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Compass Minerals International Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from the line of Jason Miner with Deutsche Bank.

Angelo Brisimitzakis

Good morning, Jason.

Jason Miner - Deutsche Bank

Yeah, thank you. Good morning. Just on salts, it sounds like we're seeing another very strong winter. And this is the sort of situation that set us up for the strong 20% price increases we saw last year. But at the same time with fuel costs easing, I know there is an impact in what you might expect. How should we think about the coming bidding season giving this setup?

Angelo Brisimitzakis

Yeah, this is Angelo. Yeah, I think last year's cycle entering the bidding season which really starts occurring at the end... in the second quarter, which is pretty closely upon us. We were looking at a \$150 crude oil last year. We were looking at a severe supply demand situation. And I think those factors kind of came together in a really an unprecedented kind of escalation of pricing through that bid process. Typically, the price increases have been in the 4 to 5% range. So this 20% was certainly exceptional.

We benefited after the bids were placed than we were actually shipping the product which is now, some six to nine months later crude oil has retreated to \$40 per barrel. So, thus the margin expansion. We don't expect crude oil to back to a \$150. So therefore, the inflationary pressures will be much reduced. However, the supply-demand balance should be the same.

So, although we don't give... I won't speculate on price exactly. Certainly, the dynamics aren't as robust as they were last year as we entered the bidding, but certainly no less than historically levels. So I would imagine something more moderate to be in effect for the upcoming season.

But, you got to remember, each line item, each county, each state is a field bid, and the low price guy gets it. So, there will be literally thousands of face-offs between Compass Minerals and our numerous competitors, line item by line item that will establish the price. And we adjust accordingly through the bidding season.

Jason Miner - Deutsche Bank

Fair enough. Actually, on salt again, can you give us a sense of how much spot sales above the upper limit of contracts you might be seeing so far this season?

Angelo Brisimitzakis

Well, right now we're still working hard to satisfy our contract requirements. We shipped as long as we can through the winter, which means from our Southern mine down to Louisiana we attempt to ship through the winter. From our Northern mine at Goderich we ship as long as the lakes don't freeze. So, we are at that point now where we will transition to spot sales. And depending on how long winter lasts, that will determine how much spot sales we have.

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