

Central Farmers INFORMER

Coming Full Circle

By STEVE DOMM, GENERAL MANAGER



The big news is no surprise to anyone who has been reading the papers or listening to the local news—Central Farmers Cooperative is back in the ethanol business. With the purchase of the Marion ethanol facility and the creation of NuGen Energy LLC, we have, in a sense, come full circle.

This cooperative and its members formed Millennium Ethanol LLC in 2006 to build and run the Marion plant for one primary reason—to create demand for our patrons' grain. The jobs, economic development, and tax dollars generated by the plant were also welcome benefits.

In 2007, however, we saw the industry changing. We felt an affiliation with a larger company would provide needed stability as the industry evolved. So in June of that year, Millennium Ethanol was sold to US BioEnergy, which later merged with VeraSun® ENERGY.

What no one could anticipate was the meltdown that hit the industry, as crude oil went from \$145 a barrel to less than \$30, and corn fell from \$8 a bushel to \$3.50.

A new direction

Even before the tough times hit, we felt some segments of the industry had lost their direction. Our conviction was, and is, that the business should be about staying power—buying corn and producing ethanol for the long term.

So when VeraSun declared bankruptcy, we felt strongly that the plant needed to run. But first, two things had to happen for the deal to be concluded. First and foremost, we wanted to make sure all corn delivery contract holders were offered some compensation for the difference between the price of corn under their delivery contracts with VeraSun and the current price of corn.

Secondly, we had to negotiate financing terms that would provide for the long-term viability of the plant. We believe we achieved both of these objectives.

Looking ahead

Once again, the Marion plant is up and running and back in the hands of local farmers, because Central Farmers is owned by the producers we serve. A viable ethanol plant here means a 15¢ per bushel boost for corn prices in our region. In my mind, that's exactly what a cooperative is supposed to do—add value to the patrons' product.

Change is inevitable, but growth is optional. We want to manage change to promote growth. In these challenging times, that means focusing on our core businesses—grain, agronomy, energy, and feed—and doing them better than anyone else. NuGen Energy is a great fit with those core businesses.

As always, please feel free to talk to me about any questions with the acquisition or any aspect of your cooperative. ■



September 2009

Reason Returns to Input Pricing

By MIKE HEALY, AGRONOMY DIVISION MANAGER



Much to everyone's relief, fertilizer pricing has moved more in line with commodities—although we do wish crop prices were higher. In my opinion, nitrogen and phosphate prices have likely hit their lows, while potash may have a little room yet to move down.

Though we've seen some relief, inputs are still a critical part of your profit equation. To help you get a better handle on production costs and manage your risk, we recently introduced a program that enables you to forward contract fertilizer for fall or spring at the same time you contract your grain. A number of our producers have already benefited from the ability to lock in prices to maintain a per-acre profit margin.

Some of those same growers are also making the best use of their inputs by using our CMT variable rate program. Precision sampling and application places nutrients where they can deliver

the maximum return on your fertilizer investment.

One final word about fertilizer. I anticipate that lower prices will translate to more fertilizer acres applied this fall, weather permitting. That's good, because fall application was cut back in some areas due to price last season. It's not a good idea to back off two years running and mine the soil, because yields will suffer at some point.

Corn coming at you

I've been working with our sales staff to evaluate the hybrids in the field this year. It looks like we could have a very good corn crop coming our way. We'll see if we get some heat late and a long fall to make up for some of the GDUs we lost on the front end of the season.

I hope you had a chance to visit one or more of our plots during our plot tours. If you missed out and are interested in a private tour, we'll be happy to oblige. Just get in touch with one of our agronomists. ■

Getting Ready for the Rush

By MATT ASHTON, GRAIN DIVISION MANAGER



Summer has flown by. With the wheat harvest behind us, we're looking ahead to what you and our agronomists agree looks like a big crop this fall. Thanks to all of you who chose Central Farmers to handle your wheat this summer.

Now we're planning and preparing with a bumper harvest in mind. With the market anticipating a large corn and bean crop nationwide, it's a good idea to place any open offers you're considering with us so we can ensure your grain gets sold if you're busy in the field.

As we get closer to harvest, our fall harvest policies will be posted on our Web site, www.cenfarmcoop.com, as will opportunities to market your grain. We feel confident that we will be able to handle the large harvest and look forward to serving you.

Ethanol opportunities

Central Farmers is very excited to work with NuGen Energy LLC to help secure the corn needed for the Marion facility. Though Central Farmers will work as a buying agent, all contracts and checks will come from NuGen.

If you want to check bids and other information about NuGen, there is a link to their Web site on the Central Farmers site. Please call the Marion office and talk to one of our merchandisers if you're interested in selling to NuGen. ■

Safety First This Fall

By TROY WOITZEL, OPERATIONS MANAGER



Harvest season brings with it a change of pace, some new faces, and a need to think about safe operating procedures. When the stress levels go up and the days get long, it's easier to make a mistake.

There are a few basic rules we've put in place to protect our patrons and employees at Central Farmers facilities. First, we ask that no

one use their cell phones on the property when delivering grain. And, since the first of the year, we have a no-smoking rule at our facilities as well. The first rule minimizes distractions and delays, and the second is due to the fact that there are a number of hazards common to our industry that don't play well with fire—grain dust being one of them.

At harvest, we'll have some seasonal workers at the co-op, as will many of you. We take our temporary employees through a short safety training program. That might not be a bad idea for your on-farm help as well.

Every fall, we have some drivers heading the wrong way on the lot. We recommend making a run with new drivers before harvest to familiarize them with any facility they may haul to. Also, please note that producers will begin using the eastern entrance to our Marion facility when harvest begins.

With the size of the corn crop we're anticipating, we will probably have some ground piles and be dumping at augers at some facilities. Please be patient and know that we are doing everything we can to keep you moving. ■

Born for the Job

A lifetime of livestock experience coupled with a business education makes Jeff Jorgenson a perfect fit for the position of Feed Division Manager at Central Farmers. Jeff joined the co-op staff in March. Prior to that, he managed a 55,000-head beef confinement operation in Nebraska.

“I’ve been working with livestock all my life,” Jeff notes. “I was born and raised on a 12,000-acre diversified farm and ranch operation north of Billings, Montana. After high school, I worked there for 12 years before taking the Nebraska job.”

Jeff also earned a B.S. degree in business with an emphasis on accounting from Montana State University, and that gives him a unique perspective on the livestock industry. There are a few reasons he

chose to bring his talents to South Dakota.

“Location and quality of life were a couple of the factors, but the vision this organization has was the big draw,” Jeff notes. “I believe there is a great opportunity for the livestock industry to grow in this area, and I’m confident that Central Farmers can play a major role in that growth in southeastern South Dakota.”



Editor's note: Jeff, his wife, Danelle, and their two children, son Reece and daughter Haley, make their home in Sioux Falls. Jeff's office is located at the Montrose feed mill. ■

Don't Skimp on Supplements

BY JEFF JORGENSON, FEED DIVISION MANAGER

It's an easy mistake to make. With the abundance of forage we've enjoyed this year, you may be tempted to cut back—or eliminate—your supplement program. That would be a mistake for a couple of reasons.

First, pastures could go south in a hurry if we get some heat in August and September. Second, supplements do a lot more than simply stretch your feed supply. They're designed to be used with quality forages to create a better feed and fill in the nutritional gaps that exist even with great forage.

It's tough to play catch up when it comes to nutrition. The best—and most cost-efficient approach—is to stay on top of needs. It takes precious time to catch a portion of your livestock up nutritionally while properly handling the rest.

Structuring for service

With the consolidation of grinding and mixing operations in Montrose, we've gained bulk storage capacity. Buying in bulk has made us more cost competitive, especially in terms of base production for dairy feeds.

Customers can still place feed orders in Freeman, and you'll experience no change in transportation cost if you're in the area. We calculate the cost from Freeman, not from Montrose. We've also worked with the grain division to enable producers to bring their grain bank corn into any outlying location, so you don't have to physically deliver to Montrose.

We now have two full-time salespeople on staff, and we've added the services of a

Land O'Lakes® dairy nutritionist. Our sales staff can help you contract commodities for your feeding program, and we're following the market—not our cost—when pricing those commodities.

Expensive feed doesn't come from a commercial feed mill. Truly expensive feed is feed that costs you in animal performance, and that results from substandard ingredient procurement and poor risk management. If you want an excellent product that incorporates your own grains without the capital investment of a mill, consider Central Farmers. We're committed to manufacturing quality feed that performs for you. ■

New Addition to Energy Division

Though he's new to the position of Certified Energy Salesman, Gregory Dufault is no stranger to Central Farmers Cooperative. He's a nine-year co-op veteran, most recently serving as the manager of the Canova department prior to the sale of the Canova lumber yard and station.

Born and raised in rural Crookston, MN, Greg grew up on a 1,000-acre small grain farm. He graduated from the University

of Minnesota, married his high school sweetheart, and started his career with the cooperative system with Cenex,® in Climax, MN. During his career, he served as general manager for co-ops in Mott and Ellendale, ND, and Orient and Howard, SD.

“I look forward to working with our patrons as a Certified Energy Salesman,” Greg comments. “We have so many quality products and programs, like the Total

Protection Warranty program, that bring value to our patrons. My goal is to present our energy options, anticipate customer needs, and exceed their expectations.”

Editor's note: Greg and his wife, Mary Kay, have two adult children, Misty and Sean. Though he spends a lot of his working hours in the country visiting patrons, his home base is the Salem location. ■



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The New Normal

BY DEAN KOCH, ENERGY DIVISION MANAGER



On July 31 Central Farmers Cooperative wrapped up another fiscal year, and what a year it has been. From \$115 per barrel price swings on crude to

cooler than normal winter, spring, and summer seasons in the face of global warming, nothing has been normal. I think we need to figure that this is what the new "normal" might look like.

Change is the order of the day for

the energy division. In the past year, we've moved to RFD delivery, sold the Salem C-Store, and are in the process of installing the Cenex® ID package and reconfiguring the pumps at the downtown Salem station. We've also hired a new energy specialist, Greg Dufault. You can read a bit more about Greg on page 3.

Cold is coming

It feels like we're finally starting to warm up, but winter will be on us before we know it. We are in the process of doing propane summer fill to get everyone ready for the next season. When our

drivers come out, they're also checking your regulators to make sure they are up to date.

It looks like we can expect to be doing some drying this fall. We have prepay and contract prices available for drying and home heating needs, so give us a call.

We've seen a hike in fuel prices of late driven primarily by improving economic conditions. However, inventory levels are still very high for all energy products when compared to a year ago, so I would expect prices to soften somewhat down the road.

Thanks for your business, and please give Greg or me a call with questions on products or prices. ■



The Salem C-Store has been sold to a local buyer.