The Andersons
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Scott Gebhart
Senior Grain Buyer

COMMODITY CORNER

The meltdown in the mortgage and credit markets over the last few weeks has had a direct impact on the commodities market. The CRB Index which is traded as a "basket" of commodities is down 25% since the high in July. Commodities had become very attractive to the Financial Services Industry which is now in trouble. As a result of the credit crisis, they are liquidating their commodity holdings to generate cash. It was recently reported that AIG held a portfolio of commodities valued at over $50 billion.

The desire by these companies to own commodities as an asset class helped drive corn, soybean, and wheat prices to all time highs this year. Accumulating these positions drove prices above fundamental value. Today we are seeing the opposite as they liquidate these positions and push prices below fair value.

The fundamentals of the grain markets appear to be positive. There is a need to grow 3-5 million more corn acres next spring in an environment of record high input costs. We will be lucky to see corn acres unchanged next year, let alone see an increase. Demand continues to increase each year, and world stocks are still historically very tight. In the past, it was said that South America would continue to expand soybean acreage with no end in sight. However, they are hindered by high input and freight costs which are limiting acreage expansion. More importantly, they are experiencing their own credit crunch with fewer dollars available to finance the crop.

The grain market should work higher at some point in an effort to secure acres next spring. I would also expect to see money flow back into commodities because they are still a safe haven for investors in an inflationary environment.

The Andersons

Plant Nutrient Newsletter

WINTER 2007

www.andersonsnutrients.com

Denny Addis
President,
Plant Nutrient Division

The Plant Nutrient Group made some significant growth moves since our last newsletter was published in April 2008. On May first we acquired the stock of Douglass Fertilizer Co. based in Maitland, Florida. Douglass's one hundred employees, fifty million in sales and seven locations in Florida and Puerto Rico made a very good addition to our existing business. Some of you may be wondering why we were attracted to a business outside of our traditional Midwest marketplace. The reason for this is that we set a goal several years ago to expand our footprint to encompass all of the major agricultural states in the United States. Florida is very important to U.S. agriculture with very diverse crops. Douglass's primary market is citrus, pasture, sugar cane and vegetables.

On August first we acquired three pelleted lime facilities in Carey, Ohio, Fairmont, Illinois, and Weeping Water, Nebraska, with approximately thirty five employees. These three facilities, combined with our existing Seymour, Indiana, pelleted lime manufacturing, make us the largest pelleted lime manufacturer in the United States.

In our last news letter I indicated that current market conditions are unchartered waters for all of us. As you are well aware, this continues to be the case five months later. Our crystal ball is no clearer now than it was in April. We all must accept the fact that we are paid by our customers to do our best to advise them on the best path forward and they/you are counting on us to come through for them. The Plant Nutrient Group marketing team will do their best to deliver you accurate market intelligence.

Thank you for placing your trust in the Plant Nutrient team. We will continue to do all we can to earn your trust in these trying times. If I can be of any help, please contact me at the following email address: PNGPresident@andersonsinc.com.

I hope you have a great finish to the 2008 year, both in terms of financial performance and safety. An accident-free workplace is attainable once everyone is on board with the role each of them plays in this very important objective.

Keep Your Focus on the Customer

For every customer who complains, 26 other customers remain silent. Individuals remember bad experiences for 29 years, and actively talk about them for 15 years.

Source:American Marketing Association

Douglass Fertilizer and Chemical

The Andersons, Inc. announced on April 29, 2008 it has acquired Douglass Fertilizer & Chemical, Inc. as an addition to its Plant Nutrient Group.

"Douglass Fertilizer will be an excellent addition to our Plant Nutrient Group's product and service offering," said CEO Mike Anderson. "Douglass Fertilizer will nicely diversify the group's product line offering and expand our market outside the traditional Midwest row crops and into Florida's rich specialty crops."

Douglass Fertilizer, based in Maitland, Fla., is primarily a specialty liquid nutrient manufacturer, retailer and wholesaler serving a variety of agricultural and to a lesser degree industrial and turf markets primarily in Florida, the southeast U.S. and the Caribbean.

"I am pleased to be able to transition Douglass Fertilizer to such a quality company as The Andersons," said Chairman and CEO Spencer Douglass. "The two companies have very similar cultures dedicated to customer service, quality, community involvement and employee development which Joe Hodges and I believe will be the basis for its continued success and rewarding relationships with our customers, employees, communities and suppliers."

Douglass President Joe Hodges added, "This is a great opportunity for Douglass Fertilizer to further build upon the tremendous growth of our diversified business units. I look forward to combining our talented management team and dedicated employees with The Andersons and growing the newly established southern region."

Purchase of Pelleted Lime Operations

The Andersons, Inc. announced on August 5, 2008 it has completed the purchase of three pelleted lime production facilities in Ohio, Illinois, and Nebraska to expand the pelleted lime capabilities of its Plant Nutrient Group.

"This acquisition will expand our manufacturing capabilities at least three fold and enable us to provide greater volume and supply security to our customers," explains CEO Mike Anderson. "The acquisition will make us the largest producer of pelleted lime in North America." The facilities produce high calcium pelleted lime, high magnesium pelleted lime and pelleted gypsum. Established two decades ago, the operations were among the pioneers in the development of the pelleted lime production process.

Missy Bauer
Agronomist

AGRONOMY CORNER

The price of 10-34-0 has increased over three-fold since April of 2007, leaving many growers asking the question “How much do I really need to apply?” In addition, with supplies being tight, the idea of growers cutting back is real. We need to keep in mind what the goal of starter fertilizer is and not sacrifice yield or profitability as changes are made. The purpose of starter fertilizer is to enhance early nutrient uptake, increase early plant and root growth, and increase yields. Using additives to improve the efficiency of starter fertilizer as rates are reduced can help offset the risks.

A relatively new idea for improving starter fertilizer efficiency is adding a polymer product called AVAIL. AVAIL is a dicarboxylic copolymer that sequesters antagonistic cations out of soil solution around phosphorus fertilizer therefore improving phosphorus efficiency. In current studies located in NE Indiana, Southern MI, and NW Ohio adding AVAIL to the current 2x2 starter fertilizer or to a low salt popup in-furrow has improved early plant and root growth. In high nitrogen starters that use a blend of 28% UAN and 10-34-0, a combination of AVAIL and Nutrisphere-N are used to treat the solution. Nutrisphere-N is a polymer that is designed to reduce nitrogen loss. At a plot location in Waterloo, IN, adding AVAIL and Nutrisphere-N into a 2x2 starter fertilizer (19-17-0 15gal/ac) increased early season plant height by an average of 2.8 inches. Visual observations were noted at several plot locations in the spring of 2008 as shown below.

The addition of the AVAIL additive resulted in an increased level of phosphorus in the plant when tested at the V6 plant growth stage. The addition of AVAIL and Nutrisphere-N to a 19-17-0 (15 gal/ac) blend placed in a 2x2 band increased phosphorus mg in the plant tissue by 9%. The addition of AVAIL with 6-18-6 (3gal/ac) popup placed in-furrow resulted in a 6% increase in mg of phosphorus in the plant at the V6 growth stage. Yield results from 12 different starter fertilizer trials in 2007 (replicated and on-farm side by sides) averaged a yield increase of 5.4 Bu/ac when AVAIL was added. The AVAIL additive may be one option of increasing starter fertilizer efficiency.

Steve Eberly
Product Manager

PHOSPHATE OUTLOOK

The market can be summed up with an old trader saying,“Quiet markets don’t drift up.” With little new business to report, spot rail and barge prices have softened in the last 30 days. Most dealers have what they need to start the fall, and many have what they need until winter fill. The current slow shipment schedule should pick up in early October when domestic fall movement picks up, and export sales to India and others are expected to lift. At that point, supply/demand models are expected to be in balance. Lower sulfur prices will leave more room for DAP/MAP producers to stay profitable, so they are expected to keep producing at capacity. If corn prices rally, demand for dry phosphates is expected to keep pace with supply. However, the current low corn price, flat price resistance, working capital constraints, and cost/price risk could reduce grower’s interest in “maxing out” on corn acres. A significant reduction in application rates and/or corn planting could keep phosphate prices from going higher this fall. Stay in touch with your Andersons Territory Manager to get the latest read on market direction and supply.

The relative quiet in the market is a great time to talk to growers about improving the efficiency of their DAP/MAP by using AVAIL. Our own side by side tests have shown real promise.

New Product Line Merchandiser

Welcome to Chris Taylor, our new Product Line Merchandiser in the Sales and Marketing Department. Chris is responsible for managing the majority of our manufactured/finished goods product lines including Dry Blends, Liquid Blends, Pelleted Lime, Micronutrients, Liquid Ammo Sulfate, Urea Liquor, and others. Chris’s responsibilities include planning, organizing, and coordinating raw material supplies, and he will also be backing up the other Product Managers in their absence.

Chris comes to us from our Turf and Specialty Group where he was Product and Regulatory Manager, engaged in development and oversight of their new line of Contec DG granulated products.

Chris grew up in Maumee/Toledo and is a graduate of the University of Toledo where he earned his undergrad in Chemical Engineering and later an MBA. He has been with The Andersons for nine years.

Chris is currently focusing his atttention on our new pelleted lime business. Look for more information on this in future articles.

Rick Feeback
Product Manager

AMMONIA OUTLOOK

Midwest

Cash ammonia prices have more than doubled from year ago levels to the $1,000 per ton range. Prices have remained flat for the past several weeks because of the lack of any buying interest. Recently, there has been some upward movement in prices as we’re approaching the fall season.

Tons remain tight for the fall season as there has been very good prepay sales that started clear back in January. A later fall application season should help producers start with full terminals.

Limited spring 2009 prepay tons are available. Call your territory manager from The Andersons for the details.

UAN OUTLOOK

Cash uan prices are up close to $200 per ton from year ago levels. While sales have been good throughout the summer, these higher price levels have caused buyers to back out of the market. We are starting to see some softness in the market due to the downward spiral of urea prices recently. We don’t expect any real turn around in prices until November.

Supply has been tight from all of the early sales that were made and the lack of imports into the U.S. We’re starting to see a window of opportunity for U.S. importers to make some vessel purchases before the other countries step in to buy again.

POLYPHOSPHATE OUTLOOK

Polyphosphate supply will remain tight for the 2008/09 fertilizer year. We‘ve gone to an allocation system based on our monthly supply contracts and last year’s sales. So far the outbound movement has been going smoothly without running out at any locations. We will continue to use this system throughout the fertilizer year.

Prices have followed the increases of dry phosphates to levels that are three times year ago levels. Unlike dry phosphates, our Super Acid contracts have monthly price increases. The actual liquid polyphosphate price increases will be determined by a combination of these increases and the ammonia price.

“Dig it!” exhibition opens at the Smithsonian Institution: There are more living creatures in a shovel-full of soil than human beings on the planet, yet more is known about the dark side of the moon than about soil. These are just a couple of the fascinating facts visitors can learn from the new temporary exhibition “Dig It! The Secrets of Soil,” open July 19 through Jan. 3, 2010, at the Smithsonian Institution’s National Museum of Natural History.

The Nutrients for Life Foundation of The Fertilizer Institute is the lead sponsor of the 5,000-square-foot exhibition, which reveals the complex world of soil and how this hidden ecosystem supports nearly every form of life on Earth. The exhibition is also sponsored by the Soil Science Society of America.

Tom Langevin
Product Manager

UREA OUTLOOK

International:

World urea markets have been a mixed bag to date; India in the mood to buy, Middle East producers trying to hold the line on pricing, and Black Sea values going lower. India has been fairly active in the last 30 days, mainly attributed to political pressure as the national election is just around the corner. The current government does not want to have farmers in an uproar over urea availability in an election year. On the flip side, the government of India would like to see prices reduced so they are pulling out all the stops. To date, the Middle East producers are not willing to respond with lower prices.

Domestic:

Domestic values for urea, fueled by higher world values, have found urea to be overpriced in the US compared to other forms of nitrogen. Only recently have we begun to see some relief to record high urea values in the US Gulf. What had been as high as $840 per ton at one point in the last six months is now quickly headed, in our opinion, to $675 for granular FOB at the US Gulf. We believe, barring, of course, any unforeseen world pressures, values will continue to be soft through the end of 2008.

POTASH OUTLOOK

International:

The outlook for world supplies of potash has never looked so bleak. World demand is projected at this time to be up another 2% in 2008, versus the record levels of 2007. While 2% does not seem like a huge increase, it is going to happen in spite of Chinese imports being off 30% from last year. Markets have already begun to factor in for China’s return to a more normal and timely buying pattern in 2009 to bolster short supplies.

Domestic:

If diversity is to be valued, potash is king. Over the years the potash markets have had to deal with mine floods, dumping duties, rail lines replaced due to sink holes, rail strikes prior to spring, and now labor disputes at the production facilities. Unfortunately, we have never been able to pick the time for any of these phenomenon to occur. As all of the others in the past, the current labor strike in Canada has hit when inventories have reached their lowest point in history and at a time right before fall applications are to begin. Hard to predict what this fall will bring, but suffice it to say, we believe inventories will be challenged between now and the end of the year. Look for prices to continue to escalate as spot shortages begin to arise in the near future.