AFCOME 2013

# Responding to the West Fertilizer Incident

# Ammonia and Natural Gas in the United States

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Beaune, France

# WHO IS ARA?

- Mission
  - Advocate & Influence
  - Educate
  - Member Services
  - Result: profitable business environment, adapt to change, maintain FTO
- ~6500 agronomy retail and distribution outlets
- Over 75% of all crop inputs sold to America’s farmers come from members

# ARA Membership Profile

## ARA Member Companies by Type

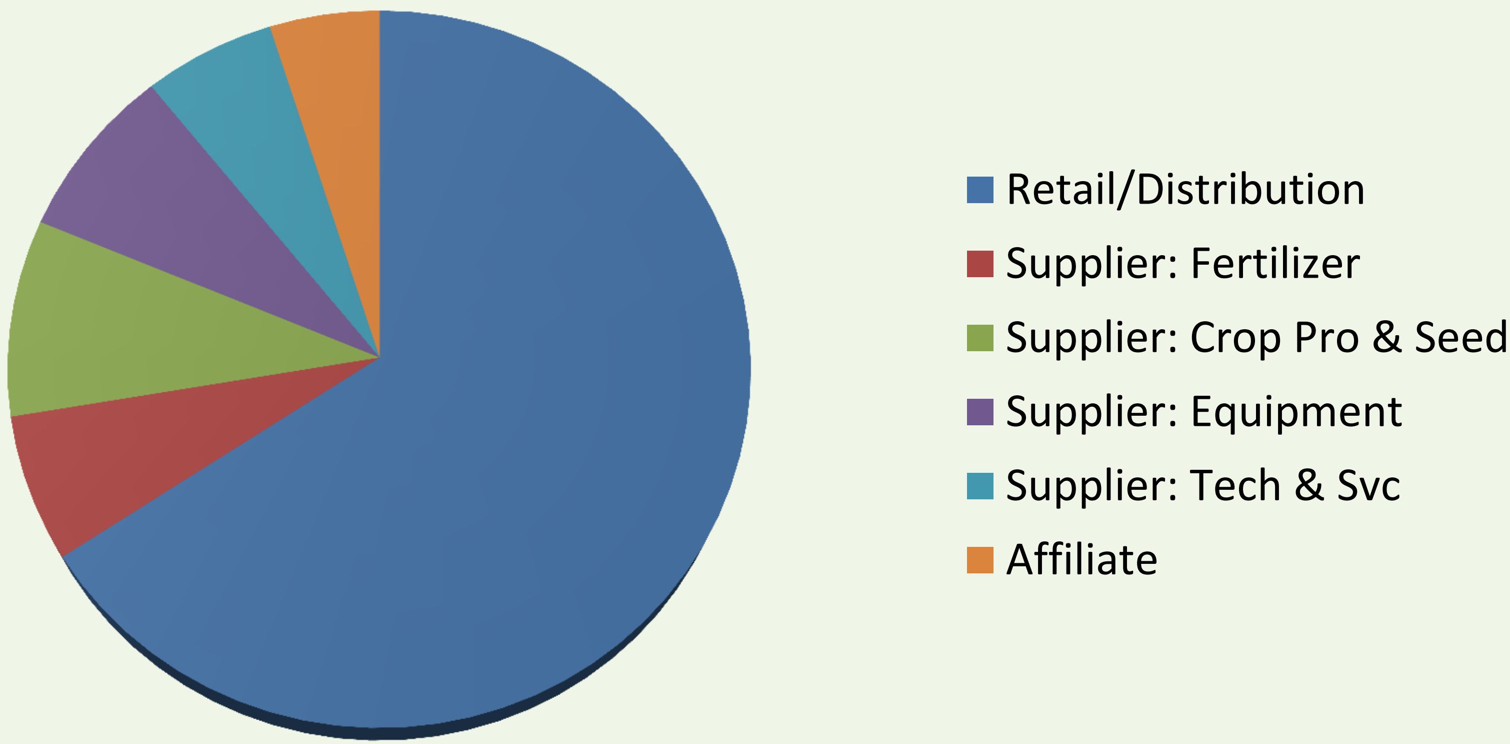
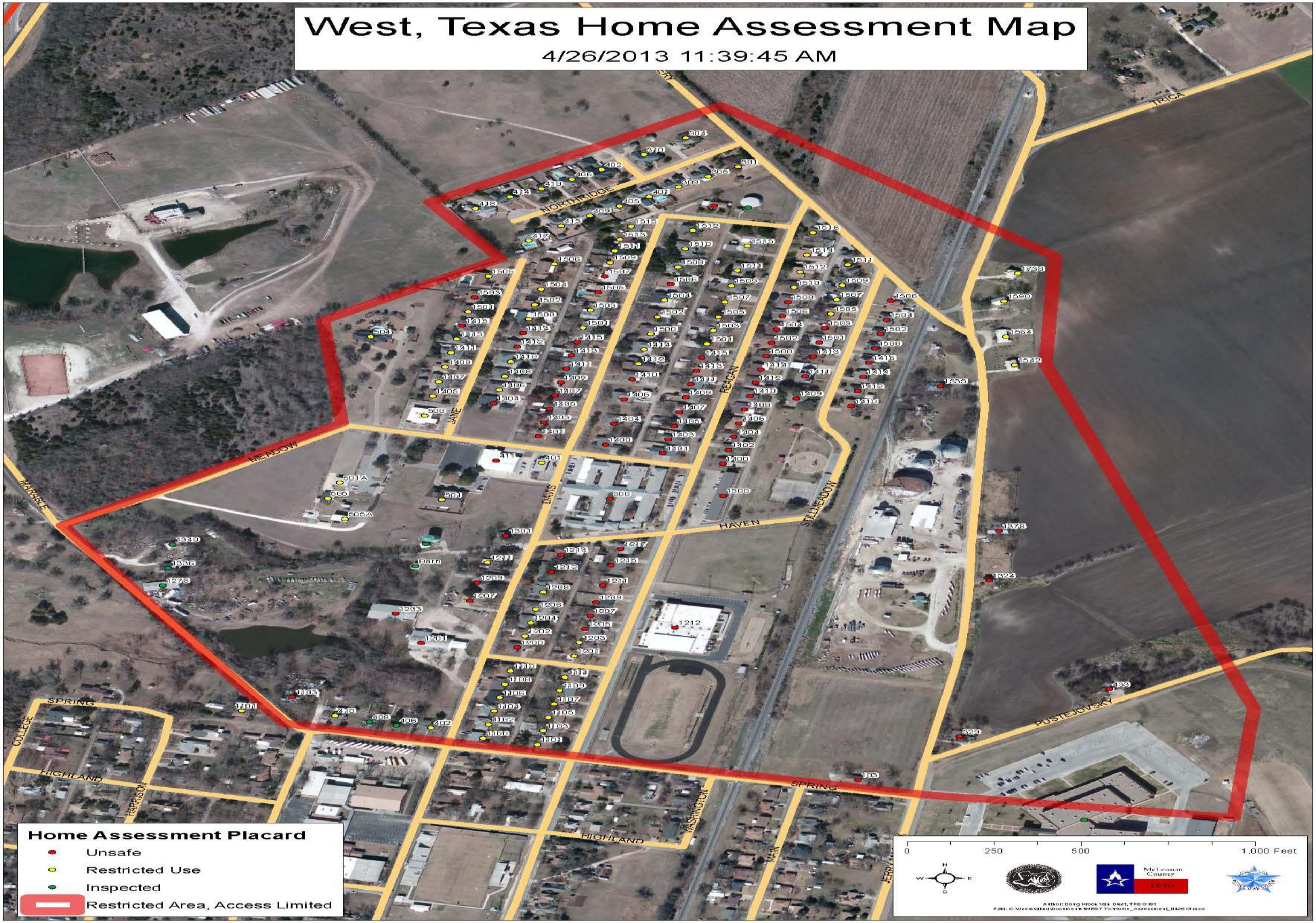


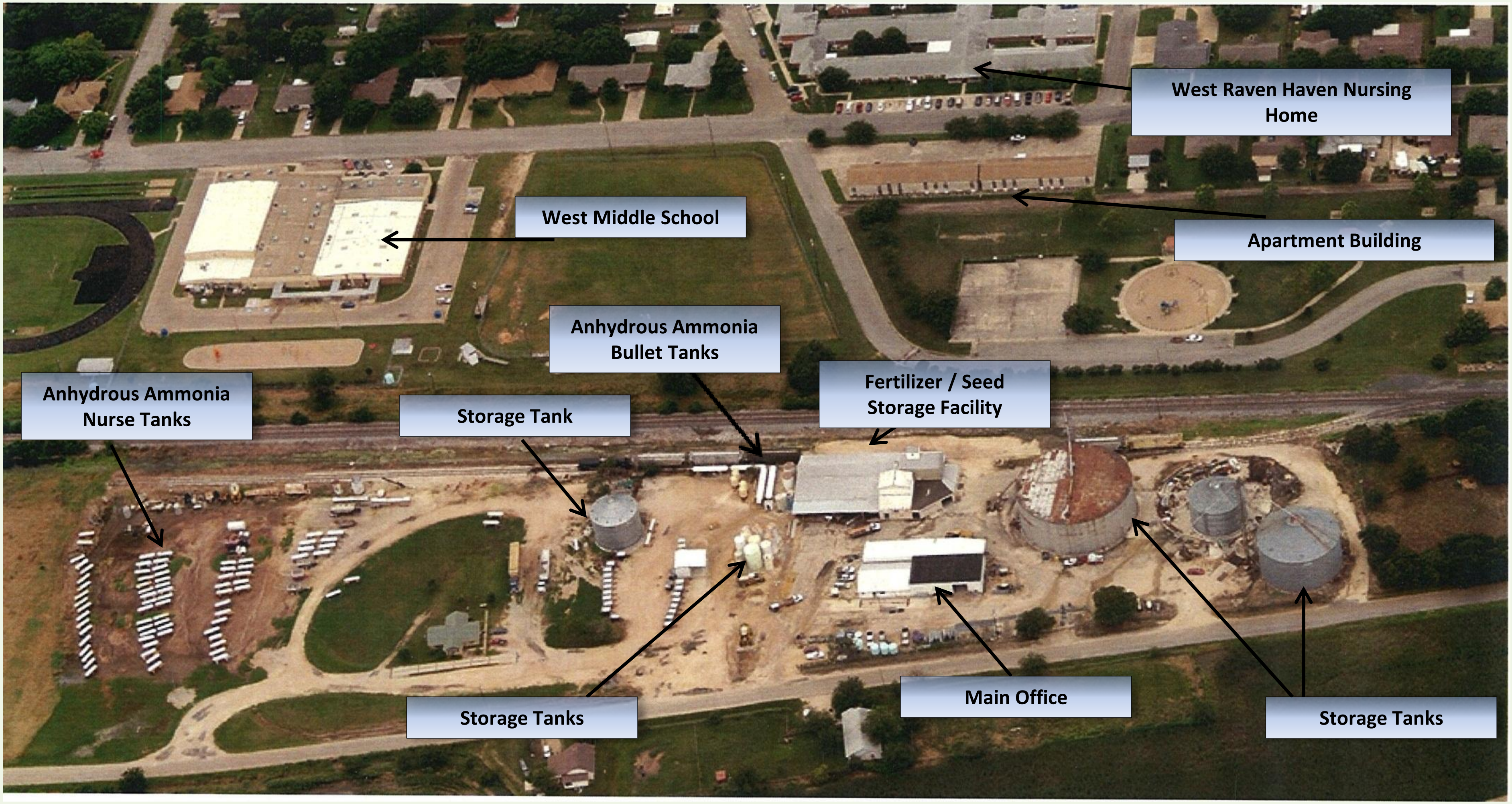
Image credit: *New York Daily News*

# West, Texas Home Assessment Map

4/26/2013 11:39:45 AM



# WEST FERTILIZER COMPANY: BEFORE



# WEST FERTILIZER COMPANY: AFTER

# APARTMENT BUILDING

# Industry Response

- Internal discussion about adopting a Code for $NH_3$
  - Canadian system a potential model
  - Board authorization – February 2013

- West Fertilizer – April 2013
  - Scope broadened to include ammonium nitrate
  - ARA and TFI begin working together on ResponsibleAg

# ResponsibleAG

Agricultural Retailers Association

- Consolidate federal regulations into a single checklist

- Registration of facilities

- Third party <u>non-regulatory</u> inspections to verify compliance with federal regulatory requirements

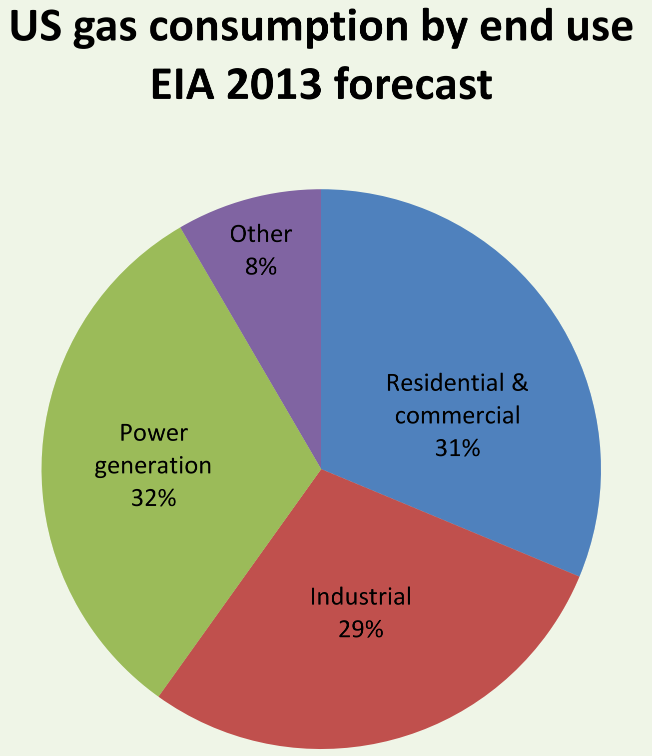
# PURPOSE

- Safety for employees and the public
- Demonstrate responsibility to the public and to regulators
- Transparency
- Prepares Retailers for regulatory inspections
- Continued access to products
- Level playing field for all players
- Reduce the risk of additional regulatory burdens
- Industry-led solution that is sensitive to industry needs

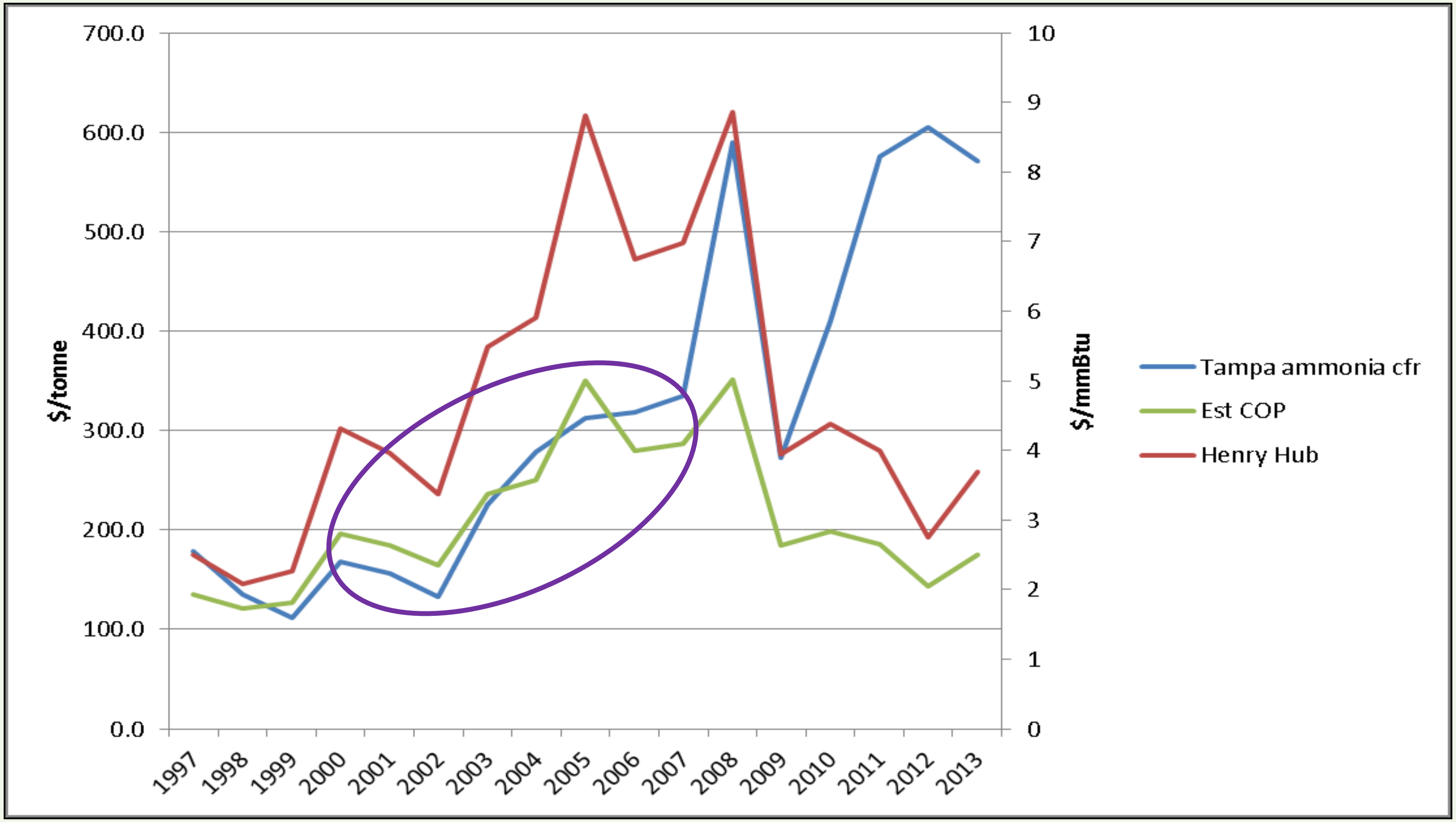
# Ammonia & Natural Gas

# US NatGas demand forecast 70 Bcf/d (~2B m³) in 2013

- Three major groups each account for 1/3 of demand
  - Power generation – gas competes with coal
  - Industrial users – e.g. fertilizers, steel, paper
  - Residential and commercial – heating, cooking

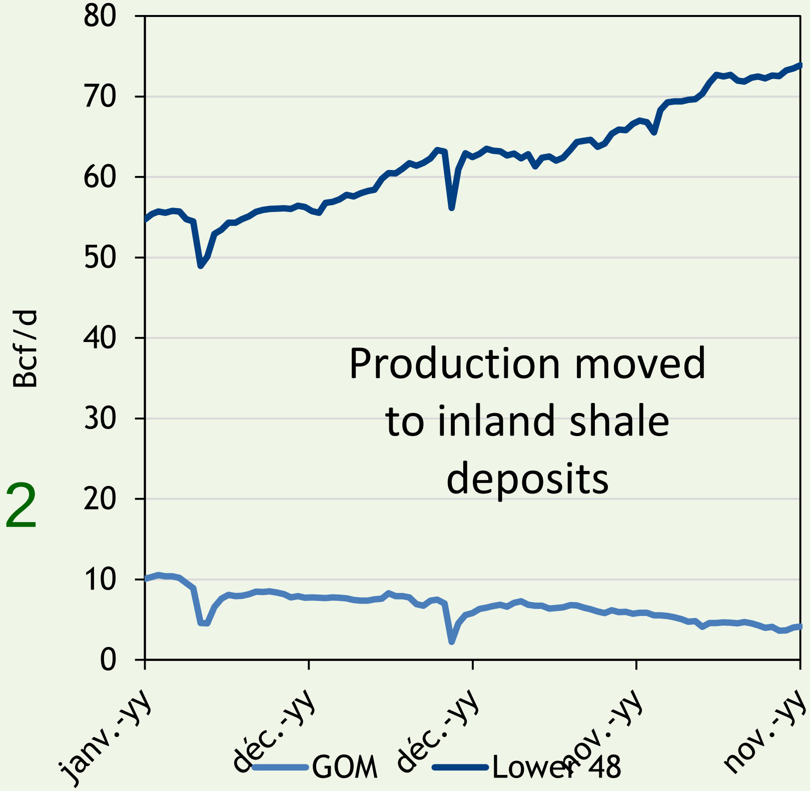


# HIGH GAS PRICES, LOW MARGINS PROMPT SHUTDOWN ERA



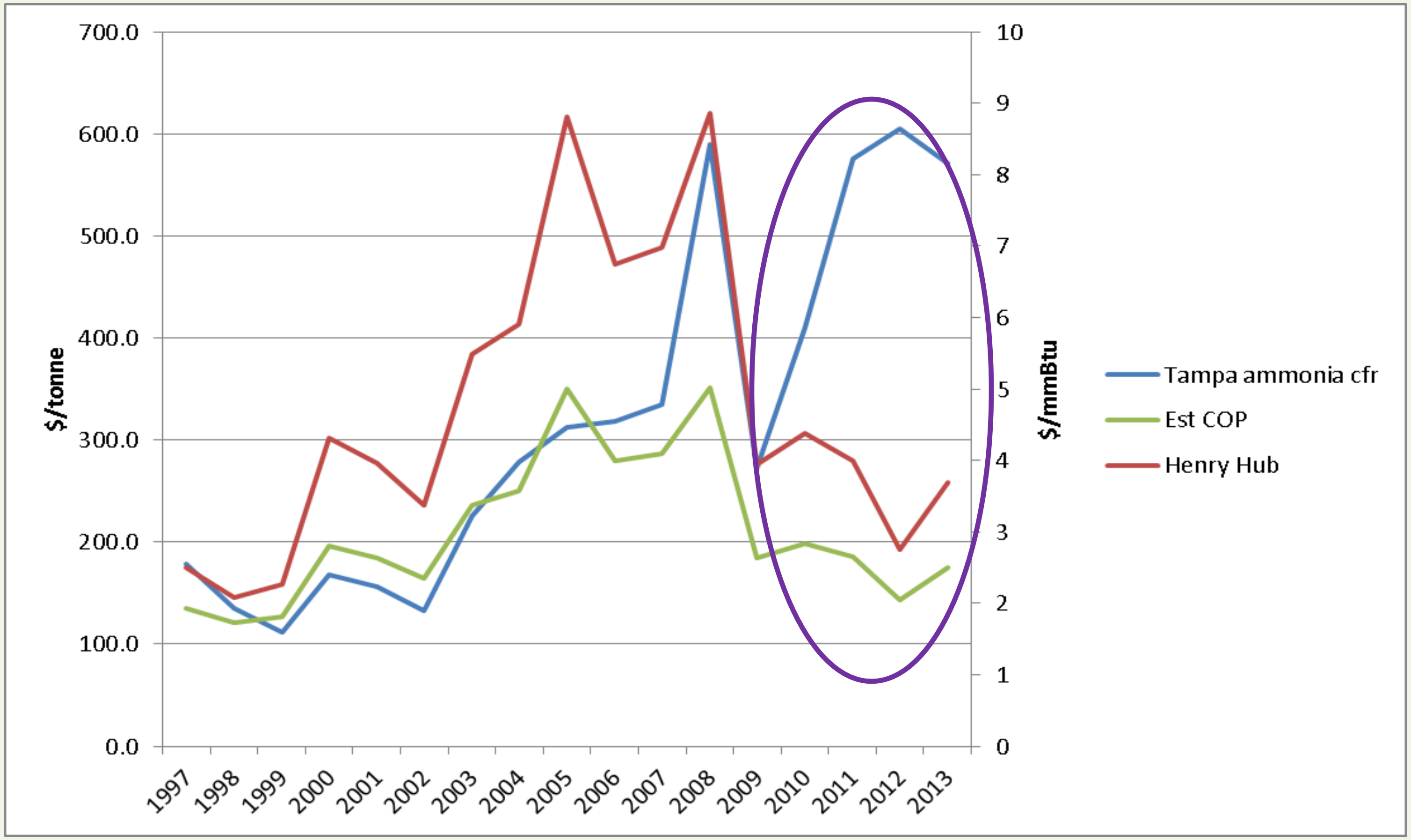
# Shale drives US NatGas production growth

- Lower 48 output:
  - 74 Bcf/d – Nov 2012
  - 55 Bcf/d –Jan 2005
- Offshore output:
  - 6% of total production 2012
  - down from 13% in 2007

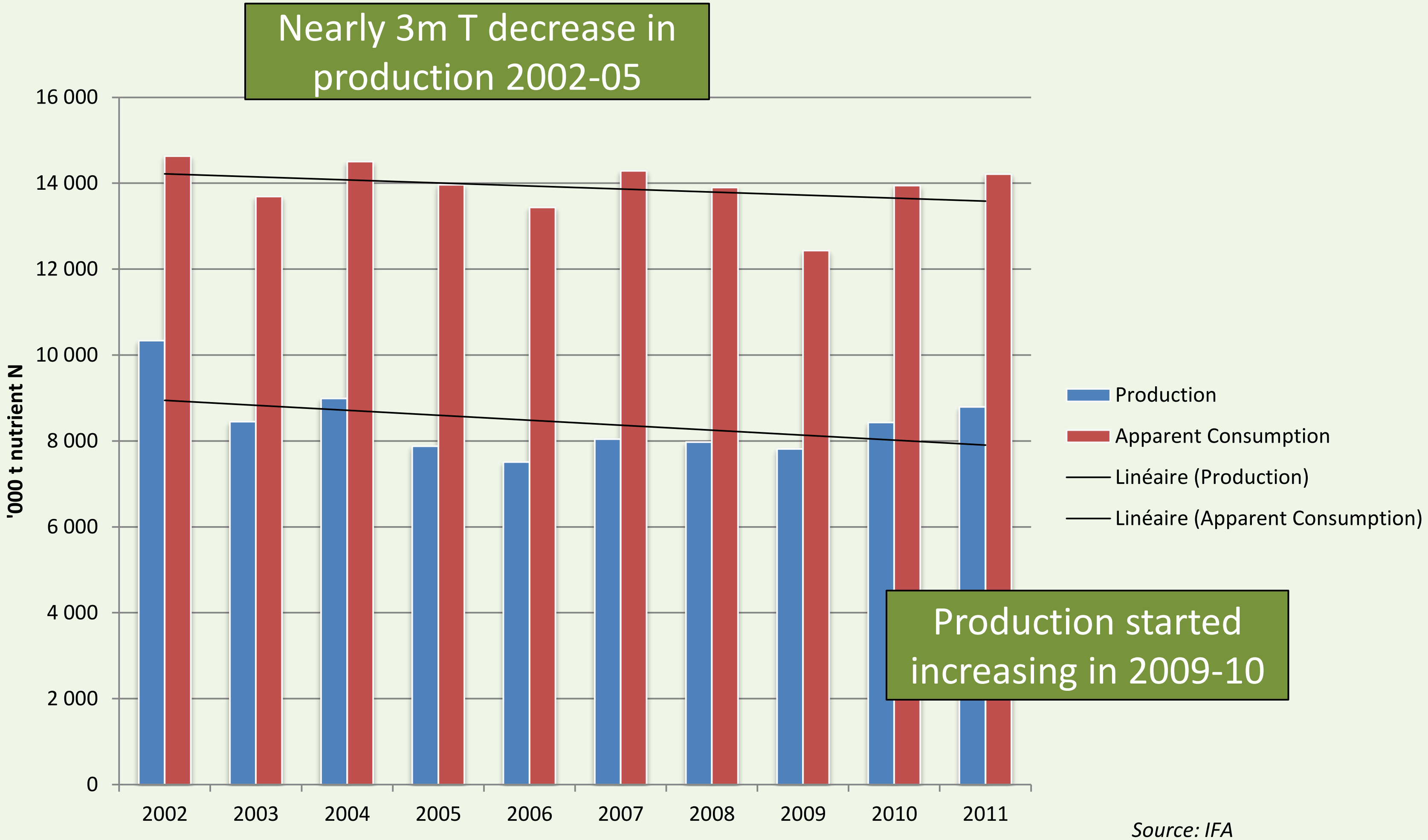



*Source: US EIA, Form-914 data*

# LOW COST OF PRODUCTION (COP), HIGH MARGINS PROMPT CAPACITY GROWTH



# US $NH_3$ PRODUCTION, CONSUMPTION 2002-11



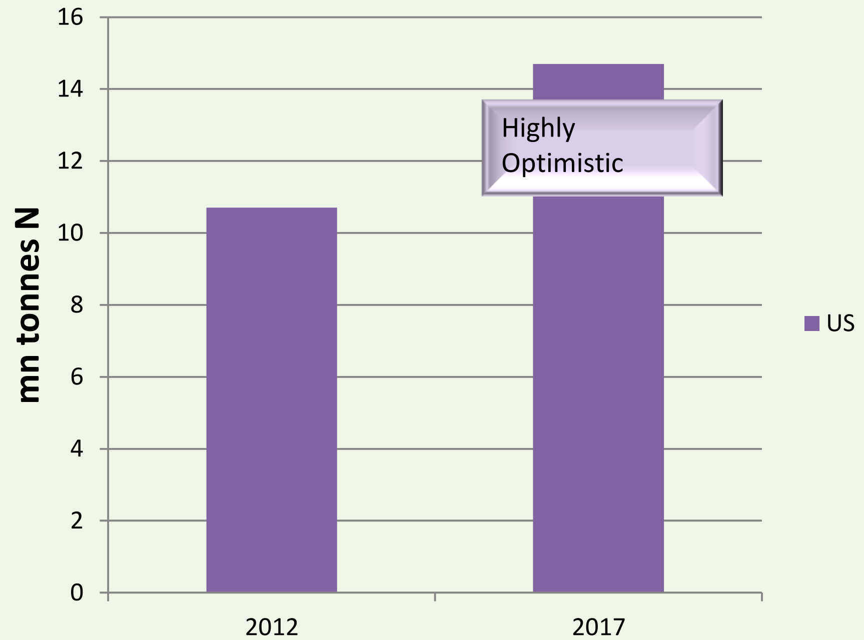

*Source: IFA*

# Intended US & Canada N projects

| | Debottleneck | Brownfield | Greenfield |
|---|---|---|---|
| Some key players | Koch, Agrium, PCS, LSB, Rentech | CF, IPL, Mosaic | OCI, CHS, OVR, NPN, |
| Probability | High | Med high | V. low-med (depending on project) |
| Considerations | None | Increasing market competition | High capex, longterm gas/crop prices |

# US AMMONIA CAPACITY PROJECTIONS

- Domestic capacity increases and tied tonnage (Trinidad and Canada) to impact import dependence
- Domestic projects likely to face delays, but….
- Import requirements to be reduced by 50% before 2020
- US NH3 net exporter by early/mid 2020s




Source: IFA

AGRICULTURAL RETAILERS ASSOCIATION

# Merci!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