INTRODUCTION

The Mosaic Company (***"Mosaic,"*** and individually or in any combination with its consolidated subsidiaries, ***"we," "us," "our,"*** or the ***"Company"***) was created to serve as the parent company of the business that was formed through the business combination (**"Combination"**) of IMC Global Inc. (***"IMC"*** or ***"Mosaic Global Holdings"***) and the Cargill Crop Nutrition fertilizer businesses (***"CCN"***) of Cargill, Incorporated and its subsidiaries (collectively, ***"Cargill"***) on October 22, 2004.

We are one of the world's leading producers and marketers of concentrated phosphate and potash crop nutrients. We conduct our business through wholly and majority-owned subsidiaries as well as businesses in which we own less than a majority or a non-controlling interest, including consolidated variable interest entities and investments accounted for by the equity method. We are organized in three business segments.

Our **Phosphates** business segment owns and operates mines and production facilities in Florida which produce phosphate crop nutrients and phosphate-based animal feed ingredients, and processing plants in Louisiana which produce phosphate crop nutrients. Our Phosphates segment's results include North American distribution activities. Our consolidated results also include Phosphate Chemicals Export Association, Inc. (***"PhosChem"***), a U.S. Webb-Pomerene Act association of phosphate producers which exports phosphate crop nutrient products around the world for us and PhosChem's other member. Our share of PhosChem's sales volumes of dry phosphate crop nutrient products is approximately 86% for the year ended May 31, 2009.

Our **Potash** business segment owns and operates potash mines and production facilities in Canada and the U.S. which produce potash-based crop nutrients, animal feed ingredients and industrial products. Potash sales include domestic and international sales. We are a member of Canpotex, Limited (***"Canpotex"***), an export association of Canadian potash producers through which we sell our Canadian potash internationally. Our share of Canpotex's sales, by volume, of potash crop nutrients was 37.1% at May 31, 2009.

Our **Offshore** business segment consists of sales offices, crop nutrient blending and bagging facilities, port terminals and warehouses in several key international countries, including Brazil. In addition, we own or have strategic investments in production facilities in Brazil and a number of other countries. Our Offshore segment serves as a market for our Phosphates and Potash segments but also purchases and markets products from other suppliers worldwide.

KEY FACTORS THAT CAN AFFECT RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our primary products, phosphate and potash crop nutrients, are, to a large extent, global commodities that are also available from a number of domestic and international competitors, and are sold by negotiated contracts or by reference to published market prices. The most important competitive factor for our products is delivered price. As a result, the markets for our products are highly competitive. Business and economic conditions and governmental policies affecting the agricultural industry are the most significant factors affecting worldwide demand for crop nutrients. The profitability of our businesses is heavily influenced by worldwide supply and demand for our products, which affects our sales prices and volumes. Our costs per tonne to produce our products are also heavily influenced by worldwide supply and demand because of the significant fixed costs associated with owning and operating our major facilities.

World prices for the key inputs for concentrated phosphate products, including ammonia, sulfur and phosphate rock, have an effect on industry-wide phosphate prices and costs. The primary feedstock for producing ammonia is natural gas, and costs for ammonia are generally highly dependent on natural gas prices. Sulfur is a world commodity that is primarily produced as a byproduct of oil refining, where the cost is based on supply and demand for sulfur. We produce substantially all of our requirements for phosphate rock.

Much of our production is sold based on the market prices prevailing at the time of sale. However, a portion of our sales is made through contracts at a fixed priced or can be priced at the time of shipment based on a formula. In some cases, customers prepay us for future sales. Additionally, in certain circumstances the final price of product is determined after shipment. This final pricing is based on the current market at the time the price is established and revenue is recognized at that time. The mix and parameters of these sales programs vary over time based on our marketing strategy, which considers factors that include among others optimizing our production and operating efficiency with warehouse limitations and customer needs. In a period of changing prices, forward sales programs at fixed prices create a lag between prevailing market prices and our average realized selling prices. Prepaid forward sales can also increase our liquidity and accelerate cash flows.

Our Potash business is significantly affected by natural gas costs for operating our potash solution mine at Belle Plaine, Saskatchewan; by Canadian resource taxes and royalties that we pay the Province of Saskatchewan to mine our potash reserves; by the level of inflationary pressures on resources, such as labor, processing materials and construction costs, due to the rate of economic growth in western Canada where we produce most of our potash; and by the capital and operating costs we incur to manage brine inflows at our potash mine at Esterhazy, Saskatchewan. Our per tonne selling prices for potash are affected by shifts in the product mix between agricultural and industrial sales because a significant portion of our industrial sales are based on historical market prices that can lag current market prices, and by the product mix of sales of muriate of potash (***"MOP"***), our primary product, and K-Mag®, a specialty product with magnesium and a lower content of potash.

Our Offshore business primarily markets and sells products produced by our Phosphates and, to a lesser extent, our Potash businesses, as well as by other suppliers. As a result, the Offshore segment results do not reflect the full profitability on the Mosaic-produced products and its profitability can change significantly to the extent that it sells from inventory positions taken in earlier periods. During periods of rising selling prices, our Offshore business has benefited significantly from inventory positioning, while in periods of declining prices our Offshore business has incurred losses.

Our results of operations are also affected by changes in currency exchange rates due to our international footprint. The most significant currency impacts are generally from the Canadian dollar and the Brazilian real:

- The functional currency for several of our Canadian entities is the Canadian dollar. A stronger Canadian dollar generally reduces these entities' operating earnings. A weaker Canadian dollar has the opposite effect. We generally hedge a portion of the anticipated currency risk exposure. Such derivatives can create additional earnings volatility because we do not use hedge accounting. Gains or losses on these hedge contracts, both for open contracts at quarter end (unrealized) and settled contracts (realized), are recorded in cost of goods sold. Our sales are typically denominated in U.S. dollars, which generates U.S. dollar denominated intercompany accounts receivable and cash in these entities. If the U.S. dollar weakens relative to the Canadian dollar, we record a foreign currency transaction loss in non-operating income. This foreign currency loss typically does not have a cash flow impact.
- The functional currency for our Brazilian affiliate is the Brazilian real. We typically finance Brazilian inventory purchases with U.S. dollar denominated liabilities. A weaker U.S. dollar relative to the Brazilian real has the impact of reducing these liabilities on a functional currency basis. When this occurs, an associated foreign currency transaction gain is recorded in non-operating income. A stronger U.S. dollar has the opposite effect. We generally hedge a portion of this currency exposure. Such derivatives can create additional earnings volatility because we do not use hedge accounting. Associated gains or losses on these foreign currency contracts are also recorded in non-operating income. We exclude the value of our inventories in Brazil from the amount we hedge for risk management purposes because our inventories are typically denominated in U.S. dollars and therefore act as a partial natural offset to our currency exposure.

In response to what we believe are strong long-term fundamentals for our business caused by a rising global demand for food and fuel, we have completed some capacity expansion initiatives and have announced a number of additional initiatives to expand our production capacities, primarily in our Potash business. We plan to expand the annual production capacity of our existing potash mines by more than five million tonnes over the next eleven years.

A discussion of these and other factors that affected our results of operations and financial condition for the periods covered by this Management's Discussion and Analysis of Financial Condition and Results of Operations is set forth in further detail below. This Management's Discussion and Analysis of Financial Condition and Results of Operations should also be read in conjunction with the narrative description of our business in Item 1, and the risk factors described in Item 1A of Part I of our annual report on Form 10-K, and our Consolidated Financial Statements, accompanying notes and other information listed in the accompanying Financial Table of Contents.

Throughout the discussion below, we measure units of production, sales and raw materials in metric tonnes which are the equivalent of 2,205 pounds, unless we specifically state that we mean long ton(s) which is the equivalent of 2,240 pounds. References to a particular fiscal year are to the twelve months ended May 31 of that year. In the following table, there are certain percentages that are not considered to be meaningful and are represented by "NM."

RESULTS OF OPERATIONS

The following table shows the results of operations for the three years ended May 31, 2009, 2008 and 2007:

	Years Ended May 31,			2009-2008		2008-2007	
(in millions, except per share data)	2009	2008	2007	Change	Percent	Change	Percent
Net sales	$10,298.0	$9,812.6	$5,773.7	$ 485.4	5%	$4,038.9	70%
Cost of goods sold	7,148.1	6,652.1	4,847.6	496.0	7%	1,804.5	37%
Lower of cost or market write-down	383.2	–	–	383.2	NM	–	NM
Gross margin	2,766.7	3,160.5	926.1	(393.8)	(12%)	2,234.4	241%
Gross margin percentage	26.9%	32.2%	16.0%				
Selling, general and administrative expenses	321.4	323.8	309.8	(2.4)	(1%)	14.0	5%
Other operating expenses	44.4	30.0	–	14.4	48%	30.0	NM
Operating earnings	2,400.9	2,806.7	616.3	(405.8)	(14%)	2,190.4	355%
Interest expense, net	43.3	90.5	149.6	(47.2)	(52%)	(59.1)	(40%)
Foreign currency transaction loss	131.8	57.5	8.6	74.3	129%	48.9	569%
(Gain) loss on extinguishment of debt	(2.5)	2.6	(34.6)	(5.1)	NM	37.2	NM
(Gain) on sale of equity investment	(673.4)	–	–	(673.4)	NM	–	NM
Other (income)	(4.0)	(26.3)	(13.0)	22.3	(85%)	(13.3)	102%
Earnings before income taxes	2,905.7	2,682.4	505.7	223.3	8%	2,176.7	430%
Provision for income taxes	649.3	714.9	123.4	(65.6)	(9%)	591.5	479%
Earnings from consolidated companies	2,256.4	1,967.5	382.3	288.9	15%	1,585.2	415%
Equity in net earnings of nonconsolidated companies	100.1	124.0	41.3	(23.9)	(19%)	82.7	200%
Minority interests in net earnings of consolidated companies	(6.3)	(8.7)	(3.9)	2.4	(28%)	(4.8)	123%
Net earnings	$ 2,350.2	$2,082.8	$ 419.7	$ 267.4	13%	$1,663.1	396%
Diluted earnings per share	$ 5.27	$ 4.67	$ 0.95	$ 40.59	13%	$ 3.72	392%
Weighted average diluted shares outstanding	446.2	445.7	440.3				

Overview of Fiscal 2009, 2008 and 2007

Net earnings for fiscal 2009 were a record $2.4 billion, or $5.27 per diluted share, better than our previous net earnings record in fiscal 2008 of $2.1 billion, or $4.67 per diluted share, and $419.7 million, or $0.95 per diluted share, for fiscal 2007. The more significant factors that affected our results of operations and financial condition in fiscal 2009, 2008 and 2007 are listed below. These factors are discussed in more detail in the following sections of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Fiscal 2009

Fiscal 2009 began with a continuation of the strong agricultural fundamentals and industry demand from fiscal 2008. In the latter part of the second quarter of fiscal 2009, we began to experience a rapid softening of the strong agricultural fundamentals and industry demand that prevailed from the latter part of fiscal 2007 into fiscal 2009. The softening was due to a change in buyer sentiment resulting from, among other factors, lower grain and oilseed prices, a late North American harvest in the fall of 2008, a build-up of inventories in the distribution supply chain, the global economic slowdown and the re-calibration of the phosphate market to reflect lower raw material input costs. These market conditions caused phosphate selling prices to begin to decline sharply toward the end of the fiscal 2009 second quarter through the end of fiscal 2009. These factors also caused farmers to delay purchases of phosphates and potash crop nutrients in anticipation of reduced selling prices resulting in lower crop nutrient application rates during fiscal 2009.

Following dramatic increases during fiscal 2008 and into fiscal 2009 in market prices for ammonia and sulfur, as well as for phosphate rock purchased in world markets by non-integrated producers of finished phosphate crop nutrients, in the third quarter of fiscal 2009, market prices for phosphates' raw materials significantly decreased. We were unable to realize the full benefit of the declining market prices for sulfur and ammonia in our Phosphates segment's results due to purchases of sulfur and ammonia inventories before the significant price declines while prices for finished phosphate crop nutrients declined in response to the decline in market prices for raw materials.

Through the first half of fiscal 2009, Potash selling prices rose significantly due to robust demand and tight market supply early in the year. Higher selling prices were sustained through the fiscal year, despite a sharp decline in sales volumes in the latter part of the year. The decline in potash sales volumes was due to many of the same reasons described above.

Any prolonged reduction of crop nutrient application will result in lower grain and oilseed yields. Despite the current weakness in crop nutrient demand, we expect a resurgence in crop nutrient demand in order to meet the increasing global demand for food and fuel as well as to increase grain and oilseed stocks to more secure levels.

Because of the lower demand for our products, we significantly reduced production volumes in both our Phosphates and Potash businesses in fiscal 2009. The lower demand and production had a significant adverse impact on our operating costs and results. Toward the end of fiscal 2009, we increased Phosphates production volume somewhat in response to improving demand.

Also in Fiscal 2009:

- We continued the expansion of capacity in our Potash segment, in line with our views of the long-term fundamentals of that business. The planned expansions are expected to increase our annual capacity for finished product by more than five million tonnes over the next eleven years. Some of the expansions have been approved and are underway while others are in the planning phases.
- On October 1, 2008, Saskferco Products Limited Partnership (the ***"Saskferco Partnership"***), in which we had a 50% interest, sold its wholly owned subsidiary Saskferco Products ULC, a Saskatchewan, Canada-based producer of nitrogen crop nutrients and feed ingredients. Our share of the gross proceeds was approximately $750 million. We recorded a gain on the sale of $673.4 million or $1.03 per share.
- During fiscal 2009, we recorded lower of cost or market inventory write-downs of $383.2 million in our Phosphates and Offshore segments as a result of declining selling prices, primarily for phosphates, caused by the factors discussed above. These write-downs were necessary because the carrying cost of certain inventories exceeded our estimates of future selling prices less reasonably predictable selling costs. Our inventory balance in the Consolidated Balance Sheet at May 31, 2009, was impacted by $86.9 million which related to lower of cost or market write-downs.
- Our effective tax rate was favorably impacted by a special dividend that was distributed from our non-U.S. subsidiaries to our U.S. subsidiaries. The effective tax rate was unfavorably impacted by the losses in our non-U.S. subsidiaries for which we have not realized a tax benefit for in fiscal 2009.
- We generated $1.2 billion in cash flow from operations. The positive cash flow from operations was primarily generated from net earnings, partially offset by working capital needs.
- We maintained a strong financial position, with cash and cash equivalents of $2.7 billion as of May 31, 2009.
- Our strong cash position also allowed us to initiate quarterly dividends beginning in July 2008, with a quarterly dividend of $0.05 per share of common stock.
- The credit rating agencies that rate our senior notes upgraded their ratings to investment grade status in June and July 2008[1]. As a result, certain of the restrictive covenants relating to our senior notes fell away, providing us greater flexibility in making financial, investment and operating decisions.

Fiscal 2008

Our net sales and gross margins in fiscal 2008 benefited from strong agricultural fundamentals that resulted in significant increases in crop nutrient prices driven by robust demand and tight market supplies. Market prices for phosphates were also driven by significant increases in the cost of key raw materials, including ammonia and sulfur and open-market prices for phosphate rock and phosphoric acid for non-integrated producers of finished phosphate crop nutrients that do not mine their own phosphate rock. We believe that the resulting upward pressure on the market price for finished phosphate crop nutrients more than offset our Phosphates business' increased costs for raw materials in fiscal 2008 in part because of our competitive advantages as an integrated producer of both finished phosphate crop nutrients and phosphate rock, and from our investments in infrastructure for sourcing sulfur. The increases in potash prices were partially offset by increased Canadian resource taxes and royalties in our Potash segment due primarily to higher potash selling prices.

[1] *A security rating is not a recommendation to buy, sell or hold securities. Although a security rating may be subject to revision or withdrawal at any time by the assigning rating organization, any such revision or withdrawal would not affect the fall-away of the covenants relating to the senior notes. Each rating should be evaluated separately from any other rating.*

Also in fiscal 2008. we generated $2.5 billion in cash flow from operations. Our improved cash flow allowed us to fund the prepayment of $750.0 million of long-term debt resulting in a reduction in interest expense of $47.5 million.

Fiscal 2007

Our sales and gross margins benefited from strong agricultural fundamentals and demand for phosphate and potash crop nutrients, particularly in the second half of the fiscal year. This was partially due to demand growth from countries that have been the traditional drivers for food production such as India and Brazil. In addition, there were new demand drivers as a result of strong growth in the biofuels industry, such as the U.S. ethanol market.

Also in Fiscal 2007:

- We completed a 1.1 million tonne capacity expansion of our Esterhazy, Saskatchewan potash mine for a capital cost of approximately $38 million.
- In the second half of fiscal 2007 we incurred higher operating and capital costs associated with our remediation of the brine inflow at our Esterhazy, Saskatchewan potash mine.

PHOSPHATES NET SALES AND GROSS MARGIN

The following table summarizes Phosphates net sales, gross margin, sales volumes and certain other information:

	Years Ended May 31,			2009-2008		2008-2007	
(in millions, except price per tonne or unit)	2009	2008	2007	Change	Percent	Change	Percent
Net sales:							
North America	$2,156.6	$2,332.4	$1,284.4	$(175.8)	(8%)	$1,048.0	82%
International	3,624.0	3,373.8	1,919.5	250.2	7%	1,454.3	76%
Total	5,780.6	5,706.2	3,203.9	74.4	1%	2,502.3	78%
Cost of goods sold	4,279.3	3,625.1	2,772.2	654.2	18%	852.9	31%
Lower of cost or market write-down	227.7	–	–	227.7	NM	–	NM
Gross margin	$1,273.6	$2,081.1	$ 431.7	$(807.5)	(39%)	$1,649.4	382%
Gross margin as a percent of net sales	22.0%	36.5%	13.5%				
Sales volume (in thousands of metric tonnes)							
Crop Nutrients[a]:							
North America	2,254	3,732	2,856	(1,478)	(40%)	876	31%
International	3,496	4,456	5,201	(960)	(22%)	(745)	(14%)
Total	5,750	8,188	8,057	(2,438)	(30%)	131	2%
Feed Phosphates	537	896	845	(359)	(40%)	51	6%
Total	6,287	9,084	8,902	(2,797)	(31%)	182	2%
Average selling price per tonne:							
DAP (FOB plant)	$ 728	$ 513	$ 264	$ 215	42%	$ 249	94%
Average price per unit:							
Ammonia (metric tonne) (Central Florida)	$ 531	$ 404	$ 331	$ 127	31%	$ 73	22%
Sulfur (long ton)	363	182	62	181	99%	120	194%

(a) Excludes tonnes sold by PhosChem for its other members.

Fiscal 2009 Compared to Fiscal 2008

Phosphates' net sales increased to $5.8 billion in fiscal 2009, compared to $5.7 billion in fiscal 2008 as a result of a 42% increase in the average DAP selling price partly offset by a 31% decline in sales volumes.

In fiscal 2009, sales volumes declined to 6.3 million tonnes of phosphate crop nutrients and animal feed ingredients, compared with 9.1 million tonnes for fiscal 2008. Crop nutrient volumes to North American and International customers decreased 40% and 22%, respectively, due to the factors described in the Overview. Feed phosphate sales volumes declined 40% primarily due to weak economics in the livestock industry and customers' increasing use of an enzyme that can help optimize usage of phosphates-based animal feed ingredients.

Our average DAP selling price was $728 per tonne in fiscal 2009, an increase of $215 per tonne compared with fiscal 2008. The market DAP selling price began to decline sharply toward the end of the second quarter of fiscal 2009 and into fiscal 2010. This was due to the combined effects of several factors previously described in the Overview. Our average DAP selling price for the fourth quarter of fiscal 2009 was $345 per tonne compared to $413 per tonne for the third quarter of fiscal 2009, while our average DAP selling price for the fourth quarter of fiscal 2008 was $754 per tonne.

Gross margin for Phosphates in fiscal 2009 was $1.3 billion compared with $2.1 billion in fiscal 2008 and was adversely affected by the 31% decline in sales volume. Gross margin as a percentage of net sales decreased to 22% in fiscal 2009 from 37% in fiscal 2008 due to higher sulfur and ammonia raw material costs, which triggered a lower of cost or market write-down, the adverse effect of significantly lower phosphate production rates and net realized and unrealized derivative losses, partly offset by an increase in selling prices compared with a year ago.

The average price for sulfur increased to $363 per long ton in fiscal 2009 from $182 per long ton in fiscal 2008. The average price for ammonia (central Florida) increased to $531 per tonne in fiscal 2009 from $404 per tonne in fiscal 2008. These raw material costs began to decline in the second half of fiscal 2009. The average price for sulfur and ammonia (central Florida) in the fourth quarter of fiscal 2009 was $72 per long ton and $292 per tonne, respectively. The continued soft market prices for sulfur and ammonia are due to lower demand for sulfur and lower natural gas input costs for ammonia as compared to earlier in fiscal 2009.

We recorded a lower of cost or market inventory write-down of $227.7 million primarily in the second quarter of fiscal 2009 because the carrying cost of ending phosphate inventories, which included higher sulfur and ammonia costs, exceeded our estimates of future selling prices less reasonably predictable selling costs. These higher cost inventories were a result of raw materials purchased or committed to before the significant declines in their market prices.

Net unrealized mark-to-market derivative losses, primarily on natural gas derivatives, included in cost of goods sold were $72.5 million in fiscal 2009 compared with a net gain of $27.5 million a year ago. Net realized derivative losses, primarily on natural gas derivatives, included in cost of goods sold, were $63.3 million in fiscal 2009 compared with net losses of $9.4 million a year ago.

Included in our consolidated net sales and cost of goods sold in fiscal 2009 are net sales of $699.7 million for the other member of PhosChem, compared with $491.7 million in fiscal 2008.

Our production of diammonium phosphate fertilizer (***"DAP"***) and monoammonium phosphate fertilizer (***"MAP"***) was 6.2 million tonnes for fiscal 2009, compared to 8.0 million tonnes for the same period last year. We reduced our phosphate production in the second half of fiscal 2009 in response to a build-up of inventories in crop nutrient distribution channels and a decline in demand. Toward the end of the third quarter and into the fourth quarter of fiscal 2009, we increased production closer to normal levels. In the first quarter of fiscal 2010, production levels continued to increase to more normal levels due to increased sales orders and demand.

Our phosphate rock production was 13.2 million tonnes during fiscal 2009, compared with 15.8 million tonnes for the same period a year ago. The decrease in rock production was primarily due to the reduction in production of DAP and MAP.

Fiscal 2008 Compared to Fiscal 2007

Phosphates' net sales increased 78% to $5.7 billion in fiscal 2008, compared to $3.2 billion in fiscal 2007 mainly due to a significant increase in phosphate selling prices along with a slight increase in sales volumes. The increase in phosphate selling prices was due to the factors described in the Overview. Our forward selling programs resulted in about a two to three-month lag between prevailing market prices and our realized prices for our products.

In fiscal 2008, sales volumes increased 2% to 9.1 million tonnes of phosphate crop nutrients and animal feed ingredients, compared with 8.9 million tonnes for fiscal 2007. Sales volumes in North America increased 31% as this region continued to exhibit strong demand growth combined with execution on our plan to grow sales in this region. International sales volumes declined 14% due to the increased volume sold into North America.

Our average DAP selling price was $513 per tonne in fiscal 2008, an increase of $249 per tonne compared with fiscal 2007. Phosphate selling prices continually increased during fiscal 2008 due to strong fundamentals and increased raw material costs, as further described in the Overview.

Gross margin for Phosphates in fiscal 2008 was $2.1 billion compared with $431.7 million in fiscal 2007. Gross margin as a percentage of net sales increased to 37% in fiscal 2008 from 14% in fiscal 2007 due to an approximate doubling of crop nutrient selling prices, partly offset by higher market prices for our sulfur and ammonia raw material purchases. The average price for sulfur increased 194% to $182 per long ton in fiscal 2008 from $62 per long ton in fiscal 2007. The average price for ammonia (central Florida) increased 22% to $404 per tonne in fiscal 2008 from $331 per tonne in fiscal 2007. The increases in market prices for sulfur reflected high demand coupled with insufficient supply, primarily due to oil refinery production issues. We did not experience significant production issues due to lack of sulfur availability in fiscal 2008. We believe that our investments in sulfur transportation assets and other actions we took allowed us to avoid significant effects on production due to lack of sulfur and continue to afford us a competitive advantage in the cost of and access to available sulfur.

Included in our consolidated net sales and cost of goods sold in fiscal 2008 are sales of $491.7 million for the other member of PhosChem, compared with $376.1 million in fiscal 2007.

Our production of DAP and MAP was 8.0 million tonnes for fiscal 2008, compared to 7.9 million tonnes for fiscal 2007.

Our phosphate rock production was 15.8 million tonnes during fiscal 2008, compared with 13.7 million tonnes in the prior fiscal year. The increase in production was primarily due to the restart of our Wingate mine in the first quarter of fiscal 2008, debottlenecking initiatives we undertook at our Wingate mine that increased its productive capacity, and increased operating rates at other mines.

POTASH NET SALES AND GROSS MARGIN

The following table summarizes Potash net sales, gross margin, sales volumes and certain other information:

	Years Ended May 31,			2009-2008		2008-2007	
(in millions, except price per tonne or unit)	2009	2008	2007	Change	Percent	Change	Percent
Net sales:							
North America	$1,387.9	$1,301.1	$ 818.2	$ 86.8	7%	$482.9	59%
International	1,429.3	950.1	660.7	479.2	50%	289.4	44%
Total	2,817.2	2,251.2	1,478.9	566.0	25%	772.3	52%
Cost of goods sold	1,311.3	1,397.9	1,065.0	(86.6)	(6%)	332.9	31%
Gross margin	$1,505.9	$853.3	$ 413.9	$ 652.6	76%	$439.4	106%
Gross margin as a percent of net sales	53.5%	37.9%	28.0%				
Sales volume (in thousands of metric tonnes)							
Crop Nutrients[(a)]:							
North America	1,505	3,354	3,393	(1,849)	(55%)	(39)	(1%)
International	2,564	4,151	3,596	(1,587)	(38%)	555	15%
Total	4,069	7,505	6,989	(3,436)	(46%)	516	7%
Non-agricultural	981	1,058	918	(77)	(7%)	140	15%
Total[(b)]	5,050	8,563	7,907	(3,513)	(41%)	656	8%
Average selling price per tonne:							
MOP (FOB plant)	$ 521	$ 226	$ 144	$ 295	131%	$ 82	57%
K-Mag® (FOB plant)	324	148	119	176	119%	29	24%

(a) Excludes tonnes related to a third-party tolling arrangement.

(b) Includes sales volumes (in thousands of metric tonnes) of 544 tonnes, 838 tonnes and 735 tonnes of K-Mag® for fiscal 2009, 2008 and 2007, respectively.

Fiscal 2009 Compared to Fiscal 2008

Potash's net sales increased 25% to $2.8 billion in fiscal 2009 compared to $2.3 billion in fiscal 2008 as a result of a significant increase in potash selling prices offset by a 41% decline in sales volumes. Higher selling prices were sustained through the fiscal year, despite the sharp decline in sales volumes. Like other crop nutrients, the demand momentum for potash began to slow in the second half of fiscal 2009 and was impacted by the delay in key contract negotiations between Canpotex and its key international customers.

Potash sales volumes decreased 41% to 5.1 million tonnes in fiscal 2009 compared with 8.6 million tonnes a year ago. This was a result of a decline in demand as a result of a build-up of inventories in the distribution pipeline and other factors noted in the Overview. Also, key Canpotex international customers did not renew their annual potash supply contracts in the latter part of fiscal 2009. In fiscal 2009, in response to a build-up of inventories in crop nutrient distribution channels and a decline in demand we began reducing potash production at our mines and plants, and will continue to do so until demand improves.

Our average MOP selling price was $521 per tonne in fiscal 2009, an increase of $295 per tonne compared with fiscal 2008. Our average K-Mag® selling price of $324 per tonne in fiscal 2009 increased $176 per tonne compared with fiscal 2008. Approximately 19% of our total net sales volume was to non-agricultural customers during fiscal 2009 compared with 12% in fiscal 2008. This shift in mix was primarily driven by lower sales volumes of crop nutrients. These non-agricultural customers represent a diverse end-user mix. With the exception of legacy contracts with one customer, new agreements with non-agricultural customers are sometimes based on pricing formulas that may be based on historical market prices resulting in a lag compared to our agricultural contract pricing in rising markets. The effects of this lag will be less in future periods if prices are more stable as pricing on these contracts will more closely approximate market.

Potash gross margin for fiscal 2009 was $1.5 billion compared with $853.3 million in fiscal 2008. Potash gross margin as a percent of net sales increased to 53% in fiscal 2009 from 38% in fiscal 2008 primarily as a result of the higher selling prices offset by the adverse effect of significantly lower potash production rates and increased Canadian resource taxes and royalties. Our fixed cost absorption will continue to be impacted in fiscal 2010 until demand returns and we resume production to more normal levels. Net unrealized mark-to-market derivative losses, primarily on natural gas derivatives, included in cost of goods sold were $58.1 million in fiscal 2009 compared with a net gain of $3.5 million for the same period a year ago.

We recorded $415.5 million in Canadian resource taxes and royalties in fiscal 2009 compared to $361.8 million in fiscal 2008. The increase in these taxes is a result of our increased profitability and increased potash selling prices.

As part of our strategic initiatives, we have continued with our plans to grow our Potash business through expansion of our existing potash mines by more than five million tonnes of annual capacity over the next eleven years. We believe forecasted global demand and supply fundamentals support the need for our growth. Some of the expansions are already underway while others are in the planning and approval stages. We believe that our expansions remain cost effective, financially attractive and significantly less costly than the cost of a greenfield project. We have the flexibility to moderate the timing of these expansions, if necessary.

In addition to these expansions, we are currently required to allocate up to approximately 1.3 million tonnes of the annual production capacity of our Esterhazy, Saskatchewan, potash mine to satisfy our obligations under a contract to toll produce potash for Potash Corporation of Saskatchewan Inc. (***"PCS"***). We are entitled to utilize this capacity to produce potash for ourselves when we are not using it to satisfy our obligations to PCS. Based on current information and mine plans, we estimate our contract with PCS will expire by August 30, 2010. Since April 2009, PCS has failed to take delivery of or pay for potash that it ordered under the contract until further notice based on an alleged event of force majeure arising from PCS' alleged inability to physically receive, ship or store additional potash because of the global financial crisis. PCS' failure to take delivery of the potash it has ordered continues to contribute to the adverse effects of lower production rates discussed above. PCS has brought a lawsuit against us contesting our basis and timing for expiration of the contract and alleging damages based on our historical mining practices. We believe the allegations in the PCS lawsuit are without merit. We have filed a counterclaim against PCS for its breach of the contract in failing to take and pay for the product it has ordered under the contract. See Notes 20 and 21 of the Notes to Consolidated Financial Statements for additional information about this contract and the related lawsuit.

Our ongoing remediation efforts have reduced the brine inflows at our Esterhazy, Saskatchewan potash mine to a rate that is consistent with our experience in recent years, and we have reduced the accumulated brine level in the mine. We expensed $81.3 million, including depreciation of $6.5 million, and capitalized $17.2 million related to the brine inflows at our Esterhazy mine during fiscal 2009. In fiscal 2008 we expensed $72.3 million, including depreciation of $5.2 million, and capitalized $15.8 million related to brine inflows at our Esterhazy mine. Approximately 25% of these cash costs for the brine inflows were reimbursed under the tolling agreement discussed above.

Potash production was 6.1 million tonnes and 8.4 million tonnes for fiscal 2009 and 2008, respectively. We began reducing potash production at our mines and plants in the third quarter of fiscal 2009 in response to a build-up of inventories in crop nutrient distribution channels and a decline in demand and will continue to do so until demand improves.

Fiscal 2008 Compared to Fiscal 2007

Potash's net sales were $2.3 billion in fiscal 2008, compared to $1.5 billion in fiscal 2007. Potash's net sales increased 52% in fiscal 2008 compared to fiscal 2007 primarily due to a significant increase in potash selling prices along with higher sales volumes. The increase in potash selling prices was due to robust demand and tight market supplies as described in the Overview.

Potash sales volumes increased to 8.6 million tonnes in fiscal 2008 compared with 7.9 million tonnes the prior year, or 8%. This was a result of increased global demand, which we helped satisfy from a full year of production from our fiscal 2007 capacity expansion at our Esterhazy mine. International sales volumes increased approximately 15% due to increased demand for MOP. During fiscal 2008, completion of the potash supply contracts between Canpotex and its key customers in China were delayed into our fourth quarter. Product supply traditionally sold to the customers in China during the contract delay period was sold to other customers.

Our average MOP selling price was $226 per tonne in fiscal 2008, an increase of $82 per tonne compared with fiscal 2007. Our average K-Mag® selling price of $148 per tonne in fiscal 2008 increased $29 per tonne compared with fiscal 2007. Approximately 12% of our net sales were to non-agricultural customers during fiscal 2008 and 2007.

Potash gross margin for fiscal 2008 was $853.3 million compared with $413.9 million in fiscal 2007. Potash gross margin as a percent of net sales increased to 38% in fiscal 2008 from 28% in fiscal 2007 mainly due to the significant increases in potash selling prices, partially offset by higher costs of production compared with fiscal 2007. The increase in production costs was primarily the result of significantly higher Canadian resources taxes and royalties, the effect of a stronger Canadian dollar on operating costs and, to a lesser extent, the higher costs for resources due to continuing inflationary pressures.

We recorded approximately $361.8 million in Canadian resource taxes and royalties in fiscal 2008 compared to $154.1 million in fiscal 2007. This was a result of our increased profitability and higher potash selling prices.

Our production costs for our Potash operations also increased during fiscal 2008 compared with fiscal 2007 due to inflationary pressures on resources. Costs at our Belle Plaine, Saskatchewan, potash solution mine were significantly affected by increasing market prices for natural gas because solution mining, unlike shaft mining, uses a significant amount of natural gas in its production process.

Our remediation efforts reduced the brine inflows at our Esterhazy, Saskatchewan potash mine to a rate that was consistent with our experience in recent years. We expensed $72.3 million, including depreciation of $5.2 million, and capitalized $15.8 million related to the brine inflows at our Esterhazy mine during fiscal 2008. In fiscal 2007 we expensed $56.2 million, including depreciation of $1.4 million, and capitalized $45.9 million related to brine inflows at our Esterhazy mine. Approximately 25% of these cash costs for the brine inflows were reimbursed by PCS in accordance with our agreement.

Potash production was 8.4 million tonnes and 8.0 million tonnes for fiscal 2008 and 2007, respectively.

OFFSHORE NET SALES AND GROSS MARGIN

The following table summarizes Offshore net sales, gross margin, and gross margin as a percent of net sales:

	Years Ended May 31,			2009-2008		2008-2007	
(in millions)	2009	2008	2007	Change	Percent	Change	Percent
Net sales	$2,349.2	$2,223.8	$1,355.6	$ 125.4	6%	$868.2	64%
Cost of goods sold	2,207.8	1,945.9	1,276.9	261.9	13%	669.0	52%
Lower of cost or market write-down[(a)]	246.7	–	–	246.7	NM	–	NM
Gross margin	$ (105.3)	$ 277.9	$ 78.7	$(383.2)	NM	$199.2	253%
Gross margin as a percent of net sales	(4.5%)	12.5%	5.8%				

(a) Over the course of fiscal 2009, the Offshore segment recorded lower of cost or market inventory write-downs totaling $246.7 million; however, the consolidated impact was $149.7 million in fiscal 2009, as some of the product was purchased from the Phosphates segment. The $97.0 million intercompany amount for fiscal 2009 was eliminated and included in our Corporate, Eliminations, and Other segment.

Fiscal 2009 Compared to Fiscal 2008

Offshore's net sales were $2.3 billion in fiscal 2009 compared with $2.2 billion in fiscal 2008, an increase of 6%, primarily as a result of an increase in selling prices partly offset by a decline in sales volumes. The decline in Offshore's selling volumes was due to the softening of agricultural fundamentals and industry demand as described in the Overview. Our Offshore segment sells products produced by our Phosphates and Potash segments, as well as other suppliers.

Gross margin decreased to a loss of $105.3 million, compared to earnings of $277.9 million, or 13% of net sales, in fiscal 2008. The decline in gross margin compared with a year ago was primarily due to the effect of carrying inventories during a period of declining selling prices in fiscal 2009, which triggered lower of cost or market inventory write-downs. In fiscal 2008, we benefited from carrying inventories during a period of rising selling prices.

Fiscal 2008 Compared to Fiscal 2007

Offshore's net sales were $2.2 billion in fiscal 2008 compared with $1.4 billion in fiscal 2007, an increase of 64%, primarily as a result of increased selling prices. The increase in Offshore selling prices was due to robust demand and tight market supplies as described in the Overview.

Gross margins increased to $277.9 million, or 13% of net sales, compared to $78.7 million, or 6% of net sales, in fiscal 2007. The increase in gross margin as a percentage of net sales was primarily due to the increase in selling prices and the benefit of positioning of lower cost inventories during a period of rising selling prices.

Other Income Statement Items

	Years Ended May 31,			2009-2008		2008-2007		Percent of Net Sales		
(in millions)	2009	2008	2007	Change	Percent	Change	Percent	2009	2008	2007
Selling, general and administrative expenses	$ 321.4	$323.8	$309.8	$ (2.4)	(1%)	$ 14.0	5%	3%	3%	5%
Other operating expenses	44.4	30.0	–	14.4	48%	30.0	NM	0%	0%	0%
Interest expense	90.2	124.0	171.5	(33.8)	(27%)	(47.5)	(28%)	1%	1%	3%
Interest income	46.9	33.5	21.9	13.4	40%	11.6	53%	0%	0%	0%
Interest expense, net	43.3	90.5	149.6	(47.2)	(52%)	(59.1)	(40%)	0%	1%	3%
Foreign currency transaction loss	131.8	57.5	8.6	74.3	129%	48.9	569%	1%	1%	0%
(Gain) loss on extinguishment of debt	(2.5)	2.6	(34.6)	(5.1)	(196%)	37.2	NM	0%	0%	(1%)
(Gain) on sale of equity method investment	(673.4)	–	–	(673.4)	NM	–	NM	(7%)	0%	0%
Other (income)	(4.0)	(26.3)	(13.0)	(22.3)	85%	(13.3)	102%	0%	0%	0%
Provision for income taxes	649.3	714.9	123.4	65.6	9%	591.5	479%	6%	7%	2%
Equity in net earnings of nonconsolidated companies	100.1	124.0	41.3	(23.9)	(19%)	82.7	200%	1%	1%	1%

Selling, General and Administrative Expenses

Selling, general and administrative expenses were relatively flat at $321.4 million for fiscal 2009 compared to $323.8 million for fiscal 2008 and were $309.8 million for fiscal 2007. The increase in selling, general and administrative expenses from fiscal 2007 to fiscal 2008 was primarily the result of higher incentive compensation accruals and external consulting fees.

Other Operating Expenses

We had other operating expenses of $44.4 million in fiscal 2009 compared to $30.0 million in fiscal 2008. The increase in other operating expenses over the prior year was primarily due to losses on the disposal of fixed assets. Other operating expenses include revisions to our estimated cash flows for asset retirement obligations ("***ARO***") and ARO accretion expense of indefinitely closed facilities and gains/losses on disposal of fixed assets. Quarterly, we review the costs related to our ARO to determine if revisions are necessary. We normally have revisions to these costs as underlying factors change, such as water treatment costs.

We had other operating expenses of $30.0 million in fiscal 2008 compared to none in fiscal 2007. During fiscal 2008, we had revisions in our estimated cash flows for ARO, primarily related to water treatment and phosphogypsum stack closure costs at our former Green Bay, Florida, facility causing an increase over fiscal 2007. In fiscal 2007, revisions or other costs that related to AROs of indefinitely closed facilities were minimal. The remaining increase was related to losses on the disposal of fixed assets.

Interest Expense, net

Interest expense, net of interest income, was $43.3 million in fiscal 2009, compared to $90.5 million in fiscal 2008. The decrease in interest expense is primarily due to lower average debt balances as a result of repayments of long-term debt that occurred primarily during fiscal 2008. The increase in interest income for fiscal 2009 related to an increase in cash and cash equivalents as a result of our strong operating results in the first half of the fiscal year and the investment of the proceeds on the sale of our equity investment in Saskferco.

Interest expense, net of interest income, was $90.5 million in fiscal 2008, compared to $149.6 million in fiscal 2007. Interest expense decreased due to lower average debt balances as a result of repayments of long-term debt. The increase in interest income related to an increase in cash and cash equivalents as a result of our strong operating results in fiscal 2008.

Foreign Currency Transaction Loss

In fiscal 2009, we recorded a foreign currency transaction loss of $131.8 million compared with a loss of $57.5 million in fiscal 2008. The foreign currency transaction loss in fiscal 2009 was primarily the result of the effect of a strengthening U.S. dollar relative to the Brazilian real on significant U.S. dollar denominated payables in Brazil. The functional currency of our Brazilian operations is the Brazilian Real. The average value of the Brazilian real decreased by 21% in fiscal 2009.

In fiscal 2008, we recorded a foreign currency transaction loss of $57.5 million compared with a loss of $8.6 million in fiscal 2007. In both years, this was mainly the result of the effect of a weakening of the U.S. dollar relative to the Canadian dollar on significant U.S. dollar denominated intercompany receivables and cash held by our Canadian affiliates. The average value of the Canadian dollar increased by 7% in fiscal 2008, and this was slightly offset by the effect of the weakening of the U.S. dollar relative to the Brazilian real on U.S. dollar denominated payables.

Loss (Gain) on Extinguishment of Debt

We had a pre-tax gain on the extinguishment of debt of $33.9 million in the third quarter of fiscal 2007 related to the Refinancing of approximately $2 billion in debt on December 1, 2006. We also paid down approximately $280 million of debt in the fourth quarter of fiscal 2007, which triggered a gain on the extinguishment of debt of $0.7 million.

Gain on Sale of Equity Investment

We recorded a $673.4 million pre-tax gain on the sale of our equity method investment in Saskferco in fiscal 2009. For further discussion, refer to Note 9 of our Notes to Consolidated Financial Statements.

Other Income

We had other income of $4.0 million in fiscal 2009 compared to $26.3 million and $13.0 million in fiscal 2008 and 2007, respectively. Other income in fiscal 2008 primarily relates to a $24.6 million gain in December 2007 on our sale of an investment in a business in which IMC had sold the majority interest prior to the Combination. Other income in fiscal 2007 primarily relates to a favorable arbitration award received in July 2006 of $15.3 million that related to an environmental dispute involving IMC prior to the Combination.

Provision for Income Taxes

Years Ended May 31,	Effective Tax Rate	Provision for Income Taxes
2009	22.3%	$649.3
2008	26.7%	714.9
2007	24.4%	123.4

Income tax expense for fiscal 2009 was $649.3 million, an effective tax rate of 22.3%, on pre-tax income of $2.9 billion. The fiscal 2009 effective tax rate was favorably impacted by $282.7 million related to foreign tax credits associated with a special dividend that was distributed from our non-U.S. subsidiaries to our U.S. subsidiaries. The effective tax rate was unfavorably impacted by $90.9 million due to losses of $293.6 million in non-U.S. subsidiaries for which we have not realized a tax benefit in fiscal 2009.

Income tax expense for fiscal 2008 was $714.9 million, an effective tax rate of 26.7%, on pre-tax income of $2.7 billion. The fiscal 2008 rate reflects a number of benefits including $34.0 million from a reduction of our Canadian deferred tax liabilities as a result of a statutory reduction in the Canadian federal corporate tax rate, $62.2 million related to our ability to utilize foreign tax credits, $29.8 million related to the reduction of the valuation allowance that related to a portion of our U.S. deferred tax assets and approximately $30.0 million related to the reduction of the valuation allowance that related to a portion of our non-U.S. deferred tax assets.

Income tax expense for fiscal 2007 was $123.4 million, an effective tax rate of 24.4%, on pre-tax income of $505.7 million. The fiscal 2007 tax rate reflects a benefit of approximately $46.0 million from a reduction of our Canadian deferred tax liabilities as a result of a statutory reduction in the Canadian federal corporate tax rate and the elimination of the corporate surtax, a change in the pre-tax profit mix among Mosaic's business geographies, as well as a benefit from the U.S. valuation allowance that was reduced due to fiscal 2007 activity.

As of May 31, 2009 we had estimated carryforwards for tax purposes as follows: alternative minimum tax credits of $161.9 million, net operating losses of $456.3 million, capital losses of approximately $29.5 million, and foreign tax credits of $482.1 million. See Note 13 of our Notes to Consolidated Financial Statements for further information about these carryforwards.

Equity in Net Earnings of Non-Consolidated Companies

Equity in net earnings of non-consolidated companies was $100.1 million in fiscal 2009 compared with $124.0 million in fiscal 2008. The largest earnings contributors were Fertifos S.A. and its subsidiary Fosfertil, which are included in our Offshore segment, and Saskferco, which is included in our Corporate, Eliminations, and Other segment. The decrease in equity earnings in fiscal 2009 resulted from a decrease in equity earnings in fiscal 2009 from Saskferco. Equity earnings from Saskferco decreased as a result of its sale in the second quarter of fiscal 2009 as discussed above. This decrease was partially offset by an increase in equity earnings in fiscal 2009 from Fertifos S.A. and its subsidiary Fosfertil. Equity earnings increased from Fertifos S.A. and its subsidiary Fosfertil due to increased selling prices in the first two quarters of the fiscal year.

Equity in net earnings of non-consolidated companies was $124.0 million in fiscal 2008 compared with $41.3 million in fiscal 2007. The largest earnings contributors were Fertifos S.A., its subsidiary Fosfertil and Saskferco. The increase in equity earnings in fiscal 2008 from Fertifos S.A. and its subsidiary Fosfertil was a result of higher local demand for crop nutrient products and increased selling prices because of the strong global agricultural fundamentals. The increase in equity earnings in fiscal 2008 from Saskferco was a result of higher nitrogen selling prices and mark-to-market gains on natural gas derivatives.

CRITICAL ACCOUNTING ESTIMATES

The Consolidated Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the Consolidated Financial Statements, we are required to make various judgments, estimates and assumptions that could have a significant impact on the results reported in the Consolidated Financial Statements. We base these estimates on historical experience and other assumptions believed to be reasonable by management under the circumstances. Changes in these estimates could have a material effect on our Consolidated Financial Statements.

Our significant accounting policies can be found in Note 2 of our Notes to the Consolidated Financial Statements. We believe the following accounting policies may include a higher degree of judgment and complexity in their application and are most critical to aid in fully understanding and evaluating our reported financial condition and results of operations.

Recoverability of Non-Current Assets

Management's assessments of the recoverability and impairment tests of non-current assets involve critical accounting estimates. These estimates require significant management judgment, include inherent uncertainties and are often interdependent; therefore, they do not change in isolation. Factors that management must estimate include, among others, the economic life of the asset, sales volume, prices, inflation, cost of capital, foreign currency exchange rates, tax rates and capital spending. These factors are even more difficult to predict when global financial markets are highly volatile. The estimates we use when assessing the recoverability and impairment of non-current assets are consistent with those we use in our internal planning. The variability of these factors depends on a number of conditions, including uncertainty about future events, and thus our estimates may change from period to period. If differing assumptions and estimates had been used in the current period, impairment charges could have resulted. As mentioned above, these factors do not change in isolation; and therefore, it is not practicable to present the impact of changing a single factor. Furthermore, if management uses different assumptions or if different conditions occur in future periods, future impairment charges could result and could be material. Impairments generally would be non-cash charges.

Our Company faces many uncertainties and risks related to various economic, political and regulatory environments in the countries in which we operate. Refer to "Item 1A. Risk Factors" of our annual report on Form 10-K for the fiscal year ended May 31, 2009. As a result, management must make numerous assumptions which involve a significant amount of judgment when completing recoverability and impairment tests of non-current assets.

We perform recoverability and impairment tests of non-current assets in accordance with accounting principles generally accepted in the United States. For long-lived assets, recoverability and/or impairment tests are required only when conditions exist that indicate the carrying value may not be recoverable. During the current fiscal year, no material impairment was indicated. For goodwill, impairment tests are required at least annually, or more frequently, if events or circumstances indicate that it may be impaired.

The goodwill impairment test is performed in two phases. The first step compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. However, if the carrying amount of the reporting unit exceeds its fair value, an additional procedure would be performed. That additional procedure would compare the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. An impairment loss would be recorded to the extent that the carrying amount of goodwill exceeds its implied fair value.

In accordance with Statement of Financial Accounting Standard (***"SFAS"***) No. 142, *Goodwill and Other Intangible Assets*, the carrying value of goodwill in our business segments, which are also our reporting units, is tested annually for possible impairment during the second quarter of each fiscal year, using a discounted cash flow approach. Growth rates for sales and profits are determined using inputs from our annual long-range planning process. The rates used to discount projected future cash flows reflect a weighted average cost of capital based on the Company's industry, capital structure and risk premiums including those reflected in the current market capitalization. When preparing these estimates, management considers each reporting unit's historical results, current operating trends, and specific plans in place. These estimates are impacted by variable factors including inflation, the general health of the economy and market competition. In addition, material events and circumstances that might be indicators of possible impairment are assessed during other interim periods. No goodwill impairment was indicated in the current fiscal year. Further, our market capitalization exceeded our net book value at the end of each quarter of fiscal year 2009. See Note 10 of our Notes to Consolidated Financial Statements for additional information regarding goodwill. At May 31, 2009 we had $1.7 billion of goodwill.

Useful Lives of Depreciable Assets

Property, plant and equipment are depreciated based on their estimated useful lives, which typically range from three to 40 years. We estimate initial useful lives based on experience and current technology. These estimates may be extended through sustaining capital programs. Factors affecting the fair value of our assets may also affect the estimated useful lives of our assets and these factors can change. Therefore, we periodically review the estimated remaining useful lives of our facilities and other significant assets and adjust our depreciation rates prospectively where appropriate.

Derivative Financial Instruments

We periodically enter into derivatives to mitigate our exposure to foreign currency risks and the effects of changing commodity and freight prices. SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* requires us to record all derivatives on the balance sheet at fair value. Changes in the fair value of the foreign currency, commodity, and freight derivatives are immediately recognized in earnings because we do not apply hedge accounting treatment to these instruments. In accordance with SFAS No. 157, *Fair Value Measurements,* which we adopted as of June 1, 2008, the fair value of these instruments is determined by using quoted market prices, third party comparables, or internal estimates. See Notes 15 and 16 of our Notes to Consolidated Financial Statements for additional information regarding derivatives.

Inventories

We follow the provisions of Accounting Research Bulletin 43, Ch. 4, *Inventory Pricing,* to evaluate whether or not the cost of our inventories exceeds their market values. Market values are defined as forecasted selling prices less reasonably predictable selling costs (net realizable value). Significant management judgment is involved in estimating future selling prices. Factors affecting forecasted selling prices include demand and supply variables. Examples of demand variables include grain and oilseed prices and stock-to-use ratios, and changes in inventories in the crop nutrient distribution channels. Examples of supply variables include forecasted prices of raw materials, such as phosphate rock, sulfur, ammonia, and natural gas, estimated operating rates and industry crop nutrient inventory levels. Results could differ materially if actual selling prices differ materially from forecasted selling prices. These factors do not change in isolation; and therefore, it is not practicable to present the impact of changing a single factor. Charges for lower of cost or market are recognized in our Consolidated Statements of Earnings in the period when there is evidence of a permanent decline of market value below cost. During the year ended May 31, 2009, we recorded charges of $383.2 million for lower of cost or market inventory write-downs. Our inventory balance in the Consolidated Balance Sheet at May 31, 2009, was impacted by $86.9 million which related to lower of cost or market write-downs.

We follow the provisions of SFAS 151, *Inventory Costs – an amendment of ARB No. 43, Chapter 4*, (***"SFAS 151"***). SFAS 151 provides that the allocation of fixed expense to the costs of production should be based on the normal capacity, which refers to a range of production levels and is considered the production expected to be achieved over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. Fixed overhead costs allocated to each unit of production should not increase due to abnormally low production. Those excess costs are recognized as a current period expense. When a production facility is completely shut down temporarily, it is considered "idle," and all related expenses are charged to cost of goods sold.

Environmental Liabilities and Asset Retirement Obligations

We record accrued liabilities for various environmental and reclamation matters including the demolition of former operating facilities, and AROs.

Accruals for environmental matters are based primarily on third party estimates for the cost of remediation at previously operated sites and estimates of legal costs for ongoing environmental litigation. In accordance with Statement of Position 96-1, *Environmental Remediation Liabilities,* which prescribes the guidance contained within SFAS No. 5, *Accounting for Contingencies,* (***"SFAS 5"***) and Financial Accounting Standards Board (***"FASB"***) Interpretation No. 14, *Reasonable Estimation of an Amount of a Loss,* we are required to assess the likelihood of material adverse judgments or outcomes as well as potential ranges or probability of losses. We determine the amount of accruals required, if any, for contingencies after carefully analyzing each individual matter. Actual costs incurred in future periods may vary from the estimates, given the inherent uncertainties in evaluating environmental exposures. As of May 31, 2009 and 2008, we had accrued $27.6 million and $22.8 million, respectively, for environmental matters.

Based upon the guidance of SFAS No. 143, *Accounting for Asset Retirement Obligations,* (***"SFAS 143"***) and FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (***"FIN 47"***), we engage internal engineering experts as well as third-party consultants to assist management in determining the costs of retiring certain of our long-term operating assets. Assumptions and estimates reflect our historical experience and our best judgments regarding future expenditures. The assumed costs are inflated based on an estimated inflation factor and discounted based on a credit-adjusted risk-free rate. For operating facilities, fluctuations in the estimated costs (including those resulting from a change in environmental regulations), inflation rates and discount rates can have a significant impact on the amounts recorded on the Consolidated Balance Sheets. However, changes in the assumptions would not have a significant impact on the Consolidated Statements of Earnings. For indefinitely closed facilities and land reclamation, fluctuations in the estimated costs, inflation and discount rates can have an impact on the Consolidated Statements of Earnings. The land reclamation occurs approximately at the same pace as the mining activity; as such, we determined that it is appropriate to capitalize an amount of asset retirement cost and allocate an equal amount to expense in the same accounting period. In addition, our closed facilities do not have a future economic life; therefore, any changes to those balances have an immediate impact on our Consolidated Statements of Earnings. A further discussion of our ARO's can be found in Note 14 of our Notes to Consolidated Financial Statements.

Pension Plans and Other Postretirement Benefits

The accounting for benefit plans is highly dependent on valuation of pension assets and actuarial estimates and assumptions.

We have investments that require the use of management estimates to determine their valuation. These estimates include third-party comparables or other internal estimates. However, we believe that our defined benefit pension plan is well diversified with an asset allocation policy that provides the pension plan with the appropriate balance of investment return and volatility risk given the funded nature of the plan, our present and future liability characteristics and our long-term investment horizon. The primary investment objective is to provide that adequate assets are available to meet future liabilities. To accomplish this, we monitor and manage the assets of the plan to better insulate the portfolio from changes in interest rates that impact the assets and liabilities.

The assumptions and actuarial estimates required to estimate the employee benefit obligations for pension plans and other postretirement benefits include discount rate, expected salary increases, certain employee-related factors, such as turnover, retirement age and mortality (life expectancy), expected return on assets and healthcare cost trend rates. We evaluate these critical assumptions at least annually. Our assumptions reflect our historical experiences and our best judgments regarding future expectations that have been deemed reasonable by management.

The judgments made in determining the costs of our benefit plans can impact our Consolidated Statements of Earnings. As a result, we obtain assistance from actuarial experts to aid in developing reasonable assumptions and cost estimates. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors. The effects of actual results differing from our assumptions are included as a component of other comprehensive income/(expense) as unamortized net gains and losses, which are amortized into the Consolidated Statements of Earnings over future periods. At May 31, 2009 and 2008, we had $140.3 million and $155.1 million, respectively, accrued for pension and other postretirement benefit obligations. We have included a further discussion of pension and other postretirement benefits in Note 18 of our Notes to Consolidated Financial Statements.

Income Taxes

In preparing our Consolidated Financial Statements, we utilize the asset and liability approach in accounting for income taxes. We recognize income taxes in each of the jurisdictions in which we have a presence. For each jurisdiction, we estimate the actual amount of income taxes currently payable or receivable, as well as deferred income tax assets and liabilities attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

A valuation allowance is provided for those deferred tax assets for which it is more likely than not that the related tax benefits will not be realized. In determining whether a valuation allowance is required to be recorded, we apply the principles enumerated in SFAS No. 109, *Accounting for Income Taxes* (***"SFAS 109"***), in each jurisdiction in which a deferred income tax asset is recorded. We evaluate our ability to realize the tax benefits associated with deferred tax assets by analyzing the relative impact of all the available positive and negative evidence regarding our forecasted taxable income using both historical and projected future operating results, the reversal of existing taxable temporary differences, taxable income in prior carry-back years (if permitted) and the availability of tax planning strategies. If during an accounting period we determine that we will not realize all or a portion of our deferred tax assets, we will increase our valuation allowances with a charge to income tax expense. Conversely, if we determine that we will ultimately be able to realize all or a portion of the related tax benefits, we will reduce valuation allowances with either (i) a reduction to goodwill in fiscal 2009, if the reduction relates to purchase accounting valuation allowances, or (ii) in all other cases, with a reduction to income tax expense. As discussed in Note 4 of our Notes to Consolidated Financial Statements, when we adopt SFAS 141 (revised 2007), *Business Combinations* (***"SFAS 141(R)"***) in fiscal 2010, changes in deferred tax asset valuation allowances from a business combination after the measurement period will be recorded as an adjustment to income tax expense and not goodwill beginning in fiscal 2010. During fiscal 2009, we determined that it was more likely than not that we would not realize certain non-U.S. deferred tax assets of $106.0 million and a valuation allowance was established, which was recorded as an adjustment to income tax expense. The triggering event for recording the valuation allowance was due to a change in profitability in our Offshore geographies in fiscal 2009.

Effective June 1, 2007, we adopted the provisions of FASB Interpretation No 48 (***"FIN 48"***), *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109.* Under FIN 48, no benefit relating to an uncertain income tax position will be recognized unless it is more likely than not that the position would be sustained upon audit by the relevant taxing authority. The impact of an uncertain tax position on the income tax return must be recognized at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority.

We have included a further discussion of income taxes in Note 13 of our Notes to Consolidated Financial Statements.

Canadian Resource Taxes and Royalties

We pay Canadian resource taxes consisting of the Potash Production Tax and capital taxes. The Potash Production Tax is a Saskatchewan provincial tax on potash production and consists of a base payment and a profits tax. We also pay the greater of (i) a capital tax on the paid-up capital of our subsidiaries that own and operate our Saskatchewan potash mines or (ii) a percentage of the value of resource sales from our Saskatchewan mines. We also pay capital tax in other Canadian provinces. In addition to the Canadian resource taxes, royalties are payable to the mineral owners in respect of potash reserves or production of potash. These resource taxes and royalties are recorded in our cost of goods sold in our Consolidated Statements of Earnings. Our Canadian resource taxes and royalties expenses were $415.5 million, $361.8 million and $154.1 million for fiscal 2009, 2008 and 2007 respectively. As of May 31, 2009 and 2008, our Canadian resource taxes and royalties accruals were $62.4 million and $303.2 million, respectively, on our Consolidated Balance Sheets.

The profits tax is the most significant part of the Potash Production Tax. The profits tax is calculated on the potash content of each tonne sold (***"K_2O tonne"***) from each Saskatchewan mine. A 15% tax rate applies to the first $60.65 (Canadian dollar) of profit per K_2O tonne and a 35% rate applies to the additional profit per K_2O tonne. Not all K_2O tonnes sold are subject to the profits tax. Although all K_2O tonnes sold by mine are used in calculating profit per K_2O tonne, the tax is applied to the lesser of (i) actual K_2O tonnes sold or (ii) the average K_2O tonnes sold for the years 2001 and 2002. The Potash Production Tax is calculated on a calendar year basis and the total expense for fiscal 2009 is based in part on forecasted profit per K_2O tonne for calendar 2009. In calculating profit per K_2O tonne for profits tax purposes, we deduct, among other operating expenses, a depreciation allowance with a majority of the depreciation allowance in fiscal 2009 at a 120% rate.

If differing assumptions and estimates had been used in the current period, including assumptions regarding future potash selling prices and sales volumes, the accruals for Canadian resource taxes and royalties could have changed. These factors do not change in isolation; and therefore, it is not practicable to present the impact of changing a single factor.

Litigation

We are involved from time to time in claims and legal actions incidental to our operations, both as plaintiff and defendant. We have established what we currently believe to be adequate accruals for pending legal matters. These accruals are established as part of an ongoing worldwide assessment of claims and legal actions that takes into consideration such items as advice of legal counsel, individual developments in court proceedings, changes in the law, changes in business focus, changes in the litigation environment, changes in opponent strategy and tactics, new developments as a result of ongoing discovery, and past experience in defending and settling similar claims. Changes in accruals, both up and down, are part of the ordinary, recurring course of business, in which management, after consultation with legal counsel, is required to make estimates of various amounts for business and strategic planning purposes, as well as for accounting and Securities Exchange Act of 1934 reporting purposes. These changes are reflected in the reported earnings of the Company each quarter. The litigation accruals at any time reflect updated assessments of the then-existing claims and legal actions as assessed under SFAS 5. The final outcome or potential settlement of litigation matters could differ materially from the accruals which have been established by the Company.

LIQUIDITY AND CAPITAL RESOURCES

We define liquidity as the ability to generate adequate amounts of cash to meet current cash needs. We assess our liquidity in terms of our ability to fund working capital requirements, fund capital expenditures and expansion efforts in the future, and make payments on and refinance our indebtedness. This, to a certain extent, is subject to general economic, financial, competitive and other factors that are beyond our control.

Despite the global economic crisis and tight financial markets, we have significant liquidity and capital resources as of May 31, 2009 with approximately $2.7 billion in cash and cash equivalents, $8.5 billion of stockholders' equity, long-term debt (less current maturities of approximately $43.3 million) of $1.3 billion and short-term debt of $92.7 million. Maturities of long-term debt within the next five years are approximately $100 million.

Nearly all of our cash and cash equivalents are held in North America and are diversified in highly rated investment vehicles. In fiscal 2009, we did not experience any losses on our cash and cash equivalents balances and we did not experience any significant losses from bad debts.

We have a committed revolving credit facility in the amount of $450 million that matures in February 2010. The existing facility is with a syndicate of 25 financial institutions and the maximum counterparty concentration is 8%. Other than letters of credit ($21.9 million at May 31, 2009), we have not drawn on this revolving credit facility since November 30, 2006. To date we have not experienced any material reduction in credit availability. In light of the upcoming maturity of our current revolving credit facility, we expect to replace it with a new facility in the near future.

Funds generated by operating activities, available cash and cash equivalents, and our credit facilities continue to be our most significant sources of liquidity. We believe that our cash, other liquid assets and operating cash flow, together with available borrowings and potential access to credit and capital markets, will be sufficient to meet our operating and capital expenditure requirements and to service our debt and meet other contractual obligations as they become due. There can be no assurance, however, that we will continue to generate cash flows or have access to the credit markets to fund investment opportunities or working capital needs. Funds generated by our operating activities will be adversely affected as long as current market conditions for our products continue or deteriorate.

Cash Requirements

We have certain contractual cash obligations that require us to make payments on a scheduled basis which include, among other things, long-term debt payments, interest payments, operating leases, unconditional purchase obligations, and funding requirements of pension and postretirement obligations. Our long-term debt, including estimated interest payments, that has maturities ranging from one year to 18 years is our largest contractual cash obligation. Our next largest cash obligations are our AROs and other environmental obligations primarily related to our Phosphates segment and finally, our unconditional purchase obligations. Unconditional purchase obligations are contracts to purchase raw materials such as sulfur, ammonia and natural gas. We expect to fund our AROs, purchase obligations, and capital expenditures with a combination of operating cash flows, cash and cash equivalents, and borrowings. For fiscal 2010, we expect our capital expenditures to significantly increase due to large investments within our existing businesses, primarily Potash. See Off-Balance Sheet Arrangements and Obligations for the amounts owed by Mosaic under Contractual Cash Obligations below.

Sources and Uses of Cash

The following table represents a comparison of the cash provided by operating activities, cash used in investing activities, and cash used in financing activities for fiscal 2009, 2008 and 2007:

	Years Ended May 31,			2009-2008		2008-2007	
(in millions)	2009	2008	2007	$ Change	% Change	$ Change	% Change
Cash Flow							
Cash provided by operating activities	$1,242.6	$2,546.6	$ 707.9	$(1,304.0)	(51%)	$1,838.7	260%
Cash used in investing activities	(81.6)	(341.6)	(304.0)	260.0	(76%)	(37.6)	12%
Cash used in financing activities	(224.9)	(709.8)	(173.2)	484.9	(68%)	(536.6)	310%

Our strong operating cash flow primarily in the first half of fiscal 2009, and proceeds from the sale of Saskferco, resulted in cash and cash equivalents at May 31, 2009 of $2.7 billion, up from $2.0 billion at May 31, 2008. Funds generated by operating activities, available cash and cash equivalents and our credit facilities continue to be our most significant sources of liquidity. We believe funds generated from the expected results of operations and available cash and cash equivalents will be sufficient to finance anticipated expansion plans and strategic initiatives in fiscal 2010. In addition, our credit facilities are available for additional working capital needs and investment opportunities. There can be no assurance, however, that we will continue to generate cash flows at or above current levels.

Operating Activities

Operating activities provided $1.2 billion of cash for fiscal 2009, a decrease of $1.3 billion compared to fiscal 2008. The decrease in operating cash flows was primarily driven by changes in working capital levels that occurred in fiscal 2009 compared with fiscal 2008. The significant changes in working capital related to a reduction in accounts payable, an increase in other current assets, and a reduction in accounts receivable. Accounts payable decreased as a result of payments in the current fiscal year to finance our prior year Offshore inventories and a reduction in costs for the raw materials used in our Phosphates segment. Other current assets increased as a result of estimated tax payments made in fiscal 2009. Accounts receivable decreased as a result of lower sales volumes in the latter half of fiscal 2009.

Operating activities provided $2.5 billion of cash for fiscal 2008, an increase of $1.8 billion compared to fiscal 2007. The increase in cash flows was primarily the result of significant growth in net earnings, an increase in accrued liabilities primarily driven by an increase in customer prepayments and an increase in accounts payable to finance our Offshore inventories, partially offset by an increase in accounts receivable and inventories. Accounts receivable increased due to higher selling prices and sales volumes. Inventories increased as a result of higher sulfur and ammonia costs and an increase in our Offshore inventories as a result of accumulating lower cost inventories during a time of rising prices.

Investing Activities

Investing activities used $81.6 million of cash for fiscal 2009, a decrease of $260.0 million compared to fiscal 2008. The decrease in cash used in investing activities was mainly the result of higher capital expenditures in fiscal 2009 partially offset by proceeds from the sale of an investment. Capital expenditures increased due to expansions, debottlenecking opportunities, and plant improvements in our Potash segment; and plant improvements and investments in energy savings and debottlenecking projects in our Phosphates segment. For fiscal 2010, we expect to increase our capital expenditures in order to fund our initiatives for expanding our existing businesses and to sustain the operating rates necessary to support current and planned production volumes.

Investing activities used $341.6 million of cash for fiscal 2008, an increase of $37.6 million compared to fiscal 2007. The increase in cash used by investing activities was mainly the result of higher capital expenditures in fiscal 2008, partially offset by proceeds from the sale of an investment.

Financing Activities

Cash used in financing activities for fiscal 2009 was $224.9 million, a decrease of $484.9 million compared to fiscal 2008. The primary reason for the decrease in cash used in financing activities in fiscal 2009 relates to fewer payments made on debt as we have achieved our goal of reducing long-term debt.

Cash used in financing activities for fiscal 2008 was $709.8 million, an increase of $536.6 million compared to $173.2 million in fiscal 2007. The primary reason for the increase in cash used in financing activities in fiscal 2008 relates to the pay down of debt. We paid down $801 million of long-term debt in fiscal 2008. This was partially offset by increased proceeds from stock options exercised and excess tax benefits related to stock option exercises.

Debt Instruments, Guarantees and Related Covenants

Our strong cash flows during fiscal 2008 and the latter part of fiscal 2007 allowed us to prepay $1 billion in debt from May 1, 2007 through December 31, 2007, achieving our goal of reducing our long-term debt and marking a key milestone toward our goal of obtaining an investment grade credit rating. Subsequently, our strong cash flows allowed us to accumulate significant cash and cash equivalents and we were able to eliminate a restriction on capital expenditures from our debt covenants, which helps enable us to grow our businesses in the future. In June and July 2008, three credit rating agencies that rate our 7-3/8% senior notes due 2014 and 7-5/8% senior notes due 2016 (***"New Senior Notes"***) upgraded their ratings of the New Senior Notes and other unsecured debt to investment grade status.[2]

On December 1, 2006, we completed a refinancing, consisting of (i) the purchase by subsidiaries of approximately $1.4 billion of outstanding senior notes and debentures (***"Existing Notes"***) pursuant to tender offers and (ii) the refinancing of a $345.0 million term loan B facility under our then-existing bank credit agreement. The total consideration paid for the purchase of the Existing Notes, including tender premiums and consent payments but excluding accrued and unpaid interest, was approximately $1.5 billion. Mosaic funded the purchase of the Existing Notes and the refinancing of the then-existing term loan B facility through the issuance of the New Senior Notes, and new $400.0 million term loan A-1 and $612.0 million new term loan B facilities under an amended and restated senior secured bank credit agreement (***"Restated Credit Agreement"***). See Note 11 of our Notes to Consolidated Financial Statements for additional information relating to our financing arrangements, including the Refinancing. The Refinancing lengthened the average maturity of our indebtedness, decreased our annual cash interest payments, and increased our flexibility to reduce our level of debt thereafter.

New Senior Notes

The indenture relating to the New Senior Notes contained certain covenants and events of default that limited various matters or required us to take various actions under specified circumstances. Upon achieving an investment grade credit rating, pursuant to the terms of the indenture, most of the restrictive covenants relating to the New Senior Notes have fallen away. However, certain restrictive covenants of the New Senior Notes continue to apply, including restrictive covenants limiting liens, sale and leaseback transactions and mergers, consolidations and sales of substantially all assets, as well as the events of default.

The obligations under the New Senior Notes are guaranteed by substantially all of Mosaic's domestic subsidiaries that are involved in operating activities, Mosaic's subsidiaries that own and operate our potash mines at Belle Plaine and Colonsay, Saskatchewan, Canada, and intermediate holding companies through which Mosaic owns the guarantors. Subsidiaries that are not guarantors generally are other foreign subsidiaries, insignificant domestic subsidiaries and other domestic subsidiaries that are not directly engaged in operating activities.

Amended and Restated Credit Facilities

At May 31, 2009 and 2008, respectively, as a result of prepayments, the outstanding term loans under the Restated Credit Agreement were reduced to $0.2 million and $2.2 million principal amount of Term Loan A borrowings, $4.1 million and $19.2 million principal amount of Term Loan A-1 borrowings, and $8.8 million and $29.6 million principal amount of Term Loan B borrowings, respectively. The prepayments in fiscal 2009 resulted from a prepayment event due to our sale of Saskferco and, in fiscal 2008, resulted from voluntary prepayments from available cash generated by our ongoing business operations.

The Restated Credit Agreement includes our committed revolving credit facility in the amount of $450 million discussed above under "Liquidity and Capital Resources."

The Restated Credit Agreement requires us to maintain certain financial ratios, including a leverage ratio and an interest coverage ratio. The Restated Credit Agreement also contains events of default and covenants that, among other things, limit our ability to:

- borrow money, issue specified types of preferred stock or guarantee or provide other support for indebtedness of third parties, including guarantees to finance purchases of our products;
- pay dividends on, redeem or repurchase our capital stock;
- make investments in or loans to entities that we do not control, including joint ventures;
- transact business with Cargill, which owns approximately 64.3% of Mosaic's outstanding common stock, or Cargill's other subsidiaries, except under circumstances intended to provide comfort that the transactions are fair to us;

[2] *A security rating is not a recommendation to buy, sell or hold securities. Although a security rating may be subject to revision or withdrawal at any time by the assigning rating organization, any such revision or withdrawal would not affect the fall-away of the covenants relating to the New Senior Notes. Each rating should be evaluated separately from any other rating.*

- use assets as security for the payment of our obligations;
- sell assets, other than sales of inventory in the ordinary course of business, except in compliance with specified limits and up to specified dollar amounts, and in some cases require that we use the net proceeds to repay indebtedness or reinvest in replacement assets;
- merge with or into other companies;
- enter into sale and leaseback transactions;
- enter into unrelated businesses;
- enter into speculative swaps, derivatives or similar transactions;
- fund our Offshore business segment from our North American operations; or
- prepay indebtedness.

In addition, a change of control of Mosaic is a default under the Restated Credit Agreement.

The Restated Credit Agreement also contains other covenants and events of default that limit various matters or require us to take various actions under specified circumstances.

The obligations under the Restated Credit Agreement are guaranteed by substantially all of our domestic subsidiaries that are involved in operating activities, our subsidiaries that own and operate our potash mines at Belle Plaine and Colonsay, Saskatchewan, Canada, and intermediate holding companies through which we own the guarantors. Subsidiaries that are not guarantors generally are other foreign subsidiaries, insignificant domestic subsidiaries and other domestic subsidiaries that are not directly engaged in operating activities. The obligations are secured by security interests in, mortgages on and/or pledges of (i) the equity interests in the guarantors and in domestic subsidiaries held directly by Mosaic and the guarantors under the Restated Credit Agreement; (ii) 65% of the equity interests in other foreign subsidiaries held directly by Mosaic and such guarantors; (iii) intercompany borrowings by subsidiaries that are held by Mosaic and such guarantors; (iv) our Belle Plaine and Colonsay, Saskatchewan, Canada and Hersey, Michigan potash mines and Riverview, Florida phosphate plant; and (v) all inventory and receivables of Mosaic and such guarantors.

Cross-Default Provisions

Most of our material debt instruments, including the Restated Credit Agreement and the indenture relating to the New Senior Notes, have cross-default provisions. In general, pursuant to these provisions, a failure to pay principal or interest under other indebtedness in excess of a specified threshold amount will result in a cross-default. The threshold under the Restated Credit Agreement and the indenture relating to the New Senior Notes is $30.0 million. Of our material debt instruments, the indentures relating to Mosaic Global Holdings' 7.375% debentures due 2018 and 7.300% debentures due 2028 have the lowest specified cross-default threshold amount, $25.0 million.

Other Debt Repayments

On August 1, 2008 we called the remaining $3.5 million of the 10.875% notes due on August 1, 2013 pursuant to the call provisions of such notes.

In fiscal 2009, we purchased an aggregate principal amount of our notes on the open market of $29.2 million, and the price paid was $26.9 million plus accrued interest, resulting in a discount of $2.3 million.

Additional information regarding our financing arrangements is included in Note 11 of our Notes to Consolidated Financial Statements.

Financial Assurance Requirements

In addition to various operational and environmental regulations related to Phosphates, we are subject to financial assurance requirements. In various jurisdictions in which we operate, particularly Florida and Louisiana, we are required to pass a financial strength test or provide credit support, typically in the form of surety bonds or letters of credit. See Other Commercial Commitments under Off-Balance Sheet Arrangements and Obligations for additional information about these requirements.

OFF-BALANCE SHEET ARRANGEMENTS AND OBLIGATIONS

Off-Balance Sheet Arrangements

In accordance with the definition under rules of the Securities and Exchange Commission (***"SEC"***), the following qualify as off-balance sheet arrangements:

- any obligation under a guarantee contract that has any of the characteristics identified in paragraph 3 of FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (***"FIN 45"***);
- a contingent interest in assets transferred to an unconsolidated entity or similar entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets;
- any obligation, including a contingent obligation, under contracts that would be accounted for as derivative instruments that are indexed to the Company's own stock and classified as equity; and
- any obligation, arising out of a variable interest in an unconsolidated entity that is held by, and material to, the registrant, where such entity provides financing, liquidity, market risk or credit risk support to the registrant, or engages in leasing, hedging or research and development services with the registrant.

Information regarding guarantees that meet the requirements of FIN 45 paragraph 3 is included in Note 17 of our Notes to Consolidated Financial Statements and is hereby incorporated by reference. We do not have any contingent interest in assets transferred, derivative instruments, or variable interest entities that qualify as off-balance sheet arrangements under SEC rules.

Contractual Cash Obligations

The following is a summary of our contractual cash obligations as of May 31, 2009:

		Payments by Fiscal Year			
(in millions)	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
Long-term debt	$1,291.3	$ 42.4	$ 60.1	$ 0.9	$1,187.9
Estimated interest payments on long-term debt[a]	754.7	95.1	184.4	177.7	297.5
Operating leases	151.0	43.1	60.1	31.5	16.3
Purchase commitments[b]	1,132.2	778.0	318.3	27.4	8.5
Pension and postretirement liabilities[c]	453.6	28.8	86.7	92.1	246.0
Total contractual cash obligations	$3,782.8	$987.4	$709.6	$329.6	$1,756.2

(a) Based on interest rates and debt balances as of May 31, 2009.

(b) Based on prevailing market prices as of May 31, 2009.

(c) Fiscal 2010 pension plan payments are based on minimum funding requirements. For years thereafter, pension plan payments are based on expected benefits paid. The postretirement plan payments are based on projected benefit payments.

Other Commercial Commitments

The following is a summary of our other commercial commitments as of May 31, 2009:

		Commitment Expiration by Fiscal Year			
(in millions)	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
Letters of credit	$ 28.1	$ 27.2	$ 0.9	$ –	$ –
Surety bonds	173.9	145.9	28.0	–	–
Total	$202.0	$173.1	$28.9	$ –	$ –

The surety bonds and letters of credit generally expire within one year or less but a substantial portion of these instruments provide financial assurance for continuing obligations and, therefore, in most cases, must be renewed on an annual basis. We primarily incur liabilities for reclamation activities and phosphogypsum stack system closure in our Florida and Louisiana operations where, in order to obtain necessary permits, we must either pass a test of financial strength or provide credit support, typically in the form of surety bonds or letters of credit. As of May 31, 2009, we had $145.2 million in surety bonds outstanding for mining reclamation obligations in Florida. We have letters of credit directly supporting mining reclamation activity of $1.0 million. The surety bonds generally require us to obtain a discharge of the bonds or to post additional collateral (typically in the form of cash or letters of credit) at the request of the issuer of the bonds.

We are subject to financial responsibility obligations for our phosphogypsum stack systems in Florida and Louisiana. We are currently in compliance with these financial assurance requirements because our financial strength permits us to meet applicable financial strength tests. However, prior to May 31, 2009, we did not meet the applicable financial strength tests, and there can be no assurance that we will be able to continue to meet these financial strength tests. If we do not meet applicable financial strength tests in the future, we could be required to seek an alternate financial strength test acceptable to state regulatory authorities or provide credit support, which may include surety bonds, letters of credit and cash escrows. Assuming we maintain our current levels of liquidity and capital resources, we do not expect that compliance with current or alternative requirements will have a material effect on our results of operations, liquidity or capital resources. See Note 21 of our Notes to Consolidated Financial Statements for more information on our compliance with applicable financial responsibility regulations.

Other Long-Term Obligations

The following is a summary of our other long-term obligations as of May 31, 2009:

		Payments by Fiscal Year			
(in millions)	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
Asset retirement obligations[a]	$1,591.6	$79.8	$105.8	$79.5	$1,326.5

(a) Represents the undiscounted, inflation adjusted estimated cash outflows required to settle the asset retirement obligations. The corresponding present value of these future expenditures is $530.7 million as of May 31, 2009, and is reflected in our accrued liabilities and other noncurrent liabilities in our Consolidated Balance Sheets.

As of May 31, 2009, we had contractual commitments from non-affiliated customers for the shipment of approximately 2.2 million tonnes of concentrated phosphates, phosphate feed products amounting to approximately 0.2 million tonnes, and potash amounting to approximately 1.2 million tonnes for fiscal 2010.

Most of our export sales of phosphate and potash crop nutrients are marketed through two North American export associations, PhosChem and Canpotex, respectively, which fund their operations in part through third-party financing facilities. As a member, Mosaic or our subsidiaries are, subject to certain conditions and exceptions, contractually obligated to reimburse the export associations for their pro rata share of any operating expenses or other liabilities incurred. The reimbursements are made through reductions to members' cash receipts from the export associations.

Commitments are set forth in Note 20 of our Notes to Consolidated Financial Statements and are incorporated herein by reference.

Income Tax Obligations

Unrecognized income tax benefits as of May 31, 2009 of $100.2 million are not included in the other long-term obligations table presented above because the timing of the settlement of unrecognized tax benefits cannot be fully determined. For further discussion, refer to Note 13 of our Notes to Consolidated Financial Statements.

MARKET RISK

We are exposed to the impact of fluctuations in the relative value of currencies, fluctuations in the purchase price of natural gas, ammonia and sulfur consumed in operations, and changes in freight costs, as well as changes in the market value of our financial instruments. We periodically enter into derivatives in order to mitigate our foreign currency risks and the effects of changing commodity prices and freight prices, but not for speculative purposes.

Foreign Currency Exchange Rates

We use financial instruments, including forward contracts, zero-cost collars and futures, which typically expire within one year, to reduce the impact of foreign currency exchange risk in the Consolidated Statements of Earnings and the Consolidated Statements of Cash Flows. One of the primary currency exposures relates to several of our Canadian entities, whose sales are denominated in U.S. dollars, but whose costs are paid principally in Canadian dollars, which is their functional currency. Our Canadian businesses monitor their foreign currency risk by estimating their forecasted transactions and measuring their balance sheet exposure in U.S. dollars and Canadian dollars. We hedge certain of these risks through forward contracts and zero-cost collars. Our Brazilian entities also generate significant currency exposure by purchasing inventory in U.S. dollars and selling product in Brazilian reals, which is their functional currency. Our Brazilian businesses monitor their foreign currency risk by measuring their balance sheet exposure and estimating their forecasted transactions in U.S. dollars and Brazilian reals. We hedge certain of these risks through futures and non-deliverable forward contracts.

Our foreign currency exchange contracts do not qualify for hedge accounting under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended (***"SFAS 133"***); therefore, all gains and losses are recorded in the Consolidated Statements of Earnings. Gains and losses on foreign currency exchange contracts related to inventory purchases are recorded in cost of goods sold in the Consolidated Statements of Earnings. Gains or losses used to hedge changes in our financial position are included in the foreign currency transaction losses line in the Consolidated Statements of Earnings.

As discussed above, we have Canadian dollar, Brazilian real, and other foreign currency exchange contracts. As of May 31, 2009 and 2008, the fair value of all of our foreign currency exchange contracts was ($23.2) million and $3.6 million, respectively. We recorded an unrealized gain of $3.3 million in cost of goods sold and recorded an unrealized loss of $31.6 million in foreign currency transaction gain (losses) in the Consolidated Statements of Earnings for fiscal 2009.

The table below provides information about Mosaic's significant foreign exchange derivatives.

	As of May 31, 2009	
(in millions)	Expected Maturity Date Fiscal 2010	Fair Value
Foreign Currency Exchange Forwards		
Canadian Dollar		
Notional (million U.S.$)	$ 130.0	$ 11.5
Weighted Average Rate – Canadian dollar to U.S. dollar	1.1927	
Foreign Currency Exchange Non-Deliverable Forwards Brazilian Real		
Notional (million U.S.$)	$ 330.8	$(26.0)
Weighted Average Rate – Brazilian real to U.S. dollar	2.1594	
Foreign Currency Exchange Futures Brazilian Real		
Notional (million U.S.$) – long	$ 295.0	$ (4.5)
Weighted Average Rate – Brazilian real to U.S. dollar	2.1078	
Notional (million U.S.$) – short	$ 159.0	$ 2.6
Weighted Average Rate – Brazilian real to U.S. dollar	2.0387	
Total Fair Value		$(16.4)

Commodities

We use forward purchase contracts, swaps and three-way collars to reduce the risk related to significant price changes in our inputs and product prices.

Our commodities contracts do not qualify for hedge accounting under SFAS 133; therefore, all gains and losses are recorded in the Consolidated Statements of Earnings. Gains and losses on commodities contracts are recorded in cost of goods sold in the Consolidated Statements of Earnings.

As of May 31, 2009 and 2008, the fair value of our commodities contracts were ($91.2) million and $43.3 million, respectively. We recorded an unrealized loss of $132.9 million in cost of goods sold on the Consolidated Statements of Earnings in fiscal 2009.

Our primary commodities exposure relates to price changes in natural gas.

The table below provides information about Mosaic's natural gas derivatives which are used to manage the risk related to significant price changes in natural gas.

	As of May 31, 2009		
	Expected Maturity Date		
(in millions)	Fiscal 2010	Fiscal 2011	Fair Value
Natural Gas Swaps			
Notional (million MMBtu) – long	4.4		$ (9.1)
Weighted Average Rate (U.S.$/MMBtu)	$ 5.98		
Notional (million MMBtu) – short	4.2		$ 5.1
Weighted Average Rate (U.S.$/MMBtu)	$ 4.47		
Natural Gas 3-Way Collars			
Notional (million MMBtu)	24.0	4.0	$(87.2)
Weighted Average Call Purchased Rate (U.S.$/MMBtu)	$ 8.74	$7.19	
Weighted Average Call Sold Rate (U.S.$/MMBtu)	$11.43	$9.60	
Weighted Average Put Sold Rate (U.S.$/MMBtu)	$ 7.65	$6.34	
Total Fair Value			$(91.2)

Overall, there have been no material changes in our primary risk exposures or management of market risks since the prior year. We do not expect any material changes in our primary risk exposures; however, during fiscal year 2010 we are changing the manner in which market risks are managed for certain currencies. We will be using a cash flow based approach to managing market risks. For additional information related to derivatives, see Notes 15 and 16 of our Notes to Consolidated Financial Statements.

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

We are subject to an evolving myriad of international, federal, state, provincial and local environmental, health and safety (*"EHS"*) laws that govern our production and distribution of crop and animal nutrients. These EHS laws regulate or propose to regulate: (i) conduct of mining and production operations, including employee safety procedures; (ii) management and/or remediation of potential impacts to air, water quality and soil from our operations; (iii) disposal of waste materials; (iv) reclamation of lands after mining (v) management and handling of raw materials; (vi) product content; and (vii) use of products by both us and our customers.

We have a comprehensive EHS management program that seeks to achieve sustainable, predictable and verifiable EHS performance. Key elements of our EHS program include: (i) identifying and managing EHS risk; (ii) complying with legal requirements; (iii) improving our EHS procedures and protocols; (iv) educating employees regarding EHS obligations; (v) retaining and developing professional qualified EHS staff; (vi) evaluating facility conditions; (vii) evaluating and enhancing safe workplace behaviors; (viii) performing audits; (ix) formulating EHS action plans; and (x) assuring accountability of all managers and other employees for environmental performance. Our business units are responsible for implementing day-to-day elements of our EHS program, assisted by an integrated staff of EHS professionals. We conduct audits to verify that each facility has identified risks, achieved regulatory compliance, implemented continuous EHS improvement, and incorporated EHS management systems into day-to-day business functions.

New or proposed regulatory programs can present significant challenges in ascertaining future compliance obligations, implementing compliance plans, and estimating future costs until implementing regulations have been finalized and definitive regulatory interpretations have been adopted. New or proposed regulatory requirements may require modifications to our facilities or to operating procedures and these modifications may involve significant capital costs or increases in operating costs.

We have expended, and anticipate that we will continue to expend, substantial financial and managerial resources to comply with EHS standards and improve our environmental stewardship. In fiscal 2010, we expect environmental capital expenditures to total approximately $85 million, primarily related to: (i) modification or construction of waste management, water treatment areas and water treatment systems; (ii) construction and modification projects associated with phosphogypsum stacks (***"Gypstacks"***) and clay settling ponds at our Phosphates facilities and tailings management areas for our Potash mining and processing facilities; (iii) upgrading or new construction of air pollution control equipment at some of the concentrates plants; and (iv) capital projects associated with remediation of contamination at current or former operations. Additional expenditures for land reclamation, Gypstack closure and water treatment activities are expected to total approximately $90 million in fiscal 2010. In fiscal 2011, we estimate environmental capital expenditures will be approximately $60 million and expenditures for land reclamation activities, Gypstack closure and water treatment activities are expected to be approximately $70 million. No assurance can be given that greater-than-anticipated EHS capital expenditures or land reclamation, Gypstack closure or water treatment expenditures will not be required in fiscal 2010 or in the future.

Operating Requirements and Impacts

Permitting. We hold numerous environmental, mining and other permits or approvals authorizing operation at each of our facilities. Our ability to continue operations at a facility could be materially affected by a government agency decision to deny or delay issuing a new or renewed permit or approval, to revoke or substantially modify an existing permit or approval or to substantially change conditions applicable to a permit modification. Expansion of our operations or extension of operations into new areas is also predicated upon securing the necessary environmental or other permits or approvals. For instance, over the next several years, we will be continuing our efforts to obtain permits in support of our anticipated Florida mining operations at certain of our properties. For years, we have successfully permitted mining properties and anticipate that we will be able to permit these properties as well. However in Florida, local community participation has become an increasingly important factor in the permitting process for mining companies, and various local counties and other parties in Florida have in the past and continue to file lawsuits challenging the issuance of some of the permits we require. In fiscal 2009 environmental groups for the first time filed a lawsuit in federal court against the Army Corps of Engineers with respect to its issuance of a federal wetlands permit and similar lawsuits could be brought in the future. These actions can significantly delay permit issuance. A denial of our permits, the issuance of permits with cost-prohibitive conditions or substantial delays in issuing key permits could prevent or delay our mining at the affected properties and thereby have a material adverse effect on our business and financial condition.

Reclamation Obligations. During our phosphate mining operations, we remove overburden and sand tailings in order to retrieve phosphate rock reserves. Once we have finished mining in an area, we return overburden and sand tailings and reclaim the area in accordance with approved reclamation plans and applicable laws. We have incurred and will continue to incur significant costs to fulfill our reclamation obligations.

Management of Residual Materials and Closure of Management Areas. Mining and processing of potash and phosphate generate residual materials that must be managed both during the operation of the facility and upon facility closure. Potash tailings, consisting primarily of salt and clay, are stored in surface disposal sites. Phosphate clay residuals from mining are deposited in clay settling ponds. Processing of phosphate rock with sulfuric acid generates phosphogypsum that is stored in Gypstacks.

During the life of the tailings management areas, clay settling ponds and Gypstacks, we have incurred and will continue to incur significant costs to manage our potash and phosphate residual materials in accordance with environmental laws and regulations and with permit requirements. Additional legal and permit requirements will take effect when these facilities are closed. We have recorded significant asset retirement obligations in accordance with SFAS 143 with respect to the Phosphates business.

The Saskatchewan government has approved decommissioning and reclamation plans for potash facilities. In light of our current expectations about the remaining lives of our mines in Saskatchewan, we do not believe that these requirements are material to us.

Financial Assurance. Separate from our accounting treatment for reclamation and closure liabilities, some jurisdictions in which we operate have required us either to pass a test of financial strength or provide credit support, typically surety bonds, financial guarantees or letters of credit, to address phosphate mining reclamation liabilities and closure liabilities for clay settling areas and phosphogypsum management systems. See Other Commercial Commitments under Off-Balance Sheet Arrangements and Obligations above for additional information about these requirements.

In connection with the closure plans for potash facilities discussed above, we have proposed and anticipate approval to post financial assurance in the amount of approximately $1.5 million, an amount which is intended to grow by the estimated time of closure in approximately 100 years to an amount that would fully fund the closure liability. It is possible that the Province of Saskatchewan could increase the amount of the required financial assurance in the future, but we do not believe that any such increase would be material to us in the foreseeable future.

Climate Change Regulation

Various governmental initiatives to limit greenhouse gas emissions are underway or under consideration around the world. The direct greenhouse gas emissions from our operations result primarily from:

- Combustion of natural gas to produce steam and dry potash products at our Belle Plaine, Saskatchewan, and Hersey, Michigan Potash solution mines. To a lesser extent, at our Potash shaft mines, natural gas is used as a fuel to heat fresh air supplied to the shaft mines and for drying potash products.
- The use of natural gas as a feedstock in the production of ammonia at our Faustina, Louisiana Phosphates plant.
- Process reactions from naturally occurring carbonates in phosphate rock.

In addition, the production of energy and raw materials that we purchase from unrelated parties for use in our business and energy used in the transportation of our products and raw materials can result in greenhouse gas emissions. Both our direct and indirect greenhouse gas emissions may be affected by existing or future regulation.

Governmental greenhouse gas emission initiatives that are currently in place or under consideration include among others:

Climate Change Initiatives in Canada – Kyoto Protocol. In December 2002, the Prime Minister of Canada ratified the Kyoto Protocol, committing Canada to reduce its greenhouse gas emissions on average to six percent below 1990 levels through the first commitment period (2008-2012). Developments in Canada's efforts to reduce greenhouse gases include:

- In March 2008, Canada announced a new Climate Change Plan for Canada which established a target of reducing greenhouse gases 20 percent from 2006 levels by 2020. In May 2009, the Minister of Environment indicated implementation may be delayed to assure sufficient alignment with the evolving approach in the U.S. to avoid trade sanctions.
- In May 2009, the Province of Saskatchewan, in which our Canadian potash mines are located, began to consider legislation intended to lead to the development and administration of climate change regulation in Saskatchewan by the Province rather than the federal government. Key elements under consideration by the Province include a primary focus on achieving the 20% reduction by 2020 through technological advancements; creation of a Technology Fund to allow large final emitters of greenhouse gases to obtain required greenhouse gas emission credits by paying into the fund and using this fund for approved research and development projects targeted primarily at applied technological improvements; and creation of a "Green" Foundation Fund intended to be used more broadly for grassroots research and development.

We continue to work with the Canadian Fertilizer Institute, Saskatchewan Mining Association and Saskatchewan Potash Producers Association in negotiating with the Canadian federal and provincial governments, focusing on, among other matters, energy reduction initiatives as a means for reducing greenhouse gas emissions and addressing the implications of implementation of greenhouse gas emissions regulations in Canada on the competitiveness of Canadian industry in the global marketplace.

We have significantly reduced the energy intensity of our business over the last two decades through efficiency improvements, switching to lower energy demand technologies and cogeneration. We continue to focus on energy efficiency initiatives within our operations in order to reduce our need to purchase credits under the Climate Change Plan to apply against our greenhouse gas emissions. These initiatives include continued upgrading and optimizing of combustion equipment, applied research and development and grassroots research and development to advance opportunities and develop new technology.

Climate Change Initiatives in the United States. It appears increasingly likely that the United States will begin to limit greenhouse gas emissions through federal, state or local legislation or regulations. Current proposed federal legislation and regulation and state-led regional and local initiatives include, among others:

- The U.S. House of Representatives has passed legislation that would establish a comprehensive program to reduce greenhouse gas emissions. This legislation could mandate increased use of renewable energy sources, increased energy efficiency, and an economy-wide emission cap and trade program. We cannot predict when or whether this legislation will be enacted, or what its final requirements might be.
- The U.S. Environmental Protection Agency (***"EPA"***) also has proposed an Endangerment Finding under the Clean Air Act that would find that cars, trucks and other mobile sources of greenhouse gases pose a threat to public health and welfare. EPA may in the future extend similar reasoning to greenhouse gases from stationary sources. If finalized, adoption of an Endangerment Finding would begin the process of regulating greenhouse gases under the Clean Air Act. We cannot predict when or whether an Endangerment Finding will be finalized, or what the final terms of any EPA regulations might be.

- The Florida Department of Environmental Protection (***"FDEP"***) is conducting rulemaking proceedings to develop a greenhouse gas cap and trade regulatory program applicable to electric utilities. Some public documents and discussions that are part of the FDEP's rulemaking process have considered our Phosphates' business segment's electricity cogeneration facilities to be includable in such a regulatory program. We cannot predict when or whether the FDEP will establish a regulatory program applicable to our operations limiting greenhouse gas emissions, or what the final requirements will be. In addition, we cannot predict whether the federal legislation described above, if enacted, will preempt any such limitations imposed by the FDEP or leave them in place.
- Coalitions of U.S. states are working together to develop regional greenhouse gas emission reduction programs through initiatives such as the Western Climate Initiative (***"Western Initiative"***), the Midwest Regional Greenhouse Gas Accord (***"Midwest Accord"***), and the Regional Greenhouse Gas Initiative (***"Regional Initiative"***). The Western Initiative issued design recommendations for a Western cap and trade program in September 2008, and continues work to develop several aspects of its program, such as greenhouse gas emission reporting and an emission offset program. The Midwest Accord issued preliminary design recommendations for a cap and trade program in May 2009, and continues work to develop its program. The Regional Initiative is a mandatory cap-and-trade program that limits CO_2 emissions from electric power plants in ten U.S. states. The Regional Initiative conducted its first auction of emissions allowances in September 2008. We cannot predict when or whether these or other initiatives will establish a regulatory program applicable to our operations or that affects the supply and demand for energy or natural gas, or what the final requirements will be. In addition, we cannot predict whether the federal legislation described above, if enacted, will preempt the regional programs or leave them in place.

Any such legislation or regulation, if finalized, could restrict our operating activities, require us to make changes in our operating activities that would increase our operating costs, reduce our efficiency or limit our output, require us to make capital improvements to our facilities, increase our energy, raw material and transportation costs or limit their availability, or otherwise adversely affect our results of operations, liquidity or capital resources, and these effects could be material to us.

The EPA has also proposed a greenhouse gas reporting rule that would require us to report certain aspects of our greenhouse gas emissions. We do not anticipate that compliance with this rule will have a material effect on our results of operations, liquidity or capital resources.

Our continuing focus on operational excellence in our Phosphates business segment is helping us reduce our indirect greenhouse gas emissions. For example, Phosphates' normal chemical processes generate heat that can be captured and converted into electricity to replace some of the significant amounts of electricity we currently purchase. We already have waste heat recovery systems that generate a portion of Phosphates' electricity needs and are continuing waste heat recovery initiatives that will deliver significant additional energy savings. These initiatives, along with energy efficiency and conservation measures, are intended to offset most or all of Phosphates' electricity purchases and will significantly reduce the indirect greenhouse gas emissions associated with our Phosphates business.

Operating Impacts Due to International Initiatives. Although international negotiations concerning greenhouse gas emission reductions and other responses to climate change are underway, final obligations in the post-Kyoto Protocol period after 2012 remain undefined. Any new international agreements addressing climate change could adversely affect our operating activities, energy, raw material and transportation costs, results of operations, liquidity or capital resources, and these effects could be material. In addition, to the extent climate change restrictions imposed in countries where our competitors operate, such as China, India, Former Soviet Union countries or Morocco, are less stringent than in the United States or Canada, our competitors could gain cost or other competitive advantages over us.

Remedial Activities

The U.S. Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as CERCLA or the Superfund law, and state analogues, impose liability, without regard to fault or to the legality of a party's conduct, on certain categories of persons who have disposed of "hazardous substances" at a third-party location. Under Superfund, or its various state analogues, one party may be responsible for the entire site, regardless of fault or the locality of its disposal activity. We have contingent environmental remedial liabilities that arise principally from three sources which are further discussed below: (i) facilities currently or formerly owned by our subsidiaries or their predecessors; (ii) facilities adjacent to currently or formerly owned facilities; and (iii) third-party Superfund or state equivalent sites where we have disposed of hazardous materials. Taking into consideration established accruals for environmental remedial matters of approximately $27.6 million as of May 31, 2009, expenditures for these known conditions currently are not expected, individually or in the aggregate, to have a material effect on our business or financial condition. However, material expenditures could be required in the future to remediate the contamination at known sites or at other current or former sites.

Remediation at Our Facilities. Many of our formerly owned or current facilities have been in operation for a number of years. The historical use and handling of regulated chemical substances, crop and animal nutrients and additives as well as by-product or process tailings at these facilities by us and predecessor operators have resulted in soil, surface water and groundwater impacts.

At many of these facilities, spills or other releases of regulated substances have occurred previously and potentially could occur in the future, possibly requiring us to undertake or fund cleanup efforts under Superfund or otherwise. In some instances, we have agreed, pursuant to consent orders or agreements with the appropriate governmental agencies, to undertake certain investigations, which currently are in progress, to determine whether remedial action may be required to address site impacts. At other locations, we have entered into consent orders or agreements with appropriate governmental agencies to perform required remedial activities that will address identified site conditions. Taking into account established accruals, future expenditures for these known conditions currently are not expected, individually or in the aggregate, to have a material adverse effect on our business or financial condition. However, material expenditures by us could be required in the future to remediate the environmental impacts at these or at other current or former sites.

Remediation at Third-Party Facilities. Various third parties have alleged that our historic operations have impacted neighboring off-site areas or nearby third-party facilities. In some instances, we have agreed, pursuant to orders from or agreements with appropriate governmental agencies or agreements with private parties, to undertake or fund investigations, some of which currently are in progress, to determine whether remedial action, under Superfund or otherwise, may be required to address off-site impacts. Our remedial liability at these sites, either alone or in the aggregate, taking into account established accruals, currently is not expected to have a material adverse effect on our business or financial condition. As more information is obtained regarding these sites, this expectation could change.

Liability for Off-Site Disposal Locations. Currently, we are involved or concluding involvement for off-site disposal at several Superfund or equivalent state sites. Moreover, we previously have entered into settlements to resolve liability with regard to Superfund or equivalent state sites. In some cases, such settlements have included "reopeners," which could result in additional liability at such sites in the event of newly discovered contamination or other circumstances. Our remedial liability at such disposal sites, either alone or in the aggregate, currently is not expected to have a material adverse effect on our business or financial condition. As more information is obtained regarding these sites and the potentially responsible parties involved, this expectation could change.

Product Requirements and Impacts

International, federal, state and provincial standards require us to register many of our products before these products can be sold. The standards also impose labeling requirements on these products and require us to manufacture the products to formulations set forth on the labels. We believe that, when handled and used as intended, based on the available data, crop nutrient materials do not pose harm to human health or the environment and that any additional standards or regulatory requirements relating to product requirements and impacts will not have a material adverse effect on our business or financial condition.

Additional Information

For additional information about phosphate mine permitting in Florida, our environmental liabilities, the environmental proceedings in which we are involved, our asset retirement obligations related to environmental matters, and our related accounting polices, see Environmental Liabilities and Asset Retirement Obligations under Critical Accounting Estimates above and Notes 2, 14, and 21 of our Notes to Consolidated Financial Statements.

CONTINGENCIES

Information regarding contingencies in Note 21 of our Notes to Consolidated Financial Statements is incorporated herein by reference.

RELATED PARTIES

Information regarding related party transactions is set forth in Note 22 of our Notes to Consolidated Financial Statements and is incorporated herein by reference.

RECENTLY ISSUED ACCOUNTING GUIDANCE

Recently issued accounting guidance is set forth in Note 4 of our Notes to Consolidated Financial Statements and is incorporated herein by reference.

FORWARD-LOOKING STATEMENTS

Cautionary Statement Regarding Forward-Looking Information

All statements, other than statements of historical fact, appearing in this report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, among other things, statements about our expectations, beliefs, intentions or strategies for the future, statements concerning our future operations, financial condition and prospects, statements regarding our expectations for capital expenditures, statements concerning our level of indebtedness and other information, and any statements of assumptions regarding any of the foregoing. In particular, forward-looking statements may include words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "potential," "predict," "project" or "should." These statements involve certain risks and uncertainties that may cause actual results to differ materially from expectations as of the date of this filing.

Factors that could cause reported results to differ materially from those expressed or implied by the forward-looking statements include, but are not limited to, the following:

- business and economic conditions and governmental policies affecting the agricultural industry where we or our customers operate, including price and demand volatility resulting from periodic imbalances of supply and demand and the current economic and credit market turmoil;
- changes in farmers' application rates for crop nutrients;
- changes in the operation of world phosphate or potash markets, including continuing consolidation in the crop nutrient industry, particularly if we do not participate in the consolidation;
- pressure on prices realized by us for our products;
- the expansion or contraction of production capacity or selling efforts by competitors or new entrants in the industries in which we operate;
- build-up of inventories in the distribution channels for our products that can adversely affect our sales volumes and selling prices;
- seasonality in our business that results in the need to carry significant amounts of inventory and seasonal peaks in working capital requirements, and may result in excess inventory or product shortages;
- changes in the costs, or constraints on supplies, of raw materials or energy used in manufacturing our products, or in the costs or availability of transportation for our products;
- rapid drops in the prices for our products and the raw materials we use to produce them that can require us to write down our inventories to the lower of cost or market;
- the effects on our customers of holding high cost inventories of crop nutrients in periods of rapidly declining market prices for crop nutrients;
- the lag in realizing the benefit of falling market prices for the raw materials we use to produce our products that can occur while we consume raw materials that we purchased or committed to purchase in the past at higher prices;
- customer expectations about future trends in the selling prices and availability of our products and in farmer economics;
- disruptions to existing transportation or terminaling facilities;
- shortages of railcars, barges and ships for carrying our products and raw materials;
- the effects of and change in trade, monetary, environmental, tax and fiscal policies, laws and regulations;
- foreign exchange rates and fluctuations in those rates;
- tax regulations, currency exchange controls and other restrictions that may affect our ability to optimize the use of our liquidity;
- other risks associated with our international operations;
- adverse weather conditions affecting our operations, including the impact of potential hurricanes or excess rainfall;
- difficulties or delays in receiving, or increased costs of obtaining or satisfying conditions of, required governmental and regulatory approvals including permitting activities;
- imposition of greenhouse gas regulation or other changes in the governmental regulation that apply to our operations, including the increasing likelihood that the United States will begin to limit greenhouse gas emissions through federal legislation or regulatory action;
- the financial resources of our competitors, including state-owned and government-subsidized entities in other countries;
- provisions in the agreements governing our indebtedness that limit our discretion to operate our business and require us to meet specified financial tests;
- adverse changes in the ratings of our securities and changes in availability of funds to us in the financial markets;
- the possibility of defaults by our customers on trade credit that we extend to them or on indebtedness that they incur to purchase our products and that we guarantee;
- any significant reduction in customers' liquidity or access to credit that they need to purchase our products due to the global economic crisis or other reasons;
- rates of return on, and the investment risks associated with, our cash balances;
- the effectiveness of our risk management strategy;

- the effectivness of the processes we put in place to manage our significant strategic priorities, including the expansion of our Potash business;
- actual costs of asset retirement, environmental remediation, reclamation and other environmental obligations differing from management's current estimates;
- the costs and effects of legal proceedings and regulatory matters affecting us, including environmental and administrative proceedings;
- the success of our efforts to attract and retain highly qualified and motivated employees;
- strikes, labor stoppages or slowdowns by our work force or increased costs resulting from unsuccessful labor contract negotiations;
- accidents involving our operations, including brine inflows at our Esterhazy, Saskatchewan potash mine as well as potential inflows at our other shaft mines, and potential fires, explosions, seismic events or releases of hazardous or volatile chemicals;
- terrorism or other malicious intentional acts;
- other disruptions of operations at any of our key production and distribution facilities, particularly when they are operating at high operating rates;
- changes in antitrust and competition laws or their enforcement;
- actions by the holders of controlling equity interests in businesses in which we hold a minority interest;
- Cargill's majority ownership and representation on Mosaic's Board of Directors and its ability to control Mosaic's actions, and the possibility that it could either increase or decrease its ownership in Mosaic; and
- other risk factors reported from time to time in our Securities and Exchange Commission reports.

Material uncertainties and other factors known to us are discussed in Item 1A, "Risk Factors," of our annual report on Form 10-K for the fiscal year ended May 31, 2009 and incorporated by reference herein as if fully stated herein.

We base our forward-looking statements on information currently available to us, and we undertake no obligation to update or revise any of these statements, whether as a result of changes in underlying factors, new information, future events or other developments.