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TERRA INDUSTRIES INC  
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Pursuant to Rule 425 under the Securities Act of 1933

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of the Securities Exchange Act of 1934

Subject Company:

Terra Industries Inc.

On May 20, 2009, CF Industries Holdings, Inc. posted a presentation concerning the proposed transaction on its website. A copy of the presentation follows:



















- Please also review this additional information relating to our intention to file a proxy statement and other relevant materials in connection with the solicitation of proxies for the 2009 Annual Meeting of Stockholders of Terra Industries Inc.





- CF Industries is a leading North American manufacturer and distributor of nitrogen and phosphate fertilizer



- We market nitrogen almost exclusively in North America
- In nitrogen, we operate North America's two largest complexes: in Donaldsonville, Louisiana and Medicine Hat, Alberta. We believe these large facilities provide us with important economies of scale and production flexibility. The Donaldsonville plant, with its Mississippi River location, also benefits from a make versus buy capability, replacing or augmenting production with imported product when economics justify it



In phosphate, we operate a large integrated mine and chemical plant complex in Central Florida, with a strong phosphate rock reserve position, with 23 years of proven reserves at current capacity including 14 years of reserves that are fully permitted

We typically export from 20 percent to 25 percent of our phosphate, although we've opportunistically increased exports in recent quarters to offset near-term weakness in domestic phosphate markets

Since 2007, we have owned a 50 percent interest in KEYTRADE, a global fertilizer trader. This partnership helped us expand our international presence and provides additional sales and sourcing flexibility







CF Industries operates one of the industry's largest distribution systems, with nearly 40 terminals and warehouses, located primarily in the Corn Belt

This network has the ability to stage approximately 1.2 million tons of nitrogen and 200,000 tons of phosphate in market, ready for spring planting

The darker colors on the map indicate higher intensity for fertilizer usage, and as you can see, our distribution network is well positioned to provide nitrogen and phosphate where demand is high



We currently have a market capitalization of approximately \$4.1Bn and our shares are listed on the NYSE under the symbol CF

Since our IPO on August 11, 2005 our shares have increased 403% and our stock has outperformed shares of other publicly-traded fertilizer companies





CF has generated significant value for stockholders since its IPO in August, 2005

Highest share price appreciation and total shareholder return among public global fertilizer companies

Maintained exclusive focus on fertilizer manufacturing with outstanding operational execution

Maintained discipline during recent sector transactions while sector was at peak valuations

Demonstrated commitment to returning capital to shareholders

Executed a \$500MM accelerated share repurchase during November, 2008

Repurchased ~15% of our then outstanding common shares at ~\$59/ share -- Board believed shares were at a significant discount to intrinsic value and repurchase was an efficient means to return capital to stockholders seeking liquidity







Global demand for coarse grain is currently growing at a rate well above historic norms



Demand growth shown here for corn in the U.S. mirrors that global strength

Ethanol demand has played a significant role in the accelerated growth in corn demand, but we believe there is untapped export potential that, absent ethanol, could fill part of the gap



This chart tracking production, consumption, and the stocks-to-use ratio for coarse grains globally, clearly shows that, in recent years, we've generally consumed more than we've produced

Even with strong yields in 2008, production barely kept up with demand





In past investor meetings, we've discussed the new global paradigm for natural gas, with U.S. costs far more competitive vis-à-vis many nitrogen-producing competitors

This chart illustrates the cost of ammonia delivered to the U.S. Gulf from various exporting regions. As recently as 2006, U.S. nitrogen producers generally represented the marginal nitrogen capacity surveying our market

Today, thanks to a strong supply response by U.S. natural gas production, and rising natural gas costs in nitrogen-producing regions such as the Ukraine and Eastern Europe, North American production is much more competitive

We believe the changing dynamic is sustainable



The underlying demand for coarse grain and corn is there, and North American nitrogen producers are increasingly well positioned to meet that demand

Let's close the loop and look at farm economics this spring

First, corn prices. True, they have pulled back from the unsustainable highs of last year, but as the chart clearly illustrates, they are well above the \$2.37 per bushel average seen from 1998 through 2007



Here is another illustration of today's robust corn prices.

As you can see, season average corn prices are well above historical averages and projected to remain there well into the future



Here is an illustration of spring weather conditions throughout the corn belt at peak planting times this year and last year

Unfortunately, the spring weather hasn't cooperated as well as hoped yet.





We have moved beyond the optimal planting window for corn this spring, but as you can see, crop economics suggest that farmers will put off a switch to soybeans until well into June.





So far this spring, the weather throughout portions of the corn belt has been less than ideal for planting

However, consider a bear case scenario: at less than trend yields and reduced acreage, we would finish this year at a stocks-to-use ratio for corn at historically low levels with positive implications for the fall





Today's corn price clearly provides substantial returns over variable costs, variable costs including land, and total cost, even when you factor in higher land costs in the Midwest

And as the right hand column clearly illustrates, the returns on corn are substantially higher in every instance than the returns for soybeans

These economics, we believe, were reflected in the recent planting intentions report





To summarize the fundamentals, then, underlying global coarse grain demand is strong and growing

In the U.S., you see a similar optimistic outlook for corn, our primary grain

Ethanol demand, a key component in that growth, is likely to remain strong

Turning to farm economics, crop prices and input costs clearly support increased corn acreage this spring

And, the improving competitive position of North American nitrogen producers positions them well to meet fertilizer demand for that corn and other crops





As consumer demand and product pricing improves from the recently established industry trough, we expect CF shares to continue to outperform in the future

This slide provides an illustration of our estimated EBITDA performance at various margins per ton for nitrogen and phosphate

The current mean analyst estimate for CF EBITDA in 2009E is \$637MM and \$619MM for 2010E. As you can see in the matrix above, these estimates assume relatively poor fundamentals

Given our exclusive focus on manufacturing, CF has considerable operating leverage to improving fertilizer fundamentals

CF expects a strong spring season and anticipates better fundamentals than research analysts







Our board and management team have reaffirmed our intent to continue to pursue a business combination with Terra

We believe this is a compelling combination, creating a global leader in nitrogen fertilizers among publicly traded companies

We've structured our proposal as an all-stock combination, to benefit shareholders of both companies

All-stock combination means that neither set of shareholders is being cashed-out at a low point in fertilizer cycle and at a low point in the stock markets

We expect the combination to generate \$105 to \$135 million in annual cost synergies, and provide significant financial benefits for all stakeholders

Combined, CF and Terra would have an improved strategic platform to pursue growth and manage risk

Agrium sees the potential of a combined CF and Terra and has acknowledged publicly that our proposal to combine with Terra motivated their actions







We expect the transaction to generate between \$105 and \$135 million in annual cost synergies by combining corporate functions and optimizing transportation and distribution systems, and through greater economies of scale in procurement and purchasing. Specific opportunities:

HQ consolidation -- Total combined 2008 SG&A ~ \$140 million

Total logistics costs of approximately \$350 million

Reduction in total product miles shipped

Reduced railcar lease costs (more than 5,300 total railcars in the system)

Over \$600 million in non-raw materials purchases (includes: purchased fertilizer products; process chemicals; catalysts; other plant consumables)

Donaldsonville optimization

Spare parts inventory pooling

Reduction in inventory and associated carrying costs

Optimizing turnarounds and capex spending

Several underutilized facilities

We expect the combined company to realize these synergies within two years after the closing of the transaction

We also expect the combined company to benefit from a one-time cash release of up to \$60MM, due to inventory reduction

By comparison the synergies assumed in the Agrium Offer are poorly delineated and uncertain. We have substantial doubts

regarding the synergy estimates assumed by Agrium. Agrium has failed to provide detailed support for its synergy estimates and the Board does not believe that synergies from the combination with Agrium would exceed the synergies from a combination with Terra





- The combined company will be a leading global producer of nitrogen fertilizers, as measured by capacity, among publicly traded companies
- The pro forma company will have annual capacity of 6.3 million tons and be a close second to Yara's 6.9 million tons of annual capacity
- The combined company will be a stronger, more competitive player in the global nitrogen fertilizer industry
- We believe that the elements of Terra's strategy, of which we are aware, including expansion of industrial nitrogen applications, would only be enhanced through a combination
- While there may be modest differences in our approach to the nitrogen business, given that both companies are primarily focused on the US Midwest, it should not be surprising to you that the average profitability of our respective nitrogen businesses has been nearly identical since 2004







- The combined companies would also benefit from CF Industries strong position in phosphate
- In 2008, CF's phosphate operations represented 34% of total revenue. Terra currently has no exposure to phosphate. Based on 2008 data, phosphate would contribute 20% of combined company revenue
- Long-term phosphate outlook remains attractive
- Global availability of economically recoverable phosphate rock reserves is limited
- Agrium has highlighted our high quality phosphate business as one of the primary motivations for their proposal





Our phosphate rock mining and fertilizer production are fully integrated in Central Florida

With annual capacity of just under 1,055 million tonnes of phosphoric acid per year, Plant City is the 7th largest facility in Fertecon's listing of the world's top 125 plants

For equity investors seeking exposure to the phosphate business, there are few attractive options

According to Fertecon, only about 22% of the world's phosphoric acid capacity is owned by publicly-traded fertilizer companies. Of this amount, CF ranks #3 globally after Mosaic and PCS at approximately 10%









With a \$7.0Bn market cap, the combined company will have increased trading liquidity on the NYSE and improved access to the capital markets

The all-stock nature of the offer will allow stockholders of both Terra and CF Industries to participate ratably in the growth and long-term value creation potential of the combined company, including the significant synergies

We expect the transaction, giving effect to the realization of synergies, to be accretive to CF Industries stockholders

The combined company would have had 2008 revenues of \$6.8 billion and will emerge with a stronger balance sheet, featuring a substantial cash balance and relatively little indebtedness.

Assuming that Terra's bonds are put, the combined company would have a \$1.5 billion cash balance and no debt. Again these are figures as of March 31, 2009

We expect the cash balance to continue to grow over the course of 2009

We believe these factors will provide the combined company with greater financial resources and flexibility to pursue future growth opportunities and improved ability to weather difficult industry and capital market conditions than either CF Industries or Terra would have alone









- § This slide details the terms of our proposal
- § Although Terra has not engaged with us yet, we are willing to offer value assurance to its stockholders
- § CF would agree in a negotiated merger agreement with Terra to an exchange ratio based on \$30.50 for each Terra share
- § Exchange ratio not less than 0.4129 and not more than 0.4539 per Terra share
- § \$30.50 represents an 87% premium to Terra's stock price before CF Industries made its offer
- § CF Industries is committed to a business combination with Terra and, as previously announced, we have fully addressed the issue raised by Terra regarding the CF stockholder approval that would be required under NYSE rules to issue common stock. We are confident that our stockholders will support a business combination with Terra
- § Under this structure, Terra stockholders would receive an amount of common shares up to 19.9% of our outstanding common stock with the remainder of the consideration paid in a new series of participating preferred stock
- § The annual dividend would be set so the Preferred Stock trades on a parity with Common Stock on a fully distributed basis
- § Shares would be issued at close and coupon would be determined when merger agreement with Terra is signed
- § We anticipate that the coupon will be set at a modest premium to the common dividend.

- § Shares would be non-voting but would have a liquidation preference
- § Preferred Stock will be listed on NYSE and would have over \$3 Bn of liquidity
- § Preferred Stock automatically converts into Common Stock upon CF stockholder vote under NYSE rules
- § We have posted the detailed term sheet relative to the preferred on our website
- § Terra stockholders would own between 46% and 48% of the combined company
- § Key conditions: Negotiation of definitive merger agreement, receipt of regulatory and other customary approvals





§ This slide demonstrates that our proposed exchange ratio represents an attractive premium to Terra shareholders

§ Going back to our original announcement date of January 15th, 0.4539 (the top of the collar) represents a 35% premium to the prior 12 months average exchange ratio

§ CF would agree in a negotiated merger agreement with Terra to an exchange ratio based on \$30.50 for each Terra share

§ \$30.50 represents an 87% premium to Terra's stock price before CF Industries made its offer





- We are going forward with our proxy contest to replace three of Terra's directors at the upcoming Annual Meeting
- We are confident that Terra's stockholders will show their support for a combination by voting for our slate
- We remain interested in entering into meaningful discussions for a negotiated transaction, and we are open to reviewing any information Terra believes we should consider
- Our confidence in the support of Terra's stockholders is based on our belief that Terra's stock would be trading well below its current level absent our offer and the expectation of a business combination with CF











On 2/25, Agrium announced a proposal to acquire CF

-1 share of Agrium plus \$31.70 in cash

On 3/9, CF announced that its Board rejected Agrium's proposal

On 3/16, Agrium launched an exchange offer to acquire CF

-Economic terms of the Offer were unchanged from proposal received on 2/25

On 3/23, CF announced that its Board rejected the Offer

On 3/27, Agrium increased its Offer to acquire CF

-1 share of Agrium plus \$35.00 in cash

On 3/29, CF announced that its Board rejected Agrium's revised Offer

On 5/11, Agrium increased its Offer to acquire CF

-1 share of Agrium plus \$40.00 in cash

On 5/15, CF announced that its Board rejected Agrium's second revised Offer







The Offer substantially undervalues CF

- The Offer premium is inadequate
- The timing of the Offer is opportunistic
- The cash-and-stock nature of the Offer consideration is disadvantageous to CF stockholders
- The cash component of the Offer consideration is being effectively funded by CF and thus represents no net increase in value to CF stockholders
- The Offer does not properly value CF

The Offer is fundamentally at odds with CF's long-term strategy, which has proven to be very successful

- CF is focused on its higher-margin manufacturing and distribution business; Agrium has a substantial lower-margin retail business
- CF's long-term strategy is superior to Agrium's strategy
- CF's record demonstrates the success of its business strategy; Agrium has underperformed
- The Offer is an attempt to interfere with CF's proposed strategic business combination with Terra

The combination of Agrium and CF may expose CF's stockholders to significant risks and uncertainties

- The synergies assumed in the Offer are poorly delineated and uncertain
- The Board believes that CF's phosphate business is of substantially higher quality than Agrium's phosphate business

- Several of Agrium's expansion projects and investments in nitrogen manufacturing have not been successful
- The market reacted negatively to the Offer







The Board believes, as demonstrated by the chart above, that CF's successful operational track record and strategies for growth have been recognized by the market

At the same time, Agrium has significantly underperformed CF and the global peer group

Specifically, from our IPO in 2005 to January 15, 2009 when we announced our proposal to combine with Terra, CF shares increased 192% compared to 87% for the global peer group and 34% for Agrium

If you examine the relative performance over the same time period, stockholders that purchased CF Common Shares in the IPO earned a return approximately 5.6 times what the holder would have earned if such holder had purchased Agrium Common Shares at the time of the IPO

From the IPO to the recent peak in share prices for the global peer group established on June 17, 2008, CF Common Shares increased 947%, the global peer group shares increased 601% and Agrium Common Shares increased only 365%







The market value of Agrium's offer implies a low economic premium to CF

On 2/24, CF shares closed at \$55.58, CF shares would likely have been trading on average up to \$3 a share higher absent significant short interest in the stock resulting from merger arbitrage due to CF's offer to combine with Terra

On 2/25 (pre-open), Agrium announced its initial proposal to acquire CF

Since 2/24, the global unaffected peers are up 46.3% on average based on 5/19 closing prices

Based on this performance, CF shares would likely have been trading at \$86 (or \$81, excluding the initial \$3 adjustment). On 5/19, CF shares closed at \$81.56

On 5/19, Agrium's offer was worth \$90.95 based on Agrium's closing price of \$50.95

On this basis, the effective economic premium in Agrium's offer is approximately 6% to 12% (including and excluding the initial \$3 adjustment discussed above)

During CF's investor meetings prior to its annual shareholders meeting, CF outlined the reasons why CF's unaffected share price would have been approximately \$65 to \$66 on 3/27

Since that time, the unaffected global peers are up 33.0% and CF's share price is 25.5% and 23.6% above \$65 and \$66 respectively









- The Offer premium is inadequate and does not reflect an adequate premium for control of CF
- The Board believes that the Offer represents a particularly inadequate premium when measured against recent historical periods prior to the initial announcement of Agrium's proposal on the morning of February 25, 2009.
- For example, the chart above takes the original offer of \$31.70 in cash and the second revised offer of \$40.00 in cash plus the daily closing price of an Agrium common share each day over the last twelve months and divides this total by the daily closing price of a CF common share to calculate the discount or premium implied by the Agrium offer
- Based on the daily closing prices for Agrium and CF, the implied value of Agrium's original Offer represented a premium of 1.8% and the second revised Offer represented a premium of 11.9% to CF common stockholders during the 12-months prior to February 25, 2009
- As you can see from the chart, Agrium's original and revised offers also represented a significant discount to CF's stock price for approximately a 7 month period during the last year
- By comparison, the high end of our collar range of 0.4539 in our proposal to combine CF and Terra results in an average implied premium for the 1-year period prior to 1/15 of 36% to Terra stockholders
- Since Agrium announced its original Offer on 2/24, the global unaffected peer group is up approximately 46.3% but Agrium's Offer only increased approximately 26.3% from a nominal value of \$72.00 to a value of \$90.95







- At March 31, 2009, CF had cash and cash equivalents and short-term investments of \$839 million, an increase of approximately \$214 million during 1Q
- In its most recent offer, Agrium has added \$5.00 in cash per share, which is only \$0.58 above the \$4.42 per share increase in CF cash position during 1Q
- Accordingly, Agrium has only offered 58 cents of incremental value to CF, as CF has funded the remainder





The cash component of the Offer consideration is being effectively funded by CF and thus represents no net increase in value to CF stockholders

At March 31, 2009, CF had cash and equivalents of \$839 million and only \$4 million of debt

Based on Agrium's debt multiple of 1.8x pro forma for a combination with CF, CF has existing debt capacity of approximately \$1.1 billion (based on 1.8x mean analyst expectations for CF 2009 EBITDA)

CF's existing cash and debt capacity of approximately \$2.0 billion is equivalent to approximately \$40 per CF Common Share

Accordingly, CF stockholders receive virtually no additional cash value from this transaction and are effectively being asked to exchange one CF Common Share for one Agrium Common Share that has consistently underperformed CF Common Shares in the market

- The Board also believes that the Offer does not fully reflect the intrinsic value of CF
- The Board carefully reviewed and analyzed all financial, strategic, legal and other aspects of the Offer with management and its legal and financial advisors and concluded that the Offer is inadequate, substantially undervalues CF and is not in the best interests of CF and its stockholders













Valuation multiples for publicly-traded global fertilizer companies declined significantly following the peak in global commodities during the summer of 2008 and the onset of the current economic and financial crisis

However, valuation multiples for the global fertilizer peers have begun to recover from lows established during January 2009

For example, the global nitrogen peers are currently trading at enterprise value/ next-twelve-month ( NTM ) EBITDA multiples near the average forward multiples during the last 3 years and the valuation premium historically afforded to Potash Corp is once again apparent

CF's trailing 3-year average NTM multiple of 5.4x would imply a current CF share price of \$78







The opportunistic timing of Agrium's Offer takes advantage of the recent decline in share prices across the fertilizer sector and global equity markets, inflating the premium described by Agrium

Agrium's CEO has acknowledged publicly that Agrium is attempting to buy CF at a low valuation multiple, at a low point in the fertilizer cycle and at a low point in the stock markets. For example, Mike Wilson made the following remarks:

I have been in commodities all my life. You build nutrients at certain points, and you counter-cyclically invest at other points. And this is the right time for us to be buying those nitrogen assets.

Then if you look at the multiple, post-synergies we think this is a very attractive multiple.

When you look at the opportunity, it's the right time. Everybody's in the dumps today and it's the right time to be buying these kinds of assets.





- The Board was also mindful of the fact that this is not the first time Agrium has proposed to acquire CF for an inadequate price. In 2005, prior to the initial public offering of CF, Agrium made a proposal to acquire CF Industries Inc., the predecessor to CF
- After substantial due diligence and discussions, Agrium was unwilling to offer a price for CF Industries that reflected what the board and management of CF Industries believed was adequate
- CF Industries pursued the alternative strategy of an initial public offering, at an aggregate offering price approximately 60% higher than the price at which Agrium had proposed to acquire CF Industries
- As a reminder, we executed a \$500 million accelerated share repurchase about 3 months before Agrium announced its proposal in February
- In that transaction we repurchased approximately 15 percent of our then outstanding shares at a price of approximately \$59, which was a 6.1 percent premium to where our shares were trading when Agrium announced its proposal on February 25
- Our board authorized us to repurchase approximately 15 percent of our outstanding shares at a price of approximately \$59 because they believed the shares were at a significant discount to their intrinsic value and this was an efficient means to return capital to stockholders seeking liquidity
- Again, Agrium has admitted publicly they are trying to opportunistically acquire CF and the reference to where we recently acquired stock is yet another clear example of this and the inadequacy of their proposal







- A combination of Agrium and CF is also inconsistent with our strategy
- CF is focused on its higher-margin manufacturing and distribution business; Agrium has a substantial lower-margin retail business
- The Offer is counter to CF's long-term strategy, which focuses on the higher-margin businesses of manufacturing and wholesale distribution of nitrogen and phosphate fertilizers. The Board believes that continuing to pursue this strategy as a standalone company will deliver more value to stockholders of CF than the Agrium Offer, consistent with the outperformance of CF's Common Stock over Agrium's since the IPO
- As an early step in this strategy, in connection with its IPO, CF eliminated the conflicts with customers and adverse impact on profitability that resulted from being owned by its customers as an agricultural cooperative. As a cooperative, CF found it difficult to expand its business and improve profitability while owned by direct competitors of other potential wholesale customers

Further evidence of the inherent conflicts in being in both retail and wholesale manufacturing can be found in looking at existing North American fertilizer manufacturers. Only Agrium has chosen to pursue a business model that competes with core customers. For example, both Terra Industries and Mosaic exited their respective retail businesses in 1999. Royster Clark, the purchaser of Terra's retail operations, was ultimately acquired by Agrium. Other major North American manufacturers, such as Potash Corp and Intrepid Potash, have chosen to avoid the retail business

- Since its IPO, CF has been able to focus on maximizing the profitability of its manufacturing and wholesale distribution business by eliminating what was essentially a captive retail business



imbedded in its ownership structure and the conflicts that this structure created.

- In contrast, Agrium has pursued the opposite strategy, emphasizing and investing in a large retail business, representing approximately 55% of Agrium's 2008 revenue, that competes directly with Agrium's and CF's other wholesale customers



Combining with Agrium would dilute our shareholders' exposure to higher margin fertilizer manufacturing

As you can see on this slide, during 2007 and 2008, CF generated operating margins of 21.8% and 29.3%, respectively

During the same time period, Agrium's operating margins were 13.5%, and 19.8%

You can also see that Agrium's Retail business produced margins of 7.2% and 8.7%, respectively













Several of Agrium's expansion projects and investments in nitrogen manufacturing have not been successful. We do not believe exposing our shareholders to this type of performance is in their best interests. Agrium has pursued several nitrogen initiatives that have generated disappointing and often negative returns for Agrium stockholders. For example:

*Kenai, Alaska.* In January 2000, Agrium acquired the second largest nitrogen production facility in North America for \$325 million. In December 2003, after taking a \$235 million write-down on the facility, Agrium announced that the natural gas supply at Kenai would run out sooner than originally anticipated. By 2007, the natural gas supply had run out, the complex had been shuttered and Agrium had written-off its entire investment in Kenai

Agrium's 2004 annual report includes the following comment on the failed Kenai Alaska investment: *While the investment did not deliver the anticipated returns, it has brought a number of benefits to the organization, not the least of which is considerable experience and insight into the international nitrogen market.*

*EAgrium.* In May 2007, Agrium announced a capital project to construct a greenfield nitrogen facility in Egypt at a total cost of \$1.2 billion, with Agrium's equity contribution to the joint venture being \$280 million. By mid-2008, construction on the facility was halted due to local protests. In August 2008, the project was cancelled and Agrium traded its equity interest in the project for a stake in the MOPCO urea/ammonia fertilizer project in Damietta, Egypt. In 2008, the Company recorded an \$87 million write-down in its EAgrium investment

*Profertil.* In 1994, Agrium initiated a capital project to produce urea in Argentina. In 2007 and 2008, Agrium experienced several

production outages due to natural gas supply disruptions. On March 18, 2008, Agrium announced that Profertil and the Argentine government reached an agreement to stabilize urea prices, establishing a ceiling of \$410 per tonne for the 2008 growing season, during which time global urea prices exceeded twice that level. Agrium indicated that the agreement was expected to help minimize the risk of downtime due to gas supply interruptions through the 2008 winter









Agrium has indicated that exposure to CF's world-class phosphate facility and associated rock mine in Florida was a key motivator for the Offer -- we aren't surprised

We believe Agrium's phosphate business is of poor quality compared to CF's high quality phosphate business and represents unattractive consideration to CF stockholders

CF's two phosphate facilities are located in Hardee County and Plant City, Florida whereas Agrium's facilities are located in Conda, Idaho and Redwater, Alberta

CF's 2008 capacity of 2.2 million significantly exceeds Agrium's capacity of 1.3 million tons

CF's proven reserve life of 23 years significantly exceeds the remaining life of Agrium's Kapuskasing mine which will be depleted of phosphate rock in 5 years

Agrium recorded a \$136 million write-down of its phosphate operations in 2006 after reducing the projected life of the Kapuskasing mine in Ontario from 2019 to 2013

Agrium's Conda, Idaho plant manufactures phosphoric acid, super phosphoric acid, monoammonium phosphate and ammonium phosphate sulfate. Integrated facilities that manufacture phosphoric acid using the wet process, including Agrium's Conda, Idaho plant, are currently subject to a significant enforcement initiative by the United States Environmental Protection Agency and the U.S. Department of Justice. The U.S. Department of Justice alleges that these facilities have been disposing of various waste streams in their cooling ponds and gypsum stacks in violation of the federal Resource Conservation and Recovery Act

Agrium may be faced with substantial penalties as a result of its practices at this plant and may be required to investigate and remediate contamination resulting from these practices. In addition, Agrium could be required to expend significant capital costs to modify its facility in order to continue to dispose of process and other wastewaters in its cooling pond and gypsum stack, or could be required to close its pond and stack system









The synergies assumed in the Offer are poorly delineated and uncertain. The Board has substantial doubts regarding the synergy estimates assumed by Agrium. Agrium has failed to provide detailed support for its synergy estimates and the Board does not believe that synergies from the combination with Agrium would exceed the synergies from a combination with Terra. In particular:

Agrium's potential SG&A synergies, by its own admission the largest single target for synergies in their analysis of the combination, is not larger than CF's opportunity for SG&A synergies in the Terra combination. CF's 2008 SG&A was \$68 million compared to Terra's 2008 SG&A of \$71 million.

Terra and CF have highly complementary manufacturing and distribution assets in the central U.S., near CF's customer locations. The combination of those assets would create a substantial and readily achievable opportunity for synergies from reduced shipping miles and costs and rationalization of the combined company's rail fleets. In contrast, Agrium's assets are concentrated in western Canada and the northwest and southeast United States, far more distant from the bulk of CF customer locations. Therefore, a combination with Agrium would result in virtually no opportunity to reduce shipping miles and costs.

Agrium has no opportunity to optimize manufacturing and distribution facilities at the Donaldsonville, Louisiana site. CF's and Terra's facilities at that site were originally a single complex and can be combined.

CF and Terra use similar technologies in their ammonia, urea and urea ammonium nitrate operations, which creates substantial opportunities for decreased costs through reducing spare parts inventories and optimizing maintenance and operating practices. In

contrast, Agrium manufacturing facilities have less in common with CF, leaving little opportunity for these types of synergies.

An Agrium combination with CF may also produce negative synergies as Agrium's substantial retail unit competes directly with some of CF's largest customers. The Board believes this could drive such customers to other suppliers and reduce the revenue of the post-combination business.

Conversely, the Board believes that the \$105-\$135 million in annual cost reduction synergies offered by a combination of CF and Terra are substantial, quantifiable and realizable









Agrium has failed to provide details on their synergy estimate of \$150 million

During the Agrium conference call on the day of the announcement of Agrium's revised Offer, analysts asked for greater detail on the nature and timing of Agrium's estimated synergies

Ron Wilkinson, SVP and President of Agrium's Wholesale Business Unit responded as follows:

*We've talked about the three buckets, the first bucket being SG&A; the second bucket being sort of the procurement on everything from plant, equipment and catalyst through to logistics services; and then the third bucket being marketing and distribution. And we've talked about these synergies being substantially realized in year two and fully realized in year three. **We don't want to go more granular than that at this point. If we can do some specific due diligence we might take that next step**, but at this point we'd like to just say we're committed to the 150 and that we have a history of delivering.*