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NEWS

For immediate release

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Terra announces upgrading project at Woodward facility

Sioux City, Iowa (May 8, 2008)—Terra Industries Inc. (NYSE: TRA) announces plans to expand the upgrading capacity at its Woodward, Okla. nitrogen manufacturing facility, pending the completion of construction agreements and the receipt of certain federal, state and local economic incentives. Terra's management expects the project to cost approximately \$180 million, and to be completed by the end of 2010.

The expansion will consist of the addition of a 1,500-ton-per-day Weatherly design urea ammonium nitrate solutions (UAN) facility. The project will affect the Woodward facility's annual output as follows:

- Ammonia capacity will remain at 440,000 tons.
- Because Terra will upgrade more of its ammonia production to UAN, ammonia available for sale as a finished product will decrease from 310,000 to 100,000 tons.
- UAN capacity will increase from 300,000 to 825,000 tons (32% nitrogen basis).

The plant expansion will require the addition of approximately 10 employees.

"The case for increasing Terra's UAN capacity is compelling," noted Terra President and CEO Michael Bennett. "Over the last several years, the value premium for UAN over ammonia has grown. Strong demand for corn has encouraged farmers to plant more acres and more corn plantings have compressed the application window for nitrogen. Under these circumstances, growers realize clear benefit in using UAN over ammonia because it is easier to store, handle and apply, and it can be applied under a broader range of soil and weather conditions.

"This expansion fits very well with Terra's strategy of focusing on higher value upgraded products," Bennett continued. "We expect the expansion to increase value to stockholders by enhancing Terra's long-term core earnings capability."

About Terra

Terra Industries Inc., with 2007 revenues of \$2.4 billion, is a leading international producer of nitrogen products.

Forward-looking statement

Certain statements in this new release may constitute "forward-looking" statements within the meaning of the Private Litigation Reform Act of 1995. Forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from what is expressed or forecasted in these forward-looking statements. As a result, these statements speak only as of the date they were made and Terra undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Words such as "expects," "intends," "plans," "projects," "believes," "estimates," and similar expressions are used to identify these forward-looking statements. These include, among others, statements relating to:

- changes in financial markets,
- general economic conditions within the agricultural industry,
- competitive factors and price changes (principally, sales prices of nitrogen and methanol products and natural gas costs),
- changes in product mix,
- changes in the seasonality of demand patterns,
- changes in weather conditions,
- changes in environmental and other government regulation, and
- changes in agricultural regulations.

Additional information as to these factors can be found in Terra's 2007 Annual Report/10-K, in the sections entitled "Business," "Legal Proceedings," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in the Notes to the consolidated financial statements.

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Note: Terra Industries' news announcements are also available on its Web site, www.terrainindustries.com.