Plant Nutrient Newsletter

SPRING 2007

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Denny Addis
President,
Plant Nutrient Division

What a difference a year makes, $4 corn price and $400 phosphates! In my 35 year career in the industry I would have to access the random memory back as far as the early seventies to find forward prospects which looked as favorable for the input business as they do now. By the time you read this you will soon know the results of the initial USDA crop intentions report. I am told that most market analysts are expecting that growers will say they intend to plant 10 million more acres of corn than they did in 2006. If this is the case, we are going to have one whale of a spring. It will be extremely difficult to satisfy the demand if this many new acres come to fruition.

If you recall the projected demand for ethanol began to impact the corn futures price last November, and as a result we saw wholesale nutrient supply tighten up instantaneously. Simultaneously, other large agricultural based countries, such as India and Brazil, stepped into the NPK markets and bought, or signaled intentions to buy, large volumes of nutrients. Prior to November retail dealers and distributors did not feel comfortable filling, due to lack of grower enthusiasm and to the lingering sting from riding the nitrogen markets down last spring. The extremely tight and high priced supply situation we are dealing with now is the result of having only five to six months to produce, import, and fill the pipeline for the biggest crop we have planted in decades.

Provided we do not have a uninterrupted spring planting season from a weather standpoint, which is unlikely, and the railroads come through for us, we feel fairly confident we can supply the traditional demand (pre-ethanol) in phosphates, and more than this in N & K. In these uncertain times, it is important that you are staying in contact with your Territory Manager.

An area that we tend not to think about until most of the work is done is our accounts receivable. Given the significant inflation in nutrient prices and grain prices, everyone's working capital lines will be taxed to the limit and beyond.

Thank you for your continued business. The Plant Nutrient Group and all its employees will do all we can this spring to make it as successful as possible for everyone. Most importantly, remember, in this hectic season to BE SAFE.

Jan Strem
Specialty Ag

The Andersons and Specialty Fertilizer Products have partnered up to exclusively distribute **AVAIL®** and **Nutrisphere-N™** in Indiana, Michigan, Ohio, New York and Pennsylvania.

AVAIL® is a phosphate (P) enhancement product designed to keep phosphate in a plant-available form for the length of the growing season. University research shows that 75-95% of applied phosphorus fertilizer is fixed in the soil and unavailable to the crop. Increased P availability is a key factor in increasing yields and quality. Further research shows **AVAIL®** can increase yields 10-15% when compared to conventional fertilizers.

AVAIL®'s performance is based on Nutrisphere technology where the science is complex, but the idea is simple. Positively charged cations in the soil interfere with the negatively charged phosphate's ability to be absorbed by the plant. **AVAIL®** keeps the positively charged cations, calcium, magnesium, iron, and aluminum, from attaching to the P and rendering it unavailable. **AVAIL®** protects the P in a microenvironment around the applied phosphate.

Nutrisphere-N™ uses a similar type of technology to help keep nitrogen (N) from being lost to volatization, nitrification, and leeching. Urease is the enzyme that attacks N and breaks it down into a state that can be lost. Urease needs nickel to be active. **Nutrisphere-N™** uses a high negative charge to sequester or inactivate the positively charged nickel ion, thus rendering the urease inactive. By not allowing the urease to activate, the N is kept in a stable form for the length of the growing season.

AVAIL® and **Nutrisphere-N™** provide season-long performance and reduce the environmental impact of lost nitrogen and phosphate. The result of increasing the efficiency of N and P is a better opportunity to reach optimum yield potential. With escalating costs of plant nutrients, you should strive to get the most out of what you apply.

More green in your field, for more green in your pocket.

AVAIL® Dry – for impregnation on dry phosphates
AVAIL® SD – for liquid blends not in the furrow
AVAIL® OS – for on-seed applications
Nutrisphere-N™ for Urea **Nutrisphere-N™** for UAN

Please contact your Territory Manager for more information and the right product for your business.

Missy Bauer
Agronomist

AGRONOMY CORNER

Do you have growers asking about corn following corn rotations? Many growers are considering switching some acres from a corn-soybean rotation to a corn-corn rotation. The recent increases in demand for corn from the ethanol industry and attractive prices have swayed some growers to make the switch. A corn-corn rotation may require more intense and different management practices than the traditional corn-soybean rotation. Although there are several important aspects in managing corn-corn rotations, I will focus on nitrogen and starter fertilizer management in this article.

When switching to a corn-corn rotation, fertility management may also need to be changed. In a corn-corn rotation the crop typically requires 30 to 50 additional pounds of nitrogen per acre. According to the Tri-State fertility recommendations, a 180 bu/ac yield goal in a corn-soybean rotation would typically require 190 lb N/ac, while the same yield goal in a corn-corn rotation would typically require 220 lb N/ac (Extension Bulletin E-2567). Although the additional pounds of nitrogen are important, the timing and placement of nitrogen in this rotation is also critical. Residue management in corn-corn rotations is critical to its success; timing and placement of nitrogen can help with this. In order to improve the microbial process of breaking down and decomposing residue, a broadcast application of some nitrogen is helpful. I typically suggest broadcasting 60 to 100 pounds of your total nitrogen per acre in corn-corn rotations. The source of this broadcast nitrogen can come from MAP or DAP applications, ammonium sulfate (AMS), and 28% UAN weed-n-feed applications. When fall or spring spreading your dry P & K, consider adding in 100 to 150 lb/ac of AMS to help begin the residue breakdown process. AMS is a very stable form of nitrogen. When applied to residue, losses from leaching, denitrification, or volatilization are minimal.

Starter fertilizer is very important when growing corn in a corn-soybean rotation; however in a corn-corn rotation the importance is escalated. The increased amount of residue in corn-corn rotations often leads to cooler, wetter soils at spring planting time. These conditions typically lead to a big response from starter fertilizer. Corn starter fertilizer plots from The Andersons' Agronomic Land Lab near Tekonsha, MI, in 2006 resulted in 11.8 bu/ac and 29 bu/ac yield increases when using a 2x2 starter fertilizer in comparison to no starter in a corn-soybean rotation and a corn-corn rotation, respectively. A starter fertilizer with at least a nitrogen, phosphorus, and zinc analysis is recommended. In a corn-corn rotation a starter blend with a minimum of 25 lb of N/ac is helpful as part of your nitrogen and starter program.

Steve Eberly
Product Manager

PHOSPHATE OUTLOOK

What a difference a few months can make! Our Winter Fill program turned out to be the last chance at anything close to last fall's pricing, so we hope you took advantage! Dry phosphate values are up $150 per ton from early December. The stronger corn and bean prices have farmers around the world hoping to plant more acres. The world demand for phosphates has moved up faster than supply capability, especially on MAP, for spring. When that happens, the result is not only higher prices, but the potential for product shortages. There will not be enough MAP to fill total demand for spring. That shortfall will carry over into DAP if early usage for increased corn planting in the southeast is any indication. We believe the key word for this spring's fertilizer needs is possession! There are many car buyers that were not able to position everything they'll need for spring, and many of those buyers expect to haul from warehouses in season. That could work, but will get very interesting if too many folks end up needing tons before we finish planting.

Early indications for summer and fall support continued strong demand. Prices are forecasted to drop off $10 per ton, or so, through summer and strengthen again as fall demand shows up. We're not sure if that is accurate, but it does suggest that staying a few loads ahead of demand this spring might be a better strategy than only buying what you know you'll need. We expect a "normal" spring weather pattern will bring you more demand than expected. Stay in touch with The Andersons' Territory Manager to keep posted on pricing and availability.

Neill McKinstray
Vice President,
Ethanol

ETHANOL UPDATE

Corn-base ethanol growth continues on its blistering pace, with upwards of 400 projects under development in the US. Currently, there are +/- 75 projects running, or under construction/ development in the IL, IN, OH, and MI market. In reaction to this actual and anticipated growth in corn demand, markets have responded in equally dramatic fashion. Corn prices have doubled since late 2005. Fertilizer and land costs have risen. Ethanol plant construction costs have increased 25-40% in the same period. Clearly, the "ethanol boom" is changing ag production, input and marketing systems in a dramatic and permanent way.

Spot values for ethanol, corn, DDGS and natural gas continue to offer very strong margins to ethanol producers. However, values and margins in forward months are now in unattractive or loss territory for many projects. This is causing SOME investors and lenders to rethink their decisions. Regardless, there appears to be enough existing production and new plants nearing completion to strain corn supplies in the coming crop year. Even with nominally increased acreage and normal yield, corn price should remain strong for the foreseeable future. Should any significant weather problems emerge, we anticipate that prices will have to move even further to ration supplies among the "hungry users" in order to maintain adequate carryover stocks.

Rick Feeback
Product Manager

AMMONIA OUTLOOK
Midwest

This is the one nitrogen product which is lagging in price compared to uan and urea. We do expect the ammonia price to keep increasing through the spring season. Unless you own prepay tons, it's very difficult to find any spot cash loads to buy. This could loosen up as prepay loads move out and resupply comes in. The side dress season will put tremendous pressure on transportation and load out capacities. In addition, freight rates for rail ammonia have risen dramatically over the past six months, and some traditional rail buyers have turned to truck terminals for a larger portion of their supply this year, putting further pressure on ammonia supply from terminals.

UAN OUTLOOK

While we'd like to depend on the domestic producer for the majority of our supply, imports are essential to having the uan needed to plant the size corn crop being talked about. Other countries have stepped up and paid a higher price for uan this past year. This has reduced the amount of imports available to come into the US. Unbelievable demand and limited imports have driven the uan price beyond numbers we would have thought possible back in Oct/Nov. We still feel producers will drive the prices up further as we head into the peak demand period. Trying to purchase any cash rail cars for the March-May shipping period is either impossible or the price is prohibitive. Even spot cash loads are hard to come by out of some terminals. Spring distribution has been further complicated by the relatively large volume of prepaid sales taken to date, now held in storage, thus blocking space for re-supply.

POLYPHOSPHATE OUTLOOK

Increased corn acres, along with a tight acid supply, will make liquid poly products snug going into the spring season. This hasn't changed since the last newsletter, and actually supply is even shorter than we anticipated. Spot cars of SPA (acid) which we buy every year haven't been available this year. We'll see limited tons available for in-season sales as prepays again block available space. Timing of in-season rail car deliveries of acid, along with weather, will determine just when we'll go on allocation or stop shipping non-prepay orders. Given all this, we fully anticipate running out at some point in season.

While dry phosphate prices have gone wild, we've tried to temper the increases on liquid poly based on our increased ammonia and SPA (acid) cost.

Tom Langevin
Product Manager

UREA OUTLOOK

International:

In our most recent newsletter dated December 2006 we talked in length about India's insatiable appetite for urea. We also noted volumes in 2006 would surpass 2005 levels by well over 60%. What we, and many other nitrogen enthusiasts, didn't see was the pent up demand necessary to satisfy India's needs. If we are willing to look back and evaluate the overall situation, it is hard to believe an entire industry didn't see what was out in front of us. The point here is simply to suggest, possibly, we have entered a new era regarding world demand for urea. We look for the tug of war between overseas markets and US markets to continue for at least the next 12 months, if not longer.

Domestic:

With present US Gulf values trading in the $360/$365 range this is not a market for the faint of heart. It is hard to believe that less than 12 months ago, many in the industry were writing down inventory values and trying to shorten long positions. Coming off this experience, many producers, importers, and distributors headed for the sidelines looking for relief. The long and the short of this can best be depicted with simple numbers……with North American producers running full out all summer, we managed to gain roughly .3 million tons of urea……..we know there were 1.5 million less imports this year……this leaves the North American market short by about 1.3 million tons going into spring. We have done the best job we could to ensure we have adequate supplies of urea for spring planting.

POTASH OUTLOOK

International:

Since we last reported, China finalized negotiations with both Russia and Canpotex. These negotiations were favorable for both the Russians and Canpotex regarding both volume and price for all of 2007. With increases forecasted for Brazil and India as well, we look for increased tightness in supply in the world markets.

Domestic:

The lack of fall application is coming back to roost in a big way. Inventories in Canada are extremely low as producers balance overseas commitments with increase in demand for spring. We look for firmer markets in the near future with a $7 price bump imminent. Beyond this spring, we see inventories ending up at record low levels which, most certainly, will lead to further price increases next fall.

The Andersons
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Maumee, OH
43537

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COMMODITY CORNER

The corn market showed some signs of weakness over the past month. December 2007 (new crop) corn futures traded to a new contract high of $4.295 per bushel in mid February and have declined almost 40c per bushel by mid March.

Much of the decline was based on ideas that the market would see a 10-12 million corn acreage increase over last year. These ideas were much higher than the previous 6-8 million acreage increase that many private forecasters had been discussing widely across the trade. Additional weakness was attributed to the influence of the outside markets. The Chinese stock market experienced a 10% decline in just one day as the government adopts measures to slow down their economy. The weakness in the Chinese markets spilled over in the U.S. markets with the DJIA experiencing a moderate correction following the Chinese news.

The recent uncertainty around acreage this spring and the influence of the outside markets shook the grain markets to some degree. However, there are many big picture items that should continue to support the market in the coming months. The initial acreage estimates (issued March 30th) along with spring planting weather will have the biggest short term impact on the grain markets. From a big picture perspective, traders will be wary of a decline from El Nino into a La Nina situation here in North America. In years where this situation has developed, crop yields have generally declined. The most recent analogue years for La Nina are 1980, 1983, 1988 and 1995. Corn yields declined anywhere from 18.5 bushels in 1980, to 35.2 bushels in 1988. The market cannot afford anything close to that type of a decline with corn demand this year pegged at almost 12.0 billion bushels. Volatility will be a constant as the market gauges production potential this growing season amid rapidly rising demand.