The Outlook for Nitrogen

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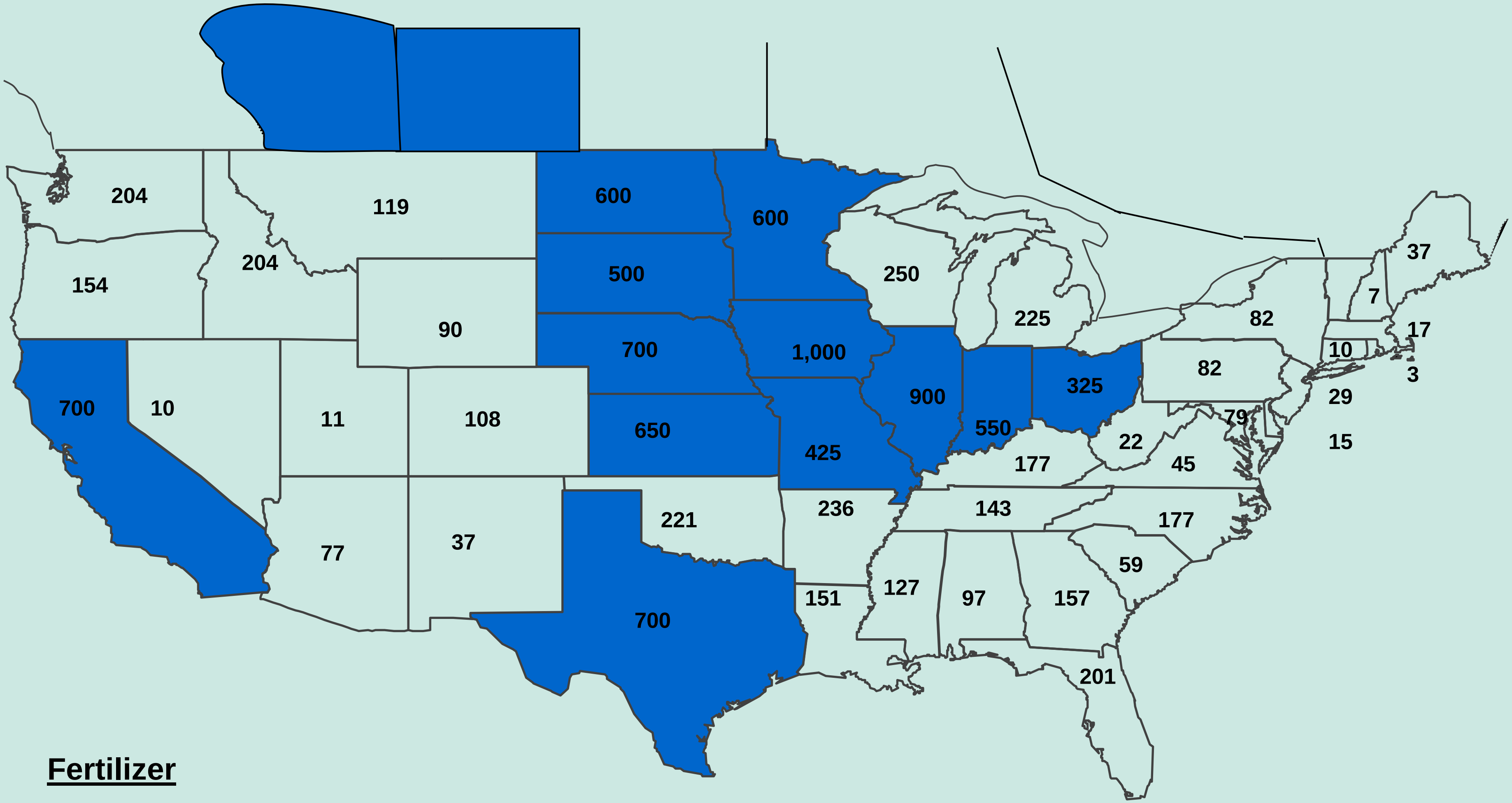
Presentation Overview

- US Market Developments 2006-2007
  - Nitrogen Consumption
  - Supply
  - Trade
- Outlook for the coming Fertilizer Year 2007/08
- Price
- Concluding comments about price

Fertilizer N Consumption – FY 2006/07(e)

(11.3 million of tonnes 100% N)

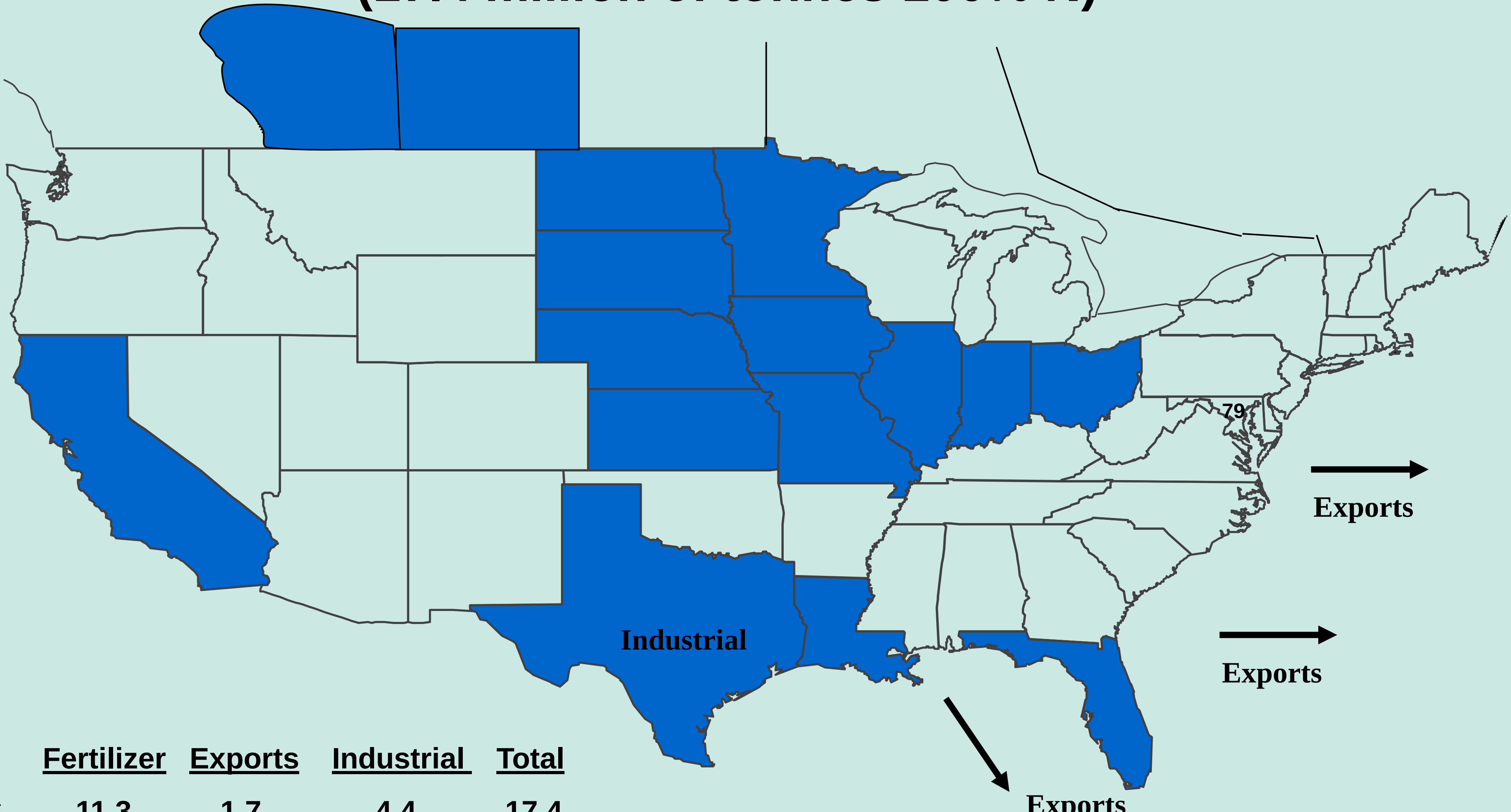


<u>Fertilizer</u>

U.S. 11.3

Total N Requirements – FY 2006/07(e)

(17.4 million of tonnes 100% N)



	Fertilizer	Exports	Industrial	Total
U.S.	11.3	1.7	4.4	17.4

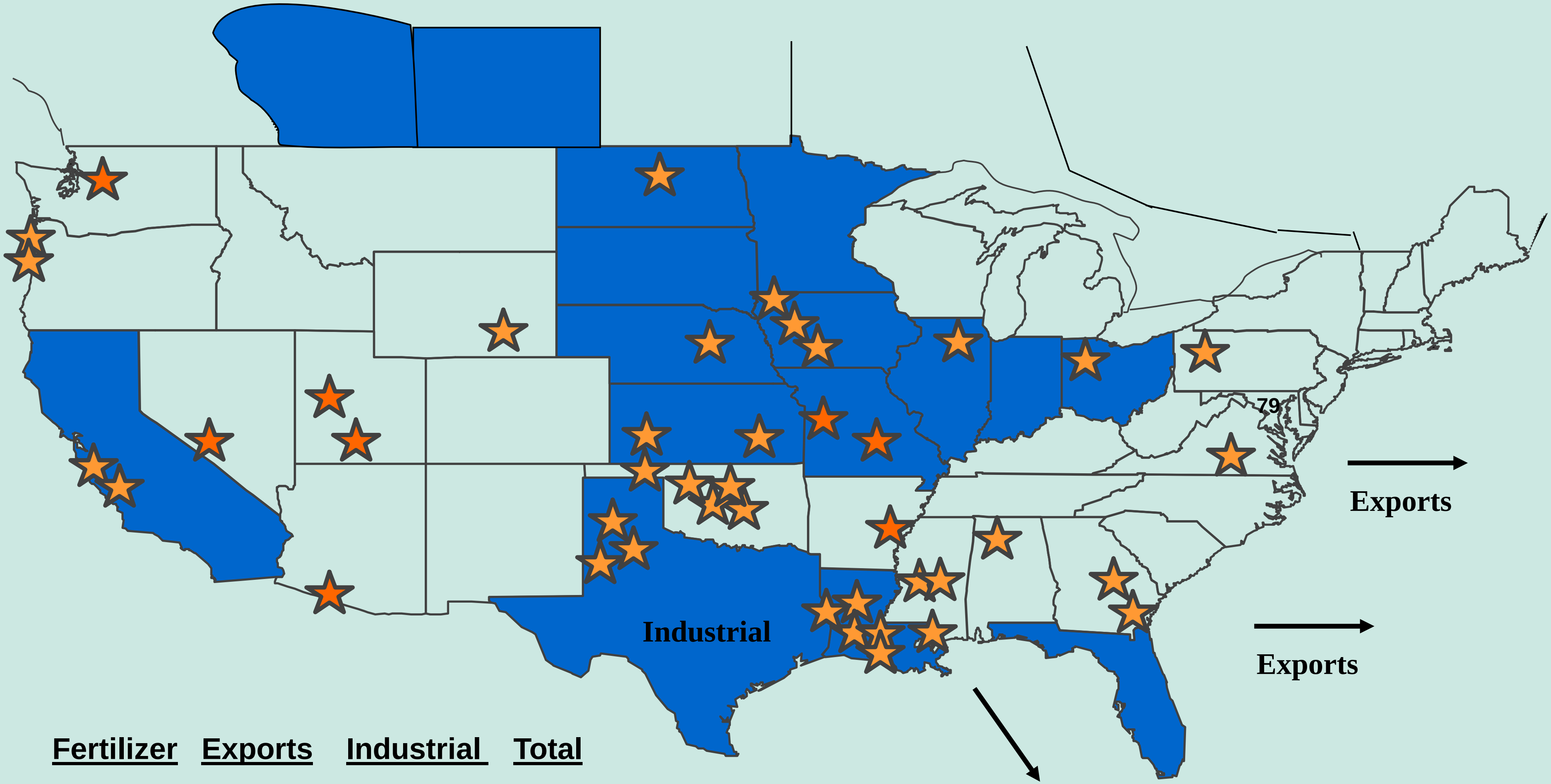
U.S. Nitrogen Exports – 2006/07

(Thousands of Tonnes)

	Product Tonnes	Nitrogen Tonnes	Share Nitrogen Exports
MAP & DAP (10% - 18% N)	6,982	1,110	65 %
Ammonium Sulphate (21% N)	1,116	234	14%
Ammonia (82% N)	163	133	8 %
Solid Urea (46% N)	371	171	10 %
Ammonium Nitrate (34% N)	177	60	4 %
UAN (28% - 32% N)	19	6	* %
Total Nitrogen	8,828	1,714	100%

Nitrogen Supply – FY 2006/07(e)

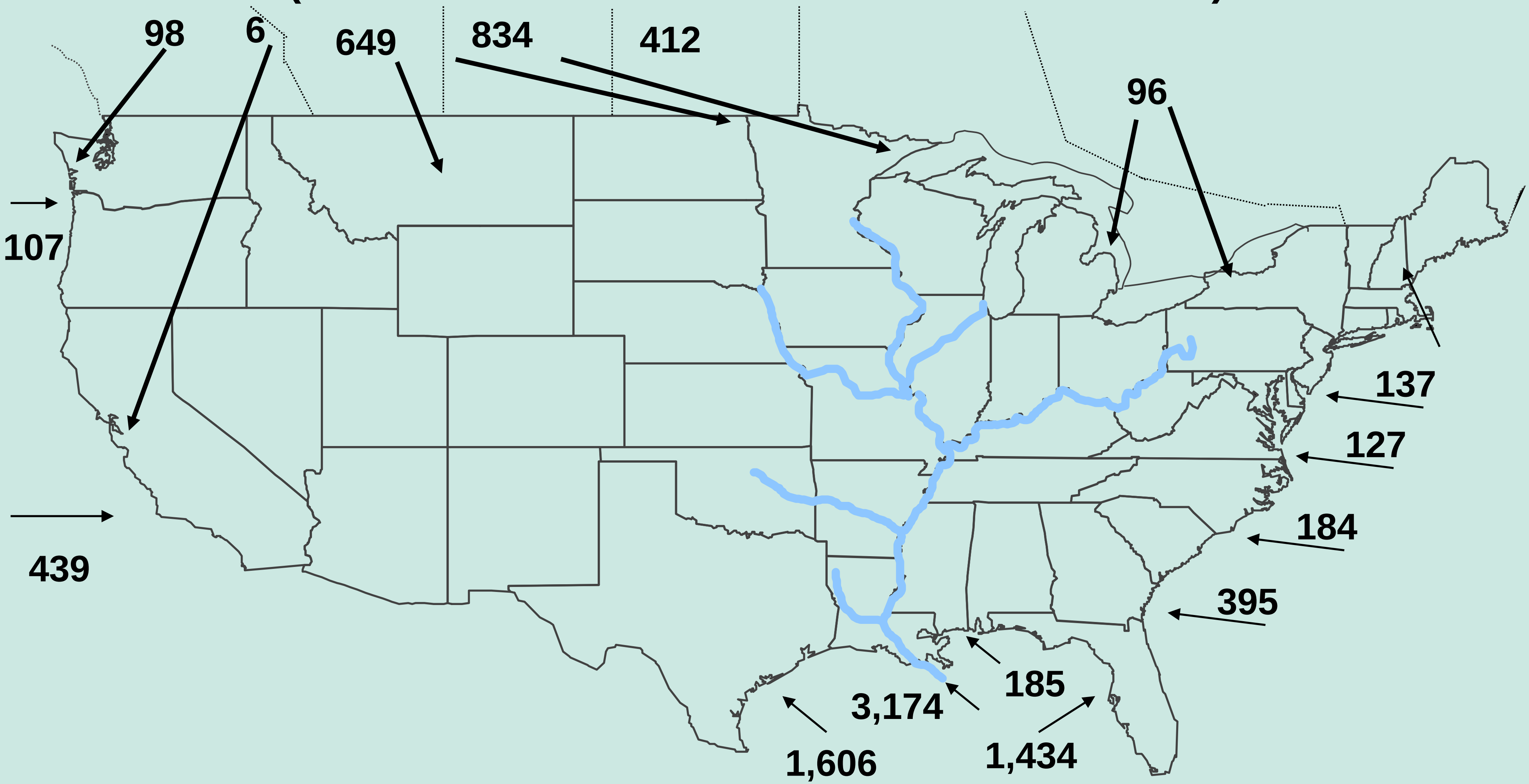
(US Plants supplied 7.4 million of tonnes 100% N)



	Fertilizer	Exports	Industrial	Total
U.S.	11.3	1.7	4.4	17.4

U.S. Nitrogen Imports – 2006/07

(Fertilizer Year 2006/07 – 9.9 million tonnes of N)



U.S. Nitrogen Imports – 2006/07

(Thousands of Tonnes)

	Product Tonnes	Nitrogen Tonnes	Share Nitrogen Imports
Ammonia (82% N)	7,586	6,220	63 %
Solid Urea (46% N)	5,642	2,595	26 %
UAN (28% - 32% N)	2,193	702	7 %
Ammonium Nitrate (34% N)	982	335	3 %
Ammonium Sulphate (21% N)	365	76	1 %
MAP & DAP (10% - 18% N)	50	7	* %
Total Nitrogen	16,818	9,935	100%

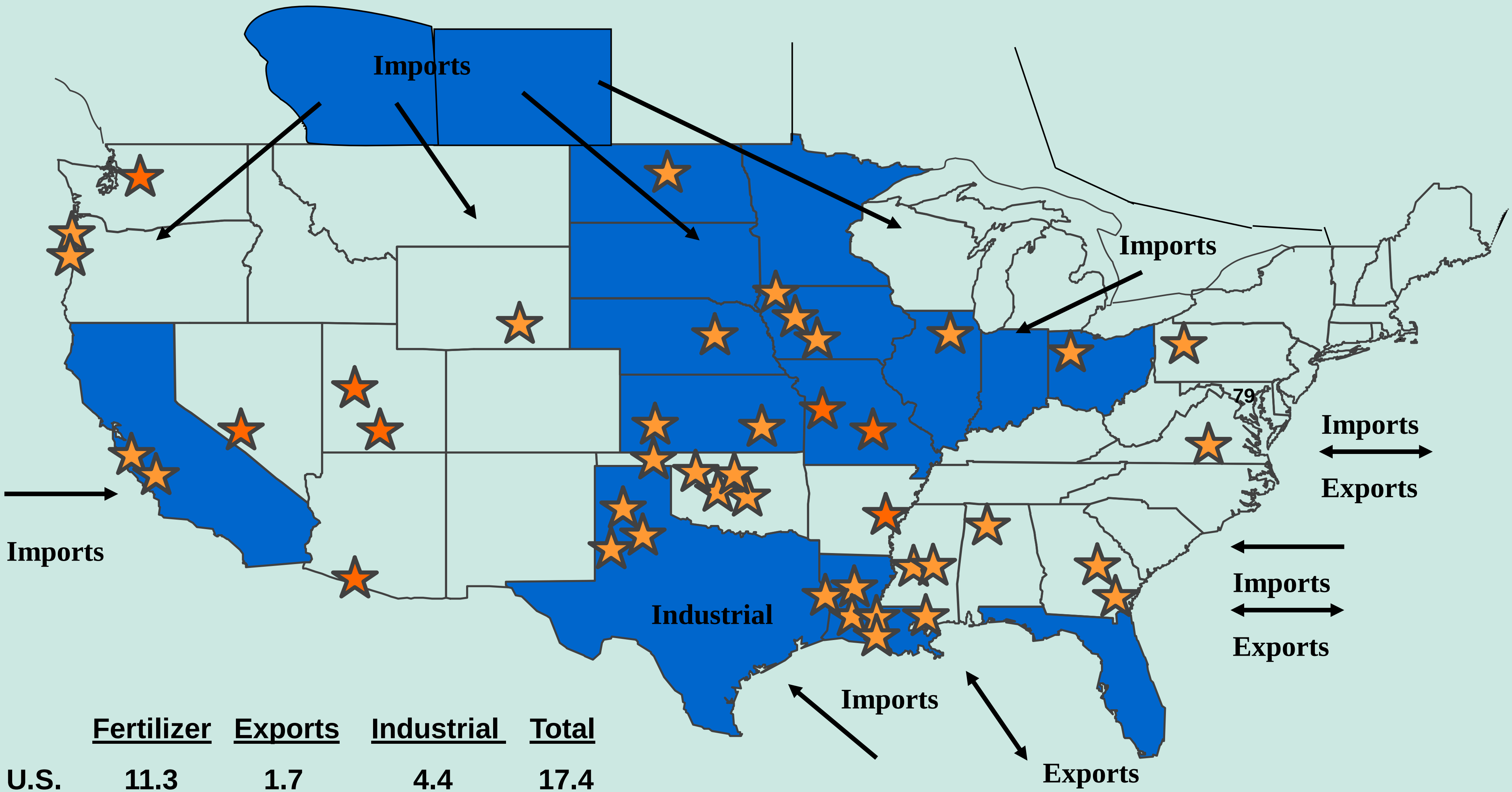
U.S. Nitrogen Market – 2006/07

(Millions of Tonnes of Products)

	U.S. Production	U.S. Imports	Share Imports
Ammonia (82% N)	9.2	7.6	45%
UAN (28% - 32% N)	9.3	2.2	19%
Solid Urea (46% N)	2.4	5.6	70%
MAP & DAP (10% - 18% N)	13.0	* *	* %
Ammonium Nitrate (34% N)	2.4	1.0	29%
Ammonium Sulphate (21% N)	2.8	0.4	13%
Total Nitrogen	7.5	9.9	57%
Change from 2005/06	+ 6%	- 5%	- 2%

Nitrogen Supply – FY 2006/07(e)

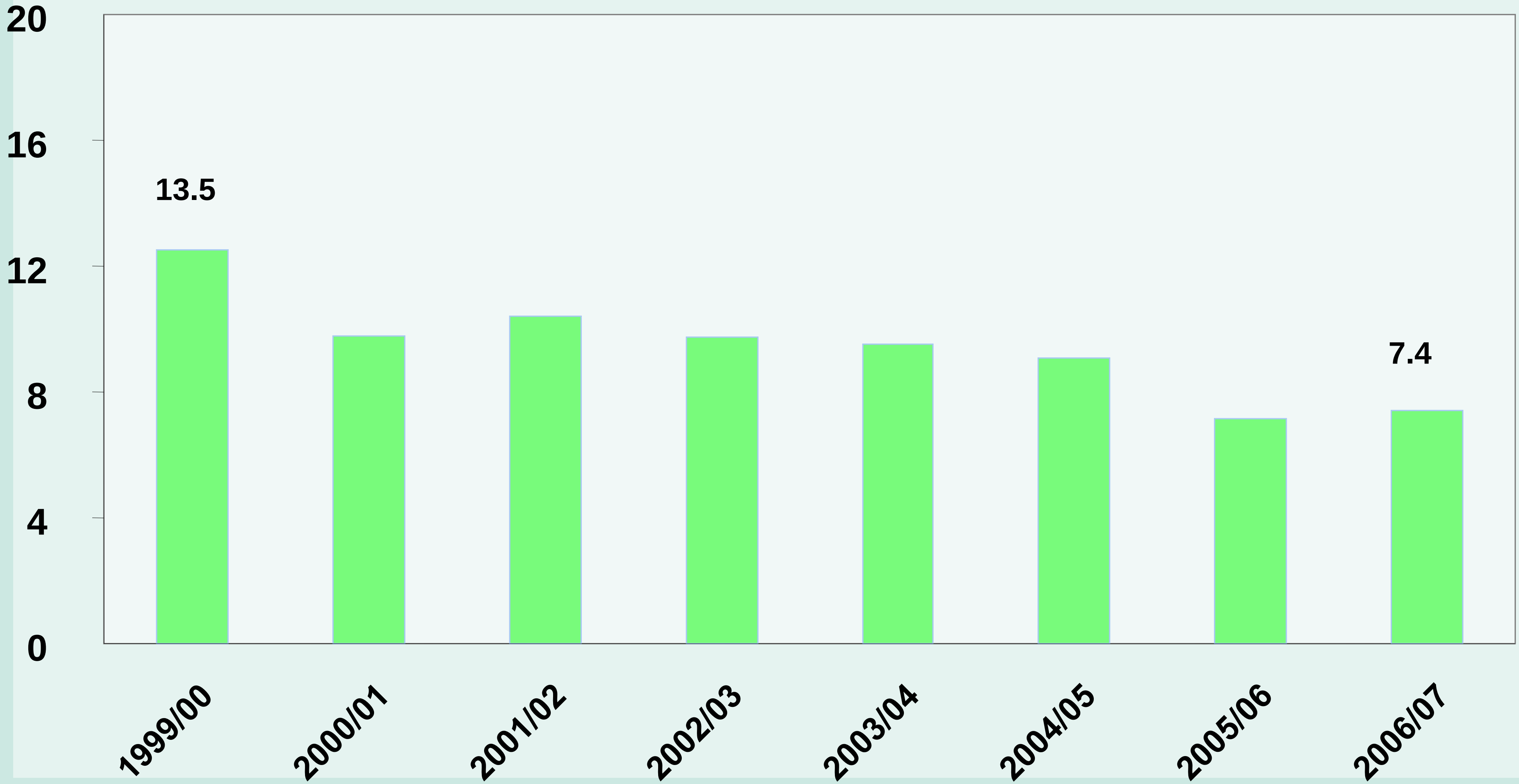
(17.4 million of tonnes 100% N)



	Fertilizer	Exports	Industrial	Total
U.S.	11.3	1.7	4.4	17.4

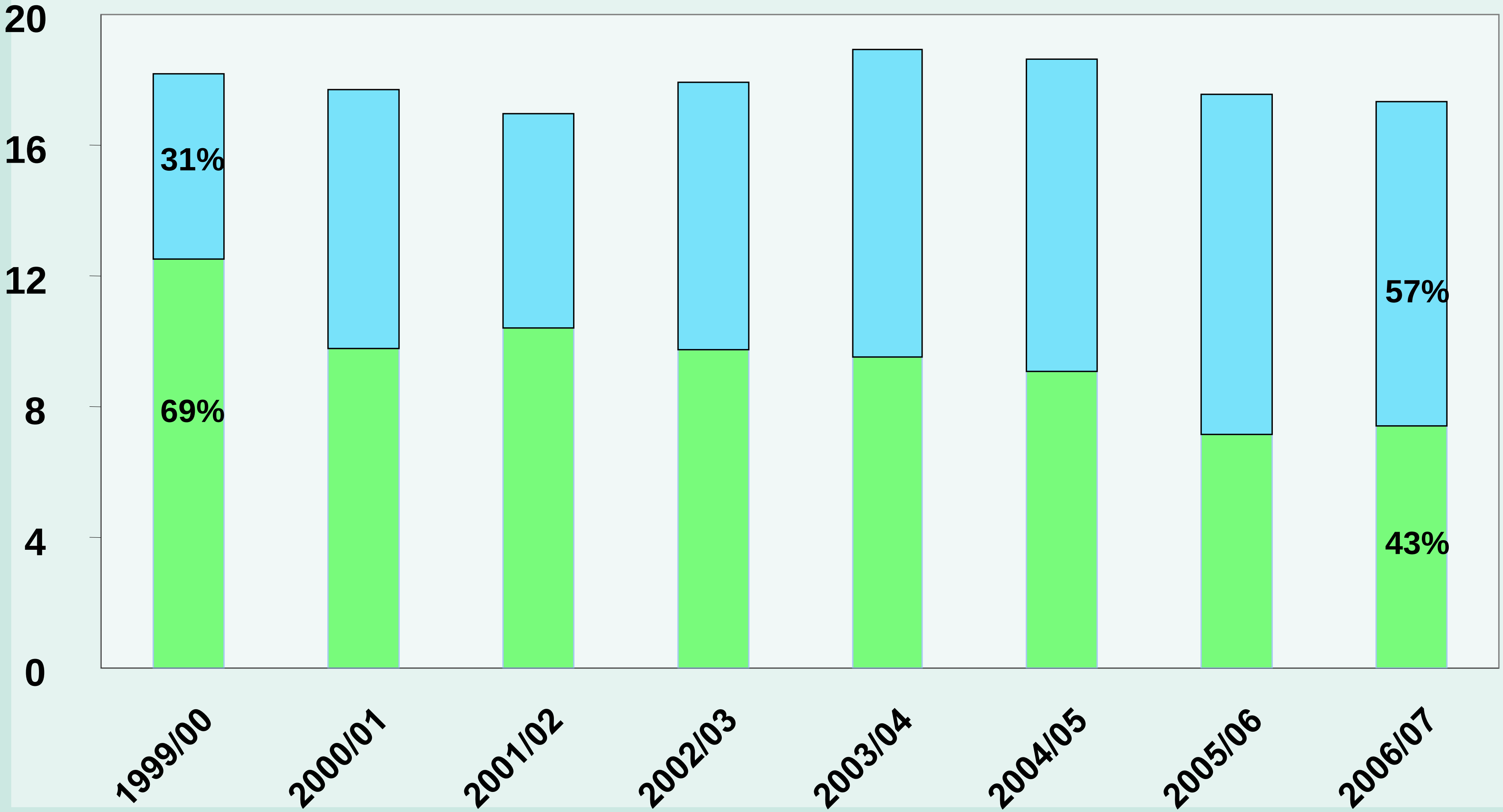
U.S. Nitrogen Production

(Millions of tonnes of Nitrogen)



U.S. Nitrogen Production & Imports

(Millions of tonnes of Nitrogen)



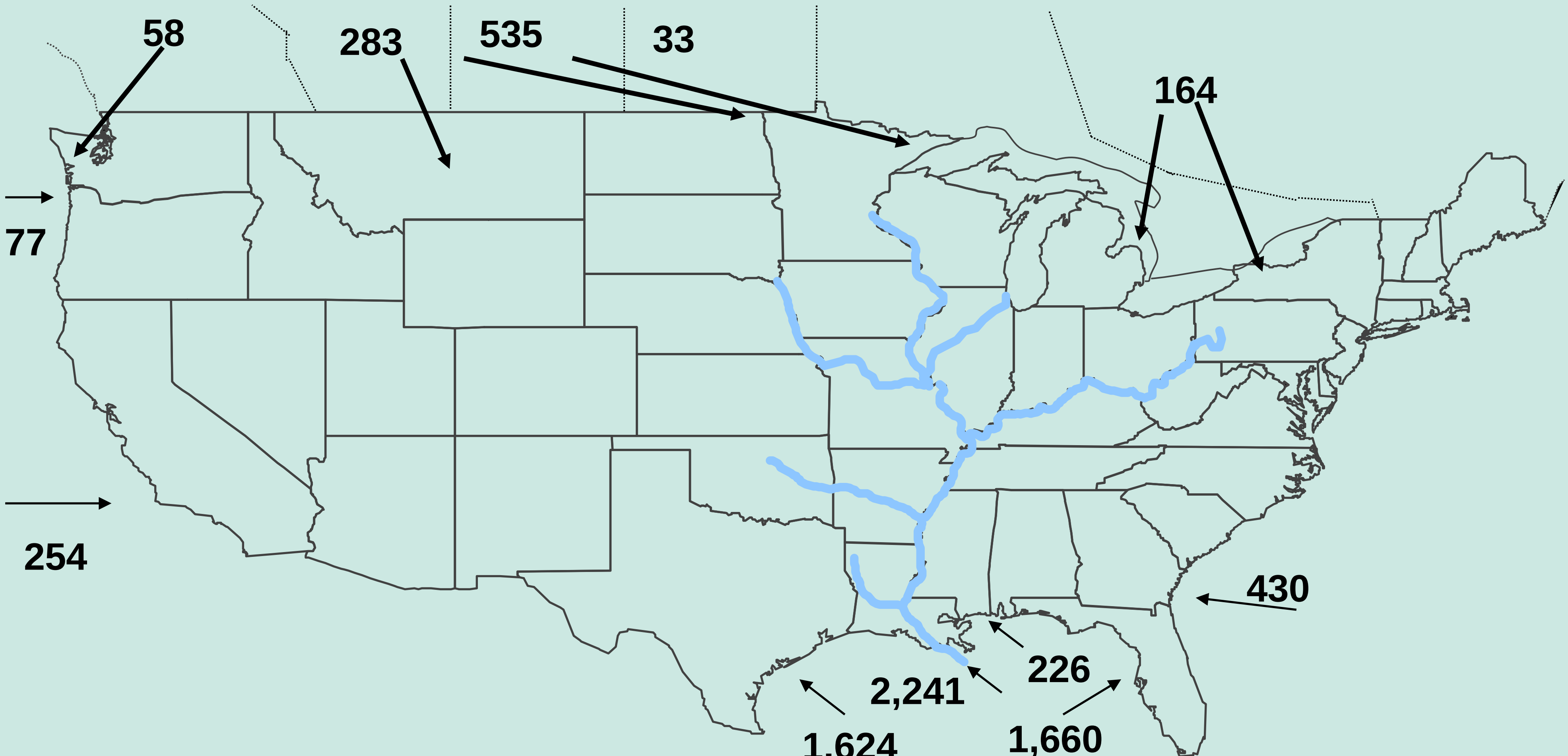
U.S. Ammonia Imports

(Thousands of Tonnes of 82% Ammonia)

	2005/06	2006/07	Change	Share
Trinidad	4,246	4,229	(17)	56 %
Canada	1,092	1,073	(19)	14 %
Russia	633	1,140	507	15 %
Ukraine	1,183	621	(562)	8 %
Venezuela	169	287	118	4 %
Qatar	43	35	(8)	0 %
Latvia	25	30	5	0 %
Mexico	19	21	(25)	0 %
All Others	205	150	(55)	2 %
Total	7,614	7,586	(29)	100 %

Ammonia Imports Control The Perimeter

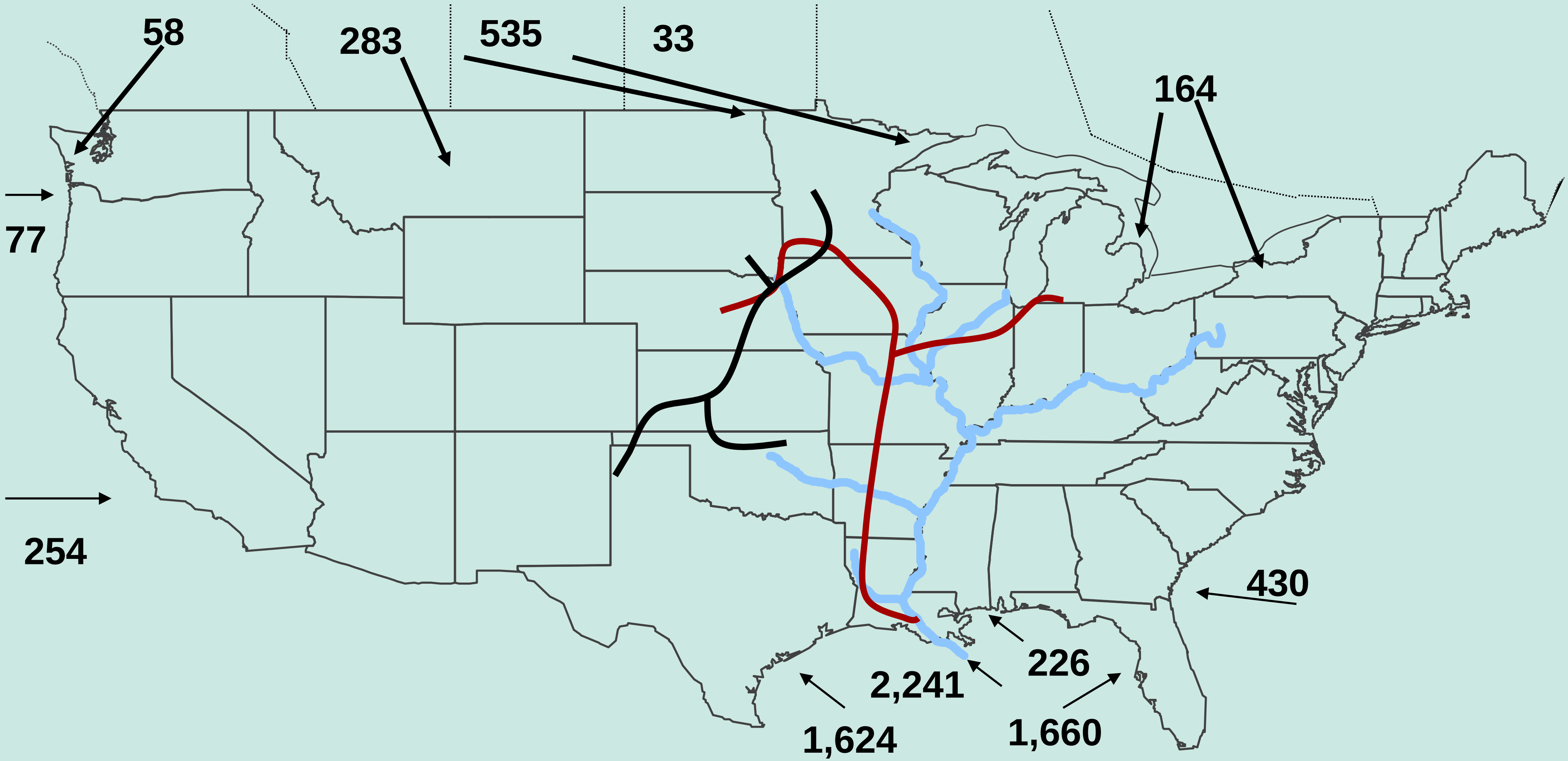
(Fertilizer Year 2006/07 – 7.6 million tons of 82% ammonia)



Source: USDC

Ammonia Imports by Port

(Fertilizer Year 2006/07 – 7.6 million tons of 82% ammonia)



Source: USDC

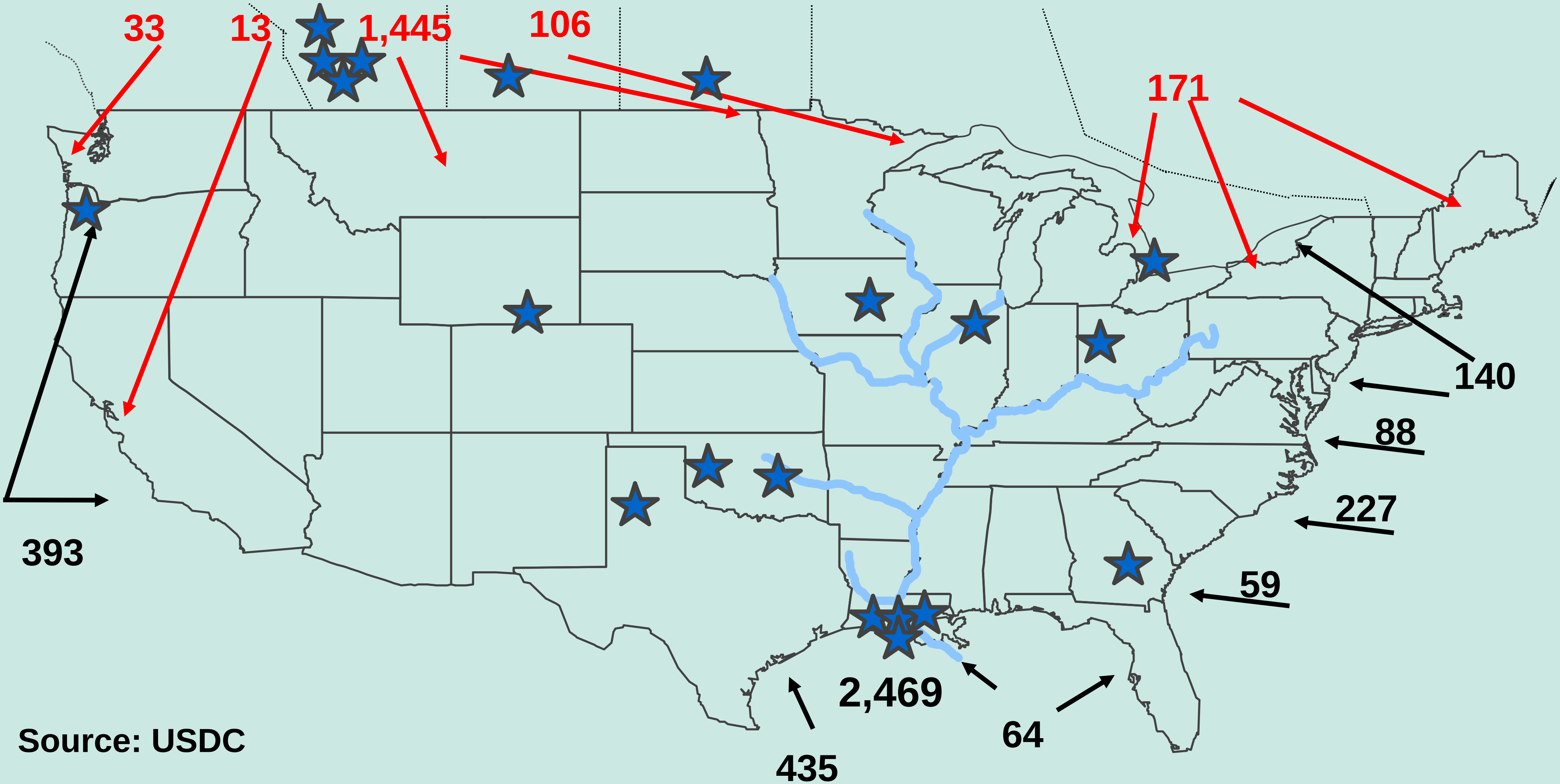
U.S. Urea Imports

(Thousands of Tonnes of 46% Urea)

	2005/06	2006/07	Change	Share
Canada	1,637	1,828	191	32 %
Kuwait	850	524	(359)	9 %
Qatar	477	469	(8)	8 %
Saudi Arabia	650	414	(235)	7 %
Venezuela	317	415	98	7 %
Trinidad	404	412	9	7 %
China	99	378	279	7 %
Egypt	105	356	252	6 %
Libya	117	285	168	5 %
Bahrain	306	239	(67)	4 %
All Others	1,168	365	(803)	6 %
Total	6,084	5,652	(432)	100 %

Urea Imports By Port of Entry

(Fertilizer Year 2006/07(e) – 5.7 million tonnes of 46% urea)



Source: USDC

U.S. UAN Imports

(Thousands of Tonnes of 32% UAN Solution)

	2005/06	2006/07	Change	Share
Canada	425	610	185	28 %
Russia	723	599	(124)	28 %
Romania	552	306	(246)	14 %
Lithuania	249	161	(88)	7 %
Belarus	146	129	(17)	6 %
Ukraine	179	119	(60)	5 %
Egypt	0	56	56	3 %
Poland	66	47	(19)	2 %
All Others	196	112	(86)	5 %
Total	2,536	2,168	(368)	100 %

U.S. AN Imports

(Thousands of Tonnes of 34% Ammonium Nitrate)

	2005/06	2006/07	Change	Share
Canada	538	483	(55)	48 %
Russia	193	105	(88)	10 %
Netherlands	98	122	24	12 %
Romania	221	102	(119)	10 %
Georgia	116	96	(20)	10 %
Bulgaria	67	59	(8)	6 %
All Others	101	42	(59)	4 %
Total	1,334	1,009	(325)	100 %
Fertilizer	1,059	709	(350)	70 %
Non-Fertilizer	275	300	25	30 %

Fertilizer N Consumption by Crop

	Planted Acres (millions)		% Fertilized (lbs per acre)		App. Rate		N. Consumption (millions metric t)	
Crops	06/07	07/08	06/07	07/08	06/07	07/08	06/07	07/08
Corn	93.6	88.0	96	96	138	138	5.6	5.3
Wheat	60.4	64.8	85	86	65	65	1.5	1.6
Cotton	10.9	10.0	82	82	88	88	0.4	0.4
Soybeans	63.7	67.6	18	19	17	18	0.1	0.1
Hay/Pasture	61.7	62.0	N/A	N/A	N/A	N/A	0.9	0.9
All Others	29.7	29.6	N/A	N/A	N/A	N/A	3.2	3.2
Totals	320.0	322.2					11.7	11.4

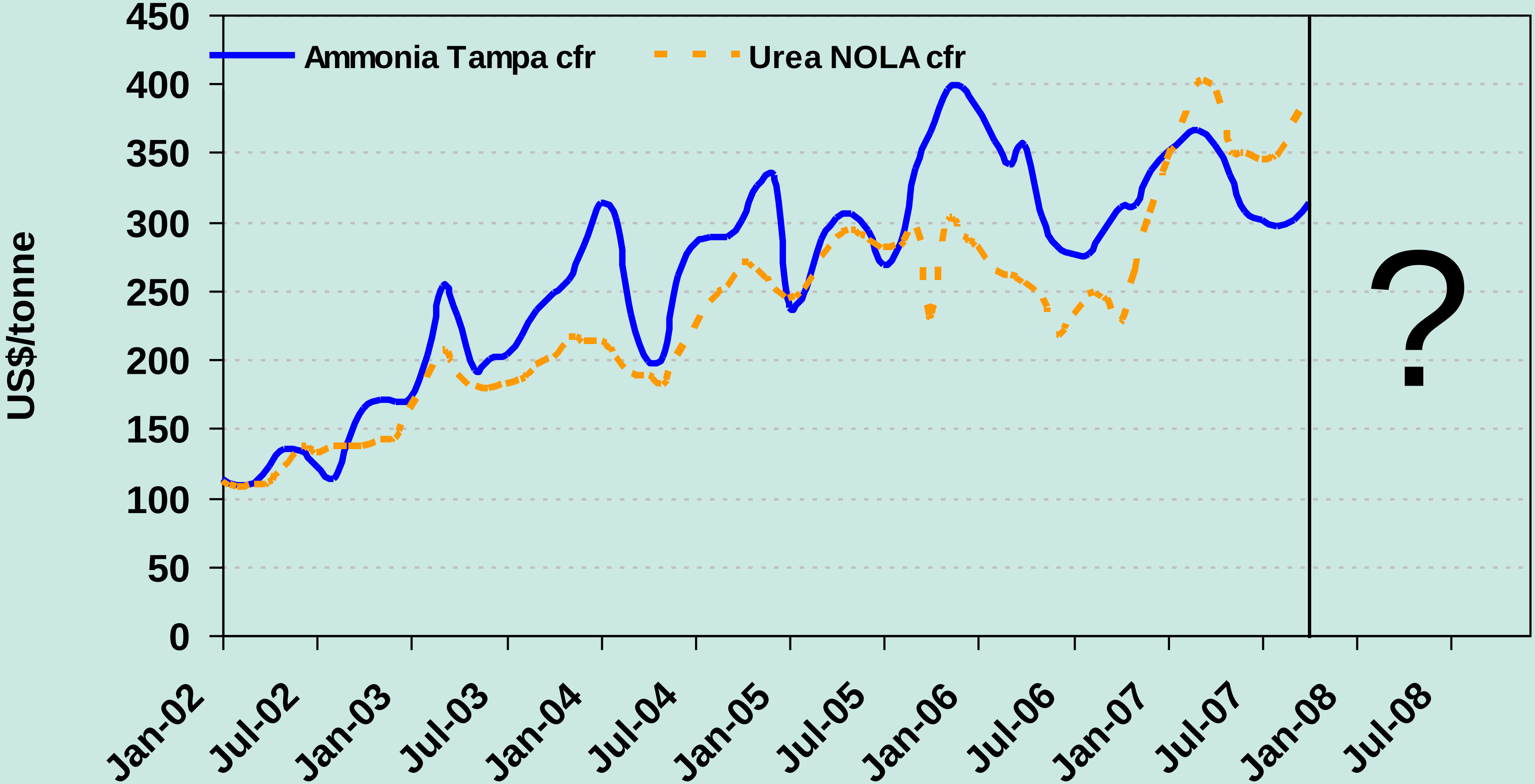
Source: Planted Acre data courtesy of Doane Advisory Services

Impact on N Fertilizer Consumption – 2006/07 vs 2007/08

- Corn acreage expected to be down by 5.6 million acres
  - Nitrogen consumption for corn will drop by 0.3 million tonnes N.
- Wheat acreage expected to rise by 4.8 million acres on the back of rising wheat prices.
  - Nitrogen consumption for wheat will rise by 0.1 million tonnes N.
- Soybean acreage is forecast to increase by 4.4 million acres,
  - Increase in Nitrogen consumption for soybeans negligible.
- Others, including cotton and pasture, are not expected to change significantly enough to alter Nitrogen consumption from the current year.
- Expect N fertilizer consumption to drop by around 300,000 tonnes N in the coming year.

Sustained High Prices

Ammonia and Urea Prices



Conclusions

- Globally Nitrogen consumption in 2007/08 is expected to grow only by around 2.4% versus the year-on-year increase of over 4% to 2006/07…
- While year-on-year global capacity increase goes from 3.0% in 2006/07 to 3.3% in 2007/08.
- The slight decrease in US Nitrogen demand is going to contribute to the easing of the supply-demand balance.
- Market will be tending towards oversupply in the coming 3 to 4 years.
- Impact on price?

Thank You!

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