

FINAL TRANSCRIPT

Thomson StreetEventsSM

FMC - Q2 2011 FMC Corp Earnings Conference Call

Event Date/Time: Aug. 02. 2011 / 3:00PM GMT



Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

CORPORATE PARTICIPANTS

Brennen Arndt

FMC Corp. - IR

Pierre Brondeau

FMC Corp. - President, Chairman and CEO

Michael Wilson

FMC Corp. - President, Specialty Chemicals Group

Kim Foster

FMC Corp. - EVP and CFO

Mark Douglas

FMC Corp. - President, Industrial Chemicals Group

Milton Steele

FMC Corp. - VP, President of Agricultural Products Group

CONFERENCE CALL PARTICIPANTS

Kevin McCarthy

BofA Merrill Lynch - Analyst

Mike Sison

KeyBanc Capital Markets - Analyst

Peter Butler

Glen Hill Investment Research - Analyst

Bill Young

ChemSpeak, LLC - Analyst

Rosemarie Morbelli

Gabelli & Company - Analyst

Jeff Farmer

Jefferies & Company - Analyst

Dmitry Silversteyn

Longbow Research - Analyst

Elena Haiken

Credit Suisse - Analyst

Mike Harrison

First Analysis Securities - Analyst

PRESENTATION

Operator

Good morning, ladies and gentleman, and welcome to the second-quarter 2011 earnings release conference call for FMC Corporation. Phone lines will be placed in listen-only mode throughout the conference. After the speakers' presentation there will be a question-and-answer period. (Operator Instructions).

I will now turn the conference over to Mister Brennen Arndt. Mister Arndt, please go ahead.

Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

Brennen Arndt - FMC Corp. - IR

Thank you and welcome, everyone, to FMC's second-quarter 2011 conference call and webcast. Joining me this morning are Pierre Brondeau, President, Chief Executive Officer and Chairman; Michael Wilson, President Specialty Chemicals Group; and Kim Foster, Executive Vice President and Chief Financial Officer.

Pierre will begin the call with a review of our second-quarter performance. Michael will provide an in-depth review of the biopolymer and lithium businesses that comprise our Specialty Chemicals group. Kim will then report on our financial position and Pierre will complete the call by providing our outlook for 2011 and by taking your questions.

Our prepared remarks today will go a bit longer than typical as we have a number of important items to share with you. And joining Pierre, Michael, and Kim for the Q&A session will be Milton Steele, President, Agricultural Products Group and [Mark Douglas], President, Industrial Chemicals Group.

A reminder today that our discussion will include certain statements that are forward-looking and subject to various risks and uncertainties concerning specific factors that are summarized in FMC's 2010 Form 10-K, our most recent Form 10-Q and other SEC filings. This information represents our best judgment based on today's information. Actual results may vary based upon these risks and uncertainties.

Our current 2011 outlook statement was issued this morning, which provides our guidance for the third quarter and full year 2011. We have posted this on our website available at fmc.com. Also on our website you'll find the definition of certain non-GAAP financial terms we will refer to during today's call. They are under the heading entitled Glossary of Financial Terms, as well as a reconciliation to GAAP of the non-GAAP figures we will use today.

So it is now my pleasure to turn the call over to Pierre Brondeau. Pierre.

Pierre Brondeau - FMC Corp. - President, Chairman and CEO

Thank you, Brennen, and good morning, everyone. As you saw in our earnings release, we delivered strong second-quarter performance. All three operating segments achieved double-digit earnings increases. Demand across our businesses and diverse end markets continues to be very healthy especially in rapidly evolving economies.

We are seeing rich opportunities for organic growth in every business. And [in turn] we are making good progress advancing our target external growth initiatives.

Before we get into the quarter, I would like to share with you our progress in achieving our vision 2015 objectives. This is something I intend to do twice each year at the midpoint of the year and at year-end.

As we begin the second half of 2011, I am pleased to report that we are ahead of plan toward realizing our vision 2015 objective. Let's look at the [desk board] we use to measure our progress against the five key elements of our vision.

First, growing our leadership positions. The original plan presented to you last December was that solely through organic growth we would achieve sales of \$4.2 billion by 2015. That was based on the rich pipeline of organic growth prospects across our businesses we saw at the time.

We now see even more opportunities for organic growth that should enable us to reach 2015 sales in the \$4.5 billion to \$4.6 billion range.

Complementing our organic growth is an external growth strategy. We expect external growth initiatives will raise our 2015 revenue to greater than \$5 billion. We have a very focused, disciplined strategy that includes both bolt-on M&A and product

Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

and technology acquisitions that reduces the risk normally inherent in external growth. We have now plans -- we have no plans to make transformational acquisitions or add a new business leg to our portfolio.

In the second quarter, we made good progress in this regarding -- in regard with two announcements. The formation of agrochemical joint venture in Argentina that enhances our growth and market access in Latin America's single largest crop protection market and the peroxygens acquisition in Europe that accelerates the globalization of our specialty peroxygens business.

Both are small and very consistent with our M&A strategy and accretion requirements. Combined, they represent an investment in the \$15 million to \$20 million range and should generate \$50 million to \$60 million of sales in 2015. These initiatives are a first step toward reaching our Vision 2015 goal of \$800 million in Company sales generated from external growth.

We have a rich pipeline of external growth opportunities today. Each small in size, that when brought into FMC will provide us platforms to build upon for continued external growth and acceleration of our organic growth.

The second key element in increasing our reach, through the first half of this year, we achieved our highest sales growth in rapidly developing economies. Across our businesses, we are focusing our investment in human resources and physical infrastructures in [RVEs].

Our lead position is already strong. Last year, 43% or \$1.3 billion of the Company's \$3.1 billion total sales came from [RDs]. Our plan is to double RD sales by generating 50% over a \$5 billion 2015 revenue and we are on plan to do so.

The next element is capturing the value of co-ownership. We have shifted from a highly decentralized organization to a balanced, centralized, decentralized model to better leverage our size and scale. As I call it, acting as one FMC to realize efficiency while we are maintaining strong accountability in our business units.

Our global procurement team is in place and on schedule to deliver projected cost savings. The investments I just mentioned being made in RDE infrastructure will be shared across businesses.

A great example is our Shanghai innovation Center. The Center will house agricultural products, biopolymer and lithium technical and commercial teams that will accelerate our growth largely by tailoring products to local markets in the region. We broke ground for the Center in March and plan to have it operational in the fourth quarter of next year.

The fourth element is practically managing our portfolio. Industrial Chemicals portfolio has been a real focus. We have addressed businesses that were competitively disadvantaged and underperforming for an extended period of time.

Last year we exited our phosphate and sulfur derivatives businesses. In the second quarter, we announced our intent to exit the sodium bicarbonate businesses. We will wind down this business by year-end.

Industrial Chemicals is making great progress in transformation to segments with sustained higher margin, greater earnings stability and significantly higher return methods.

Looking back in 2009, the segment realized an encouraging margin of 9%. In 2010, it was 12%; [in proceed] to our 2011 guidance is an operating margin in the mid teens. They are well on their way to realizing and sustaining a 20% operating margin by 2015.

The final element is disciplined cash deployment. Our plan is to deliver cumulative cash flow of \$2 billion during 2011 to 2015. The strength of a balance sheet, including investment grade rating, we have approximately \$1 billion in additional debt capacity. With this combined \$3 billion, we see approximately \$2 billion going to new growth capital next on our initiative and \$1 billion to be returned -- that was to be returned to shareholders in the form of share repurchases and increased dividend.



Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

In the fourth quarter last year, we repurchased \$100 million of our share. In February, we increased our dividend by 20%, and we will repurchase 100 million of shares in the third quarter.

So, in summary, I am pleased to report that we are ahead of plan to where we are realizing our Vision 2015 objective.

Now moving to our second quarter of 2011 performance. Sales of \$812 million increased \$65 million or 9% versus last year, excluding the prior year impact of exited businesses. Sales increased in all businesses and all regions. Adjusted earnings of \$1.53 per diluted share increased 18% versus the year ago quarter. On a regional basis, [adjusted to exclude] existing business sales in EMEA increased 22%. In Asia were up 12%. Sales in Latin America grew 11%, and sales in North America were up 1%.

Our gross margin of \$299 million increased by \$34 million or 13% versus last year. Gross margin percent of 36.8% improved by 137 basis points over last year, driven by higher [selling] price, higher volumes, and improved mix, only partially of sale by higher cost.

SG&A was \$104 million increased \$12 million or 13% largely due to increased spending on targeted growth initiatives and to a lesser extent foreign exchange. Adjusted earnings before interest and tax was \$166 million increased \$20 million or 14% compared to last year.

Let's take a more detailed look at the performance of each of the operating segments in the quarter.

First, Agricultural Products. Second quarter of sales of \$330 million increased 12%, driven by growth-based growth across Asia, Latin America, and the EMEA. The highest sales gain was achieved in Asia, reflecting continued volume growth in all key countries as well as selected price increases. Growth was especially strong in China, Indonesia, and India.

Sales in EMEA also increased significantly driven by strong herbicides and insecticides volumes. In Latin America, the sales increase was broad-based or led by Brazil. Sales in North America declined, reflecting the shift in some herbicide volumes to the first quarter and less favorable weather conditions than a year ago, which impacted our post emergent herbicide.

Segment earnings of \$94 million increased 18% versus the year ago quarter, driven by the broad-based sales growth, partially offset by higher spending on targeted growth initiatives.

Moving to Industrial Chemicals. Second quarter revenue of \$255 million increased 7%, excluding the prior year impact of exited businesses driven primarily by higher selling price in soda ash and peroxygens. Segment earnings of \$36 million increased 21% as a result of the sales gain and the continued favorable mix shift toward higher-end specials in peroxygens, partially offset by standard cost as was scheduled with [granular] soda ash [specialty team] and higher raw material energy cost.

Looking at the drivers of segment performance in the quarter. In soda ash, the year is shaping up as we expected. In the second quarter, sales and earnings growth continued to benefit from higher selling price in 2011 contracts. The volume growth was capacity-constrained in advance of a [Granger] facility coming online in early July.

Granger is running well and on its way to ramping up to produce at an annual rate of 500,000 tons by the fourth quarter. During the quarter, our export organization, ANSAC, continued to benefit from Chinese export cost pressures and of the assume to price export business above delivered cash cost.

Energy disruptions in China of tightened market conditions allowed Chinese producers to increase prices in domestic and exposed markets. It appears that the supply restrictions and price hikes have led Chinese exporters to retain profit margins, reflecting a change in behavior from their historical pattern or returning to pricing incremental delevered cash cost.

In June, ANSAC announced a price increase of \$50 per metric ton, effective July 1 or as contracts allow. They are realizing some early successes. Consequently, we have included higher soda ash export pricing in our outlook for the Industrial Chemicals



Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

segment for the second half of the year. As a result, we now see a global average selling price up in the low double-digit growth since last year as compared to original expectation of high single digits.

So the Granger facility is running well and ramping up to the full 5,000 tons per year rate by year-end. Even with this volume, the US soda ash producers are forecast to remain supply-constrained beyond 2011.

In early June, we announced a \$20 per ton price increase for domestic [of] leased contract. As is the case every year, the increase was effective July 1. It will have very long impact on 2011 results, as the vast majority of domestic contracts are prices fixed for the calendar year.

The announcement does, however, form the basis for 2012 contract negotiations with typical [year here] in November and December.

So, in summary, we see favorable conditions for soda ash continuing well beyond 2011.

Moving to peroxygen's business. We realized double-digit sales growth even by higher selling price across all product lines. Earnings benefited from the sales gain and the continued favorable mix shift toward specialties, partially offset by higher raw material and energy costs.

In hydrogen peroxide, sales growth in Europe was especially strong versus last year. In persulfate, one of the specialty products, higher sales in the Oil and Gas segment was the primary driver.

During the quarter, Industrial Chemicals continued to take important steps toward realizing its high-performance objective within Vision 2015. As noted earlier, in June, we made the decision to exit the sodium percarbonate business by December of this year.

For perspective, this business -- this year the business is projected to generate sales of approximately \$13 million and operate in the last position. Competitive advantages and underperforming results have many [un] economy calls to continue.

We have begun to wind down operations at a business production specialties in Spain and will exit the business completely by year-end.

Operating the globalization over a specialty peroxygen business is central to realizing the growth and operating margin objective point to show chemicals. So an important step to that end was taken last week as we announced the acquisition of the European persulfates business of Rhein Chemie GmbH.

This acquisition enables us to accelerate the globalization of a specialty peroxygen initiative in environmental electronic and food safety and immediately broaden peroxygen's portfolio to our customers in EMEA.

Rhein Chemie manufacturers persulfate in [Rheinfeld] in Germany and has sales office in Hamburg, Germany. We expect to close the transaction by year-end. We are not permitted to disclose the term of the transactions.

Let's now move to our Specialty Chemical segment. For an in-depth review of the biopolymer and lithium businesses that forms Specialty Chemicals. Our turn to call over to Michael Wilson. Michael.



Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

Michael Wilson - FMC Corp. - President, Specialty Chemicals Group

Thank you, Pierre, and good morning everyone. I am pleased to be with you today to report on the current performance and outlook for our Specialty Chemicals group. After updating you on our second-quarter performance, I will provide insights into the growth strategies we are employing in biopolymers and lithium to deliver on our contribution to Vision 2015.

First, a review of second-quarter performance. Revenue in Specialty Chemicals was \$229 million, up 6% versus the year ago quarter. Despite capacity constraints in lithium, driven by higher selling prices in all businesses and strong volume growth in pharmaceutical ingredients and lithium specialties. Biopolymer achieved record sales and earnings in the quarter. The pharmaceutical ingredients sales gains were realized in all product segments while food ingredients sales were driven by dairy and beverage markets in Asia, particularly China.

Lithium sales growth was led by butyllithium serving pharmaceutical and chemical synthesis markets. Given our lithium capacity constraints, we have delivered topline growth this year by increasing sales of higher value downstream products like butyllithium at the expense of upstream primary compounds sold into lower value segments.

Of course, we have been careful to protect market share in key primary growth segments such as energy storage.

Segment earnings of \$56 million were 10% higher than the prior year quarter as a result of the strong commercial performance, despite higher raw material cost and higher weather-related operating cost in Argentina. The wettest weather conditions in a decade in Argentina presented operational challenges in the quarter. Heavy rain and snow which washed out and blocked roads created logistical challenges impacting production yields and cost.

While we believe the worst of the winter weather is now behind us, we expect to experience further production inefficiencies in the third quarter due to lower second quarter brine production and dilution of the lithium brines in the solar evaporation ponds by the heavy precipitation. This will effectively result in some shift in lithium earnings from the third quarter to the fourth quarter.

Moving to our outlook for the third quarter and the full year, we expect continued strong earnings performance across the segment. For the third quarter, we project earnings to increase approximately 5% as higher volumes and selling prices in Biopolymer and Lithium specialties are partially offset by increased spending on growth initiative, higher raw material costs, and the weather-related lithium production issues in Argentina.

For the full year, we project sales to be up mid single digits, driven by continued volume growth and higher selling prices in BioPolymer and Lithium Specialties. Full-year segment earnings are expected to be up approximately 10% consistent with prior guidance. BioPolymer is projected to achieve its seventh straight year of record earnings due to continued strong commercial performance, which will more than offset the impact of higher raw material costs.

Lithium performance will benefit from the higher -- from the sales gains in Lithium specialties.

As a result, the Specialty Chemicals segment will deliver its sixth consecutive year of record earnings.

Let me now turn to a more detailed review of the growth strategies we are employing in BioPolymer and Lithium to deliver on our Vision 2015 commitments. Achieving faster topline growth is an important element in realizing our 2015 objectives for Specialty Chemicals. Across the next five years, we see topline growth rising from its historical 6% to 7% level to approximately 10%. Driving this rate increase will be increasing sales of faster growing product lines such as MCC for food ingredients and pharmaceuticals and lithium compounds for energy storage applications.

Earnings will be enhanced by this mix shift. The Specialty Chemicals has always had attractive operating margins; we plan to achieve operating margins of approximately 26% by 2015.



Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

Let's take a look at each business and how it will contribute to this even higher level of performance.

Starting with Lithium, the business today accounts for approximately 30% of segment sales or approximately \$220 million. We are the second largest supplier in terms of revenue with a broad market presence in both upstream primaries and downstream specialties.

Our longer term outlook for lithium is as bullish as it has ever been. We expect to see continued strong demand in energy storage and synthesis applications drive global market growth. Overall, we forecast global lithium demand will grow at approximately 6% to 7% through the next three to four years.

Going forward, the Energy Storage segment is expected to be the premium growth driver for the overall market. Traditional, non-transportation energy storage applications have been growing in the 15% range over the last five years.

With the increasing focus on electric vehicles, the future growth of lithium to support new battery solutions is expected to be significant. We believe that lithium supply to the Transportation segment could account for over 40% of overall demand by 2020.

Today, relative to our view eight months ago at Investor Day, we see even more opportunities in transportation, particularly in Asia for applications such as intracity buses and mopeds. Transportation applications should gain traction in the 2013 to 2015 time frame. All else being equal, this will drive the overall market growth rate to near 20% in the 2015 to 2020 period. Therefore, across the 2010 to 2020 period, we expect trend line lithium market growth of approximately 12%.

Despite the recent weather-related challenges, the 30% capacity expansion at our operations in Argentina continues to progress; and we expect to bring the capacity on stream by the end of this year. Accounting for the residence time necessary to concentrate the additional brine via solar evaporation, we will begin to supply the market with additional product mid next year.

In addition to serving demand growth of existing customers, we expect the project to significantly lower our overall cost to improve process technology. Given the favorable long-term outlook, we are already reviewing plans for further expansion, which we will likely bring on in stages, beginning and 2014. We will see some additional near-term capital requirements as a consequence of these plans. This capital will go towards enhancing the natural gas supply to our facility as well as per preparing the evaporation ponds for greater productivity.

Let me now turn to biopolymer. Biopolymer currently accounts for over 70% of Specialty Chemicals revenues or approximately \$650 million. Biopolymer is comprised of two roughly equally sized market-oriented businesses focused on food ingredient and pharmaceutical excipients respectively. Leading market positions across these businesses account for more than 90% of biopolymer revenues.

We support both businesses through a common infrastructure that delivers cost-efficient products, core technology and administrative support. Although the food and pharmaceutical markets have different market and competitor drivers, we are able to drive a premium for our products in both businesses by focusing on segments where our products and clear value to our customers' ability to sustain and grow their own products.

Biopolymer's core markets are growing approximately 4% to 5% per year. Over the last five years, biopolymer has grown its topline at an annual rate of 10% through a combination of organic growth and bolt-on acquisitions.

Over the same period, our growth on an earnings basis has been in the low to mid teens, resulting in overall margin improvement. We believe that, today, we are among the most profitable suppliers of food ingredients or pharmaceutical excipients. Our success is driven by delivering superior value to our customers. A core expertise is driving improvement in our customers' product lifecycle through the combination of new technology, improved cost and use and global reach.



Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

Partnering with category leaders has been and will remain critical to our success. In food ingredients we supply the majority of the global food processors and have strong positions with many regional leaders throughout the world. Our products in technology impart critical functionality, including suspension, stability and beverages with desired texture to a wide array of food products.

In pharmaceuticals, we have a similar presence with almost all key innovators in addition to strong position with leading generic players. In our experience, it has been the leading customers who have grown the fastest and have the best ability to commercialize new products around the world whether internally developed or acquired.

As these customers expand globally, we have tended to grow with them. Our products and technology provide performance attributes to pharmaceutical tablets across a broad array of active ingredients and manufacturing processes. Core strengths of biopolymer include a thorough understanding of both the customer application and product technology; deep capabilities in core material science and process technology; and a demonstrated ability to continually drive productivity and efficiency improvement.

Our success in this latter area has led us to have the lowest delivery cost to customers in almost all of our product lines.

Our approach is two-pronged. First, in our operations, we have a strong culture that annually targets to drive out costs through defined plans focused on raw material yield improvements, energy savings, and low capital capacity debottlenecking.

The second advantage stems from how we go to market. Our sales marketing, innovation, and administrative structure is lean and efficient and is significantly lower in cost than most of our competitors. We believe that we can continue to drive productivity to successfully offset cost increases and thus deliver superior value to our customers.

Going forward, our ability to grow our business at above market rates, while expanding margin is based on successfully executing against four strategic imperatives. Specifically, we must invest in core products to further strengthen our leadership positions, expand our position in rapidly developing economies, leverage our customer relationships and application expertise by broadening our specialty food ingredient portfolio, and expand our pharmaceutical tablet excipient product and technology offering.

Let me comment briefly on each of these imperatives. With regard to strengthening our leadership position in core products, we are investing to expand capacity to support growth. We have recently completed an expansion of our Cork, Ireland MCC plant and are currently expanding our MCC capacity in Newark, Delaware. And our [alginate] capacity in Norway. We are also evaluating a project to build greenfield MCC capacity in Asia. Our innovation investments include significant focus to introduce new, higher functionality attributes to our key product as well as process technology advancements to improve cost and quality.

Next, we will continue to focus on growth in rapidly developing economies. Today these markets account for approximately 1/3 of biopolymer revenues and continue to offer significant growth opportunities. For example, in Asia, revenues generated this year will be more than double those generated just a few years ago. China and India currently represent biopolymers' largest markets after the United States and the UK. Our new Asia Innovation Center in Shanghai will accelerate our ability to tailor products to local markets and develop new technology we will leverage on a global basis.

We will also open a new application laboratory in Singapore in the third quarter to support further growth in Southeast Asia. Of our seven biopolymer technology centers, five are located in rapidly developing economies.

Outside of Asia, Latin America and Eastern Europe where we have relatively low penetration are also key regions of focus. On average, these markets will continue to offer attractive growth that is more than double the growth rates we are seeing in developed regions.



Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

To expand our portfolio in food ingredients, the next imperative, we are pursuing several organic and external strategies that would broaden our position into other value-added food ingredients. Our deep applications knowledge in [texturants] provides the foundation for us to leverage our capabilities into adjacent texture ingredients. We are also selectively evaluating specialty ingredient opportunities that could move us outside of texture, broadening our capability to serve our customers in key markets such as dairy and beverage.

Finally, in pharmaceuticals, we have a great franchise with strong customer relationships and expertise in tablet excipients that provide a solid basis to broaden our portfolio. We are focused on adding products which expand capabilities and control the release technology, and in partnering with our customers to improve the potential of drugs with poor solubility.

Overall, biopolymer is an excellent platform that is well-positioned for top and bottom-line growth.

In summary for Specialty Chemicals, I feel good about where we are and where we are headed. We have a track record of strong performance, attractive organic growth opportunities in both biopolymer and lithium and a portfolio of attractive external opportunities to augment that growth. Given that, I am confident we will achieve our Vision 2015 objectives.

I'll now turn the call over to Kim Foster but will be happy to answer any questions during the Q&A. Kim?

Kim Foster - FMC Corp. - EVP and CFO

Thanks, Michael and good morning, everyone. Throughout the call this morning, you have heard examples of attractive organic growth opportunities across our businesses. And you've heard of our intent to fully capitalize on these opportunities.

Based upon these opportunities, we intend to accelerate certain projects of soda ash, lithium, and biopolymer that were originally just outside of the planning horizon of Vision 2015.

As we reported on last quarter's call, this would increase capital spending by about \$200 million to \$400 million in the next five years. These expansions will add to the organic growth rate of our businesses within the Vision 2015 planning horizon and will provide returns comfortably in excess of our return on invested capital goal of 15% for the Company.

In fact, we have accelerated that spending on certain dimensions of these projects into 2011, an upward revision since our last conference call. This accelerated spending will add approximately \$40 million to our 2011 capital forecasts, raising our outlook for 2011 capital expenditures to \$200 million.

As Pierre reviewed, in soda ash, we see continued demand growth across the next five years and beyond, particularly in export markets. Our Granger facility is now running well and ramping up to the full 500,000 tons per year rate by year-end.

Nonetheless, even with this Granger volume, US soda ash industries forecast to remain supply-constrained in 2011 and beyond. Given this favorable outlook, we have begun a process design and detailed engineering work for a second phase capacity addition to Granger.

The intent of the second phase is to bring Granger capacity to 1.2 million tons per year by 2014. Our concept is to utilize existing solution mining technology from our Westvaco plant and the design of our second phase Granger expansion. This new design will enable us to scale capacity beyond 1.2 million tons in the future.

As Michael outlined in lithium, we have a 30% capacity expansion currently underway in Argentina that is projected to come on stream at the end of this year with product hitting the market mid next year. Across lithium end markets, we see enhanced near-term growth, particularly energy storage, but in current battery applications and as transportation applications raised the growth curve in the 2013 to 2015 period.



Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

Accordingly, we are currently reviewing plans for our further expansion beyond the one currently underway and will do so in stages. The near-term capital requirements for this staged approach will be directed towards enhancing the natural gas supply, serving our facility, as well as preparing the evaporation ponds for greater productivity.

And in Biopolymer, we are planning to continue capacity expansions to support the very attractive growth Michael shared with you. Particularly for microcrystalline and cellulose or MCC, serving food ingredients and pharmaceutical markets in rapidly developing economies. In the first quarter, we completed the expansion of our Cork, Ireland MCC production. Another MCC expansion is currently underway at our North Delaware facility and this capacity is projected to come onstream near the end of 2012. Also underway is an expansion of our [Algenais] facility in Norway and beyond these projects, we are evaluating the placement of our grassroots MCC facility in Asia.

Moving to cash flow. Our forecast for free cash flow is revised to include the 2011 component of these projected expenditures.

As a reminder, free cash flow is defined as after all uses except acquisitions, dividends, and share repurchase. Our projected free cash flow for 2011 is projected to be \$200 million to \$225 million versus our previous forecast of \$300 million. This revised projection incorporates three additions -- higher growth capital of \$40 million I just discussed; the payment of a \$45 million fine concerning alleged violations of competition law in the hydrogen peroxide business in Europe during the period 1997 to 1999. We recorded an expense for this on our 2006 income statement.

In the second quarter of this year, we were notified that the judgment was affirmed and the fine should be paid in the third quarter. And finally, cash of \$5 million to \$10 million, which is already provisioned for restructuring, primarily related to the sodium percarbonate's business we are exiting in Europe.

Moving to our balance sheet. On June 30, gross consolidated debt was \$623 million and debt, net of cash was \$436 million. This level of cash on hand of \$187 million, gives us optionality. For example, to easily fund \$100 million in share repurchase. Regarding the share repurchase, our strategy of returning cash to shareholders continues to balance prudent financial policy with the competing demands of investments to support organic growth and capital to support selected external investments.

As we evaluated these factors in the second quarter, we repurchased \$10 million, essentially to offset dilution from stock option exercises, something we have consistently done and continue and intend to continue doing. However, we remain fully committed to Vision 2015 objective of returning significant cash to shareholders in the form of cash dividends and stock buybacks.

Within this context in addition to the capital investments to support organic growth prospects and focused external opportunities, we will repurchase \$100 million of our stock in the third quarter and open market transactions under the existing Board authorizations.

With that, I will turn the call back to you, Pierre.

Pierre Brondeau - FMC Corp. - President, Chairman and CEO

Thank you, Kim. Regarding our outlook for the full year 2011 we have raised the meet points of the range versus a previous outlook and now expect adjusted earnings of \$5.60 to \$5.80 per diluted share, a 15% increase above 2010 as the midpoint of the range. Agricultural Products segment expects to achieve its 8th straight year of record earnings, up approximately 10% versus a year ago, driven by strong market conditions across most regions, and the contribution of new and recently introduced products while increasing spending on growth initiatives and absorbing higher raw materials costs.

As Michael outlined, Specialty Chemicals is expected to deliver its sixth straight year of recorded earnings up approximately 10% led by the seventh straight year of record earnings in biopolymer and enhanced by a sales gain in lithium specialties, partially offset by increased spending on growth initiatives in higher remedial costs.



Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

In our initial Chemical segments we expect the highest earning growth up approximately 30%, driven by both day sales gain across soda ash and peroxygen and the continued favorable mix shift towards specialty peroxygen.

Moving to our outlook for the third quarter of 2011. We expect adjusted earnings of \$1.25 to \$1.40 per diluted share, for a 12% increase versus the year ago quarter at the midpoint of the range.

In Agricultural Products, we expect segment earnings to be level to the year ago period as growth in Latin America is offset by higher raw material costs, increased spending on targeted growth initiatives and lower North American sales due to less favorable weather conditions than last year. In Specialty Chemicals, we project earnings to increase approximately 5% on higher volume and selling prices and biopolymer, and lithium specialties, are partially off set in growth initiative in biopolymer, higher raw material costs, and high weather-related operating costs in our Argentina lithium specialties.

In Industrial Chemicals, earnings are expected to be up approximately 30% driven by higher selling prices in soda ash and peroxygen, and the benefits of volume growth in soda ash export market. Based on our outlook for a 15% earnings growth for the full year and 12% earnings growth for the third quarter at the midpoint of their respective ranges, this is implying a very strong fourth quarter with earnings growth in excess of 20%. With the healthy demand we continue to see across our businesses, the diverse end markets we serve, and the strength in our rapidly developing economy, we are comfortable with that fourth-quarter outlook.

With that, I thank you for your time and attention. I'll be happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Kevin McCarthy with Bank of America.

Kevin McCarthy - BofA Merrill Lynch - Analyst

Good morning. Would you comment on the current level of soda ash prices in China? And also your view of manufacturing costs in China through the two primary synthetic production mixes there? How are those trending?

Mark Douglas - FMC Corp. - President, Industrial Chemicals Group

Hello, this is Mark. With regards to China, we are seeing prices at very high levels for the domestic market. Well in excess of \$300 a metric ton. That's increased over the last few months and indeed the last couple quarters, as we've watched a number of the input costs increase.

Certainly for energy, I think a lot of people are aware of the energy restrictions in China that's occurred over the summer period. That's made prices move higher. We have seen input costs in terms of labor, another raw material so --. We have seen that ramp-up continuing. We have also seen a ramp up for both technologies that are used -- the [how] process and the sulfate process.

Obviously this week they are very different in terms of their input costs and also output given one methodology gives you a product you can sell into the fertilizer industry. So overall, we see those prices remaining high. We don't quite know where it will go in the future given that there is capacity coming on in China in the fourth quarter, but certainly from an export standpoint, we have seen prices stay high. And as you know, ANSAC has been following that activity.



Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

Kevin McCarthy - *BofA Merrill Lynch - Analyst*

Very good. If I may switch gears to ag. Milton, I was wondering if you could comment on the joint venture that you've announced in Argentina? You know, I generally think of FMC as having concentrated on Brazil and at least on a relative basis somewhat de-emphasized Argentina over the years. Is that fair to say? And what has changed? So maybe you can talk about some of the upside opportunity that you see in making these investments?

Milton Steele - *FMC Corp. - VP, President of Agricultural Products Group*

Argentina, we have been selling in Argentina for many, many years, but relative to Brazil it has been relatively small. We continue to believe and we do believe today that this is an important agricultural market, the second-largest in Latin America. And what we want to do is increase our market access capabilities. So we've formed a joint venture with a local company which will give us more distribution capabilities on the ground.

And we expect to grow our business in this market significantly over the next five to 10 years.

Kevin McCarthy - *BofA Merrill Lynch - Analyst*

Okay, and then finally, if I may, just a couple of financial questions for Kim. Can you comment on why interest expense would have increased sequentially when net debt declined \$141 million versus the first quarter? What is behind that please?

Kim Foster - *FMC Corp. - EVP and CFO*

Two things. One is that the way that you looked at the daily net debt levels throughout the second quarter, you would see that the real drop literally happened in the last few days of the quarter, which was predominantly associated with the credit terms that the ag business has. So that while there was a drop, it really was only a few -- happened at a few days. In addition, we had some short-term borrowings in Brazil which have a higher interest rate. We borrow from three separate sources there, but on average the interest rates there are probably 300 to 400 basis points higher than the US. So it is a mixture of both of those things.

Kevin McCarthy - *BofA Merrill Lynch - Analyst*

Thank you very much.

Operator

Mike Sison with KeyBanc.

Mike Sison - *KeyBanc Capital Markets - Analyst*

Nice quarter. In terms of soda ash expanding Granger in the second half of the year, can you just talk about a little bit, the demand environment? There are some macro concerns out there and just wanted to sort of hear your perspective of how demand is shaping up for that business and maybe the expansion? Is the expansion more maybe supply-constrained to elsewhere in the world that gives you that opportunity to expand there?

Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

Mark Douglas - FMC Corp. - President, Industrial Chemicals Group

This is Mark. When you look at the world of soda ash, I mean, we have the world's lowest cost facility in Wyoming and that allows us to compete with synthetic soda ash primarily out of Asia. On the basis of the macro demand, flat glass, container class, chemicals, detergents, are all what drives soda ash.

And as you can imagine, in rapidly developing economies, the overall consumption of soda ash is less, compared to places like Western Europe and North America. So our export business is growing rapidly. That's why the Granger expansion is targeted.

And quite frankly, we are competing very successfully against the synthetic producers. As I just said, their costs are increasing.

So even with a demand on a macro level that may be choppy in some parts of the world, we are very, very confident that we'll be able to compete with synthetic producers anywhere in the world. Hence the expansion of 500,000 tons, plus the next look for Granger, which will take us up to a potential 1.2 million tons, all of that targeted at the export markets.

Mike Sison - KeyBanc Capital Markets - Analyst

Got it. And the start-up costs for Granger, are those done?

Mark Douglas - FMC Corp. - President, Industrial Chemicals Group

Yes. Pretty much so. I mean we had all the cost virtually in the second quarter and now Granger is, as Pierre said earlier, ramping up to full production.

Mike Sison - KeyBanc Capital Markets - Analyst

Great. And then last question. Pierre, when you think about the fourth quarter, it's clearly going to be the stronger of the two. The growth there has to be pretty exciting relative to the third quarter.

What are the put and takes? It tends to be the most difficult quarter for chemicals to predict. Do you think visibility is still pretty good for you as you head into that, into that quarter?

Pierre Brondeau - FMC Corp. - President, Chairman and CEO

Yes. Actually, let me take if you don't mind the opportunity to talk a bit about full year and third quarter and fourth quarter. Because we actually feel quite strong about the way the year is unfolding; and we feel quite strong about the demand positioning for our product.

First, the third quarter, as you know, we are gaining with an EPS of about if you take the midpoint of our guidance to about 12% versus last year. And there is suddenly a number which could be viewed as slightly below what a company like Harris could be delivering on such a quarter, but there is some very well-defined event which will be over in this quarter.

First, we were talking about soda ash. That business has two things which are happening. First of all, you note that every five, six quarters we move the longwall where we are mining. Last year it was in Q2. This year it is in Q3. And Granger as much as the startup costs are being done, we are still operating with full staffing on the ramp-up capacity.

So we have the cost of a full plant, but we are not producing at full capacity yet. That is about a \$7 million impact on the quarter versus normal operations.

Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

We've talked about the two snowstorms and the yield issues we have in lithium. We believe it is going to be an impact of about over \$3 million in the third quarter. And then the weather in North America for ag business and we qualify that versus a normal quarter at about \$5 million.

So you put all of those elements together, which are very well defined. You are talking about a \$15 million impact on the quarter. If you would add that number to what we are forecasting as earnings, you would have a year-on-year earning growth for the third quarter which would be comfortably above the 20%.

So now, leaving into the fourth quarter. Obviously, if you look sequentially, the long wall, it will be done. Granger will be operating at full capacity. Lithium, the yield issues will be behind us and from an ag standpoint, we get into the [brilliant] season which we have no reason not to believe will be another very strong season for us. So if you look at the fourth quarter, it is pretty much a quarter which is shaping normal-ish for our two business Specialty and Ag and shaping very strong for Industrial, because the one off we talked about will be over. Granger will be at capacity and we have a very strong price situation.

So the year looks well on target. Maybe with the distribution across -- across the two quarters which is not your regular distribution, but we are quite comfortable with the forecast.

Mike Sison - KeyBanc Capital Markets - Analyst

Great. Thanks.

Operator

Peter Butler with Glen Hill Investments.

Peter Butler - Glen Hill Investment Research - Analyst

Good morning. Where do you expect your tax rate to be in the second half and next year? And over the longer term, which -- what direction is your tax rate going?

Kim Foster - FMC Corp. - EVP and CFO

As far as 2011 go, and we are talking about the tax rate on our adjusted earnings, we have guided that at 29%. We still believe it will stay at 29%, which is of course a mixture of higher domestic tax rates and lower foreign tax rates. As it relates to the future, now you are asking me to get into the mind of what is going on in Washington DC and project what is going to happen from that perspective.

But I can tell you from a modeling perspective, as we looked out in Vision 2015, we assumed that we would be able to keep the effective tax rate to about 29%.

Peter Butler - Glen Hill Investment Research - Analyst

Okay. And the other question I have is also financial. What is your Company targeting for debt to market cap?



Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

Kim Foster - FMC Corp. - EVP and CFO

Debt to market cap. I will have to go back and think about that for a second. So what we are targeting, how we are targeting to maintain our net debt is we are targeting to continue to maintain strong credit rating in the same credit rating that we have today, which gives us a leverage ratio of about 1, and we are continued -- and as you look at the Vision 2015 projections and why we said we could add an additional \$1 billion of cash to return to shareholders or for growth is we are projecting to maintain that targeted debt ratio -- leverage ratio of 1.

So that is actually how we have been planning and that is what is driving our stock buyback here in the third quarter.

Peter Butler - Glen Hill Investment Research - Analyst

Thanks for your help. Thank you.

Operator

Bill Young with ChemSpeak.

Bill Young - ChemSpeak, LLC - Analyst

Good morning. Back on soda ash, you emphasized how much of the growth you expect to -- predominately in the export market. So two questions. Where do you stand now? What percentage of your soda ash is exported and what might it be by your 2015 goal year? And also, could you give us an idea of on a percentage basis how much your soda ash prices have increased 2011 versus 2010?

Mark Douglas - FMC Corp. - President, Industrial Chemicals Group

When you look at our total export versus domestic, we are just above 50% in terms of our export volume versus domestic. And that will continue to increase a couple of percentage points as we go through the remainder of the period. But to 2015, it will be obviously higher than it is today, somewhere in the 50% to 55.60% range. Most of that expansion, as I said earlier will go into the export market.

In terms of overall pricing, your second point, we had, if you're a member back to the first quarter, late last year we said our prices would be up in the single digits, mid single digits to high single digits in terms of dollars per ton. Right now we are looking at low single digits in terms of dollars per ton, right across every ton that we sell.

Bill Young - ChemSpeak, LLC - Analyst

Great. Thank you.

Operator

Rosemarie Morbelli with Gabelli & Company.

Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

Rosemarie Morbelli - *Gabelli & Company - Analyst*

Good morning, all, and congratulations on a great quarter. Pierre, could you give us a little more details on the rich opportunities you see for organic?

Pierre Brondeau - *FMC Corp. - President, Chairman and CEO*

Sorry, we couldn't hear the question.

Rosemarie Morbelli - *Gabelli & Company - Analyst*

Sorry. I was wondering if you could give us a little more detail on what you refer to as rich opportunities for organic growth?

Pierre Brondeau - *FMC Corp. - President, Chairman and CEO*

Yes. Actually let me just make a quick correction. I think Mark said low single digit for pricing. It is low double-digit.

Mark Douglas - *FMC Corp. - President, Industrial Chemicals Group*

Thank you.

Pierre Brondeau - *FMC Corp. - President, Chairman and CEO*

That's what we see for the year end in [this creep], I think we talked about 12% or something like that. So that is the number, low double-digit.

I think we are seeing growth today in multiple places. First of all, as a company, we are seeing the same kind of growth rates in most of our businesses as we were forecasting like in Ag Chemical. But there is a few places where the demand is strengthening and the [pressing] is positive. So we do have today a very strong demand and in both what we are expecting in our food biopolymer business or MCC. And especially in China and Asia for dairy product. Hence the reason for which we are looking today at bringing on a new [gradual] capacity in China. So that is a part of the Company which is looking stronger from a growth standpoint than what we are expecting.

The other one is lithium. On lithium, the endpoint is still the same as what we were seeing by 2020. But we are seeing especially in China, a faster adoption of a lithium battery for some heavy vehicles and the small motorcycle. And we see more of an impact in 2013 to 2015 than we were seeing before, which is actually rating the need for us to increase our capacity.

Peroxygen, we are very successful with our move to a more specialty and it is also a place where we do have opportunities in the oil and gas fields or in the food field. We are seeing more growth opportunities. So that is one of the reasons for which we are looking maybe at enhancing our capital spending by \$200 million to \$400 million. Because of all of those segments where we are seeing opportunities beyond what we had in 2015 (technical difficulty).

Rosemarie Morbelli - *Gabelli & Company - Analyst*

Did I understand properly, you are actually increasing your CapEx expectations by an additional \$200 million to \$400 million from what you talked about during Vision 2015?

Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

Pierre Brondeau - FMC Corp. - President, Chairman and CEO

That is correct. We are acceler -- more than increasing, I would say accelerating. Those are spending which we would have had to face at some point. But I think with the demand for MCC, the acceleration of the demand for lithium, and the robustness of the soda ash business, we are moving forward that spending.

So from a spending rate standpoint, nearly \$200 million to \$400 million will be increased in between now and 2015 versus what we stated the last presentation of Vision 2015.

Rosemarie Morbelli - Gabelli & Company - Analyst

Thank you. And on lithium for battery applications, have you seen a pick up already or I mean outside of the heavy vehicles in China? Have you seen anything else going on regarding the regular vehicles that would be higher gross sooner than you expected for that particular category?

Pierre Brondeau - FMC Corp. - President, Chairman and CEO

No. For the light vehicle, the passenger vehicle, we are still looking at a significant change in demand by the 2016/2017 time frame. I think there is a specific speed-up of the demands for the two types of vehicles I talked about, but that is the only place where we see a faster demand.

Rosemarie Morbelli - Gabelli & Company - Analyst

Okay. Thanks a lot.

Operator

Laurence Alexander with Jefferies.

Jeff Farmer - Jefferies & Company - Analyst

This is Jeff on for Lawrence. Could you talk a little bit about your raw materials? How much raw material inflation did you experience in each segment and when do you expect raw material pressures to peak? And then also if you could quantify any gap between pricing and raw materials. And when do you expect pricing to catch up?

Pierre Brondeau - FMC Corp. - President, Chairman and CEO

Sure. We -- let me talk about the three business groups and how we can pass the Company as a whole. We are seeing raw material inflation in our Specialty business, mostly on the biopolymer side. And on the Ag business, on petchems product, but also other products so there is cost inflation on raw material we had since the beginning of year and accelerating a bit in the second half.

But we do have more than 100% coverage of that raw material price increase with our own cost increase with our own price increase. So there is no impact on earnings over the Specialty and Ag business with raw materials because we are just covering with price.

Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

On the Industrial side, that is a positive price cost situation. We have very low inflation on raw material cost on the ICG side. And if you look at the low double-digit pricing increase this year, that is from [stating] into a \$40 million almost all of it going to the bottom line.

Jeff Farmer - *Jefferies & Company - Analyst*

Great. Thank you.

Operator

Dmitry Silverstejn with Longbow Research.

Dmitry Silverstejn - *Longbow Research - Analyst*

Good morning. I guess we've slipped into the afternoon. Good afternoon. Just want to clarify. I heard it said a couple of different ways, so I just want to make sure I understand. The low double-digit price increase in soda ash. Was that in percentage terms or in dollar per ton terms?

Mark Douglas - *FMC Corp. - President, Industrial Chemicals Group*

Dollar per ton terms.

Dmitry Silverstejn - *Longbow Research - Analyst*

Okay. I just thought I heard like a 12% number from Pierre so that's what caught my attention.

Pierre Brondeau - *FMC Corp. - President, Chairman and CEO*

Yes, dollar. Dollar.

Dmitry Silverstejn - *Longbow Research - Analyst*

Got it. Second question. As you look at adding capacity for Granger and taking it up to 1.2 million tons over the next couple of years, you know we have had announcements from the number 3 player in the US that is thing about, at least publicly thinking about, adding capacity. I was wondering if that is kind of part of your thinking about the overall market size or market capacity in North America? And also we have had about six months or so of [Solvay] operating outside of ANSAC umbrella in the export markets.

Can you comment if you've observed any changes in behavior or price dynamics or contract negotiations or supply dynamics? With Solvay being basically a third force now in the export markets?

Mark Douglas - *FMC Corp. - President, Industrial Chemicals Group*

I will try and answer both of your questions there. In terms of somebody else expanding in North America, actually it confirms where we are going in terms of the quality of natural soda ash out of the US and our ability to compete. We see in what we

Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

would call ANSAC land in terms of the next few years, roughly about 2.5 million tons of growth that can absorb natural soda ash.

So what we have moving now is 0.5 million up to 1.2 million if we approve the second stage of Granger by the end of 2014. So as far as we're concerned, it makes sense that somebody else would look to expand as well. It reaffirms our position in terms of the world market.

In terms of your second piece, I have really no comments on Solvay. I mean you can tell by our growth and our ability to get pricing that ANSAC is a very powerful force in soda ash and we are very happy with our position. So I really have no comment on Solvay.

Dmitry Silversteyn - Longbow Research - Analyst

Fair enough. Secondly, did I understand you correctly from the breakdown you gave in the Industrial Chemicals land that your North American funds were down? Is that the right way to think about that? You said that overall sales were up [4]%, but I would assume there was a lot of price and mix in there.

Mark Douglas - FMC Corp. - President, Industrial Chemicals Group

Yes, no, demand is not down in North America. Demand is up in the very, very low single digits, but it is not down at this point.

Dmitry Silversteyn - Longbow Research - Analyst

Okay. Alright, I guess I am going to have to revisit that because you talked like I said you talk about North American sales being up 1%. So again, I mean I'm assuming there's some pricing in there, but maybe not.

Pierre Brondeau - FMC Corp. - President, Chairman and CEO

Just one comment. One person from North America it's me who gave that number at the beginning of my script. Maybe it was [FNTY].

(multiple speakers) So, it was the [intracompanies] up 1% in North America.

Dmitry Silversteyn - Longbow Research - Analyst

Very good. Okay. Very good. And then secondly, just talking about the peroxygen acquisition that you guys did in Europe and the rationale behind it. I mean, I understand that you are trimming some unattractive businesses in Spain and you are looking to expand your peroxygens -- or you are looking to I guess develop a global peroxygens business.

At the end of the day, this is -- I don't think you'll disagree, this is not necessarily a market where you want to invest for growth and be more of a cash cow market to support growth in biopolymers and crop protection. So within that context, can you comment on how attractive you see some of the Industrial Chemicals niches, and should we not be surprised when we see you make acquisitions in this area?

Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

Pierre Brondeau - FMC Corp. - President, Chairman and CEO

Yes. Let me address that in the context of the [double] company. I think we are living out of businesses where we are not competitive. Which are not profitable and that is the case of the percarbonate and that was the case of the phosphate business.

Now, we do have a growth strategy in lithium and biopolymers and ag, but we do have a growth strategy in our Industrial Chemicals. Now we all understand that the soda ash business is a supply demand and cost situation.

Now, peroxygen is a very different story. Peroxygen, we are operating in a world where we are moving away from commodity into higher-margin specialty product in growing application whether it is oil and gas, whether it is food application. Those are providing great opportunities for growth in the future.

What is very critical for us to grow in the peroxygen is to have a global footprint for this business. So doing small acquisitions, which allow us to position our portfolio in growing segments in specialty high margin is very central to what we are planning to do.

Dmitry Silversteyn - Longbow Research - Analyst

Okay. That's helpful. Thank you very much.

Operator

John McNulty with Credit Suisse.

Elena Haiken - Credit Suisse - Analyst

This is actually [Elena Haiken] sitting in for John. Just a few questions. First on the lithium expansion, can you comment on how much of the \$20 million to \$25 million that you plan to spend is going to hit in 3Q and 4Q?

Pierre Brondeau - FMC Corp. - President, Chairman and CEO

The whole capital spending is hitting our cash flow for the \$25 million in 2011. How much of the remaining spending -- maybe Michael, you have the number remaining spending in 2011? Kim?

Kim Foster - FMC Corp. - EVP and CFO

This is Kim. Let me just in a big picture way and of course, we disclosed this. We spent a little short of \$80 million in the first six months. And so when you think of \$200 million which is the forecast we gave for the full year, certainly the majority therefore of that is backloaded. And most of it is associated with the expansions that we've talked about, the lithium expansion and the expansion at -- the studies that we're doing at Granger and also the investment that we are doing in Newark expansion. And let me turn it over to Michael to see if he would like to add anything to that.

Michael Wilson - FMC Corp. - President, Specialty Chemicals Group

I don't have the spending for that project by quarter in front of me. I'm sure that's something we can get through Brennen later.



Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

Elena Haiken - *Credit Suisse - Analyst*

Okay. Thank you very much. And also actually, just one more question. On the biopolymer business or MCC expansion, can you comment on how much you plan to spend for that in the second half of the year? Or when you are evaluating that additional MCC expansion?

Michael Wilson - *FMC Corp. - President, Specialty Chemicals Group*

You want to give that number? I believe the number that is forecasted in the second half was a expansion somewhere in the neighborhood of \$5 million in 2011 spend. Again the prior expansion in Cork has been completed. It was completed at the end of the first quarter. So this is an expansion that will mostly take place during the course of 2012.

Pierre Brondeau - *FMC Corp. - President, Chairman and CEO*

The cost of the total expansion is about what? \$15 million to \$20 million?

Michael Wilson - *FMC Corp. - President, Specialty Chemicals Group*

In that neighborhood, yes.

Pierre Brondeau - *FMC Corp. - President, Chairman and CEO*

Yes, \$15 million to \$20 million for Newark with about 25% of it being spend this year.

Operator

Mike Harrison with First Analysis.

Mike Harrison - *First Analysis Securities - Analyst*

I was hoping, Michael, that you could maybe provide a little more detail on the weather issues in Argentina? I was just trying to get a better understanding. Is the impact you are seeing there, is it more cost-related in terms of snow impacting transportation or freight or anything like that? Or is it mostly volume-related and related to the operations and the dilution of the brine ponds, etc.? And then as you think about the impact you saw this quarter, should we expect that to worsen in the third quarter?

Michael Wilson - *FMC Corp. - President, Specialty Chemicals Group*

Yes. I think the impacts are twofold and they cover both areas they talked about it. I mean, the issues that we had during the second quarter from the heavy precipitation and let me just put that in context. We have had more rainfall year-to-date in Argentina, than we normally have on an annual basis. So and it was compounded in the form at least in two significant storms that happened late that were snowstorms that happened late in the second quarter.

So the primary issues have been logistics-oriented from the standpoint that it is washed out roads. There's been road blockages occurring both between [Pesetos] in Argentina and the [Solare] and also for the route across the Andes to get product and get raw materials and supplies from [Anafogasta] in Chile.



Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

So because of that, we did have lower efficiency, lower production during the second quarter that kind of puts us behind the 8 ball given the fact that we've been capacity-constrained throughout the year anyway. So we think most of those issues are behind us with the weather. The supply lines are now open. We don't expect the ongoing logistics cost.

But, however in order to maintain production in the second quarter, we pulled down the brine levels in the ponds fairly significantly. And we have to give the brine time to recover both in terms of solar evaporation. And then compounding that was the fact that the additional precipitation then dilutes the concentration of lithium in the brines. Say you have a bit yet longer in order to get it concentrated to the usable concentration. So that is really the impact that we anticipate in the third quarter.

The good news is that the demand is very strong. So as we get those brines to the right concentrations, we will process them and we fully expect to make up the volume then in the fourth 4th quarter. And that is why I referenced the fact that, effectively, this has an earning shift effect of earnings from the third quarter to the fourth quarter.

Mike Harrison - *First Analysis Securities - Analyst*

And with respect to pricing in lithium, I know you guys announced a price increase as did [Shamata]. Now conspicuously absent there is SQM. Do you need SQM to follow on a price increase for lithium carbonate in order to make that successful?

Michael Wilson - *FMC Corp. - President, Specialty Chemicals Group*

I don't think it is absolutely necessary given our supply demand situation and the tightness of supply. Clearly SQL as the large global leader in lithium carbonate, their actions are relevant in the market place. Then again I think that is muted by the supply demand situation and just to provide a little details for those.

In June we announced, I think it was in June, we announced a price increase in lithium carbonate as well as the other primary salts. And lithium carbonate was 20% and the other salt, it ranged between 15% and 25%. And then yesterday, we announced a price increase in downstream products including butyllithium which was in the neighborhood of 8%.

Mike Harrison - *First Analysis Securities - Analyst*

And then a question on the ag business. Was just hoping to get a better understanding of how much North American volumes were down year on year? How much of that could you point to as the pull-through from Q1 and how much was related to the weather impact? And then should that weather impact actually worsen in terms of the impact on volumes as we look into Q3?

Pierre Brondeau - *FMC Corp. - President, Chairman and CEO*

Yes. I just -- I am going to ask Milton to comment because the second quarter for ag was very strong and it was significantly up in sales and earnings. So the second quarter, even if there were some shifts into the first quarter and there were weather-related performance issues in North America, we benefited in the second quarter from a very strong performance in Asia, Europe, and Latin America. So just on ag, jointly speaking first quarter was very strong. Second quarter was extremely strong.

Now third quarter is a place where we are going to get hit by the North American impact weather issue more before we get into the fourth quarter with a Latin America season, which we said we have reason to believe will be strong. So the only issue around earnings and we talked about a \$5 million impact we believe versus weather would be only into the third quarter. So, Milton, if you want to add.



Aug. 02. 2011 / 3:00PM, FMC - Q2 2011 FMC Corp Earnings Conference Call

Milton Steele - FMC Corp. - VP, President of Agricultural Products Group

Mike, I don't know if I can add much more. We have sort of quantified what the impact will be in the third quarter. It has to do with some of our post-emergent herbicides and the affiliation of cotton. As you know Texas is probably in the one in a century drought and has lost a lot of cotton. There will be no need for defoliant.

So we see this as weather related and Pierre has put a quantification of that of around \$5 million. I don't know what else I can add to that that hasn't already been said.

Pierre Brondeau - FMC Corp. - President, Chairman and CEO

And then only now we feel very good about the performance of the ag business year-to-date and we feel good in the fourth quarter and we have this third quarter where we had more North America with bad weather situation. But all in all, if you look on a full year basis, we are going to end up with a very strong year in the eighth year of recording earnings for this deal -- business.

Mike Harrison - First Analysis Securities - Analyst

Right. Thanks very much ice.

Operator

That will conclude the Q&A session. I will return it back to Mister Brondeau for any closing remarks.

Pierre Brondeau - FMC Corp. - President, Chairman and CEO

All right. Thank you very much and thank you very much for staying with us a bit beyond the time. We had a lot of things we wanted to share for lead you. We feel good about where we are. We feel strong about the rest of the year and we hope you do too. Thank you very much and we will be in touch soon.

Operator

Ladies and gentlemen, this concludes the FMC Corporation second-quarter 2011 earnings release conference call. You may now disconnect.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2011, Thomson Reuters. All Rights Reserved.