



NEWS RELEASE & Q1 INTERIM REPORT

FOR IMMEDIATE RELEASE

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Contact:

Investor/Media Relations:

Richard Downey
Senior Director, Investor Relations
Phone (403) 225-7357

Christine Gillespie
Manager, Investor Relations
Phone (403) 225-7437

Agrium reports first quarter results, expects record first half

ALL AMOUNTS ARE STATED IN U.S.\$

Contact us at: www.agrium.com

CALGARY, Alberta -- Agrium Inc. (TSX and NYSE: AGU) announced today that its net loss for the first quarter of 2007 was \$11-million (\$0.08 diluted loss per share), an improvement over a net loss of \$48-million (\$0.37 diluted loss per share) for the same period in 2006.

“Our first quarter activity largely focused on positioning us to benefit from the very strong industry conditions we are seeing today. We expect the spring of 2007 to be the best we have ever seen, despite some impact from weather issues and rail service disruptions,” said Agrium President & CEO Mike Wilson. “Industry fundamentals remain very strong in both the short and medium-term,” continued Mr. Wilson.

The fundamentals for agriculture and the major nutrients continue to be robust. The U.S. Department of Agriculture expects about 90 million acres of corn to be planted this year, a 12 million acre increase over last year. Agriculture forecasters anticipate U.S. corn area may remain close to this level for a number of years to come. As corn is an input intensive crop, this bodes well for our Retail, Wholesale and Advanced Technologies business units. Weather conditions in the U.S. have generally been favorable in California, the Northwest and the Southeast, but so far have been poor in the U.S. cornbelt, where wet weather and freezing temperatures have delayed field activity.

Agrium is providing guidance for the second quarter of a record \$1.45 to \$1.55 diluted earnings per share.

KEY DEVELOPMENTS

- The first quarter is a seasonally slow quarter for Retail and Wholesale. Total EBITDA was \$42-million compared with a \$25-million loss in the same quarter of 2006. The 2007 first quarter results were impacted by a largely non-cash charge for stock-based compensation expense of \$28-million (\$0.15 diluted earnings per share) given the strength in Agrium’s share price. Cash provided by operating activities was \$161-million in the first quarter of 2007 largely related to changes in working capital.

- Retail is well positioned to benefit from the positive industry fundamentals and remains on track to realize our previously announced synergies. Retail EBIT declined from \$(14)-million to \$(21)-million relative to the first quarter of 2006, as 2007 results included the increased selling expenses associated with operating the Royster-Clark assets through all of the first quarter of 2007 versus only two months in 2006. Retail EBIT for the first quarter of 2007 improved by \$5-million when compared to first quarter 2006 Retail EBIT normalized to include a full three months of Royster-Clark operations.
- Wholesale EBIT increased by \$86-million to \$62-million in the first quarter of 2007 due to a combination of improved gross profit for all three nutrients, the benefit of an \$11-million reduction in our environmental accrual resulting from a regulatory agency approved revision to our remediation plans and a \$43-million loss on non-qualifying hedges experienced last year. Nitrogen gross profit increased by \$22-million over last year. Our North American urea margins were a near record \$84 per tonne in the first quarter and are expected to be significantly higher in the second quarter. Ammonia sales were primarily to industrial customers in the first quarter as the late spring resulted in the deferral of U.S. agricultural ammonia sales into the second quarter. International sales volumes were reduced and costs were higher as a result of a planned major turnaround at our Profertil facility in Argentina in January and the absence of Kenai production. Kenai restarted production May 2, 2007. Our phosphate gross profit doubled, despite rail service disruptions that impacted our Canadian phosphate operations. Both phosphate volumes and margins are expected to expand significantly in the second quarter. Potash gross profit increased by \$5-million but was constrained due to lower than expected production and rail service disruptions.
- Advanced Technologies delivered a solid first quarter with EBIT of \$5-million. In April, Agrium Advanced Technologies acquired a 19.6 percent equity position in a Chinese specialty fertilizer company, Hanfeng Evergreen Inc. (Hanfeng) for C\$6.22 per share or US\$63-million. In addition, Agrium has the opportunity to participate in future sulphur coated urea joint ventures with Hanfeng.
- Agrium has announced that it and its joint venture co-owners are proceeding with the construction of a world scale nitrogen facility to be located in Damietta, Egypt, with completion expected in 2010. The plant will consist of two ammonia and urea trains with a combined capacity of 1.3 million tonnes of urea and 100,000 tonnes of net ammonia. Agrium will hold a 60 percent interest in the EAgrium joint venture, and will be the exclusive marketer of the nitrogen products exported from this facility. The construction cost of the facility and related infrastructure is forecast to be approximately \$1.2-billion. Approximately two-thirds of the project is expected to be financed through non-recourse debt, with the remainder funded by equity contributions from the co-owners. The project is conditional on a lender financing commitment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 3, 2007

Forward-Looking Statements are outlined after the Outlook, Risks and Uncertainties section of this press release. The major assumptions made in preparing our first half guidance are outlined below and include, but are not limited to:

- *continued strength in grain and oilseed prices through the second quarter and an increase in corn acreage in the United States and Argentina which will support strong demand for nutrients;*
- *second quarter wholesale production and sales will be at or above 2006 levels despite the negative impact of rail service interruptions in North America;*
- *a continuation of tight world fertilizer markets will support strong prices on wholesale sales volumes;*
- *weather patterns across North and South America supporting a normal fertilizer application season;*
- *our retail fertilizer and chemical sales volumes and margins will be above 2006 levels for the second quarter;*
- *no major plant shutdowns or outages at our wholesale manufacturing facilities during the second quarter;*
- *our Kenai nitrogen facility recommencing single-train operations in early May;*
- *the Argentine urea price cap to growers of \$300 per tonne continuing through the second quarter;*
- *the average NYMEX gas price for the second quarter approximating \$7.60/MMBtu;*
- *the exchange rate for the Canadian dollar, expressed in U.S. dollars, averaging C\$1.17 to U.S.\$1.00 for the second quarter;*
- *realized synergies relating to the acquisition of Royster-Clark consistent with amounts previously disclosed; and,*
- *stock-based compensation expenses in the second quarter reflecting the impact of continued strengthening in Agrium's stock price and performance.*

2007 First Quarter Operating Results

NET EARNINGS

Agrium's first quarter consolidated net loss was \$11-million compared with a loss of \$48-million for the same quarter of 2006. Diluted loss per share for the first quarter of 2007 was \$(0.08) compared to \$(0.37) for the first quarter of 2006. EBIT was \$nil for the first quarter of 2007 compared with an EBIT loss of \$64-million for the first quarter of 2006. This improved EBIT performance, year-over-year, was comprised of an increase in gross profit of \$56-million and a decrease in operating expenses of \$8-million.

Gross profit in the first quarter of 2007 was \$188-million compared to \$132-million in the first quarter of 2006. Favorable weather conditions in the western region contributed a \$19-million increase in gross profit to our Retail business segment as fertilizer sales and margins showed quarter-over-quarter growth. Higher selling prices for phosphate combined with lower natural gas costs and increased production from our domestic nitrogen facilities contributed to a \$34-million increase in gross profit through our Wholesale business segment. Our Advanced Technologies business segment contributed an additional \$8-million in our quarter-over-quarter gross profit increase.

The decrease in operating expenses reflects a combination of the following items:

- \$20-million increase in Retail's selling expenses as a result of increased sales activity and the inclusion in 2007 of a full quarter's results of the Royster-Clark acquisition compared to two months in 2006;
- \$43-million mark-to-market loss on non-qualifying hedge positions in the first quarter of 2006 compared to \$1-million in 2007;
- \$22-million increase in stock-based compensation expense in the first quarter of 2007 due to a number of factors including a significant increase in our share price;
- \$11-million reversal of an environmental remediation accrual in the first quarter of 2007 due to a regulatory agency approved change in the related remediation plan.

FINANCIAL POSITION AND LIQUIDITY

At the end of the first quarter, cash on hand was \$45-million compared to \$49-million at March 31, 2006.

Operating activities provided cash of \$161-million in the first quarter of 2007 compared to a net use of \$19-million for the same quarter of 2006. Quarter-over-quarter, accounts receivable and accounts payable increased \$190-million and \$212-million, respectively. The increase in accounts receivable is due to a combination of increased sales in all business segments and a decrease of \$47-million in the utilization of our accounts receivable securitization facility. The increase in accounts payable is primarily attributable to a \$191-million increase in Wholesale and Retail customer prepaid sales. Inventories decreased \$121-million primarily as a result of improved inventory management practices and the closure and consolidation of several facilities as part of our integration of Royster-Clark. In addition, included in the first quarter of 2006 was approximately \$32-million of inventory associated with the East Dubuque nitrogen facility, which was sold in April 2006. The value of Wholesale's urea inventories declined due to a combination of increased sales volumes due to strong domestic demand, the absence of production at our Kenai facility and a lower cost of product in storage due to lower natural gas costs compared to last year.

BUSINESS SEGMENT PERFORMANCE

Retail

Retail's first quarter net sales were \$337-million compared to \$280-million in the first quarter of 2006. Gross profit increased by \$19-million compared to the same quarter last year. EBIT was a loss of \$21-million compared to a 2006 first quarter loss of \$14-million.

The increase in net sales and gross profit is attributed to:

- Fertilizer sales increased \$51-million in the first quarter of 2007 versus the same quarter in 2006. The increase occurred in the southeast and western regions of North America due to favorable weather conditions and higher unit prices. Fertilizer gross profit increased by \$13-million due to an increase in both volumes and sales prices and lower costs as we captured value from our distribution assets acquired from Royster-Clark in 2006.
- Chemical sales increased \$5-million from the prior year first quarter but gross profit decreased \$1-million. Increased insect pressure in the North American western region increased sales volumes but margins were somewhat negatively impacted by competitive pricing pressure from generic chemicals. In addition, a change in vendor payouts of discretionary chemical rebates resulted in more rebates being paid out in the fourth quarter of 2006, reducing our discretionary rebate income throughout our North American markets in the first quarter of 2007. The net effect was a decrease in chemical margins to 29 percent in the first quarter of 2007 versus 32 percent in the first quarter of 2006.
- Seed sales increased by \$7-million to \$28-million in the first quarter of 2007 from \$21-million in the first quarter of 2006 reflecting our continued commitment to and focus on our seed business. Gross profit was \$1-million lower, primarily due to timing differences associated with the amalgamation of our private-label seed business. We expect significant improvement in seed margins in the third quarter. In addition, margins should improve due to tight corn seed supplies.

Retail expenses increased by \$26-million in the first quarter of 2007 versus the same quarter of 2006 primarily due to higher selling expenses associated with increased sales activity and lower expenses in 2006 due to including only two months of Royster-Clark expenses in the first quarter of that year.

Wholesale

Wholesale's first quarter net sales were \$484-million compared to \$379-million in the first quarter of 2006. Gross profit increased by \$34-million compared to the same quarter last year. EBIT was \$62-million, an increase of \$86-million over the first quarter 2006 EBIT loss of \$24-million.

The increase in net sales and gross profit is attributed to:

- Nitrogen gross profit was \$22-million higher than the first quarter of 2006 largely due to higher domestic nitrogen sales volumes, lower natural gas costs and higher production operating rates which contributed to lower cost of product sold. International nitrogen gross profit was \$15-million lower than the first quarter of 2006 despite comparatively higher international urea sales prices. The higher selling prices were offset by lower sales volumes and higher costs related to our Kenai facility, which did not operate in the first quarter due to lack of natural gas supply, as well as higher production costs at our Profertil facility due to a planned shutdown in February 2007.
- Phosphate gross profit was \$5-million higher than the first quarter of 2006. Higher MAP and SPA sales volumes and selling prices were the key contributors to the stronger margins. Poor rail service caused disruption of phosphate rock deliveries to our Redwater facility, leading to higher production costs and reduced production volumes. We have arranged for supplemental phosphate rock supply from Morocco for our Redwater facility to increase our production rates and lower our production costs. The impact of this additional phosphate rock supply will begin to be realized in the latter half of the second quarter.
- Potash gross profit was \$5-million higher than the first quarter of 2006 primarily as a result of increased international sales volumes offset somewhat by lower domestic sales volumes. International sales volumes were comparatively higher, as the first quarter of 2006 included the effects of lower Canpotex shipments due to the delayed settlement of international pricing for the Chinese market. First quarter 2007 domestic volumes were lower than the same quarter in 2006 primarily due to rail service limitations.

Wholesale's operating expenses decreased by \$52-million in the first quarter of 2007 versus the first quarter of 2006. The decrease was primarily due to a first quarter 2006 non-qualifying natural gas hedge loss of \$43-million versus a loss of \$1-million in the first quarter of 2007. In addition, we recorded an \$11-million reversal of a portion of an existing groundwater environmental remediation liability due to a regulatory agency approved change in the remediation plan in 2007. This was offset somewhat by an increase in first quarter 2007 stock-based compensation of \$3-million over the same quarter in 2006.

Advanced Technologies

Advanced Technologies contributed \$11-million in gross profit and \$5-million in EBIT in the first quarter of 2007. Gross profit was \$8-million higher in the first quarter of 2007 versus the first quarter of 2006 and EBIT was \$4-million higher for the same comparative period. The increases were primarily due to the inclusion of the results from the Pursell and Nu-Gro acquisitions as well as for ESN and Duration for the full first quarter in 2007 versus the inclusion of only two months results for the Nu-Gro acquisition in the first quarter of 2006.

Other

EBIT for our 'Other' non-operating business segment for the first quarter of 2007 was a loss of \$46-million compared to a loss of \$27-million for the same period last year. The negative variance was primarily due to higher stock-based compensation expense. Stock-based compensation expense was significantly higher due to several factors including an increase in our share price as well as the first quarter issuance of a new tranche of performance based compensation units for which a significant number required accelerated recognition of the compensation cost for retirement eligible employees under Canadian accounting standards.

NON-GAAP MEASURES

In the discussion of our performance for the quarter, in addition to the primary measures of earnings and earnings per share, we make reference to EBITDA (earnings before interest expense, income taxes, depreciation, amortization and asset impairment). We consider EBITDA to be a useful measure of performance because income tax jurisdictions and business segments are not synonymous and we believe that allocation of income tax charges distorts the comparability of historical performance for the different business segments. Similarly, financing and related interest charges cannot be allocated to all business segments on a basis that is meaningful for comparison with other companies.

EBITDA is not a recognized measure under GAAP, and our method of calculation may not be comparable to other companies. Similarly, EBITDA should not be used as an alternative to cash provided by (used in) operating activities as determined in accordance with GAAP.

ACCOUNTING POLICY CHANGE

Effective January 1, 2007, we adopted new accounting standards issued by the Canadian Institute of Chartered Accountants: *Financial Instruments – Recognition and Measurement*, *Financial Instruments – Disclosure and Presentation*, *Comprehensive Income*, and *Hedges*. On adoption of these standards, a new category, Accumulated Other Comprehensive Income (Loss), has been added as a component of Shareholders' Equity where certain unrealized gains and losses are reported until realization. Note 1 to the interim consolidated financial statements provides further details on adoption of the new standards as described above, as well as the adoption of other new accounting standards that did not have a material impact to the consolidated financial statements.

SUBSEQUENT EVENTS

Subsequent to March 31, 2007, the following events occurred:

- We acquired a 19.6-percent interest in a Chinese specialty fertilizer company, Hanfeng Evergreen Inc. (Hanfeng) for \$63-million. In addition, Agrium has an option to acquire an additional interest in a subsidiary of Hanfeng for the purpose of participating in future sulfur-coated urea joint ventures. Hanfeng is traded on the Toronto Stock Exchange. The

results of the 19.6-percent interest will be included in the results of our Advanced Technologies business segment.

- We approved our participation in a project to construct a world-scale nitrogen facility to be located in Damietta, Egypt with an estimated capital cost of \$1.2-billion. We will have a 60 percent interest in the project and will be the exclusive marketer of the nitrogen products exported from this facility. This project is scheduled to commence May 15, 2007 and is expected to be fully completed by the end of 2010. The project is conditional on obtaining a lender commitment for financing. The majority of the project is expected to be financed through non-recourse debt, with the remainder funded by equity contributions from the project participants. The results of this project will be included in our Wholesale business segment.

OUTLOOK, KEY RISKS AND UNCERTAINTIES

The outlook for global and North American agricultural markets continues to be supported by rising global GDP levels and rapid growth in demand for grain and oilseeds used for bio fuel production. The U.S. Department of Agriculture planting intentions report indicated that U.S. corn acreage could rise by 12 million acres in 2007 and total U.S. crop acreage by 5.5 million acres. Corn prices are up more than 60 percent compared to the spring of 2006 in spite of the prospects for record corn production in 2007. Growth in bio fuel production is supporting global corn markets as well as the sugar cane market in Brazil and palm oil markets in Asia. Higher prices and acreage of input intensive crops such as corn, sugar cane, and palm oil should support global nutrient demand growth in 2007. A risk to the demand outlook in North America is that cool, wet weather could delay seeding progress, which would impact total seeded acreage including the number of acres that are planted to corn.

A delay in purchases from India through the first quarter of 2007 combined with a year to date reduction in North American urea supplies should support global import demand through the remainder of 2007. Higher grain prices and the potential for an additional 12 million acres of corn in the U.S. could support an eight to ten percent increase in North American nitrogen demand. North American nitrogen supplies are down significantly from last year in spite of the expectation of higher nitrogen demand. North American urea producer inventories are down 38 percent compared to the last year and urea imports into the U.S. are down 31 percent for the current fertilizer year. The risk to the outlook for nitrogen is the impact of new nitrogen supplies from the Arab Gulf region and the potential for an increase in export supply out of China and Indonesia.

Global and North American potash demand should be supported by higher grain prices and the need for growers to catch up following a year of lower application rates. We concur with industry analysts that expect North American potash demand to increase by around ten percent in 2007 due to higher grain prices and the anticipated increase in corn acreage. North American producer deliveries are up an estimated 30 percent for the current fertilizer year due to stronger

offshore and domestic demand. Producer inventory levels are down 14 percent from last year and six percent lower than the five-year average. The completion of mine expansions in North America will increase the supply of potash to the domestic and offshore markets.

The phosphate market has strengthened significantly through the first quarter of 2007 as strong global demand and U.S. production curtailments over the past two years have tightened the market. U.S. phosphate production is down three percent for the current fertilizer year and producer inventories were down 52 percent at the end of March. Phosphate producer deliveries were up five percent for the current fertilizer year even with a four percent reduction in U.S. exports. Import demand for MAP is expected to remain strong in Latin America due to the improvement in agriculture fundamentals. The level of import demand for DAP in key Asian markets such as China and Pakistan is a risk to the phosphate outlook as sales into these markets have declined.

Forward-Looking Statements

Certain statements in this press release constitute forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties, including those referred to in the management discussion and analysis section of the Corporation's most recent annual report to shareholders, 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, weather conditions, future crop and ethanol prices, the exchange rates for U.S., Canadian, and Argentine currencies, seeded crop acreage within North and South America, crop protection chemical application rates in North America, future price, consumption, inventory levels and level of trade of nitrogen, phosphate and potash, and specialty fertilizers in North America and globally, including future additional fertilizer capacity and operating rates, South American and Chinese domestic fertilizer consumption and government policy, including the application of price controls on fertilizers, fertilizer trade policies and volumes for China and India, potential constraints in the transportation of fertilizer to reach customers during peak seasonal demand, the future regional price level and volatility of natural gas, the future gas prices and availability at Kenai, timing of facility turnarounds, maintenance and production rates at our facilities, anticipated phosphate ore quality at Kapuskasing and resulting future mining and processing costs, the price and availability of sufficient urea substrate for controlled-release products, the potential inability to integrate and obtain anticipated synergies for recent or new business acquisitions as planned or within the time predicted, in particular with respect to the Royster-Clark acquisition.

In relation to recently announced Egyptian nitrogen project factors that could cause actual results to differ materially from those in the forward-looking statements, including, but not limited to, plans to finance and completing project financing as anticipated, changes in development plans, capital construction costs, construction progress and potential delays in building the facility and related infrastructure, availability of equipment and labor, performance of other parties, risks associated with technology, changes in the relative value of the Euro and Egyptian pound currencies, political risks, including civil unrest, actions by armed groups or conflict, general economic, market and business conditions. This would include Egyptian governmental and regulatory requirements, actions by governmental authorities, including changes in government policy, changes in environmental, tax and other laws or regulations and the interpretation thereof.

Agrium disclaims any intention or obligation to update or revise any forward-looking information as a result of new information or future events.

OTHER

Agrium Inc. is a major **Retail** supplier of agricultural products and services in North and South America, a leading global **Wholesale** producer and marketer of all three major agricultural nutrients and the premier supplier of specialty fertilizers in North America through our **Advanced Technologies** business unit. Agrium's strategy is to grow across the value chain through acquisition, incremental expansion of its existing operations and through the development, commercialization and marketing of new products and international opportunities. Our strategy places particular emphasis on growth opportunities that both increase and stabilize our earnings profile in the continuing transformation of Agrium.

A WEBSITE SIMULCAST of the 2007 1st Quarter Conference Call will be available in a listen-only mode beginning Thursday, May 3rd at 9:30 a.m. MT (11:30 a.m. ET). Please visit the following website: www.agrium.com

AGRIUM INC.
Consolidated Statements of Operations and Retained Earnings
(Millions of U.S. dollars, except per share information)
(Unaudited)

	Three months ended	
	March 31,	
	2007	2006
Sales	\$ 861	\$ 688
Direct freight	40	31
Net sales	821	657
Cost of product	633	525
Gross profit	188	132
Expenses		
Selling	100	78
General and administrative	22	21
Depreciation and amortization	42	39
Royalties and other taxes	9	5
Other expenses (note 6)	15	53
	188	196
Loss before interest expense and income taxes	-	(64)
Interest on long-term debt	13	9
Other interest	3	2
Loss before income taxes	(16)	(75)
Current income tax recovery	(4)	(4)
Future income tax recovery	(1)	(23)
Income tax recovery	(5)	(27)
Net loss	(11)	(48)
Retained earnings – beginning of period	602	584
Transition adjustment on adoption of new accounting standards (note 1)	(3)	-
Retained earnings – end of period	\$ 588	\$ 536
Loss per share (note 7)		
Basic	\$ (0.08)	\$ (0.37)
Diluted	\$ (0.08)	\$ (0.37)

See accompanying notes

AGRIUM INC.
Consolidated Statements of Cash Flows
(Millions of U.S. dollars)
(Unaudited)

	Three months ended	
	March 31,	
	2007	2006
Operating		
Net loss	\$ (11)	\$ (48)
Items not affecting cash		
Depreciation and amortization	42	39
Future income tax recovery	(1)	(23)
Other	4	29
Net change in non-cash working capital	127	(16)
Cash provided by (used in) operating activities	161	(19)
Investing		
Capital expenditures	(26)	(28)
Acquisitions, net of cash acquired (note 2)	-	(560)
Decrease in other assets	3	2
Proceeds from disposal of assets and investments	-	4
Other	-	(1)
Cash used in investing activities	(23)	(583)
Financing		
Common shares	8	17
Bank (repayment) indebtedness	(203)	341
Common share dividends paid	(7)	(7)
Cash (used in) provided by financing activities	(202)	351
Decrease in cash and cash equivalents	(64)	(251)
Cash and cash equivalents – beginning of period	109	300
Cash and cash equivalents – end of period	\$ 45	\$ 49

AGRIUM INC.
Consolidated Balance Sheets
(Millions of U.S. dollars)
(Unaudited)

	As at March 31,		As at
	2007	2006	December 31, 2006
ASSETS			
Current assets			
Cash and cash equivalents	\$ 45	\$ 49	\$ 109
Accounts receivable	575	385	566
Inventories	1,056	1,177	747
Prepaid expenses	180	86	137
Assets held for sale (note 3)	-	84	-
	1,856	1,781	1,559
Property, plant and equipment	1,327	1,452	1,332
Intangible assets	72	31	75
Goodwill	174	129	174
Other assets	107	100	103
Future income tax assets	24	59	22
	\$ 3,560	\$ 3,552	\$ 3,265
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness	\$ 24	\$ 351	\$ 227
Accounts payable and accrued liabilities	1,213	1,001	732
Current portion of long-term debt	1	30	1
Liabilities related to assets held for sale (note 3)	-	3	-
	1,238	1,385	960
Long-term debt			
Recourse debt	664	441	669
Non-recourse debt	-	35	-
	664	476	669
Other liabilities	265	287	272
Future income tax liabilities	142	255	131
	2,309	2,403	2,032
Shareholders' equity			
Share capital	625	601	617
Contributed surplus	5	3	5
Retained earnings	588	536	602
Accumulated other comprehensive income	33	9	9
	1,251	1,149	1,233
	\$ 3,560	\$ 3,552	\$ 3,265

AGRIUM INC.
Consolidated Statements of Shareholders' Equity
and Comprehensive Income
(Unaudited)

	Millions of shares	Millions of U.S. dollars				
	Common shares	Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total shareholders' equity
Balance as at December 31, 2006	133	\$ 617	\$ 5	\$ 602	\$ 9	\$ 1,233
Transition adjustments for net deferred gains on cash flow hedges (net of tax) (note 1)				(3)	5	2
Balance as at January 1, 2007	133	617	5	599	14	1,235
Net loss				(11)		(11)
Unrealized gains on derivatives (net of tax of \$5)					13	13
Realized loss on derivatives (net of tax of \$2)					5	5
Foreign currency translation adjustment					1	1
Comprehensive income						8
Stock-based compensation	1	8				8
Balance as at March 31, 2007	134	\$ 625	\$ 5	\$ 588	\$ 33	\$ 1,251
Balance as at December 31, 2005	131	\$ 583	\$ 3	\$ 584	\$ 10	\$ 1,180
Net loss				(48)		(48)
Foreign currency translation adjustment					(1)	(1)
Comprehensive income (loss)						(49)
Stock-based compensation	1	18				18
Balance as at March 31, 2006	132	\$ 601	\$ 3	\$ 536	\$ 9	\$ 1,149

AGRIUM INC.
Summarized Notes to the Consolidated Financial Statements
For the three months ended March 31, 2007
(Millions of U.S. dollars, except per share amounts)
(Unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

The Corporation's accounting policies are in accordance with accounting principles generally accepted in Canada and are consistent with those outlined in the annual audited financial statements except where stated below. These interim consolidated financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2006. In management's opinion, the interim consolidated financial statements include all adjustments necessary to present fairly such information.

Certain comparative figures have been reclassified to conform to the current year's presentation.

Accounting Policy Change

Effective January 1, 2007, the Corporation adopted new accounting standards issued by the Canadian Institute of Chartered Accountants. As required, the Corporation adopted the standards prospectively, without restatement of comparative amounts for prior periods.

The new standards are:

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (OCI). OCI represents changes in shareholders' equity during a period arising from transactions and other events with non-owner sources. The Corporation's OCI consists of unrealized gains or losses on translation of self-sustaining foreign operations and gains and losses and changes in the fair value of the effective portion of cash flow hedging instruments. OCI is presented net of related income taxes. Cumulative changes in OCI are included in accumulated other comprehensive income (AOCI), which is presented as a new category of shareholders' equity on the consolidated balance sheet. Cumulative translation adjustments (December 31, 2006 - \$9-million) consisting of gains and losses on translation of self-sustaining foreign operations, previously segregated as a separate component of shareholders' equity, are now included in AOCI.

Financial Instruments – Recognition and Measurement

The new standards establish that all financial assets and financial liabilities must be initially recorded at fair value on the consolidated balance sheet. Subsequent measurement is determined by the classification of each financial asset and liability, according to the categories below.

Financial instrument classification	As classified by Agrium	Subsequent measurement of gains or losses at each period end
Assets or liabilities held for trading	Cash and cash equivalents; derivative financial instruments that are not cash flow hedges	Fair value; unrealized gains or losses recognized in net income
Available for sale financial assets	Other investments	Fair value; unrealized gains and losses recognized in OCI (except for excluded investments); recognized in net income on sale of the asset or when asset is written down as impaired
Held to maturity investments	None	Amortized cost using the effective interest rate method; if asset/liability is derecognized or asset is impaired, recognized in net income
Loans and receivables	Accounts receivable	
Other financial liabilities	Bank indebtedness, accounts payable, long-term debt	

AGRIUM INC.
Summarized Notes to the Consolidated Financial Statements
For the three months ended March 31, 2007
(Millions of U.S. dollars, except per share amounts)
(Unaudited)

For the Corporation, amortized cost noted above generally corresponds to cost. Certain financial instruments are exempt from the standards, including: certain long-term investments; assets and obligations arising from employee future benefit plans; and obligations relating to stock-based compensation. The Corporation's investments consist mainly of equity instruments that are excluded from the new standards. Equity instruments that do not have a quoted market price in an active market are measured at cost even if the instruments are classified as financial assets available for sale.

Certain deferred debt issuance costs previously reported in other assets have been reclassified prospectively and are now reported as a reduction of debt obligations.

All derivative instruments are recorded in the balance sheet at fair value unless exempted from derivative treatment as normal purchases and sales. Under the previous standards, derivatives that met the requirements for hedge accounting were generally recorded on an accrual basis.

Hedges

The standard establishes when and how hedge accounting may be applied, as well as certain disclosure requirements. The standards specify three specific types of hedging relationships: fair value hedges, cash flow hedges, and hedges of a net investment in self-sustaining foreign operations. Application of hedge accounting is optional. The Corporation, in accordance with its risk management strategy, has decided to apply hedge accounting to derivative financial instruments consisting of gas and foreign exchange cash flow hedge contracts, and to treat them as cash flow hedges.

Upon initial application, all adjustments to the carrying amount of financial assets and liabilities were recognized as an adjustment to opening retained earnings or AOCI, depending on the classification of existing assets or liabilities. Transition adjustments relating to derivative contracts designated as cash flow hedges at January 1, 2007 include the following (millions of U.S. dollars):

Balance sheet category	Gross	Income taxes	Net
Retained earnings			
Ineffective portion of qualifying cash flow hedges	\$ (4)	\$ 1	\$ (3)
Accumulated other comprehensive income			
Unrealized gains on effective cash flow hedges	\$ 8	\$ (3)	\$ 5

In addition to the above, the following new accounting standards were implemented effective January 1, 2007 without material impact on the Corporation's consolidated financial statements:

Stripping costs, incurred in the production phase of a mining operation, requiring that costs of removing overburden and mineral waste materials should be accounted for according to the benefit received by the entity and recorded as either a component of inventory or a betterment to the mineral property, depending on the benefit received.

Changes in accounting policies, estimates and corrections of errors, providing guidance as to the application of voluntary changes in accounting policy, and providing for retrospective application of changes in accounting policy and error.

Determining variability to be considered in consolidation of variable interest entities, providing guidance in determining the application of accounting standards regarding consolidation of variable interest entities, based on analysis of the design of the entity including its purpose and the nature of risks in the entity.

AGRIUM INC.
Summarized Notes to the Consolidated Financial Statements
For the three months ended March 31, 2007
(Millions of U.S. dollars, except per share amounts)
(Unaudited)

The Corporation is studying the expected material impact of the following accounting standard anticipated to be issued and effective during 2007:

Employee future benefits, requiring recognition on the balance sheet of the funded status of post-retirement defined benefit plans, and measurement of plan assets as of the balance sheet date.

The Corporation plans to evaluate during 2007 the effects of adopting the following standards, which will be effective from January 1, 2008:

Financial Instruments - Disclosures, Financial Instruments – Presentation, and Capital Disclosures. These standards will require the Corporation to provide additional disclosures relating to its financial instruments, including hedging instruments, and about its capital. It is not anticipated that the adoption of these new accounting standards will impact the amounts reported in the Corporation's financial statements as they primarily relate to disclosure.

2. ACQUISITIONS

During the third quarter of 2006, the Corporation acquired 100 percent of certain net assets and technologies of Pursell Technologies ("Pursell"). The assets and technologies are primarily used in the production and sale of controlled-release fertilizer products.

The allocation of fair value to the net assets acquired at December 31, 2006 may be subject to change as additional valuation information about fair value of property, plant and equipment acquired becomes available.

3. ASSETS HELD FOR SALE

On November 7, 2005, Royster-Clark Inc., a wholly-owned subsidiary acquired in the Royster-Clark acquisition, entered into an agreement to sell the East Dubuque, Illinois nitrogen production facility for \$50-million plus related working capital.

The assets and liabilities of the East Dubuque facility operations have been segregated in the accompanying interim consolidated balance sheets and are reported as "Assets held for sale" and "Liabilities related to assets held for sale". The sale agreement closed on April 26, 2006.

4. ACCOUNTS RECEIVABLE

During January 2006, the Corporation increased the maximum amount available under its accounts receivable securitization facility to \$200-million. At March 31, 2007, the Corporation sold \$45-million (2006 – \$92-million) under the facility.

AGRIUM INC.
Summarized Notes to the Consolidated Financial Statements
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(Millions of U.S. dollars, except per share amounts)
(Unaudited)

5. EMPLOYEE FUTURE BENEFITS

The total net employee future benefits expense for the Corporation's pension and post-retirement benefit plans are computed as follows:

	Three months ended March 31,	
	2007	2006
Defined benefit pension plans	\$ 2	\$ 3
Post-retirement benefit plans	3	1
Defined contribution pension plans	6	6
Total expense	\$ 11	\$ 10

6. OTHER EXPENSES

	Three months ended March 31,	
	2007	2006
Interest income	\$ (5)	\$ (3)
Stock-based compensation	28	6
Environmental remediation and accretion of asset retirement obligation	(9)	2
Net realized and unrealized loss on non-qualifying derivatives	1	43
Foreign exchange (gain) loss	(1)	3
Other	1	2
	\$ 15	\$ 53

AGRIUM INC.
Summarized Notes to the Consolidated Financial Statements
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(Millions of U.S. dollars, except per share amounts)
(Unaudited)

7. LOSS PER SHARE

The following table summarizes the computation of net loss per share:

	Three months ended March 31,	
	2007	2006
Numerator:		
Net loss and numerator for basic and diluted loss per share	\$ (11)	\$ (48)
Denominator:		
Weighted average denominator for basic loss per share	133	131
Dilutive instruments:		
Stock options (a)	-	-
Denominator for diluted loss per share	133	131
Basic loss per share	\$ (0.08)	\$ (0.37)
Diluted loss per share	\$ (0.08)	\$ (0.37)

(a) For diluted earnings per share, these dilutive instruments are added back only when the impact of the instrument is dilutive to basic earnings per share.

There were 134 million common shares outstanding at March 31, 2007 (2006 – 132 million). As at March 31, 2007, the Corporation has outstanding approximately four million (2006 – five million) options and options with tandem stock appreciation rights to acquire common shares.

8. FINANCIAL INSTRUMENTS

The fair value of qualifying hedging derivative instruments is recorded as the estimated amount that the Corporation would receive (pay) to terminate the contracts. Fair values are determined based on quoted market prices available from active markets or are otherwise determined using a variety of valuation techniques and models. Fair value of natural gas and foreign exchange hedges was \$26-million (December 31, 2006 - \$4-million) and \$3-million (December 31, 2006 - nil) respectively, at March 31, 2007.

The earnings impact of ineffectiveness recognized on derivative contracts designated as cash flow hedges during the three-month period ended March 31, 2007 was a loss of \$2-million, recorded in cost of product.

The estimated net amount of existing gains and losses reported in AOCI expected to be reclassified to net income in the next 12 months is \$21-million.

9. SEASONALITY

The fertilizer business is seasonal in nature. Sales are concentrated in the spring and fall planting seasons while produced inventories are accumulated throughout the year. Cash collections generally occur after the planting seasons in North and South America.

AGRIUM INC.
Segmentation
(Unaudited – millions of U.S. dollars)

Three Months Ended March 31

	Retail		Wholesale		Advanced Technologies		Other		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Net sales - external	\$ 337	\$ 280	\$ 438	\$ 361	\$ 46	\$ 16	\$ -	\$ -	\$ 821	\$ 657
- inter-segment	-	-	46	18	6	-	(52)	(18)	-	-
Total net sales	337	280	484	379	52	16	(52)	(18)	821	657
Cost of product	252	214	388	317	41	13	(48)	(19)	633	525
Gross profit	85	66	96	62	11	3	(4)	1	188	132
Gross profit %	25%	24%	20%	16%	21%	19%	8%	(6%)	23%	20%
Selling Expenses	\$ 93	\$ 73	\$ 7	\$ 6	\$ 2	\$ -	\$ (2)	\$ (1)	\$ 100	\$ 78
EBITDA ⁽¹⁾	\$ (13)	\$ (9)	\$ 92	\$ 8	\$ 8	\$ 2	\$ (45)	\$ (26)	\$ 42	\$ (25)
EBIT ⁽²⁾	\$ (21)	\$ (14)	\$ 62	\$ (24)	\$ 5	\$ 1	\$ (46)	\$ (27)	\$ -	\$ (64)

(1) Earnings (loss) before interest expense, income taxes, depreciation, amortization and asset impairment.

(2) Earnings (loss) before interest expense and income taxes.

AGRIUM INC.
Product Lines
Three Months Ended March 31
(Unaudited – millions of U.S. dollars)

	2007						2006					
	Net Sales	Cost of Product Sold	Gross Profit	Sales Tonnes (000's)	Selling Price (\$/Tonne)	Margin (\$/Tonne)	Net Sales	Cost of Product Sold	Gross Profit	Sales Tonnes (000's)	Selling Price (\$/Tonne)	Margin (\$/Tonne)
Wholesale												
Nitrogen⁽¹⁾												
Ammonia	55	49	6	164	335	37	68	64	4	180	378	22
Urea	130	93	37	426	305	87	106	85	21	371	286	57
Nitrate, Sulphate and Other	94	83	11	421	223	26	41	34	7	148	277	47
Total Nitrogen	279	225	54	1,011	276	53	215	183	32	699	308	46
Phosphate	74	64	10	197	376	51	48	43	5	145	331	34
Potash ⁽²⁾	52	26	26	333	156	78	46	25	21	266	173	79
Product Purchased for Resale	79	73	6	261	303	23	70	66	4	254	276	16
	484	388	96	1,802	269	53	379	317	62	1,364	278	45
Retail⁽³⁾												
Fertilizers	201	156	45				150	118	32			
Chemicals	80	57	23				75	51	24			
Other	56	39	17				55	45	10			
	337	252	85				280	214	66			
Advanced Technologies												
Controlled Release Products	45	35	10				12	10	2			
Other	7	6	1				4	3	1			
	52	41	11				16	13	3			
Other inter-segment eliminations	(52)	(48)	(4)				(18)	(19)	1			
Total	\$ 821	\$ 633	\$ 188				\$ 657	\$ 525	\$ 132			

(1) International nitrogen sales were 108,000 tonnes (2006-244,000); net sales were \$31-million (2006-\$60-million) and gross profit was \$8-million (2006-\$23-million).

(2) International potash sales were 179,000 tonnes (2006-102,000); net sales were \$23-million (2006-\$13-million) and gross profit was \$14-million (2006-\$6-million).

(3) International retail net sales were \$17-million (2006-\$14-million) and gross profit was \$4-million (2006-\$2-million).