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Adjusting to the Present, Positioning for the Future

BY DALE ANDERSON • General Manager • 308-487-3317 • dale.anderson@farmcoop.com

As we head into fall, this is a good time to reflect on what has been a very busy summer and talk about what we are working on for the future.

Wheat harvest saw good yields across our market with overall increases in volumes over last year. The weather was almost ideal for harvest, which made for one of the highest average daily volumes we've ever seen over a 10-day period. The bar for yields and the ability of harvesters to take out a large crop in a short period of time keeps getting raised. This keeps us constantly looking for ways to increase speed and capacity at your cooperative.

Our 1-million-bushel storage expansion in Hemingford helped alleviate some of the storage needs here during wheat harvest and will continue to pay dividends as we approach what looks to be a very good corn crop in our trade area.

Feed mill rebirth

Over the summer we began renovating the feed mill in Gordon. As you recall, a fire in October of 2013 rendered the facility unusable. We outsourced all of our pellet and cube production and decided this spring that structural and compliance issues within the remaining mill facility made it unlikely that it would ever be repaired.

Fortunately, we were able to find a company that could address those structural issues at a reasonable cost, and we eliminated many of the other issues by removing all of the pellet and cube production equipment. When the repair work is completed, we will have a safe and efficient grind and mix facility. We will still outsource the pellet and cube production, and we think the combination of local production and outsourcing will be the way we can best serve our customers.



The landscape is always changing in agriculture, as we are currently looking at sustained lower commodity prices and record high cattle prices. There will always be opportunities for producers who are willing to take risks, make adjustments, and seize opportunities. Your cooperative strives to operate in the same way. We have made significant investments in equipment and facilities in recent years to put us in a position to grow and take advantage of opportunities. Your board of directors and management team continue to plan for the future, so stay tuned for information on future projects. ●

Ocean of Grain Coming Our Way

BY BART MOSEMAN • Grain Division Manager • 308-487-3325 • bart.moseman@farmcoop.com



The 1-million-bushel expansion project in Hemingford is moving along and we will be ready to fill the second tank by corn harvest. We were able to use the first tank during wheat harvest, which was a major plus with the large crop that came at us. We still need to complete the electrical work and install the fill, reclaim, and aeration equipment before we can call the project complete.

Harvest update

The 2014 HRW harvest was large and intense! We dumped an average of 350,000 bushels each day for a period of six consecutive days in Hemingford—a record six-day total. New Alliance, Mirage Flats, Hay Springs, and Gordon also had days of intense activity, and overall receipts were good. Test weights were very good, but we would have liked to see a little more protein in this crop. However, I think we will all take the high yields with the lower protein.

Along with the large HRW harvest, we are seeing more oats come into the elevator than we've seen in recent history. This is putting some pressure on space we usually have for millet and sunflowers. I encourage anyone planning on harvesting millet or sunflowers to be in contact with us about your plans.

Also, as we approach what looks to be a sizeable corn harvest, the availability of space is something we are all going to have to stay on top of. The big HRW harvest, slow farmer selling of the wheat, and slow railroad logistics are causing us to be fuller with wheat going into corn harvest than we'd like to be. Even with the expansion in Hemingford, I think space is going to be tight this fall.

Market snapshot

Markets continue to work their way lower in anticipation of a large corn and soybean crop in the U.S. I think that the current perception of a very large corn crop is the main driving force in the grain markets today. The USDA gave us some updated numbers with the September Supply and Demand Report.

U.S. corn carryout went from 1.181 billion bushels last year to 2.002 billion this year. That's an 821-million-bushel increase from last year with about 4 million fewer acres planted. Demand is steady, so the increase in supply comes from

a huge estimated yield of 171.7 bushels/acre. Crop conditions continue to be well above average at 74% good to excellent, so there is some talk of the final yield coming in above 174 bushels/acre. U.S. stocks-to-use ratio is 14.7% and world stocks-to-use is 19.6%.

U.S. soybeans are also predicted to have a higher yield at 46.6 bushels/acre versus 43.3 last year. We are also planning on about 8 million more acres of beans. The USDA does have higher demand numbers in the table, but ending stocks still increase 345 million bushels over last year's 130 million to 475 million bushels. Stocks-to-use increases from 3.8% to 13.3%, and world stocks-to-use increases from 24.9% to 31.6%

Total U.S. wheat carryout is 698 million bushels, up from last year's 590 million bushels. USDA is calling stocks adequate with the stocks-to-use ratio at 33.4%, up from 24.3% last year. World stocks-to-use is 27.7%.

The USDA is telling us there is an adequate supply of grain in the U.S. and world right now. Today, I would say that our local market is also in the adequate supply category. We have a large wheat crop that we are trying to move—as much as we can—before corn harvest, but slow farmer selling and expensive rail logistics present challenges. There is also plenty of carryover corn from the 2013 crop that is still farmer-owned and will apparently be carried into the 2014 crop year. With the wheat harvest already taxing storage capacity and logistics, I anticipate that none of these logistical problems are going to be solved for quite some time. All these factors could put pressure on basis and cash prices.

I think this year's grain marketing needs to be approached with a revenue-per-acre point of view instead of simply looking at the price per bushel. With above-average yields, the market may still give opportunities to market above total production cost. Also, look at basis contracts or other alternatives to paying storage costs at the elevator. If you have any questions or comments, please give me a call at the Hemingford grain office: 308-487-3325. ●

I Could Really Use a Crystal Ball

BY MIKE WEISZ • Agronomy Division Manager • 308-487-3317 • mike.weisz@farmcoop.com



One challenge of my job is looking to the next season and beyond to determine what is going to take place in the world of agronomy. I'm constantly looking for new and innovative ways to put technology to work for the benefit of our customers. The obvious buzzword this year is UAVs (Unmanned Aerial Vehicles)—more commonly known as drones. Recently, I heard a presentation focused on what these machines can do, plus all of the government regulations involved in operating these platforms in an agricultural arena.

As I listened, my thoughts turned to what it would take to put one of these pieces of equipment into our operation. There are a number of considerations, including the cost of the equipment, availability of insurance (both for the drone and to cover any potential liability), maintenance expenses, the availability of trained repair technicians, and operator recruiting and/or training.

Here is the point of this discussion: When we evaluate new technology, we have to first decide if it is something we should be involved in. If the answer is yes, then we have to ask if we can service and support it properly with the resources within our organization.

At this stage of drone technology development, we at Farmer's Co-op—and the industry as a whole—are working to calculate the cost of drone ownership versus the potential value the technology would bring to our customers. We'll keep you posted.

Proven winners

With that said, I believe we have done a good job of bringing new products and programs we have brought to our company. I'm confident they've returned benefits to our customers. One of those successful products is Mosaic's MicroEssentials® Sulfur Zinc (MESZ). The program that has delivered proven value is the Topline Scouting program. Our scouts have exceeded our first-year goals, and the feedback from our customers has been very positive.

As I said, we're constantly looking for the latest agronomic innovations. We are currently working on additional programs that we feel will complement our existing offerings and bring additional innovation and value to our customers.

Input outlook

Input pricing for crops is an ongoing topic, especially fertilizer inputs. Typically, they tend to follow commodity prices down, but that is not happening with this current cycle. Several fac-

tors are in play to keep prices higher than you would expect.

1. Barge movement is at a standstill on the Arkansas River, since several locks are being repaired, so no product is moving up to the Catoosa terminals. As a result, we have to go further away to procure products.
2. Barges themselves are in short supply. They're being held at terminals, waiting for the expected large harvest of fall grains. The owners don't want to receive only demurrage from barges filled with fertilizer when those barges could be making money hauling freight.
3. International market turmoil continues. Tensions between various countries—you pick the flavor of the day—always seem to be in an area of the world that is critical to fertilizer production or is the source of an input vital to the fertilizer manufacturing process.
4. Rail traffic nightmares continue. Equipment and crew shortages have led to freight backlogs, and the solution is nowhere in sight. Not only do inputs compete with grain here, but also with oil, coal, and manufactured goods.

The question is, are we going to see prices slip between now and spring? I have no idea, and even the experts in the fertilizer business disagree. From my perspective, you need to pick a price point and decide to live with it.

A note on seed

I previously mentioned the expected large corn yield. Based on some of the fields I've walked with our sales agronomists, it appears that we could have an above-average yield providing the frost holds off. Some yield estimates are putting the potential somewhere between 225 and 245 bushels per acre.

The two seed corn numbers that appear to be top performers this year are Croplan® 3337 and Dekalb® DK43-10. So as our sales agronomists visit with you about next year's crops, keep those two hybrids in mind.

As the combines begin to roll, I hope you all have a safe harvest season. ●





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Mill Coming to Life

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If you've driven by the Gordon feed facility, you have seen a lot of activity the last 30 days. Millwrights, construction companies, and electricians have been at work to revitalize our feed mill so we can resume operations this fall. We

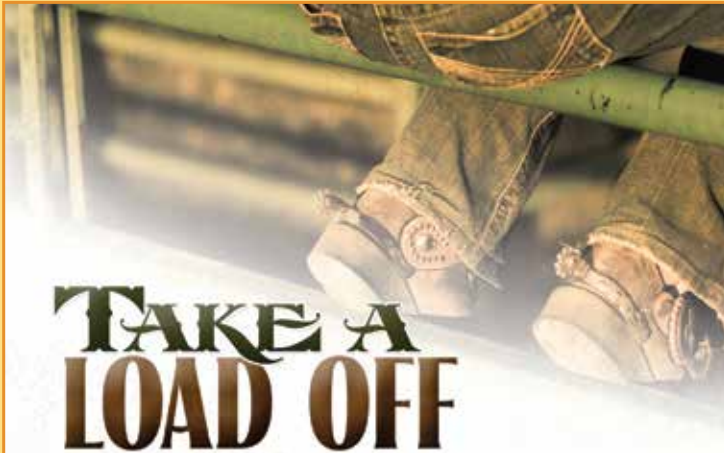
have removed the worn-out pelleting equipment and begun modernizing the existing facility to make it an efficient grind and mix operation. This will allow us to provide quality feed products and service to our entire trade area. We will keep outsourcing our pellet and cube products in order to offer competitive prices.

Booking season

As we move into the fall season, it looks like we will have relief on our cube prices. We offer a full line of cubes formulated for our trade area. Our booking prices will change on a weekly basis, so call us for the current price, and we'll help you lock in competitive prices for your operation.

Livestock equipment

This summer we were notified that Sioux Steel had purchased the HiQual livestock equipment line. They have since moved production of this equipment back into the Sioux Steel facility. We currently have a good inventory of hydraulic chutes, panels, calving pens, and gates on hand. Let us know your livestock needs and we will be happy to serve you. ●



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