

**POTASH OUTLOOK
FOR 2005**



*Auckland, NZ
December 2004*

Canpotex



- world's leading exporter of potash
- owned by Saskatchewan potash producers



- 10 mines collectively represent the largest potash production capacity in the world

Canpotex

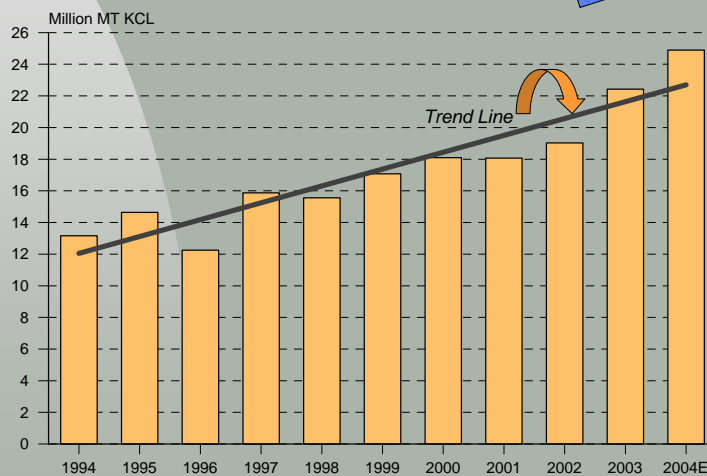


- shareholder commitment to Canpotex is consistent and ongoing
- since inception, Canpotex has sold over 120 million tonnes of potash to over 50 countries
- Canpotex sales in 2004 will be close to 8 million MT
 - an increase of 26% over 2003



Estimated Potash Trade in Canpotex Markets*

Record Demand



*Includes 27 selected countries in Asia, Latin America, Oceania, and Africa

Commodity Boom



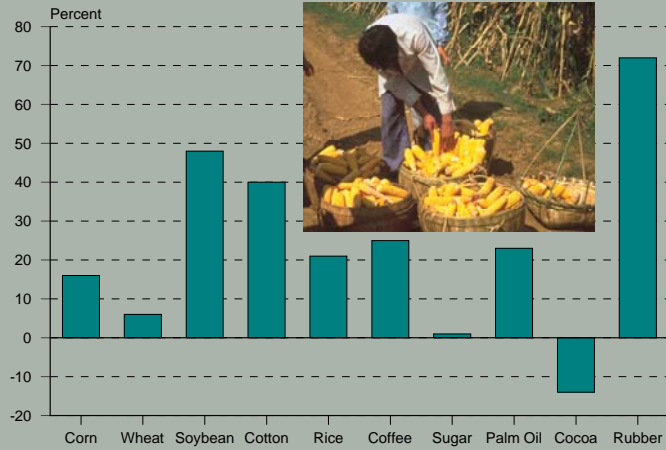
- historically, commodity markets have been in surplus
- fundamental change in commodity markets began in 2003
 - economic changes in China
 - economic recovery worldwide
- potash supply/demand fundamentals have changed

Commodity Boom



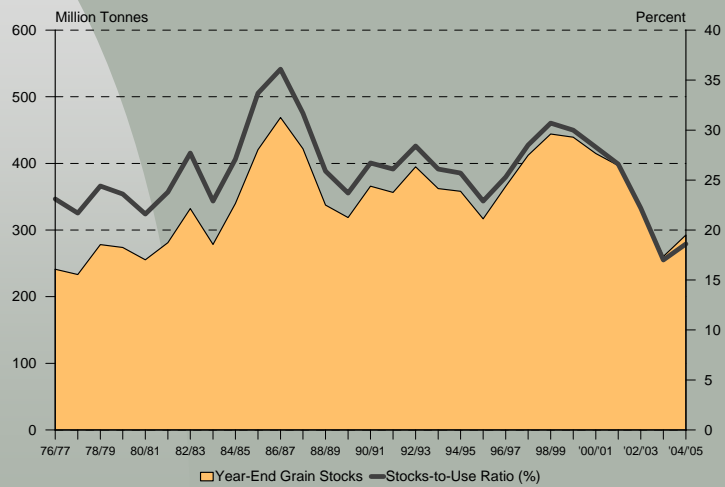
- traditional factors affecting fertilizer demand
 - increasing world population
 - rising incomes
 - less available agricultural land
- current boom is being driven by global economic factors

Selected Commodity Prices Percentage Change 2004 versus 2002



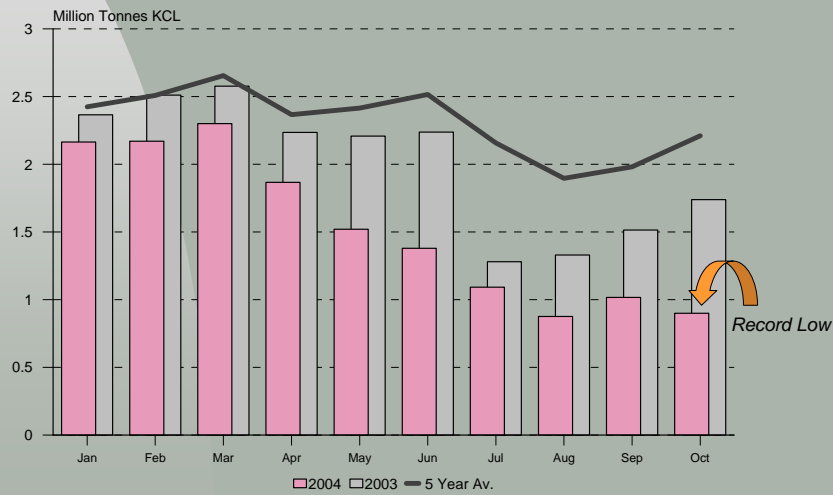
Source: World Bank (2004 Jan to Oct Average compared to 2002 Annual Average)

World Grain Stocks Wheat and Coarse Grains



Source: USDA November 2004

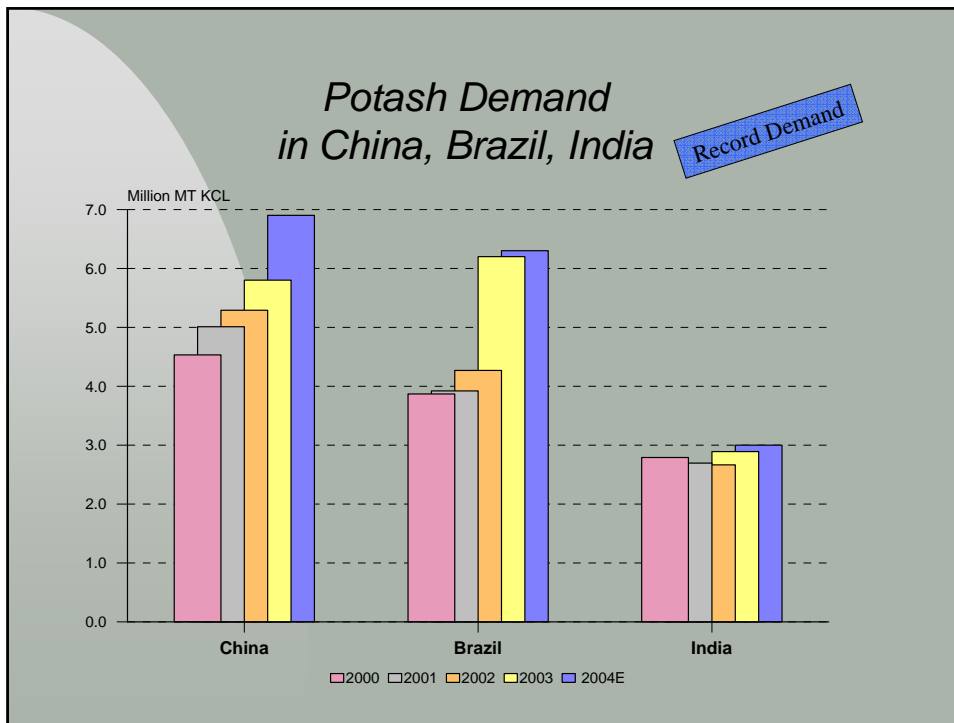
Ending Inventories of Potash Canadian Producers



Potash Market Drivers

Primary Market Drivers

- the three largest potash markets for Canpotex are **China, Brazil, and India**
 - total estimated potash imports of 16 million MT in 2004
 - represent 65% of potash trade in international markets
- all three of these markets will register record demand in 2004

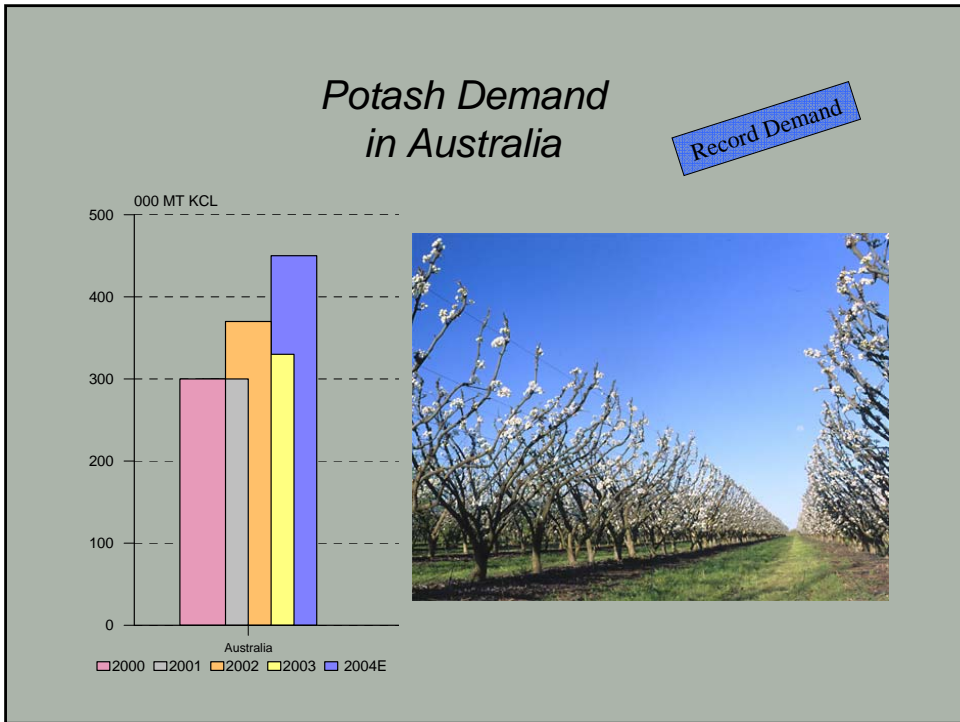
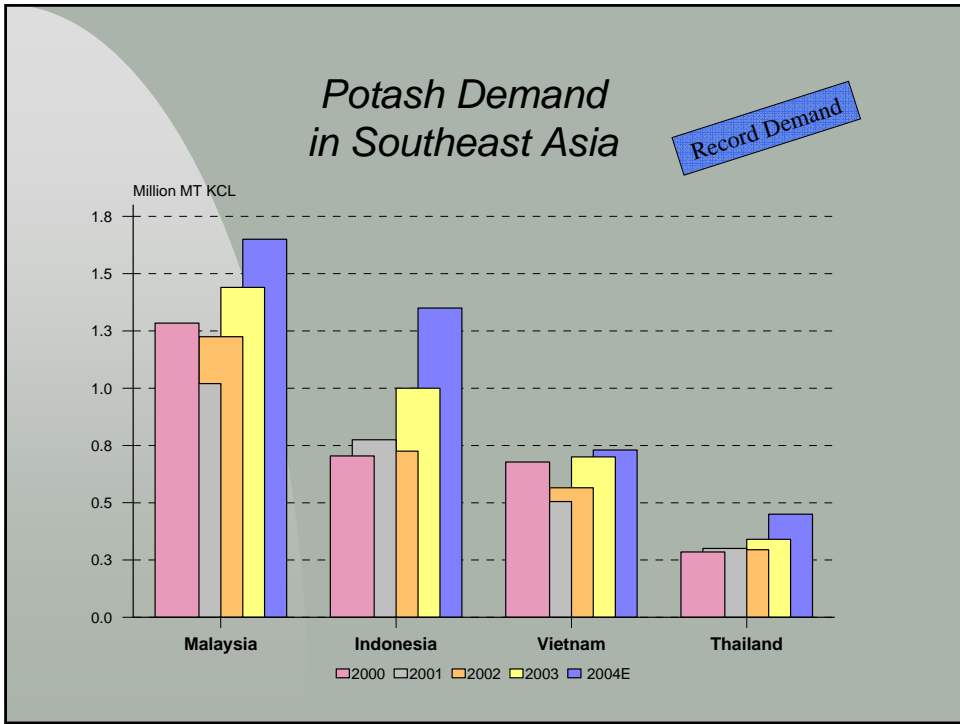


Potash Market Drivers



Asia/Oceania Market Drivers

- other countries expected to register potash demand records in 2004 include
 - Malaysia
 - Indonesia
 - Vietnam
 - Thailand
 - Australia



Challenges in Meeting the Market Demand



- existing favourable fundamentals are expected to continue and are sustainable going forward
- timing and extent of current commodity growth was underestimated

Challenges in Meeting the Market Demand



Product Mix

- buyers are continuing to show a preference for Granular material
- continued shortage of Granular potash is expected in 2005
- Brazil now takes 100% Granular material
- Canpotex working with customers and shareholders to meet Granular requirements
 - new investments are taking place in Saskatchewan



Challenges in Meeting the Market Demand



Transportation & Logistics

- bulk transportation systems are stressed to a near breaking point
- ocean freight rates, again, are at record levels
 - projected to continue strong through 1st Q 2005
 - port congestion expected in major markets
- capacity problems with railways, also under pressure to satisfy growth in commodity markets

Challenges in Meeting the Market Demand



Timely Delivery

- timely delivery is an integral component of Canpotex's customer service package
 - currently little flexibility in the system
- buyers have a role to play
 - better planning
 - consider investments to improve overall logistics
 - consider taking larger shipment sizes
- growing cooperation between customers and suppliers

Canpotex/Shareholder Initiatives



Potash Supply

- Saskatchewan potash producers are increasing production of Standard and Granular grades
 - Rocanville mine expansion is expected to be operational by 1st Q 2005 (increasing compaction capabilities by approx. 900,000 MT a year)
 - Lanigan and Allan mines are now operating 24/7



Canpotex/Shareholder Initiatives



Marketing

- increased shipment planning with contract customers
- worldwide customer surveys better define demand
- market development programs promote the benefits of balanced fertilization

Ocean Transportation

- increased use of ocean freight management agreements
 - minimize costs
 - ensure vessel availability



Canpotex/Shareholder Initiatives



Logistics

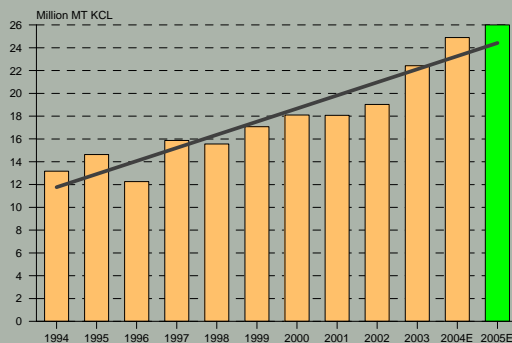
- new railcars coming off the production line every day
 - 1,300 additional railcars commissioned for 2004/05
- Canpotex railcar fleet will total 3,260 cars in dedicated potash service – 26 full unit train sets of 124 cars each
- 500 railcars are designated to transport white potash to minimize delays and possible contamination
- ongoing strategic partnerships with railway suppliers



Outlook for 2005



- Canpotex estimates that demand will grow by another 5% in 2005, and reach 26.0 million MT
 - driven primarily by China, India, and Brazil



Outlook for 2005



Market Indicators

China

- Canpotex signed a 2.1 million MT contract for 2005 shipments at a substantial price increase
- a minimum increase of 600,000 MT over the 2004 contract
- record demand expected in China in 2005

Outlook for 2005



Market Indicators

India

- MOP inventories are at critically low levels
- unprecedented demand, despite recent price increases
- record demand expected in India in 2005

Outlook for 2005



Market Indicators

Brazil

- expected to import at least 6.0 million MT of potash for the 3rd year in a row



Outlook for 2005



- demand in **Malaysia** and **Indonesia** is expected to grow due to new planted palm oil areas and strong CPO prices
- significant growth potential in East Malaysia, and Kalimantan, Indonesia



Outlook for 2005



Pricing Indicators

Potash prices are expected to continue to increase in 2005

- favourable supply/demand fundamentals
- shortage of Granular product
- increasing cost pressures



CANPOTEX

*The World's Leading Potash Supplier
to International Markets*



Singapore



Hong Kong



Tokyo



Saskatoon



Vancouver