2000 annual report

Agrium

supporting a growing world

profile

Our Company is a leading global producer and distributor of fertilizers and other agricultural products and services.

We are one of the top two nitrogen producers in the world with approximately three percent of the nitrogen market. From our 15 operations in North America and Argentina, we produce, market and distribute approximately 10 million tonnes of fertilizer products annually. This includes approximately seven million tonnes of nitrogen, two million tonnes of potash and one million tonnes of phosphate. These facilities are among the most modern and efficient in North and South America. Our three million tonnes of strategically located storage capacity enables us to serve our customers during the peak spring and fall application seasons.

Our Retail operation, with more than 225 retail farm centres in the U.S., is one of the largest independent retailers of fertilizers, seed and chemicals in North America and a major provider of agronomic services. In Argentina, we also own and operate 18 retail farm centres.

contents

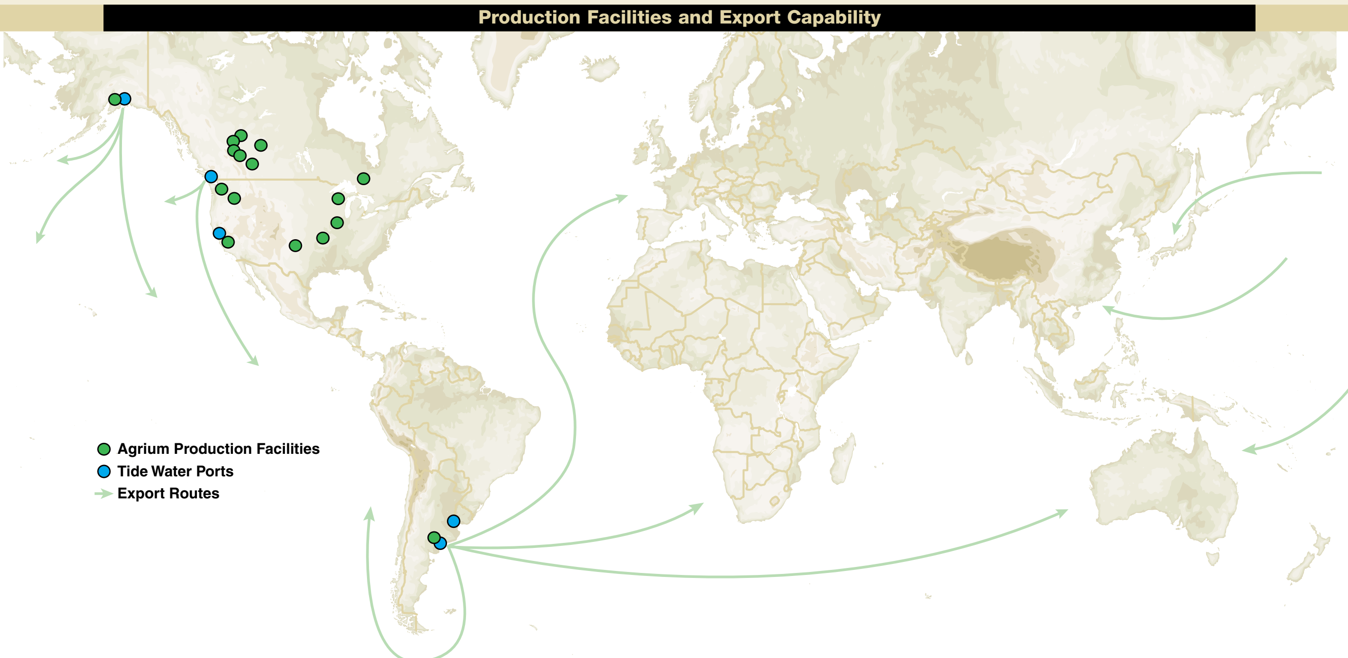
annual production capacity by product group

(thousands of product tonnes)

Location	Nitrogen	Phosphate	Potash	Sulphate	Micronutrients
Borger, Texas	442				
Carseland, Alberta	860				
Conda, Idaho		482			
Ft. Saskatchewan, Alberta	650				
Henry, Illinois					145
Homestead, Nebraska	190				
Joffre, Alberta	480				
Kenai, Alaska	1,670				
Kennewick, Washington	545				
Profertil, Argentina*	585				
Redwater, Alberta	1,365	680		300	
Reese, Michigan					27
Standard/Granum, Alberta	120				
Vanscoy, Saskatchewan			1,790		
West Sacramento, California	185				
TOTAL	**7,092**	**1,162**	**1,790**	**300**	**172**

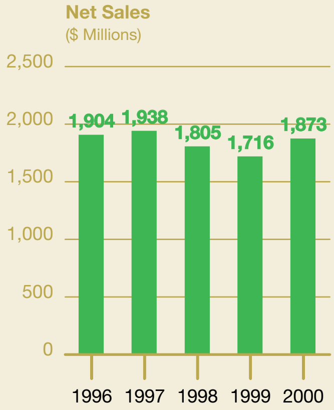
* Represents 50% Profertil S.A. production

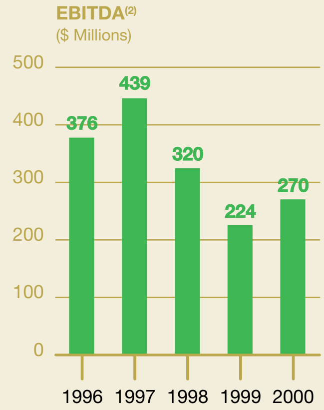
Production Facilities and Export Capability

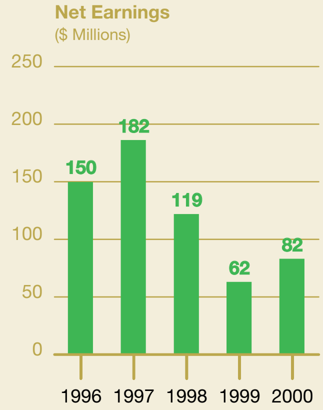


financial highlights

(millions of U.S. dollars, except per share data)	**2000**	1999	1998	1997	1996
Net sales	**$ 1,873**	$ 1,716	$ 1,805	$ 1,938	$ 1,904
Gross profit	**547**	489	581	689	708
EBIT(1)	**163**	131	228	354	295
EBITDA(2)	**270**	224	320	439	376
Net earnings	**82**	62	119	182	150
Per common share	**$ 0.65**	$ 0.47	$ 0.94	$ 1.41	$ 1.09
Cash flow from operations before changes in working capital	**224**	127	204	394	219
Capital expenditures	**179**	234	174	144	153
Gross profit by business segment					
North America Wholesale					
Nitrogen	**172**	88	169	296	365
Phosphate	**19**	60	75	84	88
Potash	**70**	65	69	51	32
Sulphate and other	**17**	18	19	19	20
	278	231	332	450	505
North America Retail	**247**	238	236	230	215
South America Wholesale	**2**	6	–	–	–
South America Retail	**19**	12	13	8	4
Other	**1**	2	–	1	(16)
	$ 547	$ 489	$ 581	$ 689	$ 708







(1) Earnings before interest expense and income taxes.
(2) Earnings before interest expense, income taxes, depreciation, depletion and amortization.

2000 HIGHLIGHTS

- Acquired Union Oil Company of California (Unocal) fertilizer assets;
- Became the world's second largest nitrogen producer;
- Nitrogen prices strengthened substantially throughout the year;
- Fourth consecutive record in North America Retail EBIT.

our vision

Our vision is to be a top tier global company providing diversified agricultural products and services in a manner that maximizes growth in shareholder value. We will continue to build on our strategies of innovation, integration, growth and globalization. We will achieve our vision through:

AGRICULTURAL PRODUCTS AND SERVICES • *Focusing our efforts on meeting the existing and emerging needs of our customers, improving the competitiveness of our asset base and continuously improving all business activities.*

EMPHASIS ON GROWTH • *Growing shareholder value through mergers, acquisitions and investments which provide geographic and product diversity.*

DISCIPLINED INVESTMENT APPROACH • *Maintaining an optimal financial structure which balances risks with rewards.*

OUR PEOPLE • *Creating a high performance culture aligning employee interests with corporate goals.*

Frank W. Proto, Chairman of the Board

John M. Van Brunt, President and CEO

report to shareholders

To Our Shareholders

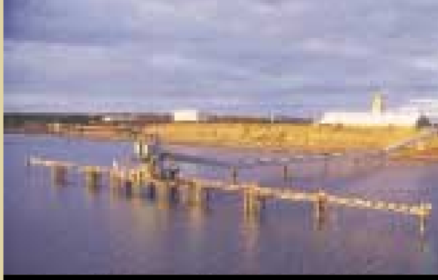
We would like to open our remarks this year by thanking our employees for the imagination, skill and experience they have brought to their jobs every day since we went public some eight years ago. They have been the primary reason we have been able to transform a small, regional, wholesale fertilizer company in 1993 into the global agricultural products and services company we are today. We are proud of the team of people we have been able to gather together at Agrium and, due to their efforts, our transformation has been dramatic. We would also like to welcome the new people who have joined us in 2000 from The Unocal Fertilizer Asset acquisition. Together with our existing team, we look forward to working with them to achieve our vision of being a global leader in our industry.

The quality of our team and our commitment to the future are key elements in our strategy for growth as we continue our journey toward becoming a world leader in diversified agricultural products and services. Using the same disciplined investment approach, we will leverage off the assets we have brought together in the Americas, all of which have allowed us to increase the size of our Company by over 800 percent since we went public in 1993. We will aggressively pursue strategies and implement processes which promote the foundation necessary to compete globally. Our Company is well equipped to recognize and take advantage of opportunities and overcome challenges.

The year 2000 has been a memorable step toward achieving our vision:

- *We completed the acquisition of Unocal's Fertilizer Division effective September 30, 2000, and by the end of the first quarter 2001 had integrated their systems and processes with our own management systems. Our organization's High Performance Culture training is currently being rolled out at our new facilities and we expect to be fully integrated by the end of 2001, achieving the maximum synergies possible. A high-performance culture encourages an environment of accountability, ownership, collaboration and committed partnerships which we believe provides our Company with a competitive advantage and is the foundation for spectacular growth;*
- *Construction at our Profertil complex in Argentina, a 50 percent joint venture with Repsol-YPF S.A., was completed in 2000 with production of ammonia achieved in late 2000 and production of urea starting in January, 2001. In its first week of operation, the urea plant achieved a world record for daily production from a single-train facility. During commissioning of the site, a number of challenges were encountered including two low-level ammonia releases. It is not unusual to encounter problems of this nature in starting up an operation of this size and these have now been resolved;*

committed partnerships



tidewater transportation

- *Throughout 2000 we continued to make progress at our Kapuskasing, Ontario, phosphate facility. The operation had attained some 80 percent of design capacity by year-end and it is now expected that full design capacity will be reached by mid-year, about a year later than originally planned. On reaching full capacity, we expect to achieve the cost advantage originally anticipated;*
- *Our North America Retail operation continued to show year-over-year improvement, achieving record margins and earnings before interest expense and tax (EBIT) for the fourth consecutive year. The acquisition of Unocal's Fertilizer Assets further integrates our North America Wholesale and Retail operations, as Retail was the largest single customer of Unocal's fertilizer business;*
- *Overall, the addition of our new nitrogen facilities makes our Company one of the two largest producers in the world and the largest in the western hemisphere.*

Natural gas costs, the major input to producing nitrogen fertilizer, rose to record levels in North America throughout 2000. We managed to minimize the impact on our Company through our ongoing successful hedging program. High input costs resulted in an estimated 50 percent of North American nitrogen production capacity being shut down late in the year. We also chose to shut down approximately 20 percent of our nitrogen production temporarily, as our superior wholesale distribution network provided us the opportunity to purchase product on world markets at prices below the cost of production utilizing unhedged natural gas. The balancing of global supply and demand, accelerated by the rise in input costs and resultant production curtailments, resulted in substantial increases in nitrogen pricing.

Looking ahead to 2001 and beyond, changes in the nitrogen business are expected to occur as the market adapts to higher natural gas prices in North America. Industry experts anticipate that natural gas prices will likely remain well above historic levels for the next 12 to 18 months. We expect this will result in permanent closure of a number of smaller, less efficient facilities, which will accelerate the ever-tightening supply and demand balance. However, our facilities will be less affected by the higher prices as the majority of them are among the most efficient in North America. Our facilities consume less natural gas to make a tonne of ammonia and also benefit from our gas hedging activity.

Over the next three years at a minimum, global nitrogen supply and demand will continue to remain tight, as few new capacity additions are anticipated in the period. As a result of our acquisitions and development in the Americas, we are well positioned to meet the growing demand.

The outlook for phosphate, while improving, is for prices to remain low throughout 2001 as international markets continue to adjust to new production in Australia and India. Potash prices and volumes are expected to remain stable. In the short-term there could be a slight decline in phosphate and potash demand, as farmers divert some money away from these products to pay for nitrogen, the primary nutrient.

product quality

developing markets

offshore sales

report to shareholders

Until recently, our potash and small quantity of nitrogen exports defined our global export sales. The addition of Kenai as part of The Unocal Fertilizer Asset acquisition and the completion of Profertil dramatically expand our global presence and open up world markets to us in Latin America, Asia, Australia, Europe and South Africa. These facilities have increased our nitrogen production levels by 60 percent. They have reserve-dedicated, long-term natural gas supply contracts at fixed base-prices. These natural hedges position us well to take advantage of the current nitrogen-pricing environment. Profertil is located on tidewater and, while ultimately targeting the growing domestic market, will sell significant volumes to the global market in its first few years of operation. In 2001, exports from Kenai and Profertil are anticipated to total approximately 700,000 tonnes of ammonia and approximately 1.2 million tonnes of urea. These additions substantially increase our presence in the export arena making us a truly global player in our industry.

With leadership comes responsibility. We will continue to ensure we are an efficient, viable producer through process improvement initiatives such as our selling, general and administrative costs initiative in 1999 and our asset management process started in late 2000. We also have an ongoing goal to meet or exceed world-recognized environmental, health and safety standards. In addition, acknowledging the importance of our customers, we have established a goal of becoming the Easiest Company to do Business With in our industry. To improve our electronic invoicing transactions further, we are piloting a project of system-to-system communication links utilizing Internet technology. The new process will enable effortless transactions with our customers, eliminating the need for both document and data entry procedures. We also have numerous other e-business initiatives to improve the timely flow of agronomic and wholesale information which are anticipated to enhance our business relationships with our customers. The goal of these initiatives is customer service so superior that it will differentiate us from our competitors and provide a major competitive advantage.

We will continue to build shareholder value through our growth strategy, capitalizing on our financial and industry strengths. We are at a stage in our industry where we, as a disciplined investor, can grow from our position and strength, building on our proven track record.

We look forward to the next steps in our strategy. As a result of our accomplishments in 2000, and minimal commitments beyond sustaining capital over the next period, we expect future free cash flow to increase significantly. The improved earnings from the Unocal acquisition, the completion of the Profertil facility and strengthening nitrogen margins should generate increasing free cash flow. We intend to utilize this free cash flow to achieve our objective of increasing value for our shareholders by reducing our debt to our target levels, creating efficiencies and low-cost processes and continuing to invest in growth


dedicated employees

opportunities. Share repurchases will also be considered as they can provide an increase in shareholder value. All of these initiatives will provide further momentum for reaching our goal of a $50 share price.

Some significant changes to our management team took place this year. Bill Robertson, Executive Vice President and Chief Operating Officer, retired after 39 years of service with Agrium and its predecessor companies. We would like to acknowledge his contribution in helping lead us to where we are today. We would also like to welcome Mike Wilson as Executive Vice President and Chief Operating Officer, who joined us after a distinguished career in the petro-chemical industry, and Bruce Waterman, who joined our Company as Senior Vice President, Finance and Chief Financial Officer, and brings significant international financial experience from the oil and gas industry.

On behalf of the Board of Directors and our team we would like to invite you to share in our success as we continue on our journey to realizing our vision. We have established a reputation as a Company that delivers on its promises to stakeholders. Rigorously following our corporate strategy by setting goals and attaining them in a timely manner is the foundation of our High Performance Culture, the key to our future growth and success. In closing, we will leave you with a thought from the closing of our 1993 annual report, the year we went public:

> *"We wish to convey our appreciation to the many individuals and organizations who have shown confidence in our vision by investing in us, and we look forward to reporting on our progress as we strive to be the top global company in our industry growing for tomorrow's world."*

Frank W. Proto (signed)
Chairman of the Board

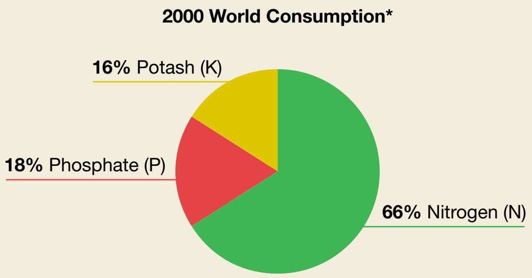
March 12, 2001

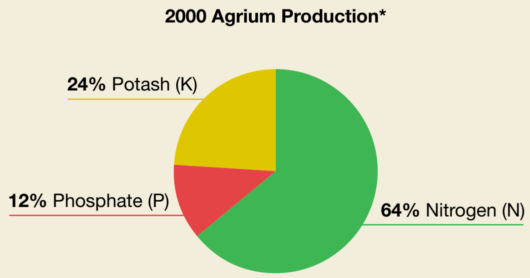
John M. Van Brunt (signed)
President and Chief Executive Officer

March 12, 2001

Agrium is one of the largest nutrient suppliers in the world.

Strategic Product Mix
(nutrient tonnes)





*Sulphate is included in nitrogen.
Sources: IFA, Agrium.

facts about nutrients

- Agrium can produce over 10 million tonnes of product per year.
- Manufactured fertilizers are the most effective way to replenish nutrient depleted soils.
- A 50-bushel winter wheat crop removes 47 – 57 lbs of nitrogen from the soil.

N – Nitrogen

P – Phosphate

K – Potash

S – Sulphur

The following **Management's Discussion and Analysis** is in U.S. dollars and should be read in conjunction with the consolidated financial statements and related notes and other financial information on pages 65 to 68 of the fold-out.

FORWARD-LOOKING STATEMENTS

Certain statements in this annual report and this management's discussion and analysis constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. A number of factors could cause actual results to differ materially from those in the forward-looking statements, including, but not limited to, fluctuations in supply and demand of fertilizer, changes in natural gas and other input costs, changes in capital and foreign exchange markets, unexpected agricultural or environmental conditions and government policy changes.

our business: nutrients for plant growth

Nitrogen, phosphorous, potassium and sulphur are essential components to all living things.

NITROGEN (N)

Nitrogen promotes protein formation in plants and crops and is a major component of chlorophyll, which helps to promote green, healthy growth and high yields. **Nitrogen is the primary nutrient for plant growth** A**.** The basic building block for all nitrogen products is ammonia, which is manufactured by heating natural gas to high temperatures and reacting the resulting hydrogen with nitrogen from steam. Under normal conditions ammonia is in a gaseous form, but when refrigerated, changes to a liquid. Ammonia can be upgraded into various products such as urea and ammonium nitrate or nitrogen solutions.

PHOSPHATE (P)

Phosphorous contained in phosphate fertilizers stimulates root development, promotes flowering and helps prevent disease and environmental stress. It also stimulates growth and helps produce uniform crop yields. Phosphate fertilizers are derived from phosphate rock, when reacted with sulphuric acid and then ammonia.

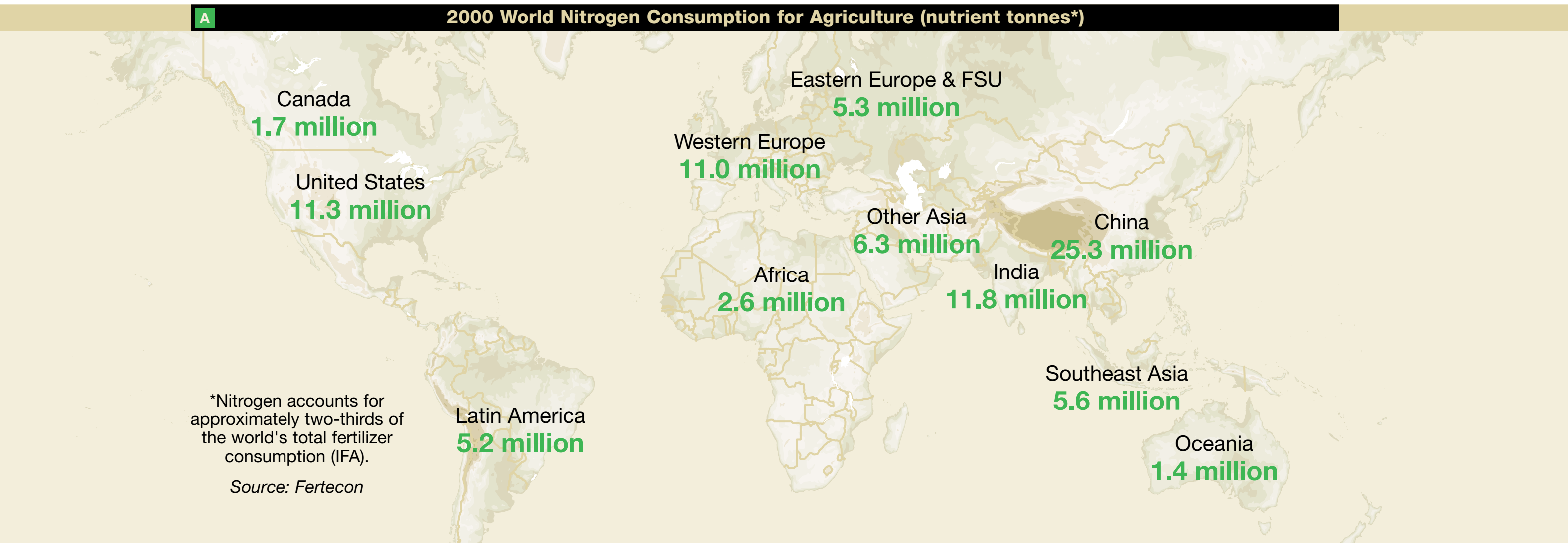
POTASH (K)

Potassium contained in potash regulates water balance, the activity of many enzymes, starch synthesis, nitrogen uptake and protein production. The minerals containing potassium are mined from a limited number of naturally occurring ore bodies and are processed to form granular, prill and other fertilizer products.

SULPHUR (S)

Sulphur acts as a building block for proteins, enzymes and vitamins and is a key ingredient in the formation of chlorophyll. Inadequate sulphur restricts yield potential and effective use of other nutrients. The most common form of sulphur fertilizer is ammonium sulphate, which is produced in granular or prill form.

A 2000 World Nitrogen Consumption for Agriculture (nutrient tonnes*)



*Nitrogen accounts for approximately two-thirds of the world's total fertilizer consumption (IFA).

Source: Fertecon

growing population

higher protein diets

global supply and demand fundamentals

In 2000, we expanded our nitrogen business. The strongest fundamentals over the next three years are expected to be in nitrogen.

FEEDING THE WORLD

Population growth and improvements in diet drive global demand for grain. The U.S. Bureau of Census reported in 1999, that world population reached six billion and at current growth rates is projected to increase to nearly seven billion by 2010. Continually improving standards of living in developing countries also increase demand for higher protein diets including meat and dairy products. The Food and Agriculture Policy Research Institute (FAPRI) estimated that world **grain production will have to increase by approximately 15 percent** by 2010 to keep pace with demand growth B. Due to **increasing urbanization and already limited arable land,** we believe additional grain production can only be achieved through improved crop yields C.

In some parts of the world, the necessary agricultural infrastructure and agronomic expertise are available to promote balanced nutrient replacement practices. In many developing countries, however, growers are continually depleting the soil of existing nutrients. It is in these parts of the world that the greatest growth in demand for crop nutrient inputs is anticipated. A balanced plant nutrition approach will enable growers in these countries to increase grain production and help meet the expected growth in world grain demand.

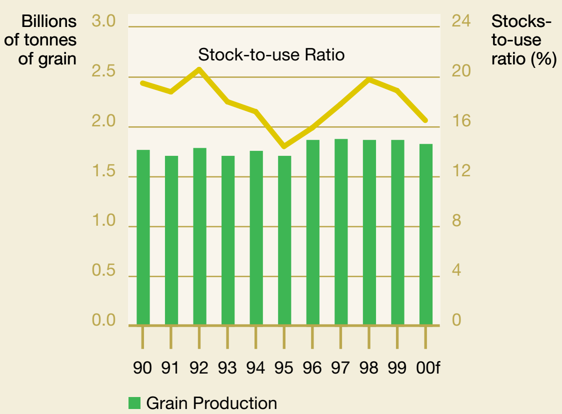
SUPPLYING THE NUTRIENTS

Nutrients are a key factor in sustaining and increasing world grain production. Plants naturally take up nutrients from the soil through growth; therefore, the soil requires balanced nutrient replacement to ensure future healthy growth and improved yields.

World demand for nutrients typically grows at predictable rates and tends to correspond to growth in grain production. However, growth in production capacity is much more sporadic due to a number of factors:

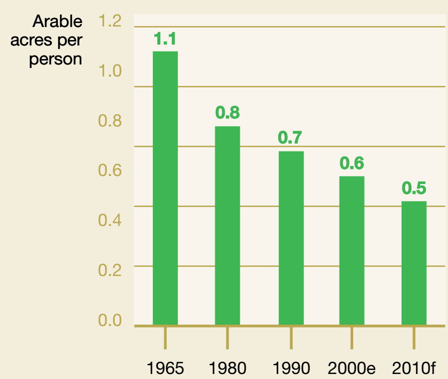
- New production capacity tends to be initiated during periods of high product prices when financing is more easily obtained;
- There is significant lead time from conception to completion of a new facility;
- Government intervention may support or create inefficient local production;
- Changes in raw material costs can result in existing production being curtailed.

B World Grain Production and Inventories



Source: USDA

C Limited Land



Sources: FAO, U.S. Government

reliable distribution


global exports

global supply and demand fundamentals

NITROGEN

The International Fertilizer Association (IFA) states that nitrogen accounts for approximately two-thirds of the world's total fertilizer consumption. While nitrogen demand growth continues at relatively stable rates, weak nitrogen prices in the late 1990's resulted in a reduction in new nitrogen plant proposals. Consequently, there will be a **drop in additions to world nitrogen capacity between 2000 and 2004 D.** As a result, during this period demand growth is expected to outpace supply growth.

Two other factors have affected nitrogen supply recently. First, government support for domestic production has kept uneconomic plants running in India and created an over-supply situation in China. Second, rising energy costs in many regions of the world forced temporary and permanent plant closures at various times during 2000, which has restricted supply and provided additional support for nitrogen prices. In North America an estimated 50 percent of nitrogen capacity was suspended late in 2000. Over the next few years India may choose to close a significant portion of their nitrogen facilities to comply with World Trade Organization (WTO) rules and due to the high costs of imported raw materials. China was a net exporter of urea in 2000, but could again become an importer in a more competitive environment and with improved domestic demand for nitrogen.

PHOSPHATE

Phosphate capacity additions in India and Australia have recently resulted in pricing pressures. The addition of two world-scale facilities has had a more significant effect on the phosphate market than it would have had on the nitrogen market due to the relative size of these markets. The impact of this additional capacity is expected to continue throughout 2001 and perhaps longer, until demand growth catches up.

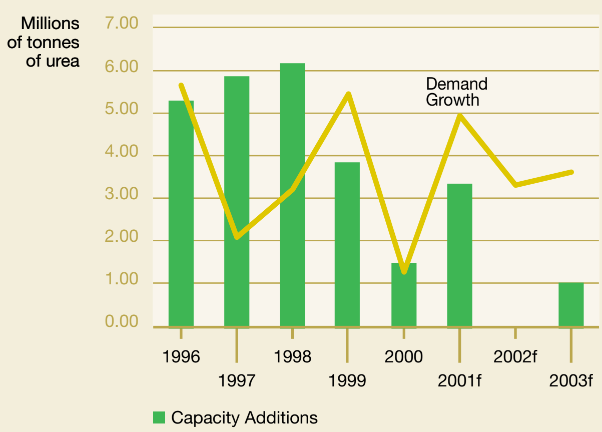
POTASH

Potash producers in Saskatchewan, Canada, the largest producing region in the world, have adequate reserves and production capacity to match global demand for the foreseeable future.

SULPHUR

Sulphur is a key input in the production of both phosphate fertilizers and ammonium sulphate. It is a by-product of oil and gas production and an abundant, low-cost raw material at our phosphate and ammonium sulphate production sites at Redwater, Alberta, and Conda, Idaho. Ammonium sulphate is a particularly important fertilizer for certain crops, including canola, alfalfa and forages.

D Change in World Nitrogen Capacity and Demand (Urea)



Sources: Fertecon, Blue Johnson, IFA, Industry Reports


strong foundation


feeding the world

our history: taking advantage of opportunity

We have grown from a small North American fertilizer operation in 1993 into a global company specializing in agricultural products and services.

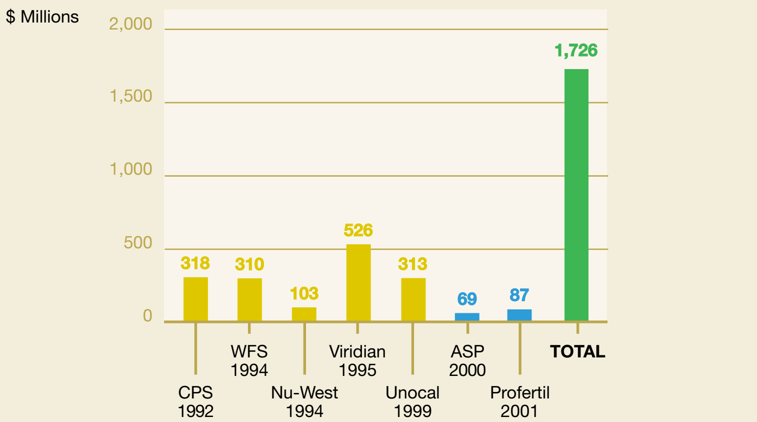
Since going public in 1993, we have grown annual revenue from approximately $290-million to approximately $1.9-billion in 2000, a 32 percent compound annual growth rate. In 2001, we expect revenues to be $2.6-billion. This **growth was accomplished through a disciplined investment approach,** counter-cyclic acquisitions and continual emphasis on our core business of agricultural products and services E. We have leveraged off our North American asset base to invest globally in projects that support our vision. Significant investments included:

1989 – 1995	Acquisition of Crop Production Services Inc., adding retail revenues of $318-million
1995	Acquisition of Western Farm Service Inc., adding retail revenues of $310-million
1995	Acquisition of Nu-West Industries Inc., adding phosphate revenues of $103-million
1995 – 1997	Establishment of 18 farm centres in Argentina, contributing revenues of $69-million in 2000
1996	Merger with Viridian Inc., adding nitrogen and phosphate revenues of $526-million
1998 – 2000	Construction of the Profertil nitrogen facility in Argentina with production capacity of 1.1 million tonnes (gross) of urea
1998 – 2000	Development of Kapuskasing facility in Canada with production capacity of one-million tonnes of phosphate rock
2000	Acquisition of The Unocal Fertilizer Assets, adding nitrogen revenues of $313-million

(Revenue of acquired companies in year prior to acquisition.)

In September 2000, we completed the acquisition of the fertilizer assets of Union Oil Company of California (The Unocal Fertilizer Assets). The purchase price of $321-million, including working capital, was financed through existing cash balances, the issuance of $50-million in six percent convertible preferred securities, $25-million of common shares and $200-million of short-term financing. We also agreed to an earn-out arrangement (Earn-out) with Union Oil Company of California (Unocal) as described on page 16. Concurrent with the purchase, we sold certain storage assets for proceeds of $16-million. The Unocal Fertilizer Assets include two world-scale nitrogen plants in Kenai, Alaska, with annual production capacity of 670,000 tonnes of net ammonia and one million tonnes of urea. Other assets include plants at Kennewick and Finley, Washington, and Sacramento, California, which produce ammonium nitrate and nitrogen solutions.

E **Growth Through Investment**



Revenue of investment in year prior to addition (excluding Profertil and ASP).

the present: delivering results

Led by the nitrogen market, the year 2000 represented a turnaround from our trough earnings in 1999.

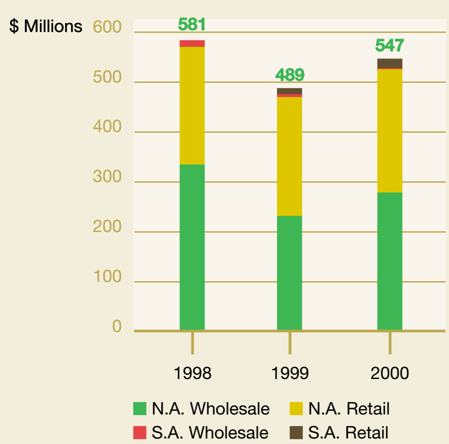
Our operations are divided geographically and then by functional area into five reportable segments. The four operating segments are North America Wholesale, North America Retail, South America Wholesale and South America Retail. The fifth segment, Other, includes non-operating functions of our Corporate office together with inter-segment eliminations.

Market conditions were difficult in 1999 as nitrogen prices were at multi-year lows and phosphate prices were also declining. In late 1999 and during 2000, the improvement in nitrogen prices signalled a recovery in the nitrogen sector, though phosphate has yet to show significant improvement. Potash prices remained stable throughout this period.

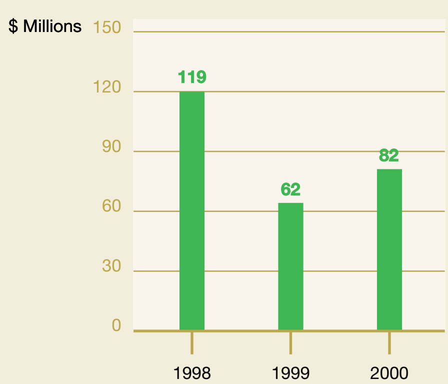
Net earnings for the year 2000 were \$82-million (\$0.65 per share) compared to \$62-million (\$0.47 per share) in 1999 and \$119-million (\$0.94 per share) in 1998. Significant factors affecting the results were:

- Net sales in 2000 increased from 1999 and 1998 levels, due mainly to improving nitrogen fundamentals and the acquisition of The Unocal Fertilizer Assets;
- Cost of product sold for 2000 increased from 1999 and 1998 levels as a result of increased sales volumes, The Unocal Fertilizer Asset acquisition and significant increases in natural gas costs. These increases in gas costs were mitigated by hedging gains of approximately \$75-million before taxes;
- Selling, general and administrative costs (S,G&A) for 2000 increased over 1999 levels primarily due to expansion and increased fuel costs in our retail operations, offsetting synergies realized from the 1999 S,G&A review. The decline in 1999 from 1998 was due to the 1999 S,G&A cost reduction initiative, which resulted in closure of our Saskatoon and Spokane offices and a reduction of 162 employees;
- Depreciation, depletion and amortization for 2000 has increased over 1999 and 1998 levels due to the acquisition of The Unocal Fertilizer Assets, a full year of operations at our Kapuskasing phosphate facility, and accelerated depreciation at our Conda phosphate facility;
- Other expense in 2000 increased over 1999 due to: lower interest income on lower cash balances; higher potash profit taxes; increased environmental provisions and higher provisions for doubtful receivables in South America. A restructuring charge of \$11-million in 1999 resulted in the increase over 1998;
- Interest expense in 2000 and 1999 is lower than 1998 as a result of interest capitalized on Profertil in 1999 and 2000 and Kapuskasing in 1999.

Gross Profit by Business Segment



Net Earnings




reliable delivery

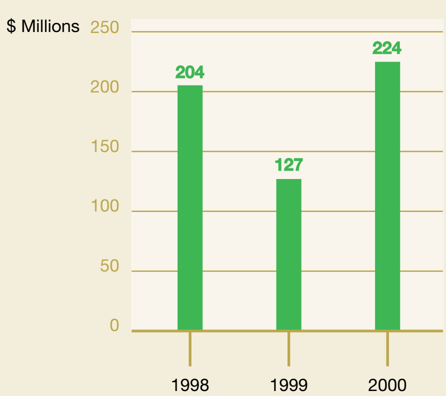

customer success

As described in Note 2 of the consolidated financial statements, we have adopted the new provisions relating to the recognition of employee future benefits that were introduced by the Canadian Institute of Chartered Accountants (CICA) in 2000. This adoption is the latest effort by the CICA to harmonize accounting standards between Canada and the U.S. In 2001, we will also be adopting the new earnings per share section, which requires use of the treasury stock method for the calculation of dilutive earnings per share. The impact of these changes has been disclosed in Note 15 to the consolidated financial statements.

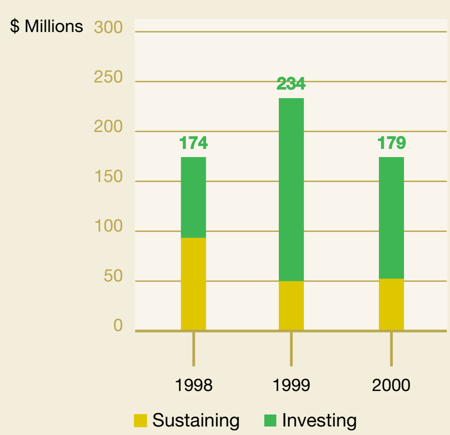
Cash at the end of 2000 declined from 1999 and 1998 levels due to use of surplus cash in the purchase of The Unocal Fertilizer Assets and working capital requirements. Significant items affecting cash resources were:

- Cash flow from operations, before changes in non-cash working capital, increased to $224-million from $127-million in 1999 and $204-million in 1998 due largely to improved earnings after current taxes;
- The net change in non-cash working capital reflects the deferral of approximately $75-million of hedging gains, realized in December 2000. These gains, which were offset by other working capital changes, will reduce natural gas costs in 2001;
- Capital asset additions of $179-million have declined from $234-million in 1999, which included capital for the construction of the Profertil facility and the Kapuskasing phosphate mine. Capital expenditures in 1998 were similar to 2000, reflecting lower levels of activity on these major projects;
- Bank indebtedness increased in 2000 as a result of The Unocal Fertilizer Asset purchase and, in 1999, increased due to the bridge financing for Profertil;
- Common share repurchases in 1999 and 1998 were a result of normal course issuer bids initiated in each of 1997 and 1998 to purchase up to five percent of the outstanding common shares on the open market within one year of the announcement. The 1997 program was increased in April 1998 to 10 percent. Under these programs, over 15 million shares were repurchased at an average price of $12.21 per share. A second normal course issuer bid was initiated in September 1999 but no shares were purchased under this program, which expired in September 2000. These repurchases were financed out of operating cash flows and the issuance in 1998 of $175-million ($171-million net of after tax issuance costs) eight percent unsecured preferred securities due on June 30, 2047.

Cash Flow from Operations



Capital Expenditures



reliable supply

customer support

the present: delivering results

Our working capital requirements are driven by the **seasonal nature of the fertilizer business** F. Sales are concentrated in the spring and fall planting seasons and cash collections generally occur after planting. In some areas such as Argentina, collections occur only after harvest. To ensure there is adequate cash in periods when we are building inventory for the planting seasons, we maintain a number of short-term borrowing facilities for both Canadian and U.S. operations. In Canada, we have a $125-million unsecured term facility and in the U.S. we have a $75-million unsecured revolving credit facility and an accounts receivable securitization program of up to $125-million. The securitization program was increased in December 2000 from $75-million to $125-million and now includes both our U.S. retail and wholesale trade receivables.

The acquisition of The Unocal Fertilizer Assets and the start-up of the Profertil facility in Argentina are expected to provide stability to our cash flow. The production from the Kenai, Alaska, facility is sold on world markets and provides a more regular cash flow stream due to reduced seasonality in sales volumes. Profertil's cash flow from domestic sales will normally peak in the Argentine spring season, which coincides with the North American fall season. Initially, Profertil will sell significant volumes into the world market in order to supplement domestic sales.

The purchase price for The Unocal Fertilizer Assets contains a contingent purchase price clause referred to as the Earn-out. The terms of the agreement state that Unocal has the right to receive a payment in each of the six years following the closing of the acquisition based on an agreed-upon formula. The formula states that if industry-recognized price indices for ammonia and urea exceed specified levels, Unocal will be entitled to a payment equal to 35 percent of the difference based on production capacity of the Alaskan facility. In 2000, this amount was calculated for the fourth quarter only and totalled $5-million and has been recorded as part of the purchase price for The Unocal Fertilizer Assets. Due to uncertainty in predicting forward ammonia and urea prices, it is not possible to estimate the amount of this payment in future periods.

We anticipate our capital expenditure requirements in 2001 to be approximately $175-million, excluding any payments for the Earn-out. The most significant capital projects will be the completion of the industrial phosphoric acid unit at our Conda phosphate operation, enhancement at the Kapuskasing phosphate facility and projects at our potash and nitrogen facilities.

F Selected Quarterly Information – Seasonality of Earnings and Cash Flow

$ Millions	2000					1999					1998				
	Q1	**Q2**	**Q3**	**Q4**	**Total**	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Net Sales	**$ 310**	**$ 700**	**$378**	**$ 485**	**$1,873**	$ 289	$ 675	$ 355	$ 397	$1,716	$ 295	$ 732	$ 389	$ 389	$1,805
Net Earnings	**$ (4)**	**$ 51**	**$ 13**	**$ 22**	**$ 82**	$ –	$ 54	$ 3	$ 5	$ 62	$ 5	$ 76	$ 19	$ 19	$ 119
Net Earnings per Share															
Basic	**$(0.06)**	**$0.44**	**$0.10**	**$0.17**	**$0.65**	$(0.01)	$0.46	$0.01	$0.02	$0.47	$0.04	$0.60	$0.14	$0.14	$0.94
Fully Diluted	**$(0.06)**	**$0.42**	**$0.10**	**$0.16**	**$0.63**	$(0.01)	$0.44	$0.01	$0.02	$0.46	$0.04	$0.58	$0.14	$0.14	$0.92
Cash Flow from Operations	**$ 21**	**$ 70**	**$ 54**	**$ 79**	**$ 224**	$ 19	$ 70	$ 14	$ 24	$127	$ 22	$ 82	$ 60	$ 40	$ 204

focused

Our debt-to-debt plus equity ratio at the end of 2000 was 48 percent, including short-term indebtedness. This includes $163-million of a $200-million short-term facility, maturing on April 30, 2001, and $143-million of bridge financing relating to Profertil. This latter facility will be replaced by project financing in 2001. In February 2001, we raised an additional $125-million of long-term financing which was used to retire a portion of short-term indebtedness. We do not anticipate any changes to our current debt rating levels and our present intention is to use excess cash flow from operations to reduce debt and support future strategic growth initiatives. We believe that current cash flows are adequate to meet capital expenditures, working capital and debt service requirements in 2001.

The Unocal Fertilizer Asset acquisition and the Profertil facility have increased our total asset base to over $2-billion at the end of 2000. Other significant changes in our 2000 balance sheet compared to 1999 were:

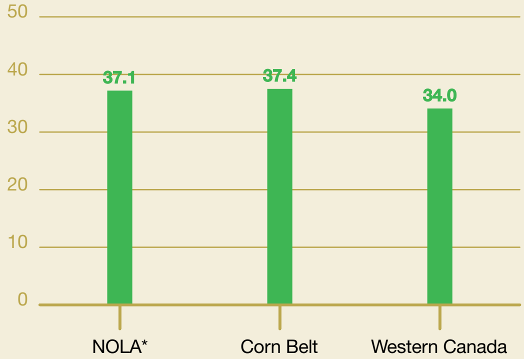
- Limited increases in our accounts receivable balances despite rising nitrogen prices and The Unocal Fertilizer Asset acquisition. This was due to the sale of an additional $27-million in trade receivables under our securitization program;
- An increase of $91-million in inventories due to the acquisition of The Unocal Fertilizer Assets and additional nitrogen inventories in our North America Retail operation in anticipation of rising prices for the 2001 North American spring season;
- The increase in other assets is mainly attributable to value-added taxes and other items related to the construction of the Profertil nitrogen facility;
- Increases in accounts payable are mainly due to the deferral of $75-million in hedging gains realized in December 2000 and increased raw material costs, primarily natural gas;
- Other liabilities have increased due to environmental and decommissioning provisions associated with The Unocal Fertilizer Asset acquisition;
- Increases in capital stock reflect the shares issued for a portion of the purchase price of The Unocal Fertilizer Assets.

Summary of Year-to-Year Changes in Net Earnings

$ Millions	2000	1999	1998
Net earnings previous year	**$ 62**	$ 119	$ 182
North America Wholesale			
Nitrogen pricing	**108**	(55)	(133)
Nitrogen manufacturing costs	**(49)**	(20)	8
Phosphate	**(41)**	(13)	(8)
Potash	**4**	(3)	18
Unocal Fertilizer Asset acquisition	**22**	–	–
Depreciation	**(14)**	–	–
Restructuring costs	**–**	(11)	–
North America Retail EBIT	**4**	7	1
Other	**(3)**	7	2
Tax impact on variances	**(11)**	31	42
Change in effective tax rate	**–**	–	7
Net earnings current year	**$ 82**	$ 62	$ 119

Agrium is a highly efficient producer.

2000 Gas Consumption per Tonne of Ammonia
(MMBtu/tonne)

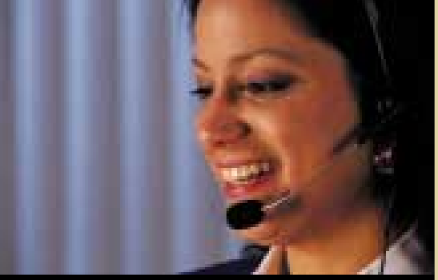


*New Orleans Louisiana

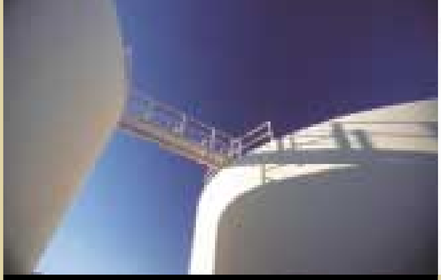
Source: Blue Johnson

facts about our operations

- Agrium's facilities account for more than half of the production capacity in Western Canada.
- In 2000, Agrium averaged 97 percent on-stream ammonia operating rate.
- Agrium owns three of the six world-scale nitrogen plants built in North America since 1980. Newer plants use less natural gas to make a tonne of nitrogen fertilizer.
- Agrium is involved in every stage of the value-chain from raw materials to fertilizer application.



superior service



in-season supply

north america wholesale

Our wholesale strategy is to focus on our customers and to grow through optimizing our asset base.

The location and efficiency of our facilities in North America positions us well to take advantage of the current North American fertilizer environment. During 2000, many North American nitrogen producers suspended production in response to high natural gas costs, which led to a tightened supply situation and increasing margins. We expect natural gas prices to remain higher than historical levels in 2001, which will maintain pressure on nitrogen product prices. Increases in grower input costs for fuel and nitrogen fertilizer may adversely impact demand for both phosphate and potash in the coming year as growers give priority to nitrogen fertilizer purchases. Unlike nitrogen, periodic deferral of potash and phosphate application can occur without a major short-term impact on yield.

OUR CUSTOMERS, OUR COMMITMENT

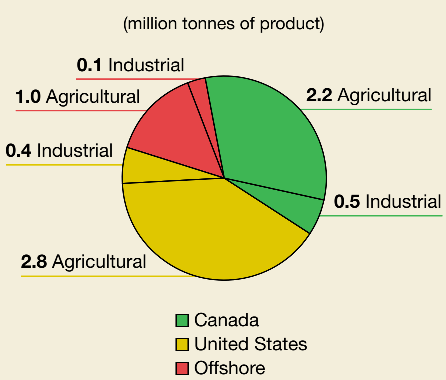
Improved commodity prices and increased global demand alone will not sustain long-term growth and our position within the industry. **We must also continue to focus on the success of our customers** G**.** In 2000, we embarked on an initiative to become the *Easiest Company to do Business With.* This campaign involves many elements, including Internet-based sales transactions and order tracking, 24-hour customer service and extended hours for order pick-up. We believe superior customer service will further differentiate us from our competitors.

In North America, we sell approximately 83 percent of our product to agricultural markets and the remainder to industrial customers. Our customers in the agricultural markets are primarily businesses that serve the input needs of growers. This includes our North America Retail business and other large fertilizer companies, grain companies, co-operatives and independent retailers. Consolidation has continued in the retail sector, resulting in fewer customers each year. As a result, our customers are becoming larger and have more sophisticated purchasing requirements. In 2000, our top ten North America Wholesale customers accounted for approximately 40 percent of our sales.

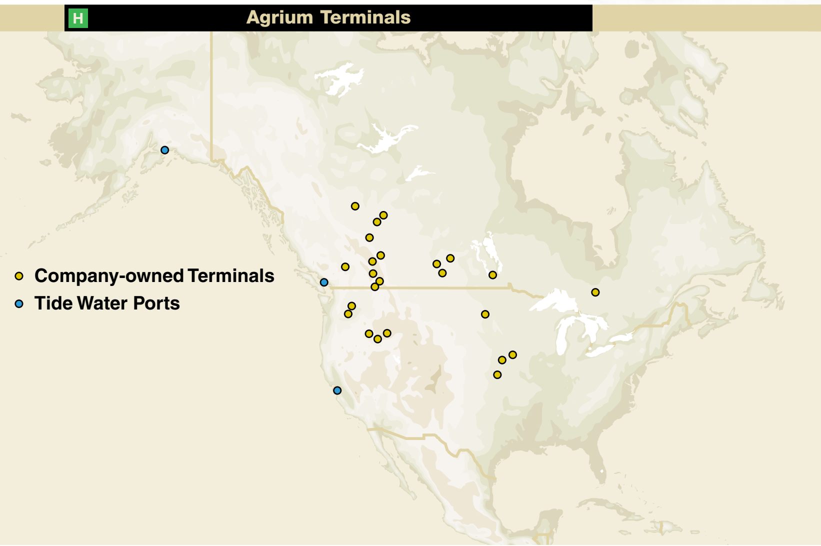
INTEGRATED STORAGE AND DISTRIBUTION

Ensuring that product is in the right place at the right time is also important for customer satisfaction. **Our geographically diverse storage and distribution system** is designed to handle peak demand from agricultural customers in the narrow window of the spring and fall application seasons H. We utilize a combination of rail, truck, pipeline, ship and barge transportation to efficiently move over 13 million tonnes of raw material and finished product annually. The most common mode of transportation is rail.

G 2000 North America Wholesale Sales Volume



H Agrium Terminals



skilled employees

state-of-the-art

continuous production

PRODUCT FUNDAMENTALS

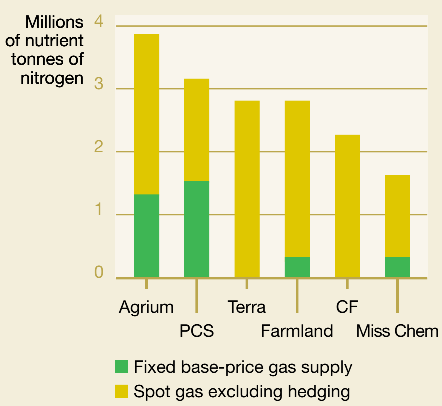
Nitrogen

As the **largest producer in North America,** we have significant leverage to upturns in the nitrogen commodity cycle [I]. From mid-1997 to the fall of 1999 nitrogen prices steadily weakened. This was due primarily to the over-supply caused by China's withdrawal from international nitrogen markets combined with new production coming on-stream. Low nitrogen prices experienced in the summer of 1999 resulted in significant plant closures for producers in North America and other regions of the world. This reduction in supply led to **improved prices which began in late 1999** and continued through the winter and spring of 2000 as a result of strong international demand [J]. Throughout the latter half of 2000, higher natural gas prices in North America led to supply restrictions and further increases in nitrogen prices. Between December 1999 and December 2000, the North American benchmark New Orleans Louisiana (NOLA) prices rose from $122 per tonne to $241 per tonne for ammonia and from $118 per tonne to $170 per tonne for urea.

The major cost component of nitrogen fertilizer is natural gas, which can account for up to 90 percent of ammonia production costs based on recent North American gas prices. The North American benchmark price for natural gas, New York Mercantile Exchange (NYMEX) three-day average, increased from an average of $2.27 per MMBtu in 1999 to $3.91 per MMBtu in 2000. Much of the increase was in the latter half of 2000, with a NYMEX settlement price of $6.32 per MMBtu in December 2000. Prices in January 2001 reached record highs, settling at $9.79 per MMBtu, but have moderated somewhat to settle at $5.09 per MMBtu for March 2001. Production cutbacks by a number of North American producers were a response to this increase in natural gas prices. We decided to shut down approximately 20 percent of our nitrogen production temporarily as our distribution assets provided us the opportunity to purchase product on world markets at prices below the cost of production utilizing unhedged gas. Most of our production was restarted in February 2001. Other North American producers also restarted many of their plants due to lower natural gas prices and increased seasonal demand.

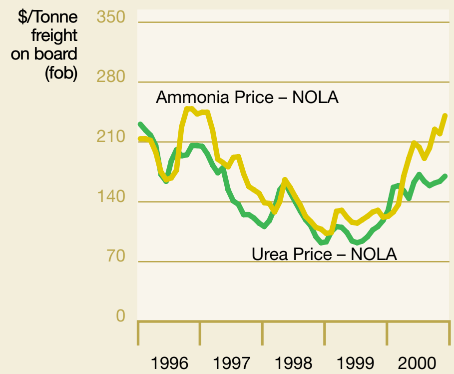
Our natural gas hedging program substantially mitigated the increase in our natural gas costs throughout 2000. In the last quarter of 2000 we also benefitted from the impact of a long-term, reserve-based, fixed base-price gas contract (adjusted for ammonia pricing) at our Kenai, Alaska, nitrogen facility (The Kenai Gas Contract). Additionally, most of our North American production is in Alberta, which has a price advantage over NYMEX based largely on transportation costs of Western Canadian natural gas to the U.S.

I Nitrogen Capacity for North American Producers (2000)



Sources: Company Reports, Agrium, Blue Johnson, IFDC, IFA, TFI

J Ammonia/Urea Price History



Sources: Blue Johnson, Green Markets

healthy crops

fully integrated in phosphate

north america wholesale

Agrium operates world scale, highly efficient production facilities in North America.

Our operations in Alberta, which consume approximately 110 megawatts per hour of electricity, are also being affected by higher power costs as Alberta deregulates the power industry. Government action has been taken to mitigate power cost increases in the near-term, but significant reductions in future power costs will be dependent on lower natural gas prices and increased power generation capacity. In response to the deregulation and anticipation of power cost increases, we entered into a power purchase agreement in June 2000, which will result in the construction by a third party of a co-generation power facility at our Carseland plant. Our share of the power from this facility, which we expect to be on stream in the fall of 2001, will meet 55 percent of our Alberta power requirements, and result in significantly reduced power costs going forward. In 2002, this power, together with power secured through an electricity auction, will meet 80 percent of our Alberta power requirements.

The net result of higher nitrogen prices, offset by increasing natural gas costs and rising power costs, has been an improvement in gross margin from $25 per tonne in 1999 to $41 per tonne in 2000. This compares to a gross margin of $46 per tonne in 1998. We expect additional margin improvement in 2001, based primarily on continued strength in nitrogen pricing and the benefit of our Kenai Gas Contract.

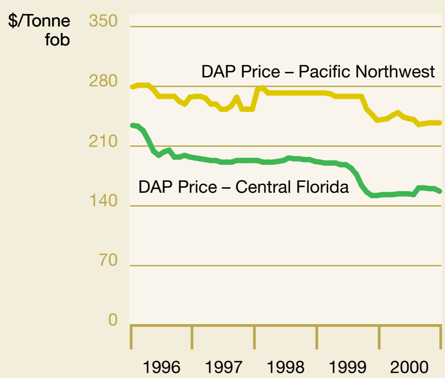
Phosphate

We expect phosphate margins to improve in 2001 as we realize cost efficiencies from capital projects at our facilities. Although phosphate prices were weak throughout 2000, prices strengthened late in 2000 as a number of North American producers curtailed production in response to **low product prices and rising ammonia input costs** K.

The primary cost components in phosphate production are phosphate rock, ammonia and sulphur. We have a cost advantage in sulphur costs because our facilities are located near vast quantities of sulphur from oil and gas production in Alberta and Utah. Historically, production at Redwater, Alberta, had a cost disadvantage resulting from importing phosphate rock from Africa. As a result, we commenced construction in 1997 of a new phosphate rock facility in Kapuskasing, Ontario, with the objective of significantly lowering the cost of phosphate rock delivered to Redwater.

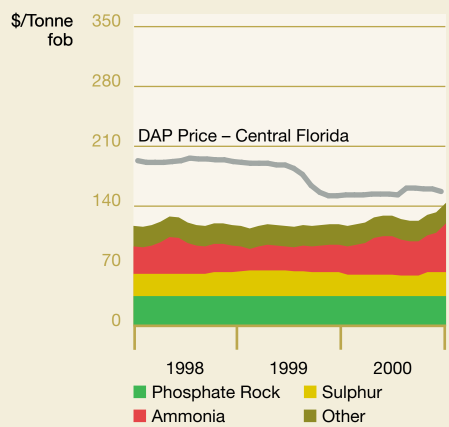
The Kapuskasing facility started up in mid-1999 and encountered a number of operational challenges in meeting volume and efficiency targets. In 2000, the major capital projects were completed to address the original design deficiencies and other minor projects are scheduled in the first half of 2001. The operation

K **Phosphate Price History**

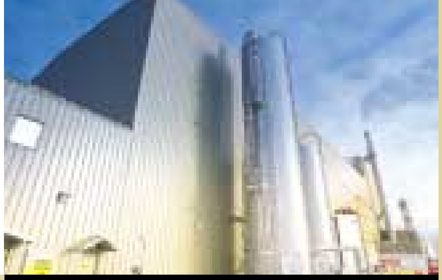


Sources: Blue Johnson, Green Markets

K **Phosphate Costs for Florida Producers**



Sources: Blue Johnson, Green Markets



attained 80 percent of design capacity by year end and it is now expected to average 90 percent throughout 2001, achieving full production by mid-year 2001.

In early 2000, we started a capital expansion project at our Conda, Idaho, facility to add an industrial grade phosphoric acid unit. The unit is being built by a third party and once completed we will lease and operate the unit and sell the output under a long-term supply contract. The project is expected to come on stream in mid-2001 and will open up a new industrial market for Conda. In October 2000, a failure in one of three existing digester acid tanks at our Conda facility resulted in a plant outage of nine weeks. These digesters were scheduled for replacement in 2001 as part of the capital expansion project. In mid-December, the plant resumed production and we expect the facility to operate in excess of 80 percent of capacity until it achieves full production rates with the completion of the industrial grade phosphoric acid project in mid-2001.

The net result of operational problems at Conda and Kapuskasing combined with softening prices was an overall decline in phosphate margins to $21 per tonne in 2000 from $55 per tonne in 1999 and $71 per tonne in 1998. Due to the market conditions and operational issues, we also experienced reduced sales volumes from 1.1 million tonnes in both 1998 and 1999 to 0.9 million tonnes in 2000. While improving, we are forecasting phosphate prices to remain low throughout 2001 as international markets will still be adjusting to the new production in Australia and India.

Potash

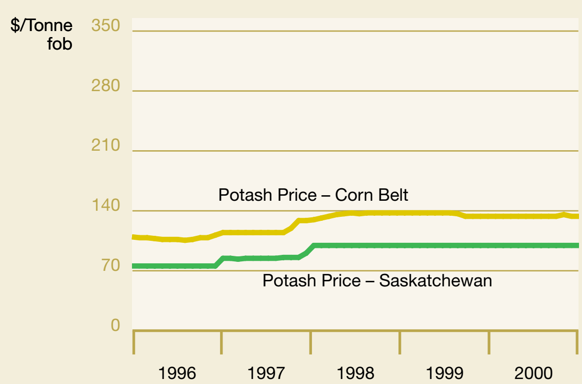
The world's largest potash deposit is located in the province of Saskatchewan, Canada, the lowest cost production region in the world. Our Vanscoy facility is located on this deposit with a reserve estimate in excess of 100 years; as a result, we rank as one of the lowest cost potash producers in the world.

Sales volumes and **margins remained relatively consistent** from 1998 to 2000 L. Potash margins were $47, $45 and $46 per tonne respectively for 2000, 1999 and 1998.

Sulphur and Other Products

We also produce and sell other products, including ammonium sulphate and micronutrients. These products are required for specific crops and demand can vary depending on the product and the number of acres planted. The most common sulphur product is ammonium sulphate, which has a significant nitrogen component.

L **Potash Price History**



Sources: Blue Johnson, Green Markets

natural ore body

robust crops

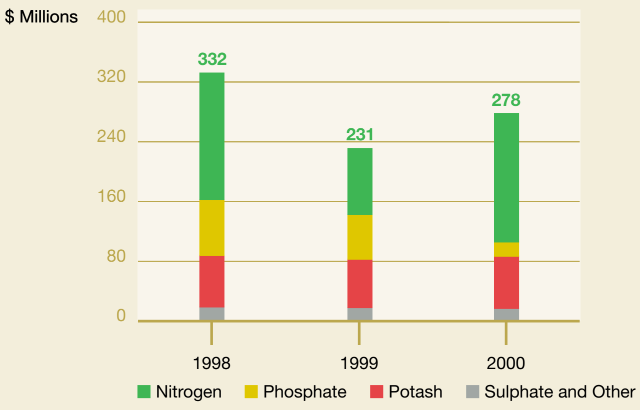
north america wholesale

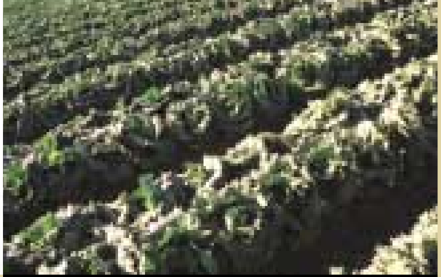
THE RESULTS

North America Wholesale earnings before interest expense and income taxes (EBIT) were $166-million in 2000, compared to $128-million in 1999 and $226-million in 1998. Significant factors affecting EBIT were:

- The gross profit increase of $47-million in 2000 was the result of both The Unocal Fertilizer Asset acquisition, which contributed $22-million in the last quarter of the year, and the year-over-year improvement in nitrogen margins. This improvement followed a decline in nitrogen margins in 1999 due to depressed fertilizer prices, the result of China's absence from international urea markets, the advent of new supply and high export volumes from producers in the former Soviet Union. Stronger nitrogen margins were partly offset by weaker phosphate gross profit, which decreased $41-million from 1999 due to operational problems at both Kapuskasing and Conda, and to softening in prices;
- Selling, general and administrative costs in 2000 declined from 1999 and 1998 levels, a result of the corporate S,G&A reorganization and restructuring which we completed in mid-1999;
- Depreciation, depletion and amortization in 2000 increased from 1999 and 1998 levels due to: The Unocal Fertilizer Asset acquisition; amortization of the Kapuskasing phosphate facility and accelerated depreciation of the Conda phosphate facility relating to assets which will be replaced by the industrial phosphoric acid project;
- Other expense for 2000 and 1999 has increased from 1998 levels due to increased potash resource taxes.

North America Wholesale Gross Profit





high-value crops

value-added service

reliable

north america retail

Retail provides an ear to the producer to identify opportunities for growth.

We strive to create a collaborative relationship with our customers by offering value-added services that enhance our customers' success. We provide a full range of agricultural inputs including fertilizers, chemicals, seed, custom application and agronomic consulting.

Our retail organization, in concert with our wholesale marketing group, assists in the optimization of our production and distribution assets. The direct link to the end user provides feedback relative to preferred products and application techniques.

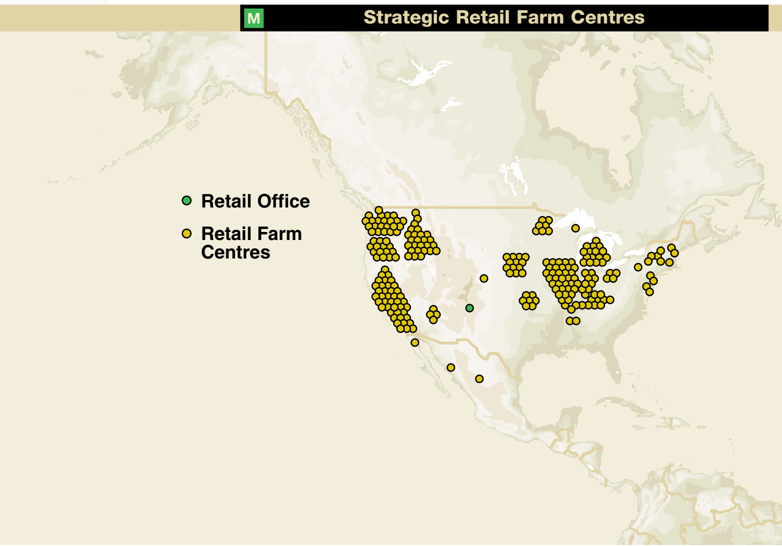
We serve U.S. markets in the northwest, northeast, midwest and California M. The geographic diversity somewhat insulates the business from unfavorable crop prices or adverse weather conditions in any one particular region. Crops vary from high-value vegetables, fruits, nuts, grapes and cotton grown in California to basic commodities such as corn and soybeans grown in the Midwest and northeast. The northwest is balanced between these two markets with the major crops being potatoes, wheat and grass seed. Almost one half of our sales are generated in California.

In recent years, we have made a major commitment to increasing our seed business. In 2000, our seed revenues increased 74 percent over 1997 levels. The commercialization of genetically modified seed has created both the opportunity and the necessity for this business direction. The opportunity arises from the technology of more complex seed choices, which benefit from recommendations by agronomic professionals. This business direction was also motivated by declining chemical revenue resulting from the new seed genetics. Up to now, the primary benefits from genetically modified seed have been related to crop input traits. Since crop inputs do not have significant appeal to the general public, the risks and benefits of seed genetics have been the subject of numerous debates on a global scale. As positive crop output traits are introduced, we believe public acceptance will occur.

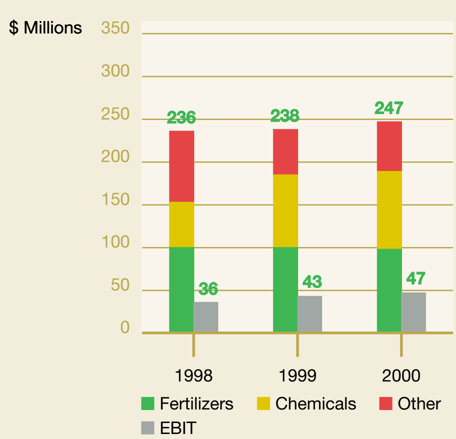
Another technology receiving considerable attention is e-commerce. Retail's current focus in this area is business-to-business. This approach will enhance supplier relationships and reduce transactional expenses. The business-to-consumer market is being directed toward the delivery of agronomic and business information. Eventually, our 225 locations will facilitate the Company's full participation in this technology.

North America Retail set its **fourth consecutive record earnings before interest expense and income taxes** (EBIT) in 2000 N. EBIT was $47-million, which was up 10 percent over the 1999 total of $43-million and 30 percent above 1998. These records have been achieved in spite of a general decline in prices for agricultural products and increasing fuel costs.

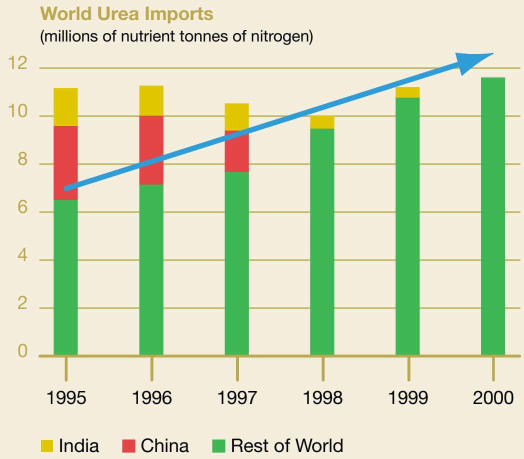
M Strategic Retail Farm Centres



N North America Retail Gross Profit and EBIT



Agrium is expanding to support a growing world.



Sources: IFA, Fertecon

facts about global business

- Agrium increased nitrogen production capacity by 60 percent in 2000.
- In 2001, Agrium expects to sell more than 2.5 million tonnes of product internationally.
- World cereal production is expected to increase more than 30 percent over the next 20 years to meet demand.


international expansion


training local staff


global distribution

south america

A key component of our strategy is to seek out opportunities in regions where significant increases in yields could occur from increased fertilizer usage.

The southern cone of South America, and Argentina in particular, provides an attractive alternative to the mature agricultural markets in North America. Although the crop mixes and farm sizes are similar to the U.S., the application of fertilizers is much lower. The Argentine pampas were once rich in organic matter, but decades of agricultural production have mined these soils to the point that balanced fertilization is required to increase crop yields. One reason for the lower application rates is that the country lacks the necessary infrastructure for bulk fertilizer blending and application. Fertilizer application rates are currently approximately 20 percent of the U.S. average and consequently crop yields, such as corn, sorgham and wheat, are well below typical U.S. levels. Argentina also offers a climate which permits farmers in some regions to grow crops in all four seasons, unlike the northern hemisphere where typically crops are grown in two seasons.

Argentina is one of the **largest agricultural exporters in the world** with exports of agricultural products totalling over $10-billion O. The country is also one of the top four exporters of wheat, corn and soybeans in the world and is the largest exporter of soybean meal and oil. Approximately 60 to 70 percent of the corn and wheat produced is exported. **Agriculture contributed over five percent to the Argentine gross domestic product** in 1999 and by comparison, U.S. agriculture contributes approximately one percent P.

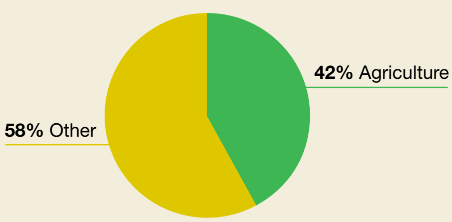
Our strategy in Argentina was to establish North American-style retail operations in the country, focusing on more cost-efficient and effective bulk blending and application practices and thereby growing the granular urea market. Once this market is established our strategy is to meet the increased demand with production from our world-scale nitrogen complex thereby replacing imported product.

RETAIL

Between 1995 and 1997 we built 18 North American-style farm centres. The importance of the retail farm centres was to introduce bulk blending and application equipment to a fertilizer industry which was previously largely focused on bagged, prilled and non-blended nitrogen. We also introduced the North American practice of providing agronomic services to help customers understand the benefits of soil testing, balanced fertilization and sound agricultural practices.

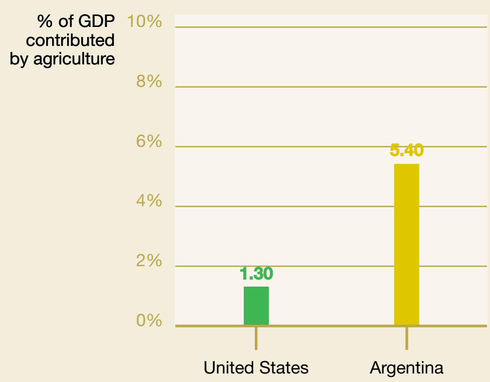
These efforts have made a significant contribution to the modernization of agriculture in Argentina. Our business model has been duplicated by a number of other retail companies in Argentina and should ultimately serve to enhance the consumption of fertilizer. Growers now have more opportunity to replenish the soil's

O Percentage of Argentina's Exports by Sector (1998)



Source: Economist Intelligence Unit

P Agriculture's Contribution to GDP (1999)



Sources: Economist Intelligence Unit, U.S. Government

product blending

grower success

nutrients, ensuring long-term sustainability and maximum yields. Our objective is to promote **increased rates of fertilization** which will benefit Argentine farmers and represent a significant growth opportunity for our Company Q.

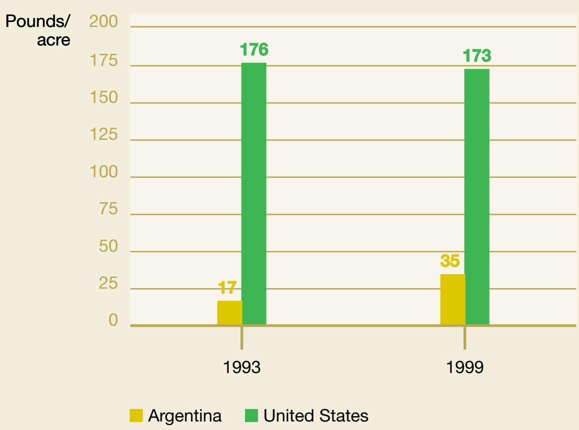
WHOLESALE

In May 1997 we announced we would participate in the Profertil project to build a world-scale nitrogen facility at Bahia Blanca, Argentina. The plant has the capacity to produce 1.1 million tonnes of urea and 70,000 tonnes of net ammonia annually. The natural gas supply for the facility is secured under three 12-year contracts at prices competitive with similar export-oriented facilities in Trinidad. It is the first facility of its kind in Argentina and is located on tide water with export capability. The export capability increases our potential earnings stability by providing access to less seasonal international markets. Over time, we expect the Profertil facility to replace current levels of imported product and satisfy Argentina's growing requirements for nitrogen fertilizer.

Commissioning of the urea plant was delayed until the contractor addressed a number of deficiencies which were leading to low-level ammonia releases. The major initiative to address this was the installation of an ammonia flare stack in the urea unit which was completed in December 2000.

In its first year of production, we expect that approximately half the product will be sold in Argentina and the remainder exported to countries in South America, Australia and elsewhere. Domestic sales are expected to increase and account for substantially all of Profertil's production by 2007. The South American market has had strong growth in demand for nitrogen products, which should facilitate placement of product into the market. In 1998, we also established an import terminal at San Nicholas, Argentina, to store Profertil product and other fertilizer products and to provide a distribution centre in the northern and central regions of Argentina. In early 1999, this import terminal was sold to Profertil S.A. to consolidate our production and wholesale business in Argentina. In 2000, our South America Wholesale results reflect only the activity of purchasing product for import to the San Nicholas terminal and the subsequent sale of this product to farm retailers in Argentina. All ammonia sales from pre-commercial production at Profertil were accounted for as a reduction in capital in 2000.

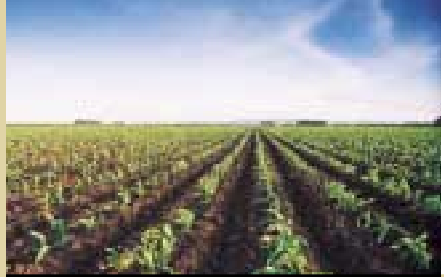
Q Fertilizer Growth Potential in Argentina (total nutrient use per planted acre)



Sources: AAPFCO, USDA, IFA, Fertecon, Agrium

low-cost production

grower relationships



improved yields

south america

Profertil achieved a one-day world record 3,250 tonnes of urea production for a single-train plant, in January 2001.

OUR SOUTH AMERICAN EXPERIENCE

We have gained a great deal of business experience in Argentina. The country has a number of cultural, fiscal, legal and regulatory risks and challenges. We are mitigating these risks by partnering with local companies, training and developing local employees and placing experienced expatriate employees in key positions. A specific challenge is the Argentine farm credit environment, which extends credit terms significantly in excess of those normally available in North America. Working capital levels reflect the extension of credit through the growing season and past harvest until the growers receive payment for their crops. We are addressing the risk associated with these extended credit terms through careful screening of customers and by obtaining appropriate security where we believe it is warranted.

THE RESULTS

Over the past three years financial results for South America Retail reflect the start-up costs associated with developing a new market and have not yet achieved our targets. In 2000, however, results improved significantly from a loss in EBIT of $7-million to a loss of $1-million in 2000, reflecting rapid growth in the market.

The total fertilizer market has grown from approximately one million tonnes in 1995 to an estimated two million tonnes in 2000. From a market share of less than one percent in 1995 **our Retail operations now have more than 10 percent of the Argentine market** with a similar improvement in results R. In 1995, five percent of the market was bulk fertilizer, none of which was granular urea. In 2000, 40 percent of the market was for bulk granular urea.

Results from South America Wholesale in 2000 reflect the sale of the San Nicholas terminal in late 1999 to Profertil and a lower level of business activity. We have effectively retained 50 percent of this operation through our interest in Profertil. Selling, general and administrative costs have increased from 1999, reflecting the build-up of the infrastructure to run the Profertil business.

In 2001, gross profit for South America is forecast to increase significantly, reflecting sales from Profertil production. The added nitrogen production capacity from this facility is coming on-stream at what we believe is an optimal time in the nitrogen cycle.

R Argentina Production Facilities and Farm Centres


market opportunities


year-round delivery

other

Our Other non-operating segment includes our corporate functions and inter-segment eliminations. Losses in 2000 have increased mainly due to lower interest income, reduced gains on disposal of non-core assets and eliminations of inter-divisional interest. The year-over-year increase in S,G&A in 2000 reflects the centralization of a number of functions in 1999 as part of the overall restructuring initiative and costs associated with the addition of The Unocal Fertilizer Assets in the fourth quarter. The increase in other expenses in 1999 over 1998 levels was a result of the $11-million charge against earnings for this restructuring.

risks and uncertainties

In addition to the normal physical risks associated with operating our facilities and transporting our product, our financial results are subject to fluctuations in fertilizer prices, natural gas costs and foreign exchange rates over which we have limited control. We manage our exposure to fluctuating natural gas prices through the use of derivative commodity instruments and through longer-term fixed price natural gas supply contracts. The Kenai Gas Contract is a reserves-based contract which is subject to risks relating to the exploration, development and production of the reserves. Fixed price contracts now account for 38 percent of our natural gas requirements. Our natural gas requirements are purchased from a number of suppliers under contracts that contain mostly one-year terms with some longer-term contracts. Natural gas prices under these contracts are fixed or market indexed, with hedging employed to reduce the impact of natural gas price fluctuations. A significant increase in the price of natural gas that is not hedged and can not be recovered through an increase in nitrogen-based fertilizer prices could affect our nitrogen profitability significantly.

We manage our exposure to exchange rate fluctuations through the use of forward foreign exchange contracts and options. We regularly evaluate these programs to ensure an appropriate balance is maintained between underlying business risk and the cost of such programs.

Our operations and investments and any future international expansion by Agrium are subject to numerous risks, including fluctuations in foreign currency, exchange rates and controls, credit, expropriation and other economic, political and regulatory policies of local governments which could potentially lead to amendments to fiscal terms.

Our past and present operations are affected by extensive environmental regulation, including increasing requirements for future site decommissioning, restoration and reclamation. We manage our environmental risk through a program that monitors known issues and through environmental audits of our facilities. We make provisions for anticipated future reclamation costs each year.

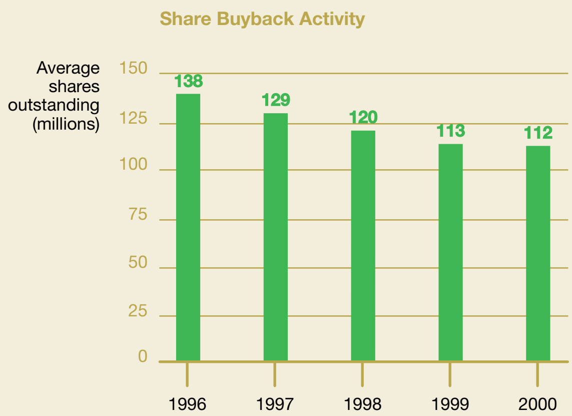
Sensitivity

This table illustrates the effect of changes in key variables on our net earnings, and is based on actual levels of activity in 2000. It is not intended to be used to forecast results, as a change in one factor may compound or offset another and levels of activity in future years may differ from those in 2000. In addition, these sensitivities may only be valid within a limited range of values.

Impact Factor	Increase in Factor	Net Earnings Impact ($ millions)	Earnings Per Share* ($/share)
North America Wholesale			
Nitrogen			
Price of ammonia	$ 5.00/tonne	5	0.04
Price of urea	$ 5.00/tonne	7	0.06
Cost of natural gas (U.S.$)	$ 0.10/MMBtu	(6)	(0.05)
Phosphate			
Price of phosphate (MAP & DAP equivalent)	$ 5.00/tonne	3	0.03
Potash			
Price of potash	$ 5.00/tonne	5	0.04
Exchange rate from C$ to U.S.$	C$ 0.01	1	0.01

**Based on average outstanding shares as at December 31, 2000*

Agrium is responsible to its stakeholders.



facts about our stakeholders

- Agrium repurchased 30 million shares from 1996 to the end of 2000.
- Agrium has aligned employee compensation to shareholder interests through Stock Appreciation Rights.
- Agrium partnered with the City of Fort Saskatchewan to complete the Ross Creek Trail System.


participative management


safe work habits

our future: investing in people and processes

Our core values are leadership, ownership, growth, integrity and quality.

The experience and skill of our staff, combined with our High Performance Culture initiative and training programs, are essential to our continued success and growth, both as a Corporation and as individuals. Our High Performance Culture initiative was designed to empower and motivate employees at all levels by encouraging them to think and act as owners of the Company.

We define high performance culture as having three key elements:

- Ownership – acceptance of responsibility for business results and taking personal ownership in the organization;
- Commitment – to the success of the Company and the individuals we work with and to the achievement of superior business results;
- Partnership – the willingness to work collaboratively within the organization, both horizontally and vertically, to achieve those results.

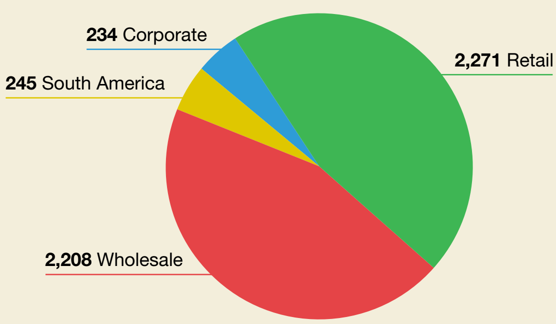
We believe these elements will ensure our continuing success as we compete in the global marketplace. Committed, high performing employees are critically important as we work to implement our corporate strategies and achieve our goals.

Continuous improvement is another integral part of our corporate culture. Over the past two years, we have initiated process improvement projects designed to maintain our industry leadership as a low cost producer. The results of these initiatives have been especially apparent in plant operations. Our facilities continue to do an excellent job of effectively converting raw materials into fertilizer products in spite of higher input costs. Our operating strategy is to optimize our base business by improving plant efficiency, reducing down time and enhancing turnaround efficiency.

While economic conditions dictated that we curtail operating rates at several ammonia plants late in 2000, we still increased our overall on-stream time and set annual ammonia production records at our Fort Saskatchewan and Joffre plants.

Implementation of process efficiencies will also reduce the frequency of major turnarounds at several of our plants. The ammonia plants at Kenai, Alaska, and Redwater, Alberta, have now adopted four-year turnaround schedules. During its next turnaround, scheduled for June 2001, Carseland, Alberta, will prepare its ammonia plant for a two-year run.

2000 Employee Distribution



TOTAL: 4,958 Employees

industry best practices

environmentally sensitive

SELLING, GENERAL AND ADMINISTRATIVE REVIEW

In 1999, we initiated a review of the processes within our Wholesale, Retail and corporate areas in North America to ensure we were operating in the most efficient manner possible. This review resulted in significant cost savings from a number of initiatives including:

- Centralization of our North America Wholesale and corporate purchasing to take advantage of our economies of scale;
- Consolidation of our corporate offices, resulting in the closure and down-sizing of a number of locations.

As part of this process we established key performance indicators to measure performance against established benchmarks. We believe this system will allow us to evaluate and manage our businesses better.

ASSET MANAGEMENT

In late 2000, we initiated a process to ensure the operating and maintenance procedures in our facilities meet high operating standards and are following best practices. This process will standardize maintenance and operating procedures and promote sharing of expertise across our Company. Our objective is to **improve on-stream operating rates** and increase the effectiveness of operating expenditures S.

We continue to strive to follow best practices and look for opportunities for improvement as a key component in achieving our future goals.

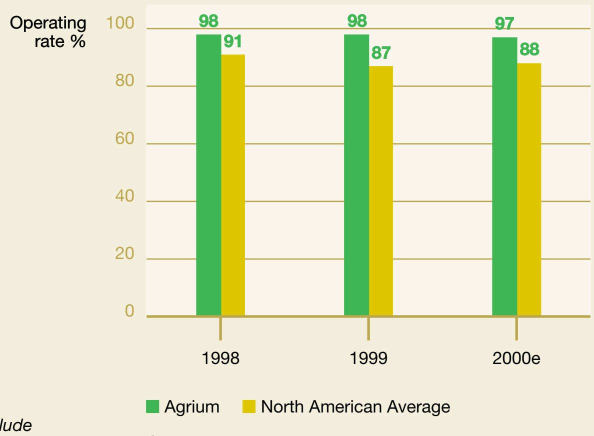
ENVIRONMENT, HEALTH AND SAFETY (EH&S)

We believe our commitment to being a top global company requires a commensurate commitment to health, safety and the environment.

The health and safety of our employees, our customers and the public are a primary focus of this commitment. The key to our success thus far has been the quality, stability and experience of our work force; our highly evolved, safe work practices; and extensive training. We have been fortunate in that these attributes have been in place at the sites acquired over the years, including the former Unocal sites at Kenai, Alaska; Kennewick, Washington; and West Sacramento, California.

Environmental protection is the other focus of our commitment. Our North American operations are subject to an extensive array of federal, state or provincial and local environmental regulation. Regardless of location, we are committed to meeting or exceeding applicable regulations and our own internal standards where regulations fall short of our commitment.

S On-stream Ammonia Operating Rates*

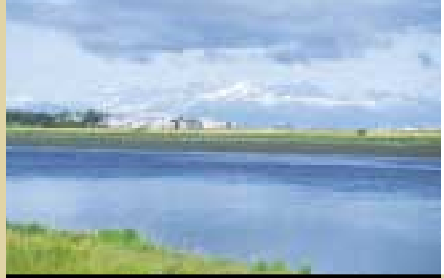


*Operating rates exclude The Unocal Fertilizer Assets

Sources: TFI, Agrium


growing the next generation


community partnerships


caring for the environment

our future: investing in people and processes

An example of this is our co-operation with the potash industry and the Saskatchewan Department of Environmental and Resource Management in a feasibility study to consider various cost efficient options for the decommissioning of potash mines. The result of this study is not expected to be available for four years. In addition, we are co-operating with regulatory authorities and other phosphate producers in the state of Idaho to examine the extent and impact of alleged ground water contamination resulting from the disposal of mine tailings in accordance with a plan of disposal previously approved by the authorities. This study is expected to take approximately two years.

With rapid growth has come the need for the systematic prevention of EH&S risks. Over the past few years we have identified opportunities to move our performance to a higher level. These include risk reduction through EH&S review of all acquisitions and expansion projects; comprehensive loss data collection and analysis; and risk mitigation planning.

In late 2000, we embarked on a four-year plan to complete independent certification of our manufacturing facilities in accordance with recognized international standards (ISO 14000 for the environment and BSI 18000 for health and safety). We are proud of the fact that, as a Company, we were already doing much of what is necessary for this certification. The value of what remains to be accomplished lies in capitalizing on unrealized synergies. Doing so will cost-effectively move us to the highest EH&S performance level in our industry in a manner which is both recognized by our stakeholders and distinct from our competitors.

PARTNERS IN THE COMMUNITY

Agrium is a company that develops long-term partnerships within the communities where its employees live and work. We do this by being responsible stewards of the environment, by promoting health and safety at our operations, by investing in the community and by communicating openly with our employees and neighbors.

In 2000, Agrium continued its long-standing tradition of providing funds to those in need and investing in the future of the communities in which we operate. A revised community investment policy and selection process will permit the Company to focus its investment resources on four primary sectors: growing the next generation (youth), helping those in need, environmental stewardship and building stronger communities (civic and cultural organizations).

Individual Agrium employees also have a tradition of generously giving time and resources to charitable and community activities and helping others less fortunate. This is an important aspect of our corporate culture and plays a significant role in making our Company a partner in the communities where its employees live and work.

management's report to the shareholders

The consolidated financial statements and all information contained in this annual report are the responsibility of management and the Board of Directors of the Corporation. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgments based on currently available information. The Corporation has established an internal audit program and accounting and reporting systems supported by internal controls designed to safeguard assets from loss or unauthorized use and ensure the accuracy of the financial records. The financial information presented throughout this annual report is consistent with the financial statements.

KPMG LLP, an independent firm of chartered accountants, has been appointed by the shareholders as external auditors of the Corporation. The Auditors' Report to the Shareholders, which describes the scope of their examination and expresses their opinion, is presented herein.

The Audit Committee of the Board of Directors, whose members are independent of management, meets with management, the internal auditors and the independent auditors to satisfy itself that the responsibilities of the respective parties are properly discharged and to review the consolidated financial statements before they are presented to the Board for approval.

J.M. Van Brunt (signed)
President and Chief Executive Officer

B.G. Waterman (signed)
Senior Vice President, Finance and Chief Financial Officer

Calgary, Canada
March 12, 2001

auditors' report to the shareholders

We have audited the consolidated balance sheets of Agrium Inc. as at December 31, 2000 and 1999, and the consolidated statements of operations and retained earnings and cash flows for each of the years in the three year period ended December 31, 2000. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2000, in accordance with Canadian generally accepted accounting principles.

Accounting principles generally accepted in Canada vary in certain significant respects from accounting principles generally accepted in the United States. Application of accounting principles generally accepted in the United States would have affected results of operations for each of the years in the three year period ended December 31, 2000, and shareholders' equity as at December 31, 2000 and 1999, to the extent summarized in Note 21 to the consolidated financial statements.

KPMG LLP

KPMG LLP (signed) Chartered Accountants

Calgary, Canada
March 12, 2001

consolidated balance sheets

As at December 31 *(millions of U.S. dollars)*	**2000**	Restated *(Note 2)* 1999
ASSETS		
Current assets		
Cash and cash-equivalents	**$ 18**	$ 104
Accounts receivable *(Note 4)*	**275**	268
Income and other taxes receivable	**28**	–
Inventories *(Note 5)*	**347**	256
Prepaid expenses	**20**	15
	688	643
Capital assets *(Note 6)*	**1,484**	1,149
Other assets *(Note 7)*	**150**	115
Goodwill *(Note 8)*	**49**	52
	$ 2,371	$ 1,959
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank indebtedness *(Note 9)*	**$ 308**	$ 179
Accounts payable and accrued liabilities *(Note 10)*	**370**	267
Income and other taxes payable	**–**	22
Current portion of long-term debt *(Note 11)*	**1**	1
	679	469
Long-term debt *(Note 11)*	**507**	497
Other liabilities *(Note 12)*	**120**	76
Future income taxes *(Note 13)*	**197**	164
	1,503	1,206
Shareholders' equity		
Share capital *(Note 14)*:		
Authorized: unlimited common shares and preferred securities		
Issued and outstanding:		
Common shares: 2000 – 115 million (1999 – 112 million)		
Preferred securities: 2000 – 9 million (1999 – 7 million)	**596**	518
Retained earnings	**315**	255
Cumulative translation adjustment	**(43)**	(20)
	868	753
Commitments *(Note 16)*		
Contingencies *(Note 17)*		
Subsequent event *(Note 22)*		
	$ 2,371	$ 1,959

See accompanying notes.

APPROVED BY THE BOARD:

J.M. Van Brunt (signed) Director

Harry Schaefer (signed) Director

consolidated statements of operations and retained earnings

Years ended December 31	2000	Restated *(Note 2)* 1999	Restated *(Note 2)* 1998
(millions of U.S. dollars, except per-share amounts)			
Net sales	**$ 1,873**	$ 1,716	$ 1,805
Cost of product	**1,326**	1,227	1,224
Gross profit	**547**	489	581
Expenses			
Selling, general and administrative	**253**	245	256
Depreciation, depletion and amortization	**107**	93	92
Other expenses	**24**	20	5
Earnings before interest and taxes	**163**	131	228
Interest on long-term debt	**36**	36	35
Other interest	**1**	1	5
Earnings before income taxes	**126**	94	188
Income taxes *(Note 13)*	**44**	32	69
Net earnings	**82**	62	119
Retained earnings – beginning of year	**255**	234	251
Repurchase of common shares	**–**	(20)	(117)
Common share dividends declared	**(13)**	(13)	(13)
Preferred securities charges	**(9)**	(8)	(6)
Retained earnings – end of year	**$ 315**	$ 255	$ 234
Basic earnings per common share *(Note 15)*	**$ 0.65**	$ 0.47	$ 0.94
Average outstanding shares *(in millions)*	**112**	113	120
Fully diluted earnings per common share *(Note 15)*	**$ 0.63**	$ 0.46	$ 0.92
Average outstanding shares *(in millions)*	**120**	118	125
Dividends per common share	**$ 0.11**	$ 0.11	$ 0.11

See accompanying notes.

consolidated statements of cash flows

Years ended December 31 *(millions of U.S. dollars)*	**2000**	Restated *(Note 2)* 1999	Restated *(Note 2)* 1998
Operating			
Net earnings	**$ 82**	$ 62	$ 119
Items not affecting cash:			
Depreciation, depletion and amortization	**107**	93	92
Future income taxes (reduction) *(Note 13)*	**35**	(28)	(7)
Cash provided by operating activities, before changes in non-cash working capital	**224**	127	204
Changes in non-cash operating working capital			
Accounts receivable	**23**	38	15
Income and other taxes receivable	**(28)**	–	40
Inventories	**(32)**	28	(29)
Prepaid expenses	**(5)**	–	3
Accounts payable and accrued liabilities	**98**	3	(9)
Income and other taxes payable	**(24)**	(36)	59
	32	33	79
Cash provided by operating activities	**256**	160	283
Investing			
Capital assets	**(179)**	(234)	(174)
Acquisition *(Note 3)*	**(246)**	–	–
Other assets	**(48)**	(49)	8
Net change in non-cash working capital	**(24)**	2	35
Other	**34**	18	(6)
Cash used in investing activities	**(463)**	(263)	(137)
Financing			
Common shares	**3**	(32)	(147)
Preferred securities	**–**	–	169
Bank indebtedness	**130**	151	(41)
Issue (repayment) of long-term debt	**10**	(4)	(3)
Common share dividends paid	**(13)**	(13)	(14)
Preferred securities charges paid	**(9)**	(8)	(6)
Cash provided by (used in) financing activities	**121**	94	(42)
Increase (decrease) in cash and cash-equivalents	**(86)**	(9)	104
Cash and cash-equivalents – beginning of year	**104**	113	9
Cash and cash-equivalents – end of year	**$ 18**	$ 104	$ 113
Interest paid	**$ 67**	$ 54	$ 40
Income tax paid (received)	**$ 54**	$ 97	$ (18)

See accompanying notes.

notes to consolidated financial statements

(millions of U.S. dollars, unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

The Corporation's accounting policies are in accordance with accounting principles generally accepted in Canada (Canadian GAAP) and, except as outlined in Note 21 and the pro forma information in Note 3, are in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The underlying financial records contain amounts based on informed estimates and best judgments of management. Certain comparative figures have been reclassified to conform with the current year's presentation. The Corporation's significant accounting policies are:

Foreign Currency

The U.S. dollar is the unit of measurement for the majority of the Corporation's business transactions and accordingly, the Corporation has adopted the U.S. dollar as its reporting currency. The Corporation's Canadian operations are considered self-sustaining and are translated into U.S. dollars using the current rate method. Under this method, assets and liabilities are translated at period end exchange rates and items included in the statements of operations and retained earnings and cash flows are translated at weighted average rates.

Consolidation

The consolidated financial statements include the assets, liabilities and results of the operations of the Corporation and all of its subsidiaries. The Corporation's Profertil joint venture interest is accounted for using the proportionate consolidation method under which the Corporation's share of Profertil's revenues, expenses, assets and liabilities are included in the accounts. All intercompany transactions and balances are eliminated.

The cost of investments in subsidiaries in excess of the fair value of the net identifiable assets acquired is recorded as goodwill and amortized on a straight-line basis over periods not exceeding 20 years. On an ongoing basis, management reviews the valuation and amortization of goodwill, taking into consideration any events and circumstances which might have impaired the value. Goodwill is written down to fair value when declines in value are considered to be other than temporary, based upon expected cash flows of the related acquired business.

Segmentation

The Corporation's activities are divided geographically and then by functional area into five reportable segments. The four operating segments are North America Wholesale, North America Retail, South America Wholesale and South America Retail. Wholesale comprises the production and sales of the four primary nutrients: nitrogen, phosphate, potash and sulphur. Retail comprises the sale of fertilizers, chemicals, seed, custom application and agronomic consulting. The fifth non-operating segment is Other, which includes corporate overhead and inter-segment eliminations. Net sales between geographic regions are accounted for at prices which approximate fair market value and are eliminated on consolidation.

Cash and Cash-Equivalents

Short-term investments with an original maturity of three months or less are considered to be cash-equivalents and are stated at their fair value.

Inventories

Inventories consisting of fertilizer, chemicals and seed are recorded at the lower of average cost and net realizable value. Operating supplies are recorded at average cost less allowance for obsolescence. Raw material inventory is comprised of phosphate rock at cost.

Capital Assets

Capital assets are carried at cost and include the cost of renewals and betterments. Cost is defined as expenditures incurred up to the commencement of commercial production. This includes external direct costs of material and services, internal costs for personnel working directly on the project, interest incurred during construction and net revenue less associated expenses earned on product sold prior to achieving commercial production levels.

Depreciation is calculated using the straight-line method based on the estimated service lives of the respective assets, ranging from three to 25 years. Depletion of resource properties is determined using the unit of production method based on the estimated proven and probable reserve life. Depreciation is not provided on major additions until commencement of commercial operations.

Management reviews capital assets on an ongoing basis to determine if circumstances indicate impairment in the carrying value or estimated useful life of the asset. Impairment is considered to have occurred when the carrying value of the asset exceeds the forecasted cash flow and any impairment is reflected in the statement of income. Where the estimate of useful life changes, depreciation is adjusted prospectively to reflect the change in amortization period.

Management also reviews costs for future removal and site restoration on an ongoing basis. Provisions are charged to income when the cost of site restoration exceeds the salvage value of the asset. The charge to income is based on the remaining service life of the asset.

Other Assets

Other assets include long-term receivables, investments in associated corporations and intangible assets.

Investments in associated companies, where the Corporation has the ability to exercise significant influence, or is evidenced by ownership of between 20 percent and 50 percent of the equity, are carried on the equity basis of accounting. The Corporation's share of earnings is included in other income. Investments where the Corporation does not exercise significant influence and holds less than a 20 percent investment are accounted for using the cost method.

Intangibles include software costs, feasibility studies for investment projects and deferred financing costs and are amortized on a straight-line basis over periods of three to five years except for deferred financing costs which are amortized over the term of the associated debt instrument. Management reviews intangible assets on an ongoing basis to determine if the carrying value or estimated useful life of the intangible asset has been impaired. When the decline in the value is considered to be other than temporary, the intangible asset is written down to its recoverable amount.

Leases

Leases that transfer substantially all the benefits and inherent risks of ownership of the property leased to the Corporation are recorded as capital leases. The present value of the payments under the leases is included in capital assets and long-term debt. The leased property is amortized on a straight-line basis over its estimated life.

All other leases are classified as operating leases under which lease payments are recorded as expenses in the period in which they are incurred.

Employee Future Benefits

Employee future benefits are funded by the Corporation and obligations are determined using the projected benefit method of actuarial valuation prorated over the projected length of employee service. Past service costs, experience gains or losses and the effects of changes in plan assumptions are amortized on a straight-line basis over the expected average remaining service life of the relevant employee group. Contributions by the Corporation to defined contribution employee future benefit plans are expensed as incurred.

Environmental Costs

The Corporation is affected by extensive environmental regulation relating to current operations and other discontinued mining operations. These regulations include requirements for future site decommissioning and restoration and reclamation. It is the Corporation's policy to meet or exceed standards set by relevant legislation or industry practice.

Environmental expenditures which increase the life or efficiency of a facility, or which reduce or prevent future contamination, are capitalized. Remediation costs relating to existing conditions, which are likely and reasonably estimable, are recorded net of anticipated recoveries in a systematic manner over the estimated life of the underlying assets. Expenditures are considered likely and reasonably estimable if required under existing legislation or regulatory assessment, or if a plan of remediation has been completed and accepted.

Environmental expenditures relating to litigation, claims or assessments arising under regulations in effect which are not reasonably estimable due to uncertainty of outcome, timing and the nature of the work to be performed are considered contingent liabilities.

Future Income Taxes

Future income taxes are recognized for differences between the carrying values of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using substantially enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be reversed or settled. The effect on future income tax assets and liabilities of a change in rates is included in earnings in the period the change is considered substantially enacted. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

Stock Option Plan

The Corporation has a stock option plan, which is described in Note 14. It is the Corporation's policy to issue stock options at the market price on the date of granting the option and no compensation expense is recorded. Any consideration received on exercise of the stock options is recorded as share capital.

Revenue Recognition

Revenue is recognized when the product is delivered to the customer or the service has been performed. For wholesale operations, revenue is recognized when the product is delivered to the customer at the plant, warehouse or terminal site or when the risks and rewards of ownership are otherwise transferred to the customer. For retail operations, revenue is recognized when a customer purchases and takes delivery of the product or service. Transportation costs are recovered from the customer through product or service pricing.

Financial Instruments

The Corporation manages its risks associated with foreign exchange and commodities with derivative instruments. Gains and losses on contracts that are designated and effective hedges are deferred and recognized in the same period as the hedged transaction. Forward foreign exchange contracts are used to manage the Corporation's exposure to fluctuations in foreign exchange, and gains or losses arising from these contracts are recognized when the contract is complete and the gain or loss is included in other income. The Corporation manages prices for its natural gas and electrical power requirements through the use of index-priced contracts with suppliers. Gains and losses on these derivative contracts are recognized as a component of cost of production when the underlying commodity being hedged is used.

Plant Turnaround Costs

Costs incurred during the temporary shutdown of a production facility for periodic scheduled maintenance are charged to production costs on a straight-line basis over the period until the next scheduled turnaround, generally one to four years.

2 CHANGE IN ACCOUNTING POLICY

In 1999, the Canadian Institute of Chartered Accountants issued a new accounting standard, 3461, *"Employee Future Benefits"*. This standard requires the recognition of expenses relating to any obligation to provide certain benefits to retired employees. The Corporation has retroactively adopted the provisions of this section, effective January 1, 2000, resulting in restatement of prior year cost of product sold, selling, general and administrative expenses, income taxes, other liabilities, future income taxes and retained earnings.

As a result of this change, at December 31, 1999, other liabilities increased $19-million, future income taxes decreased $8-million and retained earnings decreased $11-million. Net earnings decreased $2-million in each of 1999 and 1998.

3 ACQUISITION

Effective September 30, 2000, the Corporation acquired from Union Oil Company of California (Unocal), ammonia and urea production facilities in Alaska and certain nitrogen-based production and distribution assets in Washington, Oregon and California. The consideration was approximately $321-million, including working capital and other adjustments of $76-million. The consideration was settled by issuing to Unocal $50-million principal amount of six percent convertible preferred securities, due September 30, 2030, which are convertible at the discretion of the holder into the Corporation's common shares at a conversion price of $11.9677 per common share, 2.6 million of the Corporation's common shares valued at $25-million, and the remainder of $246-million in cash was provided through the Corporation's existing cash resources and short-term borrowings. In addition, the Corporation granted to Unocal a right to receive an "Earn-out" payment pursuant to which Unocal is entitled to receive, for each of the six years following the closing of the acquisition, a payment equal to 35 percent of the amount by which certain industry-recognized price commodity indices for ammonia and urea exceed certain forecasted prices for such commodities based on production capacity volumes of the Alaska production facilities acquired from Unocal.

Concurrent with the purchase from Unocal, the Corporation sold certain storage assets purchased from Unocal for proceeds of approximately $16-million. The net acquisition has been accounted for under the purchase method of accounting with the net assets acquired and liabilities assumed included in the balance sheet as at September 30, 2000, and results from operations included in the Corporation's financial statements from that date.

The purchase price was allocated to the assets acquired less liabilities assumed, based on the estimated fair value as follows:

Current assets	$ 99
Current liabilities	(23)
Working capital	76
Tangible capital assets	286
Environmental and decommissioning provisions	(41)
Consideration paid to Unocal	321
Transaction expenses	10
Disposition of storage assets	(16)
Total net assets	$ 315

The purchase consideration paid to Unocal together with future payments under the Earn-out arrangement are subject to final allocation upon completion of an independent appraisal.

The following unaudited pro forma financial information combines the consolidated results of operations of the Corporation and Unocal as if the acquisition had occurred on January 1, 2000, and January 1, 1999. This pro forma financial information does not necessarily reflect the results of operations as they would have been if the Corporation had purchased Unocal during such periods and is not necessarily indicative of results that may be obtained in the future.

	2000	1999
Net sales	**$ 2,143**	$ 1,982
Net earnings in accordance with Canadian GAAP	**86**	41
Basic earnings per share in accordance with Canadian GAAP	**$ 0.67**	$ 0.27
Net earnings in accordance with U.S. GAAP	**74**	30
Basic earnings per share in accordance with U.S. GAAP	**$ 0.66**	$ 0.27

4 ACCOUNTS RECEIVABLE

	2000	1999
Trade accounts	$ 254	$ 238
Rebates and other non-trade accounts	34	41
	288	279
Allowance for doubtful accounts	(13)	(11)
	$ 275	268

A subsidiary of the Corporation has entered into an agreement with a financial institution to sell, on an ongoing basis, an undivided percentage interest in a designated pool of North American receivables, on a non-recourse basis, in an amount not to exceed $125-million. This subsidiary is designated as a special-purpose, bankruptcy remote subsidiary so that in the event the Corporation was involved in bankruptcy proceedings this entity would not be consolidated as part of the Corporation. On an ongoing basis, certain of the Corporation's U.S. subsidiaries sell their accounts receivable balances net of allowances to this subsidiary and, in turn, this subsidiary will sell an eligible amount of those receivables to the financial institution.

In December 2000, this program was increased from $75-million in North America Retail receivables, to $125-million including both North America Retail and North America Wholesale receivables. At December 31, 2000, $91-million (1999 – $64-million) in receivables had been sold under this program. Fee and expense payments related to this program totalled $4-million in 2000 (1999 – $3-million; 1998 – $3-million).

5 INVENTORIES

	2000	1999
Fertilizers and chemicals	$ 279	$ 197
Operating supplies	44	43
Raw materials	24	16
	$ 347	$ 256

Fertilizers and chemicals include both the Corporation's produced product or work in process from its wholesale production facilities and inventory at its retail farm centers purchased from third party vendors. Operating supplies include catalyst used in the wholesale production process, materials used for maintenance and repairs and other supplies. Raw materials consist primarily of phosphate rock, which has been mined but not used in the production process.

6 CAPITAL ASSETS

	2000			1999
	Cost	*Accumulated Depreciation, Depletion and Amortization*	*Net Book Value*	*Net Book Value*
Land	$ 37	$ –	$ 37	$ 29
Buildings and improvements	462	110	352	166
Building under capital lease	15	1	14	15
Machinery and equipment	1,459	722	737	699
Resource properties	39	16	23	22
Construction in progress	321	–	321	218
	$ 2,333	$ 849	$ 1,484	$ 1,149

Included in construction in progress, is interest capitalized during 2000 of $20-million (1999 – $16-million) primarily on the Profertil facility.

7 OTHER ASSETS

	2000	1999
South American value-added tax and other costs	**$ 86**	$ 58
Receivable under environmental indemnity agreement	**12**	12
Long-term receivables	**26**	14
Long-term investments	**11**	10
Information system costs	**2**	8
Other	**13**	13
	$ 150	$ 115

The long-term portions of value-added taxes are related to the investment in retail in South America and the Corporation's share of the Profertil nitrogen facility construction. Value-added taxes are accumulated on the balance sheet, as costs are incurred and recovered against future income taxes payable once profitability is achieved.

8 GOODWILL

	2000	1999
Cost	**$ 67**	$ 67
Accumulated amortization	**18**	15
	$ 49	$ 52

Included in depreciation and amortization in the statement of operations for 2000 is amortization of goodwill of $3-million (1999 – $4-million; 1998 – $4-million).

9 BANK INDEBTEDNESS

	2000	1999
Short-term financing (a)	**$ 163**	$ –
Profertil bridge financing (b)	**145**	149
Commercial paper borrowing facility (c)	**–**	30
	$ 308	$ 179

The weighted average interest rate for bank indebtedness in 2000 was 8 percent (1999 – 7 percent, 1998 – 5 percent).

(a) Short-term Financing

The Corporation has $200-million short-term financing which was used to purchase the Unocal assets. This facility expires April 30, 2001. Interest rates on this facility are either the London interbank offered rate (LIBOR) or a base rate established by the bank plus variable spreads, at the election of the Corporation.

(b) Profertil S.A.

In February 1999, Profertil completed a bridge financing of up to $285-million with a maturity of March 30, 2001, to finance the construction of the $600-million urea and ammonia production facility. The Corporation has guaranteed 50 percent of total amounts outstanding under the bridge facility. The Corporation's share of amounts outstanding under the bridge facility was $143-million at December 31, 2000 (1999 – $143-million).

Profertil has entered into a syndicated credit agreement for the permanent long-term financing of the project. The Corporation has guaranteed 50 percent of the amounts outstanding under this facility until completion guarantees on the plant have been released, at which time the facility will become non-recourse.

Profertil utilizes limited short-term borrowings from local financial institutions at prevailing interest rates to meet cash requirements in excess of the bridge facility. The Corporation's share of amounts outstanding was $2-million at December 31, 2000 (1999 – $6-million).

(c) Agrium Inc.

The Corporation has an unsecured four-year term loan facility of $100-million with a Canadian chartered bank. Interest rates on this term loan facility are at either the LIBOR or a base rate established by the bank plus variable spreads, at the election of the Corporation. Additional lines of credit include a C$35-million or $25-million demand operating loan facility. Interest rates on this demand operating loan facility are based on the prevailing bankers acceptance rates plus a spread, or at commercial rates plus a commission. The Corporation also has a commercial paper borrowing facility of C$150-million, or its equivalent in U.S. dollars. The paper is rated investment-grade by the two Canadian rating agencies and bears interest at prevailing market rates. The loan agreements require the Corporation to maintain certain financial ratios and other covenants.

(d) Agrium U.S. Inc.

The Corporation's wholly-owned subsidiary, Agrium U.S. Inc., has a base revolving credit facility of up to $75-million which expires December 5, 2005. This facility is guaranteed by the Corporation and requires the Corporation to maintain certain financial ratios and to comply with other covenants.

10 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2000	1999
Trade accounts payable	**$ 146**	$ 163
Accrued liabilities	**67**	38
Deferred hedging gains *(Note 18)*	**75**	–
Payroll and related taxes	**50**	40
Accrued interest payable	**10**	10
Dividends payable	**7**	6
Customer rebates	**10**	9
Other	**5**	1
	$ 370	$ 267

11 LONG-TERM DEBT

	2000	1999
Unsecured senior notes (a)	**$ 175**	$ 175
Unsecured notes and debentures (b)	**300**	300
Capital lease obligation (c)	**15**	16
Other	**18**	7
	508	498
Principal repayments due within one year	**1**	1
	$ 507	$ 497

(a) The unsecured senior notes were issued in two tranches: $75-million at a coupon rate of 6.86 percent maturing December 29, 2007, with five equal annual principal repayments beginning December 29, 2003; and $100-million at a coupon rate of 7.06 percent maturing December 29, 2010, with seven equal annual principal repayments beginning December 29, 2004. These notes are guaranteed by Agrium U.S. Inc., which is a subsidiary of the Corporation. The notes require the Corporation to maintain certain financial ratios and meet other covenants.

(b) The Corporation has long-term unsecured financing comprised of $75-million 7.0 percent notes due 2004, $100-million 7.7 percent debentures due 2017 and $125-million 7.8 percent debentures due 2027. These notes and debentures require the Corporation to meet certain covenants.

(c) The capital lease obligation is comprised of the corporate head office building lease (Note 6) which is denominated in Canadian dollars, bears interest at seven percent and expires in March 2019. Total payments, including principal and interest, to be paid over the remainder of the lease are $27-million, of which $12-million represents interest. Annual payments in each of the next five years are included in Note 16, Commitments.

12 OTHER LIABILITIES

	2000	1999
Site restoration and reclamation (a)	**$ 89**	$ 51
Employee future benefits (b)		
Pensions	**5**	3
Post-retirement benefits	**23**	19
Other	**3**	3
	$ 120	$ 76

(a) Site Restoration and Reclamation

The Corporation has recorded provisions for restoration and reclamation at various sites based on estimated expenditures where existing conditions allow these costs to be reasonably estimable. During 2000, the Corporation accrued $43-million (1999 – $5-million; 1998 – $4-million) for anticipated future expenditures. This amount includes $41-million recorded upon the acquisition of Unocal's fertilizer assets relating to known restoration and reclamation liabilities. The remaining $2-million relates to the Corporation's other sites and was expensed.

Expenditures relating to restoration and reclamation were $5-million in 2000 (1999 – $2-million) and were expensed or charged against provisions recorded in previous years.

(b) Employee Future Benefits

The Corporation maintains both defined benefit and defined contribution pension plans in Canada and in the United States, which are both contributory and non-contributory with regard to participants. The majority of salaried and hourly employees are members of the defined contribution pension plan. The Corporation also maintains certain contributory health care plans and life insurance benefits for retired employees. Benefits from defined benefit plans are based on either years of service and compensation or a rated amount for each year of service. The employee future benefit costs are determined annually by independent actuaries and include current service costs and a provision for the amortization of prior service costs. Employee future benefit costs for current service are charged to earnings in the year incurred. The liability for past service is charged to earnings over the remaining service lives of the employees.

The Corporation has additional defined benefit and defined contribution retirement income plans for senior management, which are non-contributory and provide a supplementary pension benefit. The plans are provided for by annual charges to earnings sufficient to meet the projected benefit obligations.

The components of net employee future benefits expense for the Corporation's defined benefit plans are computed actuarially as follows:

	2000	1999	1998
Defined benefit plans			
Service cost for benefits earned during the year	**$ 3**	$ 3	$ 3
Interest cost on projected benefit obligations	**5**	4	4
Expected return on plan assets	**(5)**	(5)	(5)
Net amortization and deferral	**1**	1	1
Net expense	**4**	3	3
Post-retirement plans			
Service cost for benefits earned during the year	**1**	1	1
Interest cost on projected benefit obligations	**2**	2	1
Net expense	**3**	3	2
Defined contribution plans	**7**	6	6
Total expense	**$ 14**	$ 12	$ 11

Significant actuarial assumptions used in calculating the net pension expense for the Corporation's defined benefit plans were as follows:

	2000	1999	1998
Pension plans			
Discount rate (%)	**7**	8	7
Long-term rate of return on assets (%)	**8**	8	9
Rate of increase in compensation levels (%)	**5**	5	5
Other post-retirement plans			
Discount rate (%)	**7**	7	7
Health care cost trend rate (%)	**8**	9	8

If the health care cost trend rate was increased or decreased by one percent, the accumulated post-retirement benefit obligation and the aggregate of service and interest cost would have increased or decreased by $1-million respectively.

The changes in accumulated benefit obligations and change in plan assets for the defined benefit pension and post-retirement benefits are outlined as follows:

	Pension Plans		*Post-retirement Benefit Plans*	
	2000	1999	**2000**	1999
Change in benefit obligations				
Balance, beginning of year	**$ 77**	$ 69	**$ 21**	$ 16
Interest and service cost	**8**	7	**3**	3
Acquisitions	**3**	–	**–**	–
Actuarial (loss) gain	**(3)**	2	**(1)**	2
Contractual benefits	**–**	2	**–**	–
Benefits paid	**(4)**	(3)	**–**	–
Balance, end of year	**$ 81**	$ 77	**$ 23**	$ 21
Change in plan assets				
Fair value, beginning of year	**$ 73**	$ 70	**$ –**	$ –
Actual return on plan assets	**6**	3	**–**	–
Employer contributions	**5**	3	**–**	–
Benefits paid	**(6)**	(3)	**–**	–
Fair value, end of year	**$ 78**	$ 73	**$ –**	$ –
Unfunded status	**3**	4	**23**	21
Unrecognized net (loss) gain	**2**	(1)	**–**	(2)
Accrued employee future benefits	**$ 5**	$ 3	**$ 23**	$ 19

The plans' assets consist primarily of corporate equities; corporate and government bonds and debentures; and cash.

13 INCOME TAXES

The significant components of future income tax assets and liabilities at December 31 are as follows:

	2000	1999
Debt retirement and other financing	**$ 9**	$ 14
Site restoration and reclamation	**29**	14
Loss carry-forwards expiring through 2007	**20**	10
Employee post-retirement benefits	**7**	8
Other	**7**	5
Future income tax assets before valuation allowance	**72**	51
Valuation allowance	**(7)**	(4)
Future income tax assets, net of valuation allowance	**65**	47
Depreciation, depletion and amortization	**207**	178
Deferred income	**42**	24
Other	**13**	9
Future income tax liabilities	**262**	211
Net future income tax liabilities	**$ 197**	$ 164

The major factors that caused variations from the expected combined Canadian federal and provincial statutory income tax rate of 45 percent (1999 – 45 percent; 1998 – 45 percent) were the following:

	2000	1999	1998
Earnings before income tax:			
Canadian	**$ 48**	$ 20	$ 119
Foreign	**78**	74	69
	$ 126	$ 94	$ 188
Statutory rate	**45%**	45%	45%
Income tax at statutory rates	**57**	42	85
Differences in foreign tax rates	**(15)**	(10)	(10)
Manufacturing and processing allowance	**(2)**	1	(5)
Other	**4**	(1)	(1)
Income tax provision	**$ 44**	$ 32	$ 69
Current:			
Canadian	**$ (5)**	$ 35	$ 57
Foreign	**14**	25	19
	9	60	76
Future:			
Canadian	**27**	(28)	(12)
Foreign	**8**	–	5
	35	(28)	(7)
	$ 44	$ 32	$ 69

14 SHARE CAPITAL

	2000		1999		1998	
	Shares	*Amount*	*Shares*	*Amount*	*Shares*	*Amount*
Common shares (millions)						
Issued and outstanding, beginning of year	**112**	**$ 347**	115	$ 359	126	$ 389
Repurchased for cash	**–**	**–**	(3)	(12)	(12)	(35)
Issued on exercise of stock options	**–**	**3**	–	–	1	5
Issued on purchase of Unocal assets	**3**	**25**	–	–	–	–
Issued and outstanding, end of year	**115**	**$ 375**	112	$ 347	115	$ 359
Preferred securities (millions)						
Issued and outstanding, beginning of year	**7**	**$ 171**	7	$ 171	–	$ –
Issued for cash	**–**	**–**	–	–	7	175
Preferred securities issue costs (net of tax)	**–**	**–**	–	–	–	(4)
Issued on purchase of Unocal assets	**2**	**50**	–	–	–	–
Issued and outstanding, end of year	**9**	**$ 221**	7	$ 171	7	$ 171
Total	**124**	**$ 596**	119	$ 518	122	$ 530

The Corporation has two classes of preferred securities issued and outstanding:

(a) $175-million, unsecured eight percent preferred securities due June 30, 2047

The charges on these securities are payable quarterly in arrears and the Corporation has the ability to defer the charges for up to 20 consecutive periods, subject to certain restrictions. The preferred securities are redeemable at the option of the Corporation, in whole or in part, on or after April 22, 2003, at the principal amount plus accrued and unpaid charges (the redemption price) to the date of redemption. The Corporation may, at its option, pay the redemption price or any deferred quarterly charges in cash or by delivering common shares to a trustee for subsequent sale.

(b) $50-million, six percent convertible preferred securities due September 30, 2030

This class was issued on September 29, 2000, in connection with the acquisition of Unocal assets. The convertible preferred securities are convertible at the discretion of the holder into the Corporation's common shares at a conversion price of $11.9677 per common share. The Corporation has the right to defer, at any time subject to certain conditions, payments of charges on the securities by extending the payment period for up to 20 consecutive quarterly periods. The Corporation may redeem the securities, in whole but not in part, at any time on or after September 30, 2003, at a redemption price equal to 103 percent of the principal amount of the securities plus accrued and unpaid charges.

The Corporation has the right to issue common shares and use the proceeds to settle the deferred interest, principal and redemption payments and consequently, both the eight percent preferred securities and six percent convertible preferred securities are classified as equity under Canadian GAAP.

Stock Option Plan

The Corporation has a stock option plan under which the Board of Directors may grant options to acquire common shares to its directors, officers and employees. At December 31, 2000, the Board of Directors was authorized to grant options on up to approximately nine million (1999 – eight million) common shares on which approximately seven million (1999 – six million) options had been granted. The exercise price of each option equals the market price of the Corporation's common shares on the last business day prior to the date of grant and an option's maximum term is 10 years. Options are granted throughout the year and vest and become exercisable equally over a four-year period, commencing one year after the grant date. In addition, under this plan the Board of Directors has resolved to grant options to directors and officers of the Corporation on the basis of one option for each common share acquired by the director or officer in the open market with the exercise price of each option equal to the purchase price paid for the original share. These options lapse if the participant does not hold 100 percent of the purchased shares on the first anniversary date, 75 percent on the second anniversary date, 50 percent on the third anniversary date or 25 percent on the fourth anniversary date.

Stock option transactions for the respective years were as follows:

	2000		1999		1998	
	Options Outstanding (millions)	***Weighted Avg. Exercise Price (C$)***	*Options Outstanding (millions)*	*Weighted Avg. Exercise Price (C$)*	*Options Outstanding (millions)*	*Weighted Avg. Exercise Price (C$)*
Outstanding, beginning of year	**6**	**$ 16.40**	5	$ 17.62	5	$ 16.58
Granted	**1**	**12.47**	1	12.53	1	18.94
Exercised	**–**	**16.38**	–	11.18	(1)	11.25
Outstanding, end of year	**7**	**15.52**	6	16.40	5	17.62
Exercisable, end of year	**4**	**$ 17.11**	3	$ 17.20	2	$ 16.48

The following table summarizes stock options outstanding and exercisable under the plan at December 31, 2000:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices (C$)	*Number Outstanding (millions)*	*Weighted Avg. Remaining Contractual Life (Years)*	*Weighted Avg. Exercise Price (C$)*	*Number Exercisable (millions)*	*Weighted Avg. Exercise Price (C$)*
1.92 to 12.00	2	8	$ 11.53	1	$ 10.77
12.21 to 13.15	1	8	12.84	–	12.93
13.50 to 18.65	3	7	18.05	2	18.57
18.80 to 22.15	1	7	19.70	1	19.95
1.92 to 22.15	7	7	$ 15.52	4	$ 17.11

Shareholders' Rights Plan

The Corporation has a shareholders' rights plan under which one right is issuable for each outstanding common share. The rights remain attached to the shares and are not exercisable until the occurrence of certain designated events. The shareholders' rights plan expires in May 2001 and the Corporation intends to request shareholder approval for a new shareholders' rights plan at the annual meeting in May 2001.

15 EARNINGS PER COMMON SHARE

	2000	1999	1998
Earnings per share			
Basic	**$ 0.65**	$ 0.47	$ 0.94
Fully diluted	**$ 0.63**	$ 0.46	$ 0.92
Supplementary fully diluted	**$ 0.63**	$ 0.45	$ 0.83
Diluted (a) (Effective 2001)	**$ 0.62**	$ 0.46	$ 0.87
Weighted average shares			
Basic	**112**	113	120
Fully diluted	**120**	118	125
Supplementary fully diluted	**132**	141	145
Diluted (a) (Effective 2001)	**132**	133	136

The supplementary diluted earnings per share calculation assumes that the principal amount of preferred securities was settled through the issuance of common shares at market price on December 31, 2000, 1999 and 1998. The imputed interest rate used to calculate fully diluted earnings per share is the average rate of interest earned by the Corporation on its cash and cash-equivalents of 6 percent (1999 – 5 percent; 1998 – 5 percent).

(a) In 2000, the Canadian Institute of Chartered Accountants issued a new accounting standard, 3500, *"Earnings Per Share"*. The new standard requires the treasury stock method for calculating diluted earnings per share. Under this method all options whose average price is less than or equal to the average share price for the year are considered outstanding and all convertible securities are converted at the average share price during the period. This method no longer requires the calculation of supplementary fully diluted earnings per share. The Corporation has adopted this section effective January 1, 2001.

16 COMMITMENTS

	2001	2002	2003	2004	2005
Operating expenses					
Operating commitments	$ 39	$ 29	$ 26	$ 24	$ 24
Natural gas, sulphuric acid, power and other payments	576	246	200	116	107
Profertil natural gas and other *(Note 19)*	18	18	17	15	15
	633	293	243	155	146
Other					
Profertil construction joint venture *(Note 19)*	10	–	–	–	–
Long-term debt and capital lease repayments	1	1	16	105	30
	11	1	16	105	30
Total	$ 644	$ 294	$ 259	$ 260	$ 176

The operating commitments consist primarily of short-term leases for rail cars and contractual commitments at distribution facilities in North America Wholesale, vehicles and application equipment in North America Retail and office equipment and property leases throughout the Corporation's operations. The commitment represents the minimum payments in each of the next five years under each agreement. Operating lease payments expensed in 2000 were $25-million (1999 – $23-million; 1998 – $18-million).

The Corporation has also entered into a number of agreements with suppliers to guarantee supply for raw material requirements in the production processes at its wholesale facilities. Amongst these are a number of long-term fixed base-price natural gas agreements at the Kenai and Profertil facilities which are included in the commitments based on the minimum obligations under these contracts. Additionally, the Corporation's minimum commitments for North American natural gas purchases not under fixed base price contracts are calculated using the prevailing New York Mercantile Exchange (NYMEX) forward prices at December 31, 2000.

The Kenai facility has a reserve-based natural gas purchase contract with Unocal that expires July 1, 2009. The delivery price formula is based on a fixed price that is adjusted by the previous year's average Green Markets spot U.S. Gulf Coast ammonia price. The adjustment is made on July 1 each year if the average ammonia price exceeds or drops below defined Gulf Coast ammonia prices set in the agreement for the previous 12 months; otherwise only the base price applies for the next year.

Profertil has three, twelve-year natural gas purchase contracts. One is with the other 50 percent partner in the Profertil joint venture. The contracts are fixed base rate agreements where the base price for natural gas is adjusted by the quarterly average of Free On Board (FOB) Caribbean granulated urea in U.S. dollars per short ton and the quarterly average of West Texas Intermediate (WTI) U.S. dollars per barrel.

The Profertil construction joint venture commitment relates to the Corporation's 50 percent share of the final payment on the turn-key construction contract, which is due to the contractor once the facility passes commissioning tests and commercial operations are transferred to Profertil.

17 CONTINGENCIES

Contingent Purchase Price

As part of the Unocal asset acquisition, the Corporation granted to Unocal a right to receive an Earn-out payment pursuant to which Unocal is entitled to receive, for each of the six years following the closing of the acquisition, a payment equal to 35 percent of the amount by which defined New Orleans Louisiana (NOLA) ammonia and urea prices exceed certain forecast prices for such commodities based on production capacity volumes of the Alaska production facilities acquired from Unocal. At December 31, the Corporation's financial statements include $5-million payable to Unocal under this arrangement. This amount is included in accounts payable and accrued liabilities and is recorded as part of the cost to acquire the Unocal fertilizer assets.

Environmental

The Corporation also has contingent liabilities in respect of existing operations and discontinued mining activity of predecessor corporations. These liabilities arise from continuing changes to regulations in effect at the time the liabilities were incurred and are the subject of ongoing study and negotiation with various regulatory authorities. The amounts are not reasonably estimable, due to uncertainty as to the final outcome of the negotiations, the absence of an agreed plan of remediation, identification of where the ultimate liability may rest and the timing of when the expenditures may be incurred.

Stock Appreciation Rights

The Corporation approved a Stock Appreciation Rights (SAR) plan for employees in certain business segments. Under this plan, each eligible employee is granted SARs which provide for payment of a cash award based upon the appreciation in value of the Corporation's common stock, to certain guaranteed levels for 20 consecutive trading days on the New York Stock Exchange (NYSE), over a five-year term expiring on May 4, 2004. The employees receive cash for the SARs equal to their intrinsic value, being the difference between the SARs base price and their market value at the time the specified level is achieved. At December 31, 2000, no payments were required under this plan. The payments, when required, will be recorded as an expense. The potential expense, based on SARs outstanding at December 31, 2000, would be $2-million if the share price reached $15, an additional $4-million if the share price reached $22.50, an additional $8-million if the share price reached $33.75 and an additional $13-million if the share price reached $50.

18 FINANCIAL INSTRUMENTS

The Corporation is subject to the risks and uncertainties inherent in the fertilizer business. Financial results are subject to fluctuations in fertilizer prices, foreign exchange rates, natural gas and other raw material supply prices over which it has limited control. In addition, the Corporation is subject to normal credit risks as well as the risks of conducting business in an international environment.

The Corporation monitors and, when appropriate, utilizes financial instruments to manage its exposure to certain of these risks as described below. Market risk related to these financial instruments should be substantially offset by changes in the valuation of the underlying items being hedged. The Corporation deals only with major financial institutions, in order to mitigate risk.

Foreign Exchange

The Corporation is exposed to foreign exchange rate fluctuations on its Canadian dollar cash flow. In order to manage this risk the Corporation enters into derivative contracts. The contracts are designated as hedges of fixed obligations in Canadian dollars and hedges of net Canadian currency positions. At December 31, 2000, the Corporation had sold forward $19-million at an average rate of $1.4682 (1999 – $48-million at an average rate of $1.4702). The contracts have maturity dates ranging from January 25, 2001, to October 25, 2001. The unrealized gain and fair value of these contracts at December 31, 2000, was nil (1999 – $1-million).

Natural Gas Supply Prices

The Corporation manages its North American exposure to fluctuations in natural gas prices though the use of index-priced contracts with suppliers (Note 16). As part of this process, the Corporation has entered into natural gas derivative contracts, under which it receives or makes payments based on the difference between a fixed and a published index price and the current market price for natural gas. At December 31, 2000, the Corporation had contracts with financial institutions and brokers on approximately 26 million MMBtu at an average price of $2.44 per MMBtu representing approximately 123,000 MMBtu per day from April through October 2001 (1999 – 88 million MMBtu at an average price of $2.24). The carrying values and fair values of these natural gas derivative contracts as at December 31, 2000, were nil and $82-million respectively (1999 – nil and $16-million). If the contracts were settled on December 31, 2000 the Corporation would have been owed $83-million from third parties and owed third parties $1-million. The fair value represents the approximate amount the Corporation would pay or receive to terminate the contracts based on the prevailing NYMEX forward prices at December 31, 2000.

During December 2000 the Corporation closed contracts representing approximately 12 million MMBtu at an average gas price of $2.54 for total proceeds of $75-million. This represents approximately 125,000 MMBtu per day from January through March 2001. This benefit is being deferred and recorded in accounts payable and will be recognized against the cost of gas purchased for first quarter production requirements.

Fair Value of Financial Instruments

The fair value of long-term debt, including the current portion, at December 31, 2000, was $450-million (1999 – $450-million). The fair value of preferred securities at December 31, 2000, was $180-million (1999 – $137-million). This estimate is based on the quoted market price of these or similar issues or by discounting expected cash flows at the rates currently offered to the Corporation for debt and securities of the same remaining maturities.

The fair value of each class of other financial instruments, including cash and short-term investments, accounts receivable, accounts payable, advances and loans and bank indebtedness, approximates its carrying value due to their short-term maturity.

Credit Risk

The Corporation is subject to credit risk through trade receivables and short-term investments. Although a substantial portion of its debtor's ability to pay is dependent upon the agribusiness economic sector, a large customer base and its geographic dispersion reduce credit risk with respect to trade receivables.

Short-term cash investments are placed with financial institutions and in short-term corporate and government debt securities. The Corporation has a policy designed to limit the amount of credit exposure in any one type of investment instrument.

19 JOINT VENTURE OPERATIONS

The Corporation has a 50 percent interest in the Profertil nitrogen joint venture project which is accounted for using the proportionate consolidation method. A summary of the Corporation's proportionate interest in the joint venture at December 31 is as follows:

	2000	1999
Balance sheets		
Cash and cash-equivalents	**$ –**	$ 1
Accounts receivable	**11**	12
Inventories	**3**	4
Capital assets	**256**	195
Other assets	**58**	44
	328	256
Bank indebtedness *(Note 9)*	**145**	149
Accounts payable and accrued liabilities	**13**	37
Long-term debt	**15**	4
	173	190
Investment in joint venture	**$ 155**	$ 66
Statements of operations		
Net sales	**$ 12**	$ 3
Expenses	**16**	3
Net loss	**$ (4)**	$ –
Statements of cash flows		
Operating activities	**$ (2)**	$ (16)
Investing activities	**(99)**	(176)
Financing activities	**100**	191
Decrease in cash and cash-equivalents	**$ (1)**	$ (1)

Commitments presented in Note 16 include the Corporation's 50 percent share in the commitments of the joint venture.

20 SEGMENTED INFORMATION

The Corporation's activities are divided geographically and then by functional area into five reportable segments. The four operating segments are North America Wholesale, North America Retail, South America Wholesale and South America Retail. Wholesale comprises the production and sales of the four primary nutrients: nitrogen, phosphate, potash and sulphur. Retail comprises the sales of fertilizers, chemicals, seed, application and agronomic services. The fifth non-operating segment is Other, which includes corporate overhead and inter-segment eliminations. Net sales between geographic regions are accounted for at prices which approximate fair market value and are eliminated on consolidation.

The Corporation has retroactively segmented the South America business activities into South America Retail and South America Wholesale in anticipation of increased activity in South America Wholesale in 2001.

Segmented Net Sales, Expenses, Assets and Capital Expenditures

	2000					
	North America		*South America*			
	Wholesale	*Retail*	*Wholesale*	*Retail*	*Other*	*Total*
Net sales:						
External customers	**$ 982**	**$ 815**	**$ 7**	**$ 69**	**$ –**	**$ 1,873**
Internal customers	**63**	**–**	**5**	**–**	**(68)**	**–**
Total net sales	**1,045**	**815**	**12**	**69**	**(68)**	**1,873**
Cost of product	**767**	**568**	**10**	**50**	**(69)**	**1,326**
Gross profit	**278**	**247**	**2**	**19**	**1**	**547**
Expenses:						
Selling, general and administrative	**30**	**186**	**4**	**14**	**19**	**253**
Depreciation, depletion and amortization	**71**	**20**	**1**	**5**	**10**	**107**
Other (income) expense – net	**11**	**(6)**	**1**	**1**	**17**	**24**
Earnings before interest and taxes	**$ 166**	**$ 47**	**$ (4)**	**$ (1)**	**$ (45)**	**$ 163**
Total assets	**$ 2,281**	**$ 340**	**$ 332**	**$ 120**	**$ (702)**	**$ 2,371**
Capital expenditures	**$ 94**	**$ 17**	**$ 62**	**$ 1**	**$ 5**	**$ 179**

	1999					
	North America		*South America*			
	Wholesale	*Retail*	*Wholesale*	*Retail*	*Other*	*Total*
Net sales:						
External customers	$ 828	$ 794	$ 34	$ 60	$ –	$ 1,716
Internal customers	59	–	–	–	(59)	–
Total net sales	887	794	34	60	(59)	1,716
Cost of product	656	556	28	48	(61)	1,227
Gross profit	231	238	6	12	2	489
Expenses:						
Selling, general and administrative	36	176	6	14	13	245
Depreciation, depletion and amortization	56	22	–	7	8	93
Other (income) expense – net	11	(3)	(1)	(2)	15	20
Earnings before interest and taxes	$ 128	$ 43	$ 1	$ (7)	$ (34)	$ 131
Total assets	$ 1,680	$ 299	$ 258	$ 126	$ (404)	$ 1,959
Capital expenditures	$ 80	$ 18	$ 132	$ 1	$ 3	$ 234

	1998					
	North America		*South America*			
	Wholesale	*Retail*	*Wholesale*	*Retail*	*Other*	*Total*
Net sales:						
External customers	$ 934	$ 821	$ –	$ 50	$ –	$ 1,805
Internal customers	59	–	–	–	(59)	–
Total net sales	993	821	–	50	(59)	1,805
Cost of product	661	585	–	37	(59)	1,224
Gross profit	332	236	–	13	–	581
Expenses:						
Selling, general and administrative	46	178	–	15	17	256
Depreciation, depletion and amortization	55	23	–	6	8	92
Other (income) expense – net	5	(1)	–	1	–	5
Earnings before interest and taxes	$ 226	$ 36	$ –	$ (9)	$ (25)	$ 228
Total assets	$ 1,723	$ 327	$ 62	$ 118	$ (447)	$ 1,783
Capital expenditures	$ 88	$ 20	$ 55	$ 10	$ 1	$ 174

Net Sales and Gross Profit by Business Segment and Product Line

	2000			1999			1998		
	Net Sales	Cost of Sales	Gross Profit	Net Sales	Cost of Sales	Gross Profit	Net Sales	Cost of Sales	Gross Profit
North America Wholesale									
Nitrogen:									
Ammonia	**$ 246**	**$ 173**	**$ 73**	$ 165	$ 133	$ 32	$ 197	$ 135	$ 62
Urea	**299**	**216**	**83**	200	155	45	238	149	89
Other	**92**	**76**	**16**	57	46	11	66	48	18
	637	**465**	**172**	422	334	88	501	332	169
Phosphate	**196**	**177**	**19**	255	195	60	262	187	75
Potash	**151**	**81**	**70**	145	80	65	160	91	69
Sulphate and other products	**61**	**44**	**17**	65	47	18	70	51	19
	1,045	**767**	**278**	887	656	231	993	661	332
North America Retail									
Fertilizers	**352**	**254**	**98**	357	257	100	377	277	100
Chemicals	**358**	**267**	**91**	345	260	85	361	273	88
Other products and services	**105**	**47**	**58**	92	39	53	83	35	48
	815	**568**	**247**	794	556	238	821	585	236
South America Wholesale									
Fertilizers	**12**	**10**	**2**	34	28	6	–	–	–
South America Retail									
Fertilizers	**47**	**32**	**15**	46	34	12	33	27	6
Other products and services	**22**	**18**	**4**	14	14	–	17	10	7
	69	**50**	**19**	60	48	12	50	37	13
Other	**(68)**	**(69)**	**1**	(59)	(61)	2	(59)	(59)	–
Total	**$ 1,873**	**$ 1,326**	**$ 547**	$ 1,716	$ 1,227	$ 489	$ 1,805	$ 1,224	$ 581

Net Sales by Market Destination and Assets by Country

	2000			1999			1998		
	Net Sales	Capital Assets	Goodwill	Net Sales	Capital Assets	Goodwill	Net Sales	Capital Assets	Goodwill
Canada	**$ 423**	**$ 586**	**$ –**	$ 383	$ 606	$ –	$ 439	$ 521	$ –
United States	**1,249**	**615**	**49**	1,167	317	52	1,256	334	55
Argentina	**76**	**283**	**–**	94	226	–	51	96	–
Other	**125**	**–**	**–**	72	–	–	59	–	–
	$ 1,873	**$ 1,484**	**$ 49**	$ 1,716	$ 1,149	$ 52	$ 1,805	$ 951	$ 55

21 DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Corporation's consolidated financial statements are prepared in accordance with Canadian GAAP. These principles differ in certain respects from those applicable under U.S. GAAP. The approximate impact of these differences on the Corporation's financial statements is summarized below:

Consolidated Statements of Operations

	2000	1999	1998
Net earnings – Canadian GAAP	**$ 82**	$ 62	$ 119
Adjustments net of tax:			
Deferred start-up costs (a)	**–**	(3)	–
Preferred securities charges (b)	**(9)**	(8)	(6)
Other	**(1)**	3	1
Net earnings – U.S. GAAP	**$ 72**	$ 54	$ 114
Other comprehensive income:			
Translation adjustments	**(23)**	30	(34)
Comprehensive income – U.S. GAAP (d)	**$ 49**	$ 84	$ 80
Earnings per common share – U.S. GAAP			
Basic	**$ 0.64**	$ 0.46	$ 0.95
Diluted	**$ 0.61**	$ 0.46	$ 0.91

Consolidated Statements of Cash Flow

	2000	1999	1998
Operating – Canadian GAAP	**$ 256**	$ 160	$ 283
Deferred start-up costs (a)	**–**	(3)	–
Preferred securities charges paid (b)	**(9)**	(8)	(6)
Other	**–**	–	1
Operating – U.S. GAAP	**$ 247**	$ 149	$ 278
Investing – Canadian GAAP	**$ (463)**	$ (263)	$ (137)
Other assets (a) (b)	**–**	3	(6)
Other	**–**	–	(1)
Investing – U.S. GAAP	**$ (463)**	$ (260)	$ (144)
Financing – Canadian GAAP	**$ 121**	$ 94	$ (42)
Preferred securities (b)	**–**	–	(169)
Issue of long-term debt (b)	**–**	–	175
Preferred securities charges paid (b)	**9**	8	6
Financing U.S. GAAP	**$ 130**	$ 102	$ (30)
Cash and cash-equivalents – end of year			
Canadian and U.S. GAAP	**$ 18**	$ 104	$ 113

Consolidated Balance Sheets

As discussed in (b) below, a significant difference between Canadian and U.S. GAAP on balance sheet items relates to preferred securities, which are not considered equity instruments for U.S. GAAP due to the redemption feature. Under U.S. GAAP at December 31 long-term debt would increase by $225-million in 2000 (1999 – $175-million), other assets would increase by $6-million in 2000 (1999 – $6-million), future income taxes would increase by $2-million in 2000 (1999 – $2-million), and shareholders' equity would decrease by $221-million in 2000 (1999 – $171-million). The remaining balance sheet items under U.S. GAAP are not materially different from balances under Canadian GAAP.

Description of Significant Differences

(a) Prior to 2000, expenditures incurred by the Corporation during start-up of a new facility prior to commencement of commercial operations were capitalized in accordance with Canadian GAAP. Under U.S. GAAP, in accordance with Statement of Position 98-5, Reporting on the Costs of Start-Up Activities, all such expenditures must be expensed. In March 2000, Accounting Guideline 11 was issued by the Canadian Institute of Chartered Accountants, which eliminated this difference resulting in consistent treatment of these types of expenditures on a prospective basis.

(b) As disclosed in Note 14, the Corporation has included the preferred securities, net of issue costs, as part of shareholders' equity in accordance with Canadian GAAP. Under U.S. GAAP, the preferred securities would be classified as long-term debt and, accordingly, the annual carrying charges would be recognized as an expense.

(c) Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-based Compensation, establishes financial accounting and reporting standards for stock-based employee compensation plans as well as transactions in which an entity issues its equity instruments to acquire goods or services from non-employees. As permitted by the statement, the Corporation has elected to continue to follow the intrinsic value method of accounting for stock-based compensation arrangements, as provided for in Accounting Principles Board Opinion 25. Since all options were granted with exercise prices equal to the market price at the date of grant, no compensation cost has been charged to operations.

(d) SFAS No. 130 requires the reporting of comprehensive income in addition to net earnings. Comprehensive income includes net income plus other comprehensive income; specifically, all changes in equity of a company during a period arising from transactions and other events from non-owner sources.

2001 Adoption of SFAS 133

SFAS 133, Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS 137 and SFAS 138, is effective for the Corporation as of January 1, 2001. SFAS 133 requires that the Corporation recognizes all derivatives as either assets or liabilities measured at fair value. The accounting for changes in the fair value of a derivative depends on the use of the derivative. The majority of the Corporation's derivative instruments are hedging exposure to variable future cash flows of natural gas requirements and will meet all requirements to qualify for hedge accounting treatment under the new standard. Adoption of these new accounting standards will result in a transition adjustment to increase other comprehensive income by approximately $156-million, an increase in accounts receivable of $83-million, decrease in accounts payable of $73-million, increase in other assets of $7-million and an increase in other liabilities of $7-million.

Stock-based Compensation Plans

As stated above, the Corporation has chosen to follow the intrinsic method of accounting for stock-based compensation plans. Had the company adopted the fair value method outlined in SFAS 123, the Corporation's net income and earnings per share would have been the following pro forma amounts:

	2000		1999		1998	
	As Reported	**Pro Forma**	*As Reported*	*Pro Forma*	*As Reported*	*Pro Forma*
Net earnings	**$ 72**	**$ 68**	$ 54	$ 46	$ 114	$ 107
Earnings per common share						
Basic	**$ 0.64**	**$ 0.60**	$ 0.46	$ 0.41	$ 0.95	$ 0.89

The fair value of these options has been estimated using a Black Scholes option pricing model and based on the following assumptions:

	2000	1999	1998
Expected dividend yield	**0.9%**	0.9%	0.6%
Expected stock price volatility	**42%**	35%	37%
Risk-free interest rate	**6%**	6%	5%
Expected life of the options (years)	**10**	10	10

The fair value of options granted in the years indicated was as follows: 2000 – C$7.06; 1999 – C$6.40; and 1998 – C$10.20.

Supplemental Schedules of U.S. GAAP Financial Statements

The following supplemental schedules present the summarized consolidated balance sheets, consolidated statements of operations and retained earnings, consolidated statements of comprehensive income and consolidated statements of cash flows in accordance with U.S. GAAP as adjusted for the GAAP differences described above.

Supplemental Consolidated Balance Sheets – U.S. GAAP

As at December 31	**2000**	1999
Assets		
Current assets	**$ 688**	$ 643
Capital assets	**1,484**	1,149
Other assets	**150**	116
Goodwill	**49**	52
	$ 2,371	$ 1,960
Liabilities and Shareholders' Equity		
Current liabilities	**$ 679**	$ 469
Long-term debt	**732**	672
Other liabilities	**120**	76
Deferred income taxes	**197**	164
	1,728	1,381
Shareholders' Equity		
Common shares	**375**	347
Retained earnings	**311**	252
Cumulative translation adjustment	**(43)**	(20)
	643	579
	$ 2,371	$ 1,960

Supplemental Consolidated Statements of Operations and Retained Earnings – U.S. GAAP

Years ended December 31	**2000**	1999	1998
Gross sales	**$ 1,973**	$ 1,810	$ 1,904
Direct freight	**100**	94	99
Net sales	**1,873**	1,716	1,805
Cost of product	**1,326**	1,227	1,224
Gross profit	**547**	489	581
Expenses			
Selling, general, adminstrative and other expenses	**276**	268	261
Depreciation, depletion and amortization	**109**	90	91
Earnings before interest and taxes	**162**	131	229
Interest	**52**	51	49
Earnings before income taxes	**110**	80	180
Income taxes	**38**	26	66
Net earnings	**$ 72**	$ 54	$ 114
Retained earnings, beginning of period	**$ 252**	$ 231	$ 247
Repurchase of common shares	**–**	(20)	(117)
Common share dividends declared	**(13)**	(13)	(13)
Retained earnings, end of period	**$ 311**	$ 252	$ 231

Supplemental Consolidated Statements of Comprehensive Income – U.S. GAAP

Years ended December 31	**2000**	1999	1998
Net earnings	**$ 72**	$ 54	$ 114
Other comprehensive income			
Foreign currency translation adjustments	**(23)**	30	(34)
Comprehensive income	**$ 49**	$ 84	$ 80

Supplemental Consolidated Statements of Cash Flows – U.S. GAAP

Years ended December 31	**2000**	1999	1998
Operating			
Net earnings	**$ 72**	$ 54	$ 114
Items not affecting cash:			
Depreciation, depletion and amortization	**109**	90	91
Future income taxes (reduction)	**35**	(27)	(6)
Changes in non-cash operating working capital	**31**	32	79
Cash provided by operating activities	**247**	149	278
Investing			
Capital assets	**(179)**	(234)	(174)
Acquisition	**(246)**	–	–
Other assets	**(48)**	(46)	2
Other	**10**	20	28
Cash used in investing activities	**(463)**	(260)	(144)
Financing			
Common shares	**3**	(32)	(147)
Bank indebtedness	**130**	151	(41)
Issue of long-term debt	**10**	–	175
Repayment of long-term debt	**–**	(4)	(3)
Common share dividends paid	**(13)**	(13)	(14)
Cash provided by (used in) financing activities	**130**	102	(30)
Increase (decrease) in cash and cash-equivalents	**(86)**	(9)	104
Cash and cash-equivalents, beginning of year	**104**	113	9
Cash and cash-equivalents, end of year	**$ 18**	$ 104	$ 113

22 SUBSEQUENT EVENT

On February 15, 2001, the Corporation obtained long-term financing in the form of $125-million 8.25 percent debentures due February 15, 2011. The net proceeds of the debt offering were used to repay outstanding debt.

corporate governance

BOARD OF DIRECTORS

Frank W. Proto, *Chairman* • John M. Van Brunt, *President and Chief Executive Officer*

AUDIT COMMITTEE

Harry G. Schaefer, *Chairman* • Carroll G. Brunthaver • Neil Carragher • Ralph S. Cunningham
G. Woody MacLaren

The Audit Committee reviews Agrium's annual financial statements and quarterly earnings releases before they are approved by the Board. It monitors internal control procedures and risk management issues, and in the discharge of its duties, the Committee meets regularly with both internal and external auditors. It also examines the fees and expenses for audit services, assesses the independence of the external auditors and recommends their appointment by the shareholders. This Committee met on eight occasions in 2000.

CORPORATE GOVERNANCE & NOMINATING COMMITTEE

T. Don Stacy, *Chairman* • D. Grant Devine • Frank W. King • Harry G. Schaefer • Thomas M. Taylor

The Corporate Governance & Nominating Committee is responsible for the development and maintenance of Agrium's corporate governance practices. Its duties include identifying and recommending to the Board appropriate director candidates and establishing board committee structure, composition and membership. The Committee's responsibilities include reporting annually to the Board on the effectiveness of the performance of the Board as a whole, including specifically reviewing ways in which the Board's effectiveness may be enhanced. This Committee also submits to the Board for its approval Agrium's statement of corporate governance practices contained in Agrium's information circular. The Committee met on four occasions in 2000.

ENVIRONMENT, HEALTH & SAFETY COMMITTEE

Frank W. King, *Chairman* • Carroll G. Brunthaver • Ralph S. Cunningham • D. Grant Devine
Frank W. Proto

This Committee's particular focus is on Agrium's environmental responsibilities and ensuring that effective processes are in place for environmental management. The Committee met on five occasions in 2000.

HUMAN RESOURCES & COMPENSATION COMMITTEE

Frank W. Proto, *Chairman* • Neil Carragher • G. Woody MacLaren • T. Don Stacy • Thomas M. Taylor

The Human Resources & Compensation Committee's responsibilities include establishing, for the Board's approval, the President and Chief Executive Officer's compensation and policies relating to compensation of Agrium's executive officers. This Committee is also responsible for fixing the amount and composition of annual compensation to be paid to members of the Board and its Committees and reviewing and assessing the design and competitiveness of Agrium's compensation and benefits programs generally. This Committee met on four occasions in 2000.

OFFICERS OF THE COMPANY

Frank W. Proto, *Chairman of the Board* • John M. Van Brunt, *President, CEO and Director of Agrium Inc.*
Dorothy E. A. Bower, *Vice President, Strategic Development and Planning* • Patrick J. Freeman, *Vice President and Treasurer*
Richard L. Gearheard, *Senior Vice President, North America Retail* • Ian C. Hornby-Smith, *Vice President and Controller*
Michael J. Klein, *Vice President, Human Resources* • William C. McClung, *Vice President, Operations*
Leslie A. O'Donoghue, *Vice President, General Counsel and Corporate Secretary* • Robert J. Rennie, *Vice President, South America*
Chris W. Tworek, *Vice President, Supply Management* • Bruce G. Waterman, *Senior Vice President, Finance and Chief Financial Officer*
Michael M. Wilson, *Executive Vice President and Chief Operating Officer* • John D. Yokley, *Senior Vice President, Marketing and Distribution*

OFFICER BIOGRAPHIES

John M. Van Brunt, B.SC., P.ENG., *President and Chief Executive Officer of Agrium Inc.* • Mr. Van Brunt joined Agrium's former parent company, Cominco, in 1965 and held increasingly responsible managerial positions. In 1993, he led the initial public offering when Agrium was spun off from Cominco and became Agrium's first President and Chief Executive Officer. Mr. Van Brunt is a director of numerous Canadian and international associations.

Dorothy E.A. Bower, B.A., LL.B., *Vice President, Strategic Development and Planning* • Ms. Bower joined Cominco's legal department in 1985 and has actively participated in Agrium's growth. Prior to her current position, Ms. Bower was Vice President, General Counsel and Corporate Secretary.

Patrick J. Freeman, CCM, CGA, *Vice President and Treasurer* • Mr. Freeman joined Agrium in 1993 following an 18 year career in the treasury, finance and accounting areas of major Canadian corporations.

Richard L. Gearheard, B.S. (ACCOUNTING), CPA, *Senior Vice President, North America Retail* • Mr. Gearheard has worked for Agrium and its predecessor companies across North America for more than 27 years. He was the Chief Financial Officer of Crop Production Services and Northwest Vice President for Western Farm Service.

Ian C. Hornby-Smith, B.COMM., CA, *Vice President and Controller* • Mr. Hornby-Smith joined Agrium as the Controller in 1997 following a 25 year career in public accounting and the oil and gas industry in South Africa, England and Canada. Prior to joining Agrium, Mr. Hornby-Smith was Vice President and Controller at Bow Valley Energy.

Michael J. Klein, B.COMM., MBA, *Vice President, Human Resources* • Mr. Klein joined Cominco in 1967. He has an extensive background in employee and labor relations, compensation and benefits and performance management. Mr. Klein is responsible for Agrium's overall employee relations initiatives.

William C. McClung, B.SC., P.ENG., *Vice President, Operations* • Mr. McClung joined Cominco in 1976 and subsequently served as General Manager of Lake Minerals' trona mining and soda ash project in California and General Manager of Vanscoy Potash Operations in Saskatchewan.

Leslie A. O'Donoghue, B.A. (ECONOMICS), LL.B., *Vice President, General Counsel and Corporate Secretary* • Ms. O'Donoghue joined Agrium in 1999. She formerly practised corporate and securities litigation with the law firm Blake, Cassels & Graydon LLP.

Robert J. Rennie, B.S.A., M.SC., PH.D., *Vice President, South America* • Dr. Rennie joined Agrium from Esso Chemical as the Director, New Products Research and Development in 1994 and was promoted to Vice President, New Products in 1995. He has more than 20 years of experience in international agriculture, agricultural research and new product development with the United Nations and Esso/Exxon.

Chris W. Tworek, B.SC. MECH., P.ENG., *Vice President, Supply Management* • Mr. Tworek joined Agrium in 1996 as part of the Agrium/ Viridian executive merger team, moving to the position of Vice President, Transportation and Logistics in 1997 prior to accepting his current post in 1999. His experience in the fertilizer/petrochemical industry spans 25 years and includes executive positions with Viridian Fertilizers and Esso/Exxon.

Bruce G. Waterman, B.COMM., CA, *Senior Vice President, Finance and Chief Financial Officer* • Mr. Waterman joined Agrium in 2000, bringing more than 25 years experience as a financial executive. Prior to joining Agrium, Mr. Waterman was the Vice President and Chief Financial Officer at Talisman Energy.

Michael M. Wilson, B.SC., P.ENG., *Executive Vice President and Chief Operating Officer* • Mr. Wilson joined Agrium Inc. in 2000 following a 25-year executive management career in the chemical industry. His most recent position was Executive Vice President and President, Methanol with Methanex.

John D. Yokley, B.SC., *Senior Vice President, Marketing and Distribution* • Mr. Yokley joined Agrium in 1995 following Agrium's acquisition of Nu-West Industries, where he was Vice President, National Account Sales, Distribution and Raw Material Procurement. Mr. Yokley has spent his entire career in the marketing of fertilizer products across North America and internationally.

TOP ROW (L – R): Bruce Waterman, Ian Hornby-Smith, John Van Brunt. BOTTOM ROW (L – R): Leslie O'Donoghue, John Yokley, Chris Tworek, Dorothy Bower, Robert Rennie, Richard Gearheard, Patrick Freeman, Michael Klein, William McClung, Michael Wilson.

corporate governance

DIRECTOR BIOGRAPHIES

Frank W. Proto, B.A. (ECONOMICS) • Mr. Proto is former President and Chief Executive Officer of Wascana Energy. He joined Agrium's Board in 1993 and has served as Chairman since 1998. Mr. Proto, 58, focuses his attention on ensuring the execution of Agrium's long-term strategic objectives and that the progress made to accomplish those objectives is monitored and reported to the Board and Shareholders in an accurate and timely manner.

Carroll G. Brunthaver, PH.D. • Dr. Brunthaver is former President and Chief Executive Officer of Sparks Company of Memphis, Tennessee. Previously, he was Vice President, Research for Cook Industries and U.S. Assistant Secretary of Agriculture for International Affairs and Commodity Programs. Dr. Brunthaver, 69, is also currently a Director of Internet Commodity Exchange (ICECORP.COM).

Thomas M. Taylor, R.B.A., M.B.A. • Mr. Taylor is General Partner of TMT Partners LP, an investment consulting firm headquartered in Fort Worth, Texas. Mr. Taylor, 58, was elected to the Board in 1998.

T. Don Stacy, PH.D., P.ENG. • Dr. Stacy is former Chairman and President of Amoco Eurasia Petroleum Company and President of Amoco Canada Petroleum Company. Dr. Stacy, 66, currently also serves on the Boards of Alberta Energy Company, Hydril and Noble Affiliates, and is Chairman Emeritus of the U.S.-Azerbaijan Chamber of Commerce.

Neil Carragher, M.SC. • Mr. Carragher is the President of The Corporate Partnership and formerly a corporate turnaround specialist and a mergers and acquisitions advisor. Mr. Carragher, 62, also currently serves on the Boards of The Westaim Corporation, Chene Holdings (U.S.) and EIM (U.S.).

Ralph S. Cunningham, PH.D. (ENGINEERING) • Dr. Cunningham was formerly the President and Chief Executive Officer of CITGO Petroleum Corporation of Tulsa, Oklahoma. Dr. Cunningham, 60, is a member of the Auburn University Engineering Council and a Director of Huntsman Corporation, Enterprise Products Partners and Tetra Technologies.

Frank W. King, O.C., B.SC., P.ENG., LLD (HON) • Mr. King is President of Metropolitan Investment Corporation and is the former Chairman and CEO of the XV Olympic Winter Games. Mr. King, 64, is a director of Danoil Energy, Netword Health, Westaim and Wi-Lan and is a trustee of Rio-Can Real Estate Investment Trust.

D. Grant Devine, M.B.A., PH.D., PAG. • Dr. Devine is a Farm, Ranch Consultant. Dr. Devine is former Premier of Saskatchewan and a member of the Board of the Crown Investment Corporation. Dr. Devine, 56, is currently a Director of Upton Resources, Vision Security and the Institute for Society and Humanity. He is a Fellow of the Agricultural Institute of Canada.

Harry G. Schaefer, B.COMM., F.C.A. • Mr. Schaefer is former Chairman of the Board of TransAlta Utilities Corporation and Crestar Energy Inc. and was elected to Agrium's Board in 1998. Mr. Schaefer, 64, also serves as Vice Chairman and Director of TransCanada Pipelines and Director of Gulf Canada Resources and The Investment Dealers Association of Canada.

G. W. MacLaren, C.A. • Mr. MacLaren was formerly President of Woodward Stores Ltd. Mr. MacLaren, 67, is Chairman and co-founder of Macluan Capital Corporation 1985, director and financial advisor to other private-sector companies, was elected to the Board of Agrium in 1993 and served as chairman from 1994 to 1998.

TOP ROW (L – R): Thomas Taylor, Frank Proto, John Van Brunt, Don Stacy, Neil Carragher. BOTTOM ROW (L – R): G. W. MacLaren, Grant Devine, Carroll Brunthaver, Frank King, Ralph Cunningham, Harry Schaefer.

financial highlights

Earnings and Operating Cash Flows

(millions of U.S. dollars, except per share amounts)

	Q1	Q2	Q3	Q4	2000	Q1	Q2	Q3	Q4	1999	1998	1997	1996
Income													
Net sales	**$ 310**	**$ 700**	**$ 378**	**$ 485**	**$ 1,873**	$ 289	$ 675	$ 355	$ 397	$ 1,716	$ 1,805	$ 1,938	$ 1,904
Cost of product	**223**	**507**	**259**	**337**	**1,326**	203	468	254	302	1,227	1,224	1,249	1,196
Gross profit	**87**	**193**	**119**	**148**	**547**	86	207	101	95	489	581	689	708
Gross profit (%)	**28%**	**28%**	**31%**	**31%**	**29%**	30%	31%	28%	24%	28%	32%	36%	37%
Expenses													
Selling, general and administrative	**54**	**71**	**62**	**66**	**253**	53	70	61	61	245	256	255	245
Depreciation, depletion and amortization	**24**	**26**	**26**	**31**	**107**	22	23	24	24	93	92	85	81
Other (income) expense	**6**	**10**	**2**	**6**	**24**	2	18	2	(2)	20	5	(5)	87
Earnings before interest and taxes	**3**	**86**	**29**	**45**	**163**	9	96	14	12	131	228	354	295
Interest	**9**	**9**	**9**	**10**	**37**	9	9	10	9	37	40	46	58
Earnings before income taxes	**(6)**	**77**	**20**	**35**	**126**	–	87	4	3	94	188	308	237
Income taxes	**(2)**	**26**	**7**	**13**	**44**	–	33	1	(2)	32	69	126	87
Net earnings	**$ (4)**	**$ 51**	**$ 13**	**$ 22**	**$ 82**	$ –	$ 54	$ 3	5	62	$ 119	$ 182	$ 150
Add (deduct)													
Depreciation, depletion and amortization	**24**	**26**	**26**	**31**	**107**	22	23	24	24	93	92	85	81
Future income taxes (reduction)	**1**	**(7)**	**15**	**26**	**35**	(3)	(7)	(13)	(5)	(28)	(7)	127	(12)
Cash provided by operating activities before changes in non-cash working capital	**21**	**70**	**54**	**79**	**224**	19	70	14	24	127	204	394	219
Cash provided by operating activities	**20**	**129**	**(61)**	**168**	**256**	19	106	(39)	74	160	283	284	206
Increase (decrease) in cash position	**(66)**	**67**	**(105)**	**18**	**(86)**	(29)	62	(121)	79	(9)	104	(44)	(294)
EBITDA	**27**	**112**	**55**	**76**	**270**	32	119	38	35	224	320	439	376
Basic earnings per share	**$ (0.06)**	**$ 0.44**	**$ 0.10**	**$ 0.17**	**$ 0.65**	$ (0.01)	$ 0.46	$ 0.01	$ 0.02	$ 0.47	$ 0.94	$ 1.41	$ 1.09
Fully diluted earnings per share	**$ (0.06)**	**$ 0.42**	**$ 0.10**	**$ 0.16**	**$ 0.63**	$ (0.01)	$ 0.44	$ 0.01	$ 0.02	$ 0.46	$ 0.92	$ 1.37	$ 1.06

Consolidated Balance Sheets

(millions of U.S. dollars)

	Q1	Q2	Q3	Q4	2000	Q1	Q2	Q3	Q4	1999	1998	1997	1996
ASSETS													
Current assets													
Cash and cash-equivalents	**$ 38**	**$ 105**	**$ –**	**$ 18**	**$ 18**	$ 84	$ 146	$ 25	$ 104	$ 104	$ 113	$ 9	$ 53
Accounts receivable	**256**	**282**	**317**	**275**	**275**	274	303	286	268	268	299	313	259
Income and other taxes receivable	**–**	**–**	**9**	**28**	**28**	–	–	–	–	–	–	40	10
Inventories	**354**	**251**	**313**	**347**	**347**	362	274	266	256	256	277	248	246
Prepaid expenses	**24**	**15**	**18**	**20**	**20**	26	20	14	15	15	15	27	33
	672	**653**	**657**	**688**	**688**	746	743	591	643	643	704	637	601
Capital assets	**1,160**	**1,166**	**1,460**	**1,484**	**1,484**	994	1,051	1,098	1,149	1,149	951	878	821
Other assets	**119**	**128**	**130**	**150**	**150**	83	91	109	115	115	73	86	107
Goodwill	**51**	**51**	**50**	**49**	**49**	55	54	53	52	52	55	60	62
	$ 2,002	**$ 1,998**	**$ 2,297**	**$ 2,371**	**$ 2,371**	$ 1,878	$ 1,939	$ 1,851	$ 1,959	$ 1,959	$ 1,783	$ 1,661	$ 1,591
LIABILITIES AND SHAREHOLDERS' EQUITY													
Current liabilities													
Bank indebtedness	**$ 158**	**$ 157**	**$ 408**	**$ 308**	**$ 308**	$ 68	$ 111	$ 146	$ 179	$ 179	$ 28	$ 69	$ 299
Accounts payable and accrued liabilities	**356**	**302**	**250**	**370**	**370**	360	307	196	267	267	255	229	256
Income and other taxes payable	**7**	**29**	**–**	**–**	**–**	13	34	30	22	22	59	–	–
Current portion of long-term debt	**1**	**1**	**–**	**1**	**1**	–	1	1	1	1	–	1	3
	522	**489**	**658**	**679**	**679**	441	453	373	469	469	342	299	558
Long-term debt	**497**	**502**	**501**	**507**	**507**	482	477	492	497	497	482	483	184
Other liabilities	**77**	**76**	**116**	**120**	**120**	67	69	74	76	76	63	67	88
Future income taxes	**164**	**155**	**170**	**197**	**197**	183	180	167	164	164	182	188	64
	1,260	**1,222**	**1,445**	**1,503**	**1,503**	1,173	1,179	1,106	1,206	1,206	1,069	1,037	894
Shareholders' equity													
Share capital	**519**	**519**	**594**	**596**	**596**	524	524	518	518	518	530	389	431
Contributed surplus	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–	–	51
Retained earnings	**247**	**290**	**302**	**315**	**315**	223	267	257	255	255	234	251	200
Cumulative translation adjustment	**(24)**	**(33)**	**(44)**	**(43)**	**(43)**	(42)	(31)	(30)	(20)	(20)	(50)	(16)	15
	742	**776**	**852**	**868**	**868**	705	760	745	753	753	714	624	697
	$ 2,002	**$ 1,998**	**$ 2,297**	**$ 2,371**	**$ 2,371**	$ 1,878	$ 1,939	$ 1,851	$ 1,959	$ 1,959	$ 1,783	$ 1,661	$ 1,591

segmented financial information

Segemented Financial Results

(millions of U.S. dollars)

2000	North America Wholesale	North America Retail	South America Wholesale	South America Retail	Other Unallocated	Total
Net sales	**$ 1,045**	**$ 815**	**$ 12**	**$ 69**	**$ (68)**	**$ 1,873**
Cost of product	**767**	**568**	**10**	**50**	**(69)**	**1,326**
Gross profit	**278**	**247**	**2**	**19**	**1**	**547**
Selling, general and administrative	**30**	**186**	**4**	**14**	**19**	**253**
Depreciation, depletion and amortization	**71**	**20**	**1**	**5**	**10**	**107**
Other (income) expense – net	**11**	**(6)**	**1**	**1**	**17**	**24**
Earnings before interest and taxes	**$ 166**	**$ 47**	**$ (4)**	**$ (1)**	**$ (45)**	**163**
Interest						**37**
Income taxes						**44**
Net earnings						**$ 82**
Cash provided by operations before changes in non-cash working capital						**$ 224**
Capital expenditures	**$ 94**	**$ 17**	**$ 62**	**$ 1**	**$ 5**	**$ 179**

1999	North America Wholesale	North America Retail	South America Wholesale	South America Retail	Other Unallocated	Total
Net sales	$ 887	$ 794	$ 34	$ 60	$ (59)	$ 1,716
Cost of product	656	556	28	48	(61)	1,227
Gross profit	231	238	6	12	2	489
Selling, general and administrative	36	176	6	14	13	245
Depreciation, depletion and amortization	56	22	–	7	8	93
Other (income) expense – net	11	(3)	(1)	(2)	15	20
Earnings before interest and taxes	$ 128	$ 43	$ 1	$ (7)	$ (34)	131
Interest						37
Income taxes						32
Net earnings						$ 62
Cash provided by operations before changes in non-cash working capital						$ 127
Capital expenditures	$ 80	$ 18	$ 132	$ 1	$ 3	$ 234

1998	North America Wholesale	North America Retail	South America Wholesale	South America Retail	Other Unallocated	Total
Net sales	$ 993	$ 821	$ –	$ 50	$ (59)	$ 1,805
Cost of product	661	585	–	37	(59)	1,224
Gross profit	332	236	–	13	–	581
Selling, general and administrative	46	178	–	15	17	256
Depreciation, depletion and amortization	55	23	–	6	8	92
Other (income) expense – net	5	(1)	–	1	–	5
Earnings before interest and taxes	$ 226	$ 36	$ –	$ (9)	$ (25)	228
Interest						40
Income taxes						69
Net earnings						$ 119
Cash provided by operations before changes in non-cash working capital						$ 204
Capital expenditures	$ 88	$ 20	$ 55	$ 10	$ 1	$ 174

Net Sales and Gross Profit by Business Segment and Product Line

(millions of U.S. dollars, except margin per tonne amounts)

2000	Net Sales	Cost of Sales	Gross Profit	Gross Profit %	Tonnes (000's) Sales	Tonnes (000's) Production	Margin ($/Tonne)
North America Wholesale							
Nitrogen							
Ammonia	**$ 246**	**$ 173**	**$ 73**	**30%**	**1,429**	**1,503**	**$ 51**
Urea	**299**	**216**	**83**	**28%**	**2,047**	**1,993**	**41**
Other	**92**	**76**	**16**	**17%**	**750**	**871**	**21**
	637	**465**	**172**	**27%**	**4,226**	**4,367**	**41**
Phosphate	**196**	**177**	**19**	**9%**	**909**	**877**	**21**
Potash	**151**	**81**	**70**	**46%**	**1,498**	**1,516**	**47**
Sulphate and other products	**61**	**44**	**17**	**28%**	**426**	**270**	**40**
	1,045	**767**	**278**	**27%**	**7,059**	**7,030**	**39**
North America Retail							
Fertilizers	**352**	**254**	**98**	**28%**			
Chemicals	**358**	**267**	**91**	**25%**			
Other products and services	**105**	**47**	**58**	**55%**			
	815	**568**	**247**	**30%**			
South America Wholesale							
Fertilizers	**12**	**10**	**2**	**17%**			
South America Retail							
Fertilizers	**47**	**32**	**15**	**32%**			
Other products and services	**22**	**18**	**4**	**18%**			
	69	**50**	**19**	**28%**			
Other	**(68)**	**(69)**	**1**	**(1)%**			
Total	**$ 1,873**	**$ 1,326**	**$ 547**	**29%**			

1999	Net Sales	Cost of Sales	Gross Profit	Gross Profit %	Tonnes (000's) Sales	Tonnes (000's) Production	Margin ($/Tonne)
North America Wholesale							
Nitrogen							
Ammonia	$ 165	$ 133	$ 32	19%	1,183	1,261	$ 27
Urea	200	155	45	23%	1,766	1,821	25
Other	57	46	11	19%	530	471	21
	422	334	88	21%	3,479	3,553	25
Phosphate	255	195	60	24%	1,083	1,016	55
Potash	145	80	65	45%	1,433	1,487	45
Sulphate and other products	65	47	18	28%	401	299	45
	887	656	231	26%	6,396	6,355	36
North America Retail							
Fertilizers	357	257	100	28%			
Chemicals	345	260	85	25%			
Other products and services	92	39	53	58%			
	794	556	238	30%			
South America Wholesale							
Fertilizers	34	28	6	18%			
South America Retail							
Fertilizers	46	34	12	26%			
Other products and services	14	14	–	0%			
	60	48	12	20%			
Other	(59)	(61)	2	(3)%			
Total	$ 1,716	$ 1,227	$ 489	28%			

1998	Net Sales	Cost of Sales	Gross Profit	Gross Profit %	Tonnes (000s) Sales	Tonnes (000s) Production	Margin ($/Tonne)
North America Wholesale							
Nitrogen							
Ammonia	$ 197	$ 135	$ 62	31%	1,242	1,116	$ 50
Urea	238	149	89	37%	1,839	1,831	48
Other	66	48	18	27%	571	504	32
	501	332	169	34%	3,652	3,451	46
Phosphate	262	187	75	29%	1,062	1,150	71
Potash	160	91	69	43%	1,504	1,581	46
Sulphate and other products	70	51	19	27%	317	245	60
	993	661	332	33%	6,535	6,427	51
North America Retail							
Fertilizers	377	277	100	27%			
Chemicals	361	273	88	24%			
Other products and services	83	35	48	58%			
	821	585	236	29%			
South America Wholesale							
Fertilizers	–	–	–	–			
South America Retail							
Fertilizers	33	27	6	18%			
Other products and services	17	10	7	41%			
	50	37	13	26%			
Other	(59)	(59)	–	0%			
Total	$ 1,805	$ 1,224	$ 581	32%			

Net Sales and Gross Profit by Market Destination

(millions of U.S. dollars, except margin per tonne amounts)

2000	Net Sales	Cost of Sales	Gross Profit	Gross Profit %	Tonnes (000's)	Margin ($/Tonne)
North America						
Nitrogen	**$ 567**	**$ 410**	**$ 157**	**28%**	**3,745**	**$ 42**
Phosphate	**196**	**178**	**18**	**9%**	**909**	**20**
Potash	**106**	**63**	**43**	**41%**	**942**	**46**
Sulphate and other products	**56**	**39**	**17**	**30%**	**361**	**47**
North America Retail	**815**	**568**	**247**	**30%**	**–**	**–**
Other	**(68)**	**(69)**	**1**	**(1)%**	**–**	**–**
	1,672	**1,189**	**483**	**29%**	**5,957**	**–**
International						
Nitrogen	**70**	**54**	**16**	**23%**	**481**	**33**
Potash	**45**	**18**	**27**	**60%**	**556**	**49**
Sulphate and other products	**17**	**15**	**2**	**12%**	**65**	**–**
South America Retail	**69**	**50**	**19**	**28%**	**–**	**–**
	201	**137**	**64**	**32%**	**1,102**	**–**
Total	**$ 1,873**	**$ 1,326**	**$ 547**	**29%**	**7,059**	**$ –**

1999	Net Sales	Cost of Sales	Gross Profit	Gross Profit %	Tonnes (000's)	Margin ($/Tonne)
North America						
Nitrogen	$ 397	$ 306	$ 91	23%	3,190	$ 29
Phosphate	249	190	59	24%	1,083	54
Potash	102	64	38	37%	934	41
Sulphate and other products	61	45	16	26%	364	44
North America Retail	794	556	238	30%	–	–
Other	(59)	(61)	2	(3)%	–	–
	1,544	1,100	444	29%	5,571	–
International						
Nitrogen	26	28	(2)	(8)%	291	(7)
Potash	43	15	28	65%	497	56
Sulphate and other products	43	36	7	16%	37	–
South America Retail	60	48	12	20%	–	–
	172	127	45	26%	825	–
Total	$ 1,716	$ 1,227	$ 489	28%	6,396	$ –

1998	Net Sales	Cost of Sales	Gross Profit	Gross Profit %	Tonnes (000's)	Margin ($/Tonne)
North America						
Nitrogen	$ 484	$ 318	$ 166	34%	3,615	$ 46
Phosphate	262	187	75	29%	1,062	71
Potash	124	80	44	35%	1,069	41
Sulphate and other products	70	50	20	29%	305	66
North America Retail	821	585	236	29%	–	–
Other	(59)	(59)	–	0%	–	–
	1,702	1,161	541	32%	6,051	–
International						
Nitrogen	16	14	2	13%	37	54
Potash	36	11	25	69%	435	57
Sulphate and other products	1	1	–	0%	12	–
South America Retail	50	37	13	26%	–	–
	103	63	40	39%	484	–
Total	$ 1,805	$ 1,224	$ 581	32%	6,535	$ –

performance

KEY RATIOS

	2000	1999	1998	1997	1996
Data					
Net Sales	**1,873**	1,716	1,805	1,938	1,904
EBITDA	**270**	224	320	439	376
Interest	**37**	37	40	46	58
Earnings	**82**	62	119	182	150
Cash flow from operations before changes in non-cash working capital	**224**	127	204	394	219
Cash flow from operations	**256**	160	283	284	206
Working capital	**9**	174	362	338	43
Total assets	**2,371**	1,959	1,783	1,661	1,591
Total debt (bank indebtedness + long-term debt)	**816**	677	510	553	486
Shareholders' equity	**868**	753	714	624	697
Depreciation and amortization	**107**	93	92	85	81
Enterprise value	**2,641**	1,503	1,440	2,141	2,441
Average shares outstanding-basic	**112**	113	120	129	138
Year-end shares outstanding	**115**	112	115	126	140
Year-end shares outstanding-fully diluted	**126**	118	120	131	146
Number of employees	**4,958**	4,536	4,530	4,432	4,520
North America Wholesale	**2,208**	1,765	1,890	1,870	1,751
North America Retail	**2,271**	2,347	2,286	2,177	2,404
Corporate	**234**	218	194	208	263
South America	**245**	206	160	177	102
Value Ratios (:1 except per share amounts)					
Cash flow before non-cash working capital per share	$ **1.91**	$ 1.04	$ 1.65	$ 3.05	$ 1.59
Cash flow from operations per share	$ **2.19**	$ 1.38	$ 2.30	$ 2.20	$ 1.50
EBITDA per share	$ **2.41**	$ 1.98	$ 2.67	$ 3.40	$ 2.73
Price to earnings ratio (P/E)	**23**	17	9	9	13
Price to cash flow (P/CF)	**7.7**	7.6	5.3	4.0	8.7
Enterprise value to EBITDA	**10**	7	5	5	6
Price to book value	**2.6**	1.5	1.6	2.5	2.8
Shareholders' equity to total assets	**0.4**	0.4	0.4	0.4	0.4
Book value per common share	$ **5.63**	$ 5.20	$ 4.72	$ 4.95	$ 4.98
Liquidity Ratios (:1)					
Quick ratio	**0.5**	0.8	1.2	1.3	0.6
Current ratio	**1.0**	1.4	2.1	2.1	1.1
Working capital to sales	**0.0**	0.1	0.2	0.2	0.0
Net sales to total assets	**0.8**	0.9	1.0	1.2	1.2
Total asset turnover	**0.9**	0.9	1.1	1.2	1.1
Profitability Ratio					
Return on average invested capital	**7%**	7%	12%	18%	14%
Return to shareholder's equity	**12%**	10%	19%	28%	28%
Debt Ratios (:1 except percentages)					
Debt to debt plus equity	**48%**	47%	42%	47%	41%
EBIT interest coverage	**4.4**	3.5	5.7	7.7	5.1
EBITDA interest coverage	**7.3**	6.1	8.0	9.5	6.5

DEFINITIONS

Definitions

$$\text{Quick Ratio} = \frac{\text{Current Assets - Inventories}}{\text{Current Liabilities}}$$

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{Return on Equity} = \frac{\text{Net Income (Loss)}}{\text{Average Shareholder's Equity}}$$

EBIT = Earnings Before Interest and Taxes

$$\text{EBIT Interest Coverage} = \frac{\text{EBIT}}{\text{Interest Expense}}$$

EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization

$$\text{EBITDA Interest Coverage} = \frac{\text{EBITDA}}{\text{Interest Expense}}$$

$$\text{Debt to Equity} = \frac{\text{Long-term Debt + Bank Indebtedness}}{\text{Long-term Debt + Shareholder's Equity + Bank Indebtedness}}$$

Enterprise Value = (Total Debt - Cash) + (Fully Diluted Shares Outstanding x Closing Share Price)

POST CLOSE RETURNS

	Senior Unsecurd Notes and Debentures	*Commercial Paper*
Moody's Investors Service	Baa2	–
Dominion Bond Rating Service	BBB (high)	R - 2 (high)
Standard & Poor's	BBB	A - 2
Canadian Bond Rating Service	A (low)	A - 1 (low)

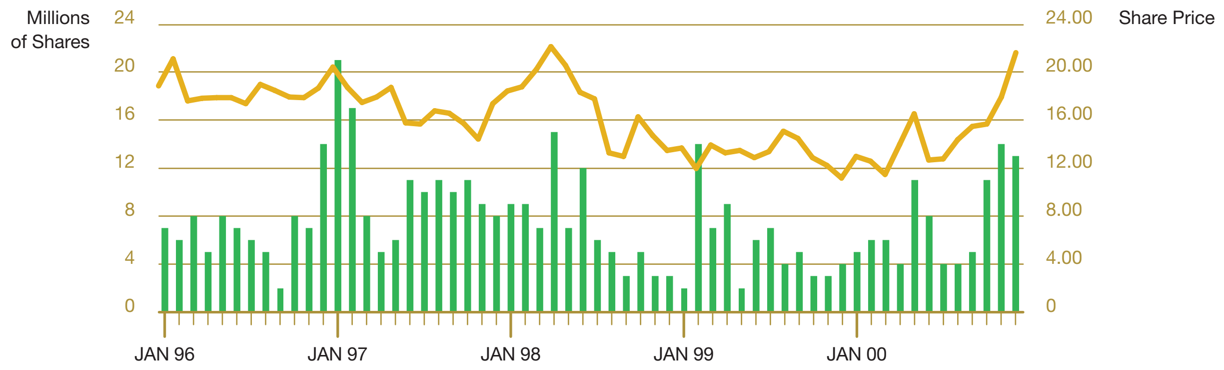
capital stock and trading history

COMMON SHARE DATA

	Q1	Q2	Q3	Q4	2000	1999	1998	1997	1996
Basic earnings (loss) per share	**$ (0.06)**	**$ 0.44**	**$ 0.10**	**$ 0.17**	**$ 0.65**	$ 0.47	$ 0.94	$ 1.41	$ 1.09
Fully diluted earnings (loss) per share	**$ (0.06)**	**$ 0.42**	**$ 0.10**	**$ 0.16**	**$ 0.63**	$ 0.46	$ 0.92	$ 1.37	$ 1.06
Weighted average common shares outstanding	**112**	**112**	**112**	**114**	**112**	113	120	129	138
Period end common shares outstanding	**112**	**112**	**114**	**115**	**115**	112	115	126	140
Weighted average fully diluted shares outstanding	**118**	**118**	**119**	**126**	**120**	118	125	134	143
Period end fully diluted shares outstanding	**118**	**118**	**120**	**126**	**126**	118	120	131	146
Canadian trading volume	**17**	**23**	**13**	**37**	**90**	66	83	127	83
U.S. trading volume	**8**	**10**	**4**	**19**	**40**	38	53	57	68
Total trading volume	**25**	**33**	**17**	**56**	**130**	104	136	184	151
Average share price C$	**$ 12.64**	**$ 14.03**	**$ 13.76**	**$ 16.78**	**$ 14.29**	$ 13.28	$ 17.56	$ 17.28	$ 18.51
Average share price U.S.$	**$ 8.71**	**$ 9.48**	**$ 9.27**	**$ 11.00**	**$ 9.62**	$ 8.93	$ 11.87	$ 12.49	$ 13.57
Closing share price C$	**$ 11.50**	**$ 12.70**	**$ 15.50**	**$ 21.65**	**$ 21.65**	$ 11.20	$ 13.50	$ 17.40	$ 18.70
Closing share price U.S.$	**$ 8.06**	**$ 8.63**	**$ 10.25**	**$ 14.63**	**$ 14.63**	$ 7.88	$ 8.69	$ 12.19	$ 13.75
High U.S.$ share price	**$ 10.50**	**$ 11.56**	**$ 10.44**	**$ 14.69**	**$ 14.69**	$ 10.63	$ 15.75	$ 15.88	$ 16.25
Low U.S.$ share price	**$ 6.75**	**$ 7.88**	**$ 8.19**	**$ 8.69**	**$ 6.75**	$ 7.50	$ 7.88	$ 9.88	$ 11.75
High C$ share price	**$ 15.20**	**$ 17.35**	**$ 15.50**	**$ 21.95**	**$ 21.95**	$ 15.75	$ 22.75	$ 21.30	$ 22.50
Low C$ share price	**$ 10.00**	**$ 11.40**	**$ 12.05**	**$ 13.20**	**$ 10.00**	$ 11.20	$ 12.50	$ 12.95	$ 16.00
Market capitalization (000's C$)	**1,288**	**1,422**	**1,767**	**2,490**	**2,490**	1,579	1,863	2,192	2,618
Market capitalization (000's U.S.$)	**903**	**966**	**1,169**	**1,682**	**1,682**	1,498	2,174	2,000	1,930
Dividends per share	**–**	**5.5¢**	**–**	**5.5¢**	**11¢**	11¢	11¢	8¢	45¢

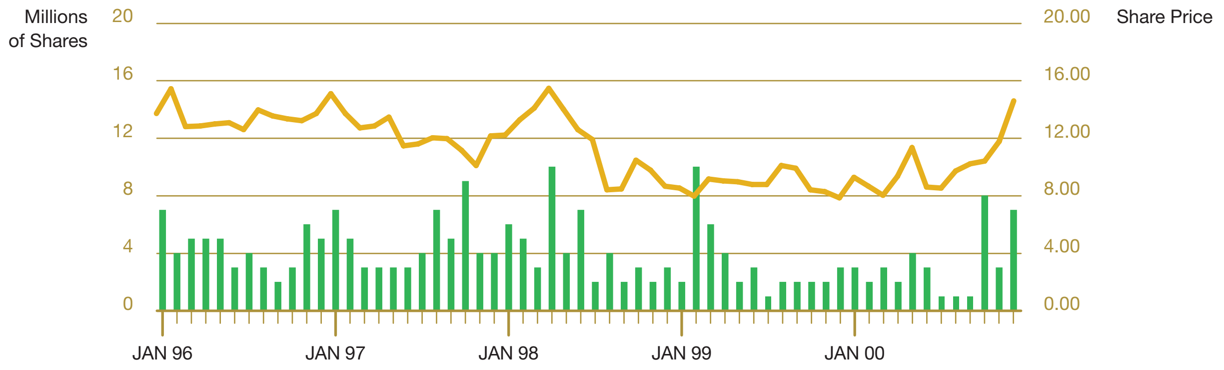
Price and Volume History – Toronto Stock Exchange

C$



Price and Volume History – New York Stock Exchange

U.S.$



general information

FERTILIZER PRODUCTION PROCESS (NPK)

Nitrogen Fertilizer (N)

- Begins with ammonia (NH_3) production:

$$N_2 + 3H_2 \xrightarrow[\text{catalyst}]{\text{heat, pressure}} NH_3$$

- N source is air, H source is natural gas (Haber-Bosch process using a 3:1 volume mixture of N and H)
- Other nitrogen fertilizer is produced by reacting NH_3 with:
  nitric acid = ammonium nitrate
  carbon dioxide = urea
  sulfuric acid = ammonium sulfate
  phosphoric acid = ammonium phosphate

Phosphate Fertilizer (P)

Processing rock phosphate:

- Raw ore is crushed and washed
- Calcined, heated to 1,450 F
- Pulverized into powder
- Mixed with water, sulfuric acid forms gypsum ($CaSO_4$) and phosphoric acid (H_3PO_4); phosphoric acid contains 42% – 50% P_2O_5

Potassium Fertilizer (K)

Underground sources:

- Usually deep deposits; first step is to mine ore and get it to the surface
- Manufacturing process (remove unwanted minerals): clays, NaCl, $MgCl_2$, de-sliming and froth flotation
- Sizing and granulation

Potassium rock sources:

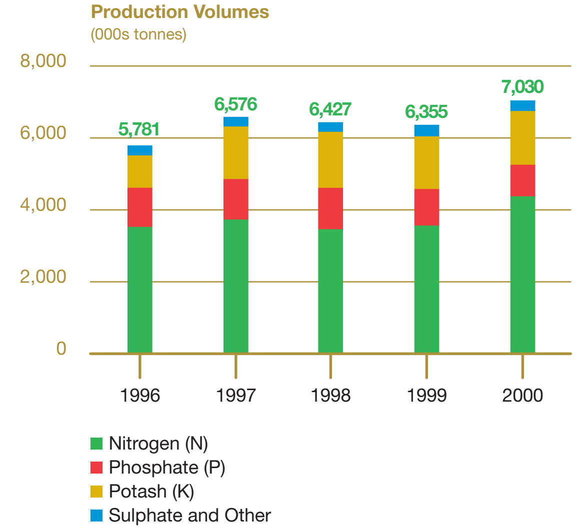
- Sylvanite: composed primarily of KCl, 63% K_2O
- Sylvite: composed of a mixture of KCl and NaCl crystals, 20% – 40% K_2O
- Langebeinite: composed primarily of K_2SO_4 and $MgSO_4$, 23% K_2O

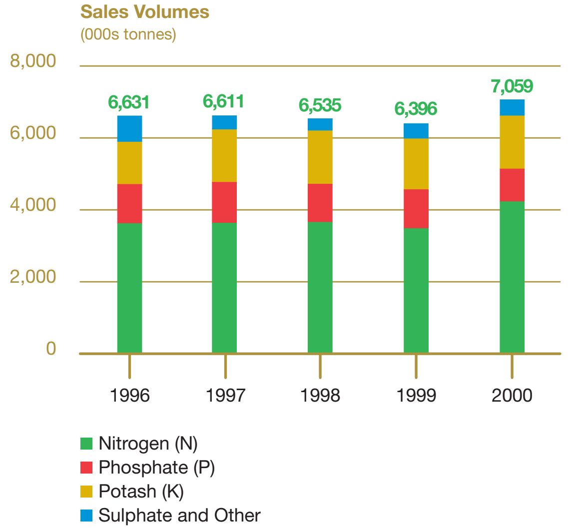
NYMEX GAS PRICE (HENRY HUB 3-DAY AVERAGE)

	2000	1999	1998	1997	1996
High	**6.32**	3.04	2.43	4.25	3.61
Low	**2.37**	1.69	1.75	1.85	1.89
Average	**3.91**	2.27	2.17	2.63	2.55

AGRIUM PRODUCT ANALYSIS

	Nutrient			
Product	*Nitrogen (%N)*	*Phosphorous (%P_2O_5)*	*Potassium (%K_2O)*	*Sulphur (%S)*
Anhydrous ammonia	82	0	0	0
Urea	46	0	0	0
Ammonium nitrate	34.5	0	0	0
Urea ammonium nitrate solutions (UAN)	28 – 32	0	0	0
Monoammonium phosphate (MAP)	11	52	0	0
Superphosphoric acid (SPA)	0	70	0	0
Muriate of potash	0	0	60	0
Ammonium sulphate	20.5	0	0	24





Agrium®

corporate and shareholder information

PRINCIPAL OFFICES

Corporate and North America Wholesale Head Office
13131 Lake Fraser Drive SE
Calgary, Alberta
Canada T2J 7E8
Telephone (403) 225-7000
Fax (403) 225-7609

North America Retail Head Office
Suite 1700
4582 South Ulster Street
Denver, Colorado
U.S. 80237
Telephone (303) 804-4400
Fax (303) 804-4482

North America Wholesale Sales Offices

Canada
13131 Lake Fraser Drive SE
Calgary, Alberta
Canada T2J 7E8
Telephone (403) 225-7472
Fax (403) 225-7618
Bob D. Urquhart, *Canadian Sales Manager*

U.S.
Suite 1700
4582 South Ulster Street
Denver, Colorado
U.S. 80237
Telephone (303) 804-4400
Fax (303) 804-4473
J Muse, *U.S. Sales Manager*

South America Retail Office
Agroservicios Pampeanos S.A. (ASP)
Dardo Rocha 3278 – Piso 2
(1640) Buenos Aires, Argentina
Telephone 5411-4717-4555
Fax 5411-4717-4888
Greg McGlone, *General Manager*

South America Wholesale Office
Profertil S.A.
Av. Alicia Moreau de Justo 140 – Piso 1
(C1107AAD) Buenos Aires, Argentina
Telephone 5411-4316-8000
Fax 5411-4316-8012

ANNUAL MEETING

The Annual Meeting of the shareholders of Agrium Inc. will be held at 11:00 a.m. (MDT) on Wednesday, May 9, 2001, at the Palliser Hotel, Alberta Room, 133 – 9 Avenue SW, Calgary, Alberta. Shareholders of record on March 29, 2001, are urged to attend and participate in the business of the meeting.

STOCK EXCHANGES AND TRADING SYMBOLS

Common shares are listed on the Toronto and New York Stock Exchange under AGU. The eight percent preferred securities (COPrS) are listed on the New York Stock Exchange under AGU Pr.

AGRIUM INC. DIVIDENDS

A cash dividend of 5.5 cents per common share was paid on January 10, 2001, to shareholders of record on December 22, 2000. A cash dividend of 5.5 cents per common share was paid on July 5, 2000, to shareholders of record on June 14, 2000.

INVESTOR RELATIONS CONTACT

Jim Pendergast
Director, Investor Relations
Telephone (403) 225-7357
Fax (403) 225-7609
E-mail: investor@agrium.com
Website: www.agrium.com

AUDITORS

KPMG LLP
Suite 1200, 205 – 5 Avenue SW
Bow Valley Square II
Calgary, Alberta
Canada T2P 4B9
Telephone (403) 691-8000
Fax (403) 691-8008

TRANSFER AGENT – COMMON SHARES

The CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario
Canada M5C 2W9
Telephone
Outside North America 1 (416) 643-5500
Inside North America 1 (800) 387-0825
Fax (416) 643-5501
E-mail: inquiries@cibcmellon.com
Website: www.cibcmellon.com

TRUSTEE – UNSECURED NOTES AND DEBENTURES

Chase Manhattan Trust Company
NA Global Trust Services
450 West 33rd Street
New York, NY
United States 10001

TRUSTEE – PREFERRED SECURITIES

Bank of New York
101 Barclay Street
New York, NY
United States 10286

WEBSITE

www.agrium.com

Inquiries about shareholdings, share transfer requirements, elimination of duplicate mailings, address changes or lost certificates should be directed to CIBC Mellon Trust or to Investor Relations, Agrium Inc., 13131 Lake Fraser Drive SE, Calgary, Alberta T2J 7E8.

PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES

	Country of Operation	Ownership
Agrium Partnership	Canada	100%
Agrium U.S. Inc.	U.S.	100%
Agrium Nitrogen Company	U.S.	100%
Nu-West Industries, Inc.	U.S.	100%
Crop Production Services, Inc.	U.S.	100%
Western Farm Service, Inc.	U.S.	100%
Agroservicios Pampeanos S.A.	Argentina	100%
Agrium Argentina S.A.	Argentina	100%
Profertil S.A.	Argentina	50%
Canpotex Limited	International	33⅓%
Viridian Inc.	Canada	100%
Viridian Fertilizers Ltd.	Canada	100%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