



News and Notes September 2015

A Progress Report on the Northern Plains Nitrogen Fertilizer Production Facility

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From the President's Desk:

Anyone associated with agriculture knows the challenge of operating in today's marketplace. Farmers are being asked to produce more at lower cost and to do so while being exceptional stewards of the land, air and water. The miracle is that year after year, the great majority of farmers are successful at this balancing act.

Efficient farming makes it possible for Americans to spend a smaller percentage of their income on food than any consumer in the world. In spite of the avian flu, drought conditions in California and much of the Southwest and other crises, the USDA Economic Research Service sees little impact on consumer food prices and is predicting "normal-to-slightly-lower-than-average" food price inflation in 2015. From July 2014 to July 2015, the consumer price index for food purchased at grocery stores for at-home use rose less than 1 percent (Source: USDA Economic Research Service, "Food Price Outlook, 2015-2016.")

For farmers, it's a different story. The World Bank reported earlier this year that food commodity prices have dropped 20 percent since 2011, and the trend likely will continue this year. The good news is that many farmers are expecting record yields this year. (Source: "World Bank Commodity Markets Outlook," January 2015.)

It's these realities that make my colleagues at Northern Plains Nitrogen and me so committed to our project. We believe that our products will be enormously beneficial to farmers throughout the region. Certainly, we face our own challenges in moving the proposed Grand Forks facility to completion, including the need for additional financing. But, we are confident that the demand for our products will be strong.

The *Grand Forks Herald* was kind enough to print an opinion article that provides an update on the NPN project. It is reprinted in this newsletter to let you know how far we have come in just a few years with a realistic evaluation of the work that remains.

Sincerely,
Darin Anderson
Darin Anderson
President, NPN Board

Grand Forks **Herald**

Fertilizer plant faces one more hurdle: Money

By: Darin Anderson

Sept. 16, 2015

VALLEY CITY, N.D.—Northern Plains Nitrogen achieved an important benchmark recently in its effort to build a state-of-the-art fertilizer facility in Grand Forks. A "Permit to Construct" was issued by the North Dakota Department of Health's Division of Air Quality, clearing the last of permitting hurdles for the project.

The milestone is a good time to share with the community the status of NPN and why those who have been involved with this project from the beginning remain committed to making this a reality.

Global competition and the expectations consumers have for high-quality, low-cost food are putting enormous pressure on farmers in North Dakota and throughout the northern plains to become more efficient. The challenge is made that much more difficult when increases in the cost of production have outpaced increases in commodity prices since 1990, according to the U.S. Department of Agriculture.

And, on top of all that, there is a great emphasis on production stewardship—adopting best practices to protect the environment.

Northern Plains Nitrogen promises to be an important part of the answer to these challenges. For example, NPN will manufacture several forms of nitrogen-containing fertilizers at its proposed Grand Forks facility. But a key strategic focus will be to shift the prime market to liquid products, especially urea ammonium nitrate, a clear liquid product containing 32 percent nitrogen in three different forms. The different forms create the environmental advantage for UAN over other nitrogen fertilizers.

Agronomically, the vast majority of nitrogen taken in by plants is in the nitrate form. Urea ammonium nitrate solution contains nitrate nitrogen, which is ready for immediate uptake by the plants. It also contains urea, which needs to be broken down largely to nitrate nitrogen over time for plant uptake. And, it contains ammonium, which takes even longer than urea to be ready for uptake by the plant. The result: with Urea ammonium nitrate, seeds have an immediate source of nitrogen, and maturing crops benefit from the ongoing, gradual release of nitrogen.

Urea ammonium nitrate counters the problem that occurs when too much nitrogen accumulates in the soil. It allows for flexible and precise application. Urea ammonium nitrate growers can feed the crop as nitrogen is needed and as plants are able to remove it from the soil.

Plants get the right nutrition at the right time, providing both agronomic and environmental benefits.

The demand for the crops grown throughout the northern plains region will assure a strong market for nitrogen fertilizer. But with most of the urea used by area farmers coming from outside the region—much of it from foreign markets—sufficient inventory can be disrupted by everything from late ice-out on the Mississippi to backed-up rail traffic at choke points throughout the country.

As the manager of a leading ag co-op told a reporter at the beginning of this year's planting season, "We can keep our (urea) tanks full now, but when the tractors start rolling, we can empty the plant in three or four days."

The value of Northern Plains Nitrogen to the region's farm economy is obvious. We have worked hard to also be a welcome asset to Grand Forks and the surrounding area. Grand Forks Mayor Michael Brown has said that Northern Plains Nitrogen will be Grand Forks' "largest capital investment project and with that, a significant

contributor to our tax base."

Our commitment to Grand Forks and to farmers is personal. Along with broad and deep industry expertise, Northern Plains Nitrogen's leaders have North Dakota expertise. Many of our members have longtime roots in our state.

My experience is typical. I farm near Valley City, raising corn, soybeans and spring wheat. I earned a degree at North Dakota State University.

Throughout my career, I have made service to the state and community a priority, serving in leadership positions of many organizations, including three terms as president of the North Dakota Corn Growers Association.

Northern Plains Nitrogen still faces challenges, including the very difficult task of recruiting significant financial partners in a very competitive marketplace. The Grand Forks project is a \$2 billion-plus undertaking.

While we continue to have productive conversations with potential investors, we do not have the financial backing needed to break ground.

Anyone who has spent a lifetime in farming learns patience. We remain hopeful that the seeds we are planting ultimately will grow into a facility that, as Mayor Brown said, will be "good for our city, good for our region and good for the entire state."

Anderson is president of the board and a managing partner of Northern Plains Nitrogen.

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