

PROGRESSIVE PARTNERS

Manager's Comments

By Mark Finck, General Manger

Summer is starting to wind down and Farmers Coop Elevator Company has just finished another successful year. The auditor was in August 1st to work to verify inventory and will be working to put together the financials for the last year. This brings to a close another successful year and we are looking forward to working together with you with the upcoming harvest. Along with the year end we have been busy with the upgrading of our south grain facilities and following is an update to what we are doing.

Construction Progress

With the 140,000 bushel silo up and the new 10,000 bph corn dryer up the crews are finishing erection of the grain legs and the conveyors up top. The electrical work is proceeding and should be done in plenty of time for the upcoming harvest. Along with the silo and dryer we have also added a new dump pit at the south silo's rated at 17,500 bph that is 28 feet long and 12 feet wide (long enough to dump both hoppers on semi without moving). The new silo has double the capacity of the previous silo giving us increased capacity on both receiving and storage for wet corn. These increases in dump speed and capacity were made to enable us to better serve the needs of our customers. With these additions we should be able to hand an additional 70,000 plus bushels per day of corn in the heat of harvest.

New Scale

At the June board meeting your board of directors approved the purchase of a new 70 foot truck scale. This scale will replace the old scale at the Fruen office and will be used in harvest season as an inbound scale and we will be using the main office scale as the outbound scale. (Just to answer the next question for everyone, Yes you can weigh in on one scale and out on a different scale! This has been done for several years at many different grain companies throughout the Midwest, the closest to our location would be FreMar Coops grain terminal outside of Marion.) This will be accomplished by networking the inbound and outbound scale computers together and should help traffic flow as the outbound trucks will not have to wait for inbound trucks setting on the scale waiting for grades.

On Farm Grain Pickup

We have purchased a second semi (2000 Freightliner) and a second trailer (Wilson 41 foot) for use in our On Farm Picked Up Grain Program and for shipping of

Grain to the processors. Tim Huenink will be the primary driver for this truck. We sold the 1987 White semi and 1974 Tipte grain trailer when we purchased the new unit. Please call and talk to Mark or Larry if you are interested having us pick up your grain on the farm.

Delivery Cards

Please stop in and let us know how many cards you will need. We will be making up cards for each of the accounts that you will be delivering for, these cards will contain the account number and account name. You are asked to please display the card in the window this will help to get the grain applied to the proper accounts.

Open House

We are planning to hold an open house Saturday, September 17 from 9:00 a.m. – noon for producers to come in and tour the facility changes and to give us the chance to explain how we will be handling the scale and traffic flow. We look forward to seeing you there.

Agronomy News

Chad Nelson, Fertilizer & Seed Manager

Fertilizer Notes:

The fertilizer market has been unsettled so far this season, and it looks this pattern is going to continue. The phosphorus and potassium markets have been going up since early this spring. It does not seem that these two products will see any decrease in price into late summer and fall. Nitrogen prices have been flat, tight supplies of nitrogen have held the prices steady. Normally this time of year nitrogen is taking a big drop in price to clean up the excess product in inventory. This year there is not much inventory around and that is why prices have not gone down. Still too early to determine what the nitrogen market is going to do for this next year. With fertilizer prices as high as they are, soil sampling is going to be an important tool for your operations. Individual soil samples for each of your farms can help you manage where the fertilizer is best spent. Cutting fertilizer rates is not the answer, putting the fertilizer we it is needed is more logical.

Seed Notes:

Summer is about gone, a fall is quickly approaching. As you prepare for this harvest season, make sure to put your planter book in the combine, so that you know which variety and hybrids you planted. This is a very useful tool to have with you during harvest, so that you can make comments right in your planter

book. Write down what you like and dislike about the different products. Write down yields, plant health, plant heights, ear placements, if there are any bug problems, or anything that stands out while you are harvesting. This is a very helpful tool for your operation when making planting decisions for next year.

If you want to do any yield checks this fall, please feel free to give me a call I will have the weigh wagon available for both corn and soybeans checks.

Make sure to talk to Lowell or myself about financing options and discount on seed orders, there is good savings in getting your orders placed early in the year. Have a safe fall and please give us a call if you have any questions throughout harvest season. We thank you for your business and look forward to doing business with you this coming year.

Execution of Risk Management Strategies Key To Marketing Success

By Stuart Carlson, Ag Risk Management Advisor

Summary: Price volatility for corn and soybean markets is likely to be quite high moving into harvest due to uncertainty about crop size and the increased trading activity of commodity funds. The market could end up sharply higher, or lower this fall compared with current levels. In this type of environment, execution of risk management strategies is the key to marketing success.

Weather Conditions Unable To Match Ideal 2004 Season

The month of August marks a time when summer is winding down, but grain market activity often heats up. This year, we've already seen quite a bit of price volatility, as the weather throughout key areas of the Midwest was unable to match the ideal 2004 pattern. For example, December 2005 corn futures traded near \$2.20 in mid-May as another rapid planting season was seen in most areas. Following completion of planting, however, a major drought gripped most of Illinois as well as parts of Missouri, Indiana and Ohio. While the Western Corn Belt fared much better, the yield decline in the East was enough to propel December futures to \$2.65 in mid-July. Even more dramatic was the rally in November 2005 soybean futures,

which climbed from \$6.04 in, mid-May to \$7.70 in late June.

In addition to weather concerns, another factor that contributed to the stronger markets was buying from commodity funds. The amount of money invested by traditional funds has nearly tripled in the past three years, and recently the Chicago Board of Trade expanded the position limits. As we've seen the past several years, aggressive buying or selling from funds can result in extended price moves over a very short period of time.

Current price volatility raises some key questions about what kind of market activity to expect for the 2005 harvest. Will August weather provide more favorable conditions? Will commodity funds add to their long positions? And will end users decide to aggressively buy? Of course it's impossible to answer these questions with any certainty. What we can do, though, is look at some "What If" scenarios for supply and demand, and highlight potential price ranges. This is useful in mapping out a successful marketing plan.

With this backdrop, let's first examine the 2005/06 balance sheet for corn. Below are the Advance Trading estimates as of mid-July.

	USDA	USDA	AT	Scenarios for 2005 ¹			USDA ²
	2003	2004 ²	2004 ¹	Low	Midpoint	High	Jul-05
CORN							
Planted Acres (myn a)	78.7	80.9	80.9	81.6	81.6	82.2	81.6
Harvested Acres	71.1	73.6	73.6	73.5	74.4	74.9	74.4
Abandonment	-9.6%	-9.0%	-9.0%	-9.9%	-8.9%	-8.9%	-9.1%
	142.2	160.4	160.4	129.0	139.8	149.0	145.0
Beginning Stocks	1,087	958	958	2,227	2,227	2,227	2,115
Production	10,089	11,807	11,807	9,483	10,400	11,158	10,785
Total Supply & Impts	11,190	12,775	12,775	11,725	12,637	13,395	12,910
Feed/Residual	5,798	6,150	6,030	5,600	5,850	6,000	5,850
Food, Seed, Industrial	2,537	2,685	2,738	2,850	2,880	2,925	2,870
Ethanol for Fuel	1,168	1,325	1,378	1,500	1,510	1,525	1,500
Domestic Use, Total	8,335	8,835	8,768	8,450	8,730	8,925	8,720
Exports	1,897	1,825	1,780	1,950	1,975	2,000	1,950
Total Use	10,232	10,660	10,548	10,400	10,705	10,925	10,670
Ending Stocks	958	2,115	2,227	1,325	1,932	2,470	2,240
U.S. Stocks/Use Ratio	9.4%	19.8%	21.1%	12.7%	18.0%	22.6%	21.0%
Weighted Ave Farm Price	\$ 2.42	\$2.00 - 2.10	\$2.07	\$2.30 - 2.76	\$1.75 - \$2.00	\$1.50 - 1.90	\$1.70 - 2.10

² USDA July

¹ AT July

Under the first scenario for 2005/06 ("Low"), harvested acreage is projected at a lower level than the latest USDA forecast due to increased abandonment associated with a dry summer. With the national average yield at 129.0 bushels per acre (bpa), crop size is put at 9.483 billion bushels (Bbu). On the demand side, some reduction in usage is likely with total disappearance estimated at 10.400Bbu. Ending stocks decline to 1.325Bbu in this scenario, with the average farm price forecasted at \$2.30-\$2.76. Prices would be expected to rally into late summer and possibly early fall, which is typical of a year where reduced production is seen (e.g. 2002).

The second scenario ("Midpoint") factors in a normal rate of abandonment. Using a yield of 139.8bpa, production is forecast at 10.400Bbu. In

this environment, total usage would be expected to increase slightly to 10.705Bbu. Carryout is forecast at 1.932Bbu, with the average farm price at \$1.75-\$2.00. Prices would be expected to weaken somewhat into harvest, and then rebound later in the crop year.

The final scenario (“High”) plugs in slightly higher harvested acreage of 74.9 million under the assumption that abandonment is slightly lower than normal. Yield is forecasted at 149bpa, generating a crop of 11.158Bbu. Usage would be expected to increase to 10.925 due to low prices, but ending stocks would still increase. Carryout is pegged at 2.470Bbu with an average farm price of \$1.50-\$1.90. Sharp price weakness would be expected into harvest, with loan deficiency payments likely.

Brisk Soybean Demand Implies Need For Large Crop

Next, we turn to soybeans. The projected U.S. carryout for the 2004/05-crop year has declined the past several months due to brisk demand. In December, ending stocks were pegged at 460mbu but in July that total had dipped to 290. This much lower carryout combined with ongoing growth in Chinese demand emphasizes the need for a large crop in 2005. Similar to corn, below are some “What If” scenarios for 2005/06. All assume a normal South American harvest will take place next April-May:

SOYBEAN	USDA	USDA	AT	Scenarios for 2005 ¹			USDA ²
	2003	2004 ²	2004 ¹	Low	Midpoint	High	Jul-05
Planted Acres	73.4	75.2	75.2	73.3	73.3	73.3	73.3
Harvested Acres	72.5	74.0	74.0	71.8	72.4	74.0	72.4
Abandonment	-1.2%	-1.6%	-1.6%	-1.7%	-1.3%	-1.3%	-1.3%
Yield	33.9	42.5	42.1	34.5	39.8	42.8	39.9
Beginning Stocks	178	112	112	274	274	274	290
Production	2,454	3,141	3,141	2,478	2,878	3,167	2,890
Total Supply & Impts	2,638	3,258	3,258	2,756	3,156	3,441	3,183
Seed/Residual	116	169	200	115	149	170	148
Crush	1,530	1,690	1,684	1,600	1,680	1,775	1,690
Domestic Use, Total	1,646	1,859	1,884	1,715	1,829	1,945	1,838
Exports	880	1,110	1,100	915	1,115	1,175	1,135
Total Use	2,526	2,968	2,984	2,630	2,944	3,120	2,973
Ending Stocks	112	290	274	126	212	321	210
U.S. Stocks/Use Ratio	4.4%	9.8%	9.2%	4.8%	7.2%	10.3%	7.1%
Weighted Ave Farm Price	\$7.34	\$5.80	\$5.65 - \$5.95	\$7.50 - \$8.50	\$6.35 - \$7.45	\$5.40 - \$6.40	\$5.10 - \$6.10

¹USDA July

²AT July

Under the first scenario for 2004/05 (“Low”), harvested acreage is projected at a lower-than-normal level of 71.8 million due to adverse growing conditions. With the national average yield at 34.5 bpa, crop size is put at 2.478Bbu. On the demand side, rationing would be required with total usage estimated at 2.630Bbu. Ending stocks are 126mbu in this scenario, with the average farm price forecasted at \$7.50-\$8.50. Prices would be expected to rally into late summer and early fall, which is typical of a year where reduced production is seen (e.g. 2003).

The second scenario (“Midpoint”) plugs in harvested acreage of 72.4 million, equal to the current USDA forecast. Using a yield of 39.8bpa, production is forecast at 2.878Bbu. In this environment, total usage would be expected to decline slightly to 2.944Bbu. Carryout is projected at 212mbu, with the average farm price at \$6.35-\$7.45. Prices would be expected to weaken into harvest, and then rebound later in the crop year.

The final scenario (“High”) assumes a higher harvested acreage total of 74.0, as double cropping exceed expectations and normal abandonment is seen. Yield is forecasted at 42.8bpa, generating a record crop of 3.167Bbu. Usage would increase to 3.120Bbu due to low prices, but ending stocks would still rise. Carryout is pegged at 321mbu with an average farm price of \$5.40-\$6.40. Sharp price weakness would be expected into harvest, with loan deficiency payments likely.

This brief overview emphasizes the uncertainty and potential for price volatility in corn and soybeans the next several months. In this type of environment, execution of risk management strategies is the key to marketing success.

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Residuals???

By Lowell Feucht, Ag Chem Manager

Residual herbicides are they worth it? This was a year that it looks like it will pay off big time. Keeping that early grass pressure out of the fields early is very important. BASF research shows that the early grass can tie up approx 34 pounds of Nitrogen. That’s about \$12 worth of your investment that the crop will be needing later on. Another benefit for using a residual herbicide is that we get excellent control of lambsquarters and we get

reduced pressure of water hemp, depending on the products and rates, we all know what its getting like to control lambsquarters with glyphosates. By using residuals, it buys us so much more time to make our application of herbicides that can be delayed by wind, rain and other Mother Nature things. If you really start looking at numbers of dollars, if we tie up 34 pounds of N, shorting up some yields and lets say we only lose 10 bu per acre, a \$9-10 treatment per acre for control is not that expensive after all.

Over the last few years, we like to spray Round-up because it was simple and easy. I think over the next few short years, we are going to see tank mixing coming into play again. Lambsquarter and velvetleaf, are seeming to be getting harder to control in glyphosate and other treatments. This year we did some tank mix with Liberty by adding Distinct or Callisto to help out with waterhemp and lambsquarter. Both of these tanks mixes looked terrific! We also did some Round-up and Distinct in corn, there again the results were very good. Hearing in the near future, around 2008, we are going to be seeing RR/Dicamba tolerant soybeans. That's going to be good news for those who have smaller seeded broadleaf problems. This will allow us to tank mix products like Distinct or Clarity with Round-up on our soybean fields. This was a

big year for and putting down Prowl before planting soybeans. We are seeing very good control of late season waterhemp, which Prowl is probably one of the best products we have for soybeans and does really good on lambsquarters. Prowl can be applied early and just leave it lay without incorporating either till a later date or not at all for not much more than the cost of 1 shot of glyphosate.

Sounds like Round-up Ultra Max will be gone for this next coming year. Monsanto will be selling Weather Max in South Dakota next year. Weather Max has been around for a while in other states. Even sounds like we will see a reduction in price. Do not have any ideas on price or programs at this time for next year.

Fall is fast approaching us, some things to keep in mind. Keep up the good work with fall fertilizer. It sure helps us out tremendously and it has several benefits for you. The other, before you fertilize, check out to see if your soil samples should be updated. With fertilizer cost getting expensive, it is very important that you spend the money where it is beneficial to the crop to be planted. Give us a call and ask for Chad or Lowell, if we can help you with anything!!

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