Solid Results Open Doors to Opportunity

By Steve Domm, General Manager

Ah, the speed of a seasonal change in South Dakota. One month ago, the high was below zero, and today we're spreading fertilizer in our shirtsleeves. It's exciting to get the 2014 production season underway.

I'm happy to report that seven months into our fiscal year, your coop is showing an increase in local profit of $900,000 over the same period last year. With a good spring, we should be setting the stage for a solid financial performance this year.

Strengthening our foundation

With strong financial results comes the opportunity for continued capital improvements, and the board has approved several projects for this year. The first is a new chemical building in Marion, which will dramatically improve logistics for our custom application division as well as service efficiency for our patrons. We've been operating in our current facility since the '90s, and the change was necessary to meet the demands of this rapidly growing aspect of our business.

Also in Marion, we're adding a dust collection system and an automation package to our grain terminal. The dust collection system is another step we're taking to create a safer working environment. The automation system is wireless, and will allow us to run elevator operations from any location—a real asset during busy periods to help ensure grain is flowing to the correct bins and prevent commingling.

Last year, we added two 500,000-bushel ground piles in Dimock. This year, we will lay asphalt under both and add walls and aeration, increasing the capacity of each to 800,000 bushels and enabling us to keep grain in better condition. That, in turn, gives us the freedom to ship that grain when the market is most favorable, not when conditions force us to.

Altogether, we’re looking at $3.8 million in capital improvements. We'll continue to make these for two reasons—customer service and safety, both of which are a constant focus at all times.

Industry challenges

This winter has brought some serious challenges to the grain industry. A stronger than expected economic recovery coupled with the demands of the Bakken oil development and severe winter conditions have resulted in shortages of both rail equipment and crews. The effects have been felt by nearly every sector—grain, energy, and intermodal. For the American farmer, the impact has been a basis that is roughly 50 cents wider than the historical averages for this time of year.

The good news is that the problem is fixable. The bad news is it will take time, as the railroads will have to build parallel tracks and add crews, both of which they are committed to accomplishing.

A second issue is the ongoing release of certain GMO corn traits that have been approved by the U.S. but not China and the European Union. Unfortunately, the companies that release these traits place 100% of the liability on the producer and the grain handling companies. That leaves us no choice but to reject all grain that contains any of these unapproved traits. If you have questions regarding this issue, please contact us. See more detail in Matt Ashton’s article.

New opportunities

I'm happy to announce that Central Farmers has entered into a 50/50 partnership in Ranek Ag, LLC, located in Tyndall, SD. We're honored that Ranek Ag principals Justin and Jesse Ranek gave us the opportunity to be part of a great up-and-coming agronomy business. This partnership allows your cooperative to expand our trade territory, providing greater advantages of size and scale when purchasing inputs. Ultimately, our entire patron base benefits, and we're excited to be a part of this new venture.

Until next time, be safe.
With $4 dollar corn and profit per acre down a bit this year, this may not be the year to experiment. Follow the practices that have delivered results in the past, and stick with the products with a proven track record. Don’t take too many shortcuts, as you need bushels even more in a year when per-bushel margins are lower.

For example, don’t skimp on weed control. With more resistant weeds appearing every year, you need to use a preplant or pre-emergence product, especially in beans. Weeds that emerge with your crop can steal bushels in a hurry, and you can’t rely on post-emergent applications alone to control them.

Treating you well
To handle our growing demand for treated seed, we’ve added four bulk seed tanks and a true state-of-the-art seed treater in Dimock. Stop in and take a look when you’re in the area, as it is one of the nicest seed treatment facilities in the state. We also added new bulk tanks at the other end of the building to hold starter fertilizer.

In Marion, we’ve continued to increase capacity, adding a second fertilizer loadout tower at our hub. The large bin is divided into eight compartments, so we can have eight loads mixed and ready to go when trucks show up. That keeps us ahead of the game and gets product to your field more efficiently.

While we’re on the topic of fertilizer, we’ve seen prices rise recently. The number one reason is transportation issues. The capacity issues facing the railroads are well documented, and the result is a 30- to 45-day lag in car deliveries. Heavy ice and a slow warm-up also delayed the start of barge movement by 15 to 20 days. These are the conditions that highlight the value of our fertilizer hub. If you’ve lined up fertilizer elsewhere, make sure the product you’ve signed up for is available.

Finally, make sure you have a market in the fall for the seed you’re planting this spring. With hybrids on the market that have not been cleared for export to China, you could face problems finding a home for your grain at harvest.

Spring Focus on Cows, Calves

It’s been an interesting calving year, to say the least. With the weather on the upswing, it’s time to put some economical pounds of gain on your calves with creep feed. We’ve secured an ample supply of high-quality 14% creep feed at a good price, and we are ready to start booking your needs today. I believe creep feed prices will be higher this summer based on the market and the current price of ingredients. I would get your order in early to take advantage of our booking price.

We can also medicate your creep feed with Bovatec®, Aureo/Bov, or Rumensin®. If you need creep feeders, we have them available for sale or lease on a first-come, first-served basis. Once they’re gone, they’re gone.

For those cows that just came through calving, it’s time to think about breeding and breeding minerals. Of course, we can incorporate CTC and/or Altosid® for fly control. We also have hi-mag options to combat grass tetany. Let us put together a mineral program for you using our own top-quality Grazer’s Choice line or any of several other mineral options. Don’t overlook one of the most important—and most affordable—components of your livestock nutritional program.
It’s been a long, cold winter, and those five months we spent in our snug temporary home made it seem a bit longer. Now, however, we’ve moved into our new facility, and we appreciate the extra room even more. The transition is still underway, but we’re settling in and ready for spring to show up and stay a while.

We appreciate your patience during the construction. I believe this facility is a great addition and huge asset to our company and the Salem community. The benefits will be evident right away. We plan to hold an open house after the rush of planting season, so watch the paper and your mail for an announcement.

Flatten the peaks
With the cold weather, we all saw the big spikes in propane prices. I can’t think of a better illustration of why we recommend our budget plan, which will be starting a new cycle in May. It’s a great way to avoid those nasty mid-winter surprises. Prices may not be quite as low as last year, but they still look a lot better than $4 propane.

Planting is underway, and as diesel demand increases we frequently encounter short-term supply issues caused by the logistics of getting product through the pipeline. Watch your tanks and keep them full.

Remember, take your time and have a safe planting season.

Energy Division Enjoying New Quarters

By Dean Koch, Energy Division Manager

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Treat Grain With Respect

By Tim Hueschman, Health, Safety, and Regulatory Director

I know I sound like a broken record at times, but until the problem disappears I’ll keep focusing on bin safety. With a large portion of the abundant and high-moisture 2013 harvest still in storage on area farms, I’m concerned there will be some quality issues in these bins. We had a similar situation in 2010, the year we saw a spike in engulfments on the farm and in the grain handling industry. If you have to enter a bin to address quality issues, the following safe entry procedures will be paramount. Once again, here are the key points:

1. Keep children out of grain bins, beds, and wagons at all times.
2. Turn off and lock all powered equipment associated with the bin, including augers and conveyors, so that grain is not moving into or out of the bin.
3. If you have to enter a grain bin, enter with a rope and safety harness. It is always advisable to have a second person observing when you enter a bin.
4. Don’t count on someone outside the bin to hear your shouted instructions. Equipment noise may block out your calls for help.
5. Never attempt a rescue by going into the grain yourself. Call 911. Your local emergency team has the training and equipment to do the job safely.

If you have any questions, you are more than welcome to check with us. We are well versed in the industry’s best practices, and we take a strong approach to training our employees on safe grain handling procedures.

SPCC plan still required

In early discussions of the new farm bill, there was talk of including exemptions for farmers from the SPCC regulations. However, no exemptions were included in the final bill signed by the president. So, anyone with on-farm storage of more than 1,320 gallons of petroleum-based products needs to have an SPCC plan in place. Congress is currently considering a new law to exempt agricultural producers, but there is no guarantee that anything will make it through the legislative process. For now, it’s business as usual, so be ready. Visit the EPA website for detailed information on SPCC.

We came through the winter with no serious accidents, a tribute to how serious our employees are about creating a safe work environment. As we enter one of the busiest seasons of the year, it’s easy to lose focus. Consider the consequences, and take the extra time needed to operate safely this spring.
Battle for Acres Favors Beans

BY MATT ASHTON, GRAIN DIVISION MANAGER

The March 31 and April 9 USDA reports gave the market a lot of information to digest regarding the old-crop U.S. and world supply as well as the anticipated 2014 new crop. According to the March 31 report, corn acres are projected to be down 3.674 million acres, while bean acres are anticipated to increase by 4.96 million acres. Wheat is expected to lose about 340,000 acres. U.S. grain stocks are up substantially in corn, pretty much unchanged in beans, and slightly lower in wheat compared to last year.

There are many other factors influencing the current market that bear monitoring. They include world and U.S. weather, planting progress, harvest progress in South America, global politics (Ukraine, Russia, Crimea, North Korea, etc.), fund and spec market positions, and transportation issues. Each of these has a direct impact on the local cash market for your commodities.

Rail snags
There has been quite a bit of talk over the past three to six months about railroad transportation issues. We have not been immune to the effects of this issue. We continue to work on a daily basis to get trains to our facilities in Lyons and Marion to move grain we have sold to market destinations. Currently, we are running anywhere from 5-15 days behind on car placements to our facilities. This has a direct impact on basis and the logistics of receiving grain at each of our facilities. We will continue to work with BNSF on this issue as they hope to improve their service times this summer.

Not all seed equal
Please make sure that the seed corn you are planting this spring has been approved for all export markets. There are quite a few varieties from many different seed companies that have not been approved for export into China. If you question whether your seed variety has been approved or not, be sure to ask your seed dealer. We will be spot-checking at all our locations this fall to make sure we are not receiving any unapproved varieties. These loads will be subject to rejection. As a company, we will load nearly 25 million bushels of corn by rail, the great majority of which is headed for export to the Pacific Rim. Importers there are testing for these traits and rejecting corn and DDG vessels. Central Famers Cooperative and Fremar LLC cannot risk having trains rejected due to contaminated or unapproved grain.

I hope that everyone has a safe and prosperous spring and Mother Nature blesses us with another bountiful crop. Please be safe this spring and, as always, thank you for your patronage.