

# PROGRESSIVE PARTNERS

## Accumulator Grain Contracts!

Farmers Coop Elevator Company is now offering a new series of Grain Contracts called the Accumulator through FCStone LLC. The Accumulator allows a producer to price bushels priced weekly to above the current market, at no up front premium cost, if certain conditions are met. Following is an example of how this program works.

Fixed Futures Price: \$2.80

Knockout Price: \$2.20

Futures CBOT Dec 2006

Pricing Period: 25 weeks (4/21-10/6/2006)

Pricing Day: Friday Close

Bushel Quantity: 6,000 (There is a 1,000 bushel minimum.)

Producer puts 6000 bushels in the program. Beginning on Friday April 21<sup>st</sup> if the close of the market is between \$2.20 and \$2.80, the producer will get 200 bushels priced for that week at \$2.80 December futures. From April 21<sup>st</sup> forward the producer will get 200 bushels priced each week at \$2.80 futures if the market is trading between \$2.20-\$2.80, if the market is not in that range the following happens.

If anytime between April 21<sup>st</sup> and October 13<sup>th</sup> the December 2006 futures trade below the \$2.20 knockout the contract is over. All bushels that have been accumulated up to that point in time are still locked in at \$2.80 but there will be no additional bushels priced.

If the December 2006 futures close above the \$2.80 swap price on a Friday Close then the producer will get 400 bushels priced for that week at \$2.80 (note: the double feature is only on the bushels for that week it does not have any effect on previous bushels accumulated.) By doubling bushels under this contract the producer in the above example could end up with 12,000 bushels contracted if the market closed above \$2.80 every week on Friday from April 21<sup>st</sup> -October 6<sup>th</sup>.

If the market closed for 23 weeks between \$2.20-

\$2.80 and over \$2.80 for two weeks in the contract period before being knocked out in week 26 (when the market went below \$2.20) the producer would have:

23 weeks x 200 bu = 4600 bu    2 weeks x 400  
bu = 800 bu    Total = 5,400 bu @ \$2.80

The bushels are accumulated at a Dec. 2006 futures price of \$2.80 and basis may be set at any time between the start and the end of contract. There is no premium cost to the producer unless he intends to roll bushels accumulated to a Hedge to Arrive contract.

*Program is subject to change without any notice. This data and comments are provided for information purposes only. Commodity Trading involves risk and Farmers Coop Elevator Company and FCStone LLC assumes no liability for the use of any information contained herein.*

## Email Contact Information

Following is the email contact information for staff members at Farmers Coop Elevator Company, Beresford.

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If you have questions or need some information on your accounts and its after hours you may send us an email and we will respond to you as quickly as possible.

You may also check our company website at [www.fceberesford.com](http://www.fceberesford.com), where we post our grain bids, current and previous newsletters, market information, weather, government reports etc... We are always striving for new ways to bring information to our members and welcome suggestions.

## **Chemical plans for 2006**

**By Randy Tornberg, Agronomist**

I was once told that one thing in life that you can count on is change, and, oh yeah—WEEDS. I will let you take care of your personal life, but I may be able to help you with your chemical program for your crops.

There are some changes in our glyphosate world but nothing too earth shaking. We still have Round-Up WeatherMax and OriginalMax available, although some of the Rewards programs have changed. For soybeans you will get \$2.60 an acre back if you have a volunteer corn issue and are using W-Max, for O-Max you will get \$1.30 back.

Monsanto does have a program for RR corn when using harness as a pre-herbicide. Applying Harness at a ½ to ¾ rate then spraying W-Max or O-Max at 22 oz. rates, you will qualify for 22 oz. of W-Max or 11 oz. of O-Max if you need to respray a second time. BASF has a similar program with Outlook for RR corn using 10-14 oz. of Outlook followed by a rate of any glyphosate, they will pay \$5 an acre back for a second treatment of glyphosate.

I am a strong believer in pre-emergent herbicides, they are cost effective and give us greater flexibility when coming back with glyphosates or conventional herbicides. Please remember to follow label directions for all herbicides, including your choice of roundup. Weed resistance to chemicals is often the result of our own ignorance. Case in point—a 4" weed shouldn't reach your knee !!! Also if conditions prevent us from timely spraying there are still things we can do to clean fields up, just ask Randy or Chad for help with tank mixes and rates.

We are going to be trying a new herbicide this spring called Radius, a Bayer product. Actually this product is a combination of Balance Pro and Define. A key feature of this new product is one-pass control for both grasses and broadleaves. If you are interested in this product please visit with us for more information.

We will be distributing a new in-furrow plant nutrient for soybeans called BTN+. This product when applied at 2 gallons per acre has consistently

shown a 9-11 bushel increase in soybeans. If you are interested in learning more on this product (9-11 bushel better !!!) come and see us, we have information about BTN+ at the elevator. Our goal is to get some product in the field this spring and see what BTN+ can do.

If you have any questions please feel free to call us, or stop by and we can visit about new products or your chemical programs. I look forward to working with you in 2006 and in the years to come.

## **Agronomy Notes**

**By Chad Nelson, Fertilizer & Seed Manager**

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.

## Seed Notes:

Seed sales on both corn and soybeans have been good. There are still some very good savings to take advantage of, there is still a 5% cash discount. If you are looking at getting any rootworm corn genetics, supply is getting tight. I have some numbers that are sold out, but still have some good numbers available. Ordering your corn early not only gives you good savings, it can also help you get the seed sizes that you want.

Soybeans this year are averaging in that 2700 to 2800 seeds/lb, a little bigger than we have had the last couple of years. Germination and seed quality look excellent this year. There are a few numbers of soybeans that are getting tight, so placing an order would be good, so that we can get the seed coming. There is a good opportunity for you this year with Cargill and their Vistive soybean program. This is a program that will get you a 40 cent premium for the soybeans, there are some hoops to jump through to get it but can help really help on the profit side. If you have any questions give me a call, I can explain it to you and how the program works. Definitely worth checking in to.

We will be having some meeting coming up, ways to increase your soybeans and some good practices to follow. Booking days will also be coming up, keep your eyes open for the invites. If you have any questions on seed, fertilizer, or chemical programs, please feel free to give me a call. Thank you for your business and see you soon.

## Betting Your “Farming Future” on Price Prediction is Positioning Your Business for Disappointment.

By Stuart Carlson

Believing “**prices are unpredictable**” is a core philosophy of price risk management. A marketing plan built on price management has the potential to be successful year in and year out. **A marketing plan built on price prediction will be risky** to the long-term viability of your farming business.

Why are prices unpredictable? Because unpredictable events occur that change the dynamics of supply and demand. Most of these events are beyond the scope of prediction, such as adverse weather, political situations, economic developments, government policies, etc. Why bother to try to predict the unpredictable?

What is price risk management? It is a “real” management approach that **puts the producer in control of his marketing by using option-based risk management strategies**. These strategies enable producers to participate in a rally if futures prices move higher. It also is a protection against the market going unexpectedly lower. Price risk management provides a protection by providing a guaranteed minimum price while allowing the final price to be determined by how much the market rallies.

One of the **advantages of price risk management is that it manages emotions**. Emotions are one of the biggest risks to prudently managing price. Emotions of hope, greed and fear dominate producer thinking in relation to making sound marketing decisions. Producers hope prices go higher. If they do, there is a natural tendency to want more and then greed sets in. Finally, all market moves end and ultimately break back, and yet hope remains that the market will move back up. Many times, markets move lower and producers fall into the fear that they better sell before the market goes even lower. **Options-based risk management eliminates these emotions and enables unbiased, prudent marketing decisions to be made**. They do so because producers understand they have a floor price that can only improve if the market allows.

The challenge is to build and believe in a marketing plan. We are very fortunate in this industry to have marketing tools available which allow us to manage price before we actually have the product in hand. We are also very fortunate to have tools available that allow us to manage price even after we have physically sold the bushels. How many other types of businesses have this opportunity?

Too many individuals never have a plan and instead only focus on a minority percentage of their bushels using one type of tool. Even if there is success on these bushels, what is the benefit of managing 25% of the crop and ignoring the balance??? There are many “new generation” marketing tools being offered to the grower today, accumulator and premium/offer to just name two. These are good tools to use on a small portion of production, but keep in mind; these tools need to

be managed also. You owe your business a plan on all production that will work well in all situations. Imagine you have to report to a board of directors weekly to defend your marketing plan and current positions. If you would not be comfortable doing so, something is missing.

**Put yourself in control of your marketing success** and enhance the long-term viability of your farming business.

### **Manager Comments** **By Mark Finck, General Manager**

We have been off to a real roller coaster ride in the grain markets through the months of December, January and February with more volatility seen as we wait on planting intentions at the end of March and the involvement of the Index Funds in the commodity markets and energy markets.

We would like to wish Lowell Feucht good luck in his new position with C&R Supply in Sioux Falls, we appreciate all the hard work and efforts Lowell put in while working as the Ag Chem

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Manager/Agronomist.

Replacing Lowell will be Randy Tornberg. Randy, originally from the Beresford was most recently working as an Agronomy Manager for Harvestland Coop in Minnesota. Join us in welcoming Randy to Farmers Coop Elevator Company.

### **Equipment Update**

Your company has purchased a 2004 LoRal dry spreader unit (with a New Leader spinner box) to replace the 1991 LoRal dry unit.

### **Grain Bin Management**

Have you checked your corn and soybean bins lately? With the warmer temperatures in January and again in March you need to be checking your bins to be sure that you do not have any problems starting in your bins. A good rule of thumb when we start seeing the temperatures warm up is to check your bins once a week to make sure there is no crusting or heating of grain taking place. A few minutes a week can save countless headaches.