



Inputs

Ruminations

Please join me in welcoming MCPR's new Board member Dan Brake, who is responsible for partnering with customer accounts across southern Minnesota for Syngenta Crop Protection. We also send a huge thanks to Jeff Moon, a sales representative in Central MN for Dow AgroSciences of Sauk Rapids, for his interest in running for the MCPR Board crop protection position. Also, thanks to Les Hartwig of Mycogen for his service on the Board. It has been my pleasure to serve as your Board President. I am recommending Craig Maurer to be our new Board Chair at the 2009 January Board meeting. Craig was elected to represent custom applicators. He was an agronomy manager for 25 years for Cannon Valley Coop, and is now the agronomy manager at Northfield for Central Valley Coop. If you noticed in the reference, the change in title from Board President to Board Chairman, this reflects the work of Board member Noel Frana who is the General Manager of Farm Country Coop headquartered in Pine Island. His Bylaws Committee recommended this and a few other updates to the MCPR Bylaws, which MCPR members approved at our December annual meeting. Folks, it has been my pleasure to serve as your leader these past two years. Now I step down to serve as a Board member representing the Seed sector of our industry and in the position of Past Chairman of the Board and turn the gavel over to the very capable, competent hands of Craig Maurer.

President
Larry Pedelty



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Craig's View

When America voted last November for a new President of the United States we welcomed the word "change". This new era will bring many new faces into the government with new ideas and plans to deal with the recession, foreign affairs and the way we do business, today and in the future. I believe a similar change came for crop retailers in September when the price of energy dropped dramatically and the positions retailers had on crop inputs went the same way. I know it is hard to watch some of your best customers buy product direct and forget about the quality of service you have provided in the past. I believe as retailers we can work through this. Retailers need to become salesmen again. We need to sharpen our skills and make recommendations that provide profit for the grower. As the next chairman of the Minnesota Crop Production Retailers, I hope to help retailers address the changes we face in this new era of our Ag Business.

Chairman
Craig Maurer

Capitol Update

The Minnesota Legislature convened for the 2009-10 biennium on January 6. Of the 134 elected House members, 87 are DFLers and 47 are Republicans and 22 will be serving their first term. In the Senate, of the 67 Senators, 46 are DFL, 21 are Republican, and 20 will be serving their first term. The Legislature is required in the Minnesota constitution to complete their work by May 18, 2009, limit the total number of meeting days over the biennium to 120, and also balance the state budget. The primary task in 2009 for most state legislatures in the USA is to balance recession caused revenue shortfalls...which in Minnesota is projected to be \$4.8 billion shortfall out of a \$32 billion two year budget. The Governor has already addressed an unbalanced budget for the current biennium by using his executive authority to unallot \$426 million spending for the remainder of the current biennium ending June 30, 2009. Expect the Republican Governor and DFL legislators to jostle over cuts vs. tax increases for the projected deficit going forward.

The MCPR Policies for 2009 were developed by Legislative Committee Chair Mike Minnehan and his committee, reviewed by the MCPR Board of Directors, and approved at the MCPR Annual meeting by all members present meeting on December 18 at the Minneapolis Convention Center during the CPM Short Course and MCPR Trade Show. You can review these policies and download them for discussions with your legislators or find out other information about the 2009 legislature (even figuring out who represents you at the Capitol if you don't know), by going to the MCPR web page at, www.mcpr-cca.org, and selecting the legislative info tab.

For MCPR members and our legislative concerns, namely agricultural issues, the Minnesota Department of Agriculture (MDA) will join all state and local governments and agencies to make significant cuts...doing more with less. Because the MDA pesticide program already has a projected deficit going forward due to additional program money provided to counties to handle pesticide waste, pressure to increase pesticide fees is expected. In addition, the very successful Agricultural Fertilizer Research and Education Council (AFREC) will need an injection of money to continue funding the contemporary ag fertilizer production research projects AFREC has currently approved. Pressure for additional dollars for AFREC will face strong competition in this legislative session. A fertilizer fee increase for approximately \$.40/ton will again be on the table and other funding mechanisms will also be explored. A new source of revenue approved by Minnesota voters this fall was a constitutional amendment which increases the Minnesota sales tax by 3/8 of a percent sales tax. This new tax is projected to raise nearly \$300 million a year starting in July 2009. That number could go down, with the poor economy and low consumer spending. However, the amendment language is clear that the money should supplement, not replace existing funding for Minnesota resources, the environment and the arts. Already the House of Representatives has created a new committee to oversee the spending of these funds. The new Cultural and Outdoor Resources Finance Division Chair will be Rep. Mary Murphy (DFL-Hermantown). Some agricultural leaders have already suggested that the AFREC funds might come from this fund rather than a fertilizer fee increase. Stay tuned.

Similar to other ag organizations in the MN Ag coalition, MCPR is evaluating the impact of a proposed Regional Cap-and-Trade program which was part of the Minnesota's Next Generation Energy Act of 2007 (termed "Next Gen"). Supporters of this legislation bragged that once passed "Next Gen" would launch the state to the national forefront of aggressive energy policies to address climate change. This policy, combined with other state energy policies and Minnesota's participation in the region-wide Midwest Regional Greenhouse Gas Accord, demonstrates Minnesota's desire to take a leading role in the climate debate. Of course, Minnesota agriculture has benefited as ethanol, biodiesel, and biogas became acceptable as "green" strategies and economically feasible – it is no doubt that this trend has been positive for MCPR members. However a recently released report conducted on behalf of Partners for Affordable Energy and several other Minnesota trade associations including agriculture interests cautioned that Minnesota's aggressive steps toward environmental goals by seeking to implement the proposed Regional Cap-and-Trade program will have unintended economic consequences. The report warns of increased energy costs that will flow into all energy-consuming activities in residential, commercial, industrial, and agricultural sectors within the state. For energy-intensive industries like crop production and food processing, the increased energy prices created through this regional policy could be particularly damaging. The study suggests that as prices rise and ag industry consolidation continues, increased costs for Minnesota agricultural production could place anticompetitive, artificially designed state government programs price increases on Minnesota firms. The unintended consequence of this well intended environmental cap on CO2 emissions the study warns could move Minnesota producers completely out of the market. Rep Al Juhnke has announced he will join leading environmental advocate DFL House member Rep Melissa Hortman to author legislation during this legislative session on the regional cap and trade program. As reported in past MCPR analysis, Rep Al Juhnke is a strong agriculturally sensitive DFL legislative leader with whom MCPR has successfully worked in the past. Rep Juhnke has advised MCPR that he will and we should take the position that for this legislative session Minnesota should take a wait and see attitude on the proposed regional Regional Cap-and-Trade program to determine what the new politics in Washington DC will produce this year. Of course, a "wait and see attitude" this legislative session will be described as a stalling tactic by our loyal opposition...no news there. So, as always, stay tuned MCPR members and click on the MCPR web site, legislative tab, to become more familiar with the background on this front burner issue this year!

So, how about Washington DC developments? The New Chairman of Energy and Commerce was named. In a inter party squabble, Rep. Henry Waxman (D-CA) ousted Rep. John Dingell (D-MI) as chairman of the Energy and Commerce Committee on November 20th. A secret-ballot vote, following a tight Steering Committee vote finalized this change, with an unofficial tally of 137-122. This result gives Waxman, who is a known environmentalist, a key role in shaping legislation on climate change, energy, healthcare and other priorities of President-elect Obama, which could prove interesting for MCPR members. Dingell, with strong auto industry constituents, will stay on the committee as Chairman Emeritus. Clearly, MCPR members will face strong, new legislative and regulatory initiatives for the next few years. Of course, that is why you belong to MCPR!

News Notes

Minnesota Ag in the Classroom

MCPR received a thank you note from Emily Zweber of New Market, Minnesota, for our donation to the MN Ag in the Classroom. As the Executive Director for Ag in the Classroom, she noted that our support will enable thousands of Minnesota students to receive ag literacy programs in their schools.

UM CFANS and the Budget

University of Minnesota College of Food, Agricultural and Natural Resource Sciences (CFANS) Dean Al Levine says this budget problem will have an effect on the ag school. "Any major cut will have an impact; so if we lose five or ten percent of our budget, we can't hire as many faculty, plus as people retire or go to other institutions, we can't replace them immediately." Levine remains optimistic private industry will take on a larger role in funding the needs of the school. "Whenever you have a tight budget, you become entrepreneurial." (FarmNetNews)

Big Financial Picture

Despite the recent decline in commodity prices and global financial turmoil, U.S. farmers are expected to have a record net farm income of \$86.9 billion in 2008, slightly above last year's all-time high. The forecast for net farm income was down 9 percent from the last estimate of \$95.7 billion in August, but surpassed the previous high of \$86.8 billion set in 2007. According to the USDA, "Prices have declined in recent months as the 2008 harvests have occurred but are still high by historical standards." Net farm income is a USDA measurement of the value of production during the calendar year, whether it is sold or held in storage. Corn, soybean and wheat prices have fallen about 50 percent from their highs. Although commodity prices have fallen, USDA said average prices will still be significantly higher than in 2007. The value of crops produced was forecast at \$181 billion, down \$7.8 billion from an earlier estimate, but exceeding 2007's record by 20 percent. Cash receipts in 2008 are anticipated to increase about \$16 billion for corn, \$5.5 billion for soybeans, and \$6.5 billion for food grains, with wheat accounting for most of the jump. Livestock, dairy, and poultry cash receipts were forecast at nearly \$143.5 billion in 2008, up 4 percent from 2007. Even as crop prices have fallen, the costs for fuel, fertilizer and other inputs have failed to match the drop in commodity prices, leaving some farmers spending more to produce crops than they will get back from the market. Production costs are forecast to rise \$38.2 billion in 2008 to a record-high \$292.5 billion, led by increases of more than \$3 billion each for feed, seeds, fertilizer, fuels and oils, and miscellaneous expenses. If realized, the increase would be the sixth straight since 2002. USDA also forecast farmers would get direct government payments of \$12.5 billion in 2008, up from \$11.9 billion in 2007. (Ag Professional)

TFI (The Fertilizer Institute) Submits Petition for Rulemaking on Testing Nurse Tanks

Recently TFI's petition for rulemaking for nurse tank testing was submitted to the Department of Transportation (DOT). TFI has responded to DOT's request which was generated by the National Transportation Safety Board's recommendation that all nurse tanks be tested. (TFI)

Update Emergency Special Permits

In August, TFI was granted an emergency special permit from DOT (SP 14755) for shipments of anhydrous ammonia transported from the United States to Canada and from Canada to the United States. The emergency special permit was necessary due to the reclassification of anhydrous ammonia in Canada, but the United States had not yet adopted the changes in DOT regulations. While the permit is due to expire on Jan. 31, 2009, TFI worked with DOT this week to incorporate the changes in Canadian regulations into a DOT final rule scheduled for release soon. Without the emergency permit (or other final action by DOT) ammonia shipments to and from Canada would be severely impacted. (TFI)

TFI to Assist in Urea Ammonium Nitrate (UAN) Tank Failure Investigation

Recently, TFI was contacted by the U.S. Chemical Safety and Hazard Investigation Board (CSB) regarding the failure of UAN storage tanks over the past few months. Specifically, the CSB has asked for TFI's assistance as they investigate the two-million gallon UAN tank failure that took place at Allied Terminals, Inc. in Chesapeake, Va., on Nov. 12, 2008. The CSB considers these failures to be a serious situation. Per CSB's request, TFI is compiling a list of state aboveground storage regulations for UAN, including secondary containment. TFI and the CSB will be meeting at TFI's offices in January to further discuss the failure of UAN tanks. According to CSB, there have been approximately 12 UAN tank failures since 1995 and TFI recently learned of yet another large catastrophic UAN tank failure in Illinois. (TFI)

Agribusiness Association of Iowa (AAI) Appoints New Exec

Mark Reisinger is AAI's new Chief Executive Officer. Mark, a native of Eldora, Iowa, previously served as an ag advisor on staff for Iowa Senator Chuck Grassley and State Director for the U.S. Department of Agriculture, Office of Rural Development in Iowa. He succeeds Mona Bond, who has stepped down as CEO but will remain AAI's lobbyist and regulatory analyst. (AAI)

Fertilizer Markets Recalibrate

Mosaic Vice President of Market Analysis Dr. Michael Rahm, says the fertilizer market has gone dormant; customers stopped buying, plugging the pipeline. With limited storage capacity, fertilizer companies have also reduced their production. Will there be enough fertilizer to meet the demand next spring? "It really depends on what demand is going to be and that hinges on where crop nutrient prices go, where diesel prices go and where ag commodity prices go." Typically, nearly half of the fertilizer in Minnesota is moved in the fall. Mother Nature prevented that from happening this year. Rahm said anecdotal evidence suggests 2008 was one of the worst years in history for fall fertilization. (FarmNetNews)

Fertilizer Forecast

A Merrill Lynch analyst says the fertilizer industry may soon enjoy a rebound. Steve Byrne says prices for nitrogen and phosphate have fallen below break-even levels for high-cost producers, forcing some cuts in production. Byrne thinks fertilizer prices could continue to drift lower, but he thinks this has largely been discounted by the market, resulting in more upside potential than downside risk. (FarmNetNews)



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Hello MCPR members!

Board member Craig Maurer, Jessi Brunelle and I met recently with leaders of the Ag pesticide Container Recycling Coalition (ACRC) and the Minnesota Department of Ag (MDA) to learn how the collection/recycling program can be improved this year. MCPR members are aware that the program developed problems which became apparent in 2008. As we worked through proposals and learned more about what went wrong, the focus going forward was clearly to serve the needs of ag dealers. MCPR operates with our focus on your needs in each service and program. That is why our most recent survey research indicated nearly 90% of MCPR members thought MCPR was doing a good job.

Membership dues make up approximately 25% of MCPR's annual revenues. In recent years, the Membership Committee Chaired by Board member Sean Ness has focused on member segmentation. The core member of MCPR is the ag dealer. However, we are very fortunate that the Basic Chemical Companies and more recently the Seed Companies serving Minnesota have "stepped up to the plate" and provided an important new source of dues revenue through their new membership category. Take a minute to thank your sales reps when they call on you, because they are making it possible for MCPR to keep focusing on your real needs.

Once again MCPR demonstrated our zeal to serve you by the work we did to achieve another Governor's Emergency Executive Order to extend driver hours of service last fall. However, I had to warn MCPR members attending our annual meeting that I am advising all Minnesota dealers that we will very likely NOT get this relief again in 2009. Work with your customers, transporters, and staff to plan how you will respond to farmers' fertilizer needs without this assistance during the fall anhydrous ammonia application...please! I can tell you officials are telling me they just cannot meet the federal definition of "emergency" when dealing with our request.

Take a look at the Capitol Report and please go the MCPR's website, www.mcpr-cca.org, to become familiar with the Regional Cap and Trade Ideas Minnesota is evaluating. The debate and developments this year could impact our industry for years to come.

Until next time,

Bill Bond