



FARMERS COOPERATIVE ELEVATOR CO.

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 JULY, 2004

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From the Manager

Progress made on ethanol project

What a difference 30 days can make in the weather! At this writing we're on the wet side and needing dry conditions so you can get busy

By
Scott Dubbelde



spraying. Who'd of thought?

Meanwhile, the ethanol project in Granite Falls is very near breaking ground. It has been a roller coaster ride beyond comprehension. In the end, though, the goal of positive economic development for the area, including the farming community, will be obtained.

You will receive more details about the project in future newsletters and from the local newspapers when the details are finalized.

On Aug. 1, 2003, the laws governing life estates and trusts was changed. I'm no expert, nor an attorney, but I'd suggest that you check into this if you think that you may be affected.

SCOTT - CONTINUED ON BACK PAGE

**CLOSED
MONDAY, JULY 5
FOR
INDEPENDENCE
DAY**

ANNUAL CUSTOMER APPRECIATION PORK CHOP FEEDS

Monday, Aug. 2
4:30 to 7:30 p.m.
Sportsmans Club in Minneota

Tuesday, Aug. 3
4:30 to 7:30 p.m.
Community Club Center in Elkton, S.D.

Wednesday, Aug. 4
4:30 to 7:30 p.m.
Cottonwood Community Center

Thursday, Aug. 5
4:30 to 7:30 p.m.
Memorial Park in Granite Falls
(rain or shine)

We request you attend only one of these events.

Early planting advantage now lost

It's been shown that USDA likes to work backwards when figuring things. This has held true with this year's bean carry-out.

USDA left its estimate at 115 million bushels since January, assuming this is the lowest amount the U.S. can tolerate. That remains to be seen. In all likelihood, they will do the same with the crop size for corn this year.

By this, I mean that it's most likely they will leave a 10.5-billion crop size in place and adjust yields higher if we have lower acreage.

It would seem that any advantage we had with early planting has now been lost.

An acreage report that is neutral will lead to a lower trend. Keep in mind that a 741-million-bushel corn

By
Bill Doyscher
Risk
Manager



carry-out for next year is still very tight.

USDA is doing the same on beans, but we have two crops (U.S. and South America) to grow. This makes their prediction for carry-outs even more of a guess than science. Any hiccup in production will keep bean prices just as volatile as they are now.

With continued wet weather, it is unlikely we can grow a record bean

BILL - CONTINUED ON PAGE 2

Markets jumpy until crop size determined

Volatility seems to be the name of the game in the grain markets.

Six weeks ago the Upper Midwest was very dry. Corn and bean planting progressed at a rapid pace. Then, the weather changed to a wet pattern.

The corn market is torn between how many more acres were planted than last year, how many acres have been lost to drown-outs and how will this wet weather affect yields.

The bean market is attempting to transition from an extremely small carry-out this year of about 100 million bushels to an expected carry-out next year of 200 million bushels or more. China's cancellation of a number of cargoes of beans only adds to the volatility of this market.

The future direction of the grain markets for the next few months will be weather driven. Expect a very volatile market until the new crop size can be determined.

Basis levels on corn are about a dime weaker than a few months ago. The ocean freight spread has changed from over \$30 to about \$15. Export interest has also dropped. Corn basis levels should remain about steady until after harvest.

Bean basis is another story. Basis levels are about a \$1 over at the bean processors compared to about 20 cents under being more normal basis. Any old crop beans should be marketed at these basis levels.

If a producer wants to maintain ownership, buying futures will lock in

By
John Brandts
Grain
Merchandiser



a very attractive basis level.

Shuttle availability has not been a problem on the Burlington Northern as compared to other railroads. Several shuttles are on order for the summer months to handle your grain needs.

BILL - CONTINUED FROM PAGE 1

crop in the U.S.

Next year's marketing opportunities will be everything that this year has been, and maybe more. It is a good idea to revisit your previous sales. If you need to catch up, have offers in to be sure those sales get done.

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

Energy prices impact farmers

While increased fuel and fertilizer costs are driving up farm expenses, the rising price of diesel fuel could take an additional \$1.5 billion from farmers' pockets, according to government officials.

The Energy Department forecasts an average diesel fuel price of \$1.67 a gallon this year, up 16 cents from 2003. Higher prices for electricity and fertilizer could add \$1 billion to agriculture expenses.

The recent costs are in addition to energy costs that have been affecting farm operations beginning in 2003. Natural gas prices drove the price of anhydrous ammonia fertilizer from \$100 a ton in 2000 to \$350 or more per ton in 2003.

However, farm income will be "very strong" this year, notes Keith Collins, Agricultural Department's Chief Economist.

Energy prices impact shoppers

Retail prices for food at the supermarket rose in the first quarter of 2004, according to the latest American Farm Bureau Federation market basket survey.

The informal survey on the total cost of 16 basic grocery items showed an increase of \$2.41 from the 2003 fourth quarter survey.

The \$39.84 average paid by volunteer shoppers for the 16 items is also \$3.78 higher than the 2003 first quarter survey average of \$36.06. Of the 16 items surveyed, 13 increased and one remained the same in average price compared to the 2003 fourth quarter survey.

A substantial portion of the increase in overall food prices can be attributed to the general upward trend in energy prices, which directly affects costs associated with food processing and distribution.

Items that increased in price included vegetable oil, corn oil, flour, apples, whole fryers, pork chops, eggs, cheddar cheese, bacon, mayonnaise, russet potatoes, bread and sirloin tip roast.

Despite steady increases in grocery store average

prices over time, the share of the average food dollar received by American's farm and ranch families has actually dropped.

According to the most recent Ag Department statistics, America's farmers and ranchers receive just 10 cents out of every dollar spent for food. Using that across-the-board percentage, the farmer's share of survey's average would be about \$7.57.

COTTONWOOD GOLF DAY Tuesday, Aug. 3

Our annual Customer Appreciation Golf Outing will be Tuesday, Aug. 3. The cost is \$25 and tickets are available at the Hanley Falls office, the Cottonwood Feed Mill and the Cottonwood Coop Oil office. If you'd like to set up a tee time, call Brad the last week in July. MidWest Ag Enterprises, one of our liquid feed suppliers, is offering a \$500 prize for a hole-in-one on number 5.

Farmers Cooperative Elevator



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Approved digital phone required. See store for more details. ©2004 Midwest Wireless Holdings LLC. AA/EQE

Expanded soy storage open

The new ingredient dump on the east side of the mill is now in use and shown in the accompanying photograph. The metal shed covering the alley will be done very soon.

We now have the capacity for 450 tons of soy giving us a three-and-a-half day supply at current production.

In the future, when the soy supply situation eases up, we will utilize the south bin for D.D.G.S. The heavy mineral products can be dumped straight from the leg to the bin. No need to use our crossover auger to get to the holding bins.

SEATBELT SAFETY

This spring our feed driver Jeff

By
Gary
Ellingson
Feed
Department
Manager



Aker gave all of us a scare when he was involved in an accident with the truck.

The truck overturned and was heavily damaged. We will have it replaced by mid-July.

Fortunately, Jeff did not need major repair. He'll be the first to tell you how seatbelts can save your life.



Reduce heat stress in cattle

BY THE FEED STAFF

Heat stress is your biggest profit robber in the summer months. Since we can't prevent the heat, let's get our ruminant animal to handling the heat stress better.

Like an athlete uses Gator-Aid as he prepares for a strenuous activity, use Hydro-Lac to keep your animals from becoming dehydrated, causing you loss of gain or loss of milk production.

Heat stress in dairy cows is easy to measure. Look at the bulk tank.

The cows respiration rate increases in hot weather. We have seen a marked difference in respiration rates during hot weather between normal-fed cows and cows fed Hydro-Lac.

We have both Beef Hydro-Lac and Dairy Hydro-Lac to set your cows up to better handle the hot humid weather. Hydro-Lac needs to

be fed 48 hours before the heat and humidity hits to prepare the animal's system. Don't wait for hot weather to come. Have a small amount on hand over the summer so you're ready around the

clock.

Feeding Hydro-Lac 48 hours before you ship your cattle is till our recommendation and shown to be very successful in preventing moving stress for fat cattle.

HARDWARE HANK'S JULY SPECIALS

Deep Woods
OFF - 8 ounces **\$3.97**
Deep Woods OFF
10 ounce pump **\$3.97**

HANK'S
4 pack root beer **\$2.97**

HANK'S
12 pack
soda variety **\$8.88**

Ortho Roundup
Brush Killer RTU
24 ounce **\$4.47**

Scotts/Ortho
Roundup **Brush**
Killer **\$21.97**
32 ounce

Scotts/Ortho
Brush Killer **\$15.97**
with sprayer, 1.33 gal.

S.C. Johnson
ant & roach bonus pack **\$3.00**

S.C. Johnson
RAID outdoor ant & roach **\$3.00**
17.5 ounces

Ortho
Mosquito-B-Gon **\$4.97**
Fogger, 20 ounces

Ortho
Mosquito-B-Gon **\$8.97**
R/S, 32 ounces

Ortho
Mosquito-B-Gon **\$8.97**
Concentrate, 32 ounces

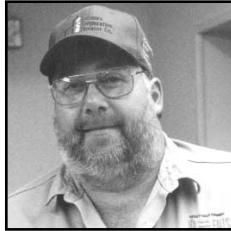
ECHO VALLEY
assorted
lawn ornaments **\$29.95**

Weather impacts growth of crops

It's either too dry or it's too wet. Today, the rain just doesn't know when to quit.

Corn growth and development is temperature driven, mostly by heat. Lamberton reported GDU's 50-70

By
Steve Fry
Seed Team
Leader



behind normal. Hopefully, temperatures have turned around by the time you receive this issue and corn shows good growth.

We don't know if we're going to see iron deficiency in soybeans this year. With the wet pattern of late, this makes for situations where root rot like pythium, fusarium and rhizoctonia can be more of a problem.

Chlorosis has always been worse in water-logged soils low in oxygen. Roots need oxygen for proper development.

Keep an eye out for soybean cyst nematode. It can start as early as June. It would be a good idea to have questionable spots tested in September.

There are a few test plots around for you to watch. Thanks to Chuck and Marla Timm, Ken and Tami Timm and Gerald and Lillian Enger for putting them in.

We also have some side-by-side comparisons with Optimize, which is a soybean growth promoter. These can be found at the farms of Glenn Sharkey, Doug Gregoire, Willard Burns and Allen Stengel.

Call me if you need directions to these plots, or ask me or one of the seed team at the pork chop feeds.

SCOTT - CONTINUED FROM PAGE 1

We have published information in this edition about our Customer Appreciation Pork Chop Feeds, the Green Valley Elevator Auction, our Cottonwood Golf Day and the closing for Independence Day. Mark your calendars about these dates and please attend.

You may have noticed that we're handling some corn from

neighboring elevators. The mainline BNSF has had enough of an advantage for a little while to make this economically feasible for the originating elevators and FCE.

I hope that the weather cooperates and our prospects for a good crop continue.

Hope to see you and your family at one of our Customer Appreciation suppers. Mark those calendars.

GREEN VALLEY ELEVATOR AUCTION **10 A.M. TUESDAY, JULY 13** **at the Green Valley Elevator**

Property and miscellaneous personal property

Approximately 51,000 bushels of storage will be auctioned, sold as is. Buyer must sign a non-compete clause that will continue with the property for 10 years. 10% of the purchase price is required on day of sale, with the closing to take place within 30 days.

Personal property includes:

10-inch by 71-foot auger

Rem Grain Vac

1973 International tandem grain truck with 20-foot box-hoist.

Conveyor Vac — complete.

Sudenga 30-foot grain pile mover.

1969 International two-ton grain truck with 14-foot box-hoist.

Fairbanks platform scale on wheels.

Howe-Richardson weigh buggy .

Seller reserves the right to reject any and all bids and to waive any technicalities which may occur in the bidding.

To view the property ahead of auction, contact Marty Javens, Cottonwood Elevator, at (507) 423-6489.

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**Farmers Cooperative
Elevator Company**

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