



The Mosaic Company

Fourth Quarter 2016 Earnings Call
February 7, 2017

Operator: Good morning, ladies and gentlemen, and welcome to The Mosaic Company's Fourth Quarter 2016 Earnings Conference Call. At this time, all participants have been placed in a listen-only mode. After the company completes their prepared remarks, the lines will be open to take your questions.

Your host for today's call is Laura Gagnon, Vice President, Investor Relations of The Mosaic Company. Ms. Gagnon, you may begin.

Laura C. Gagnon, Vice President, Investor Relations

Thank you, and welcome to our fourth quarter 2016 earnings call. Presenting today will be Joc O'Rourke, President and Chief Executive Officer; Rich Mack, Executive Vice President and Chief Financial Officer; and Dr. Mike Rahm, Vice President, Strategy and Market Analysis.

We also have other members of the senior leadership team available to answer your questions after our prepared remarks. The presentation slides we are using during the call are available on our website at mosaicco.com.

We will be making forward-looking statements during this conference call. The statements include but are not limited to statements about future financial and operating results. They are based on management's beliefs and expectations as of today's date, and are subject to significant risks and uncertainties. Actual results may differ materially from projected results. Factors that could cause actual results to differ materially from those in the forward-looking statements are included in our press release issued this morning, and in our reports filed with the Securities and Exchange Commission.

In addition, during this call, we will present both GAAP and non-GAAP financial measures. Reconciliations of GAAP to non-GAAP measures are in our quarterly performance data also available on our website.

Now, I'd like to turn the call over to Joc.

MANAGEMENT DISCUSSION SECTION

James C. O'Rourke, President, Chief Executive Officer & Director

Business Highlights

Leadership Changes

- First, I would like to mention the leadership changes that are happening as a result of our pending Vale Fertilizantes acquisition
- Rick McLellan is now SVP for Brazil
 - He will lead our combined business there after the transaction closes, and he is now fully engaged in the integration planning
- Corrine Ricard has stepped into Rick's previous role, SVP of Commercial
- Corrine most recently led our HR function and before that, she spent many years in senior roles in our commercial organization



- She knows our markets and our customers extremely well, and she will be a valuable addition to our commercial efforts

Dividend

- Before I get into the results, I want to briefly touch on the dividend action
- As we previewed in December and as you have seen in our news release, we announced a reduction in the targeted annual dividend to \$0.60 per share effective with our next dividend declaration
 - This move reflects our commitment to our investors to maintain a strong financial position, in light of the risk that the pace of market improvements is more gradual than we expect

Shipment Volumes

- Now, let's get on to our results
- This was a good quarter for Mosaic, with very strong shipment volumes and rising market prices for our products
- We have three key points for you today
 - First, we had an excellent quarter from an execution perspective
 - Second, we are confident that the bottom of the cycle is behind us, and that markets are improving, albeit slowly
 - And third, Mosaic has managed our business effectively and invested wisely
- As a result, we are in excellent position to capitalize on better business conditions going forward

Vale Fertilizantes Acquisition

- We are working to maximize the opportunities the Vale Fertilizantes acquisition will provide, while maintaining costs and preserving capital so that we can create long-term shareholder value
- We are optimistic about 2017
- And we are definitely feeling better now than we were at this point last year
 - There is no question that business conditions are improving, and our execution has allowed Mosaic to fully capitalize on the upswing

Potash Business Unit

Cash Production Costs

- I'd like to point out some of the highlights of the quarter and of the year
- In our Potash business unit, our MOP production cash cost per tonne decreased substantially, with costs for the quarter coming in at \$56 per tonne
- And cash production costs plus brine management costs were \$74 per tonne
- The significantly lower costs were driven by a high operating rate at Esterhazy and by our now-complete Canpotex proving run at Belle Plaine, which is delivering volumes well above the mine's existing design capacity

Operating Costs

- In addition, we have taken out meaningful operating costs through actions large and small, from stopping high-cost production to lowering our brine management expense
- Fourth quarter results demonstrate the transformation of our Potash business
- And we expect our cost profile to improve further when the K3 mine is operating and we have the opportunity to eliminate brine management expenses



- While we're on the topic of K3, this month will bring an important milestone
- We expect to reach the potash ore zone at 3,400 feet down in the next couple of weeks

International Distribution Business

- Our International Distribution business also continues to deliver high margins and good volumes, highlighted by very strong operating results in Brazil
- Volumes in Brazil were up over 20% in Q4 2016 and margins exceeded our forecast
- The outlook for Brazil is strong, which bodes well for our pending Vale Fertilizantes acquisition
 - On that front, integration planning is underway and we continue to expect to complete the transaction later this year
- The Vale business is an ideal strategic fit for us
- We will acquire excellent assets and a talented workforce at an appealing valuation
- And the deal vastly increases our presence in the promising Brazil market

Phosphates

- In Phosphates, we drove down rock cost back to a more normalized level in Q4, and the team delivered record MicroEssentials production and sales in 2016, as we brought our expanded capacity online
- I should also note that the teams in Florida have made tremendous progress on the sinkhole at New Wales
- Grouting to repair the hole is underway
- And we continue to see no offsite water impacts, as we expected

Commercial Team

- Our Commercial team also executed well, with strong fourth quarter sales taking advantage of having our products in the right place at the right time
- The team also met its significantly higher 2016 target for MicroEssentials sales, while maintaining the traditional premium over DAP, demonstrating the demand for MicroEssentials continues to grow

Safety Performance

- We set another record for safety performance in 2016, our fourth consecutive year of record performance
- I believe strongly that safety performance is an excellent indicator of overall execution

Expense and Capital Management Programs

- Finally, our aggressive expense and capital management programs are paying off
- Look at it this way; the y-over-y impact of potash and phosphate price decreases was \$1.8B
- Our lower costs and CapEx helped offset these declines

Operating Cash Flow

- We generated \$1.3B in operating cash flow, and maintained the financial strength to seize a major growth opportunity in South America
- I want to be clear
- We are going to remain committed to the expense discipline we have developed across the cycle



Guidance

- Our guidance for 2017 demonstrates that
- We expect SG&A cost between \$295mm and \$310mm, down compared to 2016
- And we expect CapEx to be in the range of \$800mm to \$900mm again in 2017, down from our original expectations of \$1.2B

Potash and Phosphate Prices

- Now, let's move on to the markets and why we are increasingly optimistic about the year ahead
- First, potash and phosphate prices continue to move up, even through the seasonally-slow time of the year
 - In fact, standard potash prices have risen \$25 to \$30 per tonne in Malaysia and Indonesia
- A blend grade price has gained about \$40 per tonne in Brazil and more than \$50 per tonne in North America from their lows last year
- In phosphates, New Orleans' barge prices were up \$35 per tonne since the low last December, while China export prices have surged about \$70 per tonne so far this year

Sales Volumes

- Second, the strong sales volumes during the quarter clearly helped establish some price momentum
- Even with the high volumes, dealer inventories were low coming out of the fall in North America

Global Demand

- So, we continue to expect strong global demand in 2017
- And, importantly, we have seen meaningful reductions in global capacity and production in both potash and phosphates
- Of course, there is always uncertainties and we are keeping a close eye on grain prices, currency movements and China's phosphate production

Michael R. Rahm, Vice President, Market Analysis & Strategic Planning, The Mosaic Co.

Highlights

Potash

- Let's start with potash
- We entered 2017 with very different fundamentals than just a year ago
- Channel inventories worldwide have been drawn down as a result of continued strong on-farm demand and lower shipments during the last two years

Supply

- On the supply side, all of the North American facilities that were at the right end of the industry cost curve have closed
- We estimate a permanent reduction of approximately 3mm tonnes of annual MOP capacity from the closure or reconfiguration of seven North American facilities
 - This, in turn, resulted in a large decline in output last year



- For example, North American MOP production was down 2.1mm metric tonnes during the first three quarters of 2016, according to the most recent TFI statistics

Demand

- On the demand side of the equation, lower prices have underpinned strong on-farm demand
- In North America, we estimate that shipments from producers and importers during the last half of 2016 were up 15% to 20% from both a year earlier and the seven-year Olympic average due to the long fall application window as well as a favorable ratio of crop prices to potash costs
- Reports from our sales team indicate that application rates held steady in most cases, and were up in others as some farmers are rebuilding soil potassium levels, given the low cost of potash

Inventories

- The net result is that potash inventories held by North American producers dropped 50% from the near-record 3.6mm metric tonnes on June 30 to just 1.8mm tonnes on September 30, according to the most recent TFI figures
- The improved supply-demand balance has driven the \$50 increase in NOLA prices to \$240 per metric tonne today
 - We expect this positive momentum to continue through 2017

Global MOP Shipments

- Global MOP shipments are forecast to increase more than 4%, or 2.6mm tonnes this year, the first increase since the 9mm tonne surge in 2014
- On-farm demand remains strong and producer shipments will need to closely match projected use this year, given lean channel inventories worldwide
- All of the big six consuming regions, North America, Brazil, China, India, Indonesia and Malaysia, are forecast to post gains
- Finally, we do not expect material supply increases from either brownfield expansions or greenfield projects this year
- All of this bodes well for potash supply-demand dynamics in 2017

Phosphates

- Moving to phosphates, as we said many times, China is the key swing factor and recent developments there look increasingly positive for the global market
- Recent statistics and news reports indicate that the widely expected restructuring of the phosphate sector is underway

Production and Exports

- Production and exports declined last year, in response to both lower prices as well as the recent government crackdown on excessive emissions of air and water effluents
- Chinese Customs Statistics show that exports of the leading phosphate products declined 18% last year, a drop of 2.1mm tonnes from the record volume a year ago
- The government reported that 70% of Chinese producers lost money last year, so lower prices are forcing cutbacks in output
 - In addition, some producers have temporarily shut down as a result of actual or expected environmental audits
 - The Chinese Government is becoming increasingly responsive to the public's demand for improved air and water quality



- As a result, we project that Chinese exports of the leading phosphate products will decline again this year to 7mm to 8mm tonnes

Environmental Regulations and Pollution Taxes

- In addition, it is important to note that tighter environmental regulations and pollution taxes have and will impact even the low-cost producers, which, in turn, is raising the industry cost curve
- This is an evolving situation that merits close monitoring this year
- Just like in potash, finished product prices have quickly reflected lower output and reduced product availability
- The DAP price FOB China port recently traded at \$360 per tonne, up \$70 per tonne from just a couple of months earlier

Global Shipments and Demand Growth

- Looking ahead, global shipments of the leading phosphate products are projected to climb to 66mm to 68mm tonnes in 2017, up from an estimated 66mm tonnes in 2016
- A key feature of the phosphate outlook is continued broad-based demand growth
- In addition to expected gains in the big import markets like Brazil and India, significant demand is emerging from other regions, including Africa, Argentina, the former Soviet Union and Southeast Asia
- Demand growth, combined with an estimated decline of Chinese exports, is expected to increase industry stripping margins from the lows of 2016

Summary

- In summary, prospects for the global phosphate and potash markets look positive given these recent developments
- Prices are moving up and we expect that this momentum will continue this year

Richard L. Mack, Chief Financial Officer & Executive Vice President

Financial Highlights

Market Conditions

- As Mike's views indicate, we expect stable and improving market conditions with continuing strong demand and the potential for a more constructive pricing environment
- We have been highlighting for several quarters that Mosaic is focused on the things that we can control, notably our execution, our operational costs and our capital
- As our results demonstrate, we have made tremendous progress and, as Joc said, we are not going to take our eye off the ball as markets improve
- We are also going to continue to manage our capital very carefully
- In December, we previewed a possible modification to our dividend policy, if market conditions did not recover sufficiently to fund our full dividend in 2017
 - Since then, market conditions have improved
 - And market sentiment is better today than it has been in the recent past
 - We expect this improvement to continue through 2017, but the risk is that the pace of improvement remains slow
 - With this in mind, we have consistently communicated our commitment to investors to maintain a solid financial foundation



Dividend

- And we have decided to reduce our dividend by approximately 45% to \$0.60 per share on an annual basis
- Going forward, we will continue to manage our balance sheet to preserve our credit ratings, and we look forward to building from this revised dividend base as our business grows in the years ahead

Guidance

EPS

- Now, I'll briefly review the quarter and the year, and I'll discuss our guidance for the business units
- For the quarter, we reported earnings per diluted share of \$0.03, which was negatively impacted by \$0.23 of notable items
- While there is some noise from quarter-to-quarter in terms of notable items, the impact for the full year was close to zero
- In total, Mosaic earned \$0.85 per share in 2016, a respectable result with the weak pricing environment our industry faced throughout the year

Potash

Sales Volumes and Pricing

- In Potash, our sales volumes for Q4 were at the midpoint of our guidance range, at 2mm tonnes
- And prices moved modestly higher
- The volumes reflect a continuation of the strong demand we saw in Q3, as well as the aftermath of a robust fall application season in North America

Demands

- Strong demand leads to higher prices
- And we are beginning to see that now, although our guidance is relatively flat in the upcoming quarter
- For Q1 2017, we expect to see continued modest pricing gains in granular and standard markets, offset by contract-driven declines in our higher-priced industrial product as well as less industrial in the mix
- The combined impact leaves our guidance for the quarter at \$165 to \$180 per tonne
- We expect continuing strong demand as channel inventories remain low as we move toward a contract with Chinese customers
- Our volume guidance range of 2.15mm to 2.3mm tonnes is narrower than usual, reflecting the fact that 85% of our product is already sold
- There is limited upside because very little product is available
 - The increase y-over-y is also indicative of the strong demand and lean pipeline inventories Mike mentioned earlier

Gross Margin

- Our gross margin rate in Potash rebounded to 16% in the quarter, primarily as a result of our near-record low production costs
- Our guidance for Q1 margin rate is around 20%



- While costs will remain tightly controlled, the restarted production at Colonsay and the completion of our Belle Plaine proving run are likely to result in slightly higher costs per tonne

Phosphates

Volumes and Global Demand

- In Phosphates, volumes were above our guidance range as our customers took ownership of inventory to rebuild depleted inventories
- Global demand has been persistently strong, with concerns over shrinking availability and rising raw material costs which have incited the channel to lock in product and drove average prices higher toward the back-end of the quarter
 - With this as a backdrop, our first quarter guidance for Phosphate volumes is 2.0mm to 2.3mm tonnes
- And DAP prices, FOB plant, are expected to range from \$315 to \$335 per tonne
- As of today, like potash, over 80% of our volumes are committed and priced
- Current spot prices for finished phosphates are higher than our guidance range, and we expect to realize those higher prices in Q2 2017

Gross Margin

- Our Phosphates margin rate for the quarter was 9%, which was at the high end of our guidance range
- We expect a gross margin rate in the upper single digits in Q1, as higher prices are offset by higher raw material costs
- As Mike pointed out, stripping margins have compressed for phosphate producers in 2016
- We do expect, however, a gradual recovery with the key factors to watch being Chinese production and exports

International Distribution

Sales and Pricing

- Moving on to International Distribution, which continued to generate strong results as we closed 2016; excellent farm economics in Brazil drove strong demand, highlighted by very strong MicroEssentials sales
- Sales and prices were also strong in India, where we saw a good rabi application season, and in China, where potash inventories remain low

Gross Margin and Tax Rate

- Gross margin per tonne remained very healthy, at \$31 per tonne, as prices rose and our teams managed costs downward
- For Q1, we expect margins in International Distribution to be approximately \$20 per tonne, down slightly from Q4, reflecting natural seasonality in our Brazil business
- Finally, the effective tax rate for the quarter was once again negative, due to relatively constant tax deductions and our lower taxable income
- We expect our 2017 full year tax rate to be in the upper single digits, as a result of expected higher profitability and slightly lower deductions this year



Summary

- To summarize, Q4 was a solid end to the year for Mosaic, considering difficult market conditions
- We generated good cash flow, controlled our capital spend and cost environment, and made some difficult decisions that will position us well with momentum heading into 2017
- Going forward, our expectations are that the cyclical upturn will allow us to pay down debt and achieve our target leverage ratios within reasonable timeframes
- The prudent, but difficult, actions we've taken to conserve the balance sheet have put us in excellent position for improving markets

James C. O'Rourke, President, Chief Executive Officer & Director

Outlook

- Let me articulate where I think we are in the cycle as we head into 2017
- We are confident that we have seen the bottom in both phosphates and potash prices, which are now gradually recovering from cyclical lows
- We are well-positioned to benefit from that recovery
- We've made major strides last year in our strategy, in our operations, and in our cost structures
- And we have earned significant leverage for stronger markets. 2017 is going to be a busy year for us, with many work streams to prepare for an excellent integration of Vale Fertilizantes business
 - As we work through that process, we will maintain our focus on superb execution and capital preservation, even as we continue to look for additional opportunities to create long-term shareholder value



QUESTION AND ANSWER SECTION

<Q – Andrew Wong – RBC Capital Markets>: I just want to ask what the Phosphate segment margins and you touched on this a bit in your prepared remarks. We've definitely seen prices running higher in the spot markets, but Q1 margin guidance was a little disappointing and it didn't seem to really reflect much of an improvement q-over-q.

So, maybe it's a timing issue, like you were saying, and maybe second quarter margins get better, but there's also changing input costs and a lot of variables that go into it. So, maybe if you could just walk us through some of those expectations and how that might be changing over the next several quarters throughout the year. Thanks.

<A – Joc O'Rourke – The Mosaic Co.>: Thanks, Andrew, Joc here. Yes. Certainly, I'll hand it over to Rick to talk about this a little bit. But in Q1, we expected this to be a seasonally-slower than average, which is one of the reasons why the price doesn't improve as quickly as all of that and, of course, it's the timing of the sales.

At this point in the quarter, we're largely committed for the whole quarter, which means that it's going to take some time for that new pricing to run through the system. I'm going just to hand it over to Rick to just give some details on that.

<A – Rick McLellan – The Mosaic Co.>: Yeah. Good morning, Andrew. We're here at the TFI this morning and we've been with our customers since Sunday. And, frankly, overall, the customers are accepting the changes that are going on in the phosphate market, in fact, are probably more concerned about availability for their usage.

In the last 45 days, we've seen phosphate prices in North America increase \$40 a short tonne. We've seen phosphate prices for Tampa go up \$35 a tonne. You've seen China prices go up \$70 a tonne. And so, with all of this, you're always selling into a market that's appreciating. And so, as Joc says, we're well sold into Q1, and we're very positive about what we expect realizations to be in Q2. Rich?

<A – Rich Mack – The Mosaic Co.>: And, Andrew, just one final point and that is, in Q1, we do have some turnarounds at some of our plants in Florida that we didn't have in Q4. And so as we move into later quarters, Q2 and beyond, hopefully, we see some improvements there with some additional pressure on ammonia prices.

<Q – Vin Andrews – Morgan Stanley & Co. LLC>: Without sort of getting into a specific price forecast, I'm wondering if you could just sort of talk about what you think the trajectory of prices will be in potash and phosphate. And I guess what I'm really asking is you mentioned in Q4 you didn't see sort of the typical seasonal slowdown in prices the way that we might have in the past. So, I'm wondering if as we move through the spring season this year and get into sort of the summer doldrums, do you think we'll sort of see the seasonality of the prices resume or do you think we're just sort of on a slow steady glide path through the balance of the year, regardless of seasonal demand?

<A – Joc O'Rourke – The Mosaic Co.>: Thanks, Vincent. What I would say to that is, look, we're heading into the year in a very constructive situation for both commodities. Both phosphate and potash seem to be – as Rick said, people are accepting the price increases that are coming. We would expect that as we get closer to spring and maximum demand seasonal, that those prices would continue to rise and maybe rise a little faster. And obviously, it's going to get a little softer as that spring season ends and we go into fall and refill season. Rick, do you want to kind of...?

<A – Rick McLellan – The Mosaic Co.>: I think the only thing that I'd add is when we take a look at what we saw in the last year at this time, there is less inventory, both in our hands as well as in distributors' hands around the world, which we're showing that, a very good first quarter forecast for both P&K. But



Q2, we're not catching up to people that want to charge distribution systems, that – and buyers that have been buying hand-to-mouth. So it'll be interesting to see what happens in that typically slow Q3 period, to see if inventories have caught up to demand.

<Q – Jonas Oxgaard – Sanford C. Bernstein & Co. LLC>: I was wondering about your distribution business in Brazil; first, just tactically on the quarter, how much of that growth was Mosaic vs. market? And can you talk a little bit more about what you're thinking about this business strategically, particularly after the Vale acquisition?

<A – Joc O'Rourke – The Mosaic Co.>: Thanks, Jonas. Good morning. Yeah, first of all, look, we've long said we think Brazil is a very attractive market. I think this result that we had in Q4 really reflects Brazil overall. I think the numbers are out now. There was 34 million-plus tonnes of fertilizer delivered to Brazil this year or in Brazil this year, which is another record. It continues to grow at 4% or 5%.

The one standout for us vs. the rest was, of course, our performance of MicroEssentials. We really were able to capitalize on our ADM acquisition and take big advantage of our growing footprint there. And how it's going to fit in with Vale, I mean, we think they're very complementary. Again, after a long-winded introduction, I'm going to give it over to Rick to talk a little bit more about the Vale and how we see those two fitting together.

<A – Rick McLellan – The Mosaic Co.>: Yeah, Joc. Thanks. The acquisition of the Vale business is going to, as Joc says, fit really well to what we have. One, it's complementary as far as areas where we have not built solid market positions. That's one. But I think the bigger issue for us as we look at this, Joc and I just came back from a week of visiting all the Vale assets and the senior leadership at each of the facilities. And we walked away with what we believed, but a lot more confidence in the fact that we've got good long-term assets that we're going to have that are going to allow us to grow. The people we met, that are leading these businesses, are good, solid. We have good solid people coming to join us. And you just walk away after traveling through Brazil and visiting with people in agriculture about just what the opportunities to grow in that market will be. And, frankly, we'll be very well-positioned with assets, people and Mosaic's products like MicroEssentials.

<Q – John Roberts – UBS Securities LLC>: With the rise in coal in China, could you talk about where you think stripping margins for Chinese producers are and how much more phosphate capacity might come offline?

<A – Joc O'Rourke – The Mosaic Co.>: Okay. Thanks, John. I'm going to hand that straight over to Mike Rahm. Dr. Rahm does a lot of work in this area. And I think he probably has a pretty good handle on where those costs mean for China.

<A – Mike Rahm – The Mosaic Co.>: Sure. Thanks, Joc, and good morning, John. I think as we indicated, we're guiding exports at 7mm to 8mm tonnes next year, so that indicates that we expect that there will be further declines in phosphate production in China; can't get into too many details in terms of the nature of their cost curve, but, as you know, it's a very, very cost diverse industry. And, as we mentioned in some of the prepared remarks, the government has reported 70% of phosphate companies there are losing money. So, we do expect further reductions in both production and exports. And it translates into about a 2mm tonne drop in exports in our view of in 2017.

<Q – Joel Jackson – BMO Capital Markets (Canada)>: Just a two-parter; so, first, you're projecting yourself to grow your potash volumes by 6% in 2017. I think your commentary was you don't expect any greenfield capacity coming on in 2017. Can you just tell us how you'll get 6% higher volume when you consider Rocanville reducing your allocation, when you consider Agrium adding volume and then the K+S legacy mine supposed to come on in June.



And the other question was, you talk about that you're 80% sold for potash for Q1, but I think Canpotex put out comments that you're fully committed for Q1. So, can you reconcile those two statements?
Thanks.

<A – Joc O'Rourke – The Mosaic Co.>: Okay. Thanks, Joel, good to hear your voice. First of all, K volumes, yeah, our K volume for the year is, we believe, exactly in line with how we've worked out North America Canpotex share and the growth of the global market. I'll let Mike talk about that in a second, but, before I do, you asked the question about us being 80% sold while Canpotex is fully committed. And, yes, Canpotex is fully committed to the quarter. And that means probably in North America, we're largely sold, but we still have a few sales left to go.

Mike, do you want to just go through the potash volumes?

<A – Mike Rahm – The Mosaic Co.>: Sure. Yeah. We're projecting, as we said, a 2.6mm tonne increase in global shipments. We think Canpotex probably will capture about half of that. So, if you think of a 1.3mm tonne potential increase in Canpotex shipments, our share, our entitlement H1 the year for Canpotex is 38.1%. We think after the completion of our Belle Plaine proving run as well as the completion of Rocanville, that will drop a bit. We're using a little bit over 37% average for 2017. So, if do that math, that's about a, say, a 450,000 to 500,000 tonne increase in shipments through Canpotex.

And then in the domestic market, we think there's probably a little bit of upside there in terms of demand, plus we're seeing a nice rebound in our K-Mag sales. So, you add 500,000 tonnes with a couple hundred thousand tonne increase in North American MOP and K-Mag sales and you land right in the middle of our guidance range.

<A – Joc O'Rourke – The Mosaic Co.>: And I'll just add here, we do expect some K+S tonnage, but they're not going to come, we don't believe, until quite late in the late. And when they come, we'll deal with that.

The other comment to make here is, yes, Rocanville will come on with new tonnage, but we will also have an increase due to our Belle Plaine proving run, which we've just completed.

<A – Rich Mack – The Mosaic Co.>: And maybe just one final point, Joel, just as a reminder, these adjustments for Canpotex purposes don't kick in until July 1, and Canpotex is scheduling a very robust shipment schedule in H1 2017.

<Q – Don Carson – Susquehanna Financial Group LLLP>: Mike, a question on your phosphate outlook, you talked about \$70 rebound in Chinese pricing. So, to what extent will that lead to reopening of some of the shuttered capacity or maybe, said another way, how much of the Chinese reductions are driven by economics? How much is driven by environmental restrictions? And then, in H2 as we see new capacity from OCP and potentially the Ma'aden start-up, hat impact could that have on your market outlook?

<A – Joc O'Rourke – The Mosaic Co.>: Okay, Don, thanks. Well, let me just start by making a general comment of China. Look, we have long expected China to have to do some overall restructuring of their industry. They have some great low-cost producers, but they also have some very high-cost, old, highly environmental-impact sites that I think they're going to have to do some real reconciliation of. So, I think there's going to be a change in how that industry looks. I'll let Mike go on to the detail of how much of that is price-driven, how much of that is environmental-driven.

The next comment, though, is with our forecast of China going down another 1mm tonnes or so, really, we see that more than offsetting new production from OCP and we really don't expect the Ma'aden to have a material impact until much later in the year. And even then, we see it starting up, but it's a mega project. It'll be a slower ramp up than instantaneous. Mike?



<A – Mike Rahm – The Mosaic Co.>: Don, you hit on all the critical swing factors, I think, in the phosphate business. Throw in crop prices, and I think you got all of them. But those are tough questions.

As we said earlier, there are some uncertainties. We do think that the changes in China are driven, to some extent, by economics, but I think there are also very powerful industry associations that understand that restructuring has to take place. We've often referred to the May meeting of their phosphate association, where they have indicated that they think 3mm tonnes of capacity in P205 terms needs to be shut down. And so, yeah, economics will play a factor in this. But I think there are other things at work there that will achieve the objectives that the industry association has stated.

And then I think Joc has covered the new capacity coming on later in the year. That certainly is an issue that we'll monitor very closely. The only thing I would add is that in terms of OCP's capacity, I mean, they have done a very good job developing demand for those hubs. And their sales in Africa have been outstanding, and that market continues to grow.

I think there's also issues in terms of how quickly they can get tonnes out into the market. I think right now, we're seeing loading delays out of Jorf. And it's almost reminiscent of what happened in 2014 where all of a sudden, you had buyers come to the market realizing that the bottom was in, and you had this big, big surge in demand, and all of a sudden, the realization that there are some loading constraints. So I think there are a lot of things at play right now. But bottom line, you identified key risk factors, but, at this point in time, we still feel pretty good about the outlook for phosphate, but we'll monitor these closely throughout the year.

<Q – Matthew Korn – Barclays Capital, Inc.>: If you could, could you help me unpack your CapEx guidance a bit for the year? What's the K3 amount earmarked in the range? What else is in there that's significant in terms of growth? And then, lastly, with ore production at K3 pending, which I'm taking from your earlier comments, when would your cost benefits start flowing through? And is there anything within the K3 ramp that's leading to the increase in your brine expense y-over-y? Thanks.

<A – Joc O'Rourke – The Mosaic Co.>: Thanks, Matthew. So, just to unpack our CapEx, as you say, we've done a lot of work to reduce our ongoing sustaining capital. We've made a real point of taking that down to, let's say, the \$500mm range, which means that probably the big ones are still the major capital items that are still to spend. Those include, probably, we'll be coming to the end of Ma'aden this year. I think there's a couple hundred million dollars left to spend there that we'll see. And then, of course, we have K3.

K3, we are actually, as per my comments in the start, hitting ore at K3 if not next week, probably within the next couple of weeks. So, we're largely through the major cost of building the shaft and sinking the shaft. So, it'll be fitting out the shaft. It'll be running conveyors over to K1 and K2. And then it will be – most of the development work, which will be to turn the hole in the ground into an operating mine. On that, we expect to spend somewhere in the range of the \$150mm to \$200mm a year for the next three or four years doing just those activities. And then, that'll probably come to an end not until likely early next decade.

Your question on brine, I'd just like to say on brine, I mean, we've guided \$160mm, \$180mm which might be slightly conservative against this year. There's a high level of uncertainty in brine, depending on what Mother Nature throws at us. If we get a higher brine inflow rate for a period of time, we will spend a little more money addressing that. So, we've had a good year this year, from that perspective. And if all goes well, we'll spend the same or even less. But if there's a brine inflow, we will have to address it. So, that was the reason for the range on our guidance.

<Q – Ian Bennett – Bank of America Merrill Lynch>: You guys made some comments earlier about improvement in pricing in standard markets in potash, but some degradation in industrial markets. Can



you remind us to your industrial mix in both potash and phosphate in 2016 and expectations for 2017 and then how you think about the relative attractiveness of those markets over the next couple of years?
Thanks.

<A – Joc O'Rourke – The Mosaic Co.>: Thank you. Yeah. I think just I'm going to introduce it and hand it over to Rick to talk about our mix and whatnot, but, just to be clear, the industrial market is priced somewhat differently than the agricultural market. And it's normally based on a trailing price from the agricultural market. So, while they move in slightly different timings, they do follow each other over time. Rick, do you want to talk about our mix and...?

<A – Rick McLellan – The Mosaic Co.>: Yeah. Just the industrial market for us on phosphates is, frankly, a non-factor. Most of our industrial product is in potash and those are with, as Joc described, longer-term contracts. Now, going to kind of global potash markets, we've seen nice increases in granular product or blend grade product, into Brazil where we're at \$250 for delivered potash as well as we've seen good strength into Southeast Asia, where standard potash is around \$240. Joc?

<A – Joc O'Rourke – The Mosaic Co.>: I just want to say with this industrial, the other aspect of the industrial is because it lags, we've seen better than agricultural prices for the last six months. And as you hit the bottom, it will end up with a three to six month lag as we go up the market. But, overall, like I say, it'll fall off. In terms of percentage, 10% of our overall potash sales are industrial.

<Q – Yonah Weisz – HSBC Bank Plc (Tel Aviv Branch)>: I wanted to maybe follow up on the industrial question in phosphates with animal feed. PotashCorp was saying the animal feed market is taking, seeming, a severe beating in North America. How do you see phosphate animal feed into next year?

<A – Joc O'Rourke – The Mosaic Co.>: Yeah. Yonah, thanks for the question. There's no question. I think the feed market has been under a little bit of pressure lately, competitive pressure, mostly from probably the imports. But, for us, that's not a huge piece of our profitability. I want to just point out, you refer to the other company and their phosphate business. We service very different markets. We very much service the ag market, where they service more the industrial market. And so, we've had a few questions comparing the two, and I don't think they're really that comparable because we service such different markets.

Rick, do you want to talk about the feed market a bit?

<A – Rick McLellan – The Mosaic Co.>: Yes. The only thing that I would add is, for us, the feed market is about 5% of our total phosphates. It's a good segment for us. We're set up with some of the major integrators in North America and around the world. And, yes, we've seen pressure in the short-term, but that comes and goes. Our customers are long-term and we have good agreements in place with them.

<Q – Oliver Rowe – Scotia Capital, Inc.>: Could you just discuss the sustainability of the pricing pressure we're seeing in some of the key international phosphate rock markets? And further to that, how you see the rock S&D balance evolving in the mid-term now that some of the major expansions in Saudi Arabia and Morocco are behind us?

<A – Joc O'Rourke – The Mosaic Co.>: I'm going to hand that straight over to Mike. When we start talking about the global S&Ds, he's really the guy to talk about it. Mike?

<A – Mike Rahm – The Mosaic Co.>: All right. Good morning, Oliver. Yeah, there has been some pressure in the rock market, but I think things are stabilizing a bit. I just read the results of, I think, of Bangladesh tender here this morning for 72% rock netting back to about \$100 both in Jordan and Morocco. So, I think many of those fundamentals have played out. And our assessment is that the rock market is probably going to stabilize here for most of the year.



<Q – Adam Samuelson – Goldman Sachs & Co.>: I was hoping you could provide a little bit more color on your views on India, on the phosphate market, some of the swings in supply and demand there that you're looking at in H1. And, more broadly, you didn't provide kind of the regional breakdown for potash and phosphate demand or shipments in the slide deck. Is there any way to discuss what would drive you to the upper or lower end of your bands? Thanks.

<A – Joc O'Rourke – The Mosaic Co.>: Sure. Thanks, Adam. Again, we're going to let Mike go through the S&Ds of the India phosphate market. Maybe Rick can talk about a little more of the near-term stuff and the regional distribution of the potash.

<A – Mike Rahm – The Mosaic Co.>: Yes, certainly. Well, as you know, imports and shipments in India were off this year as they drew down stocks. Now, we think that that process is largely behind them. Inventories have been pulled down. We're projecting that shipments in 2017 will rebound a bit to kind of that 9.3mm to 9.5mm tonne range, up from about 9.2mm this year. And that imports will rebound from less than 5mm tonnes, about 4.8mm I think is our current estimate for last year, to about 5.3mm.

And I think the key feature in India is that, as you know, they just announced their preliminary subsidy. And that was positive, I think, for both P&K in terms of a larger number of rupees allocated to that. So, I think some of that reflects the anticipation of these greater volumes. So they're facilitating, I think, import economics.

So we think we that India is on the upswing. On-farm economics there are just fine. And the rupee has seemed to stabilize a bit. And all the kind of stars and moons are aligned for a recovery there. And I guess the real important part, I think, is just the pipeline, both P&K visible inventories have pulled down, but our team in India has used the term bone-dry to describe what they think are retail inventories at the literally thousands of small shops throughout India.

So, we have factored in increases, and I think we're on the upswing and a positive trajectory there. And if anything, we think there may be a little bit more upside than what we currently have in our forecast.

<Q – Graeme Welds – Credit Suisse Securities (USA) LLC>: I was just wondering if you could give us a quick update on what's going with the ammonia off-take agreement with CF. And also just curious, given the moves we've seen in ammonia pricing since the start of the year, how does your contract with CF, how favorable is it relative to where it was last year? Any color on that would be really helpful. Thanks.

<A – Joc O'Rourke – The Mosaic Co.>: Okay. Thanks, Graeme. Sure. So, as you're well aware, the ammonia prices spiked a fair bit in the last negotiation. I think we were up \$70 over up to \$320. That's largely the issues going on right now in the Ukraine between the Russians and the Ukrainians. And gas availability has put short-term tightness in that market. I would say that's certainly not likely to stay as long-term tightness, or at least we're not expecting that, but certainly it has created some short-term tightness.

In terms of our contract with CF, I'm going to ask Rick to talk a little bit more about that, but just to be clear again, this is a eight-plus year contract with volumes of 600,000 to 800,000 tonnes. It will be based on the Henry Hub price of natural gas that will determine the price. So, at any given time, it may be in or out of the money. I think, at this stage, it is probably slightly out of the money. But we are not delivering against that yet. We'll start delivering at against it in H2.

Rick?

<A – Rick McLellan – The Mosaic Co.>: Yeah. The only thing that I would add, Graeme, is that we are building a specific tug and barge to move the ammonia from their plant to Tampa. And I think we said that



that's been delayed. So, we've developed workarounds with CF for H1, and we expect to begin pulling product in the back half of the year.

<Q – Mike Piken – Cleveland Research Co. LLC>: I just wanted to dig a little deeper into the timing on the Chinese negotiations. I know it's always tricky, but kind of given their inventory situation, do you have sort of a timeline that you're anticipating as being for a resolution? And between China and India, who would you expect to go first this year?

<A – Joc O'Rourke – The Mosaic Co.>: Yes. Thanks, Michael. I'm going to make a little bit of a different comment, which is that really from Mosaic's perspective and certainly for Canpotex and the rest of them, we are very reluctant to talk a whole lot about that China contract. There's active negotiations. We understand that those will start after Chinese New Year, which is this week. But beyond that, really, I prefer not to speculate on that because I think that actually effects the negotiations themselves. And so, I'm going to take a pass. I know it's a different approach from others in the past. But also, from our perspective, A, it effects those negotiations, which I don't like. But what I can tell you is demand around the rest of the world is really good right now.

As was mentioned earlier, Canpotex is fully committed for Q1. So, we're not in a huge rush in. And I got to tell you, although China is a benchmark contract, it's not as relevant as it once was, certainly not for us because there's a lot of other material that we move around the world. Thanks.

<Q – P.J. Juvekar – Citigroup Global Markets, Inc.>: After your Vale acquisition, you will be unique in that you will have production and distribution in the country. Does that help you place more of your North American production in Brazil?

And then secondly, quick question for Mike Rahm; you mentioned about India, you didn't mention about demonetization, if that had an impact in fourth quarter? And if it did, is there a snap back in 2017? Thank you.

<A – Joc O'Rourke – The Mosaic Co.>: Okay. Thanks, P.J. So, yes, Vale is a production business. They have their own customers, which are, in a large part, different than our customers. So, their servicing slightly different places in the country and in a slightly different way. A matter of fact, we are one of their large customers already. So, there is good synergy there. Our goal will be to as we look at Brazil, we'll be looking at it as holistically as we possibly can. So, there will be times when it may pull more of Mosaic's product from North America through, but we also have opportunity to pull more of Vale domestic product through our own distribution system. So, I think it works both ways and I think there is a real opportunity to optimize the net-backs overall to Mosaic.

In terms of demonetization, our view is it probably hasn't had a big impact because there has been substantial and steady demand. Rick's in charge of our International Distribution, so he might have a little more to say on it, but, overall, our belief is that has been minimal impact.

<A – Rick McLellan – The Mosaic Co.>: Yeah. P.J., we saw a lot of talk about how big the impact was going to be on kind of November and December shipments of demonetization. And, frankly, November was a record for shipments in India in-country. And, as Mike commented, our group says we pulled down inventories at the retail level to a position of bone-dry and so, frankly, a lot of noise, but, in effect, not much impact.



James C. O'Rourke, President, Chief Executive Officer & Director

Closing Remarks

- And to close, I just want to reiterate our key themes
- First, Mosaic is executing across all of our businesses and all around the world at a very high level
- Second, the markets are improving, whether they're fast or slow, but they are improving month-over-month, week-over-week
- And, third, Mosaic is in an excellent position to capitalize on better business conditions
- We are working to maximize the opportunities with Vale Fertilizantes acquisition and what that acquisition will provide, while managing costs, preserving capital, so that we can create long-term shareholder value