MOSAIC CO
Form 10-K
February 17, 2015
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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 year ended December 31, 2014
¨ 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)

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 x 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 x
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 x 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 x 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

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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 x 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 x

As of June 30, 2014, the aggregate market value of the registrant’s voting common stock held by stockholders, other than directors, executive officers, subsidiaries of the Registrant and any other person known by the Registrant as of the date hereof to beneficially own ten percent or more of any class of Registrant’s outstanding voting common stock, and consisting of shares of Common Stock and Class A Common Stock, was approximately $18.0 billion based upon the closing price of a share of Common Stock on the New York Stock Exchange on that date.

Indicate the number of shares outstanding of each of the registrant’s classes of common stock: 348,667,983 shares of Common Stock, 17,176,046 shares of Class A Common Stock and 0 shares of Class B Common Stock, each par value $0.01 per share, as of February 11, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the registrant’s definitive proxy statement to be delivered in conjunction with the 2015 Annual Meeting of Stockholders (Part III)

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PART I.

Item 1. Business.

OVERVIEW

The Mosaic Company is the world's leading producer and marketer of concentrated phosphate and potash crop nutrients. We are the largest integrated phosphate producer in the world and one of the largest producers and marketers of phosphate-based animal feed ingredients in the United States. We are one of the four largest potash producers in the world. 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 and New Mexico. We have other production, blending or distribution operations in Brazil, China, India and Paraguay, as well as strategic equity investments in a phosphate rock mine in the Bayovar region in Peru and a joint venture formed to develop a phosphate rock mine and chemical complexes in the Kingdom of Saudi Arabia. Our distribution operations serve 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 charts show the respective contributions to 2014 sales volumes, net sales and operating earnings for each of these business segments:

Phosphates Segment — We are the largest integrated phosphate producer in the world and one of the largest producers and marketers 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 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 or production facilities in Brazil, China, India and Paraguay. We account for approximately 14% of estimated global annual production and 71% of estimated North American annual production of concentrated phosphate crop nutrients.

Potash Segment — We are one of the four largest potash producers 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 account for approximately 14% of estimated global annual potash production and 44% of estimated North American annual potash production.

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As used in this report:

- "Mosaic" means The Mosaic Company, both before and after the Merger;
- "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 and Share Repurchases" other than repurchases of shares of our Common Stock under the Repurchase Program;
- "MAC Trusts" means the Margaret A. Cargill foundation established under the Acorn Trust dated January 30, 1995, as amended, and the Anne Ray Charitable Trust dated August 20, 1996, as amended;
- "Merger" means a Merger that occurred on May 25, 2011 as part of the transaction described below under "Cargill Transaction." The Merger was between a subsidiary of GNS and MOS Holdings and had the effect of recapitalizing our 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 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;
- "Stub Period" refers to the seven-month transition period ended December 31, 2013;
- "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;
- references in this report to a particular fiscal year are to the twelve months ended May 31 of that year; and
- statements as to our industry position reflect information from the most recent period available.

Cargill Transaction and Share Repurchases

Cargill Transaction

In May 2011, Cargill divested its interest in us in a split-off (the "Split-off") to its stockholders (the "Exchanging Cargill Stockholders"), including the MAC Trusts, and a debt exchange (the "Debt Exchange") with certain Cargill debt holders (the "Exchanging Cargill Debt Holders"). The agreements relating to the Cargill Transaction contemplated an orderly distribution of the approximately 64% (285.8 million) of our shares that Cargill formerly held. Following the Split-off and Debt Exchange, the MAC Trusts and Exchanging Cargill Debt Holders sold an aggregate of 157.0 million of these shares in underwritten public secondary offerings or to us. These transactions completed the disposition of shares designated to be sold during the 15-month period following the Split-off.

All other shares (approximately 128.8 million shares in the aggregate) of our Class A Common Stock ("Class A Shares") received by the Exchanging Cargill Stockholders in the Split-off have generally been subject to transfer restrictions unless we consent. These transfer restrictions are removed as the Class A Shares convert to regular Common Stock. The first such conversion, under which all 42.9 million outstanding Class A Shares, Series A-1 (including 21,647,007 shares held by the MAC Trusts), were converted into regular Mosaic Common Stock, par value $.01 per share ("Common Stock"), occurred on November 26, 2013. On November 26, 2014, the remaining 17,176,068 Class A Shares, Series A-2, held by Exchanging Cargill Stockholders, were converted into Common Stock. Conversion of the remaining 17,176,046 Class A Shares, Series A-3, held by Exchanging Cargill Stockholders, is scheduled to occur on November 26, 2015.

The agreements relating to the Cargill Transaction continued to restrict our ability to engage in share buybacks until November 26, 2013, when the last of such restrictions expired.

On December 6, 2013, Mosaic entered into a share repurchase agreement with the MAC Trusts (the "MAC Trusts Share Repurchase Agreement") to purchase all of the remaining Class A Shares held by the MAC Trusts through a series of eight purchases occurring from January 8, 2014 through July 30, 2014. During 2014, pursuant to the MAC Trusts Share Repurchase Agreement, all 21,647,007 Class A Shares, Series A-3, held by the MAC Trusts, and 21,647,008 Class A Shares, Series A-2, were repurchased for an aggregate of approximately $2.0 billion.

Under the MAC Trusts Share Repurchase Agreement, the purchase price per share was equal to the Common Market Price, as defined in Mosaic's Restated Certificate of Incorporation, as of the date of the purchase. In general and subject to the terms and provisions of the Restated Certificate of Incorporation, the Common Market Price as of any date is equal to the average of the volume weighted average trading price of Common Stock, for each trading day during the preceding 20-day trading period.

Other Share Repurchases

In February of 2014, our Board of Directors authorized a $1 billion share repurchase program (the “Repurchase Program”), allowing the Company to repurchase Class A Shares or shares of our Common Stock , through direct buybacks or in open market transactions. This authorization is in addition to the MAC Trusts Share Repurchase Agreement described above. During 2014, under the Repurchase Program, 8,193,698 Class A Shares were repurchased under agreements we entered into with certain Cargill family member trusts (the “Family Trusts Share Repurchase Agreements”, and together with the MAC Trusts Share Repurchase Agreement, the "Share Repurchase Agreements") and 7,585,085 shares of Common Stock were repurchased on the open market for an aggregate of $727.3 million.

The Share Repurchase Agreements were accounted for as forward contracts with an initial liability established at fair value based on the average of the weighted average trading price for each of the preceding 20-day trading days and a corresponding reduction of equity. The contracts were subsequently remeasured at the present value of the amount to be paid at settlement with the difference being recognized in the consolidated statement of earnings. In calculating basic and diluted earnings per share ("EPS"), we were required to exclude the Class A shares that remained to be repurchased. Any amounts, including contractual (accumulated) dividends and participation rights in undistributed earnings, attributable to shares that remained to be repurchased that had not yet been recognized in the consolidated statement of earnings were deducted in computing income available to common shareholders, consistent with the two-class method. See the calculation of EPS in Note 7 of our Consolidated Financial Statements.

We have included additional information about the Cargill Transaction and other share repurchases in Note 2 of our Consolidated Financial Statements and in response to Item 13 of Part III of this report, 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.

Other Business Developments during 2014

During calendar year 2014, we took the following steps toward achieving our strategic priorities:

- Growth: Grow our production of essential crop nutrients and operate with increasing efficiency

- On March 17, 2014, we completed the acquisition of the Florida phosphate assets and assumption of certain related liabilities (the “CF Phosphate Assets Acquisition”) of CF industries, Inc. ("CF") for $1,172.1 million plus an additional $203.7 million (all in cash) to fund CF's asset retirement obligation trust and escrow. This acquisition provides opportunities for enhanced operating efficiencies, lower production costs and reduced capital investment. We also signed two strategic supply agreements with CF under which CF will provide us with ammonia for our production purposes. This transaction is further described in Note 23 of our Notes to Consolidated Financial Statements.
- On June 30, 2014, the Wa'ad Al Shamal Phosphate Company (the “Wa’ad Al Shamal Joint Venture”), our joint venture with Saudi Arabian Mining Company (“Ma’aden”) and Saudi Basic Industries Corporation (“SABIC”) to develop, own and operate integrated phosphate production facilities in the Kingdom of Saudi Arabia, entered into funding facilities with a consortium of 20 financial institutions for approximately $5.0 billion. We estimate the cost to develop and construct the integrated phosphate production facilities will approximate $7.5 billion, which we expect to be funded through external funding facilities, including the ones mentioned above, and investment by the joint venture members.
- The expansion in our Colonsay mine was completed and added an additional 0.6 million tonnes of operational capacity.
- We continued the expansion of capacity in our Potash segment, with the K3 shafts at our Esterhazy mine, which are on track to start producing ore in 2017 and are expected to add an estimated 0.9 million tonnes to our potash operational capacity. In December 2014, our Board approved approximately $1.5 billion in capital expenditures over the next ten years to increase the mining capacity of the K3 shafts and provide for an infrastructure to move rock from K3 to the K1 and K2 mills. This would provide us the flexibility to optimize production at K1, K2 and K3 in order to mitigate risk from current and future brine inflows.

- Market Access: Expand our reach and impact by continuously strengthening our distribution network

- On December 17, 2014, we completed the acquisition of Archer Daniels Midland Company's ("ADM") fertilizer distribution business and working capital in Brazil and Paraguay for approximately $350 million. This acquisition is expected to significantly accelerate our previously announced growth plans in Brazil as well as

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replace a substantial amount of planned internal investments in that country. We acquired four blending and warehousing facilities in Brazil, one in Paraguay and additional warehousing and logistics service capabilities. We expect this acquisition to increase our annual distribution in the region from approximately four million metric tonnes to about six million metric tonnes of crop nutrients.

- Innovation: Build on our industry-leading product, process and sustainability innovations
- We announced plans to further expand MicroEssentials® capacity, adding an incremental 1.2 million tonnes, and bringing total capacity to 3.5 million tonnes by 2017. Sales volumes of MicroEssentials® products in North America increased approximately 14% in the year ended December 31, 2014 from 2013, contributing to a new Mosaic record for sales of MicroEssentials®.
- Total Shareholder return: Deliver strong financial performance and provide meaningful returns to our shareholders
- Our Board of Directors authorized a $1 billion Repurchase Program, allowing the Company to repurchase Class A Shares or Common Stock, through negotiated direct transactions or in the open market. During 2014, under the Repurchase Program, Mosaic has repurchased 8.2 million Class A Shares under agreements we entered with certain Cargill family member trusts and 7.6 million shares of Common Stock were repurchased for an aggregate of $727.3 million.
- On July 23, 2014, we announced our decision to permanently discontinue production of muriate of potash ("MOP") at our Carlsbad, New Mexico facility and transition the facility to exclusive production of our highly valued K-Mag® product line. The decision was based on the quality of the ore in the Carlsbad basin and the age of the facility's infrastructure. The final date for production of MOP was December 28, 2014.
- On July 29, 2014, we completed the sale of our salt operations at our Hersey, Michigan mine for approximately $55 million, resulting in a pre-tax gain of $13.5 million. We also closed our low producing potash operations at Hersey allowing us to focus on our higher producing potash mines.
- On November 18, 2014, we completed the sale of our Argentina assets, which resulted in a gain of approximately $8.5 million during 2014, allowing us to focus on our more profitable distribution operations.

We have included additional information about these and other developments in our business during 2014 in our Management's Discussion and Analysis of Financial Condition and Results of Operations ("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 also include our international distribution activities.

On March 17, 2014, Mosaic completed the CF Phosphate Assets Acquisition, which included the 25,000-acre South Pasture phosphate mine and beneficiation plant in Hardee County, Florida, a phosphate manufacturing facility in Plant City, Florida, and ammonia terminal and finished product warehouse facilities in Tampa.

On December 17, 2014, we completed the acquisition of ADM's fertilizer distribution business and working capital in Brazil and Paraguay, as discussed above.

U.S. Phosphate Crop Nutrients and Animal Feed Ingredients

Our U.S. phosphates operations have capacity to produce approximately 5.2 million tonnes of phosphoric acid ("P2O5 ") per year, or about 9% of world annual capacity and about 56% of North American annual capacity. Phosphoric acid is produced by reacting finely ground phosphate rock with sulfuric acid. Phosphoric acid is the key building block for the production of high

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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 4.4 million tonnes during 2014. We account for approximately 11% of estimated global annual production and 54% of estimated North American annual output.

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

- Diammonium Phosphate (18-46-0) Diammonium Phosphate ("DAP") is the most widely used high-analysis phosphate crop nutrient worldwide. DAP is produced by first combining phosphoric acid with anhydrous ammonia in a reaction vessel. 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 that is applied directly or blended with other solid plant nutrient products such as urea and potash.
- Monoammonium Phosphate (11-52-0) Monoammonium Phosphate ("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 in a reaction vessel. 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 that is applied directly or blended with other solid plant nutrient products.
- 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.

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 Nexfos®.

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 phosphate mines in Florida:

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Annual capacity by plant as of December 31, 2014 and production volumes by plant for 2014 are listed below:

(tonnes in millions)	Phosphoric Acid		Processed Phosphate[a]/DAP/MAP/MicroEssentials®/ Phosphate	
Facility	Operational Capacity[b]	Production	Operational Capacity[b]	Production
Florida:				
Bartow	0.9	1.0	2.2	2.1
New Wales	1.7	1.5	4.1	3.2
Riverview	0.9	0.7	1.8	1.4
Plant City [c]	0.9	0.6	2.0	1.3
	4.4	3.8	10.1	8.0
Louisiana:				
Faustina	—			