



CALAMCO PROGRESS

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MESSAGE TO SHAREHOLDERS



We at CALAMCO hope that you enjoyed a wonderful Holiday Season, and would like to take this opportunity to wish you a Happy and Prosperous Year in 2008!

Having been with CALAMCO since the first of May, I have been fortunate to work beside Bob Smith for the past several months as I've transitioned

into the position of your new President and CEO. We are extremely pleased to report that our 50th anniversary year was a successful one, with dividends that should exceed 2006.

As we enter 2008, I am eager to start this new chapter with CALAMCO. Though we face many challenges in the fertilizer industry, I am excited about the opportunities that lie ahead. CALAMCO is an excellent company, with unlimited potential.

Today's farmers face a growing number of challenges, with operating costs on the rise and water issues looming throughout the state. We will try to address the factors that are once again driving fertilizer prices to unprecedented levels within this issue.

We will be holding four regional Shareholder dinners during the last week of January and the first half of February. We hope that you will try to attend one of the meetings in your area. I look forward to meeting you, our members and customers at these meetings. It is an opportunity for me to hear directly from you, ways in which we can serve you better as we face the challenges that lie ahead together.

BOB BROWN, PRESIDENT / CHIEF EXECUTIVE OFFICER

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CHIEF EXECUTIVE OFFICER*
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Alan Freese

VICE-CHAIRMAN
Case Van Steyn

Brad Baltzer

Greg Dexter

Mark Grewal

Jeff Roesler

Rick Rominger

Stockton Cold Storage

CALAMCO has signed a long-term lease with Stockton Cold Storage which took effect August 1, 2007. As part of the lease agreement, Stockton Cold Storage has taken over the use of both of the large domes and pre-cooler facility as well as the small office adjacent to the domes. A fence and security system has been installed to separate the two facilities, and they will be responsible for their own security and all other regulatory compliance issues.

Under the new contract, CALAMCO will continue to provide refrigeration services, however Stockton Cold Storage will pay all electrical and utility expense incurred in operating that facility. One of the domes has been converted to a zero degree Fahrenheit freezer, while the other dome will remain standard cold storage.

As a result of the new lease, CALAMCO found it necessary to make some capital improvements to our existing facility. A new office facility was needed since the office space we used to use was included in the lease to Stockton Cold Storage. The new structure



replaces an old trailer that had been on the site since the facility was built. It now serves as an office, as well as break-room for employees and truck drivers. In addition, new fencing was installed with an automatic gate to create a new entrance/exit for the terminal, and pavement was added adjacent to the UN32 storage facility for parking trucks.

Fertilizer Prices Impacted by Global Demand

Due to the rise in natural gas prices throughout the United States since 1999, many U.S. ammonia producers were faced with negative margins due to the severe escalation in production costs. Since that time, 25 U.S. ammonia plants have closed permanently, and several others remain idle, therefore total ammonia production has decreased by more than 42 percent.

As a result, the U.S. fertilizer industry, which used to supply 85% of farmers' domestic nitrogen needs from U.S. based production during the 1990's, now relies on net nitrogen imports for half of new nitrogen supplies.

During this past year, we have seen the average prices paid by U.S. farmers for the major fertilizer nutrients reach the highest level on record. A whopping 109 percent higher than the 1990-92 level according to the U.S. Department of Agriculture.

Increased global demand for fertilizer has played a large part in placing upward pressure on fertilizer prices. Overall, world nitrogen demand grew by 14 percent, phosphate demand grew

by 13 percent and potash demand grew by 19 percent from fiscal year 2001 to 2006. China, India and Brazil are the three largest contributors to the growth in world nutrient demand as they seek more food – requiring more nutrients to replenish the soil. Since the United States is one of the largest importers of nitrogen (about 50 percent of supply) and potash (about 90 percent of supply), U.S. farmers must compete with farmers from around the world for supply.

While world nutrient demand has risen significantly since 2001, U.S. demand remained relatively flat. Then came the ethanol boom. Farmers are responding to higher corn prices resulting from the increase in demand by planting more acres. Corn, wheat, soybeans and cotton account for 70 percent of total U.S. nutrient use, while corn alone accounts for 43 percent.

Changes in U.S. nutrient use are driven by two factors: changes in crop acres planted and changes in application rates. Strong international demand coupled with increased domestic demand will continue to place upward pressure on fertilizer prices.



CALAMCO Hires New Plant Manager

Jerry Shine has been hired as the new Plant Manager to run CALAMCO's Sycamore Aqua Facility, located just outside of Colusa. Jerry began working for CALAMCO on November 19, 2007.

Jerry began his career in the fertilizer industry in 1981 with John Taylor Fertilizer Co. in Yuba City, where he worked his way up to Warehouse Manager. He then went on to work for Helena Chemical in Yuba City, starting in maintenance and fertilizer delivery, working his way up to Fertilizer Manager of that facility. In 2004, Jerry went back to work for John Taylor Fertilizer in Yuba City as their Operations Manager where he has been working until he was hired by CALAMCO.

Jerry was born and raised in Yuba City where he still resides. He is married and has two grown children and two grandchildren.

2008 Regional Shareholder Dinners

We will soon be having our annual Regional shareholder dinners, which have been scheduled as follows:

January 29, 2008 - the Maxwell Inn, Maxwell

January 31, 2008 - F. McLintocks, Shell Beach

February 7, 2008 - Double LL Steakhouse, Visalia

February 19, 2008 - Waterloo Gun & Bocci Club, Stockton

Please assist us by sending in your reservations early. 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!

CALAMCO Bids Bob Smith Farewell

After over 46 years with CALAMCO, President and CEO, Bob Smith celebrated his retirement at a luncheon given in his honor at the Port of Stockton.

Bob began his career in 1961 working as a Boiler Operator in the ammonia plant at The Best Fertilizer Company's Lathrop facility. He held various positions over the years, and in 1971, he was transferred to Hanford, California where he became the Plant Manager.

In 1978, Bob was relocated back to Lathrop. Due to the rising cost of producing ammonia, CALAMCO management and Board of directors made the decision to build a terminal at the Port of Stockton. Bob was involved in the construction of the facility, and in 1979 began managing the ammonia shipments.

In 1981, Bob was promoted to Vice President of Operations for CALAMCO, and in 1993 became the Company's General Manager, carrying the same duties as President. He was officially named President and CEO in 2000.

During the Western Plant Health Association annual meeting, which was held in Tucson, AZ in October, Bob was presented with the industry's Lifetime Achievement award for 2007. Following his retirement, Bob will continue to serve as a director for the California Fertilizer Foundation.

Bob, and his wife Peggy, plan to spend more time with their family, traveling and just enjoying life. CALAMCO's entire staff, management and Board of Directors would like to take this opportunity to thank Bob for his many years of dedication and service. He will be greatly missed!



Bob Smith receives the 2007 Lifetime Achievement Award at WPHA Annual Meeting in Tucson.

Candidates for Director in District 2

CALAMCO is pleased to announce that two excellent candidates will run for the Board of Director position in District 2, which represents the Central San Joaquin Valley.

Proxies will be mailed to shareholders in early January. Only those shareholders residing in District 2 will be eligible to vote for the candidate of their choice to serve on the CALAMCO Board of Directors. Proxies are to be returned to our office on or before our scheduled Annual Meeting, which is scheduled to be held in our corporate office on February 20, 2008.

Case Van Steyn, the incumbent, has been serving as a director for CALAMCO since 2000. He and his brother Paul own and operate a dairy farm in Elk Grove and in Galt, along with his son Russell who graduated from Cal-Poly SLO. They currently milk 1000 cows and are engaged in raising corn, alfalfa and dairy cattle, as well as custom harvesting which he has been doing since 1964.

Case is married and has four children. He has served on a wide variety of boards and committees, including serving as a director on the Sacramento County Farm Bureau Board since 1974, and as President 1992-94. Case also served on the California Farm Bureau board of directors for 6 years and on the Western United

Dairymen board of directors for 9 years. Case is a graduate of the California Agriculture Leadership Program, Class XVII, and has been a shareholder in CALAMCO since 1987.

Lee DelDon is a third generation farmer who was born and raised in Patterson, CA. His Grandfather began farming in the late 1950's, and his father began farming with him in the early 1960's.

Lee is a partner in DelMar Farms. They currently farm tomatoes, almonds, cotton, and a variety of other vegetables throughout the central valley. They have been shareholders in CALAMCO since 1987. In addition to farming, Lee owns and operates DelDon Fertilizer, which is a business his grandfather started in the early 1950's.

Lee currently serves on the board of directors for Eagle Valley Ginning, and is a director for West Stanislaus Irrigation District.

Lee and his wife Debbie live in Patterson and have three children. Their oldest son Leroy recently graduated from Cal Poly State University in San Luis Obispo, and is now the 4th generation farming in the family. Their daughter Alexandra is currently attending Chico State University, and youngest son Tyler is a senior in high school.

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