

HANLEY FALLS ■ MONTEVIDEO ■ COTTONWOOD ■ TAUNTON ■ ELKTON

MINNEOTA ■ GHENT



**Farmers
Cooperative
Elevator Co.**

■ GRANITE FALLS ■ ECHO ■ MINNESOTA FALLS ■

FARMERS COOPERATIVE ELEVATOR CO.

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APRIL, 2006

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Cottonwood:
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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

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320-564-3834

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507-872-6134

Minnesota Falls:
320-564-3835
320-765-4100

Montevideo:
320-269-6531

Taunton:
507-872-6161

From the Manager Coop savings top \$2 million

A good year is more easy to report to patrons at the Annual Meeting than a less-than-glowing year. And we did have a good year.

We had earnings of more than \$2 million on sales of more than \$86 million last fiscal year.

By
Scott Dubbelde



After tax earnings were \$1,714,264, of which \$576,489 were distributed as cash patronage dividends. Additionally, FCE retired \$419,681 in equities last fiscal year.

We had total assets of just more than \$44 million, an increase of about \$14 million from a year earlier. Membership owns slightly more than \$14.1 million of these assets in equity.

FCE recovered \$617,137 last fiscal year from an employee fraud case two years ago. That incident remains under investigation by authorities.

Our greatest asset is our employees. Their dedication to service is the foundation of our business.

An indication of this was the hours they put in getting the corn piles picked up. They started harvest hours in September and didn't stop until the grain was under roof in February.

More than 900 people were served Belgian waffles at the Annual Meeting. Thanks to Dad's and the Cottonwood Lions Club for their well-organized serving lines and for the delicious meal. It seemed only natural, since the Annual Meeting fell on St. Patrick's Day, that

SCOTT - CONTINUED ON PAGE 4



2006-07 Board of Directors

Three incumbent directors were re-elected to the Farmers Cooperative Elevator Co. at the Annual Meeting March 17 at Lakeview High School in Cottonwood. Those re-elected include Wes Cole, Paul Enstad and Dennis Heggseth. Officers for the 2006-07 year are Mark Vandelanotte, president; Stan Knutson, vice-president; and Wes Cole, secretary-treasurer. Board members are, from left, back row: Paul Enstad, Dan Stevens, Stan Knutson, Paul Kvistad and Wes Cole. Front row, from left: Dennis Heggseth, Mark Vandelanotte, Steve Doom and Gerald Peterson.

Prudent policy protected company

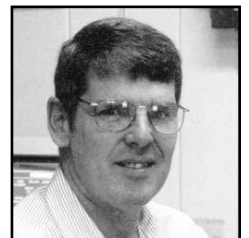
Perhaps the biggest policy implemented last year - and the most talked about - was the 50/50 harvest policy adopted last October. It has proven to be the correct move, looking at the damaged grain situation at other elevators.

Here's a brief background:

The grain market peaked in late June and dropped substantially into harvest. Corn went from \$2 to \$1.45 a bushel and soybeans from \$7 to \$5.02. As each market dropped, farmer selling slowed.

A huge carryover of 2.5 billion bushels of corn formulated into a big carry market. On Sept. 1, the cash difference between September and January was 22 cents. On Oct. 15 the difference was 15 cents. With these spreads, a majority of corn was put on

By
John Brandts
Grain
Merchandiser



Price Later or storage and sold in the deferred months.

We had established our fall harvest policies in August. It became obvious early in harvest that very little corn would be sold., and that yields were above average. A record amount of old crop corn was being dumped and stored.

We projected that we would pile at least six million bushels on the ground

JOHN - CONTINUED ON PAGE 3

**HARDWARE
HANK'S APRIL
SPECIALS**

**GARBAGE
BAGS**

3 mil
Contractor bags **\$9.44**
1.5 mil
40 CT Drum Liner **\$9.44**
1.3 mil
Contractor bags **\$9.44**

**WELLS-LAMONT
PIGSKIN GLOVES**

LG & MED
w/mesh **\$7.77**

30-INCH RAKE

Poly with
foam grip **\$7.77**

EXTENSION CORDS

40-ft. Outdoor
green 16/3 **\$7.88**
25-ft. yellow 14/3 **\$12.88**
25-ft. orange 16/3 **\$3.97**

SCOTTS

Drop 2000
fertilizer spreader **\$29.97**
Broadcast
spreaders **\$29.97**
Easy hand held
spreaders **\$7.97**

HOWARD JOHNSON

3-6-0 bone meal **\$3.97**
12-0-0 bone meal **\$4.47**
Zoom plant food **\$5.97**

Accumulators still working well

Accumulator contracts are again being offered this year. We've taken advantage of the current market to give us good pricing opportunities.

There are several reasons producers use accumulator contracts.

Some producers don't like to watch the market, some like the price structure and some are willing to try something new.

We have found little evidence to indicate these contracts will not be around for a long time. They have worked extremely well.

We will continue to choose contracts that we believe are beneficial to our producers.

A lot of information is shared through our Risk Management Group. The 45 members are hungry for information and we do our best to provide it to them.

Making a decision to sell when prices are high is easy. It's trusting in the information that is offered that makes selling when prices aren't that high that will determine the success of the producers and the group.

It's said that "sometimes it's not what you make, it's what you don't lose." This is most likely the case in soybeans this year.

Knowing when to "pull the trigger" is important whether you're marketing

By
Bill Doyscher
Risk
Manager
Coordinator



grain or hunting trophy deer. More grain producers are now developing written grain marketing plans, but when asked if they follow their plans, many say "no."

Why not?

As the market gets near the price target, uneasiness comes over many producers. They may be looking at higher production costs and feel a higher price is justified. They begin to think if they sell at the price target set, they could give up some profit potential.

This fear of leaving some profit on the table keeps them from pulling the trigger and following their plan, often resulting in missed opportunities and lost profits. Examples of this flawed philosophy happened this past summer and fall.

Increasing the number of sales in the marketing plan, or adding more deer tags, can improve the odds of reaching the high market price or tagging that trophy deer. Another way of improving the odds of better marketing is to join a commodity marketing club.

The results of a 2003 Texas A&M survey of commodity marketing clubs conducted by University of Minnesota Extension educators show that Minnesota producers enrolled in structured marketing clubs achieved impressive improvement in net farm income.

Of the 62 Minnesota marketing clubs surveyed, 156 producers who reported a price impact on any commodity averaged \$20,401 per operation as a result of marketing club participation.

Waiting for more bucks (either higher prices or trophy deer) may not be an option for some producers.

So a piece of good marketing advice is: as long as the price target is at a profitable level, pull the trigger.

Follow your plan—make incremental sales as the price improves.

You may not receive the highest price or tag that trophy buck, but at the very least you should be around next year for another hunt.

**Staff stresses
service to you
at hardware**

By CAROL KOMPEN
Hardware Hank Manager

Thanks to all our valued customers and my good help, the Hardware Store had another good year. Sales and margins were up. We couldn't do it without your support.

What sets your local hardware store apart from the big boxes is service. We strive to make service our Number One priority.

Once again, we were awarded the United Hardware Paint Award. This is the eighth consecutive year, a great accomplishment.

Remember us for your spring field needs and your lawn and garden needs. Thanks again for your support.

Look at date rather than temperature for bean plantings

After several years of research, plant scientists are beginning to recommend early planting dates over soil temperatures for high soybean yields.

Most textbooks say we should have a soil temperature of at least 55 to 60 degrees before we starting planting soybeans, or waiting until late May. Those recommendations apparently do not fit into our production practices anymore, as long as we are very critical about the seeds we plant.

Some farmers wonder if they should hold back on planting because of diseases such as white mold, sudden death syndrome (SDS) and bean leaf beetles. The answer is no.

White mold can be managed by a combination of variety selection, lowering the seeding rate and/or increasing the row spacing. SDS can be managed by variety selection. It is also

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of which four million would be open and two million covered.

The challenge became how much risk should FCE take. We believed it was important to protect the patrons' equity by moving this corn as soon as possible.

Your Board of Directors, at the recommendation of management, amended our harvest policy effective Oct. 17, requiring at least 50 percent of each load of corn be sold or applied to a contract.

Because FCE owned the corn, we could move it off the premises and into the market as opportunities arose. As a result, FCE had all open piles picked up by Feb. 15 — with very little damage.

One opportunity that opened last year was the start-up of the Granite Falls ethanol plant in November. FCE has the exclusive contract to supply 18 million bushels a year to this plant. There were some congestion problems at first, but these have been corrected.

If you would like to sell corn delivered to the plant, contact the main office or Kim at Minnesota Falls. Bids are posted on our Web site at www.farmer-scopelevator.com.

associated with the presence of soybean cyst nematodes, which can also be managed.

Bean leaf beetles can very easily be managed with an insecticide.

If soil conditions are suitable, soybeans should be planted during the second to third week in May.

A late killing frost (less than 28 degrees) will kill the seedlings if they are above ground. We need to recognize this risk.

However, we do need to asses the opportunity to gain five to 15 more bushels per acre by planting earlier than usual. The research shows a loss of 0.30 to 0.90 bushels per acre per day for every day planting is delayed.

For more information on soybean management practices, visit www.soybeanmanagement.info.

This all means we must have good seed quality with no cracked seed coats and good germination. Then, soil temperature should not be the key factor in determining when to plant soybeans. Instead, it should be the calendar day and the seedbed conditions.

We have the high quality seed to meet your needs.

By
Steve Fry
Seed Team
Leader



New bean plant food

We are offering a new product for soybean production, called BTN+.

BTN+ is a complete, balanced and affordable liquid plant food formulated to duplicate the sap of a plant. this product contains macronutrients, micronutrients, humic, fulvic, kelp, enzymes and soil microbes.

It is designed not only to fertilize but also improve the soil. In many field trials with two gallon per acre, there has been a six- to nine-bushel per acre yield advantage. BTN+ also works on all soil types.

This product is manufactured by Bio-Tech Nutrients and marketed exclusively by AgGrowth Products, a wholly owned subsidiary of AGP Grain Marketing, LCC.

If you'd like more information on BTN+, call me at the Hanley Falls South Terminal (507-768-3602).

Banner year for Feed Department

The Feed Department had a banner year for growth, both in tonnage and gross margins. It certainly helps when livestock prices remain strong.

We added another semi to our fleet last year due to your support and needs. This gives us a fleet of four tandems, four semis and one straight truck.

We offer several programs to our producers to assist in their operations.

One really successful program which holds a lot of potential is the Berkshire program. It grew to 34 members with 3,500 sows with room for more growth. We estimate we could use 4,500 sows in this program.

FCE developed the North America Berkshire Association as an alternative breed association. Participants of any Berkshire program can register pure Berkshire pigs.

Called NABA, it will be the largest Berkshire breed registry in North America. We also have a USDA Processor Verified Program label for our Berkshire program.

We have the most successful

By
Gene
Goldenstein
Feed
Department
Manager



Berkshire farm-to-market program in North America centered right here at our office in Cottonwood. This program is distinguishing itself as a leader, not only in the U.S. market but also in the World market place.

It is something to be very proud about.

We can only be as successful as the quality of our employees.

Jim Jandl will be retiring in May. His example is the most important part of a successful business; Its people.

From the office to sales to production to delivery, we are very fortunate to have a Feed Team who works well together, cares about what they do and looks forward to the future with unity.

the group "Wee Bit of Irish" provide entertainment prior to the official meeting.

Kathy Willson Scholarship winners



Farmers Cooperative Elevator Co. awarded this year's \$250 Kathy Willson Memorial Scholarships to Amanda Fehrman, daughter of Paul and Lori Fehrman of Lake Benton and Tony Malmquist, son of Kim and Kristie Malmquist of Granite Falls.

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Topics of interest discussed and reported at the Annual Meeting are addressed by columnists in this edition. A few of the highlights include:

* The opening of the Granite Falls Energy Plant, which FCE supplies corn for processing into ethanol.

* The opening of the new business office in Hanley Falls.

* The addition of a fourth semi to the

feed delivery service in Cottonwood.

* A new software computer system to offer patrons access to accounts through the Internet.

A copy of the Annual Report is available upon request.

Thanks for your business this past year. We will continue to try and earn your business this year.



Employees honored

Four employees were honored for years of service at the Annual Meeting. They included, from left: Moose Zimmer, 10 years; Don Ginder, 10 years; Dave Kimpe, 10 years; and Ozzie Doom, 30 years.

Farmers Cooperative Elevator Company

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Hanley Falls, MN
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