



*Denny Addis
President, Plant Nutrient Division*

There is no doubt that current market conditions are uncharted waters for all of us. However, let's not lose sight of the fact that the underpinning conditions are very positive for input suppliers. Corn, wheat and soybeans are all at record price levels. These output commodities have increased nearly as much or more than nutrient prices. According to the National Agricultural Statistics Service, USDA, from February 2007 through February 2008 prices received for corn have increased 24%, wheat 121% and soybeans 60%. Nutrient prices paid by farmers over this same time period increased 40%. Going back to 2000, corn has increased 124%, wheat 316% and soybeans 138%. Nutrient prices during this period increased 148%.

Increased world wide demand for all three major nutrients over the last several years has spurred much of the increase in nutrient prices. Between 2001 and 2006 world wide nitrogen use grew by 14%, phosphate by 13% and potash by 19%. China, India and Brazil are the three largest contributors to the growth in world demand. Estimates from The Fertilizer Institute indicate that we experienced a significant jump (7 – 8%) in nutrient use here in the U.S. in the fertilizer year ending June 30, 2007, led by a 20% increase in U.S. corn acres and a general increase in application rates. The increase in demand, coupled with the loss of a major potash mine in Russia, has sopped up any remaining excess production capacity. The phosphate industry has struggled with excess capacity for over twenty years, and as a result, U.S. capacity has declined.

Feedstock and energy increases, in addition to the weaker U.S. dollar, have played a material role in the escalating nutrient prices. As an example, sulfur, a key feedstock for phosphate production, has increased from approximately \$75 per ton to \$250 since the beginning of 2007. Phosphate rock prices out of Morocco, the world's largest rock exporter, have escalated nearly \$150 per ton since the beginning of 2007. The cost of transporting fertilizer materials from where they are produced to where they are used has also risen significantly, as fuel prices have skyrocketed, and the demand for transportation has increased. Many factors have contributed to the scenario with which we are now faced. I'm sure it is very difficult to get your farmer customers to understand, let alone accept, what has happened to the fertilizer costs. I can only hope that the picture I have painted here will help you make some sense of the situation.

If I can be of any further help, please contact me at the following email address: PNPresident@andersonsinc.com. Also, please remember to reinforce the safety message to all of your employees and customers as they go about the very busy spring activity.



*Matt Anderson
Financial Services Manager*

Fertilizer and Credit

As we head into the thick of the spring planting season, credit – whether we like it or not – has been a more frequently discussed topic than in any recent year. An historic run-up in fertilizer prices and very volatile grain prices in the face of tightening credit markets has created a very challenging scenario for many in our industry.

For a number of months, the Plant Nutrient Group has been placing significant additional emphasis and resources on credit-related matters. Needless to say, credit limits that were in place just a year ago for many of our customers are now woefully inadequate. The challenge, of course, is adequately documenting in the credit file a case for significant customer credit limit increases. One of our Credit Department's early steps was to work with each of our Territory Managers in determining what credit limits would be needed for 2008 for each of their customers.

More than ever, we feel it is critical that our customers be willing to share appropriate credit information with us, other trade creditors, and lenders in order to assist each party in making sound credit decisions. Our company has made it a priority over its history to be very open with our various creditors. In many cases, information required by us includes current customer financial statements that are maintained within our credit files on a confidential basis. We are grateful to our many customers who willingly share requested information with us, and we hope that all of our customers understand our desire and need to have this information on file.

We hope that you likewise have stepped up your credit due diligence process for those to whom you grant credit. Now, let's all hope for a good growing season!

Keep Your Focus on the Customer

“Everyone in the organization should realize that the customer comes first and that every customer is important.”

- The Andersons' Statement of Principles



*Jeff Bradford,
Agronomist*

AGRONOMY CORNER

Protecting Our Nitrogen Investment

We know that nitrogen can readily lose to the environment, whether we lose nitrogen by immobilization, leaching, denitrification, and/or volatilization. We also know that growers are investing a good amount of money on nitrogen. How do we protect that investment? Well, let us think about that in terms of how we lose nitrogen.

Immobilization is the tie-up of nitrogen into the carbon cycle. This is a biological system. In this system nitrogen is tied up; however, this system will eventually give back nitrogen. We call this mineralization. This system is a self-protected system. The problem is we don't know when and how much nitrogen we will get back. This can be a serious problem with UAN, surface applied in no-till corn after corn.

Leaching is the movement of nitrate-N (negative charge) out of the root zone. This usually takes place in sandier soils with high rainfall amounts. The best way to combat this is to use sidedress applications or to delay applications as long as possible, use nitrogen in multiple trips, and/or use nitrification inhibitors to prevent ammonium-N (positive charge) from converting to nitrate-N.

Volatilization is the conversion of urea-N to ammonia-N (gas) which is lost to the atmosphere. The best way to combat volatilization losses is to inject urea containing nitrogen sources or to quickly work in the nitrogen with tillage. Other possibilities include the use of urease inhibitors for surface applied nitrogen and not surface applying urea containing nitrogen sources on field with high surface soil pH or recent lime applications.

Denitrification is the conversion of nitrate-N to nitrogen gas which is lost to the atmosphere. Denitrification is a serious problem in soils with drainage problems. Possible solutions included the use of nitrification inhibitors, delay applications and/or make multiple trips with nitrogen, and improve soil drainage.

In most of the cases listed above, we could just simply add more nitrogen. Is that the best plan? No. Adding more nitrogen will keep nitrogen in the soil longer; however, under high loss conditions you have not gained much. The urease and nitrification inhibitors do a great job of protecting nitrogen and are becoming quite economical with the high price of corn. The best way to combat nitrogen loss is be smart about applications, know the farms and know the soils. Build plans for specific problems. This should be a plan of attack for high or low prices. Have a safe spring.



*Steve Eberly
Product Manager*

PHOSPHATE OUTLOOK

Unbelievable! From January through December of 2007, dry phosphate prices rose to their highest level since the early 1970's. Since January 2008, DAP/MAP prices have doubled again. Driven by international markets, DAP/MAP values have gone into the "twilight zone" at over \$1,000/ton. China's decision to export less dry phosphates than last year, has sent many of their customers into the market for spot purchases at a time when there is little "extra" product available. After years of low profitability, phosphate producers are "back in the black" but concerned about cost, as tight sulphur supplies, increased phos rock values, and ammonia all help drive up their cost of production. Fundamentally, without a significant problem at planting, the supply/demand equation is not likely to change through spring and into the summer, so prices are not expected to soften anytime soon.

Without question, these higher prices will encourage growers to change how and how much they apply phosphates. Current corn prices still support fertilization programs that maximize yield, so growers will need to work the numbers to understand where these nutrients will do the most good. It might be a great time to look at Avail™ as a product that can increase the efficiency of the applied phosphates. Stay in touch with The Andersons Territory Manager in your area for the latest updates on supply and pricing. Have a safe and profitable spring!



*Tom Langevin
Product Manager*

POTASH OUTLOOK

With potash supplies worldwide getting more than their fair share of attention lately, have you ever wondered which countries are producing and which countries are consuming? The tables at the right are an attempt to depict just what is going on with potash supply and demand.

Keep in mind the following after you have had time to review:

- All consuming countries are at record low inventories today.
- North American producer inventories down 26% compared to previous 5-year average.
- Final 2007 global shipments expected to be up 7 million tonnes over 2006.
- China, India and Brazil volumes for 2008 expected to be up over a year ago.



Rick Feedback
Product Manager

AMMONIA OUTLOOK

Midwest

The big news has been the huge demand for fall 2008 prepay. Since the first interest in mid January, the price has increased over \$75 per ton to come in line with the current cash market.

Available tons have been limited due to uncertainty around production or import cost. Available spring tons continue to be in tight supply and unavailable out of some terminals. This could loosen up as the spring preplant application season is stalled due to wet weather. The current cash prices are all over the board from \$700 to \$740 per ton. Limited spring prepay tons are available out of a few terminals.

UAN OUTLOOK

Barges and river terminals have seen some price reductions since the first of the year. This is mostly due to a lack of demand with tanks being full and nowhere to go with the product. Rail delivered and inland terminal prices have been stable. With the ammonia preplant season backing up, we should see increased demand for uan.

POLYPHOSPHATE OUTLOOK

Due to increased imports, supply appears to be in very good shape. We could see resupply becoming an issue as the planting season becomes compressed.

The bad news is that dry phosphate demand, high sulfur and ammonia prices have pushed polyphosphate fertilizer prices up to all time highs. Strong demand for dry phosphates for the fall of 2008 has moved the price for DAP over \$1,000 per ton. SPA will follow this trend for the 2008 /2009 contract year. We're expecting SPA prices to double over last year's levels. Adding to the tight supply, SPA production is expected to decrease next year

The good news is that SPA suppliers have been able to keep current with their monthly contract shipments. If this continues with April and May shipments, we will have additional spot tons to sell in season. We will continue to allocate tons based on a percentage of last year's business with us. Check with your territory manager for available tons.

WORLD POTASH PRODUCTION

(Thousand Tonnes K₂O)

(Thousand Tonnes KCl)

Country	Capacity	PRODUCTION			
		2006	2006	2005	2004
Canada	13,196	8,352	10,588	10,110	
Russia	5,874	5,668	6,266	5,599	
Belarus	4,980	4,606	4,928	4,612	
Germany	3,150	3,066	3,085	3,047	
Israel	2,227	2,223	2,261	2,137	
China	1,740	1,753	1,465	820	
Jordan	1,235	1,036	1,116	1,177	
US	851	773	831	914	
Spain	660	437	494	553	
UK	615	430	439	539	
Brazil	426	421	369	382	
Chile	426	374	424	430	
Total World	35,380	29,139	32,266	30,320	

Country	Capacity	PRODUCTION			
		2006	2006	2005	2004
Canada	21,632	13,692	17,358	16,574	
Russia	9,790	9,447	10,443	9,332	
Belarus	8,300	7,676	8,213	7,687	
Germany	5,250	5,110	5,142	5,079	
Israel	3,650	3,644	3,706	3,504	
China	2,900	2,922	2,442	1,366	
Jordan	2,025	1,699	1,829	1,929	
US	1,395	1,267	1,363	1,499	
Spain	1,100	728	824	922	
UK	1,025	716	732	899	
Brazil	710	702	615	636	
Chile	710	623	707	717	
Total World	58,487	48,226	53,374	50,144	

WORLD POTASH DEMAND

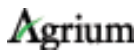
(Thousand Tonnes K₂O)

(Thousand Tonnes KCl)

Country	DEMAND		
	2006	2005	2004
China	5,878	6,807	5,014
US	4,907	5,445	5,952
Brazil	3,704	3,365	4,156
India	2,079	3,011	1,803
Malaysia	935	808	995
Russia	868	863	783
France	825	865	1,079
Others	9,715	9,885	10,692
Total World	28,911	31,049	30,474

Country	DEMAND		
	2006	2005	2004
China	9,715	11,251	8,287
US	8,044	8,926	9,758
Brazil	6,123	5,562	6,869
India	3,436	4,977	2,980
Malaysia	1,546	1,336	1,645
Russia	1,434	1,427	1,294
France	1,363	1,430	1,783
Others	16,125	16,412	17,753
Total World	47,786	51,321	50,369

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Senior Grain Buyer

COMMODITY CORNER

Most experts will say that the big rally in commodities over the last year has been the result of tighter world stocks due to improving economies in China and India. However, this is only part of the story. An explosion in electronic trading and interest by Commodity Index Funds/Investors are equally responsible.

Over the last year, electronic trading has replaced open out-cry pit trading dramatically. Based on current estimates, roughly 85% of the corn contracts are traded electronically with only 15% in the traditional pit structure. This ease of trading has attracted bigger institutionalized investors that would have been focused on stocks a decade ago. As a result of the increase in trading, the CME (Chicago Mercantile Exchange) recently raised the daily price limits. The new daily price limits for corn are now 30c per bushel, beans 70c and wheat 60c. Electronic trading is also readily available at night, trading from 7pm until 7am.

In addition to the institutionalized trading, there has been a big up-tick in Commodity Index Trading. Index Trading allows many small investors to own a wide array of commodities through a "basket" approach.

There are many solid fundamental reasons for the increase in commodity prices. Owning commodities makes sense in a recessionary environment and there is strong demand. However, you cannot overlook the impact of technology in this unprecedented bull market. Commodities are the "hot stock" of the times right now. The frenzy in commodities is reminiscent of other bubbles we have seen in the dot com and housing sectors. Be careful what you wish for.