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Old World Industries Inks Agrium for 'Exclusive' Urea, DEF Supply

Canadian fertilizer giant Agrium has signed an exclusive agreement to supply Old World Industries with diesel exhaust fluid- (DEF-) grade prilled urea from its Borger, Texas nitrogen facility for production of Old World's BlueDEF brand, Agrium announced last week.

DEF is required to catalyze the selective catalytic reduction (SCR) systems most major truck and engine manufacturers chose as their method of compliance with EPA's latest and most stringent nitrogen oxide (NOx) emissions standards, enacted Jan. 1, 2010. Partly because SCR adds roughly \$9,000 to the sticker price of new diesels, the market is likely to see a slow start followed by 'hockey-stick' growth as fleets turnover and trucks with SCR take to the road.

"The market for DEF across North America is expected to exceed 1.5-million tons of urea equivalent (1 billion gallons of DEF) by the year 2020," according to the company's press release. "The tonnage supplied from the Borger facility will start from a small base and is expected to grow at a rapid rate over the next five to ten years," the press release stated.

Old World will offload that tonnage in the form of solid urea and blend it with 67.5% de-ionized water to create DEF. The strategy is "a different tack than some of the other producers like Yara, PCS [Potash Corporation of Saskatchewan], and Terra," who are further vertically integrated and invested, Agrium Manager of North American Industrial Urea Gerry Kroon told OPIS. "Going with a solid product and using a partner to go downstream, we see Old World as a very good way to get into the market with a lot of synergy," he explained. Kroon said he wasn't at liberty to discuss the nature or extent of the contract's "exclusivity" that the press release explicitly stated. Calls to Old World for similar comment were not returned by press time.

Old World recently made headlines by announcing that in time for the newly mandated market, 2.5-gallon bottles of the company's BlueDEF brand were being stocked by big names in truckstops and distribution – Pilot Travel Centers, Love's Travel Stops, Flying J, McLane, Eby-Brown, and others. Some deals were leveraged by Old World's commanding position in the antifreeze and washer fluid markets through its Sierra and Peak brands.

A sizeable chunk of the DEF supply picture then clarifies: From its nitrogen facility in Borger, Texas, Agrium supplies Northbrook-Ill.-based Old World, who distributes

BlueDEF to Pilot, Love's, Flying J, Sunoco, and others retailers via McLane, Eby-Brown, and other carriers.

"We're happy," Agrium Senior Director of Investor Relations Richard Downey told OPIS. "It's going to be a growing market for the fertilizer producers."

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