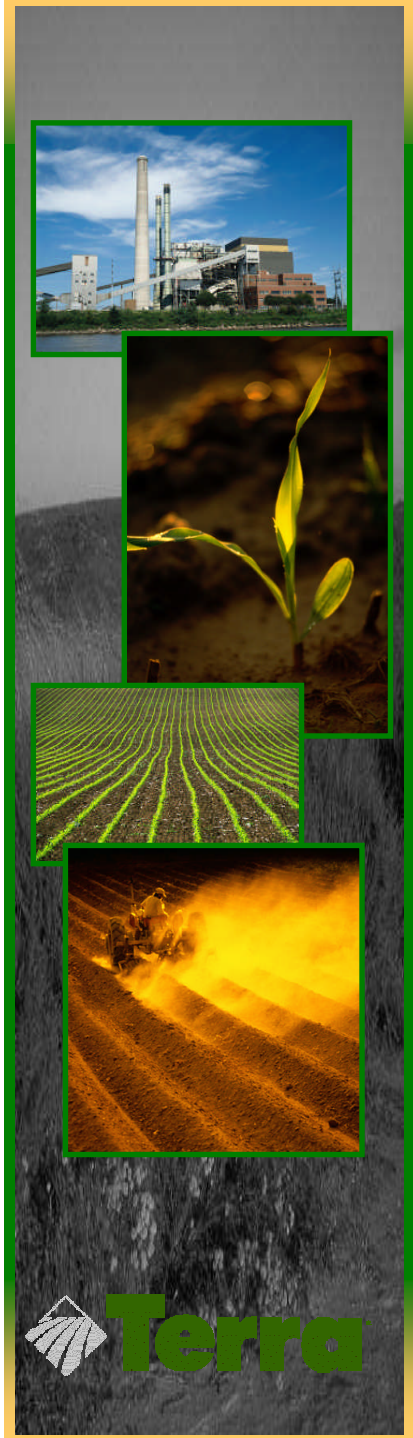

North American Nitrogen Outlook

TFI's 2006 Fertilizer Outlook and Technology Conference

Presented by:
Joe Giesler, Sr. Vice President, Commercial Operations
Terra Industries Inc.

November 3, 2005




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North American Nitrogen Markets

- Changing fundamentals:
  - Energy
  - Legislation
  - Supply/Demand
  - Continued reliance on imports




North American Natural Gas Prices

	2005	2006	2007
Forecasted Henry Hub Index ($/MMBtu)	$ 9.20	$ 8.03	$ 6.40
Approx. Cash Cost Ammonia (st)	$ 337.80	$ 298.02	$ 242.60

Gas Price Source: CERA
Cash Cost Source: Blue, Johnson & Associates, Inc.




Continued High N.A. Natural Gas Prices

- N.A. natural gas prices forecasted to remain high over next three calendar years, then slowly retreat with:
  - increase of LNG shipments
  - world energy prices becoming more equalized
- Continued high worldwide energy prices
  - N.A. and western European gas prices should set nitrogen selling prices *at least* until new capacity comes onstream
  - New capacity effect could be felt by Q2/06
  - Markets will remain volatile due to:
    - Shipping distances
    - Political unrest in countries with new capacity

Era of Regulation




- Ammonia inhalation regulatory and liability concerns
- AN security registration and handling
- Environmental:
  - Clean Air
  - Clean Water
  - Affects agriculture, industry and energy




Forecast Acreage of Major U.S. Nitrogen Consuming Crops

(millions of planted acres)

Crop	2004/05	2005/06	2006/07
Corn	81.6	79.8	80.7
Wheat	58.1	59.1	58.1
Cotton	14.1	13.8	13.8
Sorghum	7.0	6.9	8.8
Rice	3.3	3.4	3.4

- Corn acreage decreasing in 2006, then increasing on ethanol mandate
- Wheat increasing in 2006 due to economics, downward trend for the long-term
- Cotton reasonably stable
- Sorghum decreasing due to ethanol byproducts for feed usage
- Rice stable subject to government programs

Source: Doane's Agricultural Services

Decreased North American Nitrogen Consumption in 2005/06




- Phosphate production will continue to rationalize – anticipated loss of 250,000 st of ammonia usage in 2006 from USSAG closure
- Continued environmental cleanup, but no significant new volume until 2008, if then
- Ag demand decrease in 2005/06, returning in 2006/07




U.S. Nitrogen Demand Comparison

(000s st N)

	2004/05	2005/06	Volume Difference[A]	% Change
Total Nitrogen	20,000	19,200[B]	(800,000)	-4%

A. Nitrogen tons
B. Similar to 2000/01 volume

Estimated using known demand destruction and Doane's grain outlook.

Product Mix Changes - Ammonia




- Direct application of ammonia will continue to decrease
  - 1999 to 2003: Decreased at 5% per year
  - 2004/05: Stable volumes
  - 2005/06: Expected decrease due to smaller corn acreage
- Industrial ammonia will struggle to remain at current volumes:
  - Declining phosphate production in N.A.
  - New industrial demand for environmental purposes will likely be urea vs. ammonia

Product Mix Changes – Ammonium Nitrate




- Ag grade AN will continue to lose market share
  - 2004/05: About .5 million tons switched
  - Producers leaving the industry
  - Market should stabilize near 1.0 million tons per year, especially in southeast and south central, due to local weather and soil conditions
- Industrial grade AN will increase in the short-term, then stabilize in 2008, mirroring coal-mining activity




Product Mix Changes – Urea and UAN

- Demand will continue to grow in N.A. ag markets, replacing direct-applied ammonia and AN in the Cornbelt
- Urea has growth potential in the N.A. environmental sector, but will have tight quality controls; growth could diminish if government policies change
- Logistical challenges




North American Ammonia Capacity Rationalizations

(000s st)	2000	2005	Est. 2006
N.A. Ammonia Capacity	25,774	18,101	17,441

- 2000 to 2006: 32% of North American ammonia production capacity shut down
- Though several facilities mothballed, unlikely to resume production soon
- Limited number of ammonia-only facilities left in North America
- No anticipated permanent closures in 2006, until energy markets moderate and/or markets improve; several facilities will be used for swing production

Source: Blue, Johnson & Associates, Inc.

Consolidating North American Market




	Number of Companies	Ammonia Production	
		# of Plants	Capacity[1]
2000	29	46	25.8
Today	19	37	18.1[2]

Source: Blue Johnson & Associates, Inc.

1. Millions of short tons
2. Agrium, CF Industries, Koch and Terra plants represent 11.9 or 72% of total.




Offshore U.S. Imports

(000 tonnes)	Jan. 02 - Dec. 02	Jan 04 - Dec. 04	% Change	Tonnes/ Change	Est. 2005	% Change vs. 04	Est. Tonnes Change vs. 04
Ammonia	5,676.6	7,175.9	26%	1,499.3	7,711.1	7%	535.2
Gulf Coast	2,048.5	3,034.6	48%	986.1	3,595.7	18%	561.1
Florida Area	2,445.0	2,642.7	8%	197.7	2,700.0	2%	57.3
Urea	1,814.4	3,084.5	70%	1,270.1	3,475.1	13%	390.6
UAN	707.6	1,614.8	128%	907.2	1,814.4	12%	199.6
AN (ag grade)	526.2	544.3	3%	18.1	272.2	-50%	-272.2
Total Product Tonnes	13,218.2	18,096.7	37%		19,568.4	8%	

Source: Blue, Johnson & Associates, Inc.

Outlook for North American Nitrogen Consumption




- Natural gas prices will continue to be high
- Regulation will have a bearing on future usage and logistics
- Total consumption will be lower near-term, returning in 2006/07, but product mix will change
- Imports will increase, but at much slower rate