PHOSPHATE HOLDINGS, INC.

Moderator: Robert Jones
September 10, 2009
3:30 pm CT

Operator:

Good day everyone and welcome to the Phosphate Holdings, Inc., Second Quarter 2009 Earnings Conference call.

Please note that Phosphate Holdings, Inc., issued their second quarter operating results on September 1, 2009.

As you read the Company's press release, which is also posted on the Company's website at www.missphosphates.com, and as you listen to this conference call, please recognize that both contain forward-looking statements within the meaning of federal securities law. All statements in this release and oral statements on this call or other discussions, other than those relating to historical information or current condition, are considered forward-looking statements.

These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control and which could cause actual results to differ materially from such statements. These risks and uncertainties include those spelled out in the Safe Harbor statement included in the press release. Consider all forward-looking statements in light of those and other risks and uncertainties and do not place undue reliance on any forward-looking statements.

Now let me introduce Mr. Robert Jones, Chief Executive Officer, of Phosphate Holdings, Inc.

Mr. Jones….

Robert Jones:

Good afternoon everyone and welcome to Phosphate Holdings, Inc. Second Quarter earnings call. We also have, at this moment, work immediately outside our window, which we're trying to get quieted down, but we are subject to interruption at anytime.

As I said, I'm Robert Jones. I am joined here today by Tim Cantrell, our Chief Financial Officer, who will, after some general remarks by myself, provide a review of our operating results for the second quarter. Ed McCraw, our Chief Operating Officer, will discuss our recent production, just concluded maintenance turnaround work, and our production outlook for the near term. Also, Jim Perkins is here and he will discuss the prevailing market environment and the supply-demand outlook for the third quarter.

Our second quarter was, indeed, very difficult. It was essentially a break-even quarter. Net income for the period, ended June 30, was $100,000. EBITDA, for the three-month period, was about $3 million.

The second quarter was also very disappointing because after four months of dormancy that started in September of 2008, immediately prior to the second quarter, we saw new liquidity in phosphate markets, driven primarily by export demand. This re-emergence of demand pushed prices from $330, in late January, to $375 at the outset of our second quarter.

We were also, at that time, very optimistic about our upcoming spring season. After a dismal fall application season during which virtually no product moved, we felt there was pent-up demand, and we, along with a consensus of industry pundants, predicted a very strong spring season.

That spring season never happened and from the outset of the quarter, throughout the quarter, market conditions deteriorated based on a complete lack of demand in the U.S. and weak export markets, as well.

During the quarter, export prices, FOB U.S. Gulf, fell from, about, $380 at April 1, to about $280 at the end of the quarter. Domestic prices, meanwhile, dropped from $320 at the outset of the quarter, to $250 per short ton by quarter's end.

This concluded a contraction in fertilizer demand of historic proportions, and we've seen estimates that phosphate production declined as much as 50% to 55% during the recently concluded July 1 – June 30, fertilizer year – 2008/2009 fertilizer year.

Since the end of the second quarter, we've seen a steady improvement in market conditions. International demand has strengthened. Indian, Pakistani, and Latin American markets have performed well and since June 30, prices have improved. Export prices at July 1 were $284 and they've risen to current levels of $320, while domestic prices have risen from $250 at July 1, to current levels of $275 to $280.

Sitting here today, in the very near-term outlook is very positive driven by continuing export demand from key markets. We've seen continuously good demand from South Asia, and while Latin American market activity has subsided in recent weeks, we expect that to renew very shortly.

As we move further in time, obviously, the crystal ball becomes a little more opaque and we think that for the balance of the year and late in the year, a key issue is to have sufficient demand to avoid price deterioration from current and near-term expended levels and a key factor in how this plays out is the strength of the U.S. fall season.

Argued on the side, for a bullish fall season, we've got low inventory levels at the producer level throughout the supply chain and based on anecdotal evidence, we believe, in the soil itself. This, certainly, is the case, based on low applications for, now, two seasons that were virtual wisps.

On the other side of the equation, we are not seeing good domestic activity currently. That's attributable in large part to a late harvest, but also to a reluctance of dealers and distributors to take inventory positions given the consequences of their actions in 2008. So, we are concerned that some normal U.S. fall demand could be deferred until the spring. Jim, will have additional comments on the market outlook later during the call.

Finally, I want to discuss, what is undoubtedly the highlight of our 2009 year-to-date, and that is our conclusion in August, of a new long-term phosphate rate rock supply agreement with OCP, our supplier since 1990. Pricing under the new contract is market-based. We and OCP, worked very hard for a number of months, and we believe that – and OCP believes that – we've reached a solid agreement. We're very pleased with the agreement. We believe that it stabilizes our operations and provides a solid platform for our future probability.

At this point, I want to turn the program over to Tim Cantrell, who will discuss our second quarter financial results.

Thanks, Robert.

Tim Cantrell:

I would like to briefly point out a few highlights from our 2009 second quarter operating results. First, let me emphasize that little comparability exists between the second quarter of 2009 and the second quarter of 2008. The second quarter of 2008 was a record quarter for the Company and the phosphate industry that saw DAP prices escalate to historic levels and the second quarter of 2009 bears little resemblances to the same period in 2008, particularly product prices, but also product demand. For example, our second quarter 2008 average DAP sales price was $1,049 per short ton versus an average DAP sales price of $275 per short ton in the second quarter of 2009.

During the second quarter of 2009, we had total revenues of $42.7 million, of which $42.0 million represented DAP sales on 152,000 tons of DAP sold. For the same period in 2008, we had total sales of $171.5 million of which $170.4 million represented DAP sales on approximately 162,000 tons of DAP sold. This represented a 75 percent decrease in DAP sales quarter over quarter. This decrease was primarily driven by substantially lower DAP prices quarter over quarter, as previously mentioned, and fewer tons sold.

For the six months ended June 30, 2009, our total sales were $97.0 million of which $94.9 million represented DAP sales on approximately 333,000 tons sold. For the same period in 2008, we had total sales of $238.5 million of which $232.0 million represented DAP sales on approximately 266,000 tons of DAP sold. Average sales price per short ton of DAP for the first half of 2009 was $285, a 67 percent decrease over the average sales price per short ton of DAP of $871 in the first half of 2008.

During the second quarter of 2009, we saw U.S. Gulf prices drop from $313 per short ton at the beginning of the quarter to approximately $257 per short ton at the end of the quarter. This drop in DAP prices resulted in a second quarter lower-of-cost or market write-down of $1.1 million on our inventories, which was an improvement over the first quarter of 2009, in which we had lower-of-cost or market write-downs of approximately $10.4 million and an additional $6.0 million in losses on raw material purchase commitments.

For the second quarter ended June 30, 2009, we had operating income of $100,000. Again, this marked quite an improvement over the first quarter of 2009, which had an operating loss of $18.3 million.

Our SG&A expenses for the second quarter of 2009 was $1.5 million, or 3.5% of net sales, compared to $4.8 million in the second quarter of 2008. The second quarter of 2008 had $3.2 million in management bonuses, which were subsequently reversed in the fourth quarter of 2008. As of June 30, 2009, we have no management bonuses recorded.

We had a pre-tax profit of $200,000 in the second quarter of 2009, and net income of $100,000.

EBITDA for the second quarter of 2009 was approximately $3.0 million and aggregate EBITDA for the six months ended June 30, 2009 was negative $12.8 million.

Now, let me briefly address our liquidity position.

Cash flow from operations for the first half of 2009 approximated $10.7 million. A major contributor to this cash flow was the expedited income tax refunds we received, which approximated $20.2 million. At June 30, 2009, we had borrowings of $3.1 million under our revolving credit facility and another $5.5 million of letters of credit outstanding, which reduces our borrowing capacity. We continue to aggressively manage our liquidity and while our current credit facility is capped at $17 million, we believe that our credit facility and cash from operations will be adequate to meet our obligations in the near term. Nonetheless, we continue to explore opportunities to enhance our liquidity position.

Let me briefly discuss the phosphate rock contract. We are not yet at a point to give guidance on how we anticipate this contract will impact our future operating performance.

However, had the new rock contract been in place as of January 1, 2009, our aggregate EBITDA would have improved from a negative $12.8 million to a positive $0.9 million. Our cash position, after retiring all advances under our revolving credit agreement, would have approximated $10.0 million. This, of course, is based on pro forma, unaudited results.

Let me also point out that the first half of 2009 was a very difficult period in the phosphate industry. This period was marked by weak DAP prices and very weak domestic phosphate demand. As an example, our first 2009 export sale did not occur until late February 2009.

I would like to turn the presentation over to Ed McCraw, our Chief Operating Officer, for a few comments.

Ed McGraw: Thank you, Tim.

In the latter portion of the fourth quarter of 2008 and the first quarter of 2009, production rates were dramatically curtailed due to the prevailing market conditions, which we described extensively at our annual meeting.

During this period, our production averaged approximately 50 percent of capacity.

Beginning in the second quarter, market liquidity returned and we resumed more normal operations.

For the second quarter, actual sulfuric acid production was 84 percent of planned levels at 214,000 (255,000) tons, and DAP production at 173,000 (182,400) tons was 95 percent of planned levels.

Our ability to acquire essentially free sulfuric acid on the open market allowed us to produce 95 percent of planned DAP production, while sulfuric acid production was at 84 percent of plan.

The short fall from plan in sulfuric acid production resulted from two basic issues:

You will recall that the way we look at sulfuric acid involves—

The instantaneous rate—or the maximum amount of acid you can make in a day if there is no downtime—and the design capacity of these plants is 1,500 TPD per plant. This rate will vary over time with ambient temperatures and the condition of the catalyst. The catalyst becomes fouled (or dirty) over time between maintenance turnarounds. This is a natural phenomenon, and one of the main reasons you have scheduled maintenance turnarounds—to rework the catalyst.

To that instantaneous rate we apply an operating factor because we realize we will have downtime and will not operate 100 percent of the time—during the second quarter our target was a 94-95 percent operating factor.

The product of the instantaneous rate and operating factor yield the actual sulfuric acid rate.

Stepping and looking at the quarter in more detail.

In April, both sulfuric acid and DAP production were at planned levels

In May, the operating factor was at the planned level, but the instantaneous rate dropped more than we had anticipated due to the deteriorating condition of the catalyst and a reduction in steam generated by the sulfuric acid plants under certain operating conditions.

We had scheduled a turnaround for the second half of August. Turnarounds have to be scheduled well in advance to assure adequate contractor support and material availability, which makes them very difficult to reschedule—so we had to live with declining instantaneous rates and the reduced steam generation until the August turnaround.

In June, in addition to the reduced instantaneous rates, we experienced two significant production interruptions which resulted in several days of lost production in each of the sulfuric acid plants. As a result, the sulfuric acid operating factor for June was ~ 75 percent.

In July, the sulfuric acid operating factor recovered to the low 90s but, with the limited instantaneous rates, our total sulfuric acid production, at ~ 66,000 (86,000) tons, was 76 percent of the original plan. July DAP production, at ~ 58,000 tons, was 94 percent of planned levels, again supported by the additional sulfuric acid we have acquired.

The sulfuric acid plants essentially limped into the August turnaround. We took a 16-day outage in the No. 3 sulfuric acid plant to, in addition to routine turnaround activities; refurbish the final absorption tower which had been the cause of much of our recent downtime. With a full turnaround, we expect to regain instantaneous production rates in the No. 3 sulfuric acid plant of ~ 1,500 TPD.

We took an (unscheduled) abbreviated five-day outage in the No. 2 sulfuric acid plant, primarily to perform some limited catalyst work to improve our instantaneous production rates until we get to a full turnaround in the first quarter of 2010. The limited catalyst work in the No. 2 sulfuric acid plant should result in instantaneous rates of ~ 1,300 TPD.

And we took a seven-day outage in the phosphoric acid and DAP plants.

Obviously, with the turnarounds, August production was low. Sulfuric acid production was ~ 34,000 tons, and DAP production was ~ 37,000 tons. While that level of DAP production is much higher than could have been supported by the produced sulfuric acid in August, it was still low due to a shortage of steam related to the sulfuric acid turnaround. Low steam availability prevented us from making full use of the market acid we had acquired

In early September, we have experienced a number of relatively minor, but persistent, production issues which makes it a little difficult to judge, but it certainly appears we have achieved our post-turnaround instantaneous rate targets and resolved the steam generation issue in the sulfuric acid plants. While we anticipate improved production rates in the sulfuric acid plants, additional sulfuric acid deliveries are scheduled throughout the rest of the year, and we continue to evaluate even more supplemental acid supplies.

The new 15,000 ton sulfuric acid tank placed in service in May of 2009 has already shown its worth by allowing us to acquire sulfuric acid on the market and maintain close to planned levels of DAP production in the face of sulfuric acid production issues over the last several months.

At this point, I would like to turn the program over to Jim Perkins to cover the market.

Jim Perkins: Thank you, Ed.

In terms of the market on the domestic front, the market is just really quiet now and I would characterize it as tentative. Barge activity, which represents the bulk of our domestic sales, is extremely slow at present. Frankly, there has not been much for fall season to date and we continue to look for evidence of demand strength.

There are several factors that, in combination, would tend to support the favorable near-term domestic outlook. As Robert mentioned, the very low application rates in prior seasons, the historically low inventory levels – both at the producer level and within the distribution chain. Frankly, the pipeline needs to be filled, the buyers remain cautious, and are delaying purchases to the last minute. However, with the current U.S. export line up, through September and then to the middle of October, we believe that there is sufficient off-take to take pressure off producer inventories and help prevent substantive softening of domestic prices, over the near-term, as we wait on the domestic demand to kick back in. Another positive aspect is expectations of record consumption of U.S. corn in the 2009/2010 crop year.

On the negative side, low corn prices, based on the expectations of a bumper crop, late planting and expected late harvest to the current corn crop. While farmers normally began to pullout of the warehouses in a big way around mid-September, a lot of the current corn crop was planted late and will be harvested later. The corn crop is running about two to three weeks behind the norm, in terms of development. This will likely delay movement out of the warehouses and will impact the timing of restocking.

Finally, fertilizer buyers continue to be extremely risk averse. They're waiting to buy to the last minute, and then clearly aiming to end the season with minimal inventory carryover.

The export market has remained active and liquid in recent months, primarily on the back of purchases by India, Pakistan, and from Latin America. More recently, however, activity has been slowing. While the majority of the Indian/Pakistan demand for 2009 maybe close to being satisfied, it's that time of year for Latin American buying to kick back in. In addition, there is a fairly significant 300,000 metric ton DAP tender opening for Ethiopia later this month.

Overall, we do see the traditional seasonal softening of international demand over the next several months.

From the beginning of the current quarter, quarter three, domestic prices have increased approximately 13% to about $250 per short ton. Over the same period, export prices have increased approximately 18% to roughly $320 per metric ton.

Robert.

Robert Jones: Let me just supplement Jim's comments on the market condition, as to cover ammonia and sulfur.

Ammonia prices for September, delivered to Tampa, have been set at $325. That's an increase of $65 from the August level up of $260. And July ammonia pricing was $180, delivered to Tampa. We expect this strength to subside later in the year, but probably not before November/December. And again you know the timing on that again, will have a lot to do with how the U.S. fall season progresses.

Sulfur, for the balance of the third quarter and for the third quarter is $10 per long ton, delivered to Tampa, we have a logistical basis difference, vis-à-vis Tampa of $12 to $15. So, we are currently seeing sulfur at negative values.

For the fourth quarter, suppliers have already begun a push for higher prices and it's our expectation that we will see higher prices in the fourth quarter. To be more specific than that would be pure speculation.

At this point, we are open to your questions.

Operator: Thank you. The question and answer session will be conducted electronically. If you would like to ask a question, please do so by pressing the star key followed by the digit one on your touch tone telephone. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to (return for a moment). Again, that is star one for question, and we'll pause for a moment to allow everyone a chance to signal.

As a reminder, that is star one, if you would like to ask a question.

We'll take our first question from Christopher Miller with JP Morgan.

Christopher Miller: Good afternoon, guys. Thanks for taking the question. I guess, one, could you give us an update. Where does liquidity stand as of today, compared to – what was disclosed for the end of the quarter?

Robert Jones: As of …

Tim Cantrell: Let me do that. I was looking at that just this morning and based upon some timing of some procedural collections as well as some sales, we anticipate the very first of next week we will have about $1.9 million borrowed. At the beginning of next week, we will have letters of credit outstanding of about $6.6 million and have about $5.5 million of availability under our credit line.

Christopher Miller: Cash, pretty consistent within the quarter?

Tim Cantrell: Correct. Yes.

Christopher Miller: OK. OK. And then talk a little bit of color maybe in terms of how you're thinking about working capital in the second half of the year. Under your current outlook, do you expect it to be a source or use of cash. And then, is there a way you can give us a sense of if you see a pickup as you know maybe the fall to manage them push in the spring, if we do see a more normal return in the spring, what sort of an impact do you expect that to have in your working capital? What sort of an outflow as you have to start to build up inventories and work-in-progress? What sort of a magnitude of working capital could that be at that point?

Robert Jones: Well, as far as just bare working capital level, they're currently very low. And if there is a re-inflation of commodities and prices, raw material prices and product prices continue an upward movement, then we would expect changes in net operating assets to consume cash. We have taken several steps in some of the ways we normally transact business. We've been successful in bringing working capital levels to current, very low.

Robert Jones: $12 million.

Robert Jones: Is that what it was? So, and working capital levels this time a year ago, 10 years ago, were obviously 100 million plus. But I'd expect going forward that changes in net operating, I mean in working capital components will consume cash.

Christopher Miller: OK. And then cash uses in the second half of the year, I believe your revolver has a CapEx limit of 15 million in it for 2009. Where do you kind of think CapEx is going to come in and do you have any other specific cash uses in the second half of the year we should be thinking about?

Ed McCraw: Probably the largest capital expenditure that we spent as to late was complete the 15,000-ton (sucker) gas tank in the second quarter. Quite frankly, we've been limiting our capital expenditures. The most recent, the largest capital expenditure was in the order of $750 - $800,000 to refurbish a tower in one of the sulfuric acid plants that I mentioned that had been giving us some problems. Quite frankly, I expect fairly nominal capital expenditures for the rest of this year and well below the limit by year's end.

Christopher Miller: I mean you think two to three million CapEx in the second half of the year?

Ed McCraw: Yes, about that I would say.

Male: Fair guess.

Male: Yes, three to 3-1/2.

Male: Fair guess.

Christopher Miller: OK. OK.

Robert Jones: Chris, let me – I mean on the major capital expenditure that (Ed) mentioned, and certainly I talked a little bit about the benefits being derived from that. But we are really getting a very, very solid return on this additional sulfuric acid storage capacity. It has given us the opportunity to identify distress situations, bring in substantial quantities of sulfuric acid, maintain relatively good production levels, and thereby lower our fixed cost on a per ton basis, wish all capital expenditure worked out as well as this one has.

Christopher Miller: OK. No, I appreciate that. And then, last question, any updates on either potential asset sales, sale leaseback transactions, any progress on that front?

Robert Jones: You know we have – we are actively in discussions at working on a possible monetization of a fixed asset. A range of possibilities through – I think a sale is unlikely, but a loan transaction, a support for the basis of the term loan and a lease transaction but we have not decided to pull that trigger, again, reiterating that we do believe our operations and our existing credit facilities are adequate to meet our financial needs for the foreseeable future. But we are working on a potential transaction. It will be – it's very unlikely that we would choose to sell the asset. We do not want to sell the asset in question.

Christopher Miller: OK. Great. Thanks for the additional color. I appreciate it.

Operator: We'll take our next question from Steve Gidumal with Virtus Capital.

Steve Gidumal: Hi, guys. Can you hear me ok?

Robert Jones: Sure. Good afternoon.

Steve Gidumal: Hey, Robert; how are you?

Robert Jones: Fine.

Steve Gidumal: Good. Good. I want to ask just one general question. Would a weak dollar help or hurt us, or would it basically have no impact sort of going forward? I mean my thought on that you know might improve the competitiveness on the export you know markets.

Robert Jones: And it would.

Steve Gidumal: It would?

Robert Jones: I mean, yes, I mean a cheap dollar, basically helps export activity, and the U.S. is a large net exporter of phosphates. Exports have been, you know, the bulk of the business we have done over the last 18 months has been in the export markets, and a weak dollar, generally, assists U.S. exportors.

Steve Gidumal: OK. Is that …

Robert Jones: It generally assists U.S. farmers as well.

Steve Gidumal: It may help the farmers too. Right. OK. OK, so then whatever you're seeing is already incorporated in your comments though in terms of pricing and stuff like that.

Robert Jones: What? I'm sorry.

Steve Gidumal: It wasn't a good question. I'll just ask my next question …

Robert Jones: Let me mention something about the weak dollar. The counter-side to that is that imports are – there's upper pressure on imports and we do import two of our primary raw materials, but …

Steve Gidumal: Right. And the deal, the agreement with OCP, that's in U.S. dollars?

Robert Jones: Yes.

Steve Gidumal: So that won't be affected, right?

Robert Jones: That will not be affected. It's U.S. dollars.

Steve Gidumal: OK. OK. My next question was, I was surprised to see the – you mentioned the strengthening price of ammonia. Are there other – I guess that's a commodity that's used in a lot of areas I guess, right? And so, are there are other factors driving that?

Robert Jones: Well, I mean there's strong agricultural demand. I mean there's supply issues as well. This is a traditional period for plant turnarounds, so a lot of supply has been taking off stream.

The other thing that you know that has occurred is a major change in sort of the natural gas pricing on a global basis. Historically, some of the – among the low cost producers in the world were the Ukrainian plants. Now based on the current price provided to the Ukrainian producers, that production is sharply curtailed and that's had a further impact on the supply. So it's generally just pure supply-demand, and we have seen this recent rapid rise in the price of ammonia. And as I say, our current expectation is that that strength will erode later in the year.

Steve Gidumal: I see. OK. OK. And then, I don't know if – I'll see if I can put this… If the sales don't come back in the fourth quarter, and I guess you mentioned this possible monetization, but is that why you're sort of thinking of that because – I guess my question before I heard monetization was the sales don't come back you know where does liquidity go because with $5 million availability, I understand some of that's just sort of working capital based on your sales. As your demand goes up, it drives your need for borrowing and if the demand isn't there you don't need to borrow. But the – so I guess there's a backup plan I suppose to handle liquidity if the sales don't come around on time.

Robert Jones: Yes. I mean one product of the slowdown in sales was a buildup in the borrowing base as well and the possibility you know and the opportunity to monetize the inventory buildup.

Steve Gidumal: No, oh, ok.

Robert Jones: But we very intensely are managing our liquidity. It remains a key issue for us. We are and have been developing fallback plans if the problem increases.

Steve Gidumal: OK.

Robert Jones: You know it – our objective and for the benefit of the shareholders - has been not to try to raise capital. Obviously, raising capital at even at modest levels would have – equity capital – would have a significant diluted effect on our shareholders.

Steve Gidumal: Right.

Robert Jones: We've been successful in avoiding that.

Steve Gidumal: Correct.

Robert Jones: And it takes intense management to do that.

Steve Gidumal: Great. No, I think you guys are doing a great job. It's a tough period and you know we just need the economy to come back. Well, thank you very much.

Operator: As a final reminder, if you'd like to ask a question, please press star 1 at this time. And we'll go next to Nick Walsh with Wilfred Aubrey.

Nick Walsh: Hey, Robert.

Robert Jones: Hey, Nick.

Nick Walsh: Just two questions on that contract, does it have a change of control provision. In other words, is it terminated if the Company were to be sold? And then how would you compare it with the contract we had sort of pre-bankruptcy, which you know kind of a more revenue sharing? Was that structure even available this go-round or was it something you didn't even want to go back to?

Robert Jones: I can answer one of the questions, and that is on the change of control. Yes, there is. And beyond that, Nick, this – I have had to express this several times during these calls, and you know, there are contractual constraints that both we and OCP are obligated to maintain the provisions of the contract in confidence.

Nick Walsh: Understood.

Robert Jones: And I just really choose not to try to explore the edge, where I can go versus where I can't go. And let me pass on the second part of your question.

Nick Walsh: All right, that's our job you know go to the edge. The…

Robert Jones: And I don't want to step over.

Nick Walsh: Understood. The other question was related to you expressed a little bit of a more positive outlook going forward and I was just trying to get a little more clarity on that. Is that really just from a demand side or do you have any kind of clarity that we'll go back to seeing the margins that we've seen in the past – the gross margins I'm talking about.

Robert Jones: Well, I mean based on the questions, I think we may have falsely given the impression that we've given up on the U.S. fall season. I mean there are some – there's a rationale for a strong fall season and we've been disappointed by the lack of activity to date and the understandable reluctance of dealers to take inventory positions in the absence of known near-term demand. We have not given up on the fall season. We could have – we could get a good movement in the fall. Regarding the outlook going forward, remember that there is the basic fundamentals that we've talked about for several years, you know, are still in place; and that's – it almost becomes cliché but it's just fundamental and it's absolutely correct, and that is in response to an improving diets and a growing population, there is going to be an increasing demand for food and with an increasing demand for food, hand-in-hand with that will be an increased demand for fertilizers.

Looking ahead to 2010, we've had a fall-2008 season that was a complete bust. We had a spring season that was very disappointing. And we've had probably – well, I believe the largest contraction in fertilizer usage in 75 years - I think is you have to go back that far. And each time there's been a contraction, shortly thereafter there's been a demand response for that contraction. That's going to happen. The current pattern of poor application seasons is just not sustainable. So we join in the consensus that 2010 outlook is for healthy demand. We don't know the story on the 2009 fall season.

Nick Walsh: But in terms of margins for us as producers, should we be equally optimistic about that?

Robert Jones: I'm optimistic about a return to 2008 margin levels our producers know.

Nick Walsh: Right. I'm not saying 1,000 tons (depth). I'm saying just more managing our inputs really.

Robert Jones: Nick, I mean we are optimistic about our return to profitability.

Nick Walsh: OK.

Robert Jones: But, I'm not ready to give earnings guidance but as we get more experience under our new contract, I'd like to be able to provide that kind of guidance.

Nick Walsh: Understood. Thank you.

Robert Jones: You're welcome.

Operator: We'll take our next question from Eugene Linden with Bennett Management.

Eugene Linden: Hi there. You said earlier that you expected to see some signs of fall demand, of refilling the channel and I guess around the beginning of August. I'm going back some ways in some conversations. And then, of course, now we've got a late corn crop where you said two or three weeks delayed. And so, what I'm wondering is when, if there is to be an application of any size, you expect to see some signs of this impasse being broken between the dealers, the farmers and the producers of DAP.

Robert Jones: Well, the fall season doesn't have a uniform timeline. Going back to prior years, there's a major fertilizer conference in July. It's called the Southwest Conference. Previously, I've seen the fall season really begin after that conference, primarily restocking the warehouses for the fall applications after the harvest of the crop. So, and then you see the applications after the harvest and then another fill getting ready for the spring season. What we haven't seen this year is the dealers have been – has to refill until there's prompt demand for the product. So we believe now that the movement will come after the harvest or in anticipation of a near-term completion of the harvest in various areas around the country. And we'll have to see how that plays out.

If it's too late, you know, and then also they're also tax driven by at the end of the year. We didn't see that at all last year. Whether or not that's – the dealers are so and the farmers are so reluctant to take inventory positions ahead of time, whether that will recur or not, we'll just have to see.

Jim, do you want to add anything to that?

Eugene Linden: Let me just be a little more precise in the question, too. I mean what you're describing is kind of rolling harvest in different parts of the country. Where is the fat part of the normal curve? You're saying it's two weeks' delay, so where has that shifted to? What timeframe this year?

Jim Perkins: I believe what I said earlier is normally we would expect to see substantive movement out of the warehouses beginning around the middle of September, and that would continue out until six to eight weeks forward. And of course we're moving our domestic material primarily by barges and we move it up the Mississippi River to those distribution points so that the market is really closed to us when the river begins closing. And that could be anywhere from mid-October to mid-November depending on the weather. Did that answer – did that help?

Eugene Linden: Yes, so I would say that, from what you're saying, instead of mid-September we're going to be looking early October for things to be moving out of the warehouses. Is that right, (given) the delay?

Male: That's our current expectation. Yes.

Eugene Linden: That's your current expectation. OK.

Operator: Mr. Linden, is there anything further?

Eugene Linden: No, that's fine.

Operator: OK, thank you, sir. There are no questions remaining. I'd like to turn the call back over to your speakers for today for any additional or closing remarks.

Robert Jones: Well, again, we appreciate your continued interest in the Company and your participation in the call today. I hope that we've answered your questions. I will say that thinking back one year ago I feel better today than I did a year ago. It was about this time that the roof fell in and started – it began a period, a very difficult period for us. With the conclusion of the new contract, stabilization in the markets and strong fundamentals, we're looking forward and we're optimistic about our future.

Thank you, again, and we will do this again next quarter.

Operator: And that does conclude today's conference call, and we thank you for your participation.

END