

Central Farmers INFORMER

Embracing Change

By STEVE DOMM, GENERAL MANAGER



This has truly been an interesting year, and a great one for Central Farmers Cooperative. Your cooperative ended the year with record savings of \$8,325,181 before income taxes. This stands as a testament to the success of the new company. Now the question is, what does the future hold?

A variety of factors all came together in 2008 to make it a stormy year for just about every industry from cars to carpet. Agriculture hasn't escaped untouched. October 2006 was the last time near buy corn futures were under \$3. It took us two years to reach the peak, and only five months to slide all the way back down.

So where do we go following the economic meltdown of 2008? Now is the time to position ourselves to survive and, ultimately, thrive. Our success in that effort will depend on our willingness to embrace change.

No fear

The ag market is an uncertain place, with fuel and input prices and the trials and tribulations of the ethanol industry creating unprecedented volatility. When the economic climate shifts as it has, we have to change the way we do business.

Improving the way we manage risk is crucial to future success. That's true for producer and cooperative alike. We must find better ways to protect ourselves against these wild fluctuations.

At the same time, those wide swings also bring with them great opportunities. This is not the time to fear diversification. Instead, we need to aggressively pursue avenues that enable us to become smarter and stronger in our core business areas of grain, feed, energy, and agronomy.

Change and growth is not new to us. We have had to do both as the patrons we serve continue to change and increase the size of their operations. Equipment grows larger and crops come out faster, and we have had to gear up to provide the necessary level of service. If we've learned nothing else, we have learned that what is working today probably will change by tomorrow.

There is much good news for agriculture, even in these trying times. Bioenergy is far from dead, and world demand for food grains and meat continues to grow. Agriculture has always been cyclical, and we will tighten our belts and make it through. By making change work for us, we'll emerge on the other side as a stronger, smarter, and more capable partner for our patron owners. ■

*Increased capacity helps us
manage change.*



January 2009

The Elephant in the Room

By MIKE HEALY, AGRONOMY DIVISION MANAGER



It's the topic everyone wishes would just go away—how quickly the fertilizer market has gone upside down. The swing we've seen in this market is unprecedented in my experience. Everyone wants to know where prices are ultimately headed. I wish I could tell you, because that would make the coming spring a lot simpler.

Here's what we do know: nitrogen prices are cut in half from what they were a few months ago, phosphate prices are falling at a much slower rate, and potash is stable. Will they go lower? That is the tendency this time of year under normal conditions, but these are not normal times.

We recognize farmers in our area are holding off on input purchases waiting to see what the market will do, and that will make for a very tight spring, both in terms of product availability and application services. This will be an issue across the nation, as manufacturers have already shut down their production facilities because they are full with unsold product. Moving all of that product in the spring will put a strain on the transportation network.

For us, spring will be further complicated by the fact that our late harvest sharply reduced our fall application season. That work will now have to be done before the growing season.

Now what?

With all of that in mind, we've taken some steps—and will be taking others—to address the fertilizer situation. First, we have purchased two more dry floaters and the tendering equipment to serve them. We've also hired two more applicators and are looking for a third.

The industry is changing how fertilizer is priced. We are seeing

fertilizer being moved more to a commodity-priced product, such as grain. That means we will, in the future, see daily, if not hourly, changes in pricing. I like this concept because it will allow us to always give you a price for a delivery period. So, if the grain market gives the opportunity to lock in a profit, you can also protect your input price.

Every year presents new challenges, and this year is no different. If we can get product, we're well-equipped to handle it in terms of staff, equipment, and capacity. Don't wait too long to line up your input purchases.

In other news

Fertilizer isn't the only input of concern. Currently, it appears that crop protection product pricing wants to stay flat. Glyphosate availability is in question, with mixed information on availability. Seed, on the other hand, looks to be readily available, though it's always best to act early to get the numbers and sizes you want. The best way to get through all this is to talk to your agronomist regarding specific crop protection and seed choices.

The good news from all this is, in many cases, we can run everything through the crop input calculator and still make it work. Opportunities for profit are still there for those who know their cost of production and have a solid plan. And for those of you who wonder if your prepay dollars are safe with Central Farmers Cooperative, I want to assure you that they are. We are in a very strong financial position.

In closing, I'd like to welcome Heath Kurtenbach, who has joined us as an agronomist out of our Marion office. You can read more about Heath below.

If you have any questions or concerns, or haven't been contacted by one of our agronomists about your plans for 2009, please get in touch with us. ■

A Good Fit



"It's as close as you can get to farming without actually doing it." That's how Heath Kurtenbach describes his work as an agronomist for Central Farmers Cooperative. The Dimock native joined

us in November, and he has adjusted quickly to his new surroundings.

"I really enjoy it here," Heath notes. "I work with good people, and this is a progressive organization serving a progressive group of farmers."

Heath grew up on the farm, and his work in the cooperative world began while he was earning his ag business degree at Mitchell Technical Institute. He worked for CHS in Mitchell when he wasn't in class. After graduation, he worked as a district sales manager for Legend Seed

for five years, then for Agland Coop in Parkston.

"Working with the growers is what I enjoy most," Heath says. "When you have a grower tell you your recommendations hit everything just right, that's a great feeling. I'm here to help, and I just want the chance to earn their business."

Editor's note: Heath likes to spend his free time with his daughter Liberty, 1½. He also enjoys hunting and riding his horses on Sundays. He and the horses also head to the Black Hills once a year. ■

Taming Risk, Seizing Opportunity

By MATT ASHTON, GRAIN DIVISION MANAGER



Since this is my first article as the new grain division manager here at Central Farmers Cooperative, I would like to begin with a brief introduction. I'm originally from Clinton, Iowa, and I graduated from Iowa State University with a degree in ag economics.

I've met some of you since I've arrived here, and I look forward to getting to know even more of you and working together with you on marketing solutions.

Knowledge is power

It's generally true that risk and opportunity go hand in hand. When it comes to managing one and taking advantage of the other, knowledge truly is power. To manage risk and volatility, it is essential to know your breakevens. Then, you need to put

together a plan to lock in a profit on your grain sales.

We want to be your partner and work with you to develop the key strategies you need to manage risk in today's marketplace. Please contact our agronomy team to help with your production breakevens, then call on our grain team to assist you in developing a marketing plan.

Quotes by phone

For those of you who are interested, we are now offering grain market quotes via text messaging. To sign up, go to our Web site, www.cenfarmcoop.com. Also, if you need trucks to pick up your grain, call Wendy at our Marion location.

Thank you for your patronage, and your patience, during the extended harvest. We appreciate your support. And a big thank you to all of our employees for the extra hours spent away from their families during the fall rush. ■

Riding the Roller Coaster

By DEAN KOCH, ENERGY DIVISION MANAGER



As wild as the ride has been with commodity prices in recent days, the trip the energy complex has taken is even more improbable. Who would have

thought we would see crude oil prices drop more than \$100 in such a short period of time.

While good news at the pump, this sharp drop created problems for energy retailers, who had contracted and inventoried higher priced fuel. Many suffered significant losses in order to stay competitive in the market.

Despite improved prices across the board, the current market survey still shows shortages of diesel fuel at pipeline terminals, particularly #1 winter diesel.

Lock it in

It does appear this is the time to look at your needs for spring. That could mean filling your barrel or contracting some gallons if you need some end-of-the-year tax help. Propane has been under the same price pressure as refined fuel, and it's good to see these prices retreat to the levels we're experiencing now.

Our new RFD system is on track to get started early in 2009. We have already seen where the program would have been really beneficial through harvest this year if we had been up and running.

Cody or I will be in touch with you to sign contracts and install monitors for the RFD system in the near future. If you have questions, you can always call either of us and we'll be happy to answer them.

Thanks for your business, and I hope this new year is a great one for all of you. ■

She's Not in Kansas Anymore



As the headline might indicate, Central Farmers grain originator Patrice Howley hails from the Sunflower State. She grew up on a farm near Scandia, Kansas, in the north central part of the state. She received her ag business degree from Kansas State University in 2006 and has been originating and merchandising grain ever since.

Patrice joined us in October, after having worked at a cooperative in Kansas and then, most recently, with Aurora Cooperative in Nebraska. So far, she likes the transition.

"I've got the best of both worlds," she states. "I'm living in Sioux Falls, so I've got the city, and I get to work out in the country. I also feel like I'm learning every day, and I love that challenge."

Part of her learning curve involves getting to know the customers she deals with every day. That is critical to success in her position, according to Patrice.

"To do my job well, I think you have to understand where the farmers are coming from and what they're thinking, and be very knowledgeable about market conditions," she explains. "Then you bring those two worlds together and keep everyone on the same page. That helps our producers market their grain, and that is the bottom line."

Editor's note: Patrice is looking forward to checking out area lakes when summer rolls around. A weekend volleyball league provides a recreational outlet during the not-so-warm months. ■

Concentrate on the Cows

BY GARY HUBER, FEED DIVISION MANAGER



With calving roughly 90 days away, now is the time to focus more attention on your cows. Many of you have your cows on corn stalks or are feeding poor quality roughage with a protein source for a low-cost ration. Now it's time to boost the nutritional levels, paying particular attention to minerals.

We have some great breeder minerals available from both Hubbard® and Purina® Land O'Lakes®. If you're considering tubs, there are two new products in the Hubbard Crystalyx® line—HE 30 and Phos-Lyx™.

Designed to supplement crop residues low in protein and digestibility, HE-30 provides high levels of protein and energy, as well as moderate amounts of minerals and trace minerals. Phos-Lyx contains the phosphorous and trace minerals needed by cows in their 1st and 2nd trimester. Contact us if you're interested in either of these tubs, or any of our other mineral products.

Feeders, too

With the price of both corn and feeder cattle dropping, more of you are keeping your calves longer and feeding them yourselves. That's where the IM (Intake Modifying) technology program from Purina and Land O' Lakes can really work for you. The IM feeds cause cattle to self-limit their intake, consuming multiple small snacks daily. This optimizes nutrient flow to the digestive system, improving feed utilization and overall cattle performance.

We're seeing a lot of this feed technology in area feedlots. It's a good fit if you're thinking of growing out your calves. Get in touch with us to learn more about IM technology and how it could fit your feeding program. ■

Performance, a Harvest Highlight

BY TROY WOITZEL, OPERATIONS MANAGER



It wasn't pretty, but the harvest of 2008 is finally complete. Rain and snow strung everything out, but we were able to mud through it without significant equipment failures at any of our locations.

Our Salem expansion paid off this fall. The new equipment worked well there, and we received much positive feedback from producers and our employees. Wet corn meant a lot of drying and long hours for our staff throughout the system. Thanks to all of you for putting in the time to get the job done.

We're hoping the trouble-free performance we turned in this fall will become a regular feature, thanks in part to a new electronic preventative maintenance program we've put in place. All of our equipment is entered into the system, with maintenance dates entered according to the manufacturers' specifications. The system then generates an e-mail when a particular maintenance function is due. When the maintenance is completed, the location manager hits the "complete" button.

The ultimate goal is fewer breakdowns. I get the sense that the system already paid off this fall, but we'll know for sure further down the road. As a final word on facilities, the Marion fertilizer expansion is complete and in use. With a total capacity of 42,000 tons, the larger structure will help us maintain adequate inventories.

Just a reminder to take care as winter weather conditions have come to stay. We work to keep our sidewalks and surfaces salted and sanded for safety. Take the same kind of care when you're headed out into poor conditions when icy, snow-packed roads make travel questionable. ■

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