

CALAMCO PROGRESS

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MESSAGE TO SHAREHOLDERS



Spring is here, and we are anxiously gearing up for another busy season! It is hard to believe that we are almost half way through our 2006 fiscal year already! Once again, we are looking forward to achieving another successful year at CALAMCO.

Patronage checks were mailed to participating members in mid-January for our 2005 fiscal year. The final patronage dividend was \$23.50 per ton of NH₃ equivalent. A 25% return on investment for those members who purchased their stock at \$14 per share in 2005! We were extremely pleased to return such an excellent dividend back to our members.

Over the past few years, your management and Board of Directors have continued to review the selling price for shares of stock in CALAMCO. One of the things we have discussed in the past is the excellent return on investment that members have realized from the dividends they receive on their nitrogen purchases. Effective January 1, 2006 the board has once again voted to increase the price per share for purchasing stock from \$14 per share to \$15 per share. Please read the article inside this issue for more information.

As we discussed in our last issue, 2005 marked the end of our long-term contract for supply out of the Kitimat, British Columbia facility. Effective January 1, 2006, we began receiving product under our new contract with Koch Nitrogen, who is based out of Wichita, Kansas, with ammonia production in the United States, Venezuela and Trinidad.

To date, we have received two vessels under our new contract. Both vessels were carrying product from Trinidad. Under our new contract, we will be receiving fewer, though much larger vessels, carrying in excess of 20,000 tons of product. In the past, we received approximately 20 vessels per year, with an average of around 10,000 tons of product per vessel and a transit time of approximately 4-5 days. In contrast, we received our last vessel in mid-February with 25,600 tons of product, and shipments will now take approximately 15 days to reach Stockton. The vessels must go through the Panama Canal, and depending on congestion, can potentially add two to three days to the shipping time.

BOB SMITH, PRESIDENT / CHIEF EXECUTIVE OFFICER

A 25% return on investment for those members who purchased their stock at \$14 per share in 2005!

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2006 Regional Shareholder Dinners



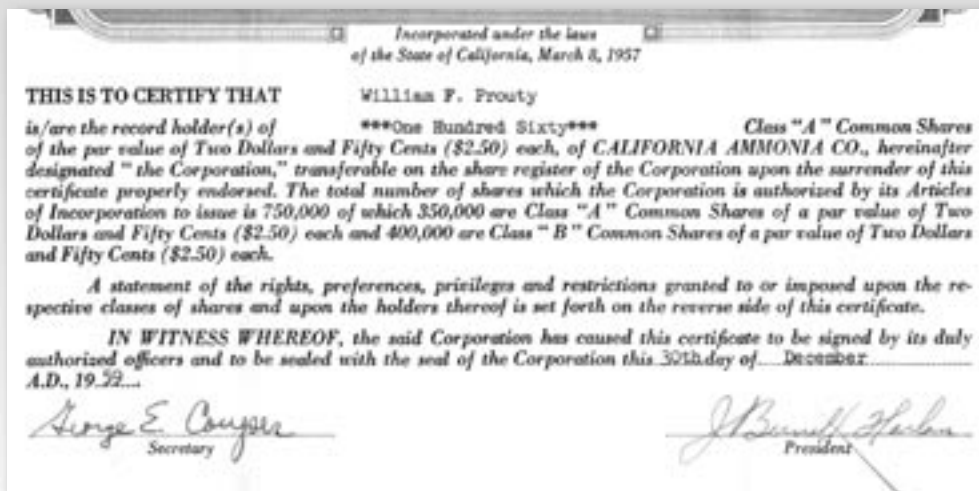
Approximately 500 people attended this year's regional shareholder dinners, which were held in Shell Beach, Maxwell, and Stockton. Our guest speaker this year was Tess Dunham, Legal Counsel and Regulatory Affairs Specialist, with Larry Walker Associates, in Woodland. Her topic was "The Impact of Water Quality Regulation on California Agriculture."

Following Tess's presentation, Alice Inderbitzin of CALAMCO gave a brief presentation and overview of our past year's highlights, discussing the effects of natural gas prices on domestic ammonia production and world market nitrogen pricing. As always, we conclude our evening by giving away a large variety of door prizes. We would again like to extend our

sincere thanks to all the fertilizer dealers that donated a door prize for the dinner in their area. Of course, everyone always leaves with a CALAMCO hat.

Unfortunately, this year we were forced to cancel our scheduled dinner in Visalia as an adequate number of reservations were not received in enough time to warrant hosting this event. Please assist us in establishing this dinner meeting by sending in your reservations early. We will continue to pursue finding a location that will be desirable for our members to attend. Your management strives to make this a fun as well as informative evening. So, if you haven't attended one of these meetings in the past, please try to attend in the coming year!

Are You An Original Shareholder?



In 2007, CALAMCO will be celebrating our 50th anniversary. We are looking for shareholders that have been members of CALAMCO since our inception. If you joined CALAMCO any time from 1957 to 1960, we would appreciate having the opportunity to meet with you. Please contact Alice Inderbitzin at 209-481-6671, or you can leave a message for her at the office at 800-624-4200. Thanks for your cooperation, and we look forward to hearing from you!

Board Votes To Increase Stock Price



Effective January 1, 2006, the Board of Directors voted to increase the price for stock purchases from \$14 per share to \$15 per share. In the past, the basis for raising the stock price was looked at purely from a return on investment basis, however the board discussed the fact that the stock value should be designed to represent the “real value” of the cooperative.

New shareholders should buy in at “replacement cost” value, not at “historical cost” value. In addition, shareholders actually get a return on investment in three ways:

1. Assured, consistent/competitive supply of ammonia & ammonia based products.
2. Dividend (cash) on historical cost of price paid for stock.
 - a. \$23.50 dividend on stock purchased at \$8/share = 44% ROI
 - b. \$23.50 dividend on stock purchased at \$14/share = 25% ROI
3. Appreciation (when sold) on stock held
 - a. \$7 increase on original \$8 cost = 53%

The current price of \$15 per share will be in place through our year-end of October 31, 2006. At that time, the board will once again review the stock price.



Ron Reeves Is Lucky Winner At Colusa Farm Show



Alan Freese Elected

To Serve Another Term On Board

Alan Freese of Rio Vista, was elected to serve his third and final term on CALAMCO’s Board of Directors at the annual meeting, which was held at the corporate office in Stockton on February 15, 2006. Alan represents District 4, which encompasses the Coast, from Solano County south and the Imperial Valley. In addition, Alan also serves as Chairman of the Board.

CALAMCO’s management and board would like to congratulate Alan, and are pleased that he will continue to serve as a director.



Every year CALAMCO has a booth at the Colusa Farm Show, which was held this year on February 7th, 8th, & 9th at the Colusa County Fair grounds. This year we had a drawing for a Cordless DeWalt Drill, and the lucky winner was Ron Reeves of Gridley!

Ron is employed by Gary Justeson of Gridley, who happens to be a CALAMCO shareholder. We would like to congratulate Ron for being this year’s winner and hope he gets a lot of use out of his new cordless drill!

The “Busy” Season

In a few weeks our lives will change radically from the dozen or so trucks per day in and out of the CALAMCO yard to almost a hundred a day. For CALAMCO terminal employees that means virtually no breaks during their twelve hour shifts; for the dispatchers it means many late night calls, changes, and cancellations; for supervisors it means that everyone is a little closer to an accident because they are tired, edgy, and in a hurry.

What does this “Busy” Season mean to our customers: you, the fertilizer dealer, the farmer, the transporter, or the farm employee? I think it means exactly the same as it does to CALAMCO; you and your employees are also going to be tired, on edge, and in a hurry.

I believe that the next few weeks will be critical to a successful and accident-free season. We need to be sure that not only our employees, but we too, take that extra moment and ensure we all have the appropriate personal protective equipment, and the right equipment for transferring and transporting anhydrous ammonia. We need to make sure that the equipment is

functioning correctly so that we are not sending our employees out to a dangerous worksite where they may become the next ammonia casualty. We need to be comfortable that the training we have provided our employees is pertinent, up-to-date and appropriate, and we need ensure that all the employees were trained.

Over the past few years we have heard very little about ammonia accidents that resulted in injuries. That’s the good news. It means that for the most part we are doing a good job when it comes to ensuring worker safety on the job around ammonia. This is not the time to let our guard down but the time to make sure that 2006 will be a “good” busy season with no accidents or incidents.

Martin P. Jeppeson
Safety Director



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