

**Nutrien**

**Q3 2023 Earnings Conference Call**

**November 2, 2023**

**Operator:** Greetings and welcome to Nutrien's 2023 third quarter earnings call. At this time all participants are in a listen-only mode. A question-and-answer session will follow after the formal presentation. As a reminder, this conference call is being recorded. I would now like to turn the conference over to Jeff Holzman, Vice President of Investor Relations. Please go ahead.

**Jeff Holzman:** Thank you, operator. Good morning and welcome to Nutrien's third quarter 2023 earnings 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 quarterly report to shareholders as well as in 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, President and CEO and Pedro Farah, our CFO, for opening comments before we take your questions.

**Ken Seitz:** Good morning, everyone and thank you for joining us today. Nutrien delivered adjusted EBITDA of \$1.1 billion in the third quarter and \$5 billion through the first nine months of the year, down from the record comparable periods in 2022. We saw a number of positive market developments in the third quarter that are constructive for our business, including strong crop nutrient demand in North America and increased stability in global potash markets.

In retail, North American crop nutrient sales volumes were up 5% in the third quarter and 10% on a year-to-date basis as growers were incentivized to maximize crop production. North American crop nutrient margins in the quarter increased by \$10 per ton compared to the prior year supported by improved margins for commodity fertilizers and growth in our proprietary crop nutritional and biostimulant products. These high value proprietary products contributed nearly \$350 million in gross margin through the first nine months of 2023.

Crop protection sales in North America were down from the record prior year due to lower prices for certain commodity products and slightly lower sales volumes, a result of dry conditions in the U.S. Midwest. We ended the quarter with North

American crop protection inventories down more than \$200 million from the prior year and we will be patient with our approach to restocking inventories.

Crop protection inventories in South America remained more elevated resulting in pressure on prices and margins. Crop nutrient volumes for our South American retail business were up 25% in the third quarter, due to improved grower demand and the benefits of our Casa do Adubo acquisition in the fourth quarter of 2022.

Nutrien financial sales increased in the third quarter and first nine months of 2023 due to higher utilization of our financing offerings in the U.S. as well as the recent launch of our digitally enabled financing program in Australia. We are pleased with the uptake of our financing programs and see additional opportunity to drive organic growth for our retail business.

In potash, we delivered record sales volumes totaling 3.9 million tons in the third quarter. North American channel inventories were at multi-year lows entering the second half and customers secured supply in anticipation of a strong fall application season. We had a very positive response to our summer fill program, utilizing the strength of our distribution network to deliver 1.7 million tons to customers in North America.

Our potash volumes and net realized prices were impacted by logistical challenges associated with the port strike in Vancouver and an outage at Tampa, Texas export terminal in Portland. Shipments through Vancouver returned to normal late in the quarter and we expect the Portland terminal to be operational by the end of the year.

We increased granular potash production to meet the surge in domestic demand and our controllable cash cost declined to \$56 per ton in the third quarter, highlighting the advantages of our low cost six-mine network. Our nitrogen realized prices in the third quarter reflected the reset in benchmark values at the time of summer fill programs. Nitrogen sales volumes declined from the prior year due to production outages at our Trinidad, Borger and Geismar plants.

We completed two smaller Brownfield expansions at our Geismar facility and installed the final of eight N2O abatement projects at our nitrogen sites, which we expect will be a key contributor to reducing our greenhouse gas emissions. Phosphate sales volumes increased in the third quarter due to a strong engagement from phosphate fertilizer customers. We did, however, encounter hurricane related downtime in our White Springs facility that impacted production volumes and costs. Excluding this downtime, our phosphate plants have operated well following

the completion of reliability initiatives in the first half of 2023.

Now, turning to the market outlook, global grain yields are projected to fall below trend in 2023 for the fourth consecutive year, limiting any meaningful recovery in stocks. New corn crop and soybean prices have incurred some seasonal pressure, but remain 10% to 15% above the 10-year average. Fertilizer affordability has improved significantly over the past year and projected grower cash margins are above historical average levels.

Harvest in the U.S. has progressed ahead of average, providing an open window for fall fieldwork. We project U.S. fertilizer demand will be up 5% to 10% in the fourth quarter compared to the prior year.

Global potash demand has increased in the second half driven by greater price stability and improved grower affordability absorbing the gradual increase in Eastern European export volumes. We now forecast global potash shipments in the range of 65 million to 67 million tons in 2023. We expect robust agricultural fundamentals and the need to replenish soil nutrient levels will support increased potash consumption in 2024. We project global potash shipments next year in the range of 67 million to 71 million tons with the majority of year-over-year growth in Southeast Asia, Latin America, Europe, and India.

Global ammonia supply has been tight to start the fourth quarter due to outages in Europe and production challenges in other key regions. The urea markets are relatively balanced as Chinese export restrictions and strong import demand in India offset weaker seasonal demand in other regions. Geopolitical conflicts have the potential to create additional volatility for global energy prices and nitrogen supply. Most notably, European natural gas prices have increased by 20% over the past month and nitrogen production in Egypt has reportedly been curtailed due to gas availability.

To summarize, agricultural fundamentals remain supportive and we are seeing strong demand for crop nutrients and from our grower customers. Global potash demand has strengthened in the second half of 2023 and we expect this trend will continue into 2024. And we anticipate constraints on global energy and nitrogen supply will continue to provide a positive backdrop for our low cost nitrogen assets.

I will now turn it over to Pedro to review our guidance assumptions and capital allocation plans.

**Pedro Farah:** Thanks, Ken. I will start with our updated guidance for potash. We increased the bottom end of our full year potash adjusted EBITDA and sales volume guidance to reflect the strength of our market fundamentals in North America. We continue to see strong customer engagement and have increased

our domestic reference price for deliveries in the fourth quarter. Spot prices in offshore markets have been relatively stable and Canpotex is fully committed on its sales plan for the remainder of 2023.

In nitrogen, we narrowed our adjusted EBITDA guidance range as higher benchmark prices offset lower projected sales volumes. Our North American nitrogen plants are operating at higher utilization rates in the fourth quarter, including Geismar, where we have recently completed expansion projects.

We made a decision to bring forward a planned outage at our Borger site to address reliability issues that impacted production in the third quarter. We lowered the top end of our retail adjusted EBITDA guidance range to reflect pressure on crop protection margins in South America and the impact of weaker livestock markets in Australia. We maintain our outlook for North American retail business as fall fertilizer application rates have been strong and per ton margins are expected to be above historical average levels.

Based on these factors, Nutrien's full year adjusted EBITDA guidance range was narrowed to \$5.8 billion to \$6.4 billion and adjusted net earnings was revised to \$4.15 to \$5 per share. Our effective tax rate on adjusted earnings in 2023 has been impacted by non-cash impairments and an unfavorable geographic mix of earnings. We do not expect these to be recurring items

and anticipate our effective tax rate will return to more historical levels in 2024.

We are projecting total capital expenditures of approximately \$2.7 billion in 2023 and plan to return over \$2 billion to shareholders through dividends and share repurchases. We are focused on investments to sustain our assets in highly targeted growth projects in our retail, potash, and nitrogen businesses.

Based on current planned initiatives, we expect to reduce annual capital expenditures to a range of \$2 billion to \$2.5 billion going forward. In retail, our focus is on increasing earnings and free cash flow by enhancing margins and asset efficiency. This includes investing in our proprietary production capability and network optimization and digital initiatives, which are all key drivers of organic growth for retail. We continue to evaluate retail tuck-in acquisitions in the U.S. and Australia and will remain selective based on strategic fit and valuation.

In Brazil, we believe the long-term prospects for agriculture are very strong and see opportunity for future growth of our retail platform. However, in the near term, we have paused additional investments until there is greater stabilization of the market. We will utilize this period to integrate recent acquisitions and optimize our cost structure.



In potash, our mid-cycle scenario assumes global demand returns to historical trend and Nutrien's sales volume is in the range of 14 million to 15 million tons. This translate into volume growth potential from existing operational capability of 1 million to 2 million tons compared to 2023. We are continuing to focus on further automation of our fleet enhancing safety and productivity.

Lastly, in nitrogen, our priority is to complete in-flight Brownfield expansion and reliability projects that support our mid-cycle sales volume scenario of 11.5 million to 12 million tons. Brownfield projects are expected to add approximately 0.5 million tons of nitrogen production capability by 2026 with projected returns well above our hurdle rate. Back to you, Ken.

**Ken Seitz:** Thanks, Pedro. I will just make a few final comments. We are encouraged by the positive market developments over the second half of 2023 and particularly the strength of crop nutrient demand in North America and increased stability in global potash markets. We are optimistic on the outlook for our business going forward and we will continue to position the company to efficiently serve the needs of our customers.

Our focus is on initiatives that strengthen the advantages of our integrated models, drive operational efficiencies, and increase free cash flow. As Pedro highlighted, we are proceeding with highly targeted investment opportunities and will maintain

a balanced and disciplined approach to capital allocation, including the return of meaningful capital to our shareholders.

We would now be happy to take your questions.

**Operator:** Thank you. Ladies and gentlemen, we will now conduct a question-and-answer session. If you have a question please press "\*" "1" on your touchtone phone. You will hear a three-tone prompt acknowledging your request. If you would like to cancel your request please press "\*" "2". Your first question comes from the line of Andrew Wong from RBC Capital Markets. Your line is now open.

**Andrew Wong:** Hi, good morning. Thank you for taking my questions. So, Nutrien recently paused on adding some potash capacity, which looks like it was the right decision for the market. But then, now one of your competitors, BHP, announced that they want to accelerate a Phase 2 project at Jansen, like what's your thought on the economic rationale for that project? How does Nutrien view the future supply additions to the market and how Nutrien will respond to those changes in the market and just the broad impacts? Thanks.

**Ken Seitz:** Great. Good morning, Andrew, and thanks for the question. So, yes, as we have discussed, we are in a growing market in our potash business and that's owing to the things we talk about growing population, decreasing rate of arable land expansion and back-casting over the last couple of decades, we

have seen those growth rates 2.5% average annual growth rate. So that as we have talked about, we get to the end of this decade and we are at 80 million tons.

So a market that's growing, we continue to maintain our sort of 20% market share. And we have always had a Phase 2 for BHP's plans in our supply and demand forecast. So, none of this is a surprise to us. What I will say is for our part and our ability to continue to expand volumes, yes, we have paused, but we have talked about our 18 million tons of low cost additional capacity, the ability to expand beyond that in a demand environment that is growing.

And I will also say that, so here we are, it's 2023 first production announced Jansen 2026. I mean, these are challenging projects. We have 50 years of experience with that. And stocking and ramping up in a Phase 1 takes time. It's technically challenging and then certainly going beyond that. So we are talking about volumes in Phase 2 that are in the next decade.

In the meantime, Nutrien with our flexible 6-mine network, the investments we have made in our supply chain, are customers around the planet I mean, we will continue to serve those customers as the market grows.

**Operator:** Your next question comes from the line of Ben Isaacson from Scotiabank. Your line is now open.

**Ben Isaacson:** Thank you very much and good morning. Maybe to follow-up on Andrew's question in terms of potash, can you talk about the market balance for potash in 2024?

Ken, you have said that you are looking for further demand growth in '24 closer to the 67 million to 71 million ton level. Some people are concerned about a slowdown in Southeast Asia because of El Nino. The Indian subsidy seems to be a little bit tepid for potash demand and Chinese inventories are high. And so how do you balance that against increasing production and exports out of Belarus and Russia?

I guess the bottom line question is do you see the market being tighter in '24 than where we are right now? Thank you.

**Ken Seitz:** Yes, a lot going on there, Ben. Thank you for the question. So yes, we are constructive. And it's certainly, the experience we are having here in 2023, North America, Brazil, where we have seen strong demand. And now that's on the back of much improved affordability among our grower customers.

As I peer into 2024, again, we are constructive. And I will hand it over to Mark Thompson to talk about the details, but we can see that grow affordability continuing. We have seen destocking of the channel. We have seen some depletion of crop nutrients in the soil and yet some supply side challenges persist, but Mark over to you to maybe walk through some of those details.

**Mark Thompson:** Thanks, Ken. Good morning, Ben. So look, maybe we will just parse out your question to a few different pieces. I think just to reiterate, as Ken said, we have been encouraged by the stability that we have seen in prices and the attractive affordability levels have really accelerated the return of demand to the potash market, which has certainly been a positive in 2023. I think just a bridge to 2024 we've got to talk about 2023 a little bit. And I think the story on 2023 versus where we were in August on our Q2 call is really about three markets.

So first of all, in North America, we've seen continued very strong engagement in North America. Our fall fill program was very, very strong. We've seen continued interest from retail customers and growers for product going to ground and things are moving well in Q4. And obviously that whole backdrop has contributed to our Midwest reference price, moving from sale value at \$370 to two increases since then, and most recent reference price in the Midwest achieved at that \$420 per short ton level. So North America certainly has been a positive story in 2023.

The two markets internationally that have really contributed to that demand growth in 2023 versus prior expectations are Brazil and China. And overall in Brazil, we've continued to see very good engagement on fertilizers. And

despite the fact that growers are still a little more hand to mouth in that market, we are seeing consumption levels back at 2021 levels, which is a positive indicator. And trade in recent weeks has been relatively thin there, which is normal. But if we look at inventory levels in Brazil, they are similar to a year ago, but significant imports are required over the next two months to meet demand for safrinha. And if that doesn't materialize, inventories will be very, very tight. So we expect a positive transition in the demand side in Brazil heading into '24.

Coming to your question on China because that's also part of the 2023 story. Really in China I think 2023's big increase in shipments is primarily due to two factors. The first is that apparent consumption in China just generally is very strong across all the nutrients. We're looking at consumption levels that appear to be demonstrating growth of about 5% across the board and domestic production in China is down in our expectation somewhere between 750,000 and a 1 million tons this year. So that's all led to inventories, actually in September, that had been drawn down to levels just below 2.5 million tons.

Now, we do expect that by the time we get to the end of the year, some of the shipments will have gone to rebuilding inventories to some extent. But as we looked at 2024, as you would see, in our materials, we do project a bit of a step back

in China next year. So other markets are really driving that growth in 2024. Those markets that we've called out, then in 2024, really are Southeast Asia, India, Europe, and continued growth in Latin America.

So to your question on Southeast Asia, in 2023, shipments were down in Southeast Asia quite substantially and we've seen conditions improve. Inventories have been drawn down in Southeast Asia. We've seen from Canpotex's indications of good interest returning in Q4. We've seen interest already in Q1. Palm oil prices and rice prices and fundamentals in particular are very strong there.

So we do expect a rebound in shipments. Of course, to your point watching dryness in the region is a risk factor we will have to watch but given the depressed level of consumption in that market this year, we do expect a meaningful rebound there next year.

You also asked about India in your question; we expect growth in India next year. While Indian inventories are improving as of recent months, they are still relatively tight. And even with the subsidy changes, I'd say those were about as expected for us; importers are still making just over a 10% margin in that market and shipments in 2023 were depressed by historical standards.

So we do expect good things in 2024 in India, and Latin America, obviously this year has been a positive surprise. We expect continued growth there, as I've outlined and then in Europe, Europe's another market that has worked through its high-cost inventory. And in Q4, we've seen good engagement. So as Ken said, when we transition into 2024, we see demand stepping up at the midpoint by another 3 million tons next year, which will further support market fundamentals.

**Operator:** Your next question comes from the line of Jacob Bout from CIBC. Your line is now open.

**Jacob Bout:** Good morning. I had a question on the nitrogen division. I think this is the first time that I've seen three outages in the same quarter. How much of this is coincidence or maybe just talk through any maintenance and reliability issues. And then any comments on Trinidadian gas supply contracts and availability?

**Ken Seitz:** For sure, Jacob. Thank you for the question. So yes, we had outages at our Geismar, Borger and Trinidad sites and varying reasons there including some of those that you mentioned. Yes, we are also in the middle of a contract negotiation with the National Gas Company in Trinidad. I'll hand it over to Trevor Williams, our president of the nitrogen business to talk about those pieces.



**Trevor Williams:** Hey, good morning, Jacob and thanks. So a couple of comments. So year-to-date, actually, the majority of our assets have actually run quite well, averaging about 97% capacity utilization, excluding our planned turnarounds. However, as folks have referenced, we did experience some issues at three of our facilities, primarily Trinidad, Borger, and Geismar.

Now at our Geismar facility typically, historically a top quartile performer. We just undertook on and completed a 5-year major overhaul here in Q3, wherever during the outage and coming out of it, we did experience issues with some large rotating equipment as a result of some quality challenges, which did force us to come back down a couple of times to address those. Thankfully, those repairs have been completed and now the site is back up and running well and the new capacity debottleneck capacities.

In Trinidad, just really comes down to a story around some of the challenges around some of the gas curtailments. We did experience several I'll say deeper curtailments through the year that forced us to take some plants offline. As a result of cycling those plants we did experience some equipment failures that required us to come down to make some repairs. Those repairs are underway and we expect the site to return to normal levels of operation here in November.

And as Ken alluded to we are working with the national gas company to develop more effect ways here going forward to manage some of these curtailments such that we don't compromise the Trinidad facility here going forward. And in addition, with some of the recent announcements related to longer-term gas supply, we're optimistic of returning back to full capacity over the course of the next couple of years, and we will be taking steps to prepare the site in terms of being able to take maximum advantage of that opportunity.

And then finally, from a border perspective, we did have several reliability equipment-related issues that were scheduled, actually to be addressed in our 2025 turnaround. However, in order to reestablish the reliability of that facility and safe operation, we did elect to take an outage here in Q4 of this year to address a number of those operational risks, and really set the site up here for a successful run going into the next major turnaround.

And then finally, just a couple of things in terms of overall reliability program just wanted to highlight. The first thing obviously, is really prioritizing a capital to focus on increased uptime and efficiency, obviously, managing the risk associated with our facilities, really doing a lot of work in terms of enhancing our reliability program using data analytics, people skill development, and some organizational structural

changes within the organization of the company. And then finally, which is a really a big step forward to us is, is an external monitoring, troubleshooting and optimization through our recently commissioned operations or remote operations center in Loveland, Colorado.

And finally, we just put together over the course of the last couple of quarters an infields reliability task team that's really been put in place in to drive operational improvement through targeted reliability initiatives across the organization. So hope that gives you a good picture in terms of the reliability front, and thanks for that.

In terms of Trinidad gas contract, yes, we're in the final stages of finalizing the contract with the National Gas Company, and we expect to be announcing something here in the short term.

**Operator:** Your next question comes from the line of Joel Jackson from BMO Capital Markets. Your line is now open.

**Joel Jackson:** Good morning. Usually when the potash corporate nutrient, we see global shipments rise so much since you hold the excess tons usually you would gain disproportionately share. This year, obviously, I guess the Belarusian picked up has gone up to 80%, 85% of capacity utilization. Sorry. So now you're modeling a very bullish outlook next year for 3 million ton of further potash demand next year.

How much of that 3 million tons, in your model are you assuming Nutrien should be able to benefit? How much more I think those has to go? So yes, how much of the three next year should we assume in your base projection that Nutrien should get?

**Ken Seitz:** Good morning, Joel. Yes, thank you for the question. So yes, obviously, when we say 65 to 67 million tons, so that's up from last year, and as Nutrien, as I mentioned earlier, we continue to maintain our market share. So we have been deploying our tons into the market.

There have been a few challenges this year, as I'm sure you know, with the logistics side of our business, and we talked about Canpotex and the strikes that we saw on the West Coast, which certainly challenged our volumes, and we did have a volume impact there. Those shipments have returned to normal. But what we're still dealing with Canpotex's is still dealing with an outage in its Portland facility, which that work has been underway to get it back online, which we expect to happen by the end of the year. But there have been volume impacts associated with both of those outages.

Yes, as we peer into 2024 and talk about 67 million to 71 million tons, and with what we believe will be some ongoing challenges with FSU exports. And you know, it's not to say that we don't plan for those exports to come back over time, but we

expect that next year, there still be some of those challenges. But yes, Canadian potash and Nutrien potash will play a role, certainly, in filling some of that void.

**Operator:** Your next question comes from the line of Vincent Andrews from Morgan Stanley. Your line is now open.

**Vincent Andrews:** Thank you. I just kind of wanted to follow-up on that in terms of your expectations for that normalization of Russian and Belarusian supply. And it seems like maybe as we move through the course of this year, they were able to export a little bit more than you thought and it seems I'm wondering if that's again, going to be the case next year versus what you thought 3, 6, 9 months ago? If that's true, what is it that's allowing them to get more product out faster than you previously anticipated?

**Ken Seitz:** Yes, thanks, Vincent for the question. Yes, I - what I'll say is, yes, certainly those volumes are at the top end of what we saw coming out of the region this year. I mean, there's, of course, a lot of uncertainty associated with this and yes, we see volumes going into China via rail from Belarus, albeit at \$280 a ton. We think, to deliver to that part of the world and we see that depending on the Chinese domestic price, we see those volumes coming up when it's affordable and coming back down again, when it's not. So and then there's the shipments off the coast of Russia.

So a lot of moving parts as I said at the high end of the range. The reality, though, is there continue to be sanctions against the Belarussians and, the terrible conflict, and that carries on in Eastern Europe aside, those sanctions were in place prior to this conflict. So we think there will still be challenges. I'll hand it over to Jason to maybe talk a little bit more about some of those details.

**Jason Newton:** Okay, thanks, Ken. Good morning, Vincent. Yes, if we look at the exports coming out of Russia and Belarus, what's been the majority of the increase that we've made quarter-over-quarter for 2023 has been from Russia. And what we've seen there is particularly [indiscernible] has been operating at a higher operating rate than we would have expected and shipping more out through St. Petersburg.

Now, if we look forward to 2024, as mentioned, we would expect that volumes will continue to increase from Russia. But actually, there's less potential growth there to get back to pre-war levels than was the case before and so incrementally, we'd expect somewhere in the range of a 1 million tons additional supply. As Ken also mentioned, Belarus continues to be constrained and actually, if we look back, at the monthly shipments that we've seen over that region, really since the end of Q1, it's been relatively steady volumes.

And as the Chinese contract was signed, we've really seen a prioritization of shipping the lowest cost logistical routes, which are through St. Petersburg and Bronka and less through the other Russian ports, which really limits the upside logistically, we believe in the volumes that can get to port.

Through the summer months, little bit of higher volumes moving into China as the strong demand, as mentioned that we've seen seasonally in China that supported prices and volumes in that market, led to a little bit higher volumes moving into China. But again, that's a high cost to serve location that the rail distance just to get to the border is ten times what it would have been to get to Klaipeda port, and to get to the port warehouses in China to cost to serve and the high \$200, on a per ton basis. So it's a high cost region to get those volumes out.

And so as we look forward to 2024, we don't expect significant increases in the Belarusian volumes that we've seen, although as a whole with the region we'll continue to watch and likely to continue to be variable from month to month, depending on downtime that's taken and market conditions through the year.

**Operator:** The next question comes from the line of Steve Hansen from Raymond James. Your line is now open.

**Steve Hansen:** Yes, good morning. Well, thanks for the time. Your ability to move record volumes in the face of the logistics constraints you outlined is impressive. Perhaps at the

risk of being too granular can you maybe give us the latest update on when precisely you expect the Canpotex terminal to be back up and running and just want to understand the potential risk for not being able to serve the demand you're speaking to?

And just as a related question, how do you feel about the relative price spreads we're starting to see between North America and Asia? You've described a pretty robust demand environment there. Do you expect to see some normalization of those spreads over time? Thanks.

**Ken Seitz:** Yes, great. Thank you, Steve. So yes, with respect to the logistics piece, yes, our supply chain and Canpotex's supply chain in light of some of the logistics challenges that we've described, but also, low river levels along the Mississippi, it's made barge movement very difficult. We've seen challenges with rain in the Panama canal and obviously, bottlenecks there, but given the investments that Canpotex has made, both on the West Coast, but of course on the East Coast as well and then with our vast network throughout North America, we have been able to meet the needs of our customers. And I think it just demonstrates the resilience of our network and all backed by obviously our six mines as well.

So, yes, we have been able to, like I say meet the needs of our customers. With respect to the Portland outage, I mean as I said Vancouver, the terminal of Vancouver, Canpotex' Neptune



terminals back at normal operating rates. And we expect Portland to be back up by the end of this year. So, peering into 2024, we expect to see full export capacity through the Canpotex terminals.

We talked about the spreads between North America and Asia, I mean of course these are granular markets versus standard grade markets. And there is a distinction there where we have seen this very strong demand in North America as we have certainly heading into the fall application season. And that is our largest granular market and as we have said earlier, we are expecting a strong fall.

With respect to the standard grade markets, we have talked about those in terms of Chinese consumption. We talked about Southeast Asian where we expect to see there is - could we see a narrowing of those spreads, we could in 2024, but I think it's really a distinction between grades.

**Operator:** Your next question comes from the line of Adam Samuelson from Goldman Sachs. Your line is now open.

**Adam Samuelson:** Yes. Thank you. Good morning everyone. I was hoping to maybe dig in a little bit more on the retail side. And I know you gave some color on crop protection kind of vertical in your prepared remarks. But can you just talk about where the channel inventories in your retail system are in North America, Australia, Brazil, kind of looking through the end of

the year how you have seen grower behavior change, if at all this year? It would seem based on some of the suppliers that it's not just the distribution chain that's been slow to purchase products. And if you think there you are getting to a normalization point looking into next year. That would be helpful. Thank you.

**Ken Seitz:** Great. Thank you, Adam for the question. Yes, crop protection inventories have been drawing down in North America, although we will continue to be quite selective there, I would say opportunistic. Little different in Brazil, where we are still working through some higher cost inventory. But I will hand it over to Jeff Tarsi to walk through all of that.

**Jeff Tarsi:** Yes. Good morning, Adam. And as Ken just said, we came into the year, wanting to work diligently to get our crop protection inventory down. I think we have done a good job year-to-date. On that we have drawn our inventory down in our retail business about \$200 million below where we were this time last year. Sitting in real good spot in the U.S. market is key. And Pedro mentioned in that commentary, Brazilian markets are a bit more difficult, more product in the channel there.

We think by the end of the year, in our retail business, we would have worked through the majority of that crop protection inventory in the Brazilian market. We look from supplier side of things, as Ken said, we will be very selective and opportunistic

on our purchases in the fourth quarter. And I do think he used the word normalizing. I do think that the purchases, supply-demand has normalized over the last 12 months and growers, they are not as keen to purchase ahead of time right now because they are not as worried about supply and inventory from that standpoint. At the same time, we have seen our margins on crop protection normalize very nicely from the first quarter as well.

**Operator:** Your next question comes from the line of Steve Byrne from Bank of America. Your line is now open.

**Steve Byrne:** Yes. Thank you. Ken, I would like to tap into your brain from your old Canpotex days with respect to the current pricing in potash and if you were to think back a few years and see a scenario where tonnage out of FSU could be down say 5 million tons for the coming year you got a little bit coming out of Laos, but you clearly have a supply shock. You got favorable fundamentals in the world. Would you expect Canpotex to be sold out for the rest of this year and spot pricing in some key markets to be what looks to be fairly modestly above levels from the two years ago before the supply disruption. Is that logical to you?

**Ken Seitz:** Yes. Good morning Steve and thank you for the question. So, what I would say is, in the dynamic and the volatility since this conflict in Eastern Europe started and all of the supply side events that followed, have just created a

situation where we saw the big inventory movements at the start of this conflict, where there was concerns about supply and those rushing into the market, so it was a great example of that building inventory, and all of the impacts on price that followed, which from a grower affordability point of view, while the fundamentals in agriculture were and continue to remain very strong, from an affordability perspective, I mean prices just reached to a level where affordability was compressed.

And of course, we saw that buyers strike as a result. And we saw that buyers strike in North America, we saw it in Brazil, and we saw that continue until those inventories have been drawn down. And we have been watching those inventories coming down from market-to-market. And as those inventories were coming down, of course no one is stepping in until we are able to sort of see an inflection point. And so that's, I believe we can characterize the last 18 months along those lines.

And then, where is that inflection point or what does stability look like, and I think, I would say, Steve, from a Canpotex perspective, peering now into 2024 and as we have talked about very strong consumption in China this year, and as we talked about Southeast Asia stepping out of the market, and really now with CPO prices, rice prices being where they are at, an expectation that they are going to be stepping back into the market with Europe having cleared high price inventories.

With India, actually I think we believe suffering yield losses because of lack of crop nutrition and stepping back into the market. We are constructive on 2024. And while, yes, Canpotex has placed volumes and committed through the end of the year, as markets have been stabilizing and us continuing to run our six-mine network of low cost production, this is where we are. But yes, we are peering into 2024, and we are expecting even more normalization across those markets.

So, yes, it's been an interesting and volatile 18 months, but here we are constructive on 2024.

**Operator:** Your next question comes from the line of Michael Tupholme from TD Securities. Your line is now open.

**Michael Tupholme:** Thank you. Within the nitrogen business, the brownfield projects that were completed in Q3, can you talk about how much incremental annual production volume those contributed to Nutrien? What you are expecting to add in terms of volumes in 2024, from any additional projects, and perhaps the settlement of the gas contract in Trinidad?

And then kind of bigger picture, any commentary you can provide on how you are thinking about year-over-year nitrogen volume growth in 2024 versus 2023, both for the overall market and specifically for Nutrien?

**Ken Seitz:** Yes. Thank you, Mike. And yes, we certainly expect increased volumes in 2024, getting above 11 million tons.

But I will hand it over to Trevor Williams to talk about some of those details.

**Trevor Williams:** Alright. Thanks Mike. A couple of thoughts here. So, with the debottlenecks we did this year, we will add in the range of about 150,000 tons to 200,000 tons this year, mostly in UAN, a little bit on the ammonia side. But again, most of this geared from the work that we did at Geismar earlier in the year.

Going into next year, we do have a couple of small debottlenecks as well. It's on the smaller volume of 40,000 tons, 50,000 tons that will be completed mostly on the ammonia side in the Alberta system. But if you think about where our glide path is, this year, we provided our guidance in the range. Next year, we think we will be in that kind of a little bit above the 11 million tons and as we look forward to 2025-2026, getting back to that mid cycle expectation of being 11.5 million tons to 12 million tons on a run rate going forward.

Mark, maybe over to you just in terms of some of the comments in terms of the market.

**Mark Thompson:** Yes, sure. Thanks Michael for the question. Look, I think Trevor summed up the volume story really well. From a nitrogen standpoint overall, the market is quite constructive. Generally, we have seen supply constraints certainly in urea and ammonia around the world, playing a role

the last several months and that's led to significant tightness in the market.

I think much as Ken has described here this morning, just generally from an agriculture standpoint in North America, things are quite positive from a nitrogen standpoint, I think as Jeff Tarsi would probably tell you, it's a little bit early to call acreage shift for next year but we do still expect healthy corn planting and strong agricultural nitrogen demand next year.

I think just to double click a little bit on where things are in the market, certainly from an ammonia standpoint, on our Q2 call, we had articulated that we felt ammonia was fundamentally undervalued given the tightness in the market. And we have certainly seen things firm up here over the last several months, which really has been a supply driven event. And so ultimately, we have seen ammonia now come back into balance from a value on an end basis with urea and UAN.

We do expect good fall applications here across the nitrogen complex as we move through the rest of Q4. And I think the setup looks pretty good peering into Q1 next year.

**Operator:** Your next question comes from the line of Richard Garchitorea from Wells Fargo. Your line is now open.

**Richard Garchitorea:** Great. Thank you. So, I just wanted to circle back to potash demand, and to your expectations going forward. So, with 2024 basically around 57 million tons to 71

million tons of demand and then on the supply side, potentially, at least 1 million tons to 3 million more tons of supply from Eastern Europe, I guess sort of wanted to know your thought process in terms of how you think about the expansion plans, and when we should think about maybe you starting to move forward more quickly on the 14 million tons to 15 million tons target for mid cycle.

And also just on that follow-up, is the CapEx guidance for say \$2 billion to \$2.5 billion going forward include any spend for growth, either in potash or nitrogen or is that essentially sustaining CapEx? Thank you.

**Ken Seitz:** Thanks for the questions Rich. So, yes, with respect to 2024 and our potash expansions, when we talk about the mid-cycle in our business, I mean we would say that that's 14 million tons to 15 million tons of capacity that we have available to put into the market. And as it relates to 2024, yes, we expect demand to continue to grow. We expect it to continue to grow beyond 2024, of course.

And as it grows, we will maintain market share, we will continue to meet the needs of our customers. And as our customers are calling for volumes, we will get those volumes into the market. So, we absolutely believe that we are on a growth trajectory here and that we will be able to deploy our additional low-cost tons into the market.



As we talked about the \$2 billion to \$2.5 billion on the CapEx side, absolutely as we look at the investments that we are making in potash today, we feel comfortable with the volumes that we have had. Hence, we talked about the pause in deploying capital towards increasing expansion. This moment of course, we can return to an expansion trajectory with low CapEx to go beyond the 14 million tons to 15 million tons as we watch the market evolve, and as our customers are calling for those tons.

But again for today, we feel comfortable with the investments we have made. Where we are deploying capital in potash is the ongoing work associated with automation, associated with predictive maintenance and batch process controls. Of course, the automation work, in addition to having the big safety benefits has productivity benefits. And we are in the process of realizing those benefits, actually as we speak, as we deploy automated mining machines in our five underground mines.

So, certainly part of that \$500 million that we talked about investing CapEx, growing our business, part of that is in the automation work that we are doing in our potash network.

**Operator:** Your next question comes from the line of Joshua Spector from UBS.

**Lucas Beaumont:** Good morning. This is Lucas Beaumont for Josh. So, just sticking with potash, I mean 6 million tons to 7

million tons of capacity there on the cost curve, it accelerates pretty rapidly in terms of the cash costs from sort of low \$200 million up to kind of \$350 million range. And with the incremental capacity coming from the two phases of BHP, plus the rollback in and sort of Russia and Belarus through the end of the decade. I mean that's pretty much equivalent to kind of what would be 10 years of demand growth kind of historically. And that's not sort of counting any of the other smaller projects that may or may not sort of come online.

So, do you think that top portion of supply is going to get pushed off the cost curve out there? And if that does, I mean that would seem to imply that pricing support is really kind of back at 2016 to 2019 lows versus sort of what you guys were assuming sort of for your mid cycle pricing, which is quite a bit higher than that. So, if you could just kind of give us your thoughts there on the dynamics and how you see that evolving, that would be great.

**Ken Seitz:** Yes. Thank you, Lucas. And I think you described just a number of moving parts there that I would say have a lot of unknowns and risk associated with them. Again, we would have a lot of conviction around the fact that we are in a market that just continues to grow. And we can continue to talk about the reasons that it's growing.

But for disease resistance, drug resistance yield, potash is going to continue to be used. And again, we have seen that those growth rates over the last few decades and looking forward, we just have a lot of conviction that that's going to continue to be true. So, taking that assumption and looking at the supply side, we do know that some of this FSU plant, and new plant production that was in the pipeline to come to the market is delayed, it is in fact delayed. And it's delayed, probably measured not in months, but in years.

And so as that new volume is pushed out, of course that creates room in the market. Yes, there is an announcement of Phase 1 and Phase 2 at a new Saskatchewan mine. But I will just say, again, we have looked through our risk lens associated with bringing on those types of volumes in soft rock mining. And soft rock mining is a lot different than hard rock mining, I have done both. And those are challenging mines to bring on stream. There is always unknowns and there is always some surprises.

So, as we have factored in a Phase 2 from BHP into our plans all along, but as we factor in these new volumes, we are applying our own lens which would say that the end of this decade, the start of the next decade that you put it all together, and certainly we believe there is room in the market for these tons. There is room in the market for our growth with

our customers in the market. And we are not talking about knocking someone off the high end of the cost curve.

**Operator:** There are no further questions at this time. I will now turn the call back to Jeff Holzman. Please continue.

**Jeff Holzman:** Thank you for joining us today. The Investor Relations team is available if you have any follow-up questions. Have a good day.

**Operator:** Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.