



2007 Fertilizer Outlook and Technology Conference

Nitrogen Outlook

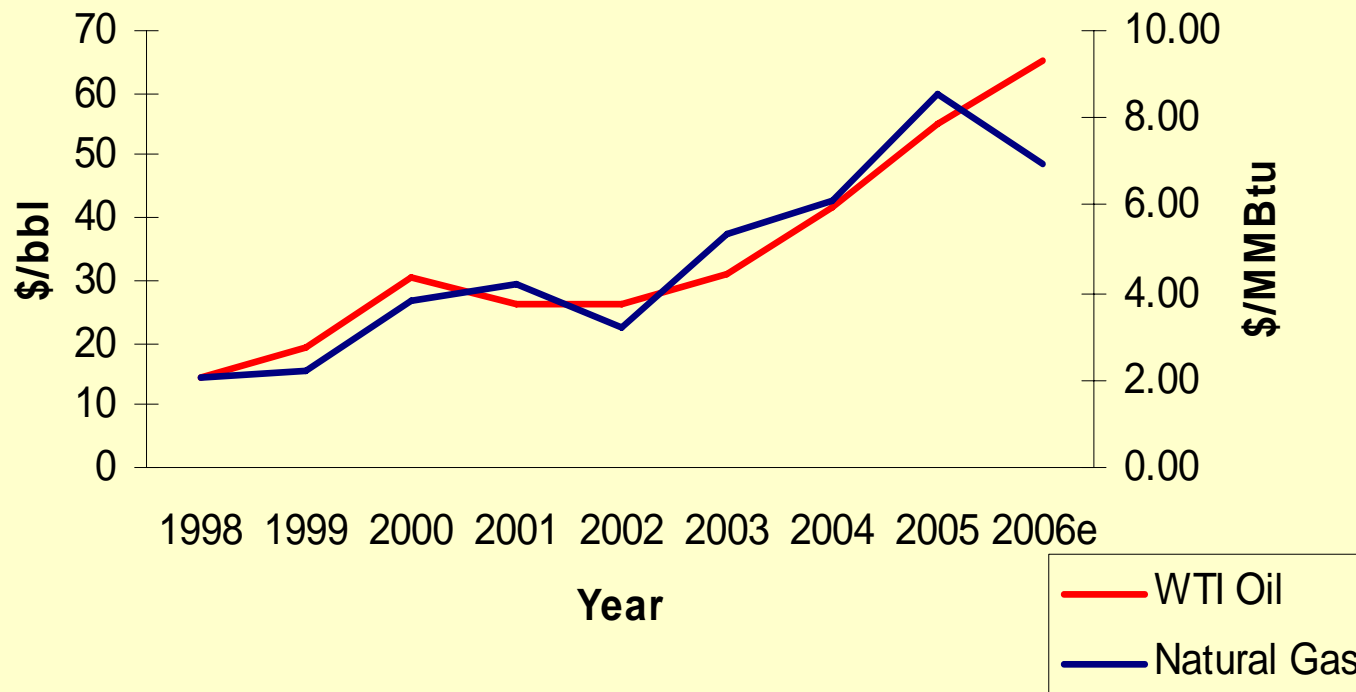
Ingredients for Growth

Agrium®

Outline

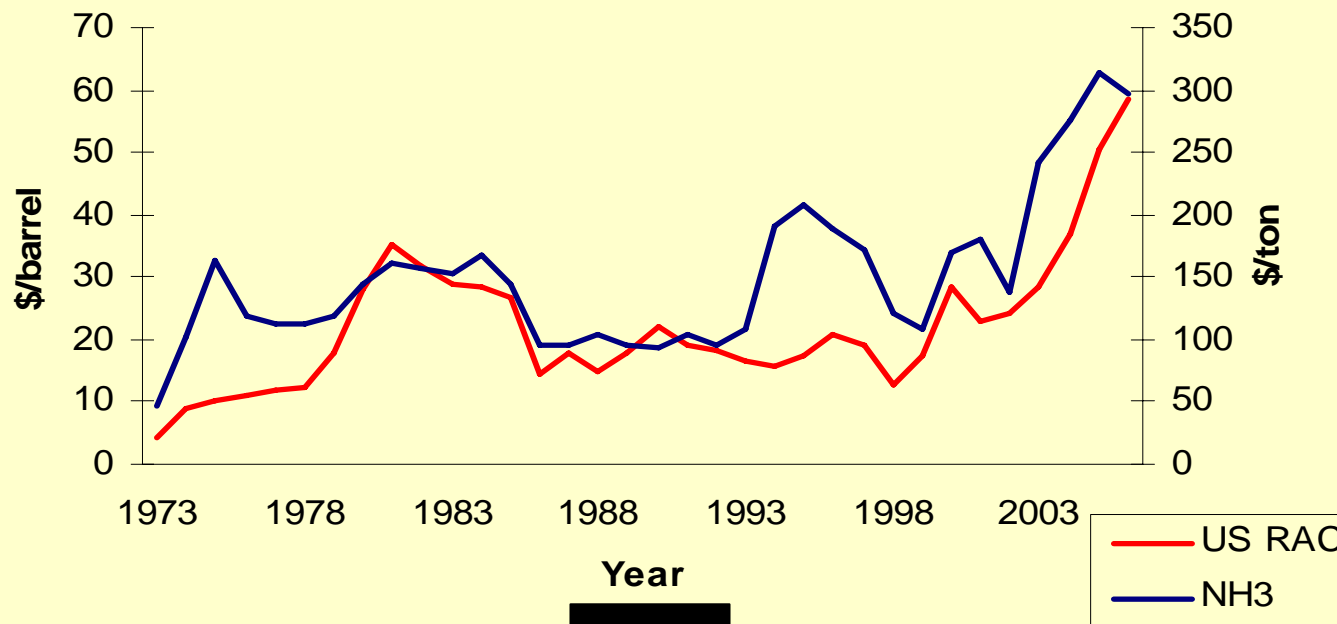
- Global Energy Situation
- Global Nitrogen Outlook
- North American Nitrogen Outlook
- Industry Issues
- Summary

Energy Prices



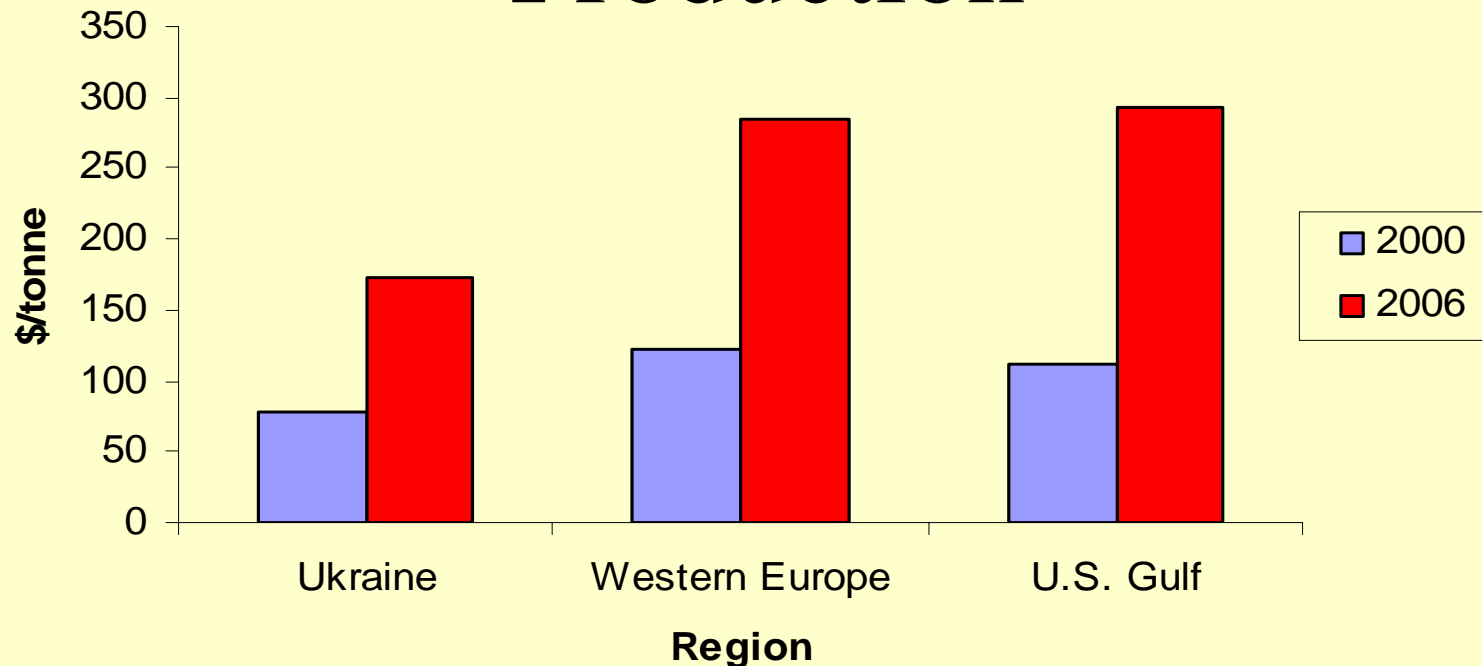
- Bull market for oil and gas over the past 5 years
- Energy prices remain well above historical levels in spite of recent declines


Nitrogen and Oil Price Relationship



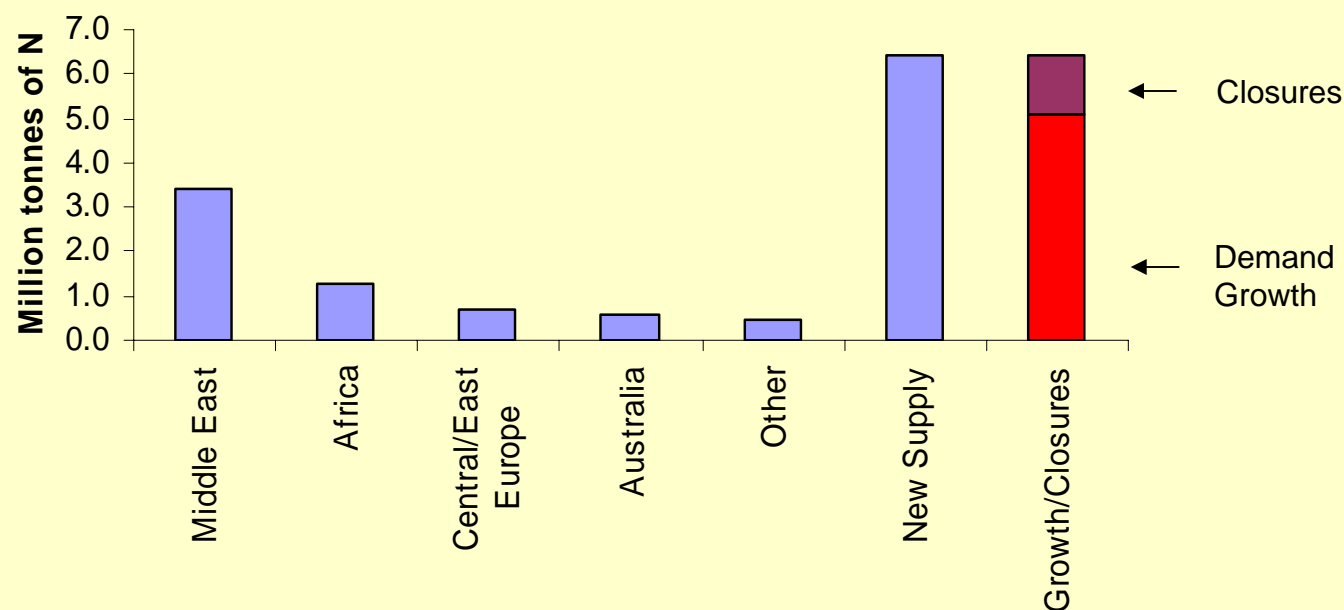
- Historical positive correlation of 0.8 between oil prices and nitrogen prices
- High energy prices impact global operating rates and the global nitrogen cost curve

Ammonia Cash Cost of Production




- Region**
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- Nitrogen production costs have more than doubled in key export and import regions

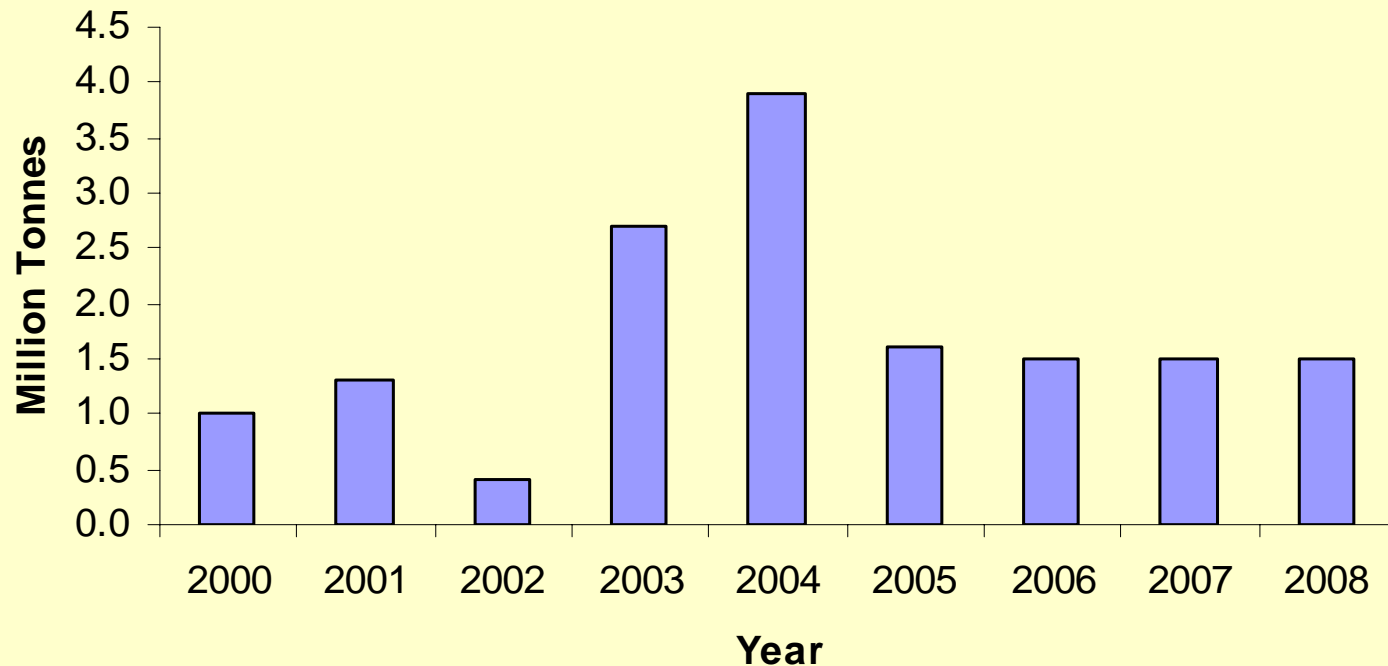
Regional Nitrogen Capacity Additions 2006-2008




Note: Excludes Chinese capacity and demand changes

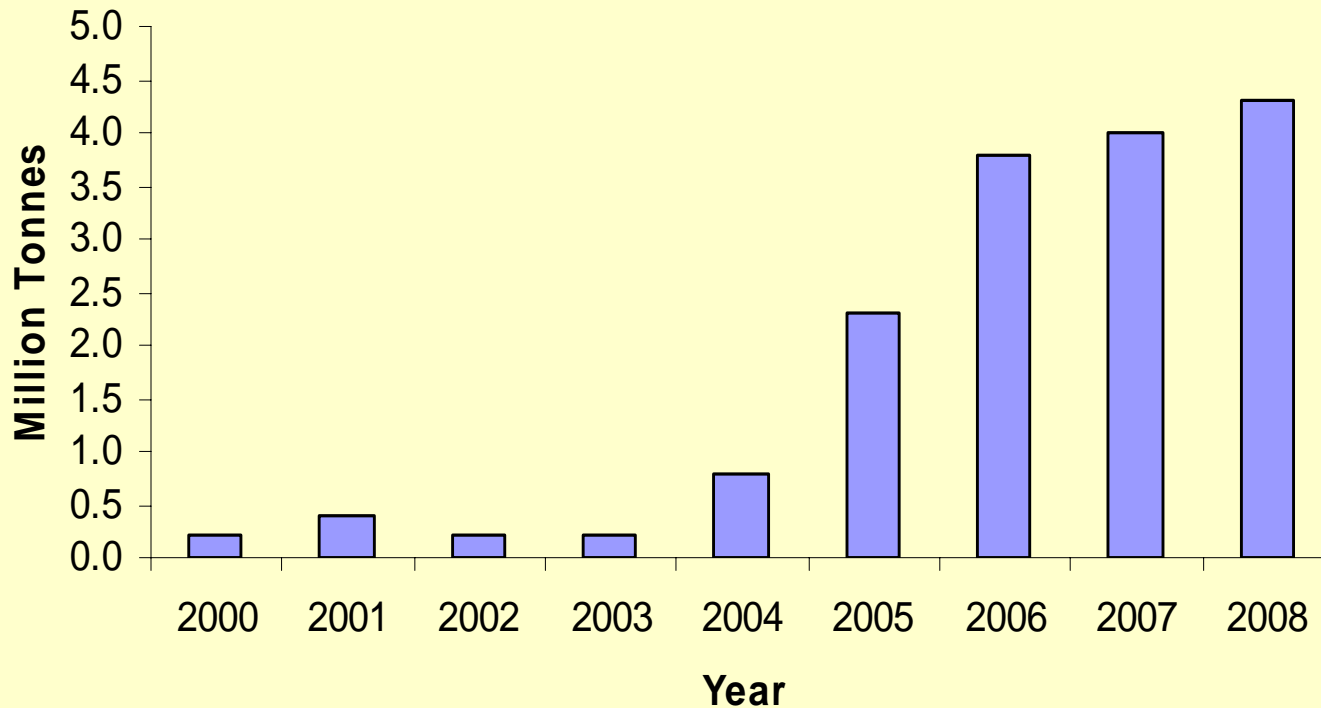
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- New capacity located in regions with access to low cost gas supplies
 - Demand growth should offset a large portion of the new capacity

China Urea Exports



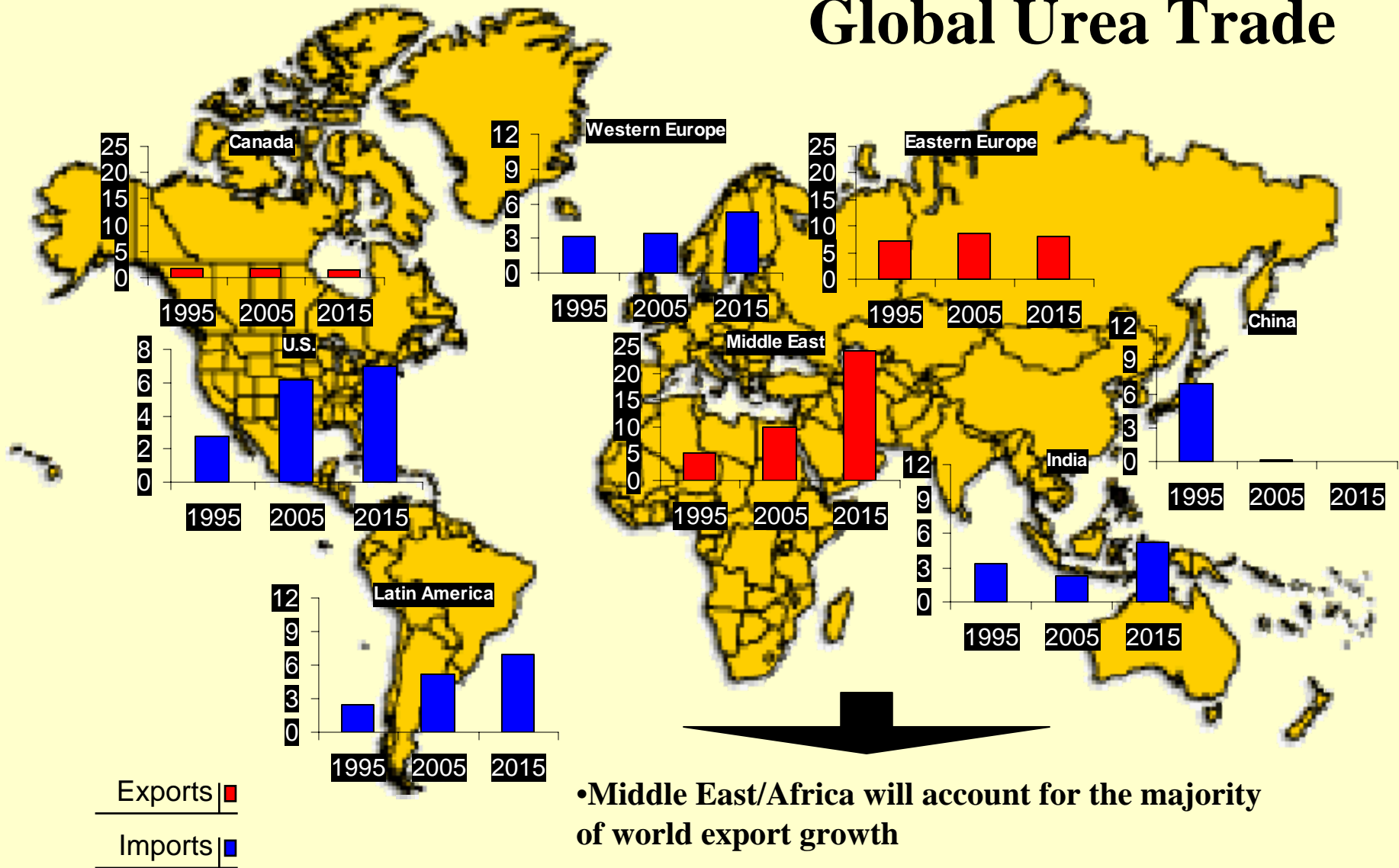
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- China's urea export volumes have been a major swing factor in the urea market
 - We anticipate Chinese government policies will continue to encourage domestic use of energy resources

India Urea Imports



- India's urea import demand has been a major driver for nitrogen markets in the second half of 2006
- Potential for additional urea import growth from India

Global Urea Trade



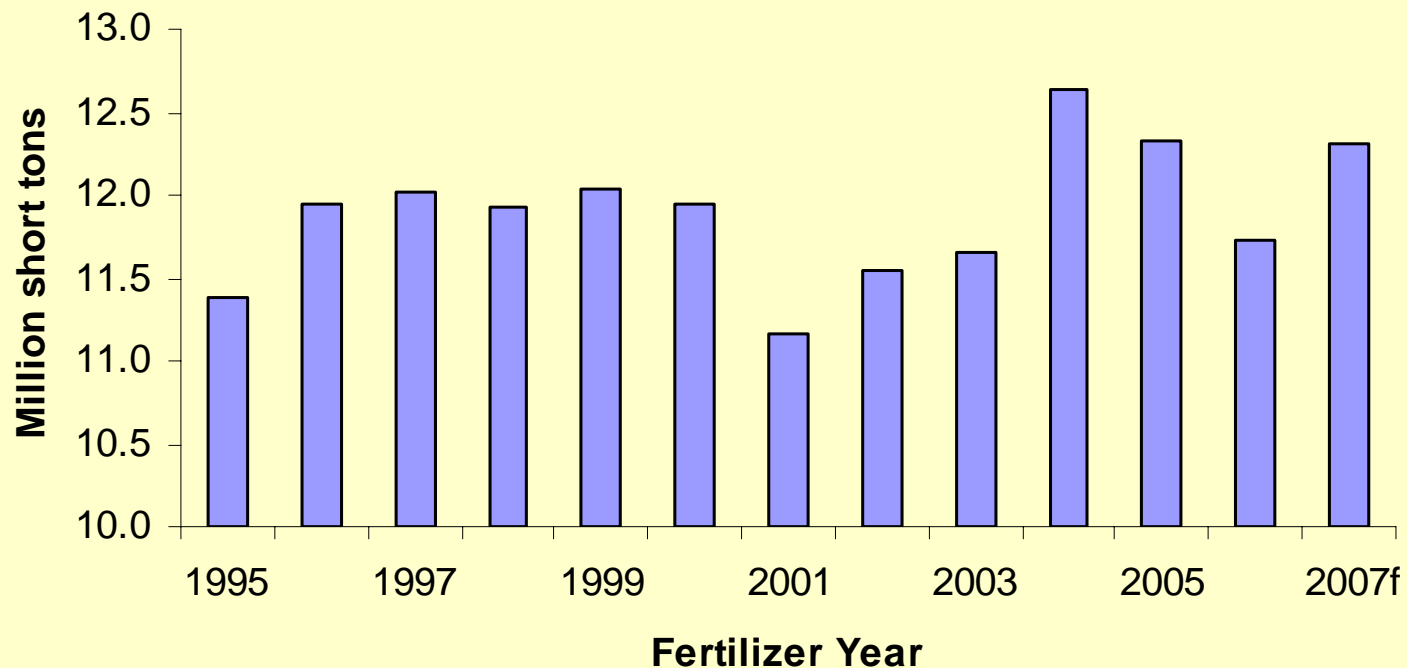
•Middle East/Africa will account for the majority of world export growth

•Majority of import demand growth will occur in Latin America, U.S., Western Europe, and Asia

North American Demand Drivers

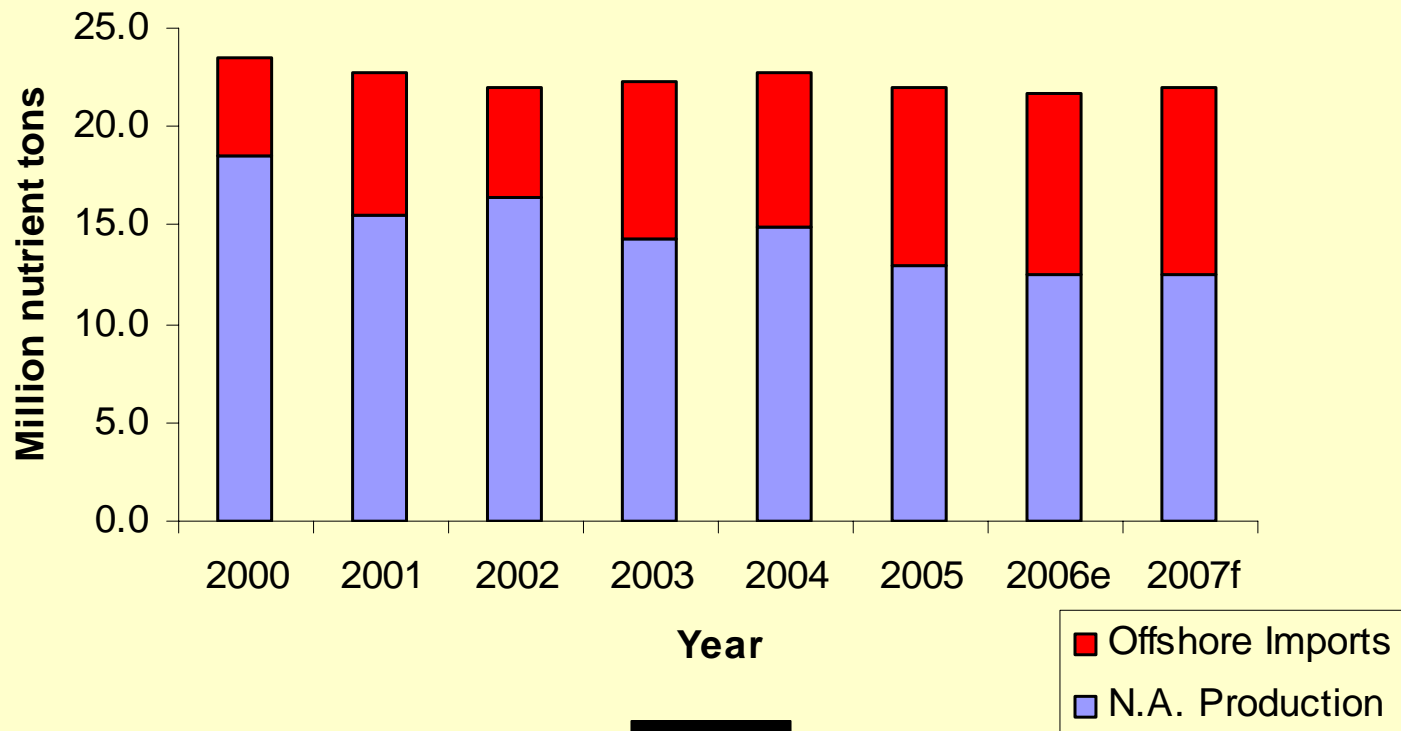
- Crop acreage
 - Increase in corn and wheat acreage
- Farm cash flow
 - Crop prices are rising
- Farm input prices
 - Input costs remain high
- Weather
 - Spring planting conditions

U.S. Nitrogen Demand



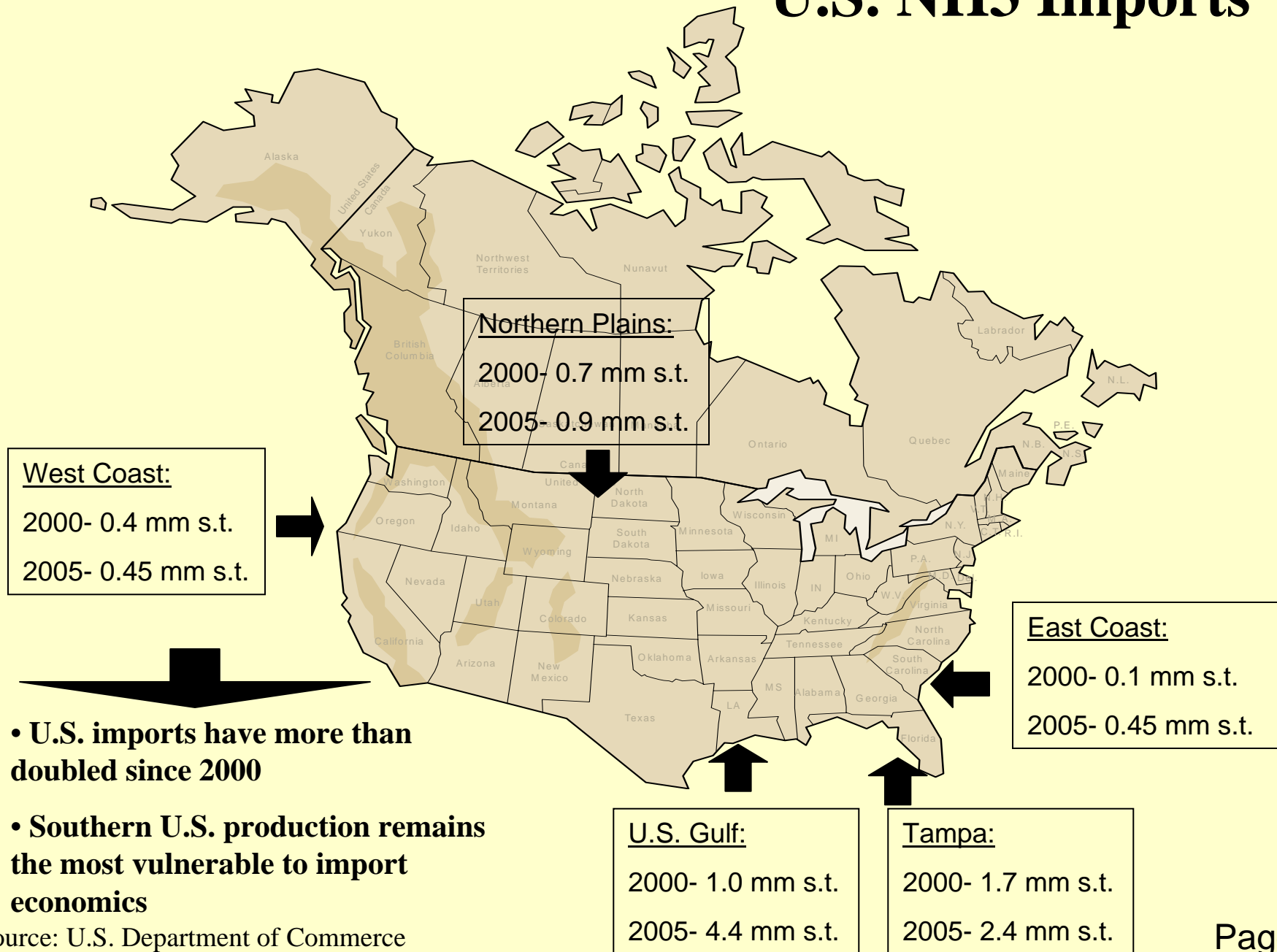
- U.S. nitrogen demand declined over the past two years due to high input costs and relatively low grain prices
- Demand in 2007 should be supported by higher corn acres and crop prices

N.A. Nitrogen Supply

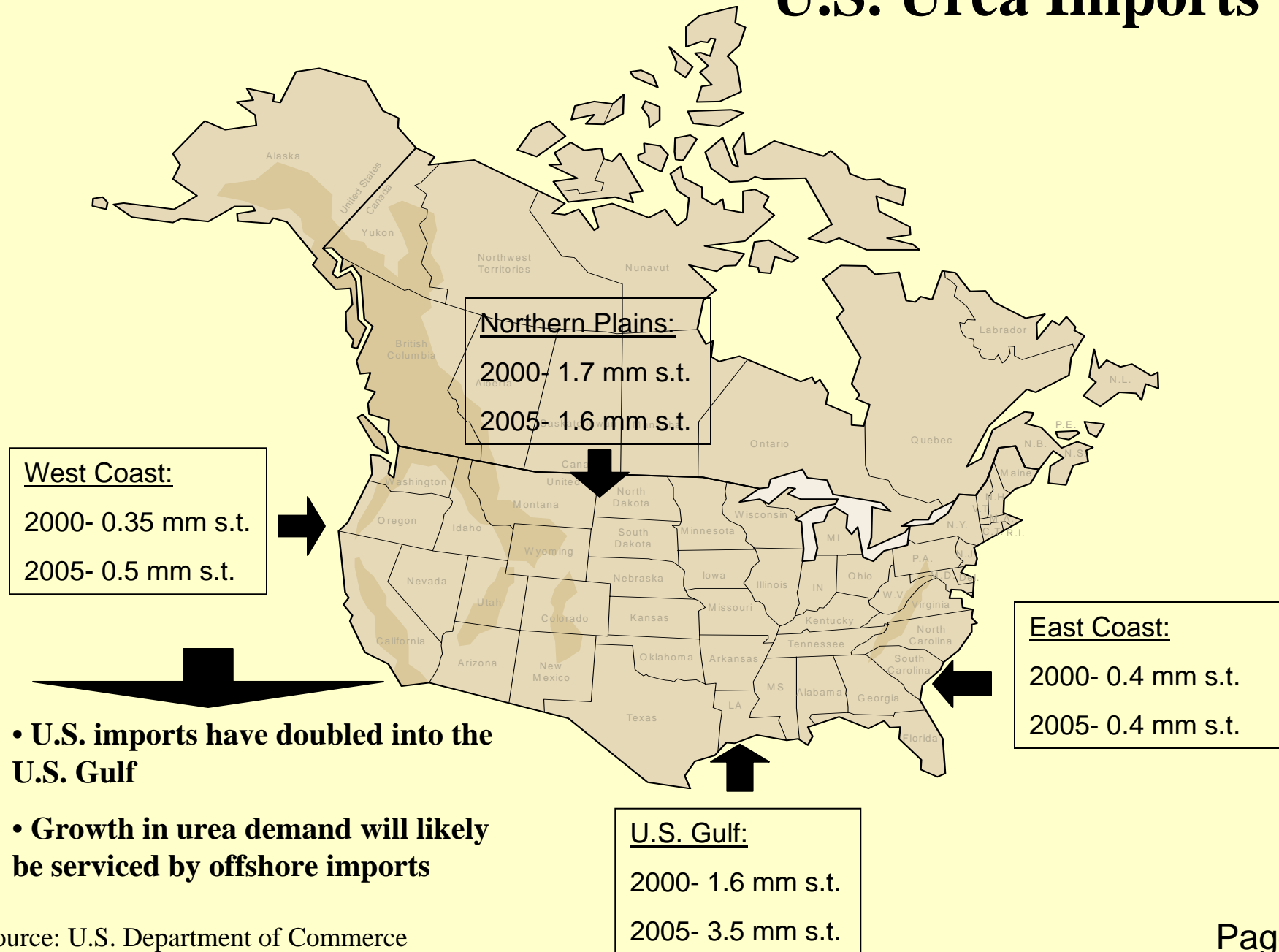


- Offshore imports accounted for over 40% of the N.A. nitrogen supply in 2006 compared to around 20% in 2000
- Anticipate production to stabilize in 2007 as gas prices have moderated

U.S. NH₃ Imports



U.S. Urea Imports



Source: U.S. Department of Commerce

Industry Issues

- Nitrogen Product Trends
 - Ammonium nitrate use
 - NH₃ handling and transportation costs
 - Controlled Release Nitrogen
- Gasification technology
 - Longer term repositioning of some domestic capacity

Summary

- High global energy prices support the nitrogen market
- Demand growth and some plant closures should offset new capacity
- Increase in global nitrogen trade
- Global and North American demand supported by improvement in agriculture fundamentals