The Andersons Plant Nutrient Newsletter

WINTER 2007

www.andersonsnutrients.com

Denny Addis
President,
Plant Nutrient Division

Thank you for trusting your 2007 supply requirements to The Andersons Plant Nutrient Group (PNG). I am very pleased by our performance in 2007 but not satisfied; we can still do better for our customers. I have challenged the PNG team to get more customer focused by observing and listening more closely for ways in which we can improve our service to you.

These are challenging but opportunistic times in agriculture. Corn acres have reached a new plateau and will likely stay there for the foreseeable future. In addition corn price has doubled; and we're not likely to see a substantial retreat for some time as well. The combination of these two factors provides very solid conditions for your and our businesses to grow and prosper. PNG wants to grow with you. We understand that one of our major responsibilities is supply assurance to our customers. We are committed to do all we can to live up to this responsibility. Please write me at denny_addis@andersonsinc.com and let me know how we are doing.

I would be remiss if I did not mention that nutrient prices have also reached new levels. In the thirty six years I've been in this business I've not seen such sustained increases in price for the basic nutrients. There are two factors responsible for this unprecedented strength: 1) very strong world wide demand and 2) higher cost of raw materials and energy. In the case of potash, the potential temporary shut down of several mines in Russia, which represent ten percent of the world's supply, is impacting price in a big way. Logic suggests that once we're past this threat (second quarter, 2008) potash prices should settle down a bit. Based on the current overall world demand, raw material costs and energy prices, it appears that these new levels are here to stay for awhile.

I hope you and your employees have a enjoyable and safe holiday season. Thanks again for your business in 2007. We look forward to serving you even better in 2008!

Keep Your Focus on the Customer

"Remember that a person's name is to that person the sweetest and most important sound in any language."

- Dale Carnegie

Anne Cook
Regulatory Compliance Administrator

New Chemical Facility Anti-Terrorism Rule

The Department of Homeland Security (DHS) has created a new regulation that will impact our customers in the retail agriculture industry. This new rule is called the **"Chemical Facility Anti-Terrorism Standard"** and it was released in the April 9, 2007 Federal Register (www.access.gpo.gov/su_docs/fedreg/frcont07.html).

Congress directed DHS to identify and secure all chemical facilities that present the greatest security risk. Since each chemical facility faces different security challenges, Congress explicitly directed the Department to issue regulations "establishing risk-based performance standards for security chemical facilities." This means DHS will evaluate different chemical industries, facilities and chemical in terms of their levels of risk.

As a result of this development process, DHS issued a list of "Chemicals of Interest", also known as Appendix A to the new rule. Appendix A lists all the chemicals of interest and their associated screening threshold quantities, or STQs. Regulated chemicals include:

- Anhydrous Ammonia
- Aqua Ammonia (≥ 20% concentration)
- Propane (≥ 60,000 pounds)

If a facility possesses any of the regulated chemicals, above the STQ, they must register their company with DHS as part of the "Top Screen" process. This registration will initiate a series of secondary evaluations and additional registrations.

The Top Screen must be completed within 60 days of the date that Appendix A is issued. We have been informed that Appendix A will be published in the Federal Register during the week of November 19th. Once published, all affected businesses will have 60 days to complete the Top Screen registration.

If you would like additional information about this new regulation, you can go to the DHS website at: www.dhs.gov/chemicalsecurity.

Missy Bauer
Agronomist

AGRONOMY CORNER

Recommending that your grower customers fine tune their fertility program can help them increase corn yields and profits. Many farmers have achieved excellent fertility levels in their soil through proper soil testing and fertilization programs. If phosphorus and potassium are at optimum levels and pH is correct, then the next step to fine tuning a fertility program is through micronutrient applications. Soil testing and plant tissue testing are the best methods to help determine if we should be enhancing our fertility program with micronutrients. The seven micronutrients needed for corn plant growth are Boron, Copper, Iron, Manganese, Molybdenum, Zinc, and Chloride. We will focus on Boron and Zinc applications for corn production.

Boron is an important micronutrient in corn production, especially on light soils. Boron is important for the following functions in plants; 1) cell division and development 2) flowering and pollination 3) translocation of sugars across membranes 4) seed and fruit development, and 5) root elongation. According to A&L Labs soil test ratings for Boron are: 0 to 0.3 ppm Very Low, 0.4 to 0.5 ppm Low, 0.6 to 1.2 ppm Medium, 1.3 to 2.5 ppm High, and > 2.5 ppm Very High. In certain areas as many as 80% of soils tested are very low or low in Boron. The Andersons has conducted Boron research plots over three years in sandy loam soils testing very low or low in Boron to determine the effects on soil test levels, tissue tests, and corn yields. Boron was applied in a broadcast application with potash, MAP, and/or AMS. Boron soil test levels were increased after application and remained elevated until the following year. Tissue tests in the replicated plots found that levels of Boron were increased in the plant. Corn yields increased 3 bu/ac in specific yield environments. Applying 0.5 to 1.0 lb Boron/ac with broadcast fertilizer prior to corn production in low to medium testing boron soils is important. Remember to always apply Boron products that have a minimum of 50% water solubility. A 10% Boron material from Agrium was used in our research trials.

Zinc is an important micronutrient in corn production on most soils. Zinc is important for the following functions in plants: 1) growth hormones 2) protein synthesis, and 3) carbohydrate metabolism. According to A&L soil test ratings for zinc are: 0 to 0.9 ppm Very Low, 1.0 to 2.9 ppm Low, 3.0 to 4.9 ppm Medium, 5.0 to 10.0 ppm High, and > 10 ppm Very High. Zinc deficiencies are favored by high phosphorus soils, especially when combined with high rate of P as a row starter, cool, wet soil conditions, and high pH soils or recently limed soils. The Andersons has conducted several research trials evaluating Zinc placed in 2x2 starter fertilizers. In 2005 in NE Indiana an average increase of 3.9 bu/ac was achieved with adding 1qt/ac of a Chelated Zinc in the starter fertilizer. In 2006 in southern Michigan an average increase of 8.4 bu/ac was achieved with adding 1qt/ac of a Chelated Zinc in the starter fertilizer. Applying 1qt/ac of a Chelated Zinc with your 2x2 starter fertilizer is recommended in all very low to medium testing zinc soils and/or where high rates of phosphorus are in soils or starter fertilizer.

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Recommending that your customers fine tune their fertility program with micronutrients can help them achieve yield and profit stability. Start the process by soil testing for micronutrients and applying high quality products when needed. Not all micronutrients are created equal; for dry micronutrients be sure the water solubility is at least 50%.

Steve Eberly
Product Manager

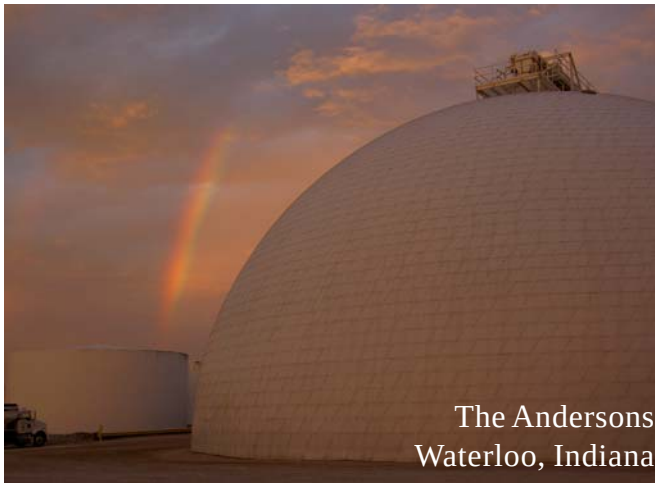
PHOSPHATE OUTLOOK

What an exciting time to be in the agricultural input business!!!

With historical highs on crop pricing, nearly every region of the world capable of growing crops is trying to increasing output. Where they can, places like Brazil are adding tillable acres/hectares, while in the U.S. and Europe, additional crop ground will be taken out of set-aside reserves. Where additional land cannot be planted, more nutrients are requested by farmers all over the world, trying to meet the growing demand for better food for a growing population.

Needless to say, the fertilizer industry has been challenged to meet the growing demand, and prices have reacted to limited supplies. Dry phosphates have been more available than other nutrients; however, demand is expected to challenge phosphate supply now through spring, especially on MAP, so stay ahead on your supply planning and pricing to your growers. Take a look at using Avail to increase the efficiency of the phosphates you apply. In a year where supply could be a problem, increased efficiency may be the solution. Based on late fall barge demand, $500+ per ton for DAP and MAP, rail delivered and out of warehouses will be a likely scenario for spring. Stay in touch with your Territory Manager to keep pace with the dynamics of supply/demand, availability, and pricing!

Thanks for a great fall and an unbelievable calendar year 2007! Have a safe and joyous Holiday Season!



The Andersons
Waterloo, Indiana

Rick Feeback
Product Manager

AMMONIA OUTLOOK
Midwest

The movement of ammonia in the eastern Corn Belt has been wild and crazy. The same can be used to describe the price that is now $200.00 per ton more than a year ago. Ideal weather allowed ammonia to be applied at such a fast pace that most river terminals in Illinois ran out at some point. A few are still empty and waiting for barge tows. Terminals with inventory are on allocation with very few cash loads available.

The August newsletter mentioned a price for spring 2008 prepay at $510. Prices this week are in the $630 range. The heavy fall usage and the high volume of spring prepay that has been sold will keep prices high. Cash loads will remain limited as we head into spring, as producers will need to position tons that they have already sold for the spring season.

The amount of ammonia that has been applied and the expected reduction in corn acres from a year ago should free up some ammonia tons for the side dress season. We should see the high amount of ammonia used this fall and next spring affect the uan demand.

UAN OUTLOOK

As unbelievable as the ammonia prices are, uan prices continue to defy price expectations. Barge uan in the U.S. Gulf has doubled in price from what it was one year ago. The Midwest per pound of nitrogen price spread between ammonia and uan has doubled from what it was last year at this time.

The international demand has been the main culprit behind this run up in the uan price. Strong overseas demand has led to bidding wars for the available cargos of uan. As mentioned in the last newsletter, we need the imports to make up the short-fall due to low ending inventories and forecasted demand. These high priced cargos have kept some suppliers to the east coast waiting on the sideline. The lack of these imports will keep pressure on the uan prices as we head into the spring season.

The window of spring usage keeps getting narrower. Logistics and weather will be two key factors again to tons being in position when needed.

POLYPHOSPHATE OUTLOOK

Due to high sulfur prices, we've been notified of some steep price increases for SPA beginning January 1, 2008. This increase coupled with higher ammonia prices will push the 10-34-0 price well over the $400 mark.

The tight SPA supply market will keep new cash sales and available prepay tons limited through the spring season.

Tom Langevin
Product Manager

UREA OUTLOOK

International:

World urea values for the third and fourth quarters of 2007 have reached record levels. The support for this pricing move is three fold: (1) growth in import demand from India, (2) resurgence of import demand from the U.S. and (3) natural gas prices increasing around the world based on growing demand. Just as an example, Middle East granular traded last week at $365 versus a year ago same week at $225. Now that we are at these record levels, many forecasters are predicting a leveling of supply and demand for the upcoming 2008 year.

Domestic:

The air is beginning to get thin at the record levels in the U.S. Gulf. One almost hates to list a price here for fear of looking foolish before the end of the week. Regardless, we are cognizant of the fact that we are feeling the pressure here in the U.S., as values are trading well over $180 per ton higher than the same month a year ago. With the anticipation of a significant increase in wheat acres over last year, we look for urea demand to be very good in the first quarter of 2008. Just where is the top of this market? With forward priced contracts already indicating spring values at least $20 per ton higher, one has to wonder if these values can sustain themselves all on their own. Natural gas values are not all that different from a year ago, so unless demand hangs in there, there is plenty of downside room as we move towards the upcoming year.

POTASH OUTLOOK

International:

Where is all the potash going? Globally, we find demand far outpacing supplies. Many forecasters are predicting as much as a 20% increase in world demand for potash over a year ago. Keep in mind, 2006 was a very poor year as China and India depleted prior years' stockpiles in an attempt to drive prices down. When that failed, we found them feverishly rebuilding inventories throughout all of 2007. Canpotex will have exported just shy of 10.0 million tonnes this year with expectations for 2008 to exceed 10.0 million for the first time. By now, most should be aware of the Russian rail line situation and its potential to affect 10% of the world production of potash.

Domestic:

Due to ever tightening supplies of domestic potash, price values have reached record levels this summer. We have seen prices escalate by well over $100 per ton just since July of 2007 and well over $125 per ton since the high of 2006. While we warned everyone in July, allocations are not fun but a necessary evil. I'd like to take this time to thank you for your support and allowing us to service your business in 2007. Your Territory Manager has worked very hard during this very trying time, and I trust in some small way, you feel we have been as fair as possible in supplying your potash needs. We are committed to continue to do the best job possible to get the supply you need to service your customers. Once again, thanks, and let's all look forward to 2008.

The Andersons
P. O. Box 119
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We're proud to bring you quality products from the following suppliers:

Agrium · CF Industries · Honeywell · Mosaic · PotashCorp · Terra · KOCH NITROGEN COMPANY

Scott Gebhart
Senior Grain Buyer

COMMODITY CORNER

Soybean futures have exploded to 19 year highs on ideas that U.S. farmers may not plant enough soybeans to satisfy demand next year. A well respected private analyst recently suggested that farmers would plant 68.1 million acres of soybeans this spring, which would be 4.4 million ***more*** than this year. This type of acreage figure would produce a 2.8 billion bushel crop. The problem is that demand is projected to be just over 3.0 billion bushels, which would leave the market with negative carryout stocks, even with a modest carry-in this year.

The job of the market today is to secure more soybean acres from corn. However, many sources are suggesting that this is not occurring, particularly in the western Corn Belt. This opinion is based on active fall corn fertilizing activity and strong seed corn sales. As of this writing, new crop 2008 corn can be contracted at $4.00 per bushel right out of the field. Based on University of Illinois Extension data, this price represents a profit of **$350 per acre** based on a 180 bushel corn yield and non land costs of $370 per acre. Meanwhile, soybeans at the current price of $10.00 per bushel and a 50 bushel yield would represent a profit of $**280 per acre** with non land costs at $220 per acre. These numbers are based on Northern Illinois farms and will vary widely across the U.S., but this is what traders are looking at today.

Another dynamic in this mix is the influence of the outside markets, especially crude oil. Remember, corn and soybeans are now considered energy commodities with the advent of ethanol and bio-diesel. Soybeans have recently followed crude oil futures tick for tick during the last few weeks. The influence of big investment funds cannot be overlooked as they try to diversify their portfolios in a potentially inflationary environment and world unrest.

Traders will continue to monitor and evaluate acreage ideas next year, but we will not see an official acreage estimate from the USDA until the end of March. In the meantime, look for continued volatility and big daily price swings.