

PROGRESSIVE PARTNERS

Managers Comments

By Mark Finck, General Manager

They say that the one thing in the universe that is inevitable is change. Most of us do not like change, and some of us will even fight change. Looking back at the changes we have seen over the past 6 years we have seen the ethanol expansion grow very rapidly. Six years ago the closest ethanol plants to our area were in Wentworth and Luvurne, MN. Today we have Great Plains Ethanol in Chancellor, Sioux River Ethanol in Hudson, Siouxland Energy in Sioux Center, with plants under construction at Meckling and Marion, and planned construction at Akron, IA and expansion at Chancellor. With all of this growth in ethanol processing in the area we will be challenged to continually raise more corn to supply the growing demand.

Two years ago we had our largest corn crop ever in the US coming in at 12 billion bushels with record carryout stocks well over 2 billion bushels, this year they are projecting usage of 11.6 billion bushels with carryout stocks fall to 750 million bushels. We are hearing estimates of anywhere from 85 to 88 million acres of corn to be planted this spring responding to the changes in the market. With all the uncertainty in the market today we will continue to see extreme volatility (both in the up and down movements) in the corn market as we try to buy acres for corn. All of this will make for one of the most interesting and possibly frustrating marketing years for corn producers as they try to maximize price potential.

Change has not just come for producers in the corn market, we have also seen major changes in the soybean market. With consumers becoming more health conscious there has been a move to reduce trans fats in chips, crackers, other snack foods and fast food restaurants. For the third straight year Monsanto working with Soybean processors is offering a premium for producers that raise and store Vistive soybeans. Oil from

Vistive soybeans are competing with palm oil and canola oil for the business of supplying oils with low or zero trans fats. For producers interested in growing Vistive soybeans visit with Chad or Jason about available varieties and the \$.60/bu premium.

Along with the rapid expansion of ethanol we have seen growth over the past year in the Biodiesel market. Biodiesel can be made from methylizing products like soybean oil, palm oil, animal fats or other sources. At the AGP annual meeting they were discussing the biodiesel sector and the one concern they mentioned was that as the demand for soy oil increases in the food sector, if prices would increase to \$.30/lb that would make a small increase cost on a bag of chips or box of crackers or french fries at a restaurant it would raise the cost of producing a gallon of biodiesel to over \$5.20.

This brings out the whole food vs. energy (fuel) debate. As we move forward we will be making choices that will have a significant impact, not only our dependence on foreign oil, but on what we can expect to pay in the future for the meat based protein that we in the USA have enjoyed as a major staple in our daily diets. I feel confident that we will continue to support the livestock sector in the United States, with the thought that we can not trade dependence on foreign oil for dependence on a high quality, secure food supply from foreign countries. As we continue to move forward with the growth in the ethanol sector several factions are touting cellulose based ethanol production from corn stover, switch grass or other native grasses, at best guess we are probably a minimum of 5 years away from this becoming a reality. All the while you have separate political factions: one side pushing for higher mandates of renewable fuels, the other side stating that we need balance to make sure we have enough grain for the nations feed/food supply while growing the renewable fuels. These are just my thoughts on some issues that will help to shape the future farm program.

Agronomy Notes

By Chad Nelson, Agronomy Manager

With a new year brings new opportunities and challenges. This year already we are seeing new challenges on seed and fertilizer, both of them having some shortage issues. Causing that is some of the new opportunities, good corn prices and new corn genetics. We are also seeing some opportunities on the soybean side, with some good premiums being paid to growers raising Vistive soybean varieties.

Fertilizer Notes:

With no hurricane problems and low natural gas prices so far this year, we would have thought fertilizer prices would be cheaper. It did start out looking that way, but nitrogen and phosphorus in the last couple of months have gone up considerably. This is due to the supply and demand of these products, we have a lot of demand and supplies are low.

Nitrogen prices have been going up considerably the last month, supply and demand is the main reason for this. Supply is the main problem; the US has become so dependent on foreign made urea that we must compete with the rest of the world for product. This year the world market for urea is high, so we get caught paying for the high priced product. This has also put more demand pressure on NH₃ and liquid, causing these prices to increase also. Nitrogen will be tight this spring, so keep an eye on it.

Phosphorus supplies are very tight; production has not kept up with demand. We may see areas run out of product, this forecast coming into spring has suppliers concerned.

Seed Notes:

Last year performance of Dekalb and Asgrow seeds was very good for the drought conditions that we were facing. Overall corn yields were better than we expected, and the bean yields for most were good (maybe not as good as we hoped).

This is one reason why more people are considering more corn; we can on average raise better corn yields than soybean yields. This has put a lot of pressure on the seed companies and

the rootworm genetics, with having enough corn available to sell to the growers. If you have not decided on your corn for this coming year, please take some time and get this done. Not only are the rootworm varieties very tight, but some of the other top varieties are getting low.

Vistive soybeans have been a new and upcoming thing the last couple of years, and they are only going to get bigger. Many of the major food manufacture and some major cities are demanding the low-linolenic oil that comes from these soybeans. This past year we heard some stories of Vistive soybeans having yield drag. I do not think it is the soybeans that have the problem, the varieties that we had to pick from were the issue. Dekalb and Asgrow had one variety to use, this variety was being placed on the wrong ground from time to time. The good news is that there are some new Vistive varieties out for 2007, and the yield data looks very good. The premium for Vistive in 2007 is going to be \$0.60/Bushel (40bu.x \$0.60=\$24.00/Acre).

Please give Jason Jensen or I a call if you have questions on fertilizer or seed, we would be glad to help! Thank you for supporting your locally owned Farmers Coop Elevator. With the holidays and January behind us, Spring is right around the corner. Hard to believe, but in 60 days we could be back in the fields. Many of the decisions for your operation have already been made; fertilizer, seed, and chemical. But, if you have not made all these decision yet there are still some good savings to be had.

Fertilizer prices at the current time are flat, but do not expect it to stay that way. The stories of fertilizer prices dropping are not true. Even though natural gas prices have fallen, supply and demand issues are the major problems coming into Spring. I still think that purchasing your fertilizer needs before Spring will be a substantial savings to your operation.

With the high priced fertilizer cost that we will see this year, figuring out which blends you will be using on each of your farms is

very important. Treating each field individually could save your operation greatly. I am not suggesting that you short certain fields, but fertilize each field according to its yield potential. Spend your money where it will benefit your operation the most. If you have any question please feel free to give me a call, we can put together a plan for what will suit your operation the most effectively.

Chemical Update

By Jason Jensen, Agronomist

Very little has changed in the chemical world for the 2007 growing season. On the Roundup side, we will still offer Weather Max and Original Max. One change is the Roundup Ready Volunteer Corn cost share program. For customers who already use a pre-emergence product for your corn, this program will work great. If you have not used a pre-emergence herbicide in the past, this program would be a great incentive to give it a try. When using Roundup Ready rates of Harness or Harness Xtra you will receive an additional \$1.30 per acre towards the price of Select. This would bring the cost of Weather Max to \$3.90 per acre and Original Max to \$2.60 per acre. With any Roundup program, I believe we need to use a pre-emerge to help control weeds. Recent data shows that by letting your weeds grow from four inches to eight inches could contribute to significant yield loss. The biggest yield robber in corn is grass. When using a pre-emerge you can give yourself a bigger window of spraying time without letting the grass get over four inches.

Bayer has changed their Growing Strong Program a little this year. To enroll in the program you need to apply a minimum of 250 acres of Liberty, Balance Pro, or Radius at the qualifying rates. Then, by exceeding \$5,000 worth of qualifying products, you can start earning rewards. Rewards will be paid out at five different levels depending on total dollars. For example \$5,000 to \$10,000 will receive 2.5% back and \$10,001 to \$30,000 will receive 3.5% paid back to the grower.

There will be a new product coming out from BASF this spring. If you liked the product Distinct, you will want to check out the new product Status. Status will give you the same great broadleaf control, but with its new added safener isoxadifen it will improve crop safety. Status will be a great tank mix with Roundup or a great post-emerge product for your conventional corn. If you have any questions or need help setting up a program stop in and talk to Chad or Jason.

Grain Bin Management

Have you pulled grain out of all your bins yet this year? If not, when was the last time you checked your bins? These are some the questions that we routinely ask producers to make sure that they have not went for a long period of time without checking out their bins.

We have seen a wide range in temperatures this year from -8 to 52 degrees above zero in the last 45 days. When the temperature goes up during the day grain in the peak of a bin can start warming up and with moisture condensation will start to form a crust. Once this crust has formed you will not be able to just turn on the fans and take care of the problem you must break up the crust and preferably pull some loads out of the bin. You should then run the fans again during cold weather to help cool the grain down in your bins. Running the fans during cold stretches will cost only pennies while grain going out of condition can be very costly. Everyone's favorite dumping grounds for damaged corn in the 90's was the ethanol plants, they would typically buy damaged corn at little to no discount. Today the area ethanol plants prefer #2 grade corn and some will not even take corn with over 7% damage.

Give yourself some peace of mind and check your grain bins on a regular basis, it only takes 1-2 weeks for grain to go from being in good condition to out of condition.

Parting Thoughts

By Mark Finck

It was just six years ago when I first interviewed with the Board of Directors, for the opportunity to come to Beresford. Some of you may have remembered hearing me say at an annual meeting that when my wife Karen and I first discussed looking at manager openings, that maybe we should look “south”, little did she realize that “south” would become South Dakota.

Looking back at the past 6 years I have some wonderful memories of meeting and working with the members, directors and employees of Farmers Coop Elevator Company. As I look back there have been many changes starting with the directors. Since I became manager we have had 6 members go off of the board Leon Thompson, Jim Carlson, Dale Christensen, Erlin Ellison, Jeri Westra and Norman Erickson. Now I am not sure what to think with the turnover, but hope they felt that the company was left in good hands. With the remaining board members Warren Johnson (President), Norman Rasmussen (VP), Larry

Birgen (Secretary), Terry Jensen, Mike Huth, Mike Nelson and Jason Johnke your company has a board of directors that is focused and committed to making decisions that are in the best interest of the company and members. I have enjoyed working with the directors over the years and have respect for all the directors I have worked with. Your employee group at Farmers Coop Elevator Company is a group of hardworking, dedicated employees. One has only to remember November 8th, 2004 to realize the dedication of the employees as well as the members. The employees worked through countless challenges after the collapse of the silo and dryer to finish the harvest and start the process forward to rebuilding and improving facilities. Just to dispel any rumors, I must tell you the company is financially doing well and has made strides every year over the past 6 on reducing long term debt and strengthening the balance sheet.

In parting I would like to thank all the members, directors and employees for their support, and if you are in Rock Valley stop in and say hello!

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