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PRESENTATION

Operator

Greetings, and welcome to Nutrien's 2019 Fourth Quarter Earnings Call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference over to Richard Downey, Vice President of Investor Relations. Please go ahead.

Richard Downey - *Nutrien Ltd. - VP of Investor & Corporate Relations*

Thank you, operator. Good morning, everyone, and welcome to Nutrien's conference call to discuss our fourth quarter 2019 results and outlook. On the phone with us today is Mr. Chuck Magro, President and CEO of Nutrien; Mr. Pedro Farah, our CFO; and the heads of our 3 business units.



As we conduct this conference call, various statements we make to our future expectations, plans and prospects contain forward-looking information. Certain material assumptions were applied in making these conclusions and forecasts; therefore, actual results could differ materially from those contained in our forward-looking information. Additional information about these factors and assumptions are contained in our current quarterly report to our shareholders as well as our most recent annual report, MD&A and annual information form filed with Canadian and U.S. security commissions to which we direct you.

I will now turn the call over to Mr. Chuck Magro.

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Thanks, Richard. Good morning, everyone, and thanks for joining the call today. The fourth quarter was the continuation of a challenging year in agriculture driven by geopolitical issues, short-term weather anomalies and other market drivers. These headwinds virtually eliminated all global growth for crop inputs in 2019 and set back the cyclical recovery we started to see in 2018.

In the fourth quarter, we experienced another condensed fall application window and associated price weakness. But looking forward into 2020, we expect global ag markets to recover as we move through the year. Overall, we are positive on crop input demand this spring across North America. This is due to the expected increase in seeded acreage, improved cash crop margins and farmers wanting to catch up on fertilizer applications after the past 3 seasons with a suboptimal window.

The recent U.S.-China trade agreement has also improved U.S. farmer sentiment. For potash, we expect a rebound in global demand driven by increases in the U.S. and Southeast Asia, with stronger applications in Indonesia and Malaysia due to the dramatic rise in palm oil prices over the past 4 months. However, short-term shipments to China remain uncertain as they draw down port inventory, and the coronavirus has limited product movement.

For nitrogen, U.S. prices have shown signs of recovery, and we anticipate strong global demand to provide stability in 2020 despite the recent impact from lower global energy prices. Nutrien was created to withstand the variances in the global crop input markets that can arise from time to time. We have the ability to generate more stable earnings than our peers and to make highly accretive investments through the cycle while still maintaining our ability to capture significant leverage to higher fertilizer volumes and prices as the markets improve.

We captured \$650 million in synergies from the merger and continue to execute on our strategic plan despite the headwinds experienced in the second half of the year. We also generated significant free cash flow for both the quarter and the year, with \$2.6 billion in free cash flow or \$4.54 per share, which was supported by a reduction in working capital. Even after excluding changes in working capital, we generated \$2.2 billion in free cash flow in 2019 or \$3.70 per share.

Our adjusted net debt to EBITDA was 2.5x, which is essentially at the middle of our target range, and this is in a year which we would consider to be near or at the bottom of the cycle. We also purchased over 36 million shares in 2019 and continue to be active in the market in 2020.

Now let's take a closer look at the fourth quarter results. Total adjusted EBITDA was up modestly in 2019 due to good results from our Retail business, solid operational performance, the continued benefit from merger synergies and a focus on cost control. This more than offset the impact from the significant weather challenges in North America and Australia, trade uncertainties and the softening of global fertilizer market conditions in the second half of 2019.

Nutrien's adjusted EBITDA in the fourth quarter was \$664 million after accounting for a number of charges totaling \$128 million related to M&A activities. The largest of these was about \$50 million charge related to the Ruralco acquisition. This will also be the last quarter that items related to the merger will be reported on.

On a business unit basis, our Retail Q4 EBITDA was 8% higher in the fourth quarter of 2019 than last year and 2% higher on an annual basis. Gross margins in the fourth quarter were higher year-over-year across every Retail category. North American retail fertilizer volumes in the fourth quarter

were similar to last year, but there were significant regional differences. U.S. retail fertilizer sales volumes in the fourth quarter were 20% higher year-over-year compared to the compressed season in 2018.

Farmers in the Corn Belt, particularly the Eastern and Southern Corn Belts, were applying fertilizer right up until New Year's. However, this was fully offset by significantly lower volumes in Western Canada and some Northern U.S. states due to an early winter. We had great success with the launch of our -- and adoption of our new digital platform in 2019. At the end of the year, we had customers representing over 60% of our North American revenue signed up. They made \$260 million of purchases online in 2019, results that are unprecedented in the ag retail industry.

Potash EBITDA was down 62% in the fourth quarter compared to the same period in 2018 due to lower prices and sales volumes and higher per tonne cost as we took downtime at a number of our facilities to better match supply with the temporary reduction in global demand. The CN Rail strike also lowered earnings by approximately \$10 million this quarter. On an annual basis, 2019 Potash adjusted EBITDA was similar to 2018, as higher average selling prices were offset by lower sales volumes.

Nitrogen EBITDA this quarter was 19% lower year-over-year due to lower ammonia volumes and sales prices. The narrow window for applying ammonia in Canada and the northern tier of the U.S. this fall had a major impact on our volumes and our earnings. We estimate we lost 110,000 tonnes of ammonia sales due to an early onset of winter in this very important market. As we have seen before, this will result in an increase in demand for nitrogen product applications this spring. For the year, Nitrogen EBITDA increased 2% as lower natural gas costs in North America and higher earnings from our equity investments more than offset lower ammonia sales volumes and lower nitrogen realized prices.

Despite depressed phosphate prices in the second half of 2019, our business continued to generate positive cash margins for both the quarter and the year, thanks to our product mix and merger synergies, including our decision to convert the Redwater phosphate facility to an ammonium sulfate facility. While fertilizer markets have started 2020 under pressure, there are several positive factors to consider for the crop input market as we look towards the spring season.

The U.S. ag market should fully recover as we expect more than 14 million additional acres to be seeded this spring, or about a 6% increase from last year. Almost all of those additional acres will be planted to corn and soybeans. A second positive development is the resolution of the U.S.-China trade dispute. While it is uncertain when we will see U.S. agricultural exports rise, there is little doubt it will be a significant improvement relative to the past 2 years.

On the market outlook for potash, we expect to see strong demand in North America as our potash winter fill program achieved the targeted volumes quickly, and we were sold out of potash for the first quarter within a matter of weeks. Globally, we also expect that the dramatic increase in palm oil prices over the past 3 or 4 months will result in a rebound in potash demand from Southeast Asia after imports dropped in that region by 2 million tonnes in 2019.

However, we now expect China will not conclude a new contract until sometime in the second quarter due to elevated port inventories and the impact that the coronavirus is having on product movement in the country. As a result, we have lowered our 2020 Chinese fertilizer shipment estimate by 1 million tonnes from earlier estimates.

Our new forecast for global potash demand in 2020 is 66 million to 68 million tonnes, which represents about a 4% increase over 2019 levels. As such, our sales plan this year is intended to support our customers in these growing markets, with our sales anticipated to be between 12.3 million and 12.7 million tonnes.

For nitrogen, we anticipate North American prices will be supported by a surge in demand this spring and lower offshore imports.

While this was a tough quarter for the industry, Nutrien stayed focused on our strategic priorities. We were excited to close the Ruralco acquisition and to announce the Australian rebranding, uniting all of our global retail operations under the name Nutrien Ag Solutions. We expect Ruralco and other acquisitions made in 2019 to add over \$125 million to Retail EBITDA this year.

We also foresee strong organic growth for Retail, assuming normal weather and seeded acreage, plus the benefit from ongoing investments in our digital platform and supply chain improvements. We also announced the purchase of Agrosema, an ag retailer in Southern Brazil with 12 farm centers and 200 employees, servicing thousands of farm customers. And we expect more of these types of acquisitions in Brazil in 2020.

We will continue to focus on developing our leading position in digital agriculture. We are aiming to approach \$0.5 billion in sales through the digital platform in North America this year, essentially doubling last year's level and leading the industry in online revenue generation. We will also be rolling out our sustainable agricultural strategy, supported by our climate-smart investments. We have invested across the value chain in products, services and technologies that can make a significant and positive contribution to sustainable agriculture and to our bottom line. This will be a multipronged approach, including new ag, biological and nature-based products, best available carbon-reduction technologies, and carbon capture and sequestration, both in our upstream and downstream operations.

This also extends to our new digital tools that help growers make more informed decisions, which encompasses our recent acquisitions of Agrible and Waypoint. We will leverage these type of investments as we build a company-wide sustainability strategy that is integrated into the long-term plans for our company. We will be rolling out the details of this strategy, along with specific targets, later in 2020.

We continue to believe our business model will perform well in times of volatility. Our strong cash generation will allow us to grow our operations while returning capital to shareholders, with the focus clearly set on long-term value creation.

We are issuing EBITDA guidance of \$3.8 billion to \$4.3 billion in 2020, which assumes a solid growth in Retail earnings, but recognizing that fertilizer prices are likely to continue to be under pressure in the first half of the year, given current levels and the lag in price realization compared to quoted benchmark prices.

We see 2020 as a year that will start to demonstrate the momentum back towards the path of recovery for global fertilizer markets, which started in 2018. We will continue to remain disciplined in our approach to capital, to controlling our controllables, including our investment in production decisions.

With that, operator, I'd like to open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Jacob Bout with CIBC.

Jacob Jonathan Bout - CIBC Capital Markets, Research Division - MD of Institutional Equity Research

My question is on the same-store sales for Retail. So I think for the year, you're indicating that it's down 1%. But if I remember correctly, on the third quarter call, you said year-to-date, the same-store sales were up 1.5%. So wondering what happened in the fourth quarter. And then how does same-store sales that you saw compare to the overall industry? And is there any nuances here within fertilizer seed and crop protection?

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Yes. Jacob, so that number is a global retail number. I'll have Mike Frank just dissect it for you because we've seen good growth in the U.S., and he can answer your question. So go ahead, Mike.

Michael J. Frank - Nutrien Ltd. - Executive VP & CEO of Retail

Yes. Jacob, so when we report on same-store sales, as you probably know, it's an adjusted number, so we adjust for both FX and for fertilizer price, which last year we had appreciation. And so on a global basis on the 12 months, we did see a 1% decline. If you look at the U.S. market specifically, our same-store sales adjusted are up about 2%. So we actually had really strong performance in the U.S. We were down in Canada. As you may know, in Western Canada, we really lost the fourth quarter window for both herbicide application and fertilizer. And so that ended up hurting our same-store sales in Canada. And so that's kind of where we evolved from Q3 through to Q4.

Jacob Jonathan Bout - CIBC Capital Markets, Research Division - MD of Institutional Equity Research

And then compared to the overall industry?

Michael J. Frank - Nutrien Ltd. - Executive VP & CEO of Retail

Yes. We don't have numbers, Jacob, for the industry. So the best numbers we have on an industry basis is in the U.S., again, which is our biggest market. We do get point-of-sale data on crop protection sales, so we have a really good understanding of the performance of our business in U.S. crop protection. And last year, we saw an increase of about 1.5 share points, most of that being organic growth. And so we're really pleased with how our business performed in the U.S.

As you note, it was a very tight window. Once farmers eventually had a chance to plant their crop, our supply chain and service approach to our retail network really kicked in, and we saw a significant share increase. And so I would expect we led the way in same-store sales growth just based on that alone.

Operator

Your next question comes from Joel Jackson with BMO Capital Markets.

Joel Jackson - BMO Capital Markets Equity Research - Director of Fertilizer Research & Analyst

I thought maybe we could dive into your 2020 Potash guidance a little bit more. Maybe you'd help me bridge for 2020. So are you assuming that you're getting some tailwinds here and maybe some lower cost per tonne? Are you assuming lower royalties? I know there's different credits that have been changing the government, change some of the ability to apply them. It also seems like you're maybe assuming a \$15 to \$30 a tonne potash price increase globally from spots through the year. Can you maybe comment on the different buckets?

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Yes. Joel, so I'll try to give you the best perspective that we have. If you look at our overall guidance, and then we can dive -- have a deeper look at the Potash business, the lower end of our guidance would essentially have today's pricing moving forward through the year. We don't think that, that is a high likelihood, but that is how we've crafted the overall lower end of the guidance. The upper end of the guidance has, of course, price increases assumed through the year, but that the overall net pricing would be actually less than 2019. So that's how we get to the upper end of the guidance.

So then when you look specifically at our Potash guidance, certainly, when you look at how we've sold our sales plan, that's based on our view that we're going to see some decent growth, moving up from 64.2 million tonnes, that's our guesstimate for 2019, up to 66 million to 68 million tonnes, and that's how we get our volume. So about 1 million tonnes of volume growth that we're assuming. And then when you look at our cash costs, we are assuming a slightly lower cash cost as we continue to optimize the potash network, grow volumes from Rocanville. So that's built into the

guidance. And then the rest is really the market pricing, which we sort of bookend for you on a macro level from sort of today's pricing through to slightly less than last year's.

We don't want to get too much more specific than that because I think that's probably enough said, but we have some confidence in our guidance ranges. I think the biggest wildcard that we have right now in Potash is when will the China contract be signed. And even that, I think we've taken a fairly conservative route where we believe that the contracts won't be settled now until the second quarter, as I mentioned in my prepared remarks, because of the port inventory build, but really because of the disruption from the coronavirus and not being able to get to the negotiating table as well as move port inventories in land. And we do think that that's going to have a bit of an impact into the second quarter.

Operator

Your next question comes from Ben Isaacson with Scotiabank.

Benjamin Isaacson - *Scotiabank Global Banking and Markets, Research Division - MD and Head of Commodity Research*

You mentioned some headwinds in your outlook, or at least possible ones, the coronavirus, Australian growth, swine fever. Can you talk about what the kind of puts and takes are on both supply and demand in your business from each of those? And as it stands right now, how would you rank those in terms of importance to your bottom line?

Charles Victor Magro - *Nutrien Ltd. - President, CEO & Executive Director*

So look, I think the overall guidance ranges that we've set assumes normal weather. It does assume the 14 million acres of incremental seeded acreage in the U.S. that we've outlined. And so I think that you have to assume that the sales volumes that we've outlined in our guidance is key to the overall earnings. There's always a bunch of puts and takes in our industry. That's what agriculture is about. And I wouldn't want to overall rank them for you because I don't think that, that would be appropriate. And we wouldn't actually have a great understanding of which one is going to be most disruptive.

I think given the situation in ag when we look at last year versus this year, last year, there was clearly a geopolitical and a macro backdrop that pressured not only Nutrien's earnings, but the entire sector. And the recovery that we saw really nicely shaping up in 2018, there was a reset. And now we think that 2020 will be that year of recovery. But because of the situation of how low prices went in the fourth quarter and as well as the inventory that was built, some in nitrogen, but also in potash, we think that we're going to see the recovery in 2020, we just don't know when.

The coronavirus, just to give some commentary on that, obviously, we're watching it closely. Nobody really has the full impact understood right now. But where we're seeing that impact is on the contract negotiation with potash, which we've already talked about. But there's also some active ingredients for crop chemistry that are core to our supply chain, but many others that are quite tight right now. Now we have a very good inventory position for that. We don't think that that's going to impact us for the spring season.

African swine fever, I think you mentioned that as well. We think that the worst is behind us there and that the herds are starting to rebuild. Certainly, I think when you look at the results for 2019, you are going to see that grain and oil seed demand was impacted because of that. But that headwind should become a tailwind as we move through 2020.

And then, of course, the U.S.-China trade settlement, a major headwind for the last 2 years. But now that the settlement is agreed to, I know that there's some uncertainty on when we're going to start to see U.S. agricultural products start to shift to China at the higher levels, but we have confidence that, that will happen in 2020. We have confidence that that's going to be a major tailwind for us, but we don't know exactly the time. So that -- we're being a bit conservative because of all of these things. But most of the tailwinds from last year should -- or the headwinds from last year should become tailwinds for this year.



Operator

Your next question comes from Don Carson with Susquehanna Financial.

Donald David Carson - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

Chuck, since you've got a difficult business environment these days with blockades and carbon tax, things like that, can you talk about what the impact of the current rail situation is on your ability to move product to both to export and domestic ports? And then what is the potential outlook for carbon taxes on your Alberta nitrogen production?

Charles Victor Magro - *Nutrien Ltd. - President, CEO & Executive Director*

Don, so look, on the CN Rail disruption here in Canada right now, we do have some cars -- some ammonia cars and some potash cars that are caught up in the slowdown. So the situation is manageable for us right now. It's far from ideal, but we don't send a lot of cars east from our operations. So most of our production, as you know, is in the west. We don't use the east as a core exporting route. So the majority of our exports are going to be just fine.

This is disappointing though, because we just got through a rail strike at CN in the fourth quarter and now we've got this slowdown in Canada. And so overall, we're watching the situation. We don't think it's going to have an impact to our deliveries right now. But the reliability of the Canadian supply chain is becoming a concern for us, and that's something that we're actively involved with the authorities to try to help them understand that this will impact Canadian agriculture and our reputation over time if this stuff continues.

The carbon tax, we have a carbon tax already in Alberta. And it's for large emitters, but we have also a lot of offsets as well. So we have a cogen facility at one of our operations that allows us to have carbon tax credits. And we also have a relatively used carbon sequestration operation. That has been a fantastic investment for us, and that is helping offset some of the carbon tax.

So what I would say right now is that we're in the new regime when it comes to carbon taxes certainly in Western Canada. It's something that's been with us for some time. I'd say, today, we don't see a significant impact to overall cost. And if we have found smart ways to offset our carbon taxes by making some, I think, strategic investments over time, and we'll watch the situation over time to see how things progress, but certainly, right now, we're quite comfortable that the Canadian assets are going to remain very competitive globally and, in fact, with AECO gas-related, probably some of the lowest cost reduction on the planet.

Operator

Your next question comes from Andrew Wong with RBC.

Andrew D. Wong - *RBC Capital Markets, Research Division - Associate Analyst*

So I just like to understand how much excess free cash flow there might be this year. So we took the midpoint guidance, you applied some historical cash conversion. We get about \$2 billion of cash flow -- free cash flow. Above \$1 billion of that was the dividends. So now out of the \$1 billion that's remaining, how much of that is already kind of tagged for growth spending, like acquisitions or growth CapEx? And then how much of that might be excess available for share buyback and stuff like that?

Charles Victor Magro - *Nutrien Ltd. - President, CEO & Executive Director*

Andrew, I'll have Pedro, our CFO, answer your question, and I'll have some final comments as well.

Pedro Farah - Nutrien Ltd. - Executive VP & CFO

Andrew, our cash flow this year was particularly positive. And it surprised -- it's not a total surprise for those who are working here. We ended up last year pretty high in inventory. As you recall, we bought in anticipation of China tariffs. Last year, we also had a late season. And so this year, we did a lot of work to work down the inventory. So as we worked out this inventory, we produced very good cash flow, I think way in excess, of course, of earnings. And we think that the cash flow and working capital can continue to improve. Of course, there's going to be a lot of puts and takes, but we think that we -- the efforts we are putting this year will continue to bear fruits in this coming year.

In terms of our capital allocation, how much we're going to be using for different uses. I mean our capital allocation strategy continues to be the same. So we'll -- after we protect the balance sheet and we spend in our sustaining capital to conserve our assets, we're going to be taking a look at everything in our compete for capital basis. We have a share buyback program active in January and February. And of course, we'll be looking at our different alternatives for inorganic growth and organic, and we'll be making decisions throughout the year. But we think working capital continues to behave well.

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Yes. Andrew, just a few other comments. I think Pedro covered that very well. So no change. We -- the company was built to generate significant cash flow even in market conditions like we saw last year. I think we've demonstrated that now. And the priorities haven't changed, right? We want to maintain our investment-grade rating. We have a very strong balance sheet. We want to protect our assets. So from a sustaining capital perspective, we allocate about \$1 billion to put back into the assets to make sure that they're safe and reliable.

And then beyond that, it's a matter of allocating the capital for the best long-term growth for the shareholder. And we think that we'll have enough cash to do both, to return capital through buybacks and increased dividends over time, and to invest through both organic and inorganic investments for long-term value creation.

Operator

Your next question comes from Christopher Parkinson with Cr dit Suisse.

Lucas Charles Beaumont - Cr dit Suisse AG, Research Division - Research Associate

This is Lucas Beaumont on for Chris. So I just wanted to go on to Retail. Could you give us an update on the ongoing opportunity to further consolidate the North American market, given some of the recent large transactions? Do you think there's still the potential for midsized to large acquisitions there? Or should we be limiting our focuses to pretty much tuck-ins only at this point?

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Lucas, I'll have Mike Frank answer the question for you.

Michael J. Frank - Nutrien Ltd. - Executive VP & CEO of Retail

Lucas, I think as we think about our opportunities in North America, they're primarily tuck-ins. Obviously, if a significant retail asset came on to the market, we would look at it, of course, but we're always focused on quality and value generation for our shareholders. And so right now, we have, I think, a pretty solid lineup of tuck-in opportunities. Last year, we acquired over 73 retail branches through our tuck-in program. And I would anticipate in 2020, we'll have something similar in the U.S. for opportunities as well.

Now as you may know, we're also looking at Brazil. So we announced an acquisition earlier this year of Agrosema. And we continue to look for opportunities to really build out the backbone of our Retail business in Brazil. So we're also focused on opportunities in that market as well.

Operator

Your next question comes from Steve Hansen with Raymond James.

Steven P. Hansen - *Raymond James Ltd., Research Division - SVP*

The target to double your digital sales in 2020 is notable. Can you perhaps describe if there's any changes to the platform over the course of the year that will help pull more farmers onto the platform? And perhaps, if it's not too early, just describe whether or not you're seeing any definitive market share benefits as a result of the platform.

Charles Victor Magro - *Nutrien Ltd. - President, CEO & Executive Director*

Steve, yes, we're very excited about the 2020 plan for our digital platform. Mike Frank will walk you through it.

Michael J. Frank - *Nutrien Ltd. - Executive VP & CEO of Retail*

Steve, so we turned on our order-taking capability on the platform a year ago, and we turned it on through the course of the first quarter, and we saw significant ramp-up of uptake of ordering online, finishing the year with just over \$260 million of online orders.

We -- in terms of changes to the platform, we continue to add more products onto the platform. Last year was primarily crop protection products. This year, we're adding seed ordering and fertilizer ordering capability onto the platform. And so that will, I think, generate additional revenue. And we've also added a number of other features to the platform that we're turning on in 2020. We recently turned on our crop planning tool, which allows our sales agronomists to sit down with our customers and plan their farm field by field across all inputs. It creates insights, both for our supply chain, but it also allows our sales agronomists to really work with our customers to provide those full acre solutions, including financing opportunities that we're now financing using Nutrien Financial, which is also integrated into the digital tool.

So we're really creating a lot of convenience, digital insights from an agronomy standpoint. We're also now exposing field-level weather and spring conditions. And so there's a number of features that we've added on to the platform at the last half of 2019 and here early in 2020. So our anticipation of doubling our online orders is, I think, very achievable, and we've got a lot of momentum right now in that direction.

Operator

Your next question comes from Steve Byrne with Bank of America.

Steve Byrne - *BofA Merrill Lynch, Research Division - Director of Equity Research*

A fertilizer buyer in Brazil recently indicated that the potash sales into Brazil in recent months were sold only with a price cap and that the buyers were given 60 days to lock in the price, which, if this was a practice that was prevalent, certainly could have contributed to the plunge in pricing in that region. Can you comment on this? Was Canpotex involved in this selling practice? And if so, do you expect it to continue after the potash market tightens up?



Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Steve, I'll have Ken Seitz, our head of the Potash business, answer your question.

Kenneth A. Seitz - Nutrien Ltd. - Executive VP & CEO of Potash

Thanks, Steve. Yes, I can say that we have seen some smaller volumes moving in Brazil with different pricing mechanisms. But I can also tell you that for the large volumes and the large suppliers, that's not the case. It's certainly not the case for Canpotex. Canpotex has their very well-established channels into that country. And you can see the prices at \$245, \$250 a tonne with various rebates, depending on volume. But it's not the case that Canpotex is looking at untraditional pricing mechanisms with their customers into Brazil.

Operator

Your next question comes from Adam Samuelson with Goldman Sachs.

Adam L. Samuelson - Goldman Sachs Group Inc., Research Division - Equity Analyst

I was hoping to just get a little bit more color on the potash market outlook for 2020. So at the market level, it looks like you're forecasting about a 2.5 million tonne kind of increase in global shipments at the midpoint. Your own sales forecast calls for about a 1 million tonne increase in sales. And if I'm thinking about kind of new entrants in the market, we would think that there should probably be about 750,000 to 1 million more tonnes of EuroChem production incremental year-on-year.

Given that, do you think that, with all the curtailments that took place in the industry in the fourth quarter of 2019, do you think that that's actually kind of there's enough room for everybody else to see a reasonable recovery and normalization of production? Or do you think that there's more capacity that has to primarily come off stream to balance the market?

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Adam, so I'll just give you a high-level perspective on your question here. Certainly, the setback last year when we had a reduction because of palm oil prices and then, of course, the U.S. weather impacted, before that, we were seeing very good growth. And we had a view that as the market continued to grow at its historical rate, it would require more supply, and the new entrant supply would fit pretty nicely into the increased demand. Obviously, in 2019, we had a reset. And I think Nutrien looked at our sales book, and we pulled back on our sales because, simply, we didn't have the customer base to support it.

Now when we look at the 2020 plan, though, we're seeing what I would call a respectable growth, another 4% up from 2019 levels, getting back to basically 2018 levels. And so our plan, as outlined in my prepared remarks, is we are going to take our sales volumes up. And we think that it will be supported by growth in Southeast Asia and in North America. China is probably going to take a little less than they took last year.

But overall, when we look at the sales plan that we've put forth, we think that the market is going to need the tonnes. And we're not sure exactly what others are planning or could do. But certainly, with the increased market that we see coming in 2020, depending on when we see a China settlement, our view strongly is that our sales plan makes a lot of sense for us and for our stakeholders. And then we'll just have to see how the rest of the market moves their tonnes into it. We don't really have a lot of insight on their sales plan.

Operator

Your next question comes from John Roberts with UBS.



John Ezekiel E. Roberts - UBS Investment Bank, Research Division - Executive Director and Equity Research Analyst, Chemicals

At your Investor Day last year, you identified some nitrogen brownfield opportunities, both near term and a little bit longer term. Could you give us an update on where your thoughts are on that?

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Yes. I'll have Raef Sully just walk you through the progress.

Raef M. Sully - Nutrien Ltd. - Executive VP and CEO of Phosphate & Nitrogen

Yes. Thanks for the question, John. At the Investor Day, we identified about \$300 million of spend on about 5 or 6 projects. The first wave of those is actually coming online this year. So if you look at our forecast volumes, we're expecting to see about 1 million tonnes more of product for sale in 2020 versus 2019. Some of that is ammonium sulfate, about 400,000 tonnes there. The other 700,000 tonnes is a mix of ammonia and urea. Some of that, of course, is from less planned outages. Some of it is the first wave of these expansion projects. We have some other projects coming online in '20. We should be finished our Borger expansions and also the [Augusta urea] plant. And so we'll see continued growth in volumes through '20 and then into 2021.

Operator

Your next question comes from P.J. Juvekar with Citi.

P.J. Juvekar - Citigroup Inc, Research Division - Global Head of Chemicals and Agriculture and MD

Chuck, you mentioned your -- that lower raw material cost in phosphates would be a headwind to a significant market recovery. Are you saying that phosphate prices are unlikely to go up due to lower raw materials? And what's your margin outlook?

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

P.J., I'll have Raef Sully answer the questions for you.

Raef M. Sully - Nutrien Ltd. - Executive VP and CEO of Phosphate & Nitrogen

So P.J., we think -- as you know, there was a lot of price decline through 2019 in phosphates. We saw OCP and other producers pull back from the U.S. market. We've seen prices come up a little bit. We suspect that they will probably come up a little bit further before the importers get back into the market in a big way. We don't think there'll be a large price appreciation. We think there'll be some. But the only thing I'd add, P.J., is that when you look at our Phosphate business, you remember that most of the margin these days comes from nonagricultural products that we sell, including on our purified industrial products.

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Yes. And P.J., one last point is just we did lower our total cost because we converted Redwater to an ammonium sulfate plant. We did some modest expansions of our 2 phosphate facilities in the U.S. And we -- of course, we're not buying imported rock anymore for Redwater. So overall, that's what's driven our cost. And even in these tough conditions we saw in '19, we did have positive margins, as Raef said, and most of our product mix is not related to agriculture. It's related to industrial business and food applications, which I think has more stable margins over the long term. So



those 2 combinations, when we look at our business, it helps a lot. And it insulates us a little bit more then from the kind of the agricultural backdrop that we saw in 2018 and '19.

Operator

Your next question comes from Mark Connelly with Stephens Inc.

Mark William Connelly - *Stephens Inc., Research Division - MD & Senior Equity Research Analyst*

Two questions. Was all of the increase in ammonia controllable cost related to the turnarounds? And secondly, some farmers in the Midwest are telling us that soil moisture is too hard or too high. And I'm wondering in the middle of February whether that's a concern yet. But if they do stay too high, how is that going to affect your mix and timing in nitrogen?

Charles Victor Magro - *Nutrien Ltd. - President, CEO & Executive Director*

Mark, I'll have Raef Sully answer the first question. And then Mike can give you a view of moisture levels in the U.S., and then Raef can come back and talk about the impact.

Raef M. Sully - *Nutrien Ltd. - Executive VP and CEO of Phosphate & Nitrogen*

Yes. So look, I mean there's certainly been -- I mentioned the expansion projects previously. There's been a mix of those, plus efficiency work going on with the large turnarounds we've been doing. So we certainly have been focusing on efficiency. I think, though, the majority of the costs would come from lower gas costs year-over-year. We've seen that in the U.S. Sorry, what was the...

Charles Victor Magro - *Nutrien Ltd. - President, CEO & Executive Director*

Well, then I think let Raef answer -- or Mike will answer the question on soil moisture conditions.

Michael J. Frank - *Nutrien Ltd. - Executive VP & CEO of Retail*

Mark, so the way we look at the U.S. right now is, from a Midwest standpoint, if you go south of I-80, I would say soil moisture is good, but not excessive. And as we talk to our customers throughout that region, they're anticipating getting in the field once it warms up. And for the most part, it's been a pretty mild winter through a lot of that region. If you go north of I-80, into the Dakotas and Minnesota, Wisconsin, obviously they had a really early winter hit them. Soil moistures, especially in South Dakota, are still high, but the ground is frozen. And so even though they've had solid snow conditions, the moisture hasn't been added to, I think, over the winter.

So look, we're anticipating, as we've talked about, another 14 more million acres getting planted in 2020. And a lot of that, over 12 million acres of that is corn and beans that are going to go in, in the Midwest. And so that's our anticipation. And as we talk to our customers right now and we look at our order book, our order book for corn seed is incredibly strong, where we're seeing a lot of momentum in corn. And I would say the bean -- soybean order book is consistent with our expectation of about 85 million acres of soybeans right now. So that's what farmers are planning on and anticipating. And obviously, we need normal spring conditions in order for us to get those acres planted.

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

And Mark, just to wrap up with your last point, it's -- we don't have any concerns right now on fertilizer applications for the spring season because of the weather or moisture conditions. It's a little too early to be concerned right now. And things look like they're proceeding as we would have expected them to.

Operator

Your next question comes from Vincent Andrews with Morgan Stanley.

Jeremy Noah Rosenberg - Morgan Stanley, Research Division - Research Associate

This is Jeremy Rosenberg on for Vincent. Just wanted to ask, on the potash outlook, looks like versus prior guidance, you took the India number down maybe about 450,000 tonnes at the midpoint; Latin America, down about 800,000 tonnes; and Other Asia looks basically unchanged. So just 2 quick ones. One is just, what drove the changes to the India and Latin America shipment numbers? And two, just given the decline in palm oil prices over the last, call it, month or so, if you just see any risk to the Other Asia demand number?

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

I'll have Jason Newton, our Chief Economist, answer your questions.

Jason Newton - Nutrien Ltd. - Head Economist

Jeremy, on India, the major driver -- I mean we still expect year-over-year that we'll see shipments going into India, possible 500,000 tonnes. We ended up last year right around where we expect, about 4.1 million tonnes. We think there is some risk of subsea change in India as a result of lower prices. We'll watch that going forward. We do expect India to move up.

In Southeast Asia, we expect the demand will be up about 1.5 million tonnes. And yet, palm oil prices have been really volatile, and that's related to the coronavirus. And -- but as we look at what the USDA analyst was saying in terms of the supply/demand outlook, it is tightening significantly. And so we think prices will be supportive as a result of that, and they're still up about 40% from the low of last year. And so we expect a rebound in that region, although not back up to 2018 levels.

Operator

Your next question comes from Michael Piken with Cleveland Research.

Michael Leith Piken - Cleveland Research Company - Equity Analyst

Just wanted to get a feel for how your Retail margins might look this year and what your expectations are, if we could kind of look at it from a crop nutrient standpoint as well as from seed and crop protection in light of maybe some additional rebating, discounting going on in the feed markets. And in the case of fertilizer, some of these prices, particularly UAN and phosphate may be below where pricing was during fill levels.

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Mike Frank can answer the question.



Michael J. Frank - Nutrien Ltd. - Executive VP & CEO of Retail

Yes. Michael, look, if we kind of go through the major categories, and from a margin standpoint as we head into 2020, firstly, from a nutrient standpoint, we were pleased with the performance of our nutrient business last year. Our margin per tonnes were up \$6 a tonne across our global retail business. In Q4 and early days here in 2020, we're seeing those margins hold, and so we anticipate similar margins on a per tonne basis in 2020 that we delivered in 2019.

On CPs, we had a very challenging first half of the year in CP. There was a lot of inventory that was carried into early 2019 across the retail network, and then the market was really slow to evolve. And that put a lot of margin pressure. And of course, as we reported our first half earnings last year, it was reflected in our margins in crop protection. As we -- as the year unfolded, we really recovered significantly, and we ended up holding our margins -- our gross margins pretty flat year-over-year.

And so as we head into 2020, I would actually anticipate some positive opportunities on crop protection margins. We don't anticipate the delayed spring. I think channel inventories, including our own, have drawn down this time this year versus this time last year. And that should all be conducive to more regular levels of competition and opportunities for us from a margin standpoint.

We also saw, just on the crop protection before I leave that, we also saw a little bit of a decline in our mix of proprietary products last year. And again, a lot of that was based on inventory that we had, that we wanted to sell the inventories that we had in our sheds. And so as we look at 2020, we would anticipate our mix of proprietary products to get back to where we were a year earlier, and that will also be constructive to margins.

Finally, on the seed side, we are seeing to date margins on corn seed at pretty historic levels. And so -- and with more corn acres to be planted, that's going to be good for our seed margins. Soybean seed is probably where there's more competition this year. And so we're seeing a bit of margin erosion in our soybean seed business. So I would say that's probably the one area that we're watching out for. But overall, I think if you look at seed on an all-in basis, we'll likely be in similar margins as we've been historically, especially with more corn acres coming in.

Operator

Your next question comes from Jonas Oxgaard with Bernstein.

Jonas I. Oxgaard - Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

So wondering if you could talk a little bit more about your Brazil acquisition strategy and how the integration of the previous acquisition is going. Are we seeing any synergies out of that so far?

Charles Victor Magro - Nutrien Ltd. - President, CEO & Executive Director

Jonas, yes, so Mike Frank can answer the question.

Michael J. Frank - Nutrien Ltd. - Executive VP & CEO of Retail

So Jonas, as we build out our Retail business in Brazil, in the early days, there's not the traditional synergies that we get in North America or even in Australia because we have a big footprint that we tuck in the acquisitions into. As we build out our retail footprint in Brazil, primarily, we're expanding into new geographies, and so there's not significant synergies from a proprietary product standpoint or from an operational leverage standpoint.

That being said, about 18 months ago, we acquired a nutritional business in Australia called Agrichem. And so as we expand our footprint in Brazil, our retail footprint, we do see that as a channel to increase our sales of Agrichem products, which are industry-leading nutritional products that

come with really nice margins and customer benefits. And so that would be the one area of synergy. But again, just to set expectations, as we think about Brazil, we're really building out the backbone and the capability of our retail network, and that will likely take the next 2 or 3 years. And from that point, as we get that business established, as we tuck in from that point going forward, we'll see more synergies.

Operator

Your last question comes from Jeff Zekauskas with JPMorgan.

Jeffrey John Zekauskas - *JP Morgan Chase & Co, Research Division - Senior Analyst*

In your potash data, you show that Canpotex shipped about 17% of its volume to China in the quarter. Are those shipments priced at the old \$2.90 per tonne delivered that the old China contract was under? Or is there a different set of prices that are used now?

And secondly, Chuck, I think you said that acquisitions would benefit Retail EBITDA by \$125 million in 2020. How much did they benefit Retail EBITDA in 2019?

Charles Victor Magro - *Nutrien Ltd. - President, CEO & Executive Director*

Yes. Jeff, so I'll have Ken Seitz answer the potash question, and then we can come back and answer the M&A question for Retail.

Kenneth A. Seitz - *Nutrien Ltd. - Executive VP & CEO of Potash*

Right. So yes, with respect to fourth quarter shipments into China, we position potash along our entire supply chain at any point in the year, and that's also true for China. And so the volumes that you would have seen go to China would have been provisionally shipped there and headed into bonded warehouses. As you probably know, China stopped additional shipments into that country, it's the imports at the end of August, yet Canpotex shipped in preposition material in anticipation of strong demand in China in 2020. And so the pricing mechanism for those provisionally shipped volumes will be that they're awaiting a new contract, which is relevant because, in fact, Canpotex is not the only supplier. So that when we look at port inventories in China and say, 3.5 million tonnes, well, about 1.5 million -- 1 million of those tonnes now are awaiting a new contract. And that new contract price will be the price for those provisionally shipped volumes.

Charles Victor Magro - *Nutrien Ltd. - President, CEO & Executive Director*

And then, Jeff, just to answer your second question. So the impact from the M&A for -- on 2019 was somewhere between \$35 million and \$40 million. As you know, we didn't close Ruralco until October, so that was really the driving difference, I think, between 2019 and 2020 as well as we have several of the other tuck-ins that will start to show benefit in 2020. So to answer your question, somewhere between \$35 million and \$40 million.

Operator

And there are no further questions at this time. I turn the call back over to Richard Downey, VP of Investor Relations.

Richard Downey - *Nutrien Ltd. - VP of Investor & Corporate Relations*

Thank you, operator. Thank you, everyone, for joining us today. And if you have any additional questions, Investor Relations is available to take your calls. Thank you.



Operator

This concludes today's conference call. You may now disconnect.

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