

HANLEY FALLS ■ COTTONWOOD ■ TAUNTON

GRANITE FALLS



Farmers
Cooperative
Elevator Co.

MINNESOTA FALLS

MONTEVIDEO ■ ECHO ■ MINNEOTA ■ GHENT

FARMERS COOPERATIVE ELEVATOR CO.

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July, 2009

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800-423-6230
Elevator:
507-423-6489
**Hardware
Store:**
507-423-6231

Echo:
507-925-4126
Ghent:
507-428-3255
Granite Falls:
320-564-3834
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507-872-6134
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320-564-3835
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Montevideo:
320-269-6531
Taunton:
507-872-6161

From the manager...

Unsettled markets felt throughout entire industry

The grain markets, once again, have been very volatile and unpredictable. It just proves that big money can really impact our markets, both positively and negatively.



By
Scott Dubbelde

I see no reason to believe that this volatility will go away in the future.

These continued unsettled markets have impact throughout the entire industry.

Our FCE Team has carefully studied the market fluctuations and how they are impacting not only our crop producers, but also our livestock producers. They have identified some viable options for our livestock producers to consider.

These options will be discussed in detail 2 p.m. Friday, Aug. 7, at the Cottonwood Community Center. I believe it will be to your advantage to attend this session and consider the options available to you through FCE.

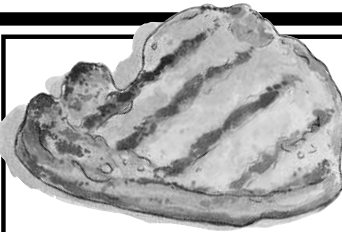
The FCE Team is also responsible in providing adequate facilities to meet your needs.

It is our job to pursue new business ventures that have a high probability of success and enhance the profits of our members.

These goals are specifically addressed in FCE's Mission Statement, which is published in this edition.

The steel bin at Montevideo is taking shape. The bin along with the new grain dump pit is on track to be completed approximately Sept. 1 and ready for fall harvest.

The 36-by-56-foot addition at the Hanley



Annual Customer Appreciation

Pork Chop Feeds

Monday, Aug. 3

at the Sportsmen's Club in Minneota

Tuesday, Aug. 4

at Cottonwood Community Center

Wednesday, Aug. 5

at the Montevideo Armory

Thursday, Aug. 6

at Granite Falls Memorial Park

4:30
to
7:30 p.m.
each day

All
patrons are
invited to attend
one of these
events.

Falls office is also taking form. It will have a roomy conference room, storage and room for more offices as the need arises.

Road restriction

There is a road closure on State Hwy. 23 south of Cottonwood.

The current path to Hwy. 23 is to travel east of Hwy. 23 on County Road 24. There is a short stretch of gravel between Hwy. 23 and the detour route on County Road 9.

The Lyon County Highway Department will issue a permit to travel that route on a 10-ton basis for free.

If you have any questions, call Stan Berg at our Cottonwood Elevator at 507-423-6489.

**All corn and soybeans
hailed to FCE under the
2009 Free Price Later
Program**

**will start accruing
service charges (storage)**

on September 1

at the rate of

4 cents/month for corn

and

5 cents/month on soybeans.

No minimums.

Changes in markets spawn opportunities

I think most have figured out the two major corrections we need in the livestock industry is higher prices for livestock and less pounds of finished product to market.

The recent decline in grain prices still does not support the current price of livestock but it may have created an opportunity to cover feed inputs needs for 2010. We have additional ideas this year to try and help the livestock producer cover their feed needs and help the cash flow.

Give us a call.

We will be discussing some other options at our meeting 2 p.m. Friday, Aug. 7, at the Cottonwood Community Center. We urge all livestock producers to attend. Meanwhile, warm summer days add to

By
Gene
Goldenstein
Feed
Department
Manager



managing your feed tanks.

Temperatures inside a feed tank can exceed the outside temp as much as 30-40 degrees during the sunny part of the day. Making sure they have the opportunity to empty out will help keep the feed in the cones fresh.

Thanks for your business.

Look for sideways markets until crop is made

During the last month the markets have been very volatile.

Corn prices have dropped more than \$1 a bushel and beans have dropped more

By
John Brandts
Grain
Merchandiser



than \$2 a bushel. Expect this volatility to continue.

With this type of market comes risk – and opportunities.

FCE has a marketing program to help you take advantage of this type of market, from forward contracting, hedge-to-arrive contracts or using new innovative contracts we offer.

Where does this market go from here?

The July crop report predicts corn carryover to be 1.7 billion bushels this year and 1.5 billion bushels next year. The bean carryover numbers are 110 million bushels this year and 250 million bushels next year.

These carryover numbers are not huge, but adequate.

Factors influencing the markets recently are good crop conditions nationwide, the stronger dollar and the drop in crude oil prices. Look for a sideways market in the near term until this year's crop size is determined.

Corn basis levels have improved during the last month, mainly because of slow farmer selling. Many producers have December hedge-to-arrive corn contracts.

If you have old crop corn that has not been sold, you might want to consider applying this against the hedge-to-arrive contract.

If you have any questions or interest in this, contact us.

Farmers Cooperative Elevator Co. Mission Statement

VISION

The Farmers Cooperative Elevator Company will be a member-owned and controlled, diversified agricultural service company that anticipates changes in agriculture and the resulting needs of its members. It will be recognized by its members, competitors, employees, and vendors and by the communities in which it is located as an innovative leader.

MISSION

To provide a variety of services to its members which will improve their profitability and result in the Farmers Cooperative Elevator Company being a profitable, financially sound company.

VALUES

Be a good company to work for.

Respect and protect the environment.

Encourage training for members, the Board of Directors and employees.

Endorse and promote the basic coop principles.

Pursue new business ventures that have a high probability of success and will enhance the profits of our members.

Support communities within our market area.

Be responsive to the needs of our members.

Be an effective listener and communicator with our member-owners.

Acknowledge the contributions made by older patrons by retiring equities and support the efforts of current members with cash patronage refunds as the financial condition of the company will allow.

Accept change as a normal business environment.

Operate competitively and with the utmost form of integrity.

HARDWARE HANK'S AUGUST SPECIALS

FLYING INSECT KILLER

WasP & Hornet Or
House & Garden Spray\$3.97
Yellow Jacket
Disposable Trap.....\$6.37

VALSPAR

Garage Floor Epoxy Kit\$59.99
Sealer Water Repellant.....\$9.99

Premium Water
Sealer(1 gallon) \$16.99
Painting Kit (4 piece) \$8.99
Wood Extension Kit
(3 piece)\$1.99
Adjustable Roller Frame\$4.99

CABOT

Wood Cleaner.....(1 gallon) \$18.99

Deck Sprayer.....(2 gallon) \$14.97
Window Scraper
With 5 blades\$1.79

PAINTERS TAPE

Blue (1 inch)\$2.99
Green (2 inch).....\$4.99
Or Corners.....\$3.59

Attention Wheat Producers:

For the 2009 wheat harvest FCE is giving you two options for protein grading:

Your sample(s) can be sent into The Southern Minnesota Grain Inspection Service (the official state grading service) for official state protein grade(s).

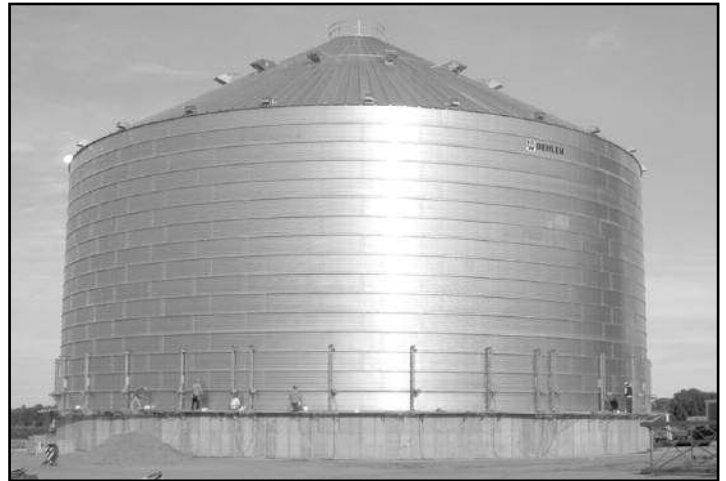
This choice will have a \$10.00/sample charge.

Or

Use FCE's protein grade at the FCE, Taunton location.

Either way, FCE will need to know your choice upon delivery and how frequent protein samples should be sent in to the state inspection service or to FCE Taunton.

The choices above pertain to protein grades only. Remember that a check will not be issued until the protein grade is received.



LIVESTOCK PRODUCERS MEETING

2 p.m. Friday, Aug. 7

at the Cottonwood Community Center

Several opportunities and options for livestock producers will be discussed, from locking in corn and soybean meal prices to hedging livestock.

New on the horizon

The one-million-bushel steel bin looms on the horizon at Montevideo as workers put finishing touches on the structure. The project, including the new grain dump pit, is scheduled for completion about Sept. 1.

OATS & WHEAT STORAGE RATES

DELAYED PRICING: No minimum; 5 cents per bushel per month.

WAREHOUSE RECEIPT: 10-cent document fee; 5 cents per bushel per month.

OATS

MOISTURE DISCOUNT: 2 cents per ½ point 13.5 to 14 percent; 1 cent per 1/10th point 14 to 15 percent.

ABOVE 15 PERCENT SUBJECT TO REJECTION.

TEST WEIGHT:

2 cents per pound from 37.9 to 34 pounds.

3 cents per pound from 33.9 to 30 pounds.

4 cents per pound from 29.9 and less.

SPRING WHEAT

MOISTURE DISCOUNT: 1 percent for each ½ percent moisture over 13.5 percent.

DRYING CHARGE: 5 cents for each ½ point moisture over 15 percent.

TEST WEIGHT: 2 cents for each pound under 58 pounds down to 56 pounds; 4 cents for each pound under 56 pounds.

DAMAGE:

2 cents each 1 percent from 1.1 to 5 percent.

3 cents each 1 percent from 5.1 to 10 percent.

Protein premiums or discounts subject to market. Base protein is 14 percent. Winter Wheat base protein is 12%.

Any other discounts subject to market.

Markets swing on crude, China, weather and dollar

The market tells us in times of inversion to sell and stay even in the current month. Such is the situation these days. What a wild ride!

For old crop beans there has been little strength in any part of that market lately. In little over a month we have seen cash soybeans go from \$12.00 to \$9.90, mostly due to the inverse from August to November getting whittled down from \$1.55 to \$1.00 as buyers rolled their bids to the November and taking some of that inverse with them. John and I have seen basis swings anywhere from 30 - 50 cents lower in a matter of hours. We are asking why. Will it come back? If so when? The USDA says the supply is there and doing well, or is it?

The question to ask ourselves is what would cause a crop that is rated at 66 percent good/excellent, 7 percent better than last year, maintains ending stocks of 110 million bushels, has an additional 2.2 million acres planted for 09/10, and is expect-

By
Ben Hedtke
Grain
Marketing



ed to yield 3 bu./acre more than last year at 42.4 bu./acre to rally?

There are some areas that are getting severely dry and could easily use an inch plus. This could very easily lead to some strength in the bean market. For the most part rain fall has been just barely timely enough for our crops to maintain.

Domestic demand has been our market this summer. Local processors made their move late in August to buy-in enough old crop soybeans to get them through to new crop and away from that huge August/November inverse. Processors typically

have about 3 weeks of reserve beans on hand and are currently crushing roughly the same amount as last year at 1.6 billion. They will try to slow that crush down as the livestock market liquidates and margins tighten up from 50 cents to near breakeven 35 cents in a matter of days.

Overseas, China continues to keep a close eye on the U.S. dollar and has been rolling some old crop orders to the new crop months. There is talk that they are even crushing some of their stocks now to get through to new crop.

Expect to see the August/November inverse continue to get worked out of the market as new and old crop values converge. Basis levels are strong yet history shows that these levels will weaken as beans begin to move into the bin.

Market swings will depend on weather, crude, the dollar and China.

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Cover all bases to lock in livestock profits

Every once in a while we need to address a different aspect of risk management.

While crop farming is currently maintaining some profitability, livestock has suffered devastating equity erosion and continues to be a struggle to maintain any profitability at all. At this point, the only saving grace has been the drop in corn and soybean meal prices since the June 30 report.

Proportionately, livestock markets have held their ground compared to inputs, at least giving the livestock producers a glimmer of hope that we have been through the worst and have better times ahead.

In times of low commodity prices, risk management in livestock typically is non-existent. Most likely for a couple of reasons, it is generally the best way to "price" commodities like corn and soybeans by feeding them or their byproducts through livestock. And the risk of "losing" money is relatively low.

By
Bill Doyscher
*Risk
Manager
Coordinator*



But when commodity prices get high enough that feeding them doesn't carry the profit potential, risk management on both inputs and sales of livestock becomes almost a necessity.

FCE is working on ideas and programs to assist our livestock producers in locking in inputs for the coming year. With the drop in commodity prices, producers need to consider price protection to the upside in order to safeguard potential margins.

I am always reminded of the saying "It's not what you make, it's what you don't lose."

FCE will be having a meeting 2 p.m.

Friday, Aug. 7, at the Cottonwood Community Center. The focus of this meeting will be risk management for livestock producers. Kent Beadle from Country Hedging will be on hand to give us scenarios for locking in inputs and hedging livestock to lock in margins. And don't forget in times such as these, a good relationship with your lender can mean everything.

Price protection is not free, but it is smart. Consider having all the bases covered in the event you get the opportunity to lock in profits. We need our livestock producers to survive, and will be stepping up our efforts to help that happen.

*** This information is taken from sources which we believe are reliable, but is not guaranteed. This info is sent to you for information purposes only. There is a risk of loss when trading commodity futures & options, and is not suitable for everyone ***