

PROGRESSIVE PARTNERS

Manager's Comments

By Mark Finck
General Manger

First of all I would like to welcome a new member to the staff at Farmers Coop Elevator Company. Starting February 9th Brad McCoy is the our new controller, Brad will be responsible for working with the financials, banking, accounts payable, patron equity, and any other duties he has time for. With this change, Shirley will be trying to slow down and focusing on taking care of the grain bookkeeping and helping with the accounts receivable area. As our company has grown over the years the volume of work required of the office staff has also grown, with these changes in office staffing we are focusing on giving you our customers quicker and better service.

Next I would like to address a couple of rumors that have been circulating about Farmers Coop Elevator Company.

Rumor: Farmers Coop Elevator Company is going broke, due to the fact that they did not pay as a large a dividend on grain last year.

Fact: Your company had a profitable year in 2003 and is currently running ahead of budget in its current fiscal year showing a profit. Yes your company paid out less on grain than it had in the past and that is due to the following. In the late 90's and in the fiscal year of 2000 your company added the new rail siding and loadout, the new grain dryer and receiving legs, and the 2.6 million bushel flat storage building. These additions were made to increase our grain handling capacity, speed up unloading, and increase our capability to handle wet corn at harvest. With all these additions the company took on a significant amount of long term debt, with the addition of the long term debt and the overall growth, your company has seen an increase in the amount of interest and depreciation expense. In 1998 the depreciation and interest expense of the company totaled \$334,138 while in 2001 interest and depreciation expense peaked at \$1,174,808, during our last fiscal year interest and depreciation expense was \$1,062,986. As you can see these expenses have reduced over the past two years and

will continue to reduce as we pay down the long term debt. Your company worked diligently over the past three years to secure better terms on both operating and long term loans and has been successful in these efforts, which has led to a decrease of over \$125,000 dollars in interest expense/year with more savings projected for the current year. During the past three years your company has also increased our working capital from \$1,896,509 to \$2,518,258 an increase of \$621,749 (working capital measures the liquidity of an operation, total current assets less current debt). This increase in working capital helps to strengthen our overall balance sheet allowing us to secure the better interest rates offered by our lender. When comparing the overall financial strength of your company to what it was three years ago we have much stronger balance sheet and we will continue to work diligently on improving financial strength and performance of your company.

Rumor: The members have lost all of their equity in the company due to the Farmland Industries Bankruptcy, our last dividend check showed a zero balance on beginning equity.

Fact: Due to a problem that was discovered after the equity checks were printed, it did show a zero balance, but that was just an error within the system. There has not been a write down of any equity yet due to the Farmland Industries bankruptcy, but you can anticipate a write down in the coming months.

With a little over \$437,000 in Farmland equity that will equate to an approximate write down of 5.67% of the patrons allocated reserve.

One final note to producers is to check your grain bins, with the some of the corn going into the bins at 16 to 20 percent moisture you need to keep an eye on your bins. We would recommend that if you have not already pulled the centers out that you go ahead and pull them out. With the wide range in temperature variations that we have been seeing this winter you may have a bin that looks fine and within 2-3 weeks you can have corn go from being in good condition to corn that is going out of condition.

Fertilizer Insight and Seed Preparation

By Chad Nelson, Seed and Fertilizer Manger

My biggest concern for this next year is keeping fertilizer rates at the level needed to grow the top end yields off of each farm. We have seen corn yields increase tremendously in the past years, and a lot of that is due to better fertilizer management and genetics. These two factors go hand in hand. If you do not have a good fertilizer program for each farm, genetics will only get you so much, and if you do not have good genetics a good fertilizer program will only produce what the genetics will allow.

The biggest factor that has been discussed this fall and winter has been the high cost of fertilizer for this coming spring. Mainly nitrogen has been the leading discussion, and is one of the most costly products of all the inputs for corn production. We have also seen P and K prices increase, not has extreme has nitrogen, but still will be noticeable over last years costs per acre. Knowing how much fertilizer is needed for each farm is very important, and every farm is different. Some farms will not produce has much as others, so choosing a fertilizer program for each farm is very important. With fertilizer prices the way they are, knowing which farm needs a certain amount of fertilizer can be very beneficial to your operation. A fertilizer program will help you spend your money more efficiently, and be more profitable to your operation. Cutting fertilizer rate to cut cost is not the way to be profitable. Putting the proper fertilizer rate on each farm will help even out your total cost per acre, and gives every acre the productivity you expect. You can not control what Mother Nature gives your crop for water, but you can control how much food your crop gets.

Seed Notes

Monsanto Seeds (Dekalb and Asgrow) had another very impressive year on the corn side. With the introduction of Yield Guard Rootworm and some new Roundup Ready corn hybrids, Monsanto Seed is one of the leading corn companies in the state. A lot of that is due to the increased demand for the roundup ready system in corn, but even more are the genetics that they have in there line up. We have a full line of conventional, yieldguard corn borer, roundup ready, roundup ready yieldgaurd corn borer, and yieldguard corn rootworm. All of these traits can be found in maturities ranging from 94 day to 110 day corn hybrids. If you are interested in planting some of the top genetic in the industry, feel free to

give me a call or stop in and we can figure out which hybrids will work best for your operation.

Not many things have been said about soybeans varieties this winter, and that is due to the disappointment of the yields that we saw this past fall. We need to focus on the upcoming year and select soybean varieties wisely. Asgrow and Dekalb have some new genetics coming for spring and they look very promising. Asgrow and Dekalb have a very solid and flexible line of soybean hybrids that will fit all areas of your operation. Thank you for your business and looking forward to seeing you soon. I will be out visiting as much as possible this winter, before spring arrives. But if you would like to stop by and discuss your plan for spring don't hesitate, I would be glad to assist you. Our main goal is too help make your operations profitable.

Ag Chem and Insecticide Notes

By Lowell Feucht, Chemical Manager

Not a lot of new stuff for this next coming year on the chemical side of things, with Round-up dominating the market so much. Leon Wrage (SDSU Extension Weed Specialist) still likes to see a residual chemical down before planting, with the likes of Treflan or prowl or something that has a residual grass activity. He is saying that for every leaf of grasses we see, it will cost you 7% of your yield. If you see foxtails at the 2 leaf stage in your fields, you lost 14% of your yield, times 40 bu per acres equals 5.2 bushels of loss. Keep that in mind, which means that field needs to be clean at all times. Triflurilin is still a cheap management choice for soybeans for under \$5 per acre.

Probably the biggest news for this next /or last year is going to be the Soybean Aphid. I went up and listen to Ken Ostlie from Minnesota University (sponsored by the Soybean Assoc) and it was a very good seminar. The industry is finally getting facts that are consistent through out the country. Here are some quick facts:

*Populations are female in the summer.

*Females give birth to living young and can mature in 5 days.

*Populations can double in 5 days.

*Due to crowding and other poor environments-females can produce young that will become winged, which then can migrate to other parts of the field, colonize, and then spread to other fields

and can disperse up to 7-10 miles per day. An aphid sucks the sap of the soybean plant and then puts that plant under stress to cause the yield loss.

Winter conditions can affect the survival of the aphids for the next year in the area. Even if they do not survive our area because of the winter, they still can be a problem for our area because of prevailing winds from infected areas through out the United States. Last year they started in Minnesota and the winds blew them over to our area. Other weather related affects is that 95 degrees and warmer days are very detrimental to them. Some rain will set them back a little but it would take a lot of rain to get rid of them totally.

Timely scouting is going to be very important for managing the aphids. Scouting will need to be done around the end of July, the first of August. We'll need to be spraying around 250 bugs per plant. One of the biggest concerns I have is going to be the size of area that will need to be treated in such a fast manner. A plant that has 250 aphids today can have 1500 per plant in 5 days, which then it can be too late. We also need to be careful about spraying to early so that those same fields will have not to be retreated again later. I don't know if there will be enough ground spraying and/or airplanes to cover the fields we will need to cover in the proper time frame. The cost of treatment will cost about \$12-\$14 per acres depending on which product and type of application you choose to go with. On the other hand, if you do not treat, it can cost you 8-9 bushels per acre. The aphids are relativity easy to control and what products we use does not make a big difference. We will be promoting 2 products, Mustang Max and Baythroid, both are good products. One of the biggest things to help you out, stay in contact with us at Beresford Coop for the latest news on the Soybean Aphid and any other topics you want to discuss for 2004. If you have any questions or would like for me to come and visit about your options for this next coming year, please call. 1-888-763-2108 or my cell 957-5280. And once again thanks for the past business and looking forward to the future.

Peak In New Crop Corn Futures Varies From Year To Year

By Stuart Carlson, Ag Risk Management Advisor, Advanced Trading, Inc.

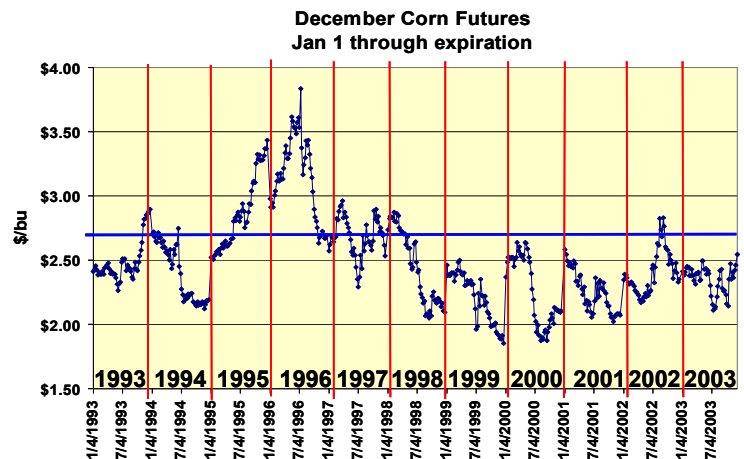
Summary: History shows December corn futures can reach a top at various times during the calendar year. Risk management strategies should be designed to take advantage of the possibility of an early high in

2004, while also providing flexibility to take advantage of higher prices if a market scenario similar to last year is repeated.

December Corn Futures History

As the Midwest spring planting season nears, more attention is surfacing regarding new-crop prices prospects. Our objective with this article is to provide an historical review of December corn futures to provide some perspective on when price peaks in that contract are seen. The chart below looks at each individual year from 1993 through 2003, and charts the weekly Friday close for the December contract from January 1 of that calendar year through expiration. In addition, the horizontal line shows where the December 2004 contract is trading at the moment.

Observations: The most important point to make is that December futures can reach a top at various times during the calendar year. For example, from 1993 through 1996 there was a tendency for the contract to achieve a high during the summer or late fall. That changed dramatically in 1997, however, as the contract peaked early. From 1998 through 2001, that remained the pattern. It looked like 2002 might also fall into that category, but the



late season dry spell enabled December 2002 futures to reach a new high in September. And in 2003, the contract reached a high for the year right at expiration. What this emphasizes is that each crop year has its own unique set of factors that influence price. This year, for example, the market is looking at a tighter old-crop carryout than a year ago but is also dealing with the prospect of a significant increase in U.S. plantings this spring.

What this brief review shows is that those waiting for a repeat of 2002 or 2003 to price new-crop could be left with no protection in place if ideal planting and growing conditions prevail. So from a strategy standpoint, selling early in the year could turn out to be very profitable in 2004. The review also clearly illustrates the possibility of highs being posted later in the calendar year, however, if market fundamentals warrant such a move. With these thoughts in mind, strategies should be developed to lock in a price floor but also provide flexibility to take advantage of higher prices if a market scenario similar to last year is repeated.

Copyright 2004 Advance Trading, Inc. Reproduction in any form without the express written consent of Advanced Trading, Inc. is strictly prohibited. This data is provided for information purposed only and is not intended to be used for specific trading strategies without consulting Advanced Trading, Inc. All information is based upon data that is believed to be reliable, but its accuracy is not guaranteed.

Farmers Coop Elevator Company
P.O. Box 512
Beresford, SD 57004

Bid Line

You may call in on the following numbers to get our daily updated grain bids.

Local (605) 763-8043

Toll Free (888) 415-2580

Bids are updated on a daily basis after the close of the market.

Free Price Later

Starting immediately we have free price later available for both Corn and Soybeans.

You must have the grain priced by July 29th. Free price later is limited to the space available.

Remember if you have your grain sealed it is not eligible for Price Later, as you give up beneficial interest in the grain.