

EXHIBIT NO. 2

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According to the magazine article, Europe is way ahead of the U.S. in this type of security. Anything sold in the United Kingdom as fertilizer must pass a detonation resistance test to determine how well it resists an explosion. Fertilizer-grade ammonium nitrate in the European Union is manufactured to a higher standard than the explosive grade, with large, dense granules to prevent absorption of fuel oil.

North Dakota to require NH3 tank locks in two-county area

The North Dakota Insurance Department, which is responsible for inspecting anhydrous ammonia tanks in the state, is drafting rules for an experimental program that would require farmers and fertilizer dealers in McKenzie and Williams counties in northwestern North Dakota to lock their ammonia tanks.

The pilot project is the result of requirements passed by the 2003 state legislature to develop methods to prevent the theft of ammonia for methamphetamine production. State law enforcement officials reportedly find meth labs in northwestern North Dakota more than any other region of the state.

The rules will take effect on April 1, and have sparked the ire of numerous farmers and dealers in North Dakota, who argue that the measure will unfairly burden them with additional cost and inconvenience without significantly curbing the number of thefts.

Gary Knutson, executive director of the North Dakota Agricultural Association, estimated the cost of the locks at roughly \$50-\$100 apiece, and said there are five or six different makes approved for the job. For dealerships with 25 or more tanks to lock, cost and convenience become key issues. Knutson also said the length and manner in which the program is evaluated is an additional concern. "The interpretation of results may differ from group to group," he said.

Gary Wagner, registration coordinator for feed and fertilizers with the North Dakota Department of Agriculture, told *Green Markets* that the program will be evaluated in part based on its success during the state's ammonia application seasons this spring and next fall. The state's Insurance Department bears the bulk of responsibility for the enforcement of the rules, he said.

As presently written, the rules carry a \$100 fine for farmers or dealers who leave their tanks unlocked, a \$500 fine for a second offense and \$5,000 fines for subsequent violations. Wagner said laws are already in effect in North Dakota requiring locking system on large stationary ammonia tanks of 12,000 to 30,000 gallon capacity. The new rules, he said, apply to virtually everything else being used in the field.

If the pilot project is successful, the insurance department said it could be extended statewide. NoDak Mutual Insurance, through the Williams County Farm Bureau and McKenzie County Farm Bureau, has provided \$13,000 to pay for the locks, and State Insurance Commissioner Jim Poolman said that money will likely be matched by federal Homeland Security funds, bringing the total available funding to \$26,000 to help mitigate the cost to growers and dealers.

At a Bismarck hearing, which Knutson said was attended by a "fairly large contingent" of concerned growers and dealers, several said they believed determined meth thieves who encounter a locked tank will simply steal the entire tank instead of siphoning a portion of its contents. They also fear that would-be thieves might drill holes in locked tanks.

Vivian Kitley, the owner of a Humboldt, Iowa, company that manufactures tank locks, said at the meeting that reports of lock cutting and tanks being drilled or cut with torches are exaggerated.

Critics also voiced concerns that anhydrous ammonia sellers and users are being unfairly targeted by the rules. Knutson noted that the stimulant ephedrine, which is commonly available in over-the-counter cold medicines and diet supplements, is another ingredient used by meth makers. "We all should be playing by the same rules," Knutson said. "Why not treat all retail sectors in the same manner?"

Smith also took issue with those who claim the program won't work. "Some detractors envision meth thieves driving off with the whole tank," the editorial said. "Well, they could do that now, and we should really wish they did, because it would certainly make the meth makers easier to find. To the contrary, the lockup seems to have worked everywhere it has been tried. ... It seems elementary to expect farmers and dealers to take a friendly interest in the security of their much-abused anhydrous."

Wagner said the agriculture department is adopting a "wait-and-see" attitude toward the program. "It'll probably work in those two counties, as thieves will probably go to outlying counties," he said. "They'll have to study this closely," he added, to determine how successful it is.

"Obviously everybody wants to make it work," Knutson said. "If this is a solution, we'll figure out how to pay for it, but farmers and dealers should not have to bear the burden of the problem. We need some kind of assurances that we can minimize inconveniences."

World demand, freight rates have aided U.S. nitrogen producers

Strong world ammonia demand, volatile and high prices and near record ocean freight rates have aided U.S. ammonia producers this year, according to Harry Vroomen, The Fertilizer Institute's vice president, economic services, speaking before the National Energy Modeling System/Annual Energy Outlook 2004 Conference last week. He said U.S. producers are estimated to be operating at 70-80 percent capacity despite natural gas prices around \$5.00/mmBtu. He said that forecasts indicate this will be the third straight year of growth for world nitrogen demand.

Vroomen warned that U.S. producer margins will again be squeezed when the volatile world ammonia price turns downward. Such a downturn might be in the works as world ammonia prices have been in a nosedive in recent weeks after several weeks of strength.

"This will lead to a new round of temporary and/or permanent plant shutdowns in the U.S. nitrogen industry," he said. Earlier noting that 11 plants in the U.S. have already perma-