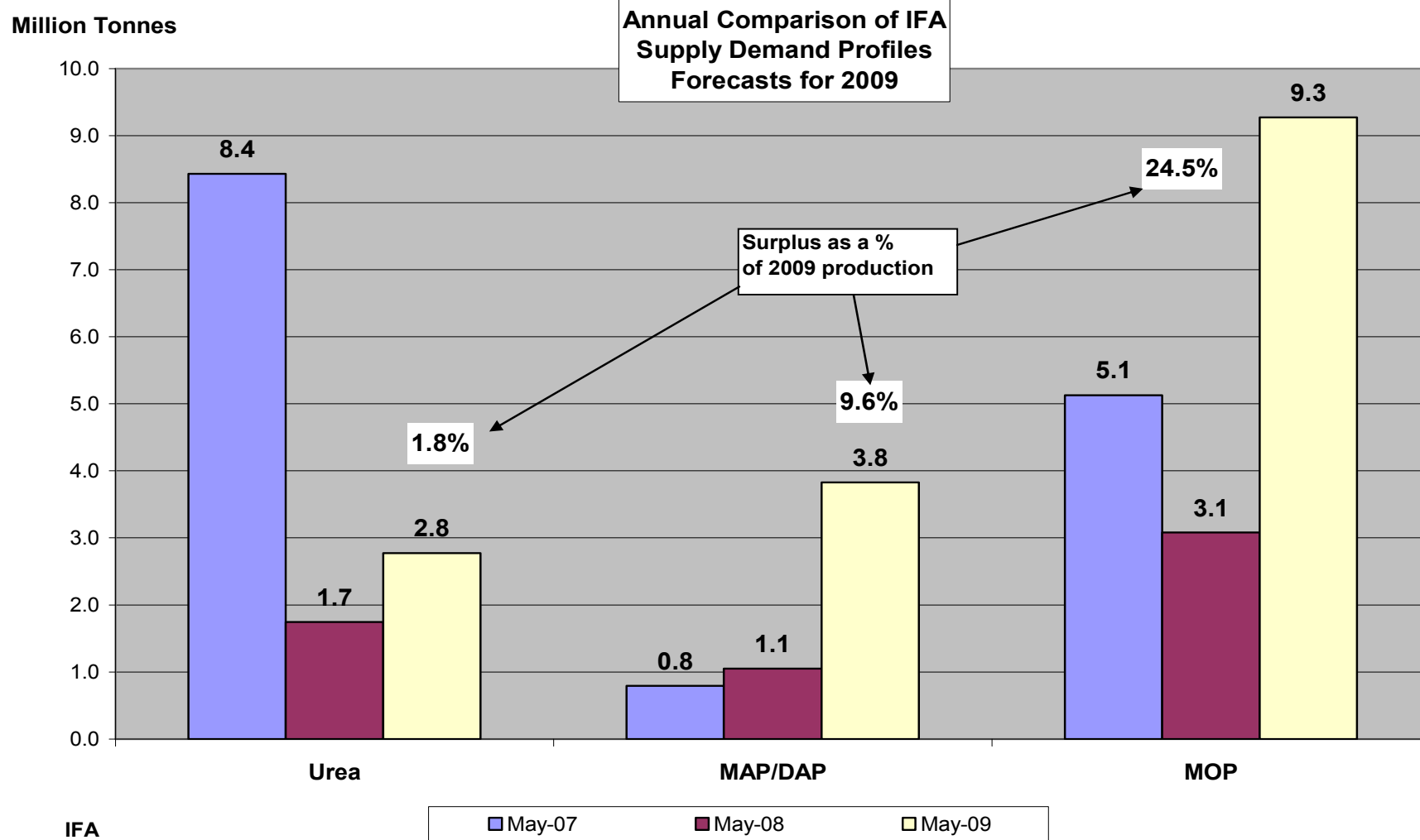


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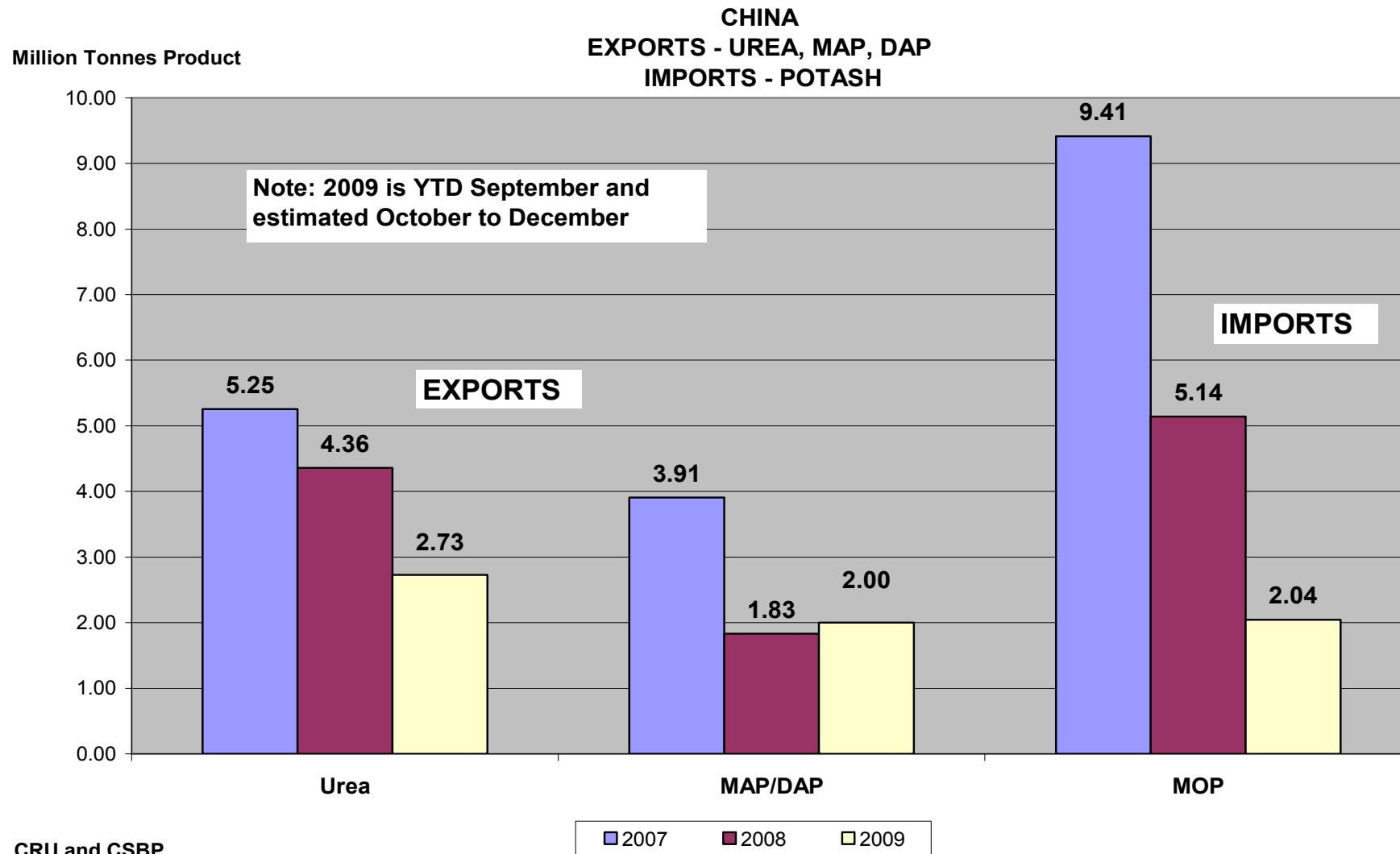


IFA Fertiliser Supply Demand Estimates for 2009





Chinese Fertiliser Exports and Imports

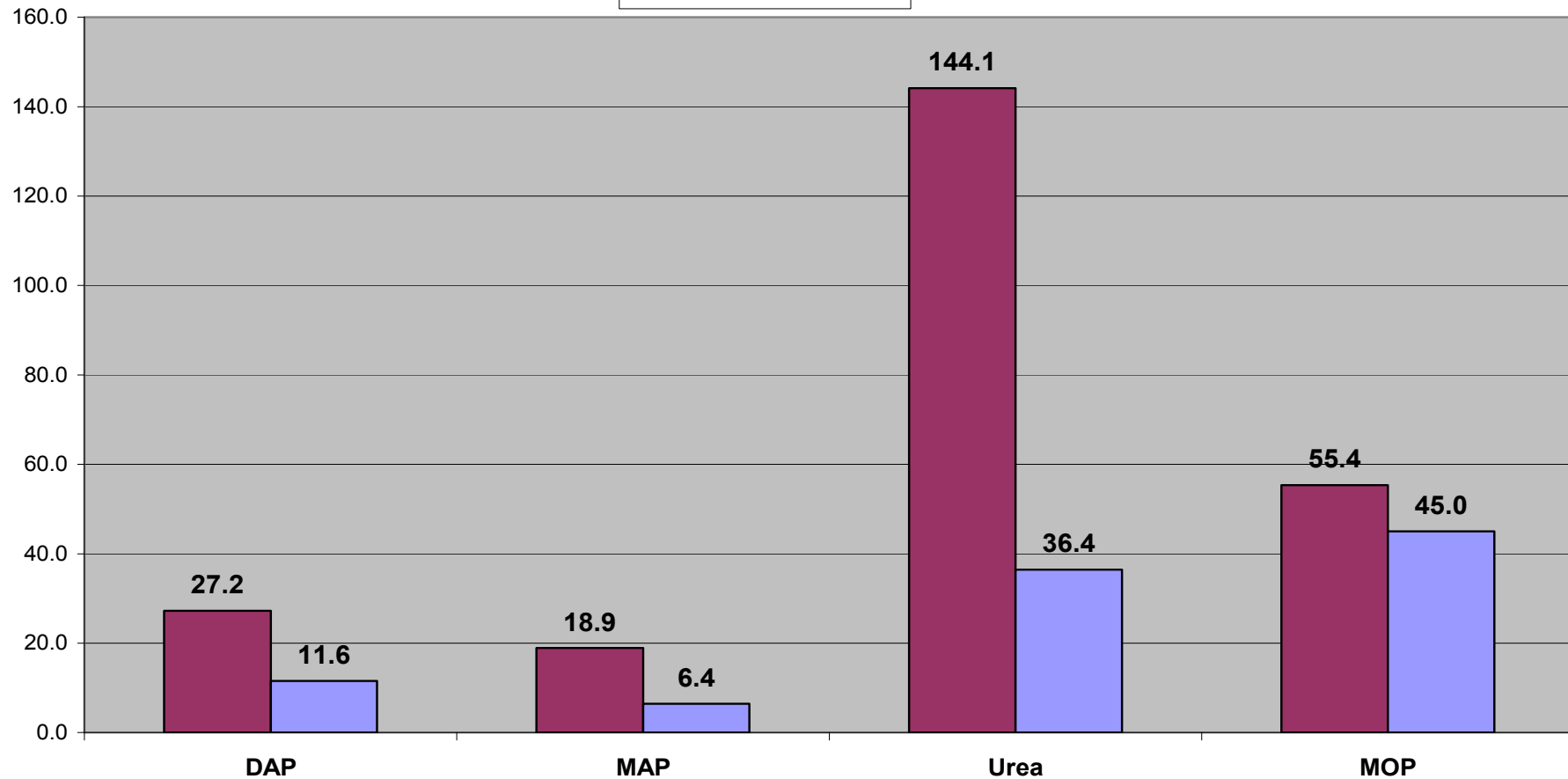




World Fertiliser Production & Exports

World Production and Exports of Fertiliser 2007

Million Tonnes



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■ Production ■ Exports

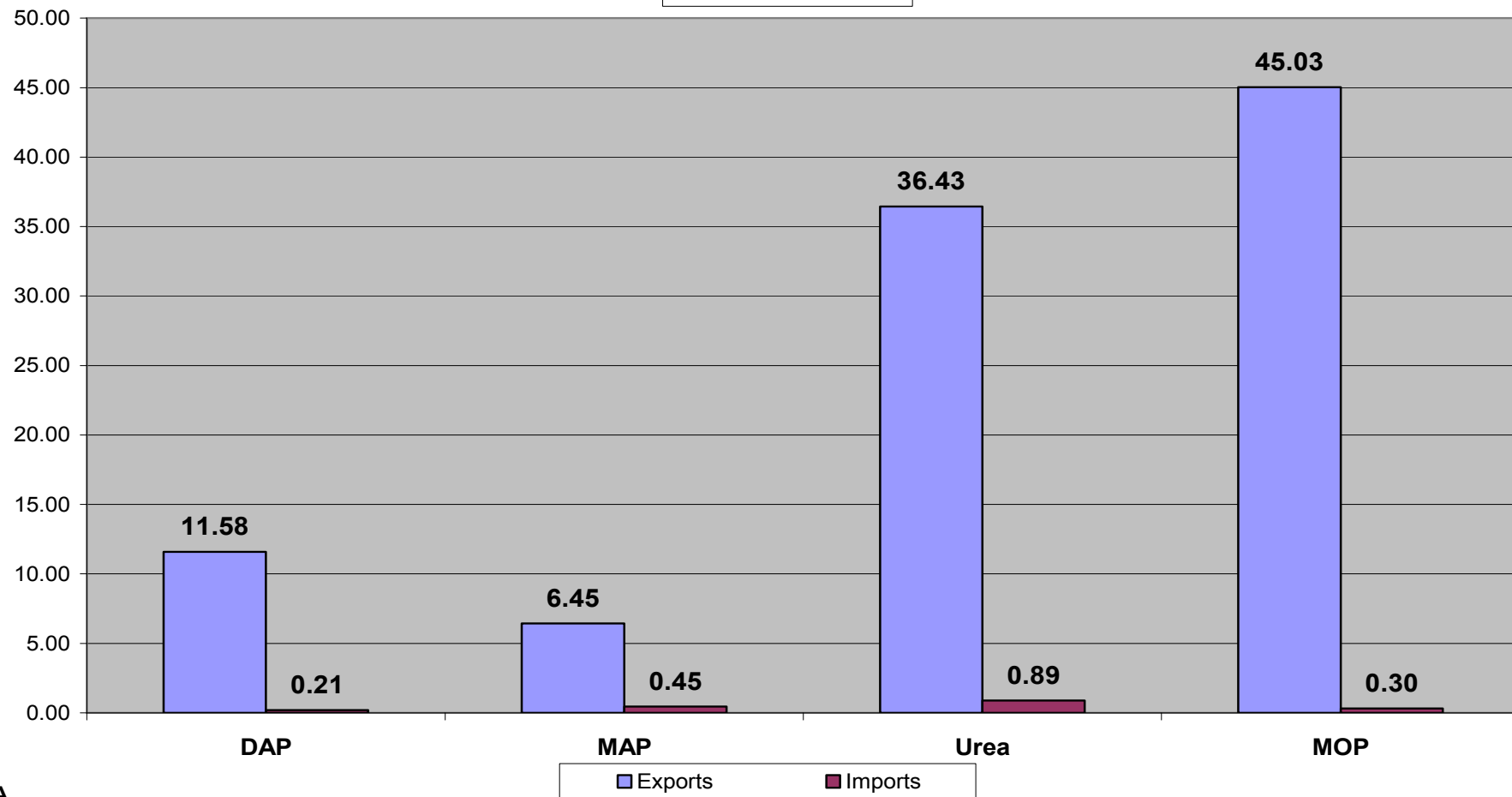




World Fertiliser Exports & Australian Imports

World Exports and Australian Imports 2007

Million Tonnes



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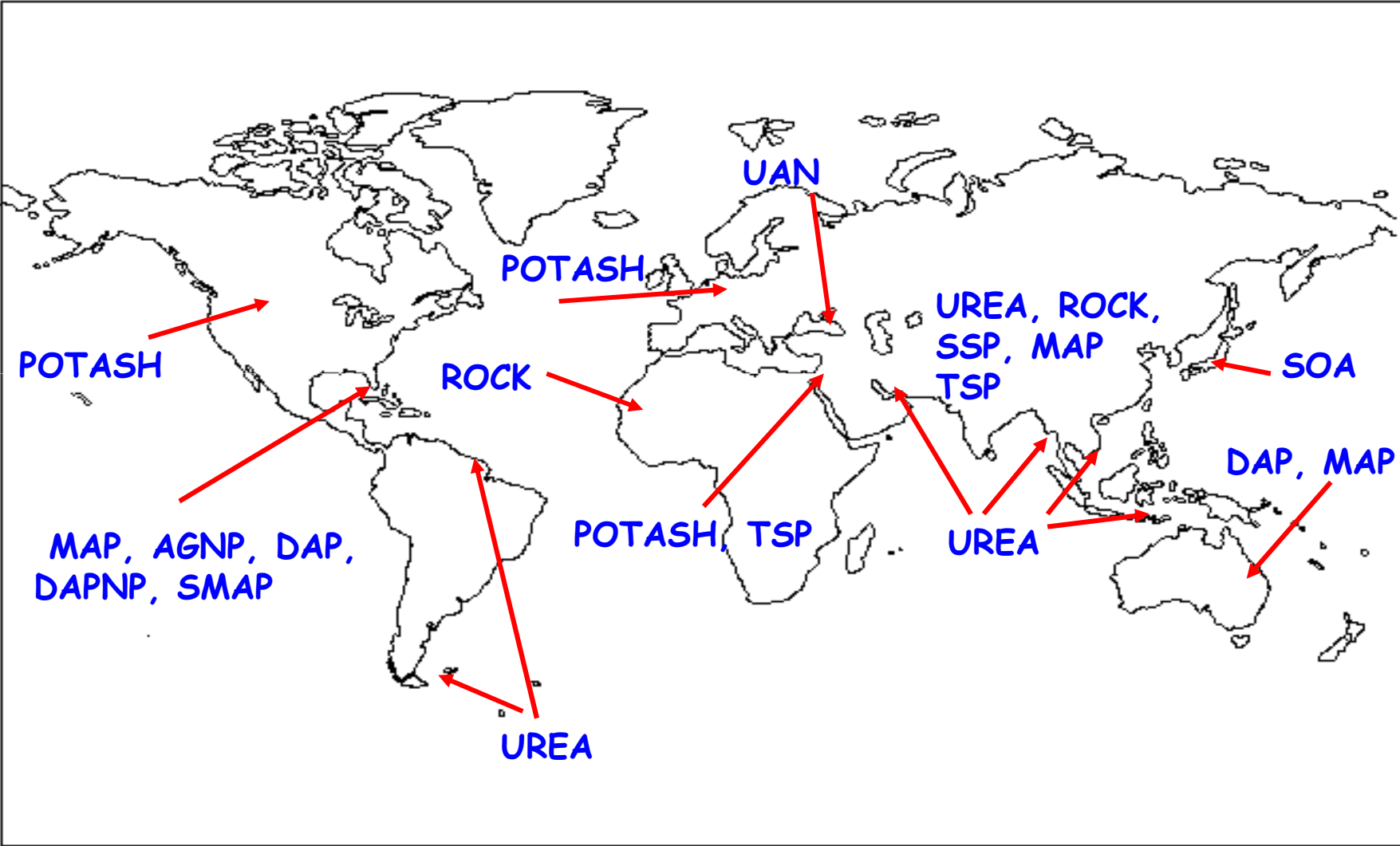


Conclusions and Questions

- The world is not suddenly awash with grain stocks. World grain stocks have only slightly improved in terms of days of use.
- Basic story has not changed. Strong and steady growth, particularly in the large developing countries of Asia is projected to stress the world's capacity to supply the resources needed to feed, clothe, house and power a growing and more affluent population.
- Food security and food price stability will likely return to the policy agenda.
- World import demand for the major phosphate and potash products is forecast to rebound sharply in 2010 quickly returning to the levels of 07/08.
- Unlike some other activities and pursuits, in Agriculture and in Fertilisers, Australia is not able to “punch above its weight” and we are not the tail that wags the dog.
- Fertiliser prices in Australia are ultimately set by world markets which can “move” in million tonne increments.
- Likely trend for prices in short term being stable to firmer.



Fertiliser Supply Sources to Australia





Fertiliser Shipping Lead Times to Australia

