



Economics & Financial Markets

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Mosaic Analyst Meeting: Ability to Maintain Existing Prices and Antitrust Law Suit Key Highlights

Introduction

In New York on Tuesday January 13, 2006 The Mosaic Company held an Institutional Investor & Analyst Meeting, which was relatively benign in that there was very little new information presented. The company fielded numerous questions with about half the questions related to a single issue: **the company's ability to continue to maintain the current price of Potash and Phosphates in this weakened international environment**. Management was adamant in its public statements that they would be able to maintain these prices. Privately they were more deferential and acknowledged the existence of the class action law suit against all the major Potash companies, filed by Minn-Chem, Inc., a wholeseller of farm supplies in Sanborn Minnesota.

The Central Issues were:

1. Given that there has been a nearly 400% increase in the price of Potash and DAP/ Phosphates over the past three years is this price level sustainable (Please see figures IA and IB).
2. Is the Minn-Chem Inc. law suit credible and is there likely to be any antitrust action in this industry.
3. Wholesale prices are dropping resulting from large inventory imbalances (Figure IC).

The Mosaic Response:

1. The Mosaic Company will maintain prices at the current levels while recognizing that at these prices demand may be lower than in past periods.
2. The law suit (not discussed publicly) is deemed not consequential, since there was no mention of it in the latest 10Q, issued after the law suit was filed.
3. The inventory imbalances will adjust.

Figure IA: Slide 81 of Mosaic’s 2009 Institutional Investor & Analyst Meeting

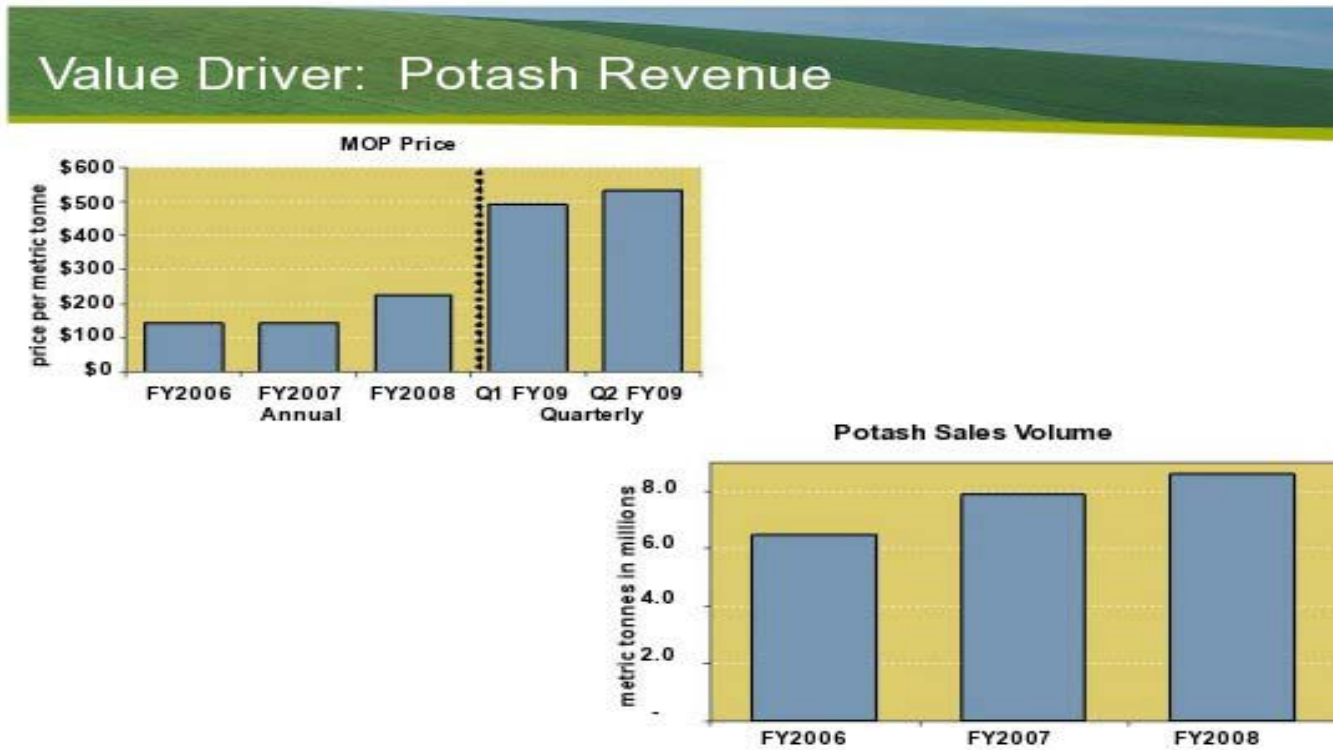
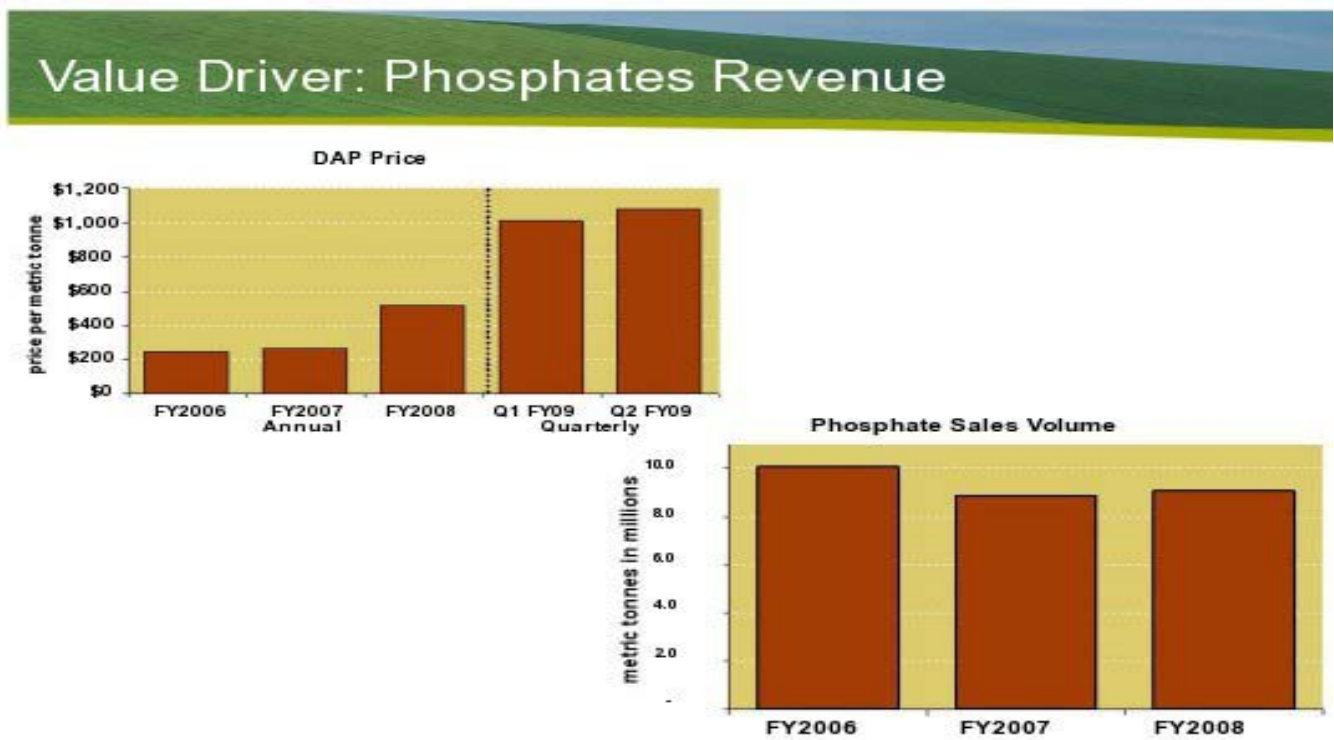


Figure IB: Slide 82 of Mosaic’s 2009 Institutional Investor & Analyst Meeting

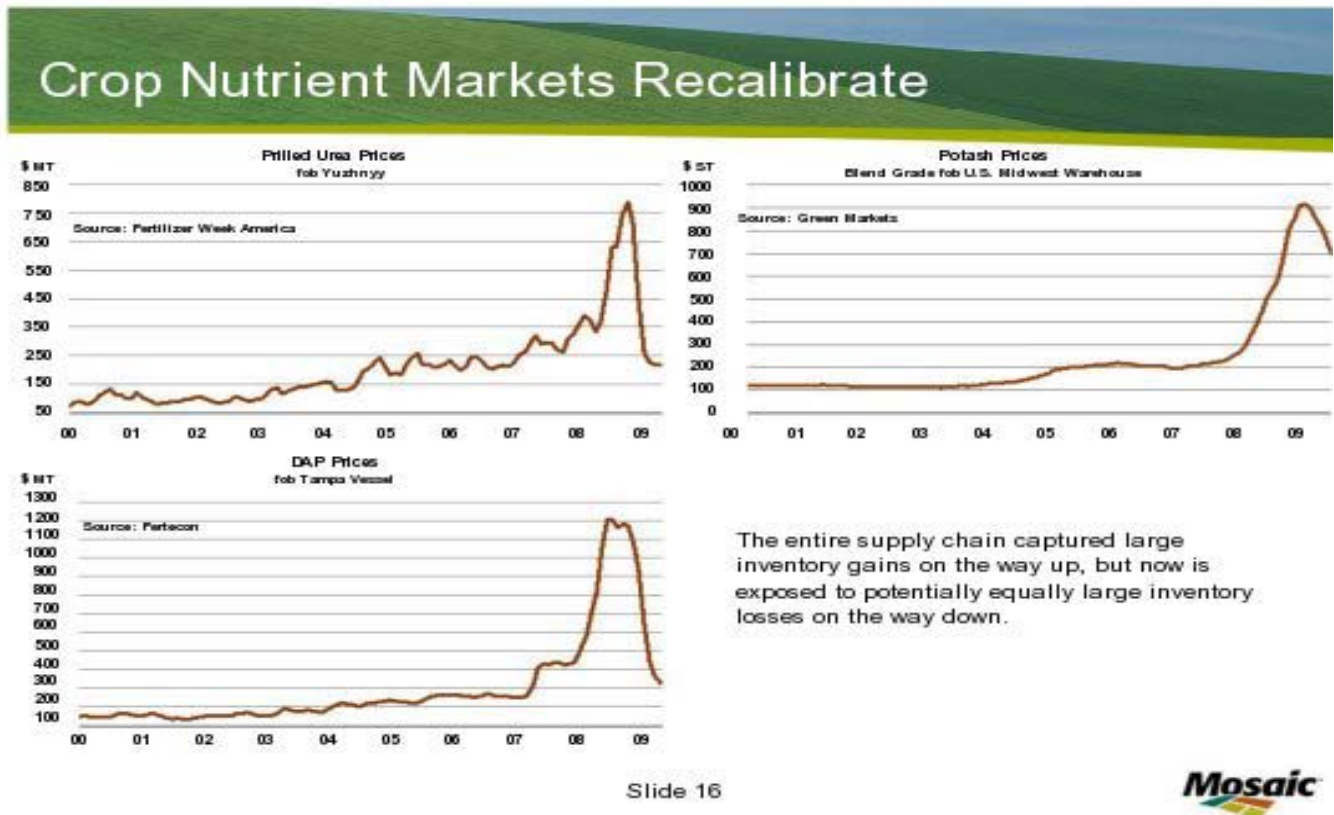


Source: The Mosaic Company Presentation Jan 13, 2009

January 14, 2009

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Figure IC: Slide 16 of Mosaic’s 2009 Institutional Investor & Analyst Meeting



Implications:

1. The Minn-Chem Inc. Law Suit

- A. At this juncture the suit does not appear to be credible in that it is centered on pricing in the U.S. and under the current structure there is sufficient competition in the United States to completely dismiss the law suit. There is no collusion in the U.S. markets.
- B. The risk is that lawyers and or the anti-trust division of the Justice Department under the Obama Administration will take an interest in this case.
- C. The risk is that the courts and the Justice Department will recognize that there is a degree of limitation of competition outside the U.S., which may put pressure on the U.S. markets, causing higher prices in the U.S. markets.
- D. We believe that this argument will not fly because there has always been ample supply to the U.S. markets and they are selling at market price, not at a fixed price like they do in China.
- E. Our view and the view of several other analysts at the meeting, was that this is not a credible issue. It will only be in the event that the Justice Department get’s interested, which we currently we do not expect.
- F. The Mosaic Company understand that they pushing the envelope, but they have limited control of the other participants like Potash Corp, Uralkali, Belaruskali, and Belarusian Potash Company, and it would be difficult for anyone of these companies to break this pattern because of their integrated involvements in the international markets.
- G. Also, they are all working at near capacity except for Potash Corp which has excess supply.

H. Finally, it would be difficult for the American courts to argue that Potash needs to produce additional product, such a request appears to be beyond the jurisdiction of the courts.

2. The Ability to Maintain Existing Prices for Potash and Phosphates

- A. We have discussed this issue in the past at great length. We have argued that while China thinks they are gaining an advantage in reality they are enabling restricted competition. Every year there has been protracted negotiations around the China contract for an annual sales price.
- B. This practice is followed in all the other major countries at point of sale including India, Japan, and Brazil.
- C. The China contract in essence puts an artificial floor on all prices and enables the potash producers to use that floor in their negotiations of price. It may be more psychological than economic, but nevertheless to the extent that the respective companies are disciplined, which they have been, and there is currently no sign of breaking the pattern. There is however heightened stress with growing complaints from farmers.
- D. The companies are willing to reduce output in order to keep current prices, as opposed to lowering prices and selling additional product. They appear to be taking a longer term view of their business.

Expectations

The expectations of SISR are no different than they were prior to attending the meetings:

- A. We were one of the first on the street to argue that in a down turn they will attempt to keep prices levels constant and sacrifice output. In fact in our October report we correctly projected output levels which were well below the companies projections at the time.
- B. Currently we are on record for believing that the price will decline by 20 to 30% percent in the next 3 to 6 months, but not much more. Given that prices are up 400%, this would not be a major decline in price in our view.
- C. Given that these were our expectations prior to the meetings we are hard pressed to believe that there is anything really different than what we believed last week.
- D. We are maintaining our price target of \$60 a share by end of summer 2009.
- E. The law suit will go nowhere because the legal system is not currently able to deal with the nature of international issues that are involved in this case. The courts have not been able to touch the international oil companies and they will not be able to touch the international fertilizer companies. The attorneys for Mosaic, Potash and Agrium may have been underpaid in that the international structure that was created will be hard to break up by the U.S. courts. The legal system has not evolved enough to handle cases involving globalization of trade, and at this point, with so many other issues on its plate, this will not be the first that the Justice Department will take on.

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Price Chart:

A price chart, with changes of ratings and price targets in prior periods, is included above, for all securities covered in this report.

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