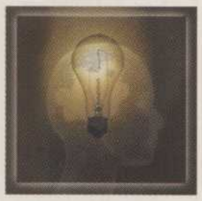
Briggs & Stratton to test Metallic Power system

CARLSBAD, Calif. — Metallic Power, a developer of zero-emission, regenerative zinc/air fuel cells, announced that it has shipped the first of its 1.5 kW portable power sources for test and evaluation by a number of the firm's collaborators.

One of the units was delivered to Milwaukee-based Briggs & Stratton Corp. The two companies are working together to evaluate a fuel cell power source.



"We are evaluating Metallic Power's fuel cell at our facility," said Vince Shiely, Briggs & Stratton's vice president and general manager of electrical products. "We look forward to continuing our investigation of the potential benefits that this new technology may provide."

Throughout 2001, Metallic Power will continue a series of preliminary field trials in a variety of applications, including portable power, emergency backup power and vehicular power. Beta testing is slated to begin early in 2002, with initial product launch planned later that year.

"This shipment represents another important milestone for Metallic Power as it is the first delivery of what we believe will be one of the most important power solutions of the future," said Jeffrey Colborn, Ph.D. president and CEO of Metallic Power. "While still in its infancy, this technology offers high efficiency, superior energy density, and automatic regeneration of the fuel. The cost-effective design is also emission-free and offers near-silent operation so it can be used indoors."

Fertilizer costs to remain high

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Increased gasoline prices this summer could also hamper their ability to pass along cost savings. Furthermore, U.S. urea production is down 21 percent on the year and several plants have shut down. As a result, some in the industry believe that current market turmoil could drive another round of consolidation.

"The natural gas run-up is the number-one factor in price increases," said Mark Barbera, vice president and general manager for NuGro's U.S. division. "It will only come down to historical levels once more energy reserves come on line."

DEMAND SEEN TIGHTENING

Companies have raised prices across the board, but have been unable to recover all the costs. Consequently, many companies report thinning margins. Both Lesco and The Andersons attributed their first quarter losses of $5.6 million and $815,000, respectively, to the higher raw material costs.

> The average price for gas futures for the coming 12 months is $4.231/MMBtu—more than double the rate of two years ago.

Lesco chairman and CEO William Foley does not expect softening prices to have much of an impact in the marketplace. "The lower raw material costs are not expected to last very long, so we don't know what the net effect will be on an annualized basis," he said. "Prices won't come down a great deal."

Supply also is constricting. "A number of U.S. producers have shut down plants," Foley said, "and that will tighten demand as it gets consumed through industrial and agricultural markets."

> Natural gas is the primary cost component in the manufacturing of nitrogen fertilizer: every 50-cent increase brings a $10 increase per ton of urea.

Now, lower-cost offshore urea is coming onto the market, which poses additional concerns, said Barbera. "Quality and delivery are the issues there," he observed. "A good deal of off-shore material is large granular or prill. Granular is too large for professional grade fertilizer, and prill does not coat well."

INVENTORY ISSUES

Production companies, meanwhile, are still trying to dispose of high-cost inventory.

"Even if the bottom falls out of the market," said Russ Mitchell, UHS's national technical director, "you will not see that in the field – the pipeline is full of products that were produced at a higher cost." According to Foley, it could take eight to 12 weeks for Lesco to run product through the system.

> Average spot prices peaked at $10.50/MMBtu in December 2000, but receded to $3.56/MMBtu in June.

Instead, having taken a large hit in the first half of the year, companies will seek to increase their dollar-cost average to reach margin targets for the year.

"You have to lower prices as softening happens, but to stay in business you have to get an average gross margin for the year that is reasonable enough to keep you in business," said Bill Whitacre, president of Simplot Turf & Horticulture.

SURVIVING THE TURMOIL

The increase in raw materials costs has companies struggling to protect margins and recoup costs while remaining competitive.

"You try and pass along as much of it as you can," said Foley. "But you still have to compete on price, especially when you have a competitor that has bought something in the spot market for a lower price and can price for that particular load. It is a volatile commodity in that regard."

There is a fine line between staying competitive and staying in business, according to Mitchell. "It is a competitive industry," he said. "But you have to be realistic. In other words, now is not the time to be the Wal-Mart of turf or the low-cost producer. You have a cost and you have a margin. If costs go up, you have to pass them along."

Bruce Jasurda, president and CEO of Tyler Industries, agreed. "You don't run a successful business by giving your product away," he said. "We are entitled to a fair profit because of the value of the service they get from the distributor." ■