

**Nutrien**

**2022 Q1 Earnings Conference Call**

**May 3, 2022**

**10:00 AM ET**

**Operator:** Greetings, and welcome to Nutrien 2022 first quarter earnings call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded.

I would now like to turn the conference over to Jeff Holzman, Vice President of Investor Relations. Thank you. Please go ahead.

**Jeff Holzman:** Thank you, operator. Good morning, and welcome to Nutrien's first quarter 2022 conference call. As we conduct this call, various statements that we make about future expectations, plans, and prospects contain forward-looking information. Certain material assumptions were applied in making these conclusions and forecasts. Therefore, actual results could differ materially from those contained in our forward-looking information.

Additional information about these factors and assumptions are contained in our current quarterly report to shareholders, as well as our most recent annual report, MD&A, and annual

information form, filed with Canadian and U.S. Securities Commissions.

I will now turn the call over to Ken Seitz, Interim President and CEO, and Pedro Farah, our CFO, for opening comments before we take your questions.

**Ken Seitz:** Thanks, Jeff, and good morning, and welcome to Nutrien's first-quarter earnings call. Before we get into the discussion of our results and outlook, I would like to express our thoughts and sympathies to all those that have been impacted by the conflict in Ukraine. We see the significant toll it has taken on the people in Ukraine, and it hits close to home for many of our employees, customers, and other stakeholders that have family and friends in the region.

The conflict has also compounded supply challenges that have contributed to higher commodity prices and escalated concerns for global food security. Russia and Ukraine account for over 20% of the global exports for many agriculture and fertilizer commodities, and there is no simple or fast solution to overcome this level of supply disruption. As the world's largest fertilizer producer and retailer crop inputs, Nutrien has taken several actions to help our customers secure the products they need.

In potash, we are expanding production capability to approximately 15 million tons in 2022, an increase of 1 million

tons to our initial expectations. This represents a nearly 20% increase compared to 2020 and accounts for more than 70% of global potash production added during this time.

We have expanded our nitrogen production capacity by nearly 1 million tons, since the beginning of 2018 and are in the process of adding an additional 0.5 million tons over the next few years while improving the carbon footprints of our facilities.

Our retail business operates in seven countries across North America, South America, and Australia. These are key agriculture regions that will be called on to sustainably increase crop production, and our team of 3900 crop consultants work every day to provide innovative products and solutions that meet the needs of our grower customers. I'm extremely proud of how our people have stepped up across the organization as we respond to this critical time for global agriculture and do so in a manner that does not compromise our core values of safety and integrity.

Now turning to our Q1 results and outlook. We delivered higher earnings across each of our business units due to the strength of the market fundamentals, advantaged position of our assets, and solid execution by our people. The year-over-year growth in earnings was further supported by recent strategic capital allocation decisions that included expanding our

production capabilities and increasing the size of share buybacks over the past two quarters.

Nutrien Ag Solutions delivered record first-quarter adjusted EBITDA of \$240 million, despite a delayed start to the spring season in North America. Our per ton crop nutrient margins remain strong due to the timing of procurement in a rising price environment and continued growth in our proprietary nutritional products. We delivered higher crop protection gross margins as growers engaged early to purchase product ahead of the spring season. We strategically procured inventory of certain products in anticipation of tight global supply, and our margins in Q1 reflect this effort.

Potash delivered \$1.4 billion in adjusted EBITDA supported by higher realized prices. Global demand was strong as buyers looked to secure product in the midst of supply uncertainty from Belarus and Russia. We increased offshore potash sales volumes by 8% compared to the previous year. However, shipments were impacted by rail service interruptions during the quarter. North American sales volumes were impacted by a delayed start to the spring season and were down compared to last year's very strong first quarter.

In Nitrogen, we generated adjusted EBITDA of \$1 billion, driven by higher realized prices and the cost advantaged position of our assets. We experienced some unplanned outages

during the quarter, and sales volumes were also impacted by a slow start to the spring season. Phosphate delivered a record adjusted EBITDA of \$239 million as higher sales prices more than offset the large increase in ammonia and sulfur input costs.

Turning to the outlook, global grain and oilseed inventories were well below historical average levels entering 2022, and the conflict in Ukraine has led to further tightening of supplies. Corn, soybean, and wheat futures prices are 50% to 90% above the 10-year average and are trading at elevated levels on a multi-year basis.

Prospective crop margins are significantly above historical average levels as the increase in revenues from higher crop prices has more than exceeded the projected increase in input costs. Weather permitting, we expect planted acreage to increase in the key agricultural regions in which we operate with a strong incentives for growers to maximize production.

The North American spring planting season is behind an historical average pace, but there is still time to get the crop in the ground and our retail network is well-positioned to deliver in a compressed season. We are seeing strong demand in the regions where planting has progressed, and have all-time high customer prepayments on account, which is a good indicator of grower intent.

Financial sanctions and other restrictions imposed on Russia and Belarus have constrained potash supply with minimal exports from this region, reported since early March. These two countries represent approximately 40% of global potash exports, and there is limited available production capacity in other regions to help fill the supply gap. Therefore, we expect global potash shipments will decline to between 60 million ton and 65 million ton in 2022, and we assume a wider than normal range, given the level of supply uncertainty from Eastern Europe.

Nutrien expects to ship record potash volumes between 14.5 million tons to 15.1 million tons, with most of the growth projected in offshore markets. We expect nitrogen markets to remain strong through 2022 due to lower Russian exports and volatile European gas prices that are currently setting the floor for ammonia and urea prices.

Chinese urea exports have been restricted in the first half of 2022, and we believe there is potential for restrictions in the second half if the government intends on maintaining the current discount for Chinese domestic prices compared to other global markets. We are discussing these supply challenges in the context of 2022; however, we believe these issues could extend well beyond this year.

Sanctions on Russia and Belarus have the potential to create more lasting changes to global trade patterns, as customers prioritize reliability of supply. We anticipate volatility in global energy prices due to greater supply uncertainty from Russia, and we expect some delays in the development of a new capacity from this region as access to financing, equipment, and other resources becomes more challenging.

We will closely monitor global market developments as we assess opportunities to increase our potash production capability beyond 15 million tons. Increasing production on a sustained basis requires opening up new ground, installing additional equipment and infrastructure, hiring more people, and securing outbound logistics. These are decisions that require careful planning, as they have long-term impacts on our operations and our people. We intend to provide more details at our virtual Investor Update meeting on June 9th.

I will now turn it over to Pedro to review how we expect these market conditions to impact our 2022 guidance and our approach to capital allocation going forward. Pedro.

**Pedro Farah:** Thanks, Ken. Given the significant changes in market fundamentals, we have increased our 2022 adjusted EBITDA guidance to \$14.5 billion to 16.5 billion. At the midpoint, this

represents a nearly 50% increase from our initial full-year guidance in February. We expect earnings to be fairly evenly split between the first and second half of the year, with the pace of planting (inaudible) development likely to have some impact on the timing of earnings between quarters.

We are projecting retail adjusted EBITDA between \$1.8 billion and \$1.9 billion, as crop nutrient and crop protection margins are expected to be stronger than previously anticipated. Crop prices had risen materially since the beginning of the year, and we expect growers will be incentivized to maximize yields, which typically contributes to strong in-season demand for crop protection in specialty nutritional products.

Similar to previous years, we expect 60% to 65% of retail's adjusted EBITDA to be generated in the second quarter. We significantly increase our potash adjusted EBITDA guidance due to the expectation for higher realized prices and increased sales volumes.

Costs of goods sold per ton are expected to increase in 2022 due primarily to higher royalties, which are directly tied to selling prices. Excluding the impact of royalties, natural gas, and carbon taxes, we expect (inaudible) cash costs will be comparable with the previous years, as higher production volumes offset inflation.



Our increase in nitrogen adjusted EBITDA guidance reflects higher global benchmark prices and a very competitive cost position compared to producers in Europe. We lower our nitrogen sales volume expectation due to the planned outages that occurred in Q1. We are taking a number of actions to enhance plant reliability, including incremental investments to protect our sites from severe weather events, and expect higher operating rates over the remainder of 2022.

We expect to generate \$10.5 billion to \$11 billion in cash from operating activities, assuming a cash conversion ratio of approximately 70% at the midpoint of our 2022 adjusted EBITDA guidance range. This represents a slightly lower conversion rate that we assume in February, as the increase in import prices is expected to translate into greater working capital requirements in this period.

The majority of our cash flow is expected to be generated in the second and the fourth quarters due to the seasonal working capital profile of retail. Priorities for investment capital remain very consistent with our long-term strategy and what we communicated in February. However, given the potential for increased cash flow, we are evaluating the viability to accelerate a few high-return growth opportunities.

We announced a 1 million ton increase to our potash production capability in March, which will require a small incremental capital investments for mine-facing equipment and mine development. As Ken already mentioned, we are closely looking at a potential to further ramp our potash production capability above 15 million tons.

We are evaluating opportunities across our nitrogen business that would enhance the product mix and improve the environmental footprint of our facilities, including expanding our leading low-carbon ammonia position. In retail, there is strong pipeline of acquisition opportunities in Brazil and the U.S., and we will maintain disciplined approach as we evaluate these opportunities.

In terms of investment capital, our focus is on initiatives that enhance our proprietary product business and digital capabilities, which are key drivers of retail organic growth. We committed to a minimum of \$2 billion in share repurchases in 2022, and year-to-date, we have allocated nearly \$740 million, repurchasing approximately 9 million shares at an average price of around \$81 per share. Given the strength of our projected cash flow, we believe there is potential for additional shareholder returns as the year progresses. We will provide a more in-depth update on our capital allocation plans at the investor update meeting on June 9th.

I will now pass it back to Ken for final comments.

**Ken Seitz:** Thanks, Pedro. The importance of global agriculture to help sustainably feed a growing world has never been clearer. It is increasingly apparent that the supply issues currently impacting agriculture and fertilizer markets could last well beyond 2022.

Nutrien is responding in the near-term by utilizing the full extent of our integrated sustainable agriculture platform to provide customers with the products they need for the upcoming growing season. And we are thoroughly evaluating our longer-term plans to ensure we deliver the greatest value for all our stakeholders.

I've been joined today by members of our leadership team, and we would be happy to take your questions.

Operator: We will now begin the question and answer session. If you would like to ask a question, please do so by pressing "\*" "1" on your phone. Again, that's "\*" "1" on your telephone keypad. Please note to limit yourself to one question. If you have additional questions, you may press "\*" "1" again and we will try to address those at the end of the presentation, if time permits.

Please stand by while we compile the Q&A roster. Your first question is from the line of Andrew Wong with RBC Capital Markets. Please go ahead.

**Andrew Wong:** Hey, good morning, and thanks for taking my questions. So the sanctions on Belarus and Russia they're probably the biggest change that we've seen in the potash market structure since the breakup of BPC almost ten years ago. And these effects seem to be relatively long-lasting.

So can you just talk about how the Belarus/Russia situation changes your longer-term view on the market? And I'd be curious as Ken, you had a pretty good seat at Canpotex to kind of see some of the market changes over the past five or ten years. I'd be curious your thoughts on where we are going forward? Thanks.

**Ken Seitz:** Yes, thanks, Andrew. Yes, so absolutely, it is the case that we watched this terrible tragedy unfold in Eastern Europe and thinking about people in the region every day. We are watching the impacts that sanctions are having first, as you mentioned, on Belarus and Russia as well. And while potash itself is not sanctioned in Russia, certainly, the enabling activities for export of anything out of Russia at the moment are challenged, whether it's banking or shipping or insurance and so on.

So and then, of course, with Belarus, the sanctions were there prior to this conflict and having really no access to

tidewater being shut off from the ports in Lithuania. So as these things have unfolded, as you say, Andrew, we're looking at duration and how might long this might last and the longer-term implications for potash.

And we're coming to the conclusion, as we said in the opening remarks, that these could last well beyond 2022, and hence, are looking at our own capabilities accordingly. But I'll hand it over to Jason Newton, our Chief Economist, to just provide a little more color.

**Jason Newton:** Yes, good morning, Andrew. I think in terms of overall supply-demand impact, certainly, there's a really large potential for supply constraints in 2022 just given, as Ken mentioned, the restrictions on Belarusian shipments to tidewater and all of the different sanctions impacting Russian production. In terms of quantifying the impact, if we compare to the sort of base operational capability in Belarus, around 13 million tons, operational capability in Russia, around 15 million tons.

We think Belarusian supplies will be down around 6 million to 8 million tons this year and Russia in the range of 2 million to 6 million tons this year. Going forward, it will take some time to rebuild those export capabilities and we believe Belarus will continue to be most restricted going forward as they have

the need to rebuild or build port capacity, which takes time, especially in the face of sanctions.

And then, we also know that that region makes up about 60% to 70% of the capacity additions that we expect to come forward over the next five years. And we believe those will also be delayed going forward. So, in any case, we have a tighter supply-demand outlook going forward than we would have previously.

**Ken Seitz:** Yes, so thanks, Jason. And maybe just, Andrew, then finally, your question about Canpotex and that vantage point. It is the case that really growers around the world, with what's happened with commodity prices, are incited to lay down appropriate crop nutrients. And then you layer on that some of the challenges that Jason just described, and you can imagine that Canpotex their phones are ringing as people look for alternative sources of supply.

Could it be that global trade routes are disrupted? I think we're seeing that today. But suffice it to say that certainly, from a global demand perspective, Canpotex has homes for potash and for increased levels of potash. And that's what's driving, as we said in our opening comments, us looking at the potential to accelerate our ramp-up of potash production.

**Operator:** Your next question is from the line of Chris Parkinson with Mizuho Securities. Please go ahead.

**Christopher Parkinson:** Just a quick corollary of that question, just given the outlook and the potential longevity of the, let's say, the current situation and the shortfall, and even if growers in certain regions skip applications, presumably nutrients are still being removed from the soil on an annualized basis, there are a lot of things to consider. A very simple question what will it take for you to eventually make a decision to ramp even further?

I understand, obviously, there are economic considerations, longevity, so on and so forth. And the remainder of that question would be, I mean, who else even has the capacity to make a dent in that shortfall between 2022 and 2024? Is there anybody else that could even remotely make a dent in that from your perspective? Thank you.

**Ken Seitz:** Great, thanks, Chris. Well, I'll start with the second question and just say that no, it is going to be a challenge. If we believe these supply challenges are going to persist through 2022 and into 2023, if there was additional capacity to put in the market, it would already be there because the incentives are certainly there for a producer to produce. We'll also say that some of the new volumes that would be coming to the market are out of that region, out of Russia, and that's whether it's EuroChem or Belarus with their Petroca project.

And we can imagine that those projects are also challenged today. So if we look at the ability to flex production, a lot of it resides with Nutrien. Hence, over the last two years, 70% of the new production that's come to the market has been from Nutrien, and our ability to add 20% to our own production volumes over the last two years.

With respect to your question, what does it take to ramp further? Well, of course, we're looking at that right now. But it goes back to just us assessing the duration of this impact and what it will actually impact on the market in terms of trade patterns and, ultimately, restrictions potentially to certain parts of the world, and we know that's going to happen this year, hence, our 60 million to 65 million ton guidance range where we expect there will be demand rationing, much different than demand disruption, but demand rationing.

So there is an acceleration case for our volumes. We're looking at that today. We will have more to talk about at our investor day on June 9. But yes, looking at that accelerated case in the context of a drawn-out challenges from production from Eastern Europe.

**Operator:** Your next question is from Adam Samuelson with Goldman Sachs. Please go ahead.

**Adam Samuelson:** Yes, thanks. Good morning everyone. Maybe just continuing on that same line of questioning, could you just



talk about maybe internally and within Canpotex and in the broader North American logistics system, where you see kind of the bigger bottlenecks to increasing capacity? Obviously, there's about 3 million tons of hoisting and processing capacity that's still idled (inaudible) has a bunch of it and some of the other mines as well but as you think about beyond that, whether its ports, whether it's railcars, whether you think it's big restraints around new mining machines. Just help us think about what the key bottlenecks from a time perspective would be and where the bigger capital kind of requirements would come to think about the 3 million tons that you have still potential internally built and even beyond that?

**Ken Seitz:** Great, thanks, Adam. And it's a great question because we obviously look at this. Our capacity is not just at the mines but right through to the discharge ports for the customer. And so, where are the bottlenecks, today, we would say that we're looking very closely at long lead time items from a procurement perspective. And so that would be things like mining machines, which in order to accelerate ramp-up, we would need to put mining machines on order.

And the downstream of that, we would say that with conveyance, we have to put in place. But the rest of it, we've built that capacity exactly as you say, capacity at (inaudible) and our other mines, where we have the infrastructure in place,

we have the (inaudible) shaft sunk(sp), and we have mill capacity to ramp up production as well. So capital associated with production at the mine but downstream of the mining machine is immaterial.

As we look beyond the mine gate and downstream from there, yes, it's true that cycle times are going to require more railcars, and we're going to require port capacity. The good thing is that Canpotex has invested at their Neptune facility, Portland facility, and our East Coast facility in New Brunswick, which gives them sufficient port capacity today to ramp up, so it really becomes a discussion about ordering railcars, which we can do.

And then, I would say with respect to our North American distribution, we feel we're very well positioned there. We have our Hammond facility; we have our over 300 warehouses across North America, and again, railcars to get it there. So as we ramp up production, North American supply chain intact, we'll be looking to offshore, but via Canpotex, we certainly see a path there.

**Operator:** Your next question is from the line of Joel Jackson with BMO Capital Markets. Please go ahead.

**Joel Jackson:** Hi. Good morning, Ken and everyone. I had a couple of questions, a two-parter. Your Canpotex partner gave some guidance overnight that they're expecting about \$50 a ton

realized price increase in Q2, sequentially versus Q1. You obviously have a lot of pricing that's linked together. So first, I wanted to see, is that kind of what you're guiding to as well in Q2?

And then, as a second part of that, in your mid-point guidance for EBITDA, for the year, are you assuming that current potash prices stay where they are for the year or what are you assuming in the base case? Thanks.

**Ken Seitz:** Yes, so with respect to our margins compared to what Mosaic might have said on their call I mean, I think it's fair to say that out of Canpotex, you can expect something similar, and then in North America, we would go our own ways and so, and wouldn't talk about that because that's confidential. But yes, I think generally, Joel, you can say that it would be similar.

With respect to our pricing assumptions and what we're saying for the midpoint of EBITDA guidance I'll hand it over to Jason Newton.

**Jason Newton:** Yes, good morning, Joel. You've probably read fairly closely into where the midpoint of the guidance would be reflected; it would be based on prices remaining relatively in line with where our current prices are.

**Operator:** Your next question is from the line of Jacob Bout with CIBC. Please go ahead.

**Jacob Bout:** Good morning. Going back to late-2008, 2009, you used to talk about being able to skip a year for potash application. What is your sense of the amount of potash and soils in your key markets like U.S., Brazil, China, and India; versus historical? Maybe you can comment on where you see inventory levels right now in those key markets as well?

**Ken Seitz:** Great. Thanks, Jacob. Well, I would say that given the price of commodities and certainly the most recent price increases, growers haven't set to maximize yield. And so, as such, we would say that nutrients and crop soils, and then depending on region, would be sort of at average to below-average levels. And again, we would say that growers are heavily incented today to lay down the appropriate crop nutrients.

With respect to inventories, also an important question, Jacob. We would say that today, entering the year, inventory levels were sort of at average or below average historical levels. But it is the case now, and certainly, it's true for potash with the North American spring season delayed we still have plenty of time to get that crop in the ground, obviously, and we expect those inventory levels to come down. And that's true internationally as well.

If you look China, Southeast Asia, and Brazil entering the year with reasonable inventories, but expecting those to come down, and for potash especially true; given that we are just now

starting to see the impact of this conflict in Ukraine.

Obviously, Russia was delivering potash out of the region up until the latter part of February. But again, now some of these challenges are sort of persisting. So we expect inventories, certainly for potash, to come down and be pressured then for the balance of 2022.

**Operator:** Your next question is from Vincent Andrews with Morgan Stanley. Please go ahead.

**Vincent Andrews:** Thank you, and good morning everyone. Just a question on retail, as it relates to, I guess two things; one, how is retail going to position itself for inventories at the end of the North American season, and kind of also, I guess asking you about how you think summer fill will progress in the different nutrients. And then if you could also help us with why crop protection margins you anticipate improving from here?

**Ken Seitz:** Good. Yes. So, thank you, Vincent. Yes, I mean with respect to inventories, that's something that we're watching very closely at the moment, and watching the progression, planting progression throughout North America. We entered the season with inventories the way that we would in previous years, and as Jeff Tarsi keeps saying, intending to end the spring season with inventory levels low. But Jeff, can I pass it over to you for the discussion about the inventories and crop protection margins?

**Jeff Tarsi:** Sure, Ken, and good morning, Vincent. And I'd reiterate what Ken just said. I can't think of any year that I wouldn't go into that I wouldn't plan on trying to target myself to being near empty once we come into that June and July timeframe across all of my nutrients. And then obviously, once we get into that July-August timeframe, we'll start positioning ourselves again for what we anticipate to be another strong fall market as well. And look, we try to position ourselves from an inventory standpoint in season, which we always try to position ourselves to being as close to empty as we can, whether it's crop nutrients, seed, or crop protection.

I think your second question was in reference to our strong crop protection margins, and I guess I'll start off addressing that as that last fall, we anticipated that there would be a tremendous amount of supply constraints around numerous crop protection products. And so, we started building our inventory last fall, anticipating that these supply constraints would be real coming into 2022.

As we positioned ourselves early and built inventory, Vincent, we built inventory at some pretty attractive cost positions as well. And as you saw in the first quarter, we had a pretty significant improvement on crop protection, probably the highlight of our first quarter. I think we're about 400 basis point increase in margins there.

And a lot of that is, we got some growers that are buying earlier as well, anticipating some of these shortages, and our people have done a good job of moving our cost up, as our cost on those crop protection products have increased as well. We would expect to see that continue somewhat throughout the 2022 spring and into the second quarter.

**Operator:** Your next question is from Ben Isaacson with Scotiabank. Please go ahead.

**Ben Isaacson:** Thank you very much, and good morning. I just want to come back to the Russian potash situation. So we're seeing Russian potash show up, not just in India and China, but we've seen it has come to the U.S., Europe, Brazil, Southeast Asia. And, of course, while there was a significant disruption to Russian fertilizer trade flow in March, can you talk about what trade flow looks like coming out of Russia over the last two, three, four weeks?

Do you see Russian potash coming out of the rate of 50%, two-thirds, 75% of normal? I know you spoke about the year potentially being down 2 million ton to 6 million ton, but can you just talk about what you're seeing right now, in terms of what's coming out of the market? Thanks.

**Ken Seitz:** Yes, thanks, Ben, and yes, good morning. So we are seeing an impact, an on the ground impact at the moment exports coming out of Russia, and while unlike the Belarusians

perhaps, the Russians do have some access to markets, and so, an example of that would be rail into China, which we expect to continue through 2022, and that could be over the course of the year maybe a 1.5 million ton. So an example of certainly an outlet for the Russians, they have their own domestics demand which they're satisfying.

But I'd say at the moment, Ben, what we're seeing is an impact across export markets that the Russians need to access via tidewater, about half a million ton a month at the moment is what we're seeing. And so, whether that persists through 2022, it remains to be seen, but as you say in the last month or so, what are we seeing on the ground? That's what we're seeing. And that's helping to inform the ranges that Jason Newton talked about earlier.

**Operator:** Your next question is from Michael Tupholme with T.D. Securities. Please go ahead.

**Michael Tupholme:** Thanks. Another question around the potential to accelerate your ramp-up of potash production beyond the 15 million tons. So you talked about some of the bottlenecks associated with bringing on additional production earlier in the call. Wondering, though, if you were to decide to move forward, can you talk about how quickly you could bring on additional production and how we should think about CapEx associated with incremental tonnage?



**Ken Seitz:** Yes. Thanks, Michael. And so yes, I mean again, we're looking at that; all of this at the moment, and again expect to talk about it in more detail on our investor day in June 9th. But suffice it to say that our ramp up to 18 million tons, we can bring it on in increments of production and increments of capital with off-ramps for some of this capital. So that's the path that we were plotting at the moment, or testing to plot at the moment, and testing our assumptions around all that.

I'll just say that certainly, as we think about that profile for volume increases, we're talking in a few years, not decades or anything like that. With respect to the capital associated with it, again, we're looking at that, but I would say that given the off-ramps and capital as we move up our production volumes, it's not that it's immaterial, but it's certainly highly economic production in the context of where we potentially, see the market going the balance of 2022 and over to 2023.

**Operator:** Your next question is from Steve Byrne with Bank of America. Please go ahead.

**Steve Byrne:** Yes, thanks. I would like to drill into the retail business here. Just curious, what you're seeing in that business in terms of grower application rates; so far this spring, has there been much of a cutback in P&K application

rates? Are growers using more of your variable rate technology to only put it down where they really need it? So what's the magnitude of the drop there? And then any comments about the sharp drop in NOLA urea. Is that just because of the channel doesn't need any more, and thus it's kind of irrelevant?

**Ken Seitz:** Great. Thanks, Steve, and so with respect to the first question on retail, the short answer is no, that growers, again, given the backdrop in ag fundamentals, there are strong incentives there, but I'll start with Jeff Tarsi to provide some more color on that one; and then, with respect to your question about nitrogen, will pass it over to Raef. So Jeff?

**Jeff Tarsi:** Yes, sure. And good morning, Steve. Yes, to answer your question and follow up with Ken's comments there. Number one, you mentioned variable rate and Steve, we don't do-- really today, we don't do a lot of blanket rates in P&K, a lot of it or the majority of it is variable rate. Most all of our application equipment today is set up, where we variable rate, and as you will know, we do a lot of it. We do extensive soil testing and running that analysis through Waypoint Analytical to come back with a proper prescription for nutrient needs.

And so, from that standpoint, as Ken said, we haven't seen cut back in rates. Obviously, last fall, we had a tremendous run, last fall. And that's probably what slowed some things up

in the first quarter a bit, and if I look back at those rates last fall, they were very strong rates. And I think in the environment that we're in today, Steve, these growers are going to give themselves every opportunity to maximize out on yield.

We also think that once we get in season, we think our full-year nutritional products are going to be at a very high demand, and we've really stepped up production in those areas as well because we think these growers will spoon-feed this crop throughout the season. We've seen a lot of demand for our infura-type(sp) pop-up products as well, Steve.

So I think we're still in a very strong environment. You know, I'm like anybody else here, I'm ready to see this crop get put in the ground, and it looks like next week, talking to our climatologists, it looks very strong, that we're going to be able to make a lot of planting progress going into next week. So we're anxious to get that started and get things going. And Ken, I'll go back to you on the urea question.

**Ken Seitz:** Great. Thank you, Jeff, and Raef, over to you.

**Raef Sully:** Thanks, Ken. So Steve, look, let's just differentiate between some short-term occurrences in the market versus the overall supply and demand situation. If you think about all of the ammonia, all of the nitrogen products; ammonia, urea, UAN, global supply, and demand, the global supply is tight. I think we'll see continued solid pricing through the

rest of the year for all of those products. And the problem with urea at the minute, of course, as my colleagues have mentioned this, is the slow start to the season.

With crop pricing where it is, farmers are going to try and maximize yield here. They're not going to skimp on the nitrogen products as (inaudible); therefore, we just need to see the seed go in the ground, the season start and we'll see the products start moving, and we'll see a correction upwards for recent pricing,

**Operator:** Your next question is from Jeff Zekauskas with JPMorgan. Please go ahead.

**Jeff Zekauskas:** Thanks very much. If it turns out that potash demand is 60 million ton to 65 million ton for a couple of years, assuming that capacity from Russia and Belarus can come back online, what do you think demand would be after a period like that? Would we go back to 70 million tons, or would it be more elevated?

And secondly, why do you think the Chinese have constricted phosphate exports so much? They don't need to constrict it that much to supply more phosphate to their internal farmers.

**Ken Seitz:** Yes. Great, thanks, Jeff. I'll pass that one over to Jason Newton and provide some color on both the phosphate and the potash questions.

**Jason Newton:** Sure. Good morning, Jeff. On the potash side, if we look at where trend potash shipments would be this year, they are probably actually in line with where they were last year; we had a really strong year of demand.

So if we were unconstrained in terms of supply, we would probably be in that 70 million ton range in 2022. So looking forward at 1.5 million ton to 2 million tons per year, you're moving out to sort of 74 million ton, 75 million ton mark in the next four to five years, which I think regardless of what scenario unfolds, it's likely to continue to be a supply-constrained environment in that period of time. We've looked at a number of scenarios and different ramp-ups and different changes over the next four to five years, and in most cases, you're getting back to the current trend type levels of demand in '24, '25 just given supply constraints in the market.

And then on the phosphate question. The Chinese government, over the last year or so, has definitely taken, put a higher priority on domestic food production and food security, and maintaining low fertilizer prices for domestic farmers. And so, while they have definitely sufficient supplies, they exported 10 million tons of DAP and MAP in 2021. Still, we'd expect they will export somewhere between 6 million ton and 7 million ton of DAP and MAP, this year. But there is a big discount in the

domestic market for both phosphate fertilizers and for urea versus where the international market is.

And as we look toward the second half of this year, that is something to watch. I think the government of China is likely to want to continue to maintain affordable low fertilizer prices for Chinese growers. And with that disconnect between domestic prices and international prices, there may continue to be restrictions on exports just to keep the domestic market disconnected.

**Operator:** Your next question is from P.J. Juvekar with Citi. Please go ahead.

**P.J. Juvekar:** Yes, hi, good morning. First question on sort of the Chinese urea outlook. Historically, producers there in China would take advantage of higher global prices and export more. Are you seeing more discipline in China? Or is it related to coal and environmental issues?

And then second, a quick one in retail, just on seeds your both sales and gross margins were down, which was a little surprising given that price cuts were up, so can you just share some light on that? Thank you.

**Ken Seitz:** Great, thanks, P.J. Yes, with respect to Chinese urea, so I think it goes back to the question of domestic supply once again, where we have seen the Chinese shut-in exports in favor of domestic market, and that certainly, for

for the first half of this year it could carry in on to the second half, but Jason do you want to provide some more color around Chinese urea. And then, we'll head over to Jeff Tarsi to talk about retail seed sales.

**Jason Newton:** Sure. Good morning, P.J. Yes, in terms of the urea situation, typically, and we've seen this over the last couple of years, there isn't a lot of excess supply in China in the first half of the year anyway because it's their domestic-use period. But with the export restrictions in place, we believe that exports in the first half of the year will be less than a million ton, I think it was 300,000 tons for the first quarter of the year.

And the big reason for that is the export restrictions. So the government is restricting the volumes of exports. Historically, when exports have been restricted in the first half, we've seen a strong movement of volumes to bonded warehouses in advance of the export restrictions being removed. But we may not see that as much this year because there are export inspections in place that are purposely delaying the time it takes to move product into those warehouses. So it might even further delay the start of the export season in July.

**Ken Seitz:** And Jeff, over to you for a discussion about retail seed sales.

**Jeff Tarsi:** Sure, P.J. Thanks for the question. Look on the seed side of things obviously, the first quarter is a very quiet quarter for us, and it depends on really what the last two weeks of March do from a weather standpoint; I think we've talked about it numerous times today that we got off to a slow start. And so I have us about flat, just maybe just slightly up the seed revenue for the quarter, and slightly down on margins; maybe 50 basis points. That's all a timing issue right now, P.J. I think it's just once we get rolling into the season and start getting this crop planted, we'll see all of that pickup.

We had about a 50 basis point share increase in seed in North America last year. We planned this year to maintain that share gain, and we have plans to grow organically in our seed business quite significantly over the next five years, so no concern right now, just mainly a timing issue and just need to get the planters in the field. Thanks.

**Operator:** Your next question is from Steven Hansen with Raymond James. Please go ahead.

**Steven Hansen:** Yes, good morning, everyone. A two-part question on your export logistics for potash, if I may. First, outside of the short rail strike, I'm just curious if there was any limitations that you might have faced in the period on export volumes? They did improve modestly year-over-year, but were still well below 2019 levels.



And secondly, one of Canpotex's logistics partners has been talking recently about the potential to move potash by a direct line-haul straight to the U.S. Gulf for export to Brazil. Just curious, if you think that plan has any merits, and what kind of the infrastructure would be needed if that was the case? Thanks.

**Ken Seitz:** Yes. Thanks, Steve. So with respect to export logistics and limitations via Canpotex, I mean, again, I'll just go back to sufficient port capacity and access to tidewater here in North America. And it becomes a question of rail, and I think you're rightly pointing out that there were some rail disruptions in the first quarter of this year, there was some impacts from the CP strike, where we were largely able to mitigate those impacts by favoring volumes that travel on the CN.

But we also saw there have been some other labor disruptions associated with COVID still and challenges with rail companies staffing from time to time, so we had a little bit of that. And then we had some weather-related events in the first quarter as well that made it a challenge to get to the West Coast with our potash.

Now that said, first quarter, while the volumes were a little bit down compared to last year, we expect to fully recover those volumes in the balance of 2022. And so, we cope

with these things every year, and yet, we expect to recover the volumes.

With respect to accessing the Gulf to transport volumes overseas, certainly, these things are all possible; I think it's fair to say it becomes a question of costs. It's a long journey via rail, and so for us, in our supply chain, we feel particularly advantaged today because we do have sufficient access to tidewater, where today we can head West and to our Neptune facility and Canpotex's Neptune facility in Vancouver and then Portland as well.

So, but the shorter answer is, yes, if you can arrange the rail and you can get terminal facilities on the coast, and then you get ships in a deepwater port, yes, you can transport potash.

**Operator:** Your next question is from Michael Piken with Cleveland Research. Please go ahead.

**Michael Piken:** Yes, good morning. I wanted to talk about the nitrogen side of the business. If you could talk a little bit about just where you see India in terms of what they need in the coming months, and then also if you can talk about how much capacity you think is offline in Europe right now? And then, moving forward, where you see your Trinidad ops running throughout the year? Thanks.

**Ken Seitz:** Great. Yes. Well, thank you. Yes, it is the case that we see some European volumes offline. We think for the quarter here maybe 6 million tons; at \$35 gas, those European prices require, and ammonia price of about \$1250, and so it is the case of the price that Tampa ammonia is above that today so European plants have some incentives.

But I'll hand it over to, first to Raef to provide all the color around that, and then over to Jason Newton.

**Raef Sully:** Yes. So look, we've been watching this closely; you've seen some huge variations in the price of gas paid in Europe. And Ken is right; I mean, in February, we saw about 6 million ton shut-in, Tampa went up to \$1625, we saw a lot of capacity come back online. I think what you need to keep an eye on here is what's happening with both the international ammonia pricing and the European gas prices. With European gas pricing unlikely to be much below \$30 for the rest of the year, you need to have ammonia pricing well over \$1200 to be able to operate.

So just keep an eye on that as you go through the year. Globally, let me just make this point here, the ammonia market has continued to grow, consumption has continued to grow to 2.5 million tons a year. Now in the last two years and if you look forward the next two to three years, the amount of production coming online is well below that growth in annual consumption.

So market has been tightening. It continues to tighten. When you have shocks like the pricing we're seeing in Europe and the unfortunate war in Ukraine, it adds to the--compounds the issues.

With regards to India, specifically, I'm going to pass that to Jason. I think he's got a much clearer picture of what's happening there in the detail, so Jason, over to you?

**Jason Newton:** Yes, good morning; we've seen a really strong start to the year in India. Imports in the first quarter were up about three times versus where they were a year ago, so over 3 million tons of imports. And we expect imports to be in the range of 8 million to 9 million tons this year compared to 7 million tons last year.

So I do expect an increase in imports in India in 2022. It will be interesting to watch. They're starting to tender again; the RCF tender for 1.5 million tons was recently announced. And as we get further and especially into the second half of the year, what the supply constraints look like and what volumes are made available for those tenders.

**Operator:** Your next question is from Joshua Spector with UBS. Please go ahead.

**Joshua Spector:** Yes, hi, thanks for taking my question. I guess just a little bit of capital allocation. I mean, a lot of

conversation on potash expansions, and you have some nitrogen things in the work. Just wondering, given the improvement of performance in the phosphate side of things, is that something that deserves additional investments, or conversely, is now a time to look about strategic options for that business?

**Ken Seitz:** Great, well, thank you, Joshua, yes, I would say that our capital allocation priorities and discipline have not changed. As we head into Investor Day, we'll certainly be talking more about capital associated with acceleration, everything we've been talking about on the call today. But I'll hand it over to Pedro to just provide some more details on how we're thinking about capital allocation today.

**Pedro Farah:** Thank you, Joshua; I think our position in terms of phos has not changed. So we are running for cash. We're doing very well. We have made good improvements, but we are not yet prepared to allocate any cash to phos in the future for investment. Of course, we are sustaining all of our assets for reliability and safety there. But as you pointed out, our capital allocation we're going to have more options and degrees of freedom.

We originally spoke about \$4 billion being excess cash in the prior call and we decided to allocate then \$2 billion for share buybacks; another \$2 billion we'll come back at the middle of the year and talk about it. We now obviously are starting

from a higher position. So we are likely to be at a multiple of that \$2 billion.

And what we are doing is a body of work to see, as Ken pointed out before, what additional investments within this strategy we are willing to accelerate those that have high return in payback and a number of you kind of touched on, of course, all the opportunities in potash. We also have opportunities in low-emission ammonia, and we have the continued opportunities in retail that we have spoken before.

So when we come to the June IR Day update in the June 9, we're going to be able to kind of provide a more complete view of that, including what additional opportunities we have for shareholder distribution, so all of that is going. Our experience so far in terms of our capital allocation has been that we distribute a lot of our excess cash. I mean, up until 2021, we distributed \$9 billion, \$5 billion of which were share buyback for the dividends, and the \$5 billion of buybacks were at \$55 a share.

And just this year, another \$740 million at \$82 a share so this strategy seems to be working. And as we pointed out, we think that we may have a different mid-cycle earnings position that we'll continue to support that strategy. So more to come in June 9, but that's kind of how we are thinking so far.

**Operator:** And our final question is from Adrien Tamagno with Berenberg. Please go ahead.

**Adrien Tamagno:** Hello, good morning. Thank you for taking my question. I have one on Brazil. How do you see the competitive landscape evolving in the country because Russian companies have a high share of the local fertilizer distribution market. So would this allow somehow easier M&A in the country with more sanction on Russia, or do you see that on the ground at the moment?

**Ken Seitz:** So yes, if I understood correctly, Adrian, the question is about the competitive landscape in Brazil and Russia and fertilizers being supplied to that part of the world and what we're seeing there. Yes, so we have, obviously, a growing retail network in Brazil, and we've been focused on continuing to grow that.

We continue to see opportunity there and certainly watching that competitive landscape. But I'll hand it over to Mark Thompson to talk a little bit more, who heads up our M&A work in Brazil, and then maybe over to Jeff Tarsi to just talk about our operations there. So Mark?

**Mark Thompson:** Yes, thanks, Ken. Good morning Adrien, so I think your question is really on how the competitive landscape is shaping up in the distribution part of the Brazilian market structure. And so obviously, there's multiple layers to the

market structure in Brazil in terms of ultimately how growers are served. And as you've noted, the fertilizer distribution segment of that market has become relatively consolidated, and there has been some acquisition of assets by some of the Russian fertilizer companies and competitors in that space.

As you know, our business is really more of a direct-to-grower, high-touch, high-service model in that market. And obviously, we've been quite forthcoming about our strategy that's been in place for multiple years about growing our presence in Brazil and helping growers be more productive and boost yields and adopt more technology in the country, pardon me.

So in the past few years, we've obviously completed five acquisitions. We've deployed about \$300 million in enterprise value in the country. And we've built one of the largest multi-region businesses in Brazil today. And really, it's at a segment that's 1 level closer to the ground than where the consolidation in the fertilizer distribution space has been. So we now have over 50 locations. We've got over ten experience centers. We've got fertilizer blending, soybean seed production, and nutritional formulation directly in the country.

And as we look forward from an M&A standpoint in Brazil, we see a healthy pipeline ahead of us, notwithstanding the fact that we are building a large presence there and have already



begun to amass one. We're still only about 1% to 2% of the ag retail market in Brazil. So it's a very attractive growth market for us and leaves us a lot of room to run growing forward as that part of the industry continues to consolidate and professionalize. So maybe I'll just hand it over to Jeff Tarsi for any more comments that he might have.

**Jeff Tarsi:** Yes, Mark, those are great comments and really not a lot more to add except to the fact, and I think you said it, and I'll say it again, is that continues to be an extremely attractive growth opportunity for Nutrien Ag Solutions as it relates to Retail. Look, we've had dual strategies there. Mark's talked about the acquisition opportunities. He also referenced our experience centers that we're putting in and which is kind of a new go-to-market type philosophy in that business.

Andre Dias, that leads that business for us, is very experienced in that market. And as we look to add some new opportunities there, I think we'll look at them as a little bit more asset-light than what we think of our markets here in North America. Those experience centers are hub-and-spoke-type centers where growers can come in and get the latest knowledge and technology and then their product is maybe shipped from a central supply point and standpoint.

But we're gaining confidence by the day in our strategy in Brazil and our go-to approach there, and we're excited about what the future holds for us there.

**Operator:** And that ends the question-and-answer session. I will now turn the call back over to Jeff Holzman for closing remarks.

**Jeff Holzman:** Thank you, operator. Just wanted to remind everyone, registration for our June 9 investor update meeting is now open on our website. I would also like to highlight that Jason Newton, our Chief Economist, will be hosting a market update call and Q&A session on June 8. Thanks for joining us today, and have a great day.

**Operator:** This concludes today's conference call. Thank you for joining. You may now disconnect.