

MOSAIC CO  
Form 10-K  
July 19, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended May 31, 2011

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_ to \_\_\_

Commission file number 001-32327

**The Mosaic Company**

(Exact name of registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of  
incorporation or organization)

20-1026454  
(I.R.S. Employer  
Identification No.)

3033 Campus Drive

Suite E490

Plymouth, Minnesota 55441

(800) 918-8270

(Address and zip code of principal executive offices and registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of November 30, 2010, the aggregate market value of the registrant's voting common stock held by non-affiliates was approximately \$10.81 billion based upon the closing price of these shares on the New York Stock Exchange.

Indicate the number of shares outstanding of each of the registrant's classes of common stock: 275,825,158 shares of Common Stock, 57,768,374 shares of Class A Common Stock and 112,991,398 shares of Class B Common Stock, each par value \$0.01 per share, as of July 15, 2011.

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### *DOCUMENTS INCORPORATED BY REFERENCE*

1. Portions of the registrant's Annual Report to Stockholders for the fiscal year ended May 31, 2011 (Part I and Part II)
2. Portions of the registrant's definitive proxy statement to be delivered in conjunction with the 2011 Annual Meeting of Stockholders (Part III)

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### **PART I.**

#### **Item 1. Business.**

##### **OVERVIEW**

The Mosaic Company is one of the world's leading producers and marketers of concentrated phosphate and potash crop nutrients for the global agriculture industry. Through our broad product offering, we are a single source supplier of phosphate- and potash-based crop nutrients and animal feed ingredients. We serve customers in approximately 40 countries. We mine phosphate rock in Florida and process rock into finished phosphate products at facilities in Florida and Louisiana. We mine potash in Saskatchewan, New Mexico and Michigan. We have other production, blending or distribution operations in Brazil, China, India, Argentina, and Chile, and recently made a strategic equity investment in a new phosphate rock mine in Peru. Our operations include the top four nutrient-consuming countries in the world.

The Mosaic Company is a Delaware corporation that was incorporated in March 2004 and serves as the parent company of the business that was formed through the October 2004 combination of IMC Global Inc. and the fertilizer businesses of Cargill, Incorporated. We are publicly traded on the New York Stock Exchange under the ticker symbol "MOS" and are headquartered in Plymouth, Minnesota.

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. We are organized into two reportable business segments: Phosphates and Potash. The following chart shows the respective contributions to fiscal 2011 sales volumes, net sales and operating earnings for each of these business segments and Corporate, Eliminations and Other:

*Phosphates Segment* We are the largest integrated phosphate producer in the world and one of the largest producers of phosphate-based animal feed ingredients in the United States. We sell phosphate-based crop nutrients and animal feed ingredients throughout North America and internationally. Our Phosphates segment also includes our North American and international distribution activities. Our distribution activities include sales offices, port terminals and warehouses in the United States, Canada, and several other key international countries. In addition, the international distribution activities include blending, bagging and production facilities in Brazil, China, India, Argentina and Chile. We accounted for approximately 13% of estimated global production and 57% of estimated North American production of concentrated phosphate crop nutrients during fiscal 2011.

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*Potash Segment* We are the third-largest producer of potash in the world. We sell potash throughout North America and internationally, principally as fertilizer, but also for use in industrial applications and, to a lesser degree, as animal feed ingredients. We accounted for approximately 12% of estimated global potash production and 38% of estimated North American potash production during fiscal 2011.

*Corporate, Eliminations and Other* Other net sales and operating earnings in the charts above include sales of nitrogen products and the results of our corporate operations.

As used in this report:

*Mosaic* means The Mosaic Company, both before and after the Merger described below under *Cargill Transaction* ;

*GNS* means the company known as GNS II (U.S.) Corp. until it was renamed The Mosaic Company in connection with the Merger;

*MOS Holdings* means the company known as The Mosaic Company until it was renamed MOS Holdings Inc. in connection with the Merger;

*we* , *us* , and *our* refer to Mosaic and its direct and indirect subsidiaries, individually or in any combination;

*IMC* means IMC Global Inc.;

*Cargill* means Cargill, Incorporated and its direct and indirect subsidiaries, individually or in any combination;

*Cargill Crop Nutrition* means the crop nutrient business we acquired from Cargill in the Combination;

*Combination* means the October 22, 2004 combination of IMC and Cargill Crop Nutrition;

*Cargill Transaction* means the transactions described below under *Cargill Transaction* ;

*Merger* means the Merger described below under *Cargill Transaction* ;

references in this report to a particular fiscal year are to the twelve months ended May 31 of that year; and

*tonne* or *tonnes* means a metric tonne or tonnes of 2,205 pounds each unless we specifically state that we mean short or long tons.  
*Cargill Transaction*

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On May 25, 2011, we consummated the first in a series of transactions intended to result in the split-off and orderly distribution of Cargill's approximately 64% equity interest in us through a series of public offerings (the ***Cargill Transaction***). These transactions included the following:

A Merger (the ***Merger***) between a subsidiary of GNS and MOS Holdings that had the effect of recapitalizing our prior Common Stock and making GNS the parent company of MOS Holdings. Prior to the Merger, GNS was a wholly-owned subsidiary of the company then known as The Mosaic

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Company. In the Merger, all of the outstanding stock of MOS Holdings was converted, on a one-for-one basis, into GNS stock. In connection with the Merger, the company formerly known as The Mosaic Company was renamed MOS Holdings Inc. and GNS was renamed The Mosaic Company. Following the Merger, our common stock continues to trade under the ticker symbol MOS.

Cargill conducted a split-off (the *Split-off*) in which it exchanged approximately 178.3 million of our shares that it received in the Merger for shares of Cargill stock held by certain Cargill stockholders (the *Exchanging Cargill Stockholders*).

Cargill also exchanged all of the remaining 107.5 million of our shares that it received in the Merger with certain debt holders of Cargill (the *Exchanging Cargill Debt Holders*) for Cargill debt (the *Debt Exchange*). As of May 25, 2011, Cargill no longer owned any outstanding shares of Mosaic.

Certain of the Exchanging Cargill Stockholders (the *MAC Trusts*) and the Exchanging Cargill Debt Holders (collectively, the *Selling Stockholders*) then sold an aggregate of 115.0 million shares of our Common Stock that they received in the Split-off and the Debt Exchange in an underwritten secondary public offering (the initial *Formation Offering*).

Pursuant to a ruling from the U.S. Internal Revenue Service, the Merger, Split-off and Debt Exchange are expected to be tax-free to Cargill, Mosaic and their respective shareholders.

We have agreed to conduct a series of additional Formation Offerings, if necessary, within 15 months after the Split-off to provide for the sale of an additional 42.0 million of the shares of our stock received by the MAC Trusts in the Split-off.

All other shares of our stock received by the Exchanging Cargill Stockholders and not sold in the Formation Offerings (approximately 129.0 million shares in the aggregate) are generally subject to transfer restrictions and will be released in three equal annual installments beginning on the two and one-half year anniversary of the Split-off. We would, at the request of the MAC Trusts or at our own election, register certain of our shares for sale in a secondary offering that could occur each year after the second anniversary of the Split-off, with the first such offering occurring not earlier than twelve months after the last of the Formation Offerings and certain other primary or secondary offerings.

Following 180 days after the four-and-a-half year anniversary of the Split-off, the MAC Trusts have two rights to request that we file a registration statement under the Securities Act of 1933, pursuant to which the MAC Trusts could sell any remaining shares received in the Split-off.

In addition, the MAC Trusts and each other Cargill stockholder that participated in the Split-off, who, to Cargill's knowledge at the time of closing, was reasonably expected to, or be part of a group of stockholders that was reasonably expected to, beneficially own 5% or more of the voting power for the election of our directors following the Split-off (a *Significant Stockholder*), has become a party to a governance agreement (the *Governance Agreement*). Under the Governance Agreement, each Significant Stockholder is subject to certain transfer, voting and standstill restrictions. In addition, each Significant Stockholder has agreed that, until the earlier of the third anniversary of the closing of the Merger and the date on which such stockholder, together with certain of such stockholder's permitted transferees, beneficially owns less than 10% of the total voting power for the election of our board of directors, such stockholder will, among other things, vote its shares of (i) Class A Common Stock (other than with respect to the election of directors and with respect to a proposal to convert the Class B Common Stock into Class A Common Stock or Common Stock (or a combination thereof)) at all meetings of our stockholders in accordance with our board of directors recommendation with respect to each matter, so long as holders of a majority of the voting securities owned by all holders, other than the Significant Stockholders, who have submitted proxies to us in respect of such meeting have authorized their securities represented by such proxies to be voted in accordance with our board of directors' recommendation on such



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matter, and (ii) Class B Common Stock (other than with respect to the election of directors and with respect to a proposal to convert the Class B Common Stock into Class A Common Stock or Common Stock (or a combination thereof)) at all meetings of our stockholders in a manner that is proportionate to the manner in which all holders, other than the Significant Stockholders, who have submitted proxies to us in respect of such meeting have authorized their securities represented by such proxies to be voted.

We have agreed that, among other things, and subject to certain exceptions, we will not engage in certain prohibited acts ( *Prohibited Acts* ) for a period ending two years after the Merger and that we will indemnify Cargill for certain taxes and tax-related losses imposed on Cargill if we engage in a Prohibited Act or in the event we are in breach of representations or warranties made in support of the tax-free nature of the Merger, Split-off and Debt Exchange, if our Prohibited Act or breach causes the Merger, Split-off and/or Debt Exchange to fail to qualify as tax-free transactions.

We expect the Cargill Transaction to benefit us by improving our long-term strategic and financial flexibility, as well as greatly increasing the liquidity of our common stock. The Cargill Transaction resulted in no change to the total number of our outstanding shares, the economic rights of our shares or earnings per share. The Cargill Transaction also is not expected to have a material impact on our underlying financial performance or current business operations.

We have included additional information about the Cargill Transaction, including additional information regarding Prohibited Acts and the indemnity to Cargill we refer to above, in Note 2 of our Consolidated Financial Statements, which information is incorporated herein by reference, and the principal transaction documents related to the Cargill Transaction are incorporated by reference as exhibits to this report.

***The Hardee County Extension of the South Fort Meade Mine***

In July 2010, the United States District Court for the Middle District of Florida (the *Jacksonville District Court* ) issued a preliminary injunction (the *First Preliminary Injunction* ) that prevented us from extending the mining at our South Fort Meade, Florida, phosphate rock mine into Hardee County (the *Hardee County Extension* ). The First Preliminary Injunction was issued in a lawsuit brought by several non-governmental organizations challenging the U.S. Army Corps of Engineers (the *Corps* ) actions in granting a permit (the *Hardee County Extension Permit* ) to us for the mining of wetlands in the Hardee County Extension.

In response to the First Preliminary Injunction, we were forced to indefinitely close the South Fort Meade mine. We subsequently entered into a partial settlement (the *Partial Settlement* ) with the plaintiffs that allowed us to commence mining in a limited area of the Hardee County Extension ( *Phase I* ) from December 2010 until June 2011 at a reduced operating rate.

In April 2011, the Eleventh Circuit Court of Appeals vacated the First Preliminary Injunction effective July 7, 2011.

On April 19, 2011, we notified the Jacksonville District Court that we planned to conduct uplands-only mining (*i.e.*, non-wetlands) in an area ( *Phase II* ) at our South Fort Meade mine. Uplands-only mining does not require a federal permit, the Jacksonville District Court and the plaintiffs had previously indicated that uplands mining is permissible and the Corps notified the Jacksonville District Court that it had no objection to our uplands-only mining contingency plan because no federal permit is required to mine uplands. Our mining plan contemplated that we would mine an estimated 2.4 million tonnes of phosphate rock from Phase II during a period ranging from approximately June 2011 into July 2012.

On July 8, 2011, the Jacksonville District Court issued a second preliminary injunction (the *Second Preliminary Injunction* ) again preventing us from mining the Hardee County Extension, including uplands in Phase II.

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Although the South Fort Meade mine is one of our two largest phosphate rock mines, as a result of our successful execution of mitigation measures, the indefinite closure of the South Fort Meade mine for most of the first six months of fiscal 2011 and reduced operating rate at the mine for the remainder of the fiscal year did not significantly impact our sales volumes for fiscal 2011 although it did adversely affect our gross margin.

In response to the Second Preliminary Injunction, we have stopped mining in the Hardee County Extension. For fiscal 2012, we believe we will be able to continue to support planned finished phosphate production levels through a continuation of our mitigation activities although the Second Preliminary Injunction could increase fiscal 2012 costs substantially, principally if we need to purchase incremental levels of phosphate rock in the second half of fiscal 2012. The degree to which we are able to successfully mitigate the effects of the Second Preliminary Injunction in the longer-term remains uncertain.

We believe that the plaintiffs' claims in this case are without merit and that the Second Preliminary Injunction is not supported by the facts or the law. We intend to vigorously defend the Corps' issuance of the Hardee County Extension Permit and our rights to mine the Hardee County Extension.

We have included additional information about the Hardee County Extension in this report in Part I, Item IA, Risk Factors, in our Management's Discussion and Analysis of Financial Condition and Results of Operations ( *Management's Analysis* ) that is incorporated by reference in this report in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and in Note 22 to our Consolidated Financial Statements that are incorporated by reference in this report in Part II, Item 8, Financial Statements and Supplementary Data.

### *Other Business Developments during Fiscal 2011*

During fiscal 2011, we continued to execute on our strategic priorities. At the core of our strategy is a plan to extend our resource base and invest in the growth of both phosphates and potash. In the Phosphates segment, we are focusing on diversifying our phosphate rock sources, growing the value of our business and maintaining our position as one of the lowest cost phosphate producers in the world. In the Potash segment, we are growing by investing in brownfield expansions. Our global distribution network improves the access of our North American production assets to the global markets for our products and helps balance the seasonality of our business. In fiscal 2011 the steps we took to execute our strategic priorities included the following:

We continued the expansion of capacity in our Potash segment, in line with our view of the long-term fundamentals of that business. The planned brownfield expansions over the next decade are expected to increase our annual proven peaking capacity for finished product by approximately five million tonnes. We have completed the first of our planned expansions with the other remaining projects progressing as planned. We are positioning our expansion projects so that we are able to bring the additional capacity on line when market demand warrants.

We diversified our phosphate rock sources in alignment with our strategy. In the first quarter of fiscal 2011, we acquired a 35% economic interest in a joint venture, with subsidiaries of Vale S.A. ( *Vale* ) and Mitsui & Co., Ltd., that owns the recently opened phosphate rock mine (the *Miski Mayo Mine* ) in the Bayovar region of Peru for \$385 million. Phosphate rock production started at the Miski Mayo Mine and shipments began in the first quarter of fiscal 2011. The Miski Mayo Mine's annual production capacity is expected to be 3.9 million tonnes when fully operational.

We completed the sale of our 20.1% interest in Fosfertil S.A. to Vale in the second quarter of fiscal 2011 for proceeds of \$1 billion which resulted in a pre-tax gain of \$685.6 million. The tax impact of this transaction was \$126.1 million and was included in our provision for income taxes as of May 31, 2011.

On January 13, 2011, we redeemed the remaining \$455.4 million aggregate principal amount of our 7-3/8% senior notes due December 2014. We expect that annual interest expense will be reduced by approximately \$34 million due to the redemption. We recorded a pre-tax charge of approximately \$19 million primarily related to the call premium and the write-off of unamortized fees.



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On April 26, 2011, we entered into a new unsecured five-year revolving credit facility of up to \$750 million (the ***Mosaic Credit Facility*** ). The revolving credit facility is available for revolving credit loans, swing line loans of up to \$20 million and letters of credit of up to \$300 million. The Mosaic Credit Facility replaces a prior unsecured credit facility that consisted of a revolving facility of up to \$500 million, swing line loans of up to \$20 million and letters of credit of up to \$200 million (the ***Prior Credit Facility*** ). The Prior Credit Facility was terminated contemporaneously with our entry into the Mosaic Credit Facility. We entered into the Mosaic Credit Facility to reduce interest rates and unused commitment fees, improve other terms compared to the Prior Credit Facility, and to avoid any potential conflict with the terms of the Prior Credit Facility in connection with the consummation of the Cargill Transaction.

On May 2, 2011, we notified Potash Corporation of Saskatchewan Inc. ( ***PCS*** ) that we had satisfied our obligation to produce potash from our Esterhazy, Saskatchewan, mine under a tolling agreement (the ***Tolling Agreement*** ). Under the agreement, we have provided PCS with potash from the Esterhazy mine at cost for forty years. In recent years, PCS has elected to receive approximately one million tonnes per year under the agreement. We and PCS are currently in litigation (the ***Tolling Agreement Dispute*** ) concerning our respective rights and obligations under the agreement. Pursuant to a court order in the Tolling Agreement Dispute, we are continuing to supply potash under the terms of the Tolling Agreement until trial begins, currently scheduled for January 2012. In the event that PCS does not prevail after trial on the merits of its underlying claim, PCS has agreed to pay monetary damages to us for the loss we suffer as a result of the court's order.

We have included additional information about these and other developments in our business during fiscal 2011 in our Management's Analysis and in the Notes to our Consolidated Financial Statements.

## **BUSINESS SEGMENT INFORMATION**

The discussion below of our business segment operations should be read in conjunction with the following information that we have included in this report:

The risk factors discussed in this report in Part I, Item 1A, Risk Factors.

Our Management's Analysis.

The financial statements and supplementary financial information in our Consolidated Financial Statements ( ***Consolidated Financial Statements*** ). This information is incorporated by reference in this report in Part II, Item 8, Financial Statements and Supplementary Data.

### **Phosphates Segment**

Our **Phosphates** business segment owns and operates mines and production facilities in Florida which produce concentrated phosphate crop nutrients and phosphate-based animal feed ingredients, and processing plants in Louisiana which produce concentrated phosphate crop nutrients. Our Phosphates segment's results include our North American distribution activities and the consolidated results of Phosphate Chemicals Export Association, Inc. ( ***PhosChem*** ), a U.S. Webb-Pomerene Act association of phosphate producers which exports concentrated phosphate crop nutrient products around the world for us and PhosChem's other member.

#### ***U.S. Phosphate Crop Nutrients and Animal Feed Ingredients***

We are the largest producer of concentrated phosphate crop nutrients and animal feed ingredients in the world. Our U.S. phosphates operations have capacity to produce approximately 4.4 million tonnes of phosphoric acid (  $\text{P}_2\text{O}_5$  ) per year, or about 9% of world capacity and about 45% of North American capacity. Phosphoric acid is

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produced by reacting finely ground phosphate rock with sulfuric acid. Phosphoric acid is the key building block for the production of high analysis or concentrated phosphate crop nutrients and animal feed products, and is the most comprehensive measure of phosphate capacity and production and a commonly used benchmark in our industry. Our U.S. phosphoric acid production totaled approximately 3.9 million tonnes during fiscal 2011 and accounted for approximately 10% of estimated global production and 46% of estimated North American output during fiscal 2011.

Our phosphate crop nutrient products are marketed worldwide to crop nutrient manufacturers, distributors and retailers. Our principal phosphate crop nutrient products are:

Diammonium Phosphate ( *DAP* ). DAP is the most widely used high-analysis phosphate crop nutrient worldwide. DAP is produced by combining phosphoric acid with anhydrous ammonia. This initial reaction creates a slurry that is then pumped into a granulation plant where it is reacted with additional ammonia to produce DAP. DAP is a solid granular product.

Monoammonium Phosphate ( *MAP* ). MAP is the second most widely used high-analysis phosphate crop nutrient and the fastest growing phosphate product worldwide. MAP is also produced by first combining phosphoric acid with anhydrous ammonia. The resulting slurry is then pumped into the granulation plant where it is reacted with additional phosphoric acid to produce MAP. MAP is a solid granular product, but requires less ammonia and more sulfur than DAP.

MicroEssentials® is a value-added ammoniated phosphate product that is enhanced through a patented process that creates very thin platelets of sulfur and other micronutrients, such as zinc, on the granulated product. The patented process incorporates both the sulfate and elemental forms of sulfur, providing season long availability to crops.

In addition, our Phosphates segment is one of the largest producers and marketers of phosphate-based animal feed ingredients in the world. Production of our animal feed ingredients products is located at our New Wales, Florida facility. We market our feed phosphate primarily under the leading brand names of Biofos® and Multifos®.

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Our primary phosphate crop nutrient production facilities are located in central Florida and Louisiana. The following map shows the locations of each of our phosphate concentrates plants in the United States and the locations of each of our active and planned future phosphate mines in Florida:

Annual capacity by plant as of May 31, 2011 and production volumes by plant for fiscal 2011 are listed below:

<i>(tonnes in millions)</i>	Facility	Phosphoric Acid		Processed Phosphate <sup>(a)</sup> /DAP/MAP/ MicroEssentials <sup>®</sup> /Feed Phosphate	
		Operational Capacity <sup>(b)</sup>	Production	Operational Capacity <sup>(b)</sup>	Production
<b>Florida:</b>					
	Bartow	1.0	0.9	2.1	2.1
	New Wales	1.7	1.6	4.2	3.3
	Riverview	0.9	0.8	1.7	1.7
		3.6	3.3	8.0	7.1
<b>Louisiana:</b>					
	Faustina	-	-	1.7	1.3
	Uncle Sam	0.8	0.6	-	-
		0.8	0.6	1.7	1.3
	<b>Total</b>	4.4	3.9	9.7	8.4

<sup>(a)</sup> Our effective capacity to produce processed phosphates has been less than our operational capacity stated in the table above, except to the extent we purchase phosphoric acid.

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(b) Actual operating rates vary from those shown in the above table due to factors that include among others the level of demand for our products, maintenance and turnaround time, accidents, mechanical failure, product mix, and other operating conditions. The phosphoric acid produced at Uncle Sam is shipped to Faustina, where it is used to produce DAP and MAP. Our Faustina plant also manufactures ammonia that is mostly consumed in our concentrate plants.

We produced approximately 7.9 million tonnes of concentrated phosphate crop nutrients for fiscal 2011 and accounted for roughly 13% of estimated world output and 57% of estimated North American production.

***Phosphate Rock***

Phosphate rock is the key mineral used to produce phosphate crop nutrients and feed phosphate. Our phosphate rock production totaled approximately 11.5 million tonnes in fiscal 2011 and accounted for approximately 6% of estimated world production and 43% of estimated North American production. We are the world's second largest miner of phosphate rock and currently operate four mines with a combined annual capacity of approximately 15.9 million tonnes. Production of one tonne of DAP requires between 1.6 and 1.7 tonnes of phosphate rock.

All of our wholly owned phosphate mines and related mining operations are located in central Florida. During fiscal 2011, we operated five active mines: Four Corners, South Fort Meade, Hookers Prairie, Wingate and Hopewell. The Hopewell mine's reserves were exhausted in January 2011. We plan to develop two large mines at Ona and at DeSoto to replace mines that will be depleted at various times during the next decade.

The phosphate deposits of Florida are of sedimentary origin and are part of a phosphate-bearing province that extends from southern Florida north along the Atlantic coast into southern Virginia. Our active phosphate mines are primarily located in what is known as the Bone Valley Member of the Peace River Formation in the Central Florida Phosphate District. The southern portions of the Four Corners and Wingate mines are in what is referred to as the Undifferentiated Peace River Formation, in which our future Ona and DeSoto mines would also be located. Phosphate mining has been conducted in the Central Florida Phosphate District since the late 1800's. The potentially mineable portion of the district encompasses an area approximately 80 miles in length in a north-south direction and approximately 40 miles in width.

We extract phosphate ore using large surface mining machines that we own called draglines. Prior to extracting the ore, the draglines must first remove a 10 to 50 foot layer of sandy overburden. At our Wingate mine, we also utilize dredges to remove the overburden and mine the ore. We then process the ore at beneficiation plants that we own at each active mine where the ore goes through washing, screening, sizing and flotation processes designed to separate the phosphate rock from sands, clays and other foreign materials. Prior to commencing operations at any of our planned future mines, we would need to acquire new draglines or move existing draglines to the mines and, unless the beneficiation plant at an existing mine were used, construct a beneficiation plant.

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The following table shows, for each of our phosphate mines, annual capacity as of May 31, 2011 and rock production volume and grade for the past three fiscal years:

Facility	Annual		2011		2010		2009			
	Operational Capacity <sup>(a)</sup>	Production	Average BPL <sup>(b)</sup>	% P <sub>2</sub> O <sub>5</sub> <sup>(c)</sup>	Production	Average BPL <sup>(b)</sup>	% P <sub>2</sub> O <sub>5</sub> <sup>(c)</sup>	Production	Average BPL <sup>(b)</sup>	% P <sub>2</sub> O <sub>5</sub> <sup>(c)</sup>
Four Corners	6.5	6.7	65.5	30.0	5.6	66.4	30.4	5.1	64.9	29.7
South Fort Meade <sup>(d)</sup>	6.0	1.8	63.7	29.2	4.3	63.0	28.8	5.1	61.9	28.3
Hookers Prairie	2.0	1.8	65.8	30.1	1.8	64.8	29.7	1.6	64.8	28.7
Wingate	1.4	1.0	64.6	29.6	1.1	65.0	29.7	0.9	65.5	30.0
Hopewell <sup>(e)</sup>	-	0.2	66.5	30.4	0.5	68.7	31.4	0.5	70.9	32.4
<b>Total</b>	15.9	11.5	65.2	29.8	13.3	65.0	29.8	13.2	64.0	29.3

- (a) Actual operating rates vary from those shown in the above table due to factors that include among others the level of demand for our products, the quality of the reserves, the nature of the geologic formations we are mining at any particular time, maintenance and turnaround time, accidents, mechanical failure, weather conditions, and other operating conditions, as well as the effect of recent initiatives intended to improve operational excellence.
- (b) Bone Phosphate of Lime ( *BPL* ) is a traditional reference to the amount (by weight percentage) of calcium phosphate contained in phosphate rock or a phosphate ore body. A higher BPL corresponds to a higher percentage of calcium phosphate.
- (c) The percent of P<sub>2</sub>O<sub>5</sub> in the above table represents a measure of the phosphate content in phosphate rock or a phosphate ore body. A higher percentage corresponds to a higher percentage of phosphate content in phosphate rock or a phosphate ore body.
- (d) Production at the South Fort Meade mine for fiscal 2011 reflects the temporary shutdown during most of the first six months of fiscal 2011 and subsequent reduced production level for the remainder of fiscal 2011 at the South Fort Meade mine as a result of the First Preliminary Injunction and Partial Settlement.
- (e) The Hopewell mine's reserves were exhausted in January 2011.

We also purchase phosphate rock from time to time. The level of our purchases of phosphate rock in the future will depend upon, among other factors, our phosphate rock mining plans, the status of our permits including the Hardee County Extension Permit, our need for additional phosphate rock to allow us to operate our concentrates plants at or near full capacity, the quality and level of impurities in the phosphate rock that we mine, and our development or acquisition of additional phosphate rock deposits and mines. Depending on product mix and tonnage requirements, our need for purchased phosphate rock could increase in the future in order to meet product specifications, particularly as we develop our proposed Ona and DeSoto mines. Our investment in the Miski Mayo Joint Venture and related commercial offtake supply agreement to purchase a share of the phosphate rock from the Miski Mayo Mine reduces our purchases of phosphate rock from other suppliers.

**Reserves**

We estimate our phosphate rock reserves based upon exploration core drilling as well as technical and economic analyses to determine that reserves can be economically mined. Proven (measured) reserves are those resources of sufficient concentration to meet minimum physical, chemical and economic criteria related to our current product standards and mining and production practices. Our estimates of probable (indicated) reserves are based on information similar to that used for proven reserves, but sites for drilling are farther apart or are otherwise less adequately spaced than for proven reserves, although the degree of assurance is high enough to assume continuity between such sites. Proven reserves are determined using a minimum drill hole spacing of two sites per 40 acre block. Probable reserves have less than two drill holes per 40 acre block, but geological data provides a high degree of assurance that continuity exists between sites.



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The following table sets forth our proven and probable phosphate reserves as of May 31, 2011:

<i>(tonnes in millions)</i>	<b>Reserve Tonnes</b> <i>(a) (b) (c)</i>	<b>Average BPL</b> <i>(d)</i>	<b>% P<sub>2</sub>O<sub>5</sub></b>
<b>Active Mines</b>			
Four Corners	53.6	65.9	30.2
South Fort Meade	53.8 <sup>(e)</sup>	64.2	29.4
Hookers Prairie	5.7 <sup>(e), (f)</sup>	65.5	30.0
Wingate	36.5	63.5	29.1
<b>Total Active Mines</b>	<b>149.6</b>	<b>64.7</b>	<b>29.6</b>
<b>Future Mining</b>			
Ona	245.5	63.5	29.0
DeSoto	148.0 <sup>(g)</sup>	64.8	29.7
<b>Total Future Mining</b>	<b>393.5</b>	<b>64.0</b>	<b>29.3</b>
<b>Total Mining</b>	<b>543.1</b>	<b>64.2</b>	<b>29.4</b>

- (a) Reserves are in areas that are fully accessible for mining; free of surface or subsurface encumbrance, legal setbacks, wetland preserves and other legal restrictions that preclude permissible access for mining; believed by us to be permissible; and meet specified minimum physical, economic and chemical criteria related to current mining and production practices.
- (b) Reserve estimates are generally established by our personnel without a third party review. There has been no third party review of reserve estimates within the last five years, except that in fiscal 2008, we engaged a third party to review the recoverable reserves at our Wingate mine's Tract 2 pursuant to contractual requirements related to our acquisition of these reserves. The reserve estimates have been prepared in accordance with the standards set forth in Industry Guide 7 promulgated by the United States Securities and Exchange Commission ( *SEC* ).
- (c) Of the reserves shown, 515.3 million tonnes are proven reserves, while approximately 1.6 million tonnes at Ona and 26.2 million tonnes at DeSoto are probable reserves.
- (d) Average product BPL ranges from approximately 64% to 66%.
- (e) Approximately, 17.0 million of the tonnes shown for South Fort Meade have been reclassified from Hookers Prairie.
- (f) Of the tonnes shown at Hookers Prairie, our lease of 1.4 million tonnes requires us to pay royalties of \$2.00 per short ton of the reserves that we mine. In addition, our lease of 1.4 million tonnes requires us to pay royalties between \$1.25 to \$1.35 per short ton that are generally credited against \$250,000 advance royalties that we paid when we entered into the lease.
- (g) In connection with the sale in 1994 of certain of the surface rights related to approximately 48.9 million tonnes of the reported DeSoto reserves, we agreed not to mine such reserves until at least 2014. Our current mining plans do not contemplate mining these reserves until at least that time. In addition, in connection with the purchase in 1996 of approximately 99.1 million tonnes of the reported DeSoto reserves, we agreed to (i) pay royalties of between \$0.50 and \$0.90 per ton of rock mined based on future levels of DAP margins, (ii) pay to the seller lost income from the loss of surface use to the extent we use the property for mining related purposes before January 1, 2015 and (iii) re-convey to the seller the lands which are not scheduled to be mined upon completion of the permitting process and the approval of the Development Order for the mine.

We generally own the reserves shown for active mines in the table above, with the only significant exceptions being further described below:

Of the tonnes shown for the Wingate mine, 1.6 million tonnes are under a lease that we have the right to extend through 2014 and for which we have prepaid substantially all royalties.

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We hold the reserves for the Four Corners and Ona mines under leases that we have rights to extend to 2015 and 2022, respectively.

We own the above-ground assets of the South Fort Meade mine, including the beneficiation plant, rail track and clay settling areas. A limited partnership, South Ft. Meade Partnership, L.P. ( *SFMP* ), owns all of the mineable acres shown in the table for the South Fort Meade mine.

We currently have a 94% economic interest in the profits and losses of SFMP. SFMP is included as a consolidated subsidiary in our financial statements.

We have a long-term mineral lease with SFMP. This lease expires on December 31, 2025 or on the date that we have completed mining and reclamation obligations associated with the leased property. Lease provisions include royalty payments and a commitment to give mining priority to the South Fort Meade phosphate reserves. We pay the partnership a royalty on each tonne mined and shipped from the areas that we lease from it. Royalty payments to SFMP total approximately \$4 million annually at current shipment rates.

Through its arrangements with us, SFMP also earns income from mineral lease payments, agricultural lease payments and interest income, and uses those proceeds primarily to pay dividends to its equity owners.

The surface rights to approximately 882 acres shown in the table above for the South Fort Meade Mine are owned by SFMP, while the U.S. government owns the mineral rights beneath. We control the rights to mine these reserves under a mining lease agreement and pay royalties on the tonnage extracted. Royalties on the approved leases equal approximately 5% of the six-month rolling average mining cost of production when mining these reserves. Under the lease, we paid \$0.3 million in royalties to the U.S. government in fiscal 2011.

In light of the long-term nature of our rights to our reserves, we expect to be able to mine all reported reserves that are not currently owned prior to termination or expiration of our rights. Additional information regarding permitting is included in Part I, Item 1A, *Risk Factors*, under *Environmental, Health and Safety Matters* *Operating Requirements and Permitting* in our *Management's Analysis*, and under *Phosphate Mine Permitting in Florida* in Note 22 of our Consolidated Financial Statements.

### ***Sulfur***

We use molten sulfur at our phosphates concentrates plants to produce sulfuric acid primarily for use in our production of phosphoric acid. We purchased approximately 3.5 million long tons of sulfur during fiscal 2011. We purchase most of this sulfur from North American oil and natural gas refiners who are required to remove or recover sulfur during the refining process. Production of one tonne of DAP requires approximately 0.4 long tons of sulfur. We procure our sulfur from multiple sources and receive it by truck or rail either direct to our phosphate plants or have it sent for gathering to terminals that are located on the US gulf coast.

We own and operate a sulfur terminal in Houston, Texas and lease a terminal in Tampa, Florida. We own two ocean-going barges and contract for operation of another ocean-going vessel that transport molten sulfur from the Texas terminals to Tampa and then onward by truck to our Florida phosphate plants. We also own a 50% equity interest in Gulf Sulphur Services Ltd., LLLP ( *Gulf Sulphur Services* ), which is operated by our joint venture partner. Gulf Sulphur Services has a large sulfur transportation and terminaling business in the Gulf of Mexico, and handles these functions for a substantial portion of our Florida sulfur volume. Gulf Sulphur Services' capabilities include melting solid sulfur into the molten form that we use, which permits us to access sources of solid as well as molten sulfur. We further round out our sulfur logistic assets with a large fleet of leased railcars that supplement our marine sulfur logistic system. Our Louisiana operations are served by truck, rail and barge from nearby refineries.

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Although sulfur is readily available from many different suppliers and can be transported to our phosphate facilities by a variety of means, sulfur is an important raw material used in our business that has in the past been and may in the future be the subject of volatile pricing and availability. Alternative transportation and terminaling facilities might not have sufficient capacity to fully serve all of our facilities in the event of a disruption to current transportation or terminaling facilities. Changes in the price of sulfur or disruptions to sulfur transportation or terminaling facilities could have a material impact on our business. We have included a discussion of sulfur prices in our Management's Analysis.

### ***Ammonia***

We use ammonia together with phosphoric acid to produce both DAP and MAP. We used approximately 1.7 million tonnes of ammonia during fiscal 2011. Production of one tonne of DAP requires approximately 0.2 tonnes of ammonia.

Our Florida ammonia needs are supplied by offshore producers, under multi-year and annual contracts. Ammonia for our New Wales and Riverview plants is terminalled through an ammonia facility at Port Sutton, Florida that we lease for a term expiring in 2013, which we may extend for up to five additional years. A third party operates the Port Sutton ammonia facility pursuant to an agreement that expires in 2013, which we may extend for an unlimited number of additional five year terms, as long as we or the other party is entitled to operate the ammonia facility. Ammonia for our Bartow plant is terminalled through another ammonia facility owned and operated by a third party at Port Sutton, Florida pursuant to an agreement that expires in calendar 2012. Ammonia is transported by pipeline from the terminals to our production facilities. The service agreements with the pipeline providers will expire at the end of calendar year 2011 for Bartow, New Wales and Riverview.

We produce ammonia at Faustina, Louisiana primarily for our own consumption. Our annual capacity is approximately 500,000 tonnes. From time to time we may sell surplus ammonia to unrelated parties.

Although ammonia is readily available from many different suppliers and can be transported to our phosphates facilities by a variety of means, ammonia is an important raw material used in our business that has in the past been and may in the future be the subject of volatile pricing, and alternative transportation and terminaling facilities might not have sufficient capacity to fully serve all of our facilities in the event of a disruption to existing transportation or terminaling facilities. Changes in the price of ammonia or disruptions to ammonia transportation or terminaling could have a material impact on our business. We have included a discussion of ammonia prices in our Management's Analysis.

### ***Natural Gas***

Natural gas is the primary raw material used to manufacture ammonia. At our Faustina facility, ammonia is manufactured on site. The majority of natural gas is purchased through firm delivery contracts based on published index-based prices and is sourced from Texas and Louisiana via pipelines interconnected to the Henry Hub. We use over-the-counter swap and option contracts to forward price portions of future gas purchases. The portions of gas purchases not forward priced are purchased at the index based prices or at domestic spot market prices under short-term contracts. We purchase approximately 14 MMBtu of natural gas per year for use in ammonia production at Faustina.

Because our ammonia requirements for our Florida operations are purchased rather than manufactured on site, we purchase approximately two MMBtu of natural gas per year in Florida only as a thermal fuel for various production processes.

### ***Florida Land Holdings***

We are a significant landowner in the State of Florida, which in the future is expected to return to its historical status as one of the fastest areas of population growth in the United States. We own land comprising

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approximately 255,000 acres held in fee simple title in central Florida, and have the right to mine additional properties which contain phosphate rock reserves. Some of our land holdings are needed to operate our Phosphates business, while a portion of our land assets, such as reclaimed properties, are not related to our operations. As a general matter, more of our reclaimed property becomes available for uses other than for phosphate operations each year. Our land assets are generally comprised of concentrates plants, port facilities, phosphate mines and other property which we have acquired through our presence in Florida. We are currently taking initial steps as part of a long-term future land use strategy to optimize the value of our land assets. For example, during fiscal 2011 we began development of Streamsong, a destination resort and conference center, in certain areas of previously mined land as part of our long-term business strategy to maximize the value and utility of our extensive land holdings in Florida. The resort and conference center are expected to be completed in calendar 2013.

### ***International Production***

Our international operations include production in Brazil and Argentina. Our production facilities include plants that produce up to 800,000 tonnes per year of single superphosphate ( *SSP* ) and granulated SSP crop nutrients by mixing sulfuric acid with phosphate rock. We sold one of the SSP production facilities as described in Note 10 of our Consolidated Financial Statements.

### **Potash Segment**

We are one of the leading potash producers in the world. We mine and process potash in Canada and the United States and sell potash in North America and internationally. The term potash applies generally to the common salts of potassium. Muriate of potash ( *MOP* ) is the primary source of potassium for the crop nutrient industry. Red MOP has traces of iron oxide. The granular and standard grade Red MOP products are well suited for direct fertilizer application and bulk blending. White MOP has a higher percent  $K_2O$ . White MOP, besides being well suited for the agricultural market, is used in many industrial applications.

Our potash products are marketed worldwide to crop nutrient manufacturers, distributors and retailers and are also used in the manufacture of mixed crop nutrients and, to a lesser extent, in animal feed ingredients. We also sell potash to customers for industrial use. In addition, our potash products are used for de-icing and as a water softener regenerant.

We operate three potash mines in Canada, including two shaft mines with a total of three production shafts and one solution mine, as well as two potash mines in the United States, including one shaft mine and one solution mine. We also own related refineries at each of the mines.

We have a long term potash capacity expansion plan in Saskatchewan, Canada in response to expected growth in global potash demand. We expect the total planned expansions to increase our annualized proven peaking capacity for finished product by approximately five million tonnes. The expansions are planned to occur over the next decade, with the first expansions already on line.

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## POTASH EXPANSION PROJECTS

<i>(tonnes in millions)</i>	<b>Annual Planned Peaking Capacity</b>	<b>Estimated Completion (Fiscal Year)</b>
<b>Complete</b>		
Colonsay <sup>(a)</sup>	0.2	-
Esterhazy	0.1	-
<b>In progress</b>		
Belle Plaine	0.6	2012
Colonsay	0.5	2013
Esterhazy	1.7	2012-2017
<b>Future</b>		
Belle Plaine	1.3	2016-19
Colonsay	0.5	2016
	<b>4.9</b>	
Tolling Agreement <sup>(b)</sup>	1.3	
Peaking capacity as of May 31, 2011	10.3	
	<b>16.5</b>	

<sup>(a)</sup> As of May 31, 2011, 0.1 million tonnes were placed in service and included in operational capacity

<sup>(b)</sup> The status of the Tolling Agreement is discussed below under Canadian Mines.

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As shown in the table above, we have completed the first capacity expansions at our Esterhazy and Colonsay, Saskatchewan potash mines. In addition, we anticipate completing certain expansion projects at our Belle Plaine and Esterhazy, Saskatchewan potash mines in the second half of fiscal 2012. All other expansion projects are progressing as planned.

The map below shows the location of each of our potash mines.

Our current potash annualized proven peaking capacity, excluding tonnage produced at Esterhazy under the Tolling Agreement, totals 10.3 million tonnes of product per year and accounted for approximately 14% of world capacity and 37% of North American capacity. Production during fiscal 2011, excluding tonnage produced for a third party at Esterhazy, totaled 7.4 million tonnes and accounted for approximately 12% of estimated world production and 38% of estimated North American production.

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The following table shows, for each of our potash mines, annual capacity as of May 31, 2011 and volume of mined ore, average grade and finished product output for the past three fiscal years:

Facility	Annualized		2011			2010			2009		
	Proven Peaking Capacity (a)(b)(c)	Annual Operational Capacity (a)(b)(d)	Ore Mined	Grade % K <sub>2</sub> O <sup>(e)</sup>	Finished Product	Ore Mined	Grade % K <sub>2</sub> O <sup>(e)</sup>	Finished Product	Ore Mined	Grade % K <sub>2</sub> O <sup>(e)</sup>	Finished Product
<b>Canada</b>											
Belle Plaine MOP	2.8	2.3	8.4	18.0	2.2	5.7	18.0	1.5	6.9	18.0	1.8
Colonsay MOP	1.8	1.6	3.2	25.0	1.1	2.2	24.9	0.8	2.6	26.6	1.0
Esterhazy MOP	5.3	4.8	11.8	23.9	3.9	6.7	24.1	2.3	8.3	25.1	3.0
Canadian Total	9.9	8.7	23.4	21.9	7.2	14.6	21.8	4.6	17.8	22.6	5.8
<b>United States</b>											
Carlsbad MOP	0.5	0.5	3.0	10.2	0.3	3.0	11.2	0.4	2.5	10.2	0.2
Carlsbad K-Mag <sup>(f)</sup>	1.1	1.0	3.5	5.1	0.7	2.7	6.7	0.6	2.7	6.4	0.6
Carlsbad Total	1.6	1.5	6.5	7.4	1.0	5.7	9.1	1.0	5.2	8.2	0.8
Hersey MOP <sup>(g)</sup>	0.1	0.1	0.1	26.7	0.1	0.1	26.7	-	0.2	26.7	0.1
United States Total	1.7	1.6	6.6		1.1	5.8		1.0	5.4		0.9
<b>Totals</b>	<b>11.6</b>	<b>10.3</b>	<b>30.0</b>	<b>18.8</b>	<b>8.3</b>	<b>20.4</b>	<b>18.3</b>	<b>5.6</b>	<b>23.2</b>	<b>19.4</b>	<b>6.7</b>
<b>Total excluding toll production<sup>(h)</sup></b>	<b>10.3</b>		<b>27.2</b>		<b>7.4</b>	<b>19.3</b>		<b>5.2</b>	<b>20.9</b>		<b>5.9</b>

(a) Finished product.

(b) Actual operating rates may vary from those shown in the above table due to factors that include among others the level of demand for our products, maintenance and turnaround time, the quality of the reserves and the nature of the geologic formations we are mining at any particular time, accidents, mechanical failure, product mix, and other operating conditions.

(c) Represents full capacity assuming no turnaround or maintenance time.

(d) Annual operational capacity is our estimated annual achievable production level.

(e) Grade % K<sub>2</sub>O is a traditional reference to the percentage (by weight) of potassium oxide contained in the ore. A higher percentage corresponds to a higher percentage of potassium oxide in the ore.

(f) K-Mag is a specialty product that we produce at our Carlsbad facility.

(g) The Hersey facility also mines, processes and sells salt.

(h) We toll produce MOP at our Esterhazy mine under the Tolling Agreement.

**Canadian Mines**

We operate three Canadian potash facilities all located in the southern half of the Province of Saskatchewan, including our solution mine at Belle Plaine, two interconnected mine shafts at our Esterhazy shaft mine and our shaft mine at Colonsay.

Extensive potash deposits are found in the southern half of the Province of Saskatchewan. The potash ore is contained in a predominantly rock salt formation known as the Prairie Evaporites. The Prairie Evaporites deposits are bounded by limestone formations and contain the potash beds. Three potash deposits of economic importance occur in Saskatchewan: the Esterhazy, Belle Plaine and Patience Lake members. The Patience Lake member is mined at Colonsay, and the Esterhazy member at Esterhazy. At Belle Plaine all three members are mined. Each of the major potash members contains several potash beds of different thicknesses and grades. The particular beds mined at Colonsay and Esterhazy have a mining height of 11 and 8 feet, respectively. At Belle Plaine several beds of different thicknesses are mined.

Our potash mines in Canada produce MOP exclusively. Esterhazy and Colonsay utilize shaft mining while Belle Plaine utilizes solution mining technology. Traditional potash shaft mining takes place underground at depths of over 3,000 feet





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where continuous mining machines cut out the ore face and load it onto conveyor belts. The ore is then crushed, moved to storage bins and hoisted to refineries above ground. In contrast, our solution mining process involves heated water, which is pumped through a cluster to dissolve the potash in the ore beds at a depth of approximately 5,400 feet. A cluster consists of a series of boreholes drilled into the potash ore by a portable, all-weather, electric drilling rig. A separate distribution center at each cluster controls the brine flow. The solution containing dissolved potash and salt is pumped to a refinery where sodium chloride, a co-product of this process, is separated from the potash through the use of evaporation and crystallization techniques. Concurrently, the solution is pumped into a 150 acre cooling pond where additional crystallization occurs and the resulting product is recovered via a floating dredge. Refined potash is dewatered, dried and sized. Our Canadian operations produce 15 different MOP products, including industrial grades, many through proprietary processes.

Under an agreement (the *Tolling Agreement*) with Potash Corporation of Saskatchewan Inc. (*PCS*), we mine and refine PCS potash reserves at our Esterhazy mine for a fee plus a pro rata share of operating and capital costs. The contract provides that PCS may elect to receive between 0.45 million and 1.3 million tonnes of potash per year. The contract provides for a term through December 31, 2011 as well as certain renewal terms at the option of PCS, but only to the extent PCS has not received all of its available reserves under the contract. Based on our then-current calculations, in May 2009, we informed PCS that we believed that approximately 1.5 million tonnes of potash remained to be delivered to PCS under the contract after April 30, 2009. PCS has filed a lawsuit against us contesting our basis and timing for termination of the contract and alleging damages based on our historical mining practices. We subsequently counterclaimed, alleging that PCS breached the Tolling Agreement by refusing to take delivery of approximately 0.9 million tonnes of potash that it ordered under the contract, primarily for delivery after April 30, 2009, due to the global financial and credit crisis. We believe PCS' allegations are without merit. We have included a further description of the Tolling Agreement and the lawsuit under *Esterhazy Potash Mine Tolling Contract Dispute* in Notes 21 and 22 of our Consolidated Financial Statements. After expiration of our obligation to ship potash under the Tolling Agreement or during other periods to the extent we are not fully utilizing the capacity to satisfy our obligations under the contract, the productive capacity at our Esterhazy mine otherwise used to satisfy our obligations under the Tolling Agreement is available to us for sales to any of our customers at then-current market prices. Our potash mineral rights in the Province of Saskatchewan consist of the following:

	Belle Plaine	Colonsay	Esterhazy	Total
<b>Acres under control</b>				
Owned in fee	13,851	10,039	109,196	133,086
Leased from Province	51,568	67,006	193,000	311,574
Leased from others	-	320	63,615	63,935
<b>Total under control</b>	<b>65,419</b>	<b>77,365</b>	<b>365,811</b>	<b>508,595</b>

We believe that our mineral rights in Saskatchewan are sufficient to support current operations for more than a century. Leases are generally renewable at our option for successive terms, generally 21 years each, except that certain of the acres shown above as *Leased from others* are leased under long-term leases with terms (including renewals at our option) that expire from 2094 to 2142.

We pay Canadian resource taxes consisting of the Potash Production Tax and resource surcharge. 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 a percentage of the value of resource sales from our Saskatchewan mines. In addition to the Canadian resource taxes, royalties are payable to the mineral owners in respect of potash reserves or production of potash. We have included a further discussion of the Canadian resource taxes and royalties in our *Management's Analysis*.

Since December 1985, we have experienced an inflow of salt saturated brine into our Esterhazy mine. At various times since then, we have experienced new or substantially increased brine inflows at the Esterhazy mine. As a

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result of these brine inflows, we incur expenditures, certain of which have been capitalized while others have been charged to expense, in accordance with accounting principles generally accepted in the United States of America ( *U.S. GAAP* ), to control the inflow. It is possible that the costs of remedial efforts at Esterhazy may further increase in the future and that such an increase could be material, or, in the extreme scenario, that the brine inflows, risk to employees or remediation costs may increase to a level which would cause us to change our mining process or abandon the mine. See *Potash Net Sales and Gross Margin* in our Management's Analysis and *Accidents occurring in the course of our operating activities could result in significant liabilities, interruptions or shutdowns of facilities or the need for significant safety or other expenditures* in Part I, Item 1A, *Risk Factors* in this report, both of which are incorporated herein by reference, for a discussion of costs, risks and other information relating to the brine inflows. We have begun construction of a new third shaft at the Esterhazy mine as part of our potash expansion plan and which is also intended to mitigate part of the risk from the inflow.

Due to the ongoing brine inflow problem at Esterhazy, underground operations at this facility are currently not insurable for water incursion problems. Like other potash producers' shaft mines, our Colonsay, Saskatchewan, and Carlsbad, New Mexico, mines are also subject to the risks of inflow of water as a result of their shaft mining operations, but water inflow risks at these mines are included in our insurance coverage subject to deductibles, retentions and limits negotiated with our insurers.

**United States Mines**

In the United States, we have two potash facilities, including a shaft mine located in Carlsbad, New Mexico and a solution mine located in Hersey, Michigan.

Our potash mineral rights in the United States consist of the following:

	Carlsbad	Hersey	Total
<b>Acres under control</b>			
Owned in fee	-	581	581
Long-term leases	73,781	1,799	75,580
<b>Total under control</b>	<b>73,781</b>	<b>2,380</b>	<b>76,161</b>

The Carlsbad ore reserves are of two types: (1) sylvinitic, a mixture of potassium chloride and sodium chloride that is the same as the ore mined in Saskatchewan, and (2) langbeinitic, a double sulfate of potassium and magnesium. These two types of potash reserves occur in a predominantly rock salt formation known as the Salado Formation. The McNutt Member of this formation consists of eleven units of economic importance, of which we currently mine two. The McNutt Member's evaporite deposits are interlayered with anhydrite, polyhalite, potassium salts, clay, and minor amounts of sandstone and siltstone.

Continuous underground mining methods are utilized to extract the ore. Drum type mining machines are used to cut the sylvinitic and langbeinitic ores from the face. Mined ore is then loaded onto conveyors, transported to storage areas, and then hoisted to the surface for further processing at our refinery.

Two types of potash are produced at the Carlsbad refinery. MOP is the primary source of potassium for the crop nutrient industry. Double sulfate of potash magnesia is the second type of potash, which we market under our brand name K-Mag®, and contains sulfur, potassium and magnesium, with low levels of chloride.

At the Carlsbad facility, we mine and refine potash from 73,781 acres of mineral rights. We control these reserves pursuant to either (i) leases from the U.S. government that, in general, continue in effect at our option (subject to readjustment by the U.S. government every 20 years) or (ii) leases from the State of New Mexico that

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continue as long as we continue to produce from them. These reserves contain an estimated total of 260 million tonnes of potash mineralization (calculated after estimated extraction losses) in two mining beds evaluated at thicknesses ranging from 4.5 feet to in excess of 11 feet. At average refinery rates, these ore reserves are estimated to be sufficient to yield 15 million tonnes of concentrates from sylvinitic with an average grade of approximately 60% K<sub>2</sub>O and 22 million tonnes of langbeinitic concentrates with an average grade of approximately 22% K<sub>2</sub>O. At projected rates of production, we estimate that Carlsbad's reserves of sylvinitic and langbeinitic are sufficient to support operations for approximately 32 years and 25 years, respectively.

At Hersey, Michigan, we operate a solution mining facility which produces salt and potash. Mining occurs in the Michigan Basin in a predominantly rock salt formation called the Salina Group Evaporite. This formation is a clean salt deposit with interlayered beds of sylvinitic and carbonate. At the Hersey facility, our mineral rights consist of 581 acres owned in fee and 1,799 acres controlled under leases that, in general, continue in effect at our option as long as we continue our operations at Hersey. These lands contain an estimated 41 million tonnes of potash mineralization contained in two beds ranging in thickness from 14 to 30 feet.

Royalties for the U.S. operations amounted to approximately \$13.2 million for fiscal 2011. These royalties are established by the U.S. Department of the Interior, Bureau of Land Management, in the case of the Carlsbad leases from the U.S. government, and pursuant to provisions set forth in the leases, in the case of the Carlsbad state leases and the Hersey leases.

**Reserves**

Our estimates below of our potash reserves and non-reserve potash mineralization are based on exploration drill hole data, seismic data and actual mining results over more than 35 years. Proven reserves are estimated by identifying material in place that is delineated on at least two sides and material in place within a half-mile radius or distance from an existing sampled mine entry or exploration core hole. Probable reserves are estimated by identifying material in place within a one mile radius from an existing sampled mine entry or exploration core hole. Historical extraction ratios from the many years of mining results are then applied to both types of material to estimate the proven and probable reserves. We believe that all reserves and non-reserve potash mineralization reported below are potentially recoverable using existing production shaft and refinery locations.

Our estimated recoverable potash reserves and non-reserve potash mineralization as of May 31, 2011 for each of our mines is as follows:

<i>(tonnes in millions)</i>	Facility	Reserves <sup>(a)(b)</sup>		Potash Mineralization <sup>(a)(c)</sup>
		Recoverable Tonnes	Average Grade (% K <sub>2</sub> O)	Potentially Recoverable Tonnes
<b>Canada</b>				
	Belle Plaine	792	18.0	2,327
	Colonsay	239	26.4	228
	Esterhazy	875	24.5	479
	sub-totals	1,906	22.0	3,034
<b>United States</b>				
	Carlsbad	260	7.5	-
	Hersey	41	26.7	-
	sub-totals	301	10.1	-
	<b>Totals</b>	<b>2,207</b>	<b>20.4</b>	<b>3,034</b>

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- (a) There has been no third party review of reserve estimates within the last five years. The reserve estimates have been prepared in accordance with the standards set forth in Industry Guide 7 promulgated by the SEC.
- (b) Includes 1.2 billion tonnes of proven reserves and 1.0 billion tonnes of probable reserves.
- (c) The non-reserve potash mineralization reported in the table in some cases extends to the boundaries of the mineral rights we own or lease. Such boundaries are up to 16 miles from the closest existing sampled mine entry or exploration core hole. Based on available geologic data, the non-reserve potash mineralization represents potash that we expect to mine in the future, but it may not meet all of the technical requirements for categorization as proven or probable reserves under Industry Guide 7.

As discussed more fully above, we either own the reserves and mineralization shown above or lease them pursuant to mineral leases that generally remain in effect or are renewable at our option, or are long-term leases. Accordingly, we expect to be able to mine all reported reserves that are leased prior to termination or expiration of the existing leases.

***Natural Gas***

Natural gas is used at our potash solution mines as a fuel to produce steam and to dry potash products. The steam is used to generate electricity, in evaporation and crystallization processes and to provide thermal heat to the solution mining process. Our two solution mines accounted for approximately 77% of our Potash segment's total natural gas requirements for potash production in fiscal 2011. At our shaft mines, natural gas is used as a fuel to heat fresh air supplied to the shaft mines and for drying potash products. Combined natural gas usage for both the solution and shaft mines approximated 15 MMbtu for fiscal 2011. We purchase our natural gas requirements on firm delivery index price-based physical contracts and on short term spot-priced physical contracts. Our Canadian operations purchase all of their physical gas in Saskatchewan via the TransGas pipeline system using AECO price indices as pricing references. The U.S. potash operations in Michigan and New Mexico purchase physical gas in their respective regional markets via the MichCon and El Paso Permian Basin market hubs as pricing references, respectively. We use financial derivative contracts to manage the price of portions of our future purchases.

**SALES AND DISTRIBUTION ACTIVITIES**

***United States and Canada***

We have a United States and Canada sales and marketing team that serves our business segments. We sell to wholesale distributors, retail chains, cooperatives, independent retailers and national accounts.

Customer service and the ability to effectively minimize the overall supply chain costs are key competitive factors in the crop nutrient and animal feed ingredients businesses. In addition to our production facilities, to service the needs of our customers, we own, lease or have contractual throughput or other arrangements at strategically located distribution warehouses along or near the Mississippi and Ohio Rivers as well as in other key agricultural regions of the United States and Canada. From these facilities, we market Mosaic produced phosphate and potash products for customers who in turn resell the product into the distribution channel or directly to farmers in the United States and Canada.

We own port facilities in Savage, Minnesota as well as warehouse distribution facilities in Pekin, Illinois, Louisville, Kentucky, Hendersonville, Kentucky, Melbourne, Kentucky and Houston, Texas which has a deep water berth providing access to the Gulf of Mexico.

In addition to the geographically situated facilities that we own, our U.S. distribution operations also include leased distribution space or contractual throughput agreements in other key geographical areas such as California, Florida, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maryland, Minnesota, Nebraska, New York, North Dakota, Pennsylvania and Texas.

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Our Canadian customers include independent dealers and national accounts. We also lease and own warehouse facilities in Saskatchewan, Canada.

### *International*

Outside of the United States and Canada, we market our Phosphates segment's products through PhosChem, as well as our Phosphates segment's own international distribution activities. During fiscal 2011, PhosChem marketed approximately 71% of our phosphate export sales volume. We administer PhosChem on behalf of PhosChem's member companies. We estimate that PhosChem's sales represent approximately 65% of total U.S. export volume of concentrated phosphates and 15% of global trade volume. The countries that account for the largest amount of PhosChem's sales of concentrated phosphates include India, Australia, Brazil, Japan and Colombia. During fiscal 2011, PhosChem's dry concentrated phosphates exports to Asia were 62% of total dry shipments by volume, with India representing 52% of PhosChem's total dry concentrated phosphates export shipments.

Our sales outside of the United States and Canada of Saskatchewan potash products are made through Canpotex Limited ( *Canpotex* ). Canpotex is an export association of certain Canadian potash producers. Canpotex sales are generally allocated among the producer members based on production capacity. We currently supply approximately 37.1%, by volume, of Canpotex's requirements. Our potash exports from Carlsbad are sold through our own sales force. We also market our Potash segment's products through our Phosphates segment, which acquires its potash primarily through Canpotex. The largest amount of international potash sales are to China, India, Japan, Korea, Taiwan, Southeast Asia, Australia and Latin America.

Our Phosphates segment also purchases phosphates, potash and nitrogen products from unrelated third parties.

To service the needs of our customers, our international distribution activities include a network of strategically located sales offices, crop nutrient blending and bagging facilities, port terminals and warehouse distribution facilities that we own and operate in key geographic areas throughout several countries. The blending and bagging facilities primarily produce blended crop nutrients ( *Blends* ) from phosphate, potash and nitrogen. The average product mix in our Blends (by volume) contains approximately 50% phosphate, 25% potash and 25% nitrogen, although this mix differs based on seasonal and other factors. Our international operations serve primarily as a sales outlet for our North American Phosphates production, both for resale and as an input for Blends. Our Potash segment also has historically furnished a portion of the raw materials needs for the production of Blends, and is expected to continue to do so in the future.

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The following maps show the locations of our primary distribution operations in South America and Asia:

### ***Other Products***

With a strong brand position in a multi-billion dollar animal feed ingredients global market, our Phosphates segment supplies animal feed ingredients for poultry and livestock to customers in North America, Latin America and Asia. Our potash sales to non-agricultural users are primarily to large industrial accounts and the animal feed industry. Additionally, we sell potash for de-icing and as a water softener regenerant.

### **COMPETITION**

Because crop nutrients are global commodities available from numerous sources, crop nutrition companies compete primarily on the basis of delivered price. Other competitive factors include product quality, cost and availability of raw materials, customer service, plant efficiency and availability of product. As a result, markets for our products are highly competitive. We compete with a broad range of domestic and international producers, including farmer cooperatives, subsidiaries of larger companies, and independent crop nutrient companies. Foreign competitors often have access to cheaper raw materials, are required to comply with less stringent regulatory requirements or are owned or subsidized by governments and, as a result, may have cost advantages over North American companies. We believe that our extensive North American and international production and distribution system provides us with a competitive advantage by allowing us to achieve economies of scale and transportation and storage efficiencies and obtain market intelligence.

Unlike many of our competitors, we have our own distribution system to sell phosphate- and potash-based crop nutrients and animal feed ingredients, whether produced by us or by other third parties, around the globe. In North America, we have one of the largest and most strategically located distribution systems for crop nutrients, including warehouse facilities in key agricultural regions. We also have an extensive network of distribution facilities internationally, including in the key growth markets of Latin America and Asia, with port terminals, warehouses, and blending plants in Brazil, Argentina, Chile, China, and India. Our global presence allows us to efficiently serve customers in approximately 40 countries.

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### ***Phosphates Segment***

Our Phosphates segment operates in a highly competitive global market. Among the competitors in the global phosphate industry are domestic and foreign companies, as well as foreign government-supported producers in Asia and North Africa. Phosphate producers compete primarily based on price and, to a lesser extent, product quality, service and innovation, such as our MicroEssentials® product. Major integrated producers of feed phosphates are located in the United States, Europe and China. Many smaller producers are located in emerging markets around the world. Many of these smaller producers are not miners of phosphate rock or manufacturers of phosphoric acid and are required to purchase this material on the open market.

We believe that we are a low cost producer of phosphate-based crop nutrients, due in part to our scale, vertical integration and strategic network of production and distribution facilities. As the world's largest producer of concentrated phosphates, as well as the second largest miner of phosphate rock in the world and the largest in the United States, we maintain an advantage over some competitors as the scale of operations effectively reduces production costs per unit. We are also vertically integrated to captively supply one of our key inputs, phosphate rock, to our phosphate production facilities. We believe that our position as an integrated producer of phosphate rock provides us with a significant cost advantage over competitors that are non-integrated phosphate producers. Our investment in the Miski Mayo Mine and related commercial offtake supply agreement to purchase a share of the phosphate rock will also allow us to reduce our purchases of phosphate rock from other suppliers.

We produce ammonia at our Faustina concentrates plant in quantities sufficient to meet approximately one quarter of our total ammonia needs. With no captive ammonia production in Florida, we are subject to significant volatility in our purchase price of ammonia from world markets. With our own sulfur transportation barges and our 50% ownership interest in Gulf Sulphur Services, we are also well-positioned to source an adequate, flexible and cost-effective supply of sulfur, our third key input. We believe that our investments in sulfur transportation assets continue to afford us a competitive advantage compared to other North American producers in cost and access to sulfur.

With production facilities in both central Florida near the Port of Tampa and in Louisiana on the Mississippi River, we are logistically positioned to supply both domestic and international customers as well as transport rock, sulfur and ammonia easily. In addition, those multiple production points afford us the flexibility to optimally balance supply and demand.

We have a strong brand in several of the countries in which we have international distribution activities. In addition to having access to our own production, our international distribution activities have the capability to supply all three types of crop nutrients to our dealer/farmer customer base. Our presence in Latin America and Asia allows us to capitalize on the growth in nutrient demand in these large and growing international regions.

We are subject to many environmental laws and regulations in Florida and Louisiana that are often more stringent than those to which producers in other countries are subject.

### ***Potash Segment***

Potash is a commodity available from several geographical regions around the world and, consequently, the market is highly competitive. Through our participation in Canpotex, we compete outside of North America with various independent potash producers and consortia as well as other export organizations, including state-owned organizations. We also ship product from our Carlsbad, New Mexico, potash facility to our South American distribution centers. Our principal methods of competition with respect to the sale of potash include product pricing, and offering consistent, high-quality products and superior service. We believe that our potash cost structure is competitive in the industry and should improve as we achieve the expected increases in production from our planned expansions.

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### **FACTORS AFFECTING DEMAND**

Our results of operations historically have reflected the effects of several external factors which are beyond our control and have in the past produced significant downward and upward swings in operating results. Revenues are highly dependent upon conditions in the agriculture industry and can be affected by, among other factors: crop failure; changes in agricultural production practices; worldwide economic conditions, including the increasing world population, household incomes, and demand for more protein rich food, particularly in developing regions such as China, India, and Latin America, increasing demand for biofuels; variability in commodity pricing; governmental policies; the level of inventories in the crop nutrient distribution channels; customer expectations about farmer economics, future crop nutrient prices and availability and transportation costs, among other matters; market trends in raw material costs; market prices for crop nutrients; and weather. Furthermore, our crop nutrients business is seasonal to the extent farmers and agricultural enterprises in the markets in which we compete purchase more crop nutrient products during the spring and fall. The international scope of our business, spanning the northern and southern hemispheres, reduces to some extent the seasonal impact on our business. The degree of seasonality of our business can change significantly from year to year due to conditions in the agricultural industry and other factors. The seasonal nature of our businesses requires significant working capital for inventory in advance of the planting seasons.

We sell products throughout the world. Unfavorable changes in trade protection laws, policies and measures, and other regulatory requirements affecting trade; unexpected changes in tax and trade treaties; strengthening or weakening of foreign economies as well as political relations with the United States may cause sales trends to customers in one or more foreign countries to differ from sales trends in the United States.

Our international operations are subject to risks from changes in foreign currencies, which can affect farmer economics.

### **OTHER MATTERS**

#### ***Employees***

We had approximately 7,700 employees as of May 31, 2011, consisting of approximately 3,200 salaried and 4,500 hourly employees.

#### ***Labor Relations***

As of May 31, 2011:

We had ten collective bargaining agreements with unions covering approximately 88% of our hourly employees in the U.S. and Canada. Of these employees, approximately 55% are covered under collective bargaining agreements scheduled to expire in fiscal 2012.

Agreements with ten unions covered all employees in Brazil, representing 70% of our international employees. More than one agreement may govern our relations with each of these unions. In general, the agreements are renewable on an annual basis.

We also had collective bargaining agreements with unions covering employees in several other countries. Failure to renew any of our union agreements could result in a strike or labor stoppage that could have a material adverse affect on our operations. However, we have not experienced a significant work stoppage in many years and consider our labor relations to be good.



**Table of Contents*****Financial Information about our Business Segments and Operations by Geographic Areas***

We have included financial information about our business segments, our operations by geographic area and our revenues by class of similar products in Note 24 of our Consolidated Financial Statements.

***Information Available on our Website***

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments thereto, filed with the SEC pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder are made available free of charge on our website, ([www.mosaicco.com](http://www.mosaicco.com)), as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information contained on our website is not being incorporated in this report.

**EXECUTIVE OFFICERS**

Information regarding our executive officers as of July 19, 2011 is set forth below:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Anthony T. Brausen	52	Vice President Finance and Chief Accounting Officer
Gary Bo N. Davis	59	Vice President Phosphates Operations
Richard L. Mack	43	Executive Vice President, General Counsel and Corporate Secretary
Richard N. McLellan	54	Senior Vice President Commercial
James Joc C. O Rourke	50	Executive Vice President Operations
James T. Prokopanko	58	Chief Executive Officer, President and Director
Cindy C. Redding	52	Vice President Human Resources
Lawrence W. Stranghoener	57	Executive Vice President and Chief Financial Officer

*Anthony T. Brausen.* Mr. Brausen became Vice President Finance and Chief Accounting Officer of Mosaic in April 2006. Prior to joining Mosaic as an employee in February 2006, Mr. Brausen had been Vice President and Chief Financial Officer of Tennant Company, a designer, manufacturer and marketer of floor maintenance and outdoor cleaning equipment, chemical-free cleaning technologies, specialty surface coatings and related products, since March 2000. From 1989-2000, Mr. Brausen held several financial management positions, including Vice President and Treasurer, Assistant Controller and Director of Investor Relations, with International Multifoods Corporation, a diversified publicly-traded food processor and distributor. From 1981-1989, Mr. Brausen held various positions with KPMG LLP.

*Gary Bo N. Davis.* Mr. Davis was elected Vice President Phosphate Operations of Mosaic in June 2010. Previously, Mr. Davis had served as Vice-President Phosphate Operations for all of Mosaic's Florida and Louisiana operations since 2007 and Vice President of Mining since Mosaic's formation in 2004. Prior to the Combination, Mr. Davis held several positions at Cargill, including Vice President, Operations for the fertilizer division from 1999 to 2004. Mr. Davis has worked in the crop nutrient industry for over 30 years.

*Richard L. Mack.* Effective January 1, 2009, Mr. Mack was elected Executive Vice President, General Counsel and Corporate Secretary. Mr. Mack served as Senior Vice President, General Counsel and Corporate Secretary of Mosaic since its formation in 2004. Mr. Mack also provides executive oversight for Mosaic's land development and permitting organizations. Prior to the formation of Mosaic in 2004, Mr. Mack was a Senior Attorney in Cargill's worldwide law department and a co-founder of Cargill's venture capital business unit.

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*Richard N. McLellan.* Mr. McLellan was elected as Senior Vice President Commercial in April 2007. Previously, Mr. McLellan had served us as our Vice President North American Sales since December 2005 and as Country Manager for our (and, prior to the Combination, Cargill's) Brazilian crop nutrient business since November, 2002. Mr. McLellan joined Cargill in 1989 and held various roles in its Canadian and U.S. operations, including grain, retail and wholesale crop nutrient distribution.

*James J. C. O'Rourke.* Mr. O'Rourke became Executive Vice President Operations of Mosaic in January 2009. Prior to joining Mosaic, Mr. O'Rourke was President, Australia Pacific for Barrick Gold Corporation, the largest gold producer in Australia, since May 2006, where he was responsible for the Australia Pacific Business Unit consisting of ten gold and copper mines in Australia and Papua New Guinea. Before that, Mr. O'Rourke was Executive General Manager Australia and Managing Director of Placer Dome Asia Pacific Ltd., the second largest gold producer in Australia, from December 2004, where he was responsible for the Australia Business Unit consisting of five gold and copper mines; and General Manager Western Australia Operations for Iluka Resources Ltd., the world's largest zircon and second largest titanium producer, from September 2003, where he was responsible for six mining and concentrating operations and two mineral separation/synthetic rutile refineries. Mr. O'Rourke had previously held various management, engineering and other roles in the mining industry in Canada and Australia since 1984.

*James T. Prokopanko.* Mr. Prokopanko became our President and Chief Executive Officer on January 1, 2007. Until joining us as Executive Vice President and Chief Operating Officer on July 31, 2006, Mr. Prokopanko was a Corporate Vice President of Cargill since 2004. He was Cargill's Corporate Vice President with executive responsibility for procurement from 2002 to 2006 and a platform leader responsible for Cargill's Ag Producer Services Platform from 1999 to July 2006. After joining Cargill in 1978, Mr. Prokopanko served in a wide range of leadership positions, including being named Vice President of North American crop inputs business in 1995. During his Cargill career, Mr. Prokopanko was engaged in retail agriculture businesses in the United States, Canada, Brazil, Argentina and the United Kingdom. Mr. Prokopanko resigned from all of his current positions with Cargill and its subsidiaries (other than Mosaic) in connection with his election as Executive Vice President and Chief Operating Officer of Mosaic. Mr. Prokopanko has served as a director of Mosaic since October 2004 and served as a member of the Corporate Governance and Nominating Committee and the Environmental, Health and Safety Committee of the Company's Board of Directors since his election to the Board through July 31, 2006.

*Cindy C. Redding.* Ms. Redding was elected as Vice President-Human Resources effective July 30, 2007. Ms. Redding was previously Vice President-Human Resources of MDU Resources Group, Inc., a provider of value-added natural resource products and related services for energy and transportation infrastructure, since July 2003, and its Director of Human Resources from December 2002 to July 2003. Before that, Ms. Redding served from July 1998 until December 2002 in the positions of Director, Human Resources, Molded Plastics Division, as Corporate Benefits Planning & Delivery Manager, and as Manager, Strategic Staffing Services, for Sonoco Products Company, a global packaging company. Prior to that, Ms. Redding worked for Abbott Laboratories, a global health care company, as Manager, Human Resources, Abbott International Division, from 1997 to 1998. From 1980 to 1997, Ms. Redding worked in various business administration and human resource roles, domestic and international, for Amoco Corporation, a world-wide integrated energy company.

*Lawrence W. Stranghoener.* Mr. Stranghoener joined us as Executive Vice President and Chief Financial Officer in October 2004. He previously served as Executive Vice President and Chief Financial Officer of Thrivent Financial for Lutherans and its predecessor organization from January 1, 2001 until October 2004, where he had responsibility over the organization's investments, finance and related functions. Prior to that, from 1983 through December 1999, Mr. Stranghoener worked in various senior management positions with Honeywell, Inc. in the United States and Europe, including Vice President and Chief Financial Officer, Vice President of Business Development, Vice President of Finance, Director of Corporate Financial Planning and Analysis and Director of Investor Relations. In December 1999, following the Honeywell-AlliedSignal merger, Mr. Stranghoener joined Techies.com of Edina, Minnesota, as Executive Vice President and Chief Financial Officer.

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Our executive officers are generally elected to serve until their respective successors are elected and qualified or until their earlier death, resignation or removal. No family relationships, as that term is defined in Item 401(d) of Regulation S-K, exist among any of the listed officers.

### **Item 1A. Risk Factors**

*Our business, financial condition or results of operations could be materially adversely affected by any of the risks and uncertainties described below.*

**Our operating results are highly dependent upon and fluctuate based upon business and economic conditions and governmental policies affecting the agricultural industry where we or our customers operate. These factors are outside of our control and may significantly affect our profitability.**

Our operating results are highly dependent upon business and economic conditions and governmental policies affecting the agricultural industry, which we cannot control. The agricultural products business can be affected by a number of factors. The most important of these factors, for U.S. markets, are:

weather patterns and field conditions (particularly during periods of traditionally high crop nutrients consumption);

quantities of crop nutrients imported to and exported from North America;

current and projected grain inventories and prices, which are heavily influenced by U.S. exports and world-wide grain markets; and

U.S. governmental policies, including farm and biofuel policies, which may directly or indirectly influence the number of acres planted, the level of grain inventories, the mix of crops planted or crop prices.

International market conditions, which are also outside of our control, may also significantly influence our operating results. The international market for crop nutrients is influenced by such factors as the relative value of the U.S. dollar and its impact upon the cost of importing crop nutrients, foreign agricultural policies, the existence of, or changes in, import or foreign currency exchange barriers in certain foreign markets, changes in the hard currency demands of certain countries and other regulatory policies of foreign governments, as well as the laws and policies of the United States affecting foreign trade and investment.

**Our most important products are global commodities, and we face intense global competition from other crop nutrient producers that can affect our prices and volumes.**

Our most important products are concentrated phosphate crop nutrients, including diammonium phosphate, or DAP, and monoammonium phosphate, or MAP, and muriate of potash, or MOP. We sell most of our DAP, MAP and MOP in the form of global commodities. Our sales of these products face intense global competition from other crop nutrient producers.

Changes in competitors' production or shifts in their marketing focus have in the past significantly affected both the prices at which we sell our products and the volumes that we sell, and are likely to continue to do so in the future.

Competitors are more likely to increase their production at times when world agricultural and crop nutrient markets are strong, and to focus on sales into regions where their returns are highest. Increases in the global supply of DAP, MAP and MOP or competitors' increased sales into regions in which we have significant sales could adversely affect our prices and volumes.

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Competitors and potential new entrants in the markets for both concentrated phosphate crop nutrients and potash have announced plans to expand capacity over the next several years. The extent to which current global or local economic and financial conditions, changes in global or local economic and financial conditions, or other factors may cause delays or cancellation of some of these projects, or result in the acceleration of existing or new projects, is unclear. In addition, the level of exports by producers of concentrated phosphate crop nutrients in China depends to a significant extent on Chinese government actions to curb exports through, among other measures, prohibitive export taxes at times when the government believes it desirable to assure ample domestic supplies of concentrated phosphate crop nutrients to stimulate grain and oilseed production.

We cannot accurately predict when or whether competitors' capacity expansions will be completed, the impact of future decisions by the Chinese government on the level of Chinese exports of concentrated phosphate crop nutrients, or the effects of these or other actions by our competitors on the prices for our products or the volumes that we are able to sell.

### **Our crop nutrients and other products are subject to price and demand volatility resulting from periodic imbalances of supply and demand, which may cause our results of operations to fluctuate.**

Historically, the market for crop nutrients has been cyclical, and prices and demand for our products have fluctuated to a significant extent, particularly for phosphates and, to a lesser extent, potash. Periods of high demand, increasing profits and high capacity utilization tend to lead to new plant investment and increased production. This growth increases supply until the market is over-saturated, leading to declining prices and declining capacity utilization until the cycle repeats.

As a result, crop nutrient prices and volumes have been volatile. This price and volume volatility may cause our results of operations to fluctuate and potentially deteriorate. The price at which we sell our crop nutrient products and our sales volumes could fall in the event of industry oversupply conditions, which could have a material adverse effect on our business, financial condition and results of operations. In contrast, high prices may lead our customers and farmers to delay purchasing decisions in anticipation of future lower prices, thus impacting our sales volumes.

Due to reduced market demand, depressed agricultural economic conditions and other factors, we and our predecessors have at various times suspended or reduced production at some of our facilities. The extent to which we utilize available capacity at our facilities will cause fluctuations in our results of operations, as we will incur costs for any temporary or indefinite shutdowns of our facilities and lower sales tend to lead to higher fixed costs as a percentage of sales.

### **Variations in crop nutrient application rates may exacerbate the cyclicity of the crop nutrient markets.**

Farmers are able to maximize their economic return by applying optimum amounts of crop nutrients. Farmers' decisions about the application rate for each crop nutrient, or to forego application of a crop nutrient, particularly phosphate and potash, vary from year to year depending on a number of factors, including among others, crop prices, crop nutrient and other crop input costs or the level of the crop nutrient remaining in the soil following the previous harvest. Farmers are more likely to increase application rates when crop prices are relatively high, crop nutrient and other crop input costs are relatively low and the level of the crop nutrient remaining in the soil is relatively low. Conversely, farmers are likely to reduce or forego application when farm economics are weak or declining or the level of the crop nutrients remaining in the soil is relatively high. This variability in application rates can materially accentuate the cyclicity in prices for our products and our sales volumes.

### **Our crop nutrient business is seasonal, which may result in carrying significant amounts of inventory and seasonal variations in working capital, and our inability to predict future seasonal crop nutrient demand accurately may result in excess inventory or product shortages.**

The crop nutrient business is seasonal. Farmers tend to apply crop nutrients during two short application periods, the strongest one in the Spring before planting and the other in the Fall after harvest. As a result, the strongest

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demand for our products typically occurs during the Spring planting season, with a second period of strong demand following the Fall harvest. In contrast, we and other crop nutrient producers generally produce our products throughout the year. As a result, we and/or our customers generally build inventories during the low demand periods of the year in order to ensure timely product availability during the peak sales seasons. The seasonality of crop nutrient demand results in our sales volumes and net sales typically being the highest during the North American Spring season and our working capital requirements typically being the highest just prior to the start of the Spring season. Our quarterly financial results can vary significantly from one year to the next due to weather-related shifts in planting schedules and purchasing patterns.

If seasonal demand exceeds our projections, we will not have enough product and our customers may acquire products from our competitors, which would negatively impact our profitability. If seasonal demand is less than we expect, we will be left with excess inventory and higher working capital and liquidity requirements.

The degree of seasonality of our business can change significantly from year to year due to conditions in the agricultural industry and other factors.

### **The distribution channels for crop nutrients have capacity to build significant levels of inventories. Significant levels of inventories in the distribution channels for crop nutrients can adversely affect our sales volumes and selling prices.**

In order to balance the production needs of crop nutrient producers with farmers' seasonal use of crop nutrients, crop nutrient distribution channels need to have the capacity to build significant inventories. The build-up of inventories in the distribution channels can become excessive, particularly during the cyclical periods of low demand that have been typical in the crop nutrient industry. When there are excessive inventories in the distribution channel, our sales volumes and selling prices can be adversely impacted, even during periods in which farmers' use of crop nutrients may remain strong.

For example, a build-up of concentrated phosphates and potash in the distribution channels was one of several significant factors that led to softening selling prices for concentrated phosphate crop nutrients and weakened sales volumes for both concentrated phosphate crop nutrients and potash in our fiscal year ended May 31, 2009.

### **Changes in transportation costs can affect our sales volumes and selling prices.**

The cost of delivery is a significant factor in the total cost to customers and farmers of crop nutrients. As a result, changes in transportation costs or in customer expectations about them can affect our sales volumes and prices.

### **Customer expectations about future events can have a significant effect on the demand for our products. These expectations can significantly affect our sales volumes and selling prices.**

Customer expectations about future events has had and is expected to continue to have an effect on the demand and prices for crop nutrients. The future events that may be affected by customer expectations include, among others:

#### **Customer expectations about future crop nutrient prices and availability.**

Customer expectations about selling prices and availability of crop nutrients has had and is expected to continue to have an effect on the demand for crop nutrients. When customers anticipate increasing crop nutrient selling prices, customers tend to accumulate inventories before the anticipated price increases. This can result in a lag in our realization of rising market prices for our products. Conversely, customers tend to delay their purchases when they anticipate future selling prices for crop nutrients will stabilize or decrease, adversely affecting our sales volumes and selling prices. Customer expectations about availability of crop nutrients can have similar effects on sales volumes and prices.

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For example, during portions of fiscal 2009, our customers anticipated a decline in the market price of concentrated phosphate crop nutrients because of falling global prices for sulfur and ammonia, two of the key raw materials used in the production of concentrated phosphates. Our customers' expectation of falling prices was one of several significant factors that led to weak sales volumes and softening selling prices for concentrated phosphate crop nutrients during portions of fiscal 2009.

**Customer expectations about future farmer economics.**

Similarly, customer expectations about future farmer economics has had and is expected to continue to have an effect on the demand for crop nutrients. When customers anticipate improving farmer economics, customers tend to accumulate crop nutrient inventories in anticipation of increasing sales volumes and selling prices. This can result in a lag in our realization of rising market prices for our products. Conversely, when customers anticipate declining farmer economics, customers tend to reduce the level of their purchases of crop nutrients, adversely affecting our sales volumes and selling prices.

For example, a plunge in market prices for grains and oilseeds since peaks in June 2008 led customers to expect declining farmer economics. The expectation of declining farmer economics was one of several significant factors that led to softening selling prices for concentrated phosphate crop nutrients and weak sales volumes for concentrated phosphate crop nutrients and potash during portions of fiscal 2009.

**Changes in customer expectations about transportation costs.**

As more fully discussed above, increasing transportation costs effectively increase customers' and farmers' costs for crop nutrients and can reduce the amount we realize for our sales. Expectations of decreasing transportation costs can result in customers and farmers anticipating that they may be able to decrease their costs by delaying purchases. As a result, changes in customer expectations about transportation costs can affect our sales volumes and prices.

**We conduct our operations primarily through a limited number of key production and distribution facilities. Any disruption at one of these facilities could have a material adverse impact on our business. The risk of material disruption increases when demand for our products results in high operating rates at our facilities.**

We conduct our operations through a limited number of key production and distribution facilities. These large facilities include our phosphate mines and concentrates plants, our potash mines and the ports and other distribution facilities through which we conduct our business. Any disruption of operations at one of these facilities has the possibility of significantly affecting our production or our ability to distribute our products. Operating these facilities at high rates during periods of high demand for our products increases the risk of mechanical or structural failures, decreases the time available for routine maintenance and increases the impact on our operating results from any disruption. A disruption of operations at one of our key facilities could have a material adverse effect on our results of operations or financial condition.

**Insurance market conditions, our loss experience and other factors affect the insurance coverage that we carry, and we are not fully insured against all potential hazards and risks incident to our business. As a result, our insurance coverage may not adequately cover our losses.**

We maintain property, business interruption and casualty insurance policies, but we are not fully insured against all potential hazards and risks incident to our business. We are subject to various self-retentions and deductibles under these insurance policies. As a result of market conditions, our loss experience and other factors, our premiums, self-retentions and deductibles for insurance policies can increase substantially and, in some instances, certain insurance may become unavailable or available only for reduced amounts of coverage. In addition, significantly increased costs could lead us to decide to reduce, or possibly eliminate, coverage. As a result, a disruption of operations at one of our key facilities or a significant casualty could have a material adverse effect on our results of operation or financial condition.

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**Important raw materials and energy used in our businesses in the past have been and may in the future be the subject of volatile pricing. Changes in the price of our raw materials could have a material impact on our businesses.**

Natural gas, ammonia and sulfur are key raw materials used in the manufacture of phosphate crop nutrient products. Natural gas is used as both a chemical feedstock and a fuel to produce anhydrous ammonia, which is a raw material used in the production of DAP and MAP. Natural gas is also a significant energy source used in the potash solution mining process. From time to time, our profitability has been and may in the future be impacted by the price and availability of these raw materials and other energy costs. Because our products are commodity-like, there can be no assurance that we will be able to pass through increased costs to our customers. A significant increase in the price of natural gas, ammonia, sulfur or energy costs that is not recovered through an increase in the price of our related crop nutrients products could have a material impact on our business.

**During periods when the price for concentrated phosphates is falling because of falling raw material prices, we may experience a lag in realizing the benefits of the falling raw materials prices. This lag can adversely affect our gross margins and profitability.**

During some periods, changes in market prices for raw materials can lead to changes in the global market prices for concentrated phosphate crop nutrients. In particular, the global market prices for concentrated phosphate crop nutrients can be affected by changes in the market prices for sulfur, ammonia, phosphate rock and/or phosphoric acid raw materials. Increasing market prices for these raw materials tend to put upward pressure on the selling prices for concentrated phosphate crop nutrients, and decreasing market prices for these raw materials tend to put downward pressure on selling prices for concentrated phosphate crop nutrients. When the market prices for these raw materials plunge rapidly, the selling prices for our concentrated phosphate crop nutrients can fall more rapidly than we are able to consume our raw material inventory that we purchased or committed to purchase in the past at higher prices. As a result, our costs may not fall as rapidly as the selling prices of our products. Until we are able to consume the higher priced raw materials, our gross margins and profitability can be adversely affected.

**During periods when the prices for our products are falling because of falling raw material prices, we could be required to write down the value of our inventories. Any such write-down would adversely affect our results of operations and the level of our assets.**

We carry our inventories at the lower of cost or market. In periods when the market prices for our products are falling rapidly in response to falling market prices for raw materials, it is possible that we could be required to write down the value of our inventories if market prices fall below our costs. Any such write-down would adversely affect our results of operations and the level of our assets. Any such effect could be material.

For example, in our fiscal quarter ended November 30, 2008, we recorded lower of cost or market inventory write-downs principally in our Phosphate and Offshore segments. These lower of cost or market inventory write-downs, which totaled \$293.5 million, were necessary because the carrying cost of certain ending inventories exceeded our estimates of future selling prices less reasonably predictable selling costs.

Our estimates of future selling prices reflect in part the purchase commitments we have from our customers. As a result, defaults on these existing purchase commitments because of the global or local economic and financial conditions or for other reasons could adversely affect our estimates of future selling prices and require additional inventory write-downs.

**In the event of a disruption to existing transportation or terminaling facilities for raw materials, alternative transportation and terminaling facilities might not have sufficient capacity to fully serve all of our facilities.**

In the event of a disruption of existing transportation or terminaling facilities for raw materials, alternative transportation and terminaling facilities might not have sufficient capacity to fully serve all of our facilities.

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An extended interruption in the supply of natural gas, ammonia or sulfur to our production facilities could have a material adverse effect on our business, financial condition or results of operations.

**We are subject to risks associated with our international sales and operations, which could negatively affect our sales to customers in foreign countries as well as our operations and assets in foreign countries. Some of these factors may also make it less attractive to distribute cash generated by our operations outside the United States to our stockholders, or to utilize cash generated by our operations in one country to fund our operations or repayments of indebtedness in another country or to support other corporate purposes.**

For fiscal 2011, we derived approximately 65% of our net sales from customers located outside of the United States. As a result, we are subject to numerous risks and uncertainties relating to international sales and operations, including:

difficulties and costs associated with complying with a wide variety of complex laws, treaties and regulations;

unexpected changes in regulatory environments;

increased government ownership and regulation of the economy in the countries we serve;

political and economic instability, including the possibility for civil unrest, inflation and adverse economic conditions resulting from governmental attempts to reduce inflation, such as imposition of higher interest rates and wage and price controls;

nationalization of properties by foreign governments;

the imposition of tariffs, exchange controls, trade barriers or other restrictions; and

currency exchange rate fluctuations between the U.S. dollar and foreign currencies, particularly the Brazilian real and the Canadian dollar.

The occurrence of any of the above in the countries in which we operate or elsewhere could jeopardize or limit our ability to transact business there and could adversely affect our revenues and operating results and the value of our assets located outside of the United States.

In addition, tax regulations, currency exchange controls and other restrictions may also make it economically unattractive to:

distribute cash generated by our operations outside the United States to our stockholders, or

utilize cash generated by our operations in one country to fund our operations or repayments of indebtedness in another country or to support other corporate purposes.

**Our international assets are located in countries with volatile conditions, which could subject us and our assets to significant risks.**

We are a global business with substantial assets located outside of the United States and Canada. Our operations in Brazil, Argentina, Chile, China and India are a fundamental part of our business, and we recently invested in a mine in Peru that supplies phosphate rock to us. Volatile economic, political and market conditions in these and other emerging market countries may have a negative impact on our operations, operating results and financial condition.





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**Adverse weather conditions, including the impact of potential hurricanes and excess rainfall, have in the past, and may in the future, adversely affect our operations, particularly our Phosphates business, and result in increased costs, decreased production and potential liabilities.**

Adverse weather conditions, including the impact of potential hurricanes and excess rainfall, have in the past and may in the future adversely affect our operations, particularly our Phosphates business. In the past, hurricanes have resulted in minor physical damage to our facilities in Florida and Louisiana. In addition, a release of phosphoric acid process wastewater at our Riverview, Florida facility during a hurricane resulted in a small civil fine, as well as a private class action lawsuit and claims for natural resource damages by governmental agencies.

More significantly, water treatment costs, particularly at our Florida operations, due to high water balances tend to increase significantly following excess rainfall from hurricanes and other adverse weather. Some of our Florida facilities have high water levels that may, from time to time, require treatment. The high water balances at phosphate facilities in Florida also led the Florida Department of Environmental Protection to adopt new rules requiring phosphate production facilities to meet more stringent process water management objectives for phosphogypsum management systems.

If additional excess rainfall or hurricanes continue to occur in coming years, our facilities may be required to take additional measures to manage process water to comply with existing or future requirements and these measures could potentially have a material effect on our business and financial condition.

Adverse weather may also cause a loss of production due to disruptions in our supply chain. For example, following Hurricane Katrina in Louisiana in 2005, oil refineries that supply sulfur to us were closed and incoming shipments of ammonia were delayed, disrupting production at our Louisiana facilities.

**Our operations are dependent on having the required permits and approvals from governmental authorities. Denial or delay by a government agency in issuing any of our permits and approvals or imposition of restrictive conditions on us with respect to these permits and approvals may impair our business and operations.**

We hold numerous governmental environmental, mining and other permits and approvals authorizing operations at each of our facilities. A decision by a government agency to revoke or substantially modify an existing permit or approval could have a material adverse effect on our ability to continue operations at the affected facility.

Expansion of our operations also is predicated upon securing the necessary environmental or other permits or approvals. Over the next several years, we and our subsidiaries will be continuing our efforts to obtain permits in support of our anticipated Florida mining operations at certain of our properties.

A denial of, or delay in issuing, these permits, the issuance of permits with cost-prohibitive conditions, legal actions that prevent us from relying on permits or revocation of permits, could prevent us from mining at these properties and thereby have a material adverse effect on our business, financial condition or results of operations.

For example:

In Florida, local community participation has become an 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, in connection with our efforts to permit an extension of our Four Corners, Florida, phosphate rock mine, non-governmental organizations for the first time filed a lawsuit in federal court against the U.S. Army Corps of Engineers with respect to its actions in issuing a federal wetlands permit. The federal wetlands permit issued by the Corps remains in effect and mining of the extension of our Four Corners mine has commenced and is continuing, although this lawsuit remains pending before the United States District Court for the Middle District of Florida, Jacksonville Division.

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Delays in receiving a federal wetlands permit impacted the scheduled progression of mining activities for the extension of our South Fort Meade, Florida, phosphate rock mine into Hardee County. As a result, we began to idle a portion of our mining equipment at the mine in the latter part of fiscal 2010. On June 14, 2010, the Corps issued the federal wetlands permit. We subsequently initiated site preparation activities to begin mining the extension property in reliance on the federal wetlands permit.

On June 30, 2010, certain non-governmental organizations filed another lawsuit in the United States District Court for the Middle District of Florida, Jacksonville Division, contesting the issuance of the federal wetlands permit for the extension of our South Fort Meade mine into Hardee County, alleging that the Corps' actions in issuing the permit violated several federal laws relating to the protection of the environment. On July 30, 2010, the court entered a preliminary injunction preventing mining activities in jurisdictional waters of the U.S. in reliance on the permit until the Corps completed an additional analysis of available alternatives under the Clean Water Act in accordance with the court's order and a permit was reissued by the Corps, or the case was decided on its merits in our favor.

We then shut down the South Fort Meade mine because we could not extend the mine into Hardee County in reliance on the federal wetlands permit. On October 27, 2010, we reached a partial settlement with the plaintiffs that allowed us to proceed with mining on approximately 200 acres out of the 10,586 acre extension of the mine into Hardee County. Following court approval of the partial settlement, we commenced mining within the 200-acre area. We completed mining in the 200-acre area in June 2011.

The shutdown resulted in costs to suspend operations and idle plant costs. Lower phosphate rock mining production levels also adversely affected gross margin.

In April 2011, the Eleventh Circuit Court of Appeals vacated the first preliminary injunction effective July 7, 2011. On July 8, 2011, the Jacksonville District Court issued a second preliminary injunction again preventing us from mining in the Hardee County extension of our South Fort Meade mine, and we have stopped mining in that area. The shutdown could result in higher costs in fiscal 2012, principally if we need to purchase incremental levels of phosphate rock in the second half of fiscal 2012, and such costs could be substantial.

The degree to which we are able to successfully mitigate the effects of the second preliminary injunction in the longer-term remains uncertain. Accordingly, an extended loss of production from the South Fort Meade mine could also potentially adversely impact production at our phosphate concentrates plants and our sales volumes, lead to further layoffs of employees or result in the indefinite closure of at least one of our phosphate concentrates plants. This could further significantly affect our future results of operations, reduce our future cash flows from operations, and, in the longer-term, conceivably adversely affect our liquidity and capital resources.

In August 2010, we received official confirmation from the Corps that it plans to conduct an area-wide environmental impact statement for the central Florida phosphate district. The Corps has established a planned 18-month time frame for completion of the document. We cannot predict the scope or actual timeline for this process, or what its outcome will be; however, although we do not currently expect its outcome to materially influence the conditions of future federal wetlands permits for our mining in central Florida, a protracted timeline for this process could delay our future permitting efforts.

We have included additional discussion about permitting for our phosphate mines in Florida, including the lawsuit contesting the issuance of the federal wetlands permit for the extension of our South Fort Meade mine into Hardee County and its potential effects on us, under "Environmental, Health and Safety Matters - Permitting" in our Management's Discussion and Analysis of Financial Condition and Results of Operations and in Note 22 of our Consolidated Financial Statements.

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**We are subject to financial assurance requirements as part of our routine business operations. These financial assurance requirements affect our costs and increase our liquidity requirements. If we were unable to satisfy applicable financial assurance requirements, we might not be able to obtain or maintain permits we need to operate our business as we have in the past. Our need to comply with these requirements could materially affect our business, results of operations or financial condition.**

In many cases, as a condition to procuring or maintaining permits and approvals or otherwise, we are required to comply with financial assurance regulatory requirements. The purpose of these requirements is to provide comfort to the government that sufficient funds will be available for the ultimate closure, post-closure care and/or reclamation of our facilities. In most cases, these financial assurance requirements can be satisfied without the need for any expenditure of corporate funds to the extent our financial statements meet certain balance sheet and income statement financial strength tests. In the event that we are unable to satisfy these financial strength tests, we must utilize alternative methods of complying with the financial assurance requirements or could be subject to enforcement proceedings brought by relevant government agencies. Potential alternative methods of compliance include negotiating a consent decree that imposes alternative financial assurance or other conditions or, alternatively, providing credit support in the form of cash escrows, surety bonds from insurance companies, letters of credit from banks, or other forms of financial instruments or collateral to satisfy the financial assurance requirements. Use of these alternative means of financial assurance imposes additional expense on us. Some of them, such as letters of credit, also use a portion of our available liquidity. Other alternative means of financial assurance, such as surety bonds, may in some cases require collateral and 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. Collateral that is required may be in many forms including letters of credit or other financial instruments that utilize a portion of our available liquidity, or in the form of assets such as real estate, which reduces our flexibility to manage or sell assets. We are technically out of compliance with the Florida financial assurance requirements because we do not have a sufficient amount of debt outstanding. We are working with the Florida Department of Environmental Protection to determine an alternative means of meeting the test. In the past, we have also not always been able to satisfy applicable financial strength tests, and in the future, it is possible that we will not be able to pass the applicable financial strength tests, negotiate consent decrees, establish escrow accounts or obtain letters of credit, surety bonds or other financial instruments on acceptable terms and conditions or at a reasonable cost, or that the form and/or cost of compliance could increase, which could materially adversely affect our business, results of operations or financial condition. We have included additional discussion about financial assurance requirements under **Off Balance Sheet Arrangements and Obligations** **Other Commercial Commitments** in our Management's Discussion and Analysis of Financial Condition and Results of Operations.

**The other environmental regulations to which we are subject may also have a material adverse effect on our business, financial condition and results of operations.**

In addition to permitting and financial assurance requirements, we are subject to numerous other environmental, health and safety laws and regulations in the U.S., Canada, China, Brazil and other countries where we operate. These laws and regulations govern a wide range of matters, including environmental controls, land reclamation, discharges to air and water and remediation of hazardous substance releases. They significantly affect our operating activities as well as the level of our operating costs and capital expenditures. In some international jurisdictions, environmental laws change frequently and it may be difficult for us to determine if we are in compliance with all material environmental laws at any given time.

**We are, and may in the future be, involved in legal and regulatory proceedings that could be material to us. These proceedings include legacy matters arising from activities of our predecessor companies and from facilities and businesses that we have never owned or operated.**

We have in the past been, are currently and may in the future be subject to legal and regulatory proceedings that could be material to our business, results of operations, liquidity or financial condition. These proceedings may be brought by the government or private parties and may arise out of a variety of matters, including:

Allegations by the government or private parties that we have violated the permitting, financial assurance or other environmental, health and safety laws and regulations discussed above. For example,

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the U.S. Environmental Protection Agency is engaged in an ongoing review of mineral processing industries, including us and other phosphoric acid producers, under the U.S. Resource Conservation and Recovery Act. We are also involved in other proceedings alleging that, or to review whether, we have violated environmental laws in the United States and Brazil.

Other environmental, health and safety matters, including alleged personal injury, wrongful death, property damage, subsidence from mining operations, natural resource damages and other damage to the environment, arising out of operations, including accidents. For example, several actions were initiated by the government and private parties related to releases of phosphoric acid process wastewater at our Riverview, Florida facility during the hurricanes in 2004.

Antitrust, commercial, tax and other disputes. For example, we are currently one of a number of defendants in multiple class-action lawsuits, in which the plaintiffs seek unspecified amounts of damages including treble damages, alleging that we and other defendants conspired to, among other matters, fix the price at which potash was sold in the United States, allocated market shares and customers and fraudulently concealed their anticompetitive conduct.

The legal and regulatory proceedings to which we are currently or may in the future be subject can, depending on the circumstances, result in monetary damage awards, fines, penalties, other liabilities, injunctions or other court or administrative rulings that interrupt, impede or otherwise materially affect our business operations, and/or criminal sanctions.

Among other environmental laws, the U.S. Comprehensive Environmental Response, Compensation, and Liability Act imposes liability, including for cleanup costs, without regard to fault or to the legality of a party's conduct, on certain categories of persons, including current and former owners and operators of a site and parties who are considered to have contributed to the release of hazardous substances into the environment. Under CERCLA, or various U.S. state analogs, one party may, under certain circumstances, be required to bear more than its proportional share of cleanup costs at a site where it has liability if payments cannot be obtained from other responsible parties. As a crop nutrient company working with chemicals and other hazardous substances, we will periodically incur liabilities and cleanup costs, under CERCLA and other environmental laws, with regard to our current or former facilities, adjacent or nearby third-party facilities or offsite disposal locations.

Pending and potential legal and regulatory proceedings may arise out of our present activities, including operations at current facilities. They may also arise out of past activities by us, our predecessor companies and subsidiaries that our predecessors have sold. These past activities were in some cases at facilities that we and our subsidiaries no longer own or operate and may have never owned or operated.

We have included additional information with respect to pending legal and regulatory proceedings in Note 22 of our Consolidated Financial Statements and in this report in Part I, Item 3, Legal Proceedings.

These legal and regulatory proceedings involve inherent uncertainties and could negatively impact our business, results of operations, liquidity or financial condition.

**The permitting, financial assurance and other environmental, health and safety laws and regulations to which we are subject may become more stringent over time. This could increase the effects on us of these laws and regulations, and the increased effects could be material.**

Continued government and public emphasis on environmental, health and safety issues in the U.S., Canada, China, Brazil and other countries where we operate can be expected to result in requirements that apply to us and our operations that are more stringent than those that are described above and elsewhere in this report. These more stringent requirements may include among other matters increased levels of future investments and expenditures for environmental controls at ongoing operations which will be charged against income from future

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operations, increased levels of the financial assurance requirements to which we are subject, increased efforts or costs to obtain permits or denial of permits, other new or interpretations of existing statutes or regulations that impose new or more stringent restrictions or liabilities, including liabilities under CERCLA or similar statutes, including restrictions or liabilities related to elevated levels of naturally-occurring radiation that arise from disturbing the ground in the course of mining activities, and other matters that could increase our expenses, capital requirements or liabilities or adversely affect our business, liquidity or financial condition. In addition, to the extent restrictions imposed in countries where our competitors operate, such as China, India, Former Soviet Union countries or Morocco, are less stringent than in the countries where we operate, our competitors could gain cost or other competitive advantages over us. These effects could be material.

Among other matters, on December 6, 2010, the EPA adopted numeric water quality standards for the discharge of nitrogen and/or phosphorus into Florida lakes and streams. The rule sets criteria for such discharges that would require drastic reductions in the levels of nutrients allowed in Florida lakes and streams, and would require us and others to significantly limit discharges of these nutrients in Florida by March, 2012. We and others have brought lawsuits challenging the rule. We are also exploring regulatory relief mechanisms provided under the rule. If our lawsuit and our efforts to identify and obtain approval of effective regulatory relief mechanisms are unsuccessful, we expect that compliance with the requirements of the rule would adversely affect our Florida Phosphate operations, require significant capital expenditures and substantially increase our annual operating expenses.

**Regulatory restrictions on greenhouse gas emissions in the United States, Canada or elsewhere could adversely affect us, and these effects could be material.**

Various governmental initiatives to limit greenhouse gas emissions are under way or under consideration around the world. These initiatives 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.

Governmental greenhouse gas emission initiatives include among others:

*Initiatives in the United States:*

*EPA Regulations.* In December 2009, the EPA finalized its previously proposed Endangerment Finding under the Clean Air Act that motor vehicles are sources of greenhouse gases that are reasonably anticipated to endanger public health and welfare. Subsequently, on May 13, 2010, the EPA issued its final Prevention of Significant Deterioration ( *PSD* ) and Title V Greenhouse Gas Tailoring Rule (the *Tailoring Rule* ). Under the Tailoring Rule, (i) beginning in January 2011, sources that are currently subject to the PSD requirements that undergo modifications that increase their greenhouse gas emissions by 75,000 short tons per year will be subject to PSD permitting requirements for greenhouse gas emissions and (ii) beginning in July 2011, new projects that are not otherwise subject to the PSD requirements will become subject to PSD requirements if they emit greenhouse gas emissions of more than 100,000 short tons per year.

*Congressional Legislation.* In the past sessions of Congress, the U.S. House of Representatives passed legislation that would establish a comprehensive program to reduce greenhouse gas emissions. This legislation would have mandated increased use of renewable energy sources, increased energy efficiency, and an economy-wide emission cap and trade program. Many other bills have been more recently introduced both in the U.S. House of Representatives and the U.S. Senate.

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*State Initiatives.* 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.

*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% 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 grass roots research and development.

*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.

**Future climate change could adversely affect us.**

The prospective impact of potential climate change on our operations and those of our customers and farmers remains uncertain. Some scientists have hypothesized that the impacts of climate change could include changes in rainfall patterns, water shortages, changing sea levels, changing storm patterns and intensities, and changing temperature levels and that these changes could be severe. These impacts could vary by geographic location. At the present time, we cannot predict the prospective impact of potential climate change on our results of operations, liquidity or capital resources, or whether any such effects could be material to us.

**Some of our competitors and potential competitors have greater resources than we do which may place us at a competitive disadvantage and adversely affect our sales and profitability. These competitors include state-owned and government-subsidized entities in other countries.**

We compete with a number of producers in North America and throughout the world, including state-owned and government-subsidized entities. Some of these entities may have greater total resources than we do, and may be less dependent on earnings from crop nutrients sales than we are. In addition, some of these entities may have access to lower cost or government-subsidized natural gas supplies, placing us at a competitive disadvantage.

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Furthermore, governments as owners of some of our competitors may be willing to accept lower prices and profitability on their products in order to support domestic employment or other political or social goals. To the extent other producers of crop nutrients enjoy competitive advantages or are willing to accept lower profit levels, the price of our products, our sales volumes and our profits may be adversely affected.

**We have substantial cash balances that we invest in what we believe to be relatively short-term, highly liquid and high credit quality investments. We intend the investment risks, including counterparty default and lack of liquidity, on these types of investments to be relatively low, but market rates of return on these types of investments are also generally relatively low. In addition, our efforts to manage the investment risks could be unsuccessful. This could result in a material adverse effect on our results of operations, liquidity or financial condition.**

Our significant cash flows from operations have resulted in cash and cash-equivalents of approximately \$3.9 billion as of May 31, 2011. Our cash and cash-equivalents should continue to increase when we generate cash from operations, except to the extent we reinvest in our business or make distributions to our stockholders. We generally invest these cash and cash-equivalents in what we believe to be relatively short-term, highly liquid and high credit quality instruments. Because of these characteristics of our cash and cash-equivalents, the market rates of return on them are lower than our expectations for the return on capital invested in our business operations. Moreover, our efforts to manage investment risk by focusing our investing on short-term, highly liquid and high credit quality investments could prove unsuccessful. The likelihood that our efforts to manage investment risk might prove unsuccessful is heightened during times when there is significant turmoil in the financial markets. As a result, counterparties could default on their obligations to us, or the liquidity of financial instruments that we hold could become impaired. Any such event could have a material adverse effect on our results of operations, liquidity or financial condition.

**We do not own a controlling equity interest in our non-consolidated companies, some of which are foreign companies, and therefore our operating results and cash flow may be materially affected by how the governing boards and majority owners operate such businesses. There may also be limitations on monetary distributions from these companies that are outside of our control. Together, these factors may lower our equity earnings or cash flow from such businesses and negatively impact our results of operations.**

We hold minority ownership interests in a joint venture that owns and operates a phosphate rock mine and in other companies that are not controlled by us. The operations or results of some of these companies are significant to us, and their operations can affect our earnings. Because we do not control these companies either at the board or stockholder levels and because local laws in foreign jurisdictions and contractual obligations may place restrictions on monetary distributions by these companies, we cannot ensure that these companies will operate efficiently, pay dividends, or generally follow the desires of our management by virtue of our board or stockholder representation. As a result, these companies may contribute less than anticipated to our earnings and cash flow, negatively impacting our results of operations and liquidity.

**Strikes or other forms of work stoppage or slowdown could disrupt our business and lead to increased costs.**

Our financial performance is dependent on a reliable and productive work force. A significant portion of our workforce is covered by collective bargaining agreements with unions. Unsuccessful contract negotiations or adverse labor relations could result in strikes or slowdowns. Any disruptions may decrease our production and sales or impose additional costs to resolve disputes. The risk of adverse labor relations may increase as our profitability increases because labor unions' expectations and demands generally rise at those times.

**Accidents occurring in the course of our operating activities could result in significant liabilities, interruptions or shutdowns of facilities or the need for significant safety or other expenditures.**

We engage in mining and industrial activities that can result in serious accidents. Mining, in particular, can be a dangerous activity. If our safety procedures are not effective, we could be subject to liabilities arising out of



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personal injuries or death, our operations could be interrupted and we might have to shut down or abandon affected facilities. Accidents could cause us to expend significant amounts to remediate safety issues or to repair damaged facilities. For example:

**Our Esterhazy mine has had an inflow of brine for more than 25 years. At various times, we have experienced new or increased inflows at the mine. The Esterhazy mine is not insured against the risk of floods and water inflows and the costs to control the brine inflows could increase in future years. The brine inflows, risk to employees or remediation costs could also cause us to change our mining process or abandon this mine, which in turn could significantly negatively impact our results of operations, liquidity or capital resources.**

Since December 1985, we have had inflows of salt saturated brine into our Esterhazy, Saskatchewan mine. Over the past century, several potash mines experiencing water inflow problems have flooded. In order to control brine inflows at Esterhazy, we have incurred, and will continue to incur, expenditures, certain of which due to their nature have been capitalized, while others have been charged to expense.

At various times, we experience new or increased brine inflows at the Esterhazy mine. For example, in late 2006, we identified a new salt saturated brine inflow in a mined out area located approximately 7,500 feet from our existing brine inflow management area. Initial data suggested that the new inflow was at the rate of 20,000 to 25,000 gallons per minute, which was significantly greater than the highest inflow rates that we had successfully managed (approximately 10,000 to 15,000 gallons per minute) at the Esterhazy mine since 1985. Without abatement, and assuming our initial estimates to be accurate, we estimated that we had storage capacity to handle the new brine inflow for several months before adversely affecting production at the Esterhazy mine. Our remediation efforts included grouting that reduced the level of the inflows to approximately historical rates and pumping to reduce the level of brine in the mine. See *Potash Net Sales and Gross Margin* in our *Management's Analysis* for a discussion of costs and other information relating to the brine inflows. Inflow rate measurements reflect an estimate as of a particular point in time, and depending on when tests are conducted, rates can fluctuate up or down. We have subsequently experienced other new or increased brine inflows but within the range of historical norms. There can be no assurance that:

the pumping, grouting and other measures that we use to mitigate the inflows at the Esterhazy mine will continue to be successful in mitigating the inflows;

our estimates of the volumes of the brine inflow or storage capacity for brine at the Esterhazy mine are accurate;

the volumes of the brine inflows will not fluctuate from time to time, the rate of the brine inflows will not be greater than our current assumptions and that any such fluctuations or increases would not be material; or

the expenditures to control the inflows will be consistent with our current estimates.

It is possible that the costs of remedial efforts at Esterhazy may further increase beyond our current estimates in the future and that such an increase could be material, or, in the extreme scenario, that the water inflows, risk to employees or remediation costs may increase to a level which would cause us to change our mining process or abandon the mine.

Due to the ongoing brine inflow problem at Esterhazy, underground operations at this facility are currently not insurable for water incursion problems. Our mines at Colonsay, Saskatchewan, and Carlsbad, New Mexico, are also subject to the risks of inflow of water as a result of our shaft mining operations.

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**Some of our mines are subject to potential damage from earthquakes.**

The excavation of mines can result in potential seismic events or can increase the likelihood or potential severity of a seismic event. The rise and fall of water levels, such as those arising from the brine inflows and our remediation activities at our Esterhazy mine, can also result in or increase the likelihood or potential severity of a seismic event. Our Esterhazy mine has experienced minor seismic events from time to time. A significant seismic event at one of our mines could result in damage to or flooding of the mine or, in the extreme scenario, cause us to change our mining process or abandon the mine.

**Our underground potash shaft mines are subject to risk from fire. In the event of a fire, if our emergency procedures are not successful, we could have significant injuries or deaths. In addition, fire at one of our underground shaft mines could halt our operations at the affected mine while we investigate the origin of the fire or for longer periods for remedial work or otherwise.**

Our underground potash shaft mines at Esterhazy, Saskatchewan, Colonsay, Saskatchewan and Carlsbad, New Mexico are subject to risk from fire. For example, in January 2006, we experienced a fire at our Esterhazy mine. At the time of the fire, there were 72 mine workers underground. These mine workers were safely evacuated the following day. We halted operations at our Esterhazy mine for over a week during our investigation of the origin of the fire. Any failure of our safety procedures in the future could result in serious injuries or death, or lengthier shutdowns, which could result in significant liabilities and/or impact on the financial performance of our Potash business, including a possible material adverse effect on our results of operations, liquidity or financial condition.

**We handle significant quantities of ammonia at several of our facilities. If our safety procedures are not effective, an accident involving our ammonia operations could result in serious injuries or death, or result in the shutdown of our facilities.**

We produce ammonia at our Faustina, Louisiana phosphate concentrates plant, use ammonia in significant quantities at all of our Florida and Louisiana phosphates concentrates plants and store ammonia at some of our distribution facilities. For our Florida phosphates concentrates plants, ammonia is received at terminals in Tampa and transported by pipelines to our facilities. Our ammonia is generally stored and transported at high pressures. An accident could occur that could result in serious injuries or death, or the evacuation of areas near an accident. An accident could also result in property damage or the shutdown of our Florida or Louisiana phosphates concentrates plants, the ammonia terminals or pipelines serving those plants or our other ammonia storage and handling facilities. As a result, an accident involving ammonia could have a material adverse effect on our results of operations, liquidity or financial condition.

**We also use or produce other hazardous or volatile chemicals at some of our facilities. If our safety procedures are not effective, an accident involving these other hazardous or volatile chemicals could result in serious injuries or death, or result in the shutdown of our facilities.**

We use sulfuric acid in the production of concentrated phosphates in our Florida and Louisiana operations. Some of our Florida and Louisiana facilities produce fluorosilicic acid, which is a hazardous chemical, for resale to third parties. We also use or produce other hazardous or volatile chemicals at some of our facilities. An accident involving any of these chemicals could result in serious injuries or death, or evacuation of areas near an accident. An accident could also result in property damage or shutdown of our facilities, or cause us to expend significant amounts to remediate safety issues or to repair damaged facilities. As a result, an accident involving any of these chemicals could have a material adverse effect on our results of operations, liquidity or financial condition. For example, in October 2006, an explosion occurred at our Faustina, Louisiana ammonia plant, which is located adjacent to our phosphate production facility. As a result, the ammonia plant was idle for repairs until mid-January 2007.

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**Deliberate, malicious acts, including terrorism, could damage our facilities, disrupt our operations or injure employees, contractors, customers or the public and result in liability to us.**

Intentional acts of destruction could hinder our sales or production and disrupt our supply chain. Our facilities could be damaged or destroyed, reducing our operational production capacity and requiring us to repair or replace our facilities at substantial cost. Employees, contractors and the public could suffer substantial physical injury for which we could be liable. Governmental authorities may impose security or other requirements that could make our operations more difficult or costly. The consequences of any such actions could adversely affect our operating results and financial condition.

**We may be adversely affected by changing antitrust laws to which we are subject. Increases in crop nutrient prices can increase the scrutiny to which we are subject under these laws.**

We are subject to antitrust and competition laws in various countries throughout the world. We cannot predict how these laws or their interpretation, administration and enforcement will change over time. Changes in antitrust laws globally, or in their interpretation, administration or enforcement, may limit our existing or future operations and growth, or the operations of Canpotex Limited and the Phosphate Chemicals Export Association, Inc., which serve as export associations for our Potash and Phosphates businesses, respectively. Increases in crop nutrient prices have in the past resulted in increased scrutiny of the crop nutrient industry under antitrust and competition laws and can increase the risk that these laws could be interpreted, administered or enforced in a manner that could affect our operating practices or impose liability on us in a manner that could materially adversely affect our operating results and financial condition.

**We may be adversely affected by other changes in laws resulting from increases in food and crop nutrient prices.**

Increases in prices for, among other things, food, fuel and crop inputs (including crop nutrients) have in the past been the subject of significant discussion by various governmental bodies and officials throughout the world. In response to increases, it is possible that governments in one of more of the locations in which we operate or where we or our competitors sell our products could take actions that could affect us. Such actions could include, among other matters, changes in governmental policies relating to agriculture and biofuels (including changes in subsidy levels), price controls, tariffs, windfall profits taxes or export or import taxes. Any such actions could materially adversely affect our operating results and financial condition.

**Our competitive position could be adversely affected if we are unable to participate in continuing industry consolidation.**

Most of our products are readily available from a number of competitors, and price and other competition in the crop nutrient industry is intense. In addition, crop nutrient production facilities and distribution activities frequently benefit from economies of scale. As a result, particularly during pronounced cyclical troughs, the crop nutrient industry has a long history of consolidation. Mosaic itself is the result of a number of industry consolidations. We expect consolidation among crop nutrient producers could continue. Our competitive position could suffer to the extent we are not able to expand our own resources either through consolidations, acquisitions, joint ventures or partnerships. In the future, we may not be able to find suitable companies to combine with, assets to purchase or joint venture or partnership opportunities to pursue. Even if we are able to locate desirable opportunities, we may not be able to enter into transactions on economically acceptable terms. If we do not successfully participate in continuing industry consolidation, our ability to compete successfully could be adversely affected and result in the loss of customers or an uncompetitive cost structure, which could adversely affect our sales and profitability.

**Our risk management strategy may not be effective.**

Our businesses are affected by fluctuations in market prices for our products, the purchase price of natural gas, ammonia and sulfur consumed in operations, freight and shipping costs and foreign currency exchange rates. We

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periodically enter into derivatives and forward purchase contracts to mitigate some of these risks. However, our strategy may not be successful in minimizing our exposure to these fluctuations. See **Market Risk** in our Management's Analysis and Note 16 of our Consolidated Financial Statements that is incorporated by reference in this report in Part II, Item 8.

**A shortage of railcars, barges and ships for carrying our products and the raw materials we use in our business could result in customer dissatisfaction, loss of production or sales, and higher transportation or equipment costs.**

We rely heavily upon truck, rail, barge and ocean freight transportation to obtain the raw materials we need and to deliver our products to our customers. In addition, the cost of transportation is an important part of the final sale price of our products. Finding affordable and dependable transportation is important in obtaining our raw materials and to supply our customers. Higher costs for these transportation services or an interruption or slowdown due to factors including high demand, high fuel prices, labor disputes, layoffs or other factors affecting the availability of qualified transportation workers, adverse weather or other environmental events, or changes to rail, barge or ocean freight systems, could negatively affect our ability to produce our products or deliver them to our customers, which could affect our performance and results of operations.

Strong demand for grain and other products and a strong world economy increase the demand for and reduce the availability of transportation, both domestically and internationally. Shortages of railcars, barges and ocean transport for carrying product and increased transit time may result in customer dissatisfaction, loss of sales and higher equipment and transportation costs. In addition, during periods when the shipping industry has a shortage of ships the substantial time needed to build new ships prevents rapid market response. Delays and missed shipments due to transportation shortages, including vessels, barges, railcars and trucks, could result in customer dissatisfaction or loss of sales potential, which could negatively affect our performance and results of operations.

**A lack of customers' access to credit can adversely affect their ability to purchase our products.**

Some of our customers require access to credit to purchase our products. A lack of available credit to customers in one or more countries, due to the global or local economic conditions or for other reasons, could adversely affect demand for crop nutrients.

For example, the recent global economic crisis reduced the availability of credit to borrowers worldwide. A lack of available credit was one of several significant factors that adversely affected international customers' demand for crop nutrients in some countries in our fiscal year ended May 31, 2009.

**We extend trade credit to our customers and guarantee the financing that some of our customers use to purchase our products. Our results of operations may be adversely affected if these customers are unable to repay the trade credit from us or financing from their banks. Increases in prices for crop nutrient, other agricultural inputs and grain may increase this risk.**

We extend trade credit to our customers in the United States and throughout the world, in some cases for extended periods of time. In Brazil, where there are fewer third-party financing sources available to farmers, we also have several programs under which we guarantee customers financing from financial institutions that they use to purchase our products. As our exposure to longer trade credit extended throughout the world and use of guarantees in Brazil increases, we are increasingly exposed to the risk that some of our customers will not pay us or the amounts we have guaranteed. Additionally, we become increasingly exposed to risk due to weather and crop growing conditions, fluctuations in commodity prices or foreign currencies, and other factors that influence the price, supply and demand for agricultural commodities. Significant defaults by our customers could adversely affect our financial condition and results of operations.

Increases in prices for crop nutrients increase the dollar amount of our sales to customers. The larger dollar value of our customers' purchases may also lead them to request longer trade credit from us and/or increase their need

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for us to guarantee their financing of our products. Either factor could increase the amount of our exposure to the risk that our customers may be unable to repay the trade credit from us or financing from their banks that we guarantee. In addition, increases in prices for other agricultural inputs and grain may increase the working capital requirements, indebtedness and other liabilities of our customers, increase the risk that they will default on the trade credit from us or their financing that we guarantee, and decrease the likelihood that we will be able to collect from our customers in the event of their default.

**Tax rules governing the Split-off could result in limitations on our ability to execute certain actions for a period of time following the Split-off and, notwithstanding the IRS ruling and tax opinion issued to Cargill in connection with the Cargill Transaction, we could owe significant tax-related indemnification liabilities to Cargill.**

The IRS has issued a ruling to the effect that the Split-off that is part of the Cargill Transaction will be tax-free to Cargill and its stockholders, and in connection with the completion of the Cargill Transaction, Cargill received a tax opinion relating to certain tax consequences of the Cargill Transaction. Notwithstanding the IRS ruling and tax opinion, however, the Split-off and Debt Exchanges could be taxable to Cargill and its stockholders under certain circumstances. For example, the Split-off and Debt Exchanges would be taxable to Cargill (but not its stockholders) under Section 355(e) of the Code ( Section 355(e) ) if one or more persons acquire, directly or indirectly, stock representing a 50% or greater interest (by vote or value) in us as part of a plan or series of related transactions that includes the Split-off. Therefore, we and Cargill have agreed to tax-related restrictions and indemnities set forth in a tax agreement related to the Cargill Transaction, under which we may be restricted or deterred from taking certain actions for a period of two years following the completion of the Split-off, including (i) redeeming or purchasing our stock in excess of agreed-upon amounts; (ii) issuing any equity securities in excess of agreed upon amounts; (iii) approving or recommending a third party's acquisition of us; (iv) permitting any merger or other combination of Mosaic or MOS Holdings; and (v) entering into an agreement for the purchase of any interest in Mosaic or MOS Holdings, subject to certain exceptions. We have agreed to indemnify Cargill for taxes and tax-related losses imposed on Cargill as a result of the Split-off and/or Debt Exchange failing to qualify as tax-free, if the taxes and related losses are attributable to, arise out of or result from certain prohibited acts or to any breach of, or inaccuracy in, any representation, warranty or covenant made by us in the tax agreement referred to above. The taxes and tax-related losses of Cargill would be material if these transactions fail to qualify as tax-free, and so this indemnity would result in material liabilities from us to Cargill that could have a material adverse effect on us. For a further discussion of the restrictions and indemnities set forth in the agreements related to the Cargill Transaction, please see Note 2 to our Consolidated Financial Statements.

**The Class B Common Stock issued to Cargill stockholders in the Merger is entitled to ten votes per share with respect to the election of directors while the Class A Common Stock issued to Cargill stockholders in the Merger and the Common Stock has only one vote per share with respect to the election of directors.**

For the Split-off and Debt Exchange to be tax-free to Cargill and its stockholders, U.S. federal income tax law generally required, among other things, that Cargill exchange with its stockholders stock representing at least 80% of the voting power in the election of our board of directors. Accordingly, a high vote Class B Common Stock was established in connection with the Merger to permit Cargill to effect the Split-off and Debt Exchange in a manner that is tax-free to Cargill and its stockholders. Following the Merger, holders of our Class B Common Stock hold approximately 77% of the voting power for the election of directors and approximately 25% of the economic interest in us and voting power on other matters, holders of our Class A Common Stock hold approximately 4% of the voting power for the election of directors and approximately 13% of the economic interest in us and voting power on other matters, and holders of our Common Stock hold approximately 19% of the voting power for the election of directors and approximately 62% of the economic interest in us and voting power on other matters.

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### **Limitations on equity issuances, buybacks and other actions.**

The agreements relating to the Cargill Transaction restrict our ability to take certain actions, including making certain equity issuances or undertaking share buybacks. These restrictions and limitations apply for a period of two years following completion of the Split-off. These restrictions and limitations may prevent us from pursuing business opportunities that may arise prior to expiration of such restrictions and limitations. Please see Note 2 to our Consolidated Financial Statements for a summary of these restrictions and limitations. In addition, we are restricted from buying shares of Class A Common Stock or Class B Common Stock at a premium to the then-current market price of the Common Stock.

### **Stock sales following the Split-off may affect the stock price of our common stock.**

During the first fifteen months following the completion of the Merger and the Split-off, we agreed to conduct a series of additional underwritten secondary public formation offerings which could result in downward pressure on the market price of our common stock.

In addition, prior to the 24-month anniversary of the Split-off, we may be required by the MAC Trusts to file a shelf registration statement for secondary sales of shares in the event the MAC Trusts are not given the opportunity to sell 42.0 million shares of stock received by the MAC Trusts in the Split-off in the additional formation offerings discussed above. Furthermore, the agreements relating to the Cargill Transaction provide for the possibility of another series of underwritten secondary public offerings, which would begin no earlier than 12 months following the last of the formation offerings described above (or certain other primary or secondary offerings), with respect to our shares received by Exchanging Cargill Stockholders (including shares received but not sold by the MAC Trusts in the initial two-year period following the Split-off). This second series of underwritten secondary public offerings is expected to be completed, at the latest, on the 54-month anniversary of the Split-off. These sales could also result in downward pressure on the stock price of our common stock.

### **The Class B Common Stock may remain as a separate class for an indefinite period of time.**

We presently expect that, in connection with the consideration of resolutions to be submitted to our stockholders at our next regularly scheduled annual stockholders meeting or at a special stockholders meeting, our board of directors will consider a proposal to convert the Class B Common Stock to either Class A Common Stock or Common Stock (or a combination thereof) on a share-for-share basis, subject to the receipt of stockholder approval. There is, however, no binding commitment by our board of directors to, and there can be no assurance that our board of directors will, consider the issue or resolve to submit such a proposal to our stockholders at that meeting or any subsequent meeting of stockholders. Moreover, there can be no assurance that, if presented, our stockholders would approve the conversion proposal. If such a conversion proposal is approved by our board of directors and presented to our stockholders, a vote by a majority of all three classes of our stock outstanding, represented in person or by proxy at a stockholder meeting, voting together as a single class (with each share having one vote) will be required for such proposal to be approved.

### **Provisions in our restated certificate of incorporation and bylaws and of Delaware law may prevent or delay an acquisition of our company, which could decrease the trading price of our common stock.**

Our restated certificate of incorporation and our amended and restated bylaws contain provisions that could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our board of directors. These provisions include the ability of our board of directors to issue preferred stock without stockholder approval, the classification of our board of directors into three classes, a prohibition on stockholder action by written consent and the inability of our stockholders to request that our board of directors or chairman of our board call a special meeting of stockholders.

We are also subject to Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder

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for a period of three years from the date of the transaction in which the person became an interested stockholder, unless the interested stockholder attained this status with the approval of the board of directors or unless the business combination was approved in a prescribed manner. A business combination includes mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to exceptions, an interested stockholder is a person who, together with affiliates and associates, owns, or within three years owned, 15% or more of the corporation's voting stock. This statute could prohibit or delay the accomplishment of mergers or other takeover or change in control attempts with respect to us and, accordingly, may discourage attempts to acquire us.

These provisions apply not only when they may protect our stockholders from coercive or otherwise unfair takeover tactics but even if the offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our board of directors determines is not in our best interests or those of our stockholders.

### **Our success will increasingly depend on our ability to attract and retain highly qualified and motivated employees.**

We believe our continued success depends on the collective abilities and efforts of our employees. Like many businesses, a significant number of our employees, including some of our most highly skilled employees with specialized expertise in potash and phosphates operations, will be approaching retirement age throughout the next decade and beyond. In addition, we compete for a talented workforce with other businesses, particularly within the mining and chemicals industries in general and the crop nutrients industry in particular. Our expansion plans are highly dependent on our ability to attract, retain and train highly qualified and motivated employees who are essential to the success of our ongoing operations as well as to our expansion plans. If we were to be unsuccessful in attracting, retaining and training the employees we require, our ongoing operations and expansion plans could be materially and adversely affected.

### **Future technological innovation could affect our business.**

Future technological innovation such as the development of seeds that require less crop nutrients, or developments in the application of crop nutrients, if they occur, could have the potential to adversely affect the demand for our products and our results of operations, liquidity and capital resources.

### **The success of our Potash expansion plans and other strategic initiatives depends on our ability to effectively manage these initiatives.**

We have initiated several significant strategic initiatives, principally our plans to expand the annual production capacity of our Potash business by more than five million tonnes of finished product by 2020. These strategic initiatives involve capital and other expenditures of several billions of dollars over a number of years and require effective project management. To the extent the processes we put in place to manage these initiatives are not effective, our capital expenditure and other costs may exceed our expectations or the benefits we expect from these initiatives might not be fully realized.

### **Item 1B. Unresolved Staff Comments.**

None.

### **Item 2. Properties.**

Information regarding our plant and properties is included in Part I, Item 1, Business, of this report.

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### Item 3. Legal Proceedings.

We have included information about legal and environmental proceedings in Note 22 of our Consolidated Financial Statements. This information is incorporated herein by reference.

We are also subject to the following legal and environmental proceedings in addition to those described in Note 22 of our Consolidated Financial Statements:

*EPA Clean Air Act Initiative.* In August 2008, we attended a meeting with the U.S. Environmental Protection Agency ( *EPA* ) and U.S. Department of Justice ( *DOJ* ) at which we reiterated our responses to an August 2006 request from EPA under Section 114 of the Federal Clean Air Act (the *CAA* ) for information and copies of records relating to compliance with National Emission Standards for Hazardous Air Pollutants for hydrogen fluoride at our Riverview, New Wales, Bartow, South Pierce and Green Bay facilities in Florida. Based on discussions with the EPA and DOJ, we believe these matters will be settled for an immaterial amount.

*Water Quality Regulations for Nutrient Discharges in Florida.* On December 7, 2010, we filed a lawsuit in the U.S. District Court for the Northern District of Florida, Pensacola Division, against the EPA challenging a rule adopted by the EPA that sets numeric water quality standards (the *NNC Rule* ) for the discharge of nitrogen and/or phosphorus into Florida lakes and streams. Our lawsuit was subsequently transferred to the U.S. District Court for the Northern District of Florida, Tallahassee Division, for consolidation with a number of lawsuits brought by other parties challenging the NNC Rule. We and the other plaintiffs filed a motion for summary judgment on June 15, 2011. The NNC Rule sets criteria for such discharges that would require drastic reductions in the levels of nutrients allowed in Florida lakes and streams, and would require us and others to significantly limit discharges of these nutrients in Florida by March 2012. Our lawsuit asserts, among other matters, that the criteria set by EPA do not comport with the requirements of the Federal Water Pollution Control Act or the Administrative Procedure Act, and seeks a declaration that the NNC Rule is arbitrary, capricious, an abuse of discretion and not in accordance with law, and vacating the NNC Rule and remanding it for further rulemaking proceedings consistent with the Federal Water Pollution Control Act and its implementing regulations.

The NNC Rule includes regulatory relief mechanisms, as well as a provision for site-specific alternative criteria which, if approved by the EPA, allow for deviations from the water quality standard that is otherwise applicable under the NNC Rule. We intend to explore the use of site-specific alternative criteria; however, we cannot predict whether we will be able to identify and obtain EPA approval of site-specific alternative criteria or whether any such approved criteria would significantly mitigate the adverse effects on us of the NNC Rule. Absent success in our lawsuit challenging the NNC Rule or in identifying and obtaining EPA approval of site-specific alternative criteria that would significantly mitigate the NNC Rule's adverse effects, we expect that compliance with the requirements of the NNC Rule would adversely affect our Florida Phosphate operations, require significant capital expenditures and substantially increase our annual operating expenses.

*Stockholder Actions Relating to the Cargill Transaction.* Mosaic, MOS Holdings, GNS Merger Sub LLC ( *Merger Sub* ), the members of the Mosaic board of directors and Cargill are named as defendants in purported class action lawsuits (the *Stockholder Actions* ) brought in the Delaware Court of Chancery by several Mosaic stockholders: the City of Lakeland Employees Pension Plan, the Louisiana Municipal Police Employees Retirement System, the Teamsters Local 500 Severance Fund and the Minneapolis Firefighters Relief Association on February 28, 2011, March 8, 2011, March 8, 2011 and March 15, 2011, respectively. On March 9, 2011, the City of Lakeland Employees Pension Plan was dismissed, and the Operating Engineers Construction Industry and Miscellaneous Pension Fund was added, as a plaintiff. The Stockholder Actions challenge the Cargill Transaction.



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Collectively, the Stockholder Actions generally allege that the Mosaic directors breached their fiduciary duties to Mosaic and its stockholders by authorizing the Cargill Transaction, that the Mosaic directors improperly delegated their authority to Cargill in violation of the Delaware General Corporation Law and in breach of their fiduciary duties, that the preliminary proxy statement filed with the SEC in connection with the Cargill Transaction omitted material information and was materially misleading, particularly concerning financial advice provided by financial advisers to the special committee formed by Mosaic's board of directors to consider the transaction and the ramifications of the Cargill Transaction to Mosaic's minority stockholders. The Stockholder Actions seek, among other things: to enjoin the defendants from consummating the Cargill Transaction on the agreed-upon terms; to require the individual defendants to make full and complete disclosure; to rescind the Cargill Transaction; to invalidate provisions of the tax agreement that is part of the Cargill Transaction; rescissory and compensatory damages in unspecified amounts; and recovery of the costs of the lawsuit. On May 10, 2011, Mosaic, MOS Holdings, Merger Sub, the members of our board of directors and Cargill executed a Stipulation and Agreement of Settlement with the plaintiffs in the Stockholder Actions (the Stipulation). The Stipulation is subject to certain conditions including approval by the Delaware Court of Chancery. If the Settlement is consummated, the Stockholder Actions will be dismissed with prejudice and the defendants and other released persons will receive a release of all claims. The Stipulation was submitted to the Delaware Court of Chancery for approval on May 10, 2011. There can be no assurance that the Delaware Court of Chancery will approve the settlement. If the Delaware Court of Chancery does not approve the settlement, the proposed settlement, as contemplated by the Stipulation, may be terminated.

The following tables show, for each of our U.S. mines that is subject to the Federal Mine Safety and Health Act of 1977 ( *MSHA* ), the information required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Section references are to sections of MSHA.

	Potash Mine		Florida Phosphate Rock Mines			
	Carlsbad, New Mexico	Four Corners	Hookers Prairie	Hopewell	South Fort Meade	Wingate
<b>Three Months Ended May 31, 2011</b>						
Citations for violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard under Section 104	25	20	8	-	-	-
Orders issued under Section 104(b)	-	-	-	-	-	-
Citations and orders under Section 104(d)	-	-	-	-	-	-
Violations under Section 110(b)(2)	-	-	-	-	-	-
Orders under Section 107(a)	-	-	-	-	-	-
Proposed assessments under MSHA (whole dollars)	\$ 11,456	-	\$ 1,300	-	-	-
Mining-related fatalities	-	-	-	-	-	-
Notice under Section 104(e)	-	-	-	-	-	-
Notice of the potential for a pattern of violations under Section 104(e)	-	-	-	-	-	-
Pending legal actions before the Federal Mine Safety and Health Review Commission	-	-	-	-	-	-

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Fiscal Year Ended May 31, 2011	Potash Mine	Florida Phosphate Rock Mines				
	Carlsbad, New Mexico	Four Corners	Hookers Prairie	Hopewell	South Fort Meade	Wingate
Citations for violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard under Section 104	102	95	44	2	18	21
Orders issued under Section 104(b)	-	-	-	-	-	-
Citations and orders under Section 104(d)	7	-	-	-	-	-
Violations under Section 110(b)(2)	-	-	-	-	-	-
Orders under Section 107(a)	-	-	-	-	1	1
Proposed assessments under MSHA (whole dollars)	\$ 104,175	\$ 169,353	\$ 26,490	\$ 1,611	\$ 20,514	\$ 31,469
Mining-related fatalities	-	-	-	-	-	-
Notice under Section 104(e)	-	-	-	-	-	-
Notice of the potential for a pattern of violations under Section 104(e)	-	-	-	-	-	-
Pending legal actions before the Federal Mine Safety and Health Review Commission	-	-	-	-	-	-

**Table of Contents****PART II.****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

We have included information about the market price of, dividends on and the number of holders of our common stock under Quarterly Results (Unaudited) in the financial information that is incorporated by reference in this report in Part II, Item 8, Financial Statements and Supplementary Data.

The principal stock exchange on which our common stock is traded is The New York Stock Exchange.

The following provides information related to equity compensation plans:

Plan category	Number of shares to be issued upon exercise of outstanding options, warrants and rights <sup>(a)</sup>	Weighted-average exercise price of outstanding options, warrants and rights <sup>(b)</sup>	Number of shares remaining available for future issuance under equity compensation plans (excluding shares reflected in first column)
Equity compensation plans approved by stockholders	2,969,409	\$ 37.88	17,489,683
Equity compensation plans not approved by stockholders	-	-	-
<b>Total</b>	<b>2,969,409</b>	<b>\$ 37.88</b>	<b>17,489,683</b>

<sup>(a)</sup> Includes grants of stock options and time-based restricted stock units.

<sup>(b)</sup> Includes weighted average exercise price of stock options only.

Pursuant to our employee stock plans relating to the grant of employee stock options, stock appreciation rights and restricted stock awards, we have granted and may in the future grant employee stock options to purchase shares of common stock of Mosaic for which the purchase price may be paid by means of delivery to us by the optionee of shares of common stock of Mosaic that are already owned by the optionee (at a value equal to market value on the date of the option exercise). During the period covered by this report, no options to purchase shares of common stock of Mosaic were exercised for which the purchase price was so paid.

**Item 6. Selected Financial Data.**

We have included selected financial data for our fiscal years 2007 through 2011 under Five Year Comparison, in the financial information that is incorporated by reference in this report in Part II, Item 8, Financial Statements and Supplementary Data. This information is incorporated herein by reference.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.**

We have included our Management's Analysis in our annual report to stockholders. This information is incorporated herein by reference.

**Item 7A. Quantitative and Qualitative Disclosures about Market Risk.**

We have included a discussion about market risks under Market Risk in our Management's Analysis. This information is incorporated herein by reference.

**Item 8. Financial Statements and Supplementary Data.**

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We have included our Consolidated Financial Statements, the Notes to Consolidated Financial Statements, the report of our Independent Registered Public Accounting Firm, and the information under Quarterly Results in

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our annual report to stockholders. This information is incorporated herein by reference. All other schedules for which provision is made in the applicable accounting regulation of the SEC are not required under the related instructions or are inapplicable, and therefore, have been omitted.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. Controls and Procedures.**

**(a) Disclosure Controls and Procedures**

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in our filings under the Securities Exchange Act of 1934 (Exchange Act) is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including our principal executive officer and our principal financial officer, to allow timely decisions regarding required disclosures. Our management, with the participation of our principal executive officer and our principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Our principal executive officer and our principal financial officer have concluded, based on such evaluations, that our disclosure controls and procedures were effective for the purpose for which they were designed as of the end of such period.

**(b) Management's Report on Internal Control Over Financial Reporting**

We have included management's report on internal control over financial reporting under Management's Report on Internal Control Over Financial Reporting in our annual report to stockholders.

We have included our registered public accounting firm's attestation report on our internal controls over financial reporting under Report of Independent Registered Public Accounting Firm in our annual report to stockholders.

This information is incorporated herein by reference.

**(c) Changes in Internal Control Over Financial Reporting**

Our management, with the participation of our principal executive officer and our principal financial officer, have evaluated any change in internal control over financial reporting that occurred during the fiscal quarter ended May 31, 2011 in accordance with the requirements of Rule 13a-15(d) promulgated by the SEC under the Exchange Act. There were no changes in internal control over financial reporting identified in connection with management's evaluation that occurred during the fiscal quarter ended May 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

None.

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**PART III.**

**Item 10. Directors, Executive Officers and Corporate Governance.**

The information contained under the headings Proposal No. 1 Election of Directors, Corporate Governance Committees of the Board of Directors, Corporate Governance Policies Relating to the Board of Directors Nomination and Selection of Directors, and Section 16(a) Beneficial Ownership Reporting Compliance included in our definitive proxy statement for our 2011 annual meeting of stockholders and the information contained under Executive Officers of the Registrant in Part I, Item 1, Business, in this report is incorporated herein by reference.

We have a Code of Business Conduct and Ethics within the meaning of Item 406 of Regulation S-K adopted by the SEC under the Exchange Act that applies to our principal executive officer, principal financial officer and principal accounting officer. Our Code of Business Conduct and Ethics is available on Mosaic's website ([www.mosaicco.com](http://www.mosaicco.com)), and we intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding any amendment to, or waiver from, a provision of our code of ethics by posting such information on our website. The information contained on Mosaic's website is not being incorporated herein.

**Item 11. Executive Compensation.**

The information under the headings Executive and Director Compensation and Compensation Committee Interlocks and Insider Participation included in our definitive proxy statement for our 2011 annual meeting of stockholders is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The information under the headings Beneficial Ownership of Securities and Certain Relationships and Related Transactions Cargill Transaction included in our definitive proxy statement for our 2011 annual meeting of stockholders is incorporated herein by reference. The table set forth in Part II, Item 5, Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities, of this report is also incorporated herein by reference.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information under the headings Corporate Governance Board Independence, Corporate Governance Committees of the Board of Directors, Corporate Governance Policies Relating to the Board of Directors Policy and Procedures Regarding Transactions with Related Persons, and Certain Relationships and Related Transactions included in our definitive proxy statement for our 2011 annual meeting of stockholders is incorporated herein by reference.

**Item 14. Principal Accounting Fees and Services.**

The information included under Audit Committee Report and Payment of Fees to Independent Registered Public Accounting Firm Fees Paid to Independent Registered Public Accounting Firm and Audit Committee Report and Payment of Fees to Independent Registered Public Accounting Firm Pre-approval of Independent Registered Public Accounting Firm Services included in our definitive proxy statement for our 2011 annual meeting of stockholders is incorporated herein by reference.

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**PART IV.**

**Item 15. Exhibits and Financial Statement Schedules**

- (a) (1) Consolidated Financial Statements filed as part of this report are listed in the Financial Table of Contents included in our annual report to stockholders and incorporated by reference in this report in Part II, Item 8, Financial Statements and Supplementary Data.
  
  - (2) All schedules for which provision is made in the applicable accounting regulations of the SEC are listed in this report in Part II, Item 8, Financial Statements and Supplementary Data.
  
  - (3) Reference is made to the Exhibit Index beginning on page E-1 hereof.
- (b) Exhibits  
Reference is made to the Exhibit Index beginning on page E-1 hereof.
- (c) Summarized financial information of 50% or less owned persons is included in Note 10 of Notes to Consolidated Financial Statements. Financial statements and schedules are omitted as none of such persons are significant under the tests specified in Regulation S-X under Article 3.09 of general instructions to the financial statements.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE MOSAIC COMPANY  
*(Registrant)*

/s/ James T. Prokopanko

James T. Prokopanko  
Chief Executive Officer and President

Date: July 19, 2011

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Name	Title	Date
/s/ James T. Prokopanko	Chief Executive Officer and President  (principal executive officer)	July 19, 2011
James T. Prokopanko		
/s/ Lawrence W. Stranghoener	Executive Vice President and Chief Financial Officer (principal financial officer)	July 19, 2011
Lawrence W. Stranghoener		
/s/ Anthony T. Brausen	Vice President Finance and Chief Accounting Officer (principal accounting officer)	July 19, 2011
Anthony T. Brausen		
*	Chairman of the Board of Directors	July 19, 2011
Robert L. Lumpkins		
*	Director	July 19, 2011
Phyllis E. Cochran		
*	Director	July 19, 2011
William R. Graber		
*	Director	July 19, 2011
Emery N. Koenig		
*	Director	July 19, 2011
Harold H. MacKay		
*	Director	July 19, 2011
David B. Mathis		
*	Director	July 19, 2011
William T. Monahan		
*	Director	July 19, 2011
James L. Popowich		
*	Director	July 19, 2011

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	*	Director	July 19, 2011
David T. Seaton			
	*	Director	July 19, 2011
Steven M. Seibert			

**\*By:**

**/s/ Lawrence W. Stranghoener**  
**Lawrence W. Stranghoener**

**Attorney-in-fact**

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**Table of Contents****Exhibit Index**

<b>Exhibit No.</b>	<b>Description</b>	<b>Incorporated Herein by Reference to</b>	<b>Filed with Electronic Submission</b>
2.i.	Agreement and Plan of Merger and Contribution, dated as of January 26, 2004, by and among IMC Global Inc. (now known as Mosaic Global Holdings Inc.), Global Nutrition Solutions, Inc. (now known as MOS Holdings Inc. ( MOS Holdings )), GNS Acquisition Corp., Cargill, Incorporated ( Cargill ) and Cargill Fertilizer, Inc., as amended by Amendment No. 1 to Agreement and Plan of Merger and Contribution, dated as of June 15, 2004, and as further amended by Amendment No. 2 to Agreement and Plan of Merger and Contribution, dated as of October 18, 2004*	Exhibit 2.1 to the Current Report on Form 8-K of Mosaic dated October 22, 2004, and filed on October 28, 2004**	
2.ii.	Letter Agreement dated April 11, 2005, to Agreement and Plan of Merger and Contribution, dated as of January 26, 2004, by and among IMC Global Inc., Global Nutrition Solutions, Inc., Cargill and Cargill Fertilizer, Inc., as amended by Amendment No. 1 to Agreement and Plan of Merger and Contribution, dated as of June 15, 2004, and as further amended by Amendment No. 2 to Agreement and Plan of Merger and Contribution, dated as of October 18, 2004	Exhibit 2 to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period ended February 28, 2005**	
2.iii	Form of Merger and Distribution Agreement, dated January 18, 2011, by and among MOS Holdings Inc., Cargill, The Mosaic Company ( Mosaic, formerly known as GNS II (U.S.) Corp. ( GNS )), GNS Merger Sub LLC, and, for the limited purposes set forth therein, the Margaret A. Cargill Foundation, the Acorn Trust, the Lilac Trust and the Anne Ray Charitable Trust*	Annex A to the proxy statement/prospectus forming a part of the Registration Statement on Form S-4 filed by GNS pursuant to Rule 424(b)(3) of the Securities Act on April 11, 2011***	
2.iv.	Form of Registration Agreement, dated January 18, 2011, by and among MOS Holdings, Cargill, Mosaic, the Margaret A. Cargill Foundation, the Acorn Trust, the Lilac Trust and the Anne Ray Charitable Trust	Annex D to the proxy statement/prospectus forming a part of the Registration Statement on Form S-4 filed by GNS on February 4, 2011***	
2.v.	Form of Tax Agreement, dated January 18, 2011, by and among MOS Holdings, Mosaic and Cargill (the Tax Agreement )	Annex F to the proxy statement/prospectus forming a part of the Registration Statement on Form S-4 filed by GNS on February 4, 2011***	

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<b>Exhibit No.</b>	<b>Description</b>	<b>Incorporated Herein by Reference to</b>	<b>Filed with Electronic Submission</b>
2.x.	Form of Option Agreement dated February 10, 2010, between Vale, Nacque, MOS Holdings and Mosaic Brazil*	Exhibit 2.b. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended February 28, 2010**	
2.xi.	Form of Holdings Option Agreement dated February 10, 2010, between Vale, International, Nacque and MOS Holdings*	Exhibit 2.c. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended February 28, 2010**	
2.xii.	Form of Standstill Commitment dated February 10, 2010, between Vale and MOS Holdings	Exhibit 2.d. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended February 28, 2010**	
2.xiii.	Form of amendment dated as of March 12, 2010, to Share Purchase Agreement and Other Covenants dated February 10, 2010, between Vale, Nacque, International, MOS Holdings and Mosaic Brazil	Exhibit 2.e. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended February 28, 2010**	
2.xiv.	Form of amendment dated as of March 12, 2010, to Option Agreement dated February 10, 2010, between Vale, Nacque, MOS Holdings and Mosaic Brazil	Exhibit 2.f. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended February 28, 2010**	
3.i.a.	Restated Certificate of Incorporation of Mosaic	Exhibit 3.1 to Mosaic's Form 8-K12B dated May 24, 2011, and filed on May 25, 2011**	
3.ii.	Amended and Restated Bylaws of Mosaic	Exhibit 3.2 to Mosaic's Current Report on Form 8-K12B dated May 24, 2011, and filed on May 25, 2011**	
4.iii.	Registrant hereby agrees to furnish to the Commission, upon request, with all instruments defining the rights of holders of each issue of long-term debt of the Registrant and its consolidated subsidiaries		
10.ii.a.	Form of offer by Mosaic de Argentina S.A. to sell monoammonium phosphate and MicroEssentials® fertilizers to Cargill S.A.C.I. through August 31, 2010	Exhibit 10.ii.a. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended August 31, 2009**	
10.ii.b.	Form of Supply Agreement dated September 30, 2009, for the sale of feed grade phosphates and potash in North America by Mosaic Crop Nutrition, LLC dba Mosaic Feed Ingredients to Cargill Animal Nutrition, Inc.	Exhibit 10.ii.a. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended November 30, 2009**	

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<b>Exhibit No.</b>	<b>Description</b>	<b>Incorporated Herein by Reference to</b>	<b>Filed with Electronic Submission</b>
10.ii.c.	Form of Barter Arrangement dated September 29, 2009, between Mosaic de Argentina S.A. and Cargill S.A.C.I.	Exhibit 10.ii.b. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended November 30, 2009**	
10.ii.d.	Form of North America HR Shared Services Work Order dated October 1, 2009, under Master Services Agreement dated December 29, 2006, between Cargill, Incorporated and The Mosaic Company	Exhibit 10.ii.c. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended November 30, 2009**	
10.ii.e.	Form of Supply Agreement dated September 28, 2009, for the sale of fertilizer products by Mosaic de Argentina S.A. to Cargill S.A.C.I.	Exhibit 10.ii.d. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended November 30, 2009**	
10.ii.f.	Form of amendment dated December 9, 2009, to Master Services Agreement dated December 29, 2006, between Mosaic and Cargill, Incorporated	Exhibit 10.ii.a. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended February 28, 2010**	
10.ii.g.	Form of amendment dated January 7, 2010, to Product Supply Agreement dated January 20, 2009, for the sale of fertilizer and feed products by Mosaic de Argentina Sociedad Anonima and Mosaic Brazil to Cargill Agropecuaria S.A.C.I. in Paraguay	Exhibit 10.ii.b. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended February 28, 2010**	
10.ii.h.	Form of Offer dated June 25, 2010, from Mosaic de Argentina S.A. to Cargill S.A.C.I. for the sale of solid and liquid fertilizer in Argentina	Exhibit 10.ii.a. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended August 31, 2010**	
10.ii.i.	Form of renewal, dated January 14, 2011, of agreement dated January 20, 2009, for the sale of fertilizer and feed products by Mosaic de Argentina Sociedad Anonima and Mosaic Fertilizantes do Brasil Ltda. to Cargill Agropecuaria S.A.C.I. in Paraguay	Exhibit 10.ii.a. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended February 28, 2011**	
10.ii.j.	Form of renewal, dated January 14, 2011, of agreement dated January 20, 2009, for the sale of fertilizer and feed products by Mosaic de Argentina Sociedad Anonima and Mosaic Fertilizantes do Brasil Ltda. to Cargill Bolivia S.A. in Bolivia	Exhibit 10.ii.b. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended February 28, 2011**	
10.ii.k.	Form of agreement, executed February 11, 2011, between Mosaic Fertilizer, LLC and Cargill Limited for the shipment of phosphate rock from Peru to Louisiana	Exhibit 10.ii.c. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended February 28, 2011**	

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<b>Exhibit No.</b>	<b>Description</b>	<b>Incorporated Herein by Reference to</b>	<b>Filed with Electronic Submission</b>
10.ii.l.	Form of agreement, executed February 16, 2011, between Mosaic Canada Crop Nutrition L.P. and Cargill Limited for the sale of phosphate and potash	Exhibit 10.ii.d. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended February 28, 2011**	
10.ii.m.	Description of Related Party Transactions	Note 23 of Notes to the Consolidated Financial Statements that are incorporated by reference in this report in Part II, Item 8, Financial Statements and Supplementary Data	
10.iii.a.****	The Mosaic Company 2004 Omnibus Stock and Incentive Plan (as amended October 8, 2009)	Appendix A to the Proxy Statement of The Mosaic Company dated August 25, 2009**	
10.iii.b.****	Form of Employee Non-Qualified Stock Option under The Mosaic Company 2004 Omnibus Stock and Incentive Plan	Exhibit 10.iii.b. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended November 30, 2004**	
10.iii.c.****	Description of Executive Physical Program	Fourth Paragraph of Item 1.01 of the Current Report on Form 8-K of Mosaic dated May 26, 2005, and filed on June 1, 2005**	
10.iii.d.****	Description of Mosaic Management Incentive Program		X
10.iii.e.****	Form of Employee Non-Qualified Stock Option under The Mosaic Company 2004 Omnibus Stock and Incentive Plan, effective August 1, 2005	Exhibit 99.1 to the Current Report on Form 8-K of Mosaic dated August 2, 2006, and filed on August 2, 2006**	
10.iii.f.****	Summary of Board of Director Compensation of Mosaic	Exhibit 10.iii.f. to the Annual Report on Form 10-K for the Fiscal Year Ended May 31, 2010**	
10.iii.g.****	Form of Employee Non-Qualified Stock Option under The Mosaic Company 2004 Omnibus Stock and Incentive Plan, approved July 6, 2006	Exhibit 99.3. to the Current Report on Form 8-K of Mosaic dated August 2, 2006, and filed on August 2, 2006**	
10.iii.h.****	Form of Employee Non-Qualified Stock Option under The Mosaic Company 2004 Omnibus Stock and Incentive Plan, approved July 30, 2008	Exhibit 10.iii.a. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended August 31, 2008**	
10.iii.i.****	Form of Employee Restricted Stock Unit Award Agreement under The Mosaic Company 2004 Omnibus Stock and Incentive Plan, approved July 30, 2008	Exhibit 10.iii.b to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended August 31, 2008**	

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<b>Exhibit No.</b>	<b>Description</b>	<b>Incorporated Herein by Reference to</b>	<b>Filed with Electronic Submission</b>
10.iii.j.****	Form of Indemnification Agreement between Mosaic and its directors and executive officers	Exhibit 10.iii. to the Current Report on Form 8-K of Mosaic dated October 8, 2008, and filed on October 14, 2008**	
10.iii.k.****	Form of Mosaic Nonqualified Deferred Compensation Plan, as amended and restated effective October 9, 2008	Exhibit 10.iii.b. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended November 30, 2008**	
10.iii.l.****	Form of Director Restricted Stock Unit Award Agreement under The Mosaic Company 2004 Omnibus Stock and Incentive Plan, approved October 9, 2008	Exhibit 10.iii.c. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended November 30, 2008**	
10.iii.m.****	Description of Executive Financial Planning Program, as amended effective January 1, 2009	Exhibit 10.iii.a. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended February 28, 2009**	
10.iii.n.****	Form of Retirement Agreement dated July 31, 2009, between The Mosaic Company and Steven L. Pinney	Exhibit 10.iii.a. to the Quarterly Report on Form 10-Q of Mosaic for the Quarterly Period Ended August 31, 2009**	
10.iii.o.****	Description of certain discretionary short-term incentive payouts for the fiscal year ended May 31, 2009	The material under  Executive and Director  Compensation Compensation  Discussion and Analysis Compensation Components  and Process Annual  Incentives Discretionary  Short Term Incentive Payout  for Fiscal 2009 in the Proxy  Statement dated August 25,  2009, of The Mosaic Company**	
10.iii.p.****	Description of anti-dilution payments to directors and employees	Item 5.02 of the Current Report on Form 8-K of Mosaic dated December 9, 2009, and filed on December 15, 2009**	
10.iii.q.****	Form of Senior Management Severance and Change in Control Agreement	Exhibit 10.78 to Amendment No. 2 to Registration Statement on Form S-1 filed by GNS II (U.S.) Corp. pursuant to Rule 424(b)(3) of the Securities Act on May 12, 2011*****	
10.iii.r.****	Form of Amendment dated April 13, 2011, to the Mosaic Nonqualified Deferred Compensation Plan, as amended and restated effective October 9, 2008		X

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<b>Exhibit No.</b>	<b>Description</b>	<b>Incorporated Herein by Reference to</b>	<b>Filed with Electronic Submission</b>
10.iii.s.****	Form of Retirement Agreement dated May 11, 2011, between MOS Holdings and Norman B. Beug		X
10.iii.t.****	Description of New Horizon Special Compensation Awards	Item 5.02 of the Current Report on Form 8-K of Mosaic dated June 9, 2011, and filed on June 15, 2011**	
10.iii.u.****	Form of Amendment dated May 11, 2011, to The Mosaic Company 2004 Omnibus Stock and Incentive Plan		X
13	The portions of Mosaic's annual report to stockholders that are specifically incorporated by reference		X
21	Subsidiaries of the Registrant		X
23.1	Consent of KPMG LLP, independent registered public accounting firm for Mosaic		X
24	Power of Attorney		X
31.1	Certification of Chief Executive Officer Required by Rule 13a-14(a)		X
31.2	Certification of Chief Financial Officer Required by Rule 13a-14(a)		X
32.1	Certification of Chief Executive Officer Required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code		X
32.2	Certification of Chief Financial Officer Required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code		X
101	Interactive Data Files		X

\* Mosaic agrees to furnish supplementally to the Commission a copy of any omitted schedules and exhibits to the extent required by rules of the Commission upon request.

\*\* SEC File No. 001-32327

\*\*\* Registration Statement No. 333-172076

\*\*\*\* Denotes management contract or compensatory plan.

\*\*\*\*\* Registration Statement No. 333-172253