

“NO END TO HIGH FERTILIZER PRICES IN SIGHT”

This headline recently ran in a major farm publication and points to the growing uncertainty about crop production costs for next year. Given the big increases in fuel and fertilizer prices this year, a lot of people are starting to focus on nitrogen and other fertilizer costs for 2005. The author of the article states that prices for some nitrogen, phosphorus, and potash products are up by 25-40% in many parts of the Midwest since last year. He also explains that we should expect even higher prices for nitrogen and other fertilizer products by next spring.

There are two key factors that are likely to contribute to higher fertilizer prices in 2005. First, crude oil and natural gas prices have declined a bit recently, but they should stay relatively high for the next several months. Petroleum is one of the major inputs to anhydrous ammonia and other inorganic fertilizer products. Second, the demand for minerals and fertilizers, especially from China and South America, should continue to run strong.

MANAGING HIGH FERTILIZER PRICES

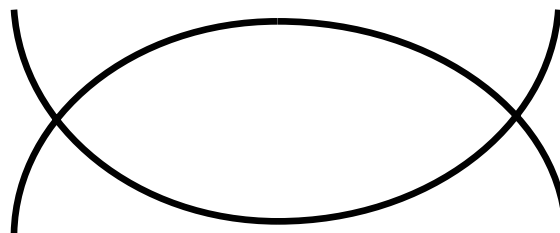
How can you deal with higher fertilizer prices when the corn price is expected to remain below \$2.00 per bushel? Here are a few suggestions:

- Keep in mind that corn production does not really depend on how much fertilizer you apply --- it depends on how much nutrient gets into the plant. The soil acts as the stomach for the plant and converts

applied nutrients like fertilizer and manure to forms that the plant can use. If you can help the soil system to more efficiently process these nutrients, you will produce more grain because more of the nutrients in the post-harvest residue and in your applied fertilizer enter the plant.

- Evaluate the amount of crop nutrient left in your post-harvest residue that could be made available to the next crop if the residue is properly decayed. Today, the average corn field contains 8-10 tons of residue, and the average nutrient content is about 180-200 units of nitrogen, 60-75 units of phosphate, and 260-290 units of potash. The amount of nutrient that could be released for the next crop depends on how well this residue is decayed. When the decay process is at its peak, the amount of applied and soil nutrients available to the plant is minimal. After the decay process is completed, the nutrients in the soil and the residue are available to the next crop. In the figure, the time path of the decay process is represented by the upper line, and the time path of the amount of nutrient available to plants is represented by the lower line.

Decay Process



Nutrient Availability

- Consider reducing the amount of applied fertilizer, especially nitrogen. The method of application also has an impact on the amount of nutrient available to the plant. Although it doesn't always fit into current corn production systems, side-dressing is one of the most efficient methods of nitrogen application. It places the nutrient near the root zone at the time a corn plant requires higher levels of fertility. One of our users switched to a full side-dress nitrogen application program in the early 1980's. From 1984 until 2000 (when he retired), he had a farm average corn yield of just over 160 BPA and never applied more than 80 units of nitrogen.
- Let your neighbors or someone else test for the highest corn yield response from high nitrogen application rates. Over the past 3 to 4 years, we have received reports from several people who farm in the Midwest and were involved in various nitrogen rate tests for corn. The test rates ranged from 130 to 300 units of nitrogen, and the most cost-effective corn yields were achieved with 150-160 units of nitrogen. Many of these people were not users of Chandler crop products at the time the tests were conducted.

With low crop prices and high production costs, Chandler Biocat 1000, Dry Seed Treat, and Soil can help you make more efficient use of applied fertilizer, nutrients in the soil, and nutrients in residue remaining from the last crop. Chandler Biocat 1000 is a non-toxic liquid product applied to the crop residue that enhances the bacterial process that breaks down the residue and converts the nutrients to forms available to the next crop. Chandler Soil is a non-toxic liquid soil product that stimulates the bacteria that build soil structure and convert nutrients to forms that can be used by the plant. Chandler Seed Treat is a non-toxic seed treatment that provides bio-stimulants and micronutrients that boost germination and early plant growth. The product also helps plants to develop larger root systems for increased nutrient and water uptake.

NEW SHIPPING CHARGES

We have been facing steadily increasing freight and shipping charges, both for products and other supplies coming into our warehouse and for outbound product. UPS is our primary outbound freight carrier, and we base our shipping rates on their rates for Zone 2, which is the closest zone to Erie, IL. UPS increased their rates at least once in 2004, and they recently announced a 3% rate increase plus a 2% fuel surcharge to begin on January 3, 2005. In addition to the new fees, we also pay their "delivery area surcharge" of \$1.75 per package for a residential delivery, which applies to most of the product we ship. We have looked into other shipping options, but UPS is still the most cost-effective carrier.

Due to these changes in our freight costs, we must increase our shipping charges by \$1 per container as of December 1, 2004. We have also increased the minimum order value qualifying for freight-free shipping from \$500 to \$800. As before, we want to do business with producers regardless of their geographic location, so we have kept the new shipping charges the same for all destinations in the continental US (except Alaska and Hawaii).

WAYS TO AVOID OR REDUCE SHIPPING CHARGES

- Order at least \$800 of Chandler products per shipment
- Pick up your pre-ordered product at one of our winter farm show exhibits. Let us know at least five days before the start of the show.
- During March, you can attend one of our User Appreciation dinners. You can enjoy a free meal, get answers to your product questions, and pick up your pre-ordered product. We will post the times, dates, and locations for the meetings in our March newsletter.
- You can pick up your product at our warehouse in Erie, IL. Please schedule a pick-up time and date in advance to make sure someone will be available.

WINTER FARM SHOWS

As we have in the past, Midwest Bio-Tech, Inc. will be exhibiting at several major farm shows during the winter months. The dates and locations of the shows for December, 2004 to March, 2005 are:

- Nov. 30 to Dec. 2 Greater Peoria Farm Show
Civic Center
Peoria, IL
- Jan. 5-6 Northern Illinois Farm Show
NIU Convocations Center
DeKalb, IL
- Jan. 16-18 Quad Cities Farm Show
QCCA Expo Center
Rock Island, IL
- Jan. 18-20 Fort Wayne Farm Show
Allen County Coliseum
Fort Wayne, IN
- Jan. 26-27 Midwest Ag Expo
Gordyville USA
Gifford, IL
- Feb. 12-13 Agricultural Mech Show
Western Illinois University
Macomb, IL
- Mar. 2-4 Hawkeye Farm Show
University Dome
Cedar Falls, IA
- Mar. 11 Koel Agri-Expo & Home Show
NE Iowa Community College
Calmar, IA

When attending any of these shows, be sure to stop by our exhibit booth and say hello. We always enjoy this chance to visit with our customers and get caught up on the most recent changes with your family and farming operation.

Also, if you want to pick up your product at one of the shows, please let us know at least five days before the show begins. We usually bring some buckets of Dry Seed Treat and a few gallons of liquid product to sell at the shows, but we try not to carry a lot of extra liquid product during freezing weather. However, if we know you plan to pick up all or part of your order at the show, we can make sure to have it available if you let us know at least five days in advance.

A VERY SPECIAL "THANK YOU"

I want to take this opportunity to say "thank you" to all of the wonderful people who sent cards, memorials, and emails plus made telephone calls to extend their sympathies after we announced Carole's death in the September newsletter. People are the greatest and what life is all about. Without friends like you, life would be so meaningless. Although death is something that every family experiences at one time or another, we still find it hard to let our friends and relatives go when the time comes.

Again, I want to say "thank you" on behalf of the whole family and to let you know how much we appreciated your kind thoughts, notes, and actions during the time of our grief and sorrow.

Jim Miller and family

NEW INFORMATION ON CHANDLER PRODUCTS

Over the past three months, we have extensively rewritten and reprinted the color brochures for three Chandler crop products: Biocat 1000, Foliar, and Soil. Since we printed the old product brochures, we have gathered a lot of new information about the product benefits. The new color brochures include the most up-to-date information about application rates, per-acre costs, details about the major product benefits, and yield trial results from users in the Midwest and elsewhere. We will have the new brochures available at the winter farm shows, or you can give us a call and we will send you copies by mail. Also, we post all of the latest information about the Chandler products at the Midwest Bio-Tech webpage, www.midwestbioman.com.

IF YOU HAVE AN UPDATED ADDRESS THAT IS DIFFERENT FROM THE ONE ON YOUR ADDRESS LABEL, PLEASE SEND IT TO US OR GIVE US A CALL SO IT CAN BE CHANGED FOR FUTURE NEWSLETTERS.

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Address Service Requested

PRE-SEASON DISCOUNT PRICE PROGRAM

We have enclosed a copy of the full price list and shipping cost schedule under our "Special Pre-Season Discount Program." The regular retail and pre-season discount prices for all Chandler Crop Products are the same as last year. The 12% December discount extends eight days into January so you can take advantage of the lower prices in the 2004 or 2005 tax year. The regular retail prices for all Chandler products go back in effect on April 1, 2005. We will increase our UPS shipping charges on December 1, 2004, and we also increase the minimum order value to qualify for freight-free shipping from \$500 to \$800. To help you save money, we have listed several ways you can avoid these shipping charges inside the newsletter.



*Seasons
Greetings*

I also want to take this opportunity to say "thank-you" for the privilege to have served you in the past, and I look forward to serving you in the future. I also extend to you my personal "Seasons Greetings" and wish you a "Very Prosperous New Year."

Sincerely,
Jim Miller