	FARMERS COOPERATIVE ELEVATOR CO.	Hanley Falls: 507-768-3448 800-626-2510 South Elevator: 507-768-3602 Cottonwood: 507-423-5412 Feed Mill: 507-423-6235 800-423-6230 Elevator: 507-423-6489 Hardware Store: 507-423-6231 Echo: 507-925-4126	Elkton, S.D.: 605-542-2941 Ghent: 507-428-3255 Granite Falls: 320-564-3834 Minneota: 507-872-6134 Minnesota Falls: 320-564-3835 320-765-4100 Montevideo: 320-269-6531 Taunton: 507-872-6161
	P.O. BOX 59, Hanley Falls, MN 56245 P.O. BOX 108, Cottonwood, MN 56229 E-Mail: fce@mvtvwireless.com Web Site: www.farmerscoopelevator.com	APRIL 2005	

From the manager:
'04 a landmark year for FCE

By SCOTT DUBBELDE

We hit many new landmarks at Farmers Cooperative Elevator Co. in 2004, including a new high for earnings. FCE earned \$1,108,626 on sales of slightly less than \$110 million last fiscal year.



By Scott Dubbelde

This was in spite of the spikes in energy, which added \$482,453 to expenses over and above the previous year's cost. We distributed \$416,069 in dividends back to our members at the annual meeting.

Additionally, we continue to make payments on equity retirements.

If you turn 72 years of age in the Echo area, 75 in the Cottonwood area or 76 in Taunton, Minneota or Hanley Falls by March 31, you will be paid in that year. We plan on getting Taunton, Minneota and Hanley Falls to age 75 in the near future. Also, estates are paid when submitted.

These combined payments to our members total more than \$600,000 for fiscal year 2004. We were able to do this because of your support.

But financial success is only one measure. This fluctuates from year to year, and is highly dependent upon the markets. A truly constant measure is the important decisions made by your staff that impact the bottom

SCOTT - CONTINUED ON PAGE 4



Your 2005-06 Board of Directors

Steve Doom of the Cottonwood area was elected to the Farmers Cooperative Elevator Co.'s board of directors at the annual meeting Friday, March 18. Gerald Peterson of the Minnesota Falls area and Stan Knutson of the Taunton area were re-elected. Your 2005-06 board and officers includes, from left, back row: Wes Cole, secretary-treasurer; Stan Knutson; Dan Stevens; Steve Doom; and Mark Vandelanotte, president. Front row, from left: Dennis Heggseth; Gerald Peterson, vice-president; Paul Enstad; and Paul Kvistad.

FCE board worked overtime in '04

By WAYNE LOUWAGIE
 Retiring FCE Board President

Your board of directors put in some overtime last year.

In a normal year, we have 10, maybe 12, board meetings. Last year, we had 25 official board meetings. Out of those, only two members missed one meeting. Three of these meetings were in the midst of harvest.

Just after last year's annual meeting, the board met with the Glacial Lake Energy board to finalize the corn procurement agreement with FCE. Glacial Lakes is the management arm for the Granite Falls ethanol plant.

Out of that meeting came an

agreement with FCE to be the exclusive provider of corn for the plant.

This plant will utilize 50,000 bushels of corn — every day, 365 days a year. This is 16 million bushels of corn a year. This contract will allow FCE to add an ethanol bid to its marketing system, along with a rail bid and feed mill bid.

It enables us to expand our Minnesota Falls location and added an incentive towards the purchase of the Montevideo location. We will be building a new 500,000-bushel bin and a second dump at Minnesota Falls. Montevideo has approximately two million bushels of storage.

The Montevideo purchase also expands and protects FCE's trade territory. Because of its location on Hwy. 212 and the TCW Rail Line, Montevideo will be able to deliver corn to the Granite Falls ethanol plant.

Early last fall, the board decided to build a new office at Hanley Falls.

WAYNE - CONTINUED ON PAGE 2

Movin' on up will mean slight delays

We will be moving into our new office at Hanley Falls Monday, April 4.

This move includes installing all of the computers, which means we will not be able to issue grain checks or search for grain or account balances. We will be back in operation Tuesday, April 5.

Patrons will be able to sell grain and transact any other business.

Thanks in advance for your patience and understanding.



Retired from board

Wayne Louwagie (right) retired from the board of directors at the annual meeting after 15 years of service. He's held several offices on the board, including president this past year. He is shown here with Mark Vandelanotte, the new president for the 2005-06 year, presenting him with a watch in appreciation of his service on the board.

Wayne - CONTINUED FROM PAGE 1

This project has been delayed for several years.

The building consists of seven offices, a conference room and some much-needed storage. The offices will allow the staff privacy and eliminate the turmoil often experienced in the uptown office.

Among the many important issues the board faced last year was the theft of grain by an employee. The loss was



In appreciation of the amount of time General Manager Scott Dubbelde devoted in getting the Granite Falls Ethanol Plant off the ground — and the time away from his family — the board of directors presented his wife, Diane, with a framed Terry Redlin print. The presentation is being made by board member and treasurer Wes Cole.

uncovered after several spot grain measurements.

The case has slowly proceeded through the courts.

In the civil action, FCE has received a deed on farmland and a sales agreement has been reached. This balance,

along with insurance, allowed FCE to recover nearly 100 percent of the loss.

We have established some new policies and tightened controls.

We will work together to make certain all possible prevention and control measures are in place and monitored.

Feed Mill continues to show strength

Keeping up with your demands is keeping us busy at the Feed Mill.

Our Feed Mill again showed growth in tons ground, mixed and delivered. We now operate three feed delivery semis full time.

To give you some idea of the size of our operation, we grind between 8,000 and 10,000 bushels of corn every day. The addition of 450 tons of soybean meal storage last year was a big factor in improving efficiency and holding down costs.

This year we're looking at an automated feed system.

The Berkshire program remains successful, with approximately 3,200 sows in the area now among 30 producers. We are looking for more producers.

The Consolidated contract for our commercial producers is still in place and we're talking with John Morrell about different options in this program.

By
Gene
Goldenstein
Feed
Department
Manager



We'll keep you informed as new options come on line.

We are constantly trying to find ways to be more efficient and keeping costs as low as possible so we can pass those saving on to you.

Open communication is a key ingredient of any successful business. We are as near as your telephone and our door is always open. If you have any questions, concerns or suggestions, please share them with us.

Thank you for your support. We will do our best to continue to earn your business.

Robust sales at hardware store

By CAROL KOMPENIEN
Hardware Store Manager

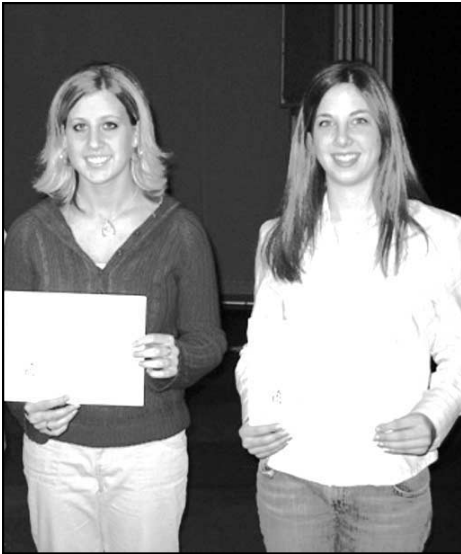
The FCE Hardware Store at Cottonwood had a very good year in 2004.

This was the first full year since we remodeled the store and added space. All has worked out well.

Our sales increased 20 percent this year. We added landscape products to our inventory last spring, which was very well received.

We received the President's Paint Award again, meaning we are in the top 50 stores for paint sales with United Hardware. This couldn't happen without the excellent help from staffers Cheryl, Ardyce and Kathie. Our two student employees, Bryce and Allisa, also pitched in.

WRINKLES: Something the other people have. You have character lines.



Kathy Willson scholarship winners

Kelli Louwagie (left), daughter of Gary and Sheryl Louwagie of Marshall, and Carolyn Bot, daughter of Richard and Ruth Bot of Minnesota, were each awarded a \$250 Kathy Willson Memorial Scholarship at the annual meeting. The scholarships, established in memory of long-time Farmers Cooperative Elevator office manager, are awarded annually to graduating seniors who are continuing their studies in agribusiness, agriculture, accounting or related careers. Applications and guidelines are available at any FCE location or on-line at www.farmerscoopelevator.com.

Mutual funds enter the grain market

Our Risk Management Group has gained some new members from the Montevideo area. Members of this group are pro-active in their pricing and reaped the benefits of our markets this past year.

This approach, while not the easiest for producers, has and will, ultimately, result in higher prices and profits for these producers.

The recent rally is a good example. It afforded the opportunity to use our crop insurance guarantees as a safety net for forward pricing of new crop grains. Our new crop price on corn and beans is higher than the published spring price for insurance.

Producers should look at selling new crop grains at better-than-guarantees, using rallies to lock in prices.

The most recent rallies may have been influenced by money managers. Money managers, whose job it is to gain a return on investments, have decided to invest in commodities. The pool of money available to invest is rumored to be \$100 billion.

This amount could own the entire U.S. corn crop four times over.

The big unknown in this mutual fund

By
Bill Doyscher
Risk
Manager



market is how long they will keep their money in commodities. What is known is that as producers we must trade pricing based on supply-and-demand. With current supply-and-demand figures, grains are higher priced than they should be.

There is a fairly stable market showing up for Non-GMO beans. Duluth has become a market to Europe for Non-GMO beans that carries about a 50-cent premium delivered to Duluth.

If you produce Non-GMO beans and store them at home, let us know. We can work on accumulating some bushels for this market.

This past year was great for pricing opportunities. This year holds promise. Contact us if we can be of assistance.

Price swings keep us on our toes

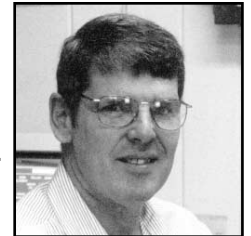
Volatility and rapid change in the grain markets have kept us on our toes.

By adjusting quickly to these two factors, the grain department had an excellent year. We were very competitive with our bids, too.

Our volumes were up and we had more than \$1 million in gross drying revenue. Of course, this means that your cooperative's costs — and yours — were up due to the cost of LP.

We handled nine shuttles of corn for Meadowland Coop of Lamberton. They couldn't get rail cars on the DME. We also

By
John Brandts
Grain
Merchandiser



had good returns from our investments in two ethanol plants, CVAC of Benson and Corn Plus of Winnebago.

At this time last year, the West Coast was the dominant market. Today, this is not true due to the 20-cent-per-bushel increase in freight rates. The Granite Falls ethanol plant will be a major opportunity to offset the decline of the West Coast market.

Corn shuttle values swung from a loss of \$400 a car to a gain of \$400 a car back to even money in a six-week period last year. Bean basis has a 61-cent swing in six weeks.

This type of volatility continues to be a challenge.

From Sept. 1 to March 18, a bushel of corn went from \$3.12 to a low of \$1.68 on Dec. 1, to a price of \$1.90 on March 18. Beans went from \$5.64 a bushel on Sept. 1 to a low of \$5.12 on Dec. 1 to the price of \$6.28 on March 18.

With a market this volatile, there are opportunities to market your grain at a profit. Our job is to manage this volatility, remain competitive and adapt quickly.



Long time employees honored

A mark of pride at Farmers Cooperative Elevator Co. is the number of employees who have accumulated years of experience. Four employees were recognized at the Annual Meeting for attaining benchmark years of experience. They include, from left, Gary Morken, 25 years; Gary Enger, 20 years; Dan Grengs, 25 years; and Dave Peterson, 15 years.



Employees of Farmers Cooperative Elevator Co. were introduced at the annual meeting. It makes quite a line-up. There are 45 full time and several part time employees at FCE's 10 locations. All of them went the extra mile during harvest.

SCOTT - CONTINUED FROM PAGE 1

line and add value to your products.

One such decision was to get our corn piles picked up as soon as possible to keep grain from spoiling. While this has filled our elevators and prevented us from offering free Price Later on corn at this time, we are seeing spoilage in corn piles at other elevators.

We also ran our corn dryers this past month or two. LP is still high priced, but we dumped thousands of bushels of corn at 18 to 20 percent moisture. To keep it in condition for marketing, it had to be dried.

This should be an alert to those of you who have on-farm storage. You need to be checking those bins. Move some loads off the top and see what's going on underneath.

Another measure is your employee team.

Fall harvest seemed to last forever and beat the tar out of your employees. They came out of fall weary, because everyone pitched in. Each department helped others out during this busy time and banded together to get the job done.

It truly was another team effort.

We purchased Montevideo Grain last September. Moose Zimmer and his crew were important contributors to this team effort. The Montevideo location and its patron/owners are a key part of our plan to provide corn to Granite Falls Energy.

The successful completion of getting this ethanol plant off the ground was definitely a landmark for FCE. Paul Enstad has been the tireless Granite Falls Energy board chairman since day one and a FCE board member. He was named the Granite Falls Area Outstanding Farmer of the Year for 2004.

This project will pay huge dividends to FCE for years to come.

Each department contributed to the bottom line last year.

The seed department had a decent year. It didn't quite match the banner year of 2003, but it still had a good showing. Remember, we do not have a full time seed department employee.

Our trucking department had their highest revenue ever in 2004. Our drivers hustled to meet your needs.

The toughest and most negative issue last year was the grain theft at Cottonwood. Simply put, all of us were betrayed. We will be getting that money back, eventually.

Rest assured, the board has established some new policies and tightened controls. We will work together to make certain all possible prevention and control measures are in place and monitored.

Meanwhile, we are preparing for the move to our new office in Hanley Falls. We will be moving Monday, April 4. Because the computers will be shut down, we will not be able to issue grain checks or look up your grain or account balances that day. You will be able to sell grain and transact other business.

We will be staffing the uptown Hanley Falls location from 7:30 a.m. to 5 p.m. Monday through Friday for your feed and grain needs. We will assess this operation and keep you informed if there are any changes.

The Green Valley Elevator has been

sold to Steve Schuler. We believe this decision will work out the best for everyone.

There are not a lot of new projects on the drawing board for this year. We plan on continuing to build on the projects completed or underway. We will have some technical happenings as we gear up to supply corn to Granite Falls Energy, and we'll keep you informed.

Thank you for your patronage. We will continue to earn your business in 2005.

It's not so much how busy you are, but why you are busy. The bee is praised. The mosquito is swatted.

CHICKS ON ORDER

It's time to order your chicks for the 2005 season. We have Broilers, Egg Layers, Ducks, geese, Turkeys and Pheasants. Regular delivery is every other week on Mondays. Prices vary by breed. Call Lois at the Feed Mill with your pricing questions and orders.

FARMERS COOPERATIVE - PAGE 4

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