

Dealer Report

THIS WEEK

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CF seeks to acquire Terra for \$2.1 billion; Terra to evaluate unsolicited proposal

CF Industries Holdings Inc. said late Jan. 15 that it has proposed to acquire all of the outstanding common shares of Terra Industries Inc. in a transaction that would create a leader in the global fertilizer industry.

CF said its board has approved a proposal under which each common share of Terra would be entitled to receive 0.4235 shares of CF. CF says this represents a premium of 34 percent based on the 30-day volume weighted average prices for the shares of the two companies, and a 29 percent premium based on the 10-day volume weighted average. The proposal also represents a 23 percent premium over the closing price of Terra shares on January 15, 2009. The transaction values Terra Industries at \$2.1 billion. It values Terra shares at \$20 per share.

“The combination of CF Industries with Terra will create a leading fertilizer producer with enhanced ability to compete globally,” said Stephen Wilson, CF chairman, president and CEO. “North America is an attractive agribusiness market with an ongoing need for strong global players domiciled here. We believe that the companies together will form a stronger, more competitive global player that can service more customers, more efficiently.”

CF said on a pro-forma basis, the combined company will be the largest nitrogen producer in the world among publicly traded companies as measured by production capacity. It said the companies’ complementary footprints will safeguard operating jobs while increasing geographic reach in the important U.S. grain belt, as well as expand sourcing from international locations. CF and Terra together will create a more stable platform for future growth, enhancing the viability and continuity of the North American nitrogen production industry, which has seen rising imports in recent years. Together, CF and Terra would be better positioned for growth with a stronger balance sheet, increased flexibility to access the capital markets, and the enhanced ability to weather difficult market conditions.

CF said the transaction would create significant financial benefits for shareholders of both companies. Beyond the stock premium offered, CF said the value of the enterprise would be increased

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Mosaic layoff of 1,060 potash workers brings Saskatchewan industry total to 2,380

The Mosaic Co. has confirmed that it has sent layoff notices to some 1,060 workers at its Saskatchewan potash mines. Mosaic reported last week that it planned to cut potash production by 1 million mt by the end of May 2009 (*DR* Jan. 12, p. 1).

As a result of the Mosaic news, some 2,380 Saskatchewan potash workers now have layoff notices. PotashCorp and Agrium Inc. both made similar announcements in late 2008, with 940 workers for PotashCorp (*DR* Jan. 5, p. 1) and 380 for Agrium (*DR* Dec. 15, p. 1)

Mosaic layoff notices have been sent to some 360 hourly employees at the Colonsay mine, to take effect March 8 for an indefinite period. Those miners are members of the United Steel Workers of America. Some 700 layoff notices went to workers at the Esterhazy mine, with layoffs to begin Feb. 15 for renewable two-week periods. Those workers are members of the Communication, Energy and Paperworkers Union of Canada.

Mosaic reiterated that these are layoff notices and could be rescinded should conditions change.

Mosaic has some 1,500 employees in Saskatchewan. Production at Mosaic’s Belle Plaine, Sask., potash mine is not affected.

DOT releases interim rail tank car standards

The Department of Transportation on Jan. 12 released its final rule on interim rail tank car standards, which will be effective March 16, 2009.

The rule-making process was observed closely by the fertilizer industry, and recommendations were submitted by The Fertilizer Institute regarding railcar standards for the transportation of poison inhalation hazard (PIH) materials such as anhydrous ammonia.

The final rule requires PIH tank cars to have better puncture resistance from a side impact with a combination of thicker inner shells where the hazmat is held and/or thicker outer jackets, depending on the specific hazmat being transported. In addition, each end of the tank car is to be protected with a full head shield where not already mandated by existing regulations, while strengthened valves, top fittings and nozzles used to load and unload the tank car are required to prevent a release in a rollover accident.

The new rule also imposes a 50 mph maximum speed restriction on all loaded PIH tank cars, and allows for an increase in the gross weight of the tank car to accommodate the enhanced safety measures. In addition, it requires tank car owners to prioritize the retirement or replacement of older tank cars used in PIH service that were built prior to 1989 with non-normalized steel that may not adequately resist the development of fractures.

U.S. Transportation Secretary Mary E. Peters said the final rule provides an increase in safety over existing rail hazmat tank car

See DOT, page 8

Eastern Cornbelt

Ohio, Indiana, Illinois

Cold weather moved into the region last week, dropping temperatures to sub-zero levels in some areas and prompting wind chill advisories and school closures.

Thermometers registered minus 11 degrees in the Chicago area Thursday morning, with some areas of Indiana expecting wind chill readings as low as 30 below by Thursday night. At noon Thursday, thermometers in Cleveland, Ohio, were at 9 degrees, with wind chill readings at minus 7. Forecasters also issued lake-effect snow warnings Thursday for Indiana, Michigan and Ohio.

The frigid temperatures were expected to linger through Friday, with wind chill warnings posted for 21 counties in Indiana and eight counties in Ohio. One Ohio source said his location received 6 inches of snow on Wednesday, following by temperatures as low as minus 13 degrees on Thursday. He said lows of minus 20 were likely on Thursday night.

Sources reported some calls from interested fertilizer buyers coming in at both the retail and wholesale levels last week, with some spot tons moving here and there to top off inventories.

Urea prices were up on the strength of higher NOLA barge values. Sources tagged the granular urea market at \$340-\$350/st FOB in the Cincinnati, Ohio, area and out of several river locations in Illinois, reflecting a jump of \$55-\$70/st from the previous week.

Anhydrous ammonia was quoted at \$485-\$573/st FOB for cash tons, with the low in Illinois and the upper end on a spot basis in Ohio. Prepay ammonia was reportedly on the table for \$550/st FOB in Illinois and around the \$570/st FOB mark in Indiana and Ohio.

UAN covered a wide range. Although few had any room for prompt tons, sources said UAN-28 could be had for as low as \$225/st (\$8.03/unit) FOB spot river locations for immediate ship. At the upper end of the range, sources quoted prepay solutions tons at \$8.60-\$8.95/unit FOB in the region, with one source reporting UAN-28 prepay at \$245/st (\$8.75/unit) FOB in his trade area.

Granular ammonium sulfate was tagged at \$150-\$155/st FOB or rail-DEL in the region.

The DAP market was pegged at \$350-\$375/st river terminals, with the upper end to the dealer FOB Cincinnati. Out of inland warehouses, the DAP market was pegged as high as \$390-\$405/st FOB last week. MAP was \$15-\$25/st higher than DAP, depending on supplier and location. 10-34-0 remained in a broad range at \$650-\$850/st FOB, with the low reported in Illinois and the upper end quoted by Ohio and Indiana sources FOB local terminals.

EASTERN CORNBELT	FOB	DEL
Anh. Ammonia	485-573	NA
Amm. Sulfate	150-155	NA
Urea (granular)	340-350	NA
UAN Solution	8.03-8.95	NA
DAP	350-405	NA
MAP	350-425	NA
10-34-0	650-850	NA
Potash	750-815	NA

Potash was quoted at \$750-\$815/st FOB regional warehouses, depending on grade and location, with the low in Illinois and the upper numbers out of warehouse locations in Indiana and Ohio. One dealer said he expects spring potash volumes to range from 40-85 percent of normal in his trade area.

Western Cornbelt

Iowa, Missouri, Nebraska

The region was blasted with frigid temperatures as the week advanced, with some areas experiencing record cold on Thursday.

Cedar Rapids, Iowa, posted a record low of minus 29 degrees, while Clinton, Iowa, registered minus 27 degrees on Thursday. On Thursday night, overnight lows in eastern Iowa were expected to drop to minus 30 degrees in some areas, with wind chill readings as low as 50 below zero.

Wind chill readings hit minus 30 in eastern Nebraska on Thursday, and thermometers in Omaha dipped to minus 15 degrees. Several locations in northern Missouri saw thermometers fall to double digits below zero as well, and the cold was expected to linger through Friday. The St. Louis area was anticipating wind chill readings as low as minus 24 degrees on Thursday night.

On the fertilizer front, sources reported firming urea prices. Granular urea was pegged at \$330-\$350/st FOB to the dealer last week, with most touting the upper end of that range as the week progressed. One supplier was referencing forward contract urea FOB Pine Bend, Minn., at the \$380/st mark for February.

Ammonia remained at \$450-\$500/st FOB terminals for cash market tons, with delivered ammonia in Missouri reported in the low- to mid-\$400/st from southern production points. One source said several suppliers cut off spring prepay programs at mid-month.

The UAN-32 market was generally quoted at \$260-\$280/st (\$8.13-\$8.75/unit) FOB regional terminals, with reference prices as high as \$320/st (\$10.00/unit) FOB.

The ammonium nitrate market remained at \$250-\$300/st FOB in the region, but some sources speculated that the lower priced tonnage would be short-lived as urea prices strengthen.

Granular ammonium sulfate remained at \$150/st FOB or DEL in the region based on posted levels from Honeywell.

DAP was pegged at \$350-\$375/st FOB regional warehouses to the dealer, with MAP \$15-\$20/st higher. One Missouri source pegged the common dealer price in his trade area at \$360/st FOB for DAP and \$375/st FOB for MAP last week. Forward contract DAP

WESTERN CORNBELT	FOB	DEL
Anh. Ammonia	450-500	425-475
Amm. Nitrate	250-300	NA
Amm. Sulfate	150-155	NA
Urea (granular)	330-350	NA
UAN Solution	8.13-8.75	NA
DAP	350-375	NA
MAP	370-395	NA
10-34-0	550-675	NA
Potash	700-760	NA

for February was referenced from one regional supplier at the \$360/st mark FOB St. Louis.

The 10-34-0 market remained at \$550-\$675/st FOB in the region, with the low in western Iowa and Nebraska and the upper end in eastern Iowa. A Missouri source pegged the dealer market last week at the \$625/st FOB level.

Potash was quoted at \$700-\$760/st FOB in the region. One source tagged the market in his trade area at \$725/st FOB for red granular and \$735/st FOB for white granular potash.

Southern Plains

W. Texas, Oklahoma, Kansas, E. New Mexico, E. Colorado

The same arctic blast that brought frigid temperatures to the Midwest and Northern Plains also blanketed the Southern Plains region last week. A wind chill advisory was in effect for northeastern Kansas Thursday morning, with wind chill readings down to 20 below zero. Parts of southeastern Kansas were also expecting wind chills in the teens below zero on Thursday.

Oklahoma residents enjoyed unseasonably warm weather early in the week, but wind chill readings in the single digits below zero were recorded in parts of northern Oklahoma by Thursday. Highs were only expected to climb into the 30s and 40s on Friday, but warmer weather was reportedly on tap for the weekend. Northern Texas was also registering some cold temperatures as the week advanced, with highs in the 40s and lows in the 20s on Thursday.

Sources reported some fertilizer movement on wheat and corn ground in Kansas, Oklahoma and Texas since the first of the year, with most of the interest focused on ammonia and urea.

Urea pricing was up, and sources said the continued outage at Enid, Okla., was pushing demand to the Catoosa/Inola, Okla., market, where some supply pressure was noted last week. Sources tagged the Catoosa/Inola market at \$340-\$355/st FOB, up from the prior week's \$270-\$300/st FOB range. The Houston urea market was pegged at \$330-\$340/st FOB at midweek, up from \$250-\$270/st FOB one week earlier.

The UAN-32 market remained at \$230-\$260/st (\$7.19-\$8.13/unit) FOB regional terminals, with the lower numbers out of production points.

Ammonia pricing was up from last report, with most sources tagging the market at \$325-\$360/st FOB regional terminals to the dealer for prompt tons. The low was confirmed out of regional production points, while the upper end was reported FOB pipeline terminals. One source said spring prepay ammonia was still on the table from one regional supplier at the \$370/st FOB mark.

Agrium's Borger, Texas, plant was down last week due to market conditions. The company said the facility will restart when ammonia demand picks up. Production capacity at Borger is 490,000 mt/y of ammonia and 99,000 mt/y of urea.

The granular ammonium sulfate market was down from last report at \$200-\$250/st FOB Texas shipping points, with the low FOB Freeport. Postings FOB Plainview dropped on Jan. 5 to \$250/st for granular, \$240/st for coarse and \$230/st for standard grade. Also effective Jan. 5, American Plant Food Corporation's granular ammonium sulfate postings in Texas dropped to \$200/st FOB

SOUTHERN PLAINS

FOB

DEL

Anh. Ammonia	325-360	NA
Amm. Nitrate	270-300	NA
Amm. Sulfate	200-250	NA
Urea (granular)	340-355	NA
UAN Solution	7.19-8.13	NA
DAP	350-365	NA
MAP	375-390	NA
10-34-0	625-640	NA
Potash (Carlsbad)	794-800	NA
Potash (warehouse)	720-750	NA

Freeport, \$215/st FOB Galena Park, \$230/st FOB Fort Worth and \$250/st FOB Littlefield. APF's coarse grade sulfate postings were \$10/st lower than granular at those locations, and the company's standard grade postings moved on Jan. 5 to \$180/st FOB Freeport and \$230/st FOB Littlefield. APF's Jan. 5 N-Pac Compacted posting FOB Galena Park was \$220/st.

Ammonium nitrate was pegged at \$270-\$300/st FOB Catoosa.

Phosphate pricing was down from last report, with sources quoting the DAP market at \$350-\$365/st FOB Catoosa to the dealer. MAP was \$20-\$25/st higher than DAP, with reports of tight inventories at the port. 10-34-0 in the region was pegged at \$625-\$640/st FOB last week, reflecting a sizable drop from last report.

The potash market was pegged at \$720-\$750/st FOB regional warehouses. Reference prices FOB Carlsbad, N.M., remained at \$794-\$800/st, depending on grade.

South Central

Alabama, Mississippi, Kentucky, Tennessee, Arkansas, Louisiana, E. Texas

Frigid temperatures were in store for much of the region as the week advanced. The cold air was pushing across the Plains and Midwest on Wednesday and Thursday, and was slated to drop temperatures in Kentucky down to the single digits by Friday, with zero degrees possible at Lexington. Below-zero readings were possible for some locations in Tennessee Thursday night.

In Louisiana, most areas south of Donaldsonville to Lake Pontchartrain, including the New Orleans metro area, were expecting a light freeze on Thursday and Friday, with low temperatures in the upper 20s to lower 30s.

Hard freeze watches and warnings were also in place in Mississippi on Thursday. Local forecasts said highs Thursday were expected to be below freezing most of the day in Mississippi's northern counties, with readings only reaching the lower 40s in the extreme south. Lows by early Friday were expected to range from near 10 degrees in the north to the upper 20s in Biloxi on the Mississippi Gulf Coast.

On the fertilizer front, sources reported firming urea prices, which prompted efforts by some dealers to try to lock in some tonnage and prices for spring. Sources tagged the granular urea market at \$325-\$350/st FOB regional terminals to the dealer for prompt tons, up \$60-\$80/st from last report, with the higher number more prevalent as the week advanced. The granular urea barge market was quoted

Dealer Report Regional Prices

ANHYDROUS AMMONIA	CURRENT	YEAR AGO
NOLA: FOB (barge)	120	438
MCB: FOB	450-573	610-670
WCan: DEL (Cdn\$/mt)	799-844	853-889
ECan: FOB (Cdn\$/mt)	NA	715
CAL: DEL	575-620	585-600
PNW: DEL	550-595	695-725
NP: FOB	520-550	640-655
DEL	540-575	NA
GL: FOB	550-600	660-685
SP: FOB	325-360	555-600
SC: FOB	400-485	570-600

AMMONIUM NITRATE	CURRENT	YEAR AGO
NOLA: FOB (barge)	200-250	355-365
MCB: FOB	250-300	385-390
ECan: FOB (Cdn\$/mt)	635	425-465
PNW: DEL	368-400	460
SP: FOB	270-300	365-375
SC: FOB	275-300	355-375
SE: FOB	480-495	335

AMMONIUM SULFATE	CURRENT	YEAR AGO
MCB: FOB	150-155	265-285
WCan: DEL (Cdn\$/mt)	350-355	375-380
ECan: FOB (Cdn\$/mt)	545	353-355
CAL: FOB	350-385	285-300
PNW: DEL	220-270	292-302
NP: FOB	150-155	260-275
DEL	150-215	275-282
GL: FOB	150-200	265-285
NE: FOB	155-172	260-281
SP: FOB	200-250	220-250
SC: FOB	200-225	255-265
SE: FOB	140-150	250
DEL	158-179	275

GRANULAR UREA	CURRENT	YEAR AGO
NOLA: FOB (barge)	240-305	419-425
MCB: FOB	330-350	460-480
WCan: DEL (Cdn\$/mt)	560-585	575-600
ECan: FOB (Cdn\$/mt)	610	615-628
CAL: FOB	450-455	490-510
DEL	450-480	510-515
PNW: DEL	330-350	510-540
NP: FOB	340-350	475-485
DEL	360-380	515-525
GL: FOB	350-370	485-505
NE: FOB	350	485-495
SP: FOB	340-355	450-455
SC: FOB	325-350	450-465
SE: FOB	325-350	475-485

UAN SOLUTIONS	CURRENT	YEAR AGO
NOLA: FOB (barge)	6.25-6.87	10.63-10.94
MCB: FOB	8.03-8.95	11.25-11.88
WCan: DEL (Cdn\$/mt)	12.61-13.14	12.93-13.50
ECan: FOB (Cdn\$/mt)	12.50-14.29	13.57-13.89
CAL: FOB	11.88-12.50	12.19-12.81
DEL	11.88-12.81	12.81-13.28
PNW: DEL	10.94-11.88	12.81-13.28
NP: FOB	8.75-9.25	11.75-11.90
GL: FOB	9.25-9.64	12.12-12.61
NE: FOB (Baltimore)	8.40-8.50	10.83-11.10
FOB (upstate N.Y.)	9.65	11.72-12.19
SP: FOB	7.19-8.13	11.09-11.61
SC: FOB	8.59-9.38	10.94-11.25
SE: FOB	8.50-8.83	10.83-11.00

DAP	CURRENT	YEAR AGO
NOLA: FOB (barge)	294-320	596-635
MCB: FOB	350-405	640-655
ECan: FOB (Cdn\$/mt)	NA	784-785
CAL: DEL	450-460	715-720
PNW: DEL	445-455	705-715
NP: FOB	400-450	585-615
GL: FOB	400-450	600-625
NE: FOB	447-460	585-597
SP: FOB	350-365	615-650
SC: FOB	330-370	640-655
SE: FOB (Central Florida)	310-370	615

MAR	CURRENT	YEAR AGO
NOLA: FOB (barge)	319-345	615-631
MCB: FOB	350-425	640-659
WCan: DEL (Cdn\$/mt)	790-825	710-745
ECan: FOB (Cdn\$/mt)	1,048	779-780
CAL: DEL	450-460	700-705
PNW: DEL	445-455	690-700
NP: FOB	425-475	585-615
GL: FOB	425-475	600-625
NE: FOB	457-460	585-597
SP: FOB	375-390	625-665
SC: FOB	350-390	640-655
SE: FOB (Central Florida)	335-395	611

10-34-0	CURRENT	YEAR AGO
MCB: FOB	550-850	525-545
CAL: FOB	525-535	380-391
PNW: FOB	535-570	NA
NP: FOB	650-675	NA
GL: FOB	650-850	NA
NE: FOB	NA	390-407
SP: FOB	625-640	435-525

16-20-0	CURRENT	YEAR AGO
CAL: FOB	380-387	410-425
PNW: DEL	380-385	425-430

PHOS. ACID	CURRENT	YEAR AGO
CAL: DEL	10.00	8.15
PNW: DEL	10.00	8.15

POTASH	CURRENT	YEAR AGO
MCB: FOB	700-815	420-460
WCan: FOB (Cdn\$/mt)	NA	NA
ECan: FOB mine (Cdn\$/mt)	888-923	358-368
FOB warehouse (Cdn\$/mt)	1,056-1,065	461-466
CAL: DEL	850-900	417-445
PNW: DEL	840-900	369-431
NP: FOB (Saskatchewan)	767-780	302-312
FOB (warehouse)	780-840	418-430
GL: FOB	800-840	440-450
NE: FOB	822-842	407-427
SP: FOB (Carlsbad)	794-800	357-365
FOB (warehouse)	720-750	440-450
SC: FOB	750-800	420-430
SE: DEL	810-850	440-450

Dealer Report rotates full market report coverage of 12 regions. US prices quoted in this table and market report tables are all dollars per short ton at the wholesale level. The price spreads shown are attributable to localized price differences within a region or differing size of purchase. Prices listed as FOB are prices at plant gate, terminal or pipeline points. Delivered (DEL) prices include transportation costs to the dealer's location or nearest railhead. Price quotes do not represent actual transactions, but represent market conditions as perceived by selected buyers and dealers.

Abbreviations: CAL—California, ECan—Eastern Canada, GL—Great Lakes, MCB—Mid Cornbelt NE—Northeast, NOLA—New Orleans, NP—Northern Plains, PNW—Pacific Northwest, SC—South Central, SE—Southeast, SP—Southern Plains, WCan—Western Canada, Cdn\$—Canadian dollars, mt—metric tons, NA—Not available.

SOUTHCENTRAL	FOB	DEL
Anh. Ammonia	400-485	NA
Amm. Nitrate	275-300	NA
Amm Sulfate	200-225	NA
Urea (granular)	325-350	NA
UAN Solutions	8.59-9.38	NA
DAP	330-370	NA
MAP	350-390	NA
TSP	310-345	NA
Potash	750-800	NA

SOUTHEAST	FOB	DEL
Amm. Nitrate	480-495	340
Amm. Sulfate	140-150	158-179
Urea	325-350	NA
UAN-30 (coast)	8.50-8.83	NA
DAP*	310-370	NA
MAP*	335-395	NA
Potash	NA	810-850

**FOB Central Florida*

at \$240-\$305/st FOB the U.S. Gulf.

UAN-32 was quoted at \$275-\$300/st (\$8.59-\$9.38) FOB regional terminals from prompt tons to the dealer, reflecting an increase from last report although there was little new business to test the market. In central and eastern Texas, UAN-32 was quoted in the \$280-\$290/st range (\$8.75-\$9.06/unit) FOB. UAN barges were reported at \$200-\$220/st (\$6.25-\$6.87/unit) FOB the Gulf.

Anhydrous ammonia was tagged at \$485-\$490/st FOB regional terminals to the dealer for prepay tons, with cash market ammonia reported as low as \$400/st FOB the Memphis, Tenn., market. Ammonia barge values were quoted at \$120/st FOB the Gulf.

The ammonium nitrate market had reportedly dropped to \$275/st FOB terminals in the region. The ammonium nitrate barge market was reported at \$200-\$250/st FOB the Gulf.

The ammonium sulfate market was pegged at \$200-\$225/st FOB in most of the region, with the low reported FOB Memphis.

DAP was quoted at \$330-\$370/st FOB regional warehouses to the dealer, with MAP at roughly a \$20/st premium. TSP was pegged at \$310-\$345/st FOB the warehouse. Sources reported some buying interest in phosphate prepay last week.

NOLA DAP barges were sold as low as \$294-\$295/st FOB early in the week, but moved up by midweek to \$305/st FOB. By the end of the week, a high price of \$320/st FOB was achieved.

Potash was pegged at \$750-\$800/st FOB regional warehouses to the dealer, reflecting a slight drop from last report. Several sources indicated that they have enough potash already under the roof to carry them through spring. And with retail prices in the mid-\$800s/st, sources were talking of a "quiet boycott" of potash by farmers.

"We can only do what the farmer is willing to do," said one, "and right now the farmer is just not willing to pay those kind of dollars. It's hard to justify it with what they're having to sell corn for."

Southeast

Florida, Georgia, South Carolina, North Carolina, Virginia

Back-to-back cold fronts were expected to bring the coldest weather of the winter to much of the region last week. The frosty temperatures were a big change from the prior week, when some areas experienced unseasonably warm and humid conditions.

Low temperatures in the teens were forecast for parts of the Carolinas by Thursday and Friday, with highs only climbing into the 20s and 30s. Snow and rain were reported in North Carolina's higher elevations on Tuesday.

In Florida, lows in the 30s were expected in the Tampa area, while thermometers were expected to dip to the mid-40s by Thursday in parts of southern Florida. Georgia was also bracing for some cold readings as the week advanced, with highs in the mid-40s and lows in the teens by Thursday night. Forecasts in Alabama called for lows in the mid-teens on Thursday as well.

In response to the icy weather, Florida eased some highway restrictions so that farmers can quickly harvest and transport crops affected by frost. Florida Governor Charlie Crist's executive order directs the state Department of Transportation to relax the weight, height, length and width restrictions for commercial vehicles transporting vulnerable crops to processing sites. The executive order remains in effect for 14 days from Jan. 15.

Sources reported firming urea prices. Granular urea was pegged at \$325-\$350/st FOB port terminals for prompt tons, which was an increase of \$50-\$70/st from last report. The Baltimore, Md., and Philadelphia, Pa., markets had reportedly firmed to the \$350/st FOB level last week.

The UAN-30 market was quoted at \$255-\$265/st (\$8.50-\$8.83/unit) FOB terminals on the East Coast, with the upper end reported as the week advanced. One source at midweek said most terminals were at the \$260/st (\$8.67/unit) FOB level to the dealer.

Ammonium sulfate pricing was down from last report following a round of new postings in early January. Granular ammonium sulfate was reported at \$140-\$150/st FOB, with the low reflecting DSM's posted price FOB Augusta, Ga. Other list prices from DSM included granular at \$179/st DEL in Florida, with standard grade sulfate at \$120/st FOB Augusta and \$158/st DEL in Florida.

Ammonium nitrate was down from last report, but sources reported a wide variance in pricing depending on location. In the Carolinas, rail-delivered nitrate was pegged as low as \$340/st, while Tampa ammonium nitrate pricing remained as high as \$480-\$495/st FOB for truck market tons. One Florida source said he expects movement on citrus crops to start in the near term.

The Central Florida DAP price range was quoted at \$310-\$370/st FOB. CF Industries was said to be asking \$310/st FOB. Mosaic had no posted price for Central Florida, but was said to be selling for as low as \$310/st FOB. MAP was pegged at \$335-\$395/st FOB Central Florida.

PCS is scaling back operations at its Aurora processing plant in North Carolina due to reduced demand. In December, it idled its DAP and DFP feed plants, and beginning Jan. 15 through the end of February, its sulfuric-acid, phosphoric-acid, purified phosphoric-acid and MAP operations will continue at reduced rates. However, mining operations will continue at a full rate. Maintenance,

which was scheduled for later in the year, will be conducted during that period. As a result, the company said there will be no layoffs.

Sources pegged the potash market at \$810-\$850/st DEL in the region, with the upper end quoted by a Carolina source for delivered granular tons.

News briefs

CHS first quarter earnings off

Inver Grove Heights, Minn.—CHS Inc. reported net income of \$137.3 million on revenues of \$7.33 billion for the first quarter ending Nov. 30, 2008, versus the year-ago \$300.9 million and \$6.5 billion, respectively. The higher revenues were attributed to higher values for crop nutrients and grain products. The Ag Business segment, which includes the CHS crop nutrient business, saw a big drop in earnings (income before taxes), to \$19.7 million on sales of \$4.95 billion from the year-ago \$204.7 million and \$3.83 billion, respectively. However, the year-ago period included a sale of stock in CF Industries Holdings with a pre-tax gain of \$91.7 million. CHS noted that market prices for crop nutrients fell significantly during the quarter, and that coupled with a wet fall season, the company had higher quantity inventories on hand at the end of the quarter than is typical. In order to reflect net realizable values as of Nov. 30, CHS recorded \$84.1 million of lower of cost or market adjustments in the Ag Business related to crop nutrients and feed and farm supplies inventories based on committed sales and current market values. CHS said the share of the adjustment for wholesale crop nutrients was \$56.8 million. Crop nutrient values were at \$346.7 million as of Nov. 30, compared to the year-ago valuation of \$192.8 million. Wholesale crop nutrient revenues were \$633.6 million for the first quarter, up from the year-ago \$533.5 million. Of this \$100.1 million increase, \$310.4 million is due to increased average fertilizer selling prices and \$210.3 million is attributable to decreased volumes during the quarter. The average sales price of all fertilizers sold reflected an increase of \$326/st (96 percent) over the year-ago quarter. Volumes decreased 39 percent versus the year-ago quarter. CHS said that Agriliance LLC, the retail chain that it still jointly owns with Lake O'Lakes Inc., had a first quarter net loss of \$11.7 million on sales of \$96.4 million, versus the year-ago loss of \$23.5 million and \$210.6 million, respectively.

Agrium gives plant updates, details inventory write-down

Calgary—Agrium Inc. said late Jan. 15 that it is in the process of restarting its Fort Saskatchewan nitrogen facility and is resuming full rates for urea production at its other Canadian facilities due to the recent improvement in urea demand. It continues to operate phosphate and potash facilities below full rates. In the meantime, Agrium confirmed last week that its Borger, Texas, nitrogen plant is completely idled until market conditions improve. Borger ammonia capacity is 490,000 mt/y and urea is 99,000 mt/y. The Profertil nitrogen facility was returned to production this week after an extended turnaround. Agrium reports that the Argentine government announced this week a price agreement for most crop inputs with key agricultural suppliers, including Profertil and Agroservicios

Pampeanos (ASP). The agreement requires future crop input prices to be related to an agreed-upon normalized crop input price or margin, and changes in input prices and margins to occur in direct proportion to changes in crop prices. For Profertil, the corresponding maximum urea price under current crop prices is approximately \$390 per mt at the warehouse. The agreement is not expected to have any material impact on the earnings profile for ASP or for Profertil at current world urea prices. Agrium said it expects to record a write-down in Retail in the fourth quarter of 2008 of approximately \$96 million (\$0.41 diluted earnings per share), of which \$11 million is for its South American Retail operation and \$85 million is for its North American Retail operations. The adjustment to its North America Retail operations is primarily related to the difference in the value between anticipated nutrient sales prices and prices that North America Retail has contracted for prepayments and other committed crop nutrient mt in 2009. Agrium also expects a further \$21 million (\$0.09 diluted earnings per share) write-down in its Wholesale Purchase For Resale (PFR) business. These adjustments are indicative of the unprecedented volatility in global economic and commodity markets, and the decline in certain nutrient prices since early December 2008, when it issued updated guidance. Agrium does not expect any write-down with respect to manufactured wholesale volumes. The write-downs of \$96 million for Retail and an additional \$21 million in PFR were not included in the update to guidance issued December 8, 2008. The December 2008 update to guidance did include a write-down of approximately \$90 million for PFR business in North America, South America and Europe.

Helena files suit against Mesquite residents

Las Cruces, N.M.—Helena Chemical Co. officials have confirmed the filing of a lawsuit in state district court against residents who are suing over what they claim are health problems caused by the company's fertilizer warehouse located in the community of Mesquite, N.M. Helena spokeswoman Linda Lockett told *Dealer Report* the lawsuit was filed in Third District Court in Las Cruces and will be heard by Chief Judge Jerald Valentine. "I don't have a copy of the suit," Lockett reported, "but Helena isn't commenting on this litigation." Press reports say that the suit accuses the executive director of the Mesquite Community Action Committee, Arturo Uribe, of libel and slander, naming Uribe, his wife and their attorney, and claiming that a number of false statements injured the company's reputation and good standing in the community. One report stated that the Helena suit seeks more than \$25,000 and attempts to delve into the personal lives of Uribe and his wife. The Uribes have been very vocal in their criticism of the Helena operations and timed their announcement of their suit to coincide with Helena's opening its Mesquite plant to public inspection and holding a community meeting in October regarding its environmental efforts. A number of residents of Mesquite and LaMesa joined the Uribes in the lawsuit at that time, alleging that negligence by Helena's fertilizer blending operations has caused people, including the Uribe's children, to suffer from severe respiratory problems requiring hospitalization. Helena also has engaged in an ongoing feud with the New Mexico environmental department, which recently assessed a \$279,000 fine to the Mesquite facility, charging 11

violations of the state's air quality regulations. Helena has claimed that the Mesquite plant no longer requires a state air quality permit, which state environmental officials dispute.

Firefighters leery of AN in Arkansas fire

Searcy, Ark.—Searcy firefighters found early on that their hoses weren't going to be much help battling flames that destroyed a feed and fertilizer warehouse at Caldwell Country Store on Jan. 11. According to the Arkansas Department of Emergency Management, the warehouse contained 20 tons of biosolids and another 20 tons of ammonium nitrate. "The fire department responded with a HazMat team and put on water initially, mainly to keep power poles cool, but decided it would have to just let it burn out," reported ADEM spokesman Tommy Jackson. He said it was feared early on that residents of approximately 100 apartments in the area would have to evacuate, but it wound up being unnecessary. Battalion Chief Lee Reed told the local press that at first heavy smoke, but no visible flames, allowed firefighters to enter the building. When it became known about the ammonium nitrate the decision was made to pull the firefighters out of the possible danger zone. "We decided to back off the fire and let it burn up as much of the ammonium nitrate as possible," Reed said. The cause is still under investigation. Manager John King said the building and its contents, which also included several tons of feed and two gallons of undetermined chemicals, were a total loss, but were covered by insurance. Caldwell has a feed mill in Rose Bud and seven stores, two of which are located in Searcy and Conway, and also sells feed, animal health supplies, tack, clothing and boots.

Gavilon adds to its grain business

Omaha—Gavilon LLC said Jan. 5 that it has finalized the acquisition of nine grain facilities in Texas from Charlie Myers Grain Co. This marks the first purchase for the company since its inception in June 2008, when a group of investors bought the former ConAgra Trade Group. The purchase of Charlie Myers Grain Co., located in Seymour, Texas, did not include fertilizer, trucking or feed lots. Gavilon says the acquisition compliments its current footprint in the grain industry by expanding its presence in Texas, a growing market area for the company. The elevators are located in Seymour, Wichita Falls, Weinert, Haskell, Knox City, Red City, Crowell, Benjamin and Truscott, Texas. Gavilon intends to retain all of the current Charlie Myers Grain Co. grain employees pending the completion of the application and hiring process. Gavilon said the intention is to create a relatively seamless transition, allowing business activity to continue uninterrupted for the local customer base. The Gavilon Group LLC provides physical distribution, merchandising, and trading across basic inputs and outputs, including grains, feed ingredients, fertilizer and energy products.

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due to the combination. In addition, CF expects the deal would generate more than \$100 million in annual cost synergies from reducing SG&A by combining overlapping corporate functions and optimizing transportation and distribution systems. CF ex-

pects the combined company to realize these synergies within two years after the closing of the transaction.

The combined company will also benefit from a one-time \$30-\$60 million release of cash due to inventory reduction. The transaction is expected to be accretive to current CF stockholders in the second year following the close.

On a pro-forma basis, for the last twelve months ended Sept. 30, 2008, the combined company would have had revenues of \$6.5 billion and EBITDA of \$2.0 billion, before synergies. Nitrogen capacity would have been 6.3 million nutrient tons, and phosphate capacity would have been 2.1 million tons of DAP/MAP.

CF argues that customers will benefit from the combined company's broader product offerings, enhanced services, and integrated supply and distribution network. In addition, Terra's customers will have access to CF's state-of-the-art order management system, PROMISE, and its forward pricing program (FPP) risk management tool.

The proposed transaction is subject to the negotiation of a definitive merger agreement, stockholder approvals from both companies, and the satisfaction of customary closing conditions, including regulatory approvals.

Morgan Stanley and Rothschild are acting as financial advisors, and Skadden, Arps, Slate, Meagher & Flom LLP is acting as legal counsel to CF Industries.

CF sent a letter to Terra officials on Jan. 15 with its proposal, asking for a reply no later than Jan. 30. In the letter, CF said Terra first approached CF several years ago regarding a combination of the two companies. "We believe that we have developed mutual respect for the two organizations and have both recognized that a combination makes strategic sense," said Wilson in the letter. He also pointed out the combination offers Terra shareholders important diversification from a single crop nutrient, nitrogen, into a strong new position in phosphate, and participation in and global market insights through CF's 50 percent interest in Keytrade AG. CF also said it understands that Terra's debt may need to be refinanced as a result of the combination, and that the proposal is not subject to any financing contingency.

Terra said early Jan. 16 that it has received an unsolicited proposal from CF. Terra said its board of directors, consistent with its fiduciary duties and in consultation with its independent financial and legal advisors, will consider and evaluate the proposal and will pursue the course of action that is in the best interest of Terra and its shareholders. Terra shareholders are advised to take no action at this time pending the review by the Terra board.

Wilson told analysts Jan. 16 that CF shareholders would hold 53 percent of the shares of the new company, versus 47 percent for Terra shareholders. Wilson was pressed as to why CF made the letter to Terra public without prior negotiations. Wilson said the proposal letter to Terra was a "friendly public initiative," and that he hoped it would lead to a friendly discussion.

He also encountered analyst concerns regarding whether the deal would gain regulatory approval, with one analyst suggesting that the combination would control some 45-55 percent of U.S. domestic nitrogen production. Wilson countered that the nitrogen market is the most global of the fertilizer markets, and that some 50 percent of U.S. consumption is met by imports. He remained confident the deal could gain approval.

designs pending further technological and manufacturing advancements.

“Strengthening rail hazmat tank cars will reduce the risk of spills and increase public safety should a train accident occur,” Peters said, noting that adoption of these interim design standards will ensure the ongoing availability of PIH tank cars with improved safety while DOT completes longer-term research, testing and validation of advanced tank car designs for a more stringent performance-based standard to further increase rail hazmat tank car crashworthiness.

TFI said it is pleased with DOT’s announcement since it allows the continued use of the 112J340 anhydrous ammonia rail tank car, and adopted TFI’s recommendation that an enhanced 400 pound car or a newly constructed 500 pound tank car be permitted as alternative tank cars.

“TFI and the railroads hold a strong record of working together on transportation issues and we were pleased to see many of our comments to DOT taken into consideration,” said TFI President Ford B. West. “TFI and its anhydrous ammonia shipper members support DOT’s efforts for enhanced safety of tank cars, and the anhydrous ammonia industry is committed to doing its part to minimize the occurrence of accidents and to reduce the probability of a release should an accident occur.”

Specifically, TFI submitted a petition to DOT in May 2008 in support of an interim rail tank car in anhydrous ammonia service. In its petition, TFI suggested the retirement of all pre-1989 non-normalized steel cars by Dec. 31, 2010; authorization for use of 112J340 ammonia cars built prior to 2001 until Dec. 31, 2021; authorization for use of 112J340 ammonia cars built after 2001 for a life of 20 years; and authorization for use of a 112J400 pound car enhanced with a thicker jacket for ammonia service beginning Jan. 1, 2009, with a 25-year life from the date of the final rule.

In issuing the interim standards, DOT stated that while it allows the continued use of 112J340 rail tank cars, its rulemaking does not set a definite timeframe for the duration of this decision. DOT notified TFI that a timeline will be addressed in future rulemaking, which will set the final performance standards for tank cars.

2009 Agriculture & Fertilizer Outlook

Wednesday, March 4, 2009

Green Markets will hold its fourth annual Fertilizer and Agriculture Outlook audio conference on March 4, 2009, to address the issues, challenges and opportunities facing the agriculture and fertilizer industries in 2009 and beyond.

In this unique, 90-minute interactive forum, you’ll hear from three industry experts on a range of issues affecting your business, plus get answers to your toughest questions in a live Q & A session following the discussion.

Speakers include **Dr. Gerald Bange**, chairman of the World Outlook Board for USDA; **Tom Blue**, senior fertilizer industry consultant for Blue, Johnson & Associates; and **Timothy Chrislip**, director of product management and business development for CHS Crop Nutrients. Topics will include detailed outlooks for fertilizer pricing and supply, and up-to-date planting projections for spring 2008.

The event will start at 2:00 p.m. EST. You can attend from any location that has phone access. You pay just one registration fee for as many participants as you wish at each call-in location.

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“This overall plan is reasonable, makes sound business sense and helps accomplish a smooth transition of the ammonia car fleet,” said West.

The final rule was issued by the DOT Pipeline and Hazardous Materials Safety Administration in close consultation with the Federal Railroad Administration following a broad and multi-faceted review of virtually all aspects of rail tank car safety. It applies to PIH tank cars built on or after March 16, 2009.

Peters noted that in June 2008, a new rail hazmat routing rule took effect requiring railroads to rigorously analyze and then select the route with the fewest overall safety and security risks. She said the hazmat routing rule, combined with the hazmat tank car rule, provides enhanced protection for people living in both large cities and small towns.

Green Markets Dealer Report

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Subscriptions: \$379 per year in North America and elsewhere, available via print or e-mail. Published Monday, 51 weeks a year.

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