

**A**s we go into the Spring season things in the agricultural world are about as unsettled as they have ever been in my 34 years in the industry. Grain prices are at unprecedented levels, as are input prices. Where it will all end is difficult to say. The one thing that usually runs true, is that commodity prices will fall far faster and lower than the inputs needed to grow them.

Today's input cost are a moving target. One day a supplier has product to sell at a price in the morning and by noon the price has moved \$20 to \$40 per ton higher. This is causing great gyrations in the pricing of fertilizers these days. Just being able to guarantee availability is becoming a challenge with a few of the products. We will be as competitive as we possibly can, but as inventories move out of the plants and new product comes in, prices will be increasing. Replacement cost are a moving target each and every day. Over 50 % of nitrogen fertilizer used in the US is produced overseas. Cost of transportation of this product has tripled this past year. This is being caused by worldwide demand for product and the likelihood of the marketplace instability is high at this time.

We as suppliers to our members, and you as purchasers of inputs (seed, fertilizer, chemicals) are going to have to be more proactive in our approach to buying products in the future. Producers are not going to be able to wait until the day before they want to plant to order seed. Planning for fertilizer and chemical needs are going to have to be made in advance, possibly just to guarantee availability. Supply and demand for all inputs are becoming much more global every year, as others strive to increase their

living standards. Change in our old business ways are necessary, to keep up with the pace of change in the world economy.

We are scheduled to go into the CoMark Grain Marketing, LLC on April 1, 2008. I will attempt to explain what that will mean to our producers as we transition to a centralized merchandising operation for our grain. There are 10 local cooperatives involved in this LLC. They are, Anthony, Arkansas City, Cairo, Caldwell, CCGP, Conway Springs, Danville, Garden Plain, Kiowa, and Winfield. We will have a total of 60 locations, with around 39,000,000 bushel of grain receipts. All facilities will come under one Federal grain license. This allows for easy flow of grain from one facility or another to help take advantage of freight, and other arbitrage type transactions. One merchandiser will have control of all bushels, which should give us a better position in the marketplace with our volume.

Because of varying distances between locations and destinations, pricing will be based on freight differentials at each of the 60 locations. That will mean that there will be differences in bids for grains at each of the Valley Coop, Inc facilities, rather than a uniform bid at all Valley Coop, Inc facilities. Today we blend freight rates and try to make a middle of the road level which we apply to all locations in our group. This penalizes some locations by lowering bids in one location to make up the difference in another. There will not be great disparity between locations, but there may be from 1 to 3 cents per bushel differences based on freight rates to destinations.

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Checks for grain will be available at the normal locations. They will be on CGM, LLC checks. You will be able to do all transactions that you do now at the same locations you have done in the past. Warehouse Receipts will still only be issued out of the Winfield General Office as they are now. We encourage you to verify tickets as soon after harvest as possible to be sure there are no errors in posting. As the main bookkeeping will take place at the CoMark offices in Cheney, this practice will help catch any possible errors quickly, and get corrections made in a timely fashion.

One new service that will be offered will be your ability to look at your grain account over the internet. There will be a place on the CGM, LLC web site that will allow patron access. Details will be available at a later date as to the process necessary to use this tool.

There will be a single, uniform grain premium and discount schedule for all locations in the LLC. Contracting grain will be available, just as it is today, with the possibility of additional types of contracts being offered.

We believe this venture will give us an edge in the marketing of your grain and help us to realize greater profits, that can be returned to you, our owners. That is our goal. The reason that Cooperatives were formed was that the group could do more than the individual. At this time groups of Cooperatives have come together to do as a group, what they could not as individuals. The principal continues on, just evolving over time. What it will look like 5 years from now is still to be seen, but one thing is for certain, **If we stand still, we lose.**

Richard Kimbrel  
General Manager



## **CHAFF IN THE WIND**

Hello to all from our studios in downtown Hackney.

Have you ever seen things this high before? High grain prices, high fertilizer prices, high fuel prices, high fevers, high demand for Kleenex and other tissues. I am certainly ready for higher temperatures after the siege we have been through this winter. I can remember several years ago when I used to look forward to the cold weather just so the bird hunting would be better. Now I just look forward to warm weather. I must admit, I am finally becoming the "old man" that my kids have been calling me for years.

With the current price levels we are seeing in the fertilizer markets one might have a desire to cut down on your rate of application to keep input costs down. I strongly urge you to take out your Big Chief tablet and #2 pencil and do the math before making your final decision. At current new crop prices, cutting back WILL cost you dearly. Give us a call if you need assistance in calculating your return on your investments.

If you are not already aware, soybean seed is as scarce as hen's teeth. If you have not secured your supply yet, all I can tell you is GOOD LUCK. There is still an adequate supply of sorghum seed available if you need to convert some acres.

As your cooperative joins the CGM group this spring, I would ask any producer that has acquired new land that will require us to set up a new joint/split grain account to get us all pertinent information as soon as possible. It may be easier to set them up now than wait until we are all trying to get acclimated to the new group procedures. (Just a personal observation.)

As always, WE APPRECIATE YOUR PATRONAGE!!

Jim M., Jim N., Les, Hoss, Marty & Stacie

## **Hello from Beautiful Downtown Winfield**

With winter drawing to a close I have only one thing to say, GREAT!

I believe we have got our share of moisture for the winter, more than average, let's hope we don't have to pray for rain this summer. We are in Kansas and anything can and usually does happen.

Sioux Steel Company has picked up the HiQual brand of gates. And they are the same quality, and I think a little better! They did a little better bracing on the hinge bolt, also a better price!



For those who don't know we can get lawnmower parts for you. We get them at the same place the other lawnmower shops get them. Although we don't have them on display we can usually have them in a day or two. We just need the model number, kind of mower and the part number would be great if you have it. If not we will do our best to get the part for you.

As always, thank you for your business and please come by and see us for your needs.

Ron, Bob, Gary and Grant

## **News from Burden and New Salem**

Things are about the same here as everywhere else—wet and cold. We are working to get more milo and soybeans shipped.



Nick and Kayci Bowman picked up a new play toy for Abbi, a baby boy named Samuel William. Congratulations go out to

them!

We want to remind everyone there are some shortages in soybean seed this year, so if you need some please get in touch with one of our locations.

Well, as usual I don't have much to say, so thanks for coming in and come back again.

Bill and Nick



### **SPINACH DIP**

Submitted by Katherine Grow

- |                                |                                      |
|--------------------------------|--------------------------------------|
| 2 Cups real mayonnaise         | 2 boxes Knorr vegetable soup mix-dry |
| 2 Cups sour cream              | 2 boxes chopped spinach, thawed      |
| 2 chopped green peppers        | 2 Cups chopped green onions          |
| 2 cans chopped water chestnuts |                                      |

Mix all ingredients together. Mix well. Serve with crackers or chips.

# Kellogg Comments

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With a new year comes new opportunities and new challenges. Every day commodity prices seem to go up and along with them production costs seem to follow. A lot of producers that are checking on fertilizer and chemical prices are suffering from what I call sticker shock. It is just like looking at the prices on new cars and trucks. If you haven't priced one for a couple of years, you walk up to the window, look at the sticker and you either faint or say holy sh\*\*! But it is not as bad as it seems. A year ago new crop wheat was \$4.59 a bushel, and 46-0-0 fertilizer was \$345.00 a ton. At those prices it would have taken 3.76 bushels of wheat to pay for 100 pounds of 46-0-0 per acre. Today new crop wheat is \$10.30 per bushel and 46-0-0 fertilizer is \$470.00 a ton. With these prices it will only take 2.3 bushels of wheat to pay for the 100 pounds of fertilizer. I know that there are a lot of other variables, but with these prices, fertilizer is still a good investment. It would be a shame to miss out on an opportunity to make a good financial gain just because we are not used to paying these kinds of prices for fertilizer. So before you look at the prices and walk out the door shaking your head, let us help you put a pencil to it.

If you haven't heard soybean seed is in short supply this year. Most companies are already sold out of Group IV and V maturity beans. We still have a pretty good supply of mid IV beans at Kellogg and an excellent supply of milo and sudan grass seed. Give us a call and reserve your planting needs today.



We have a new addition to our Kellogg family. Roger Meyer and his wife, Icel, are the proud parents of a new baby boy. Robert Thomas was born in January.

Thanks for your business. We look forward to taking care of your needs in 2008!

The Kellogg Crew,

Donnie, Ingrid, Mark, Stan, Roger, Tony and Larry





2008! Are you ready for the challenges that lay ahead? What about the opportunities? Let's visit about the latter. You may be asking, what opportunities is he talking about?

A rare upside of grain markets is before us ( at least on 2-5-08 ). No one seems to know how much or how long this up market will maintain itself. The key word is "maintain", or at least leave the traders believing that.

Potential is there that some producers will make a very nice profit this year. Some have contracted a portion of their expected crop, a few others will gamble cash markets keep going up and might actually sell at the market highs. Others will store their crop and take the long road marketing a little at a time. None of these are the wrong choice. Marketing grain is a personal choice and I'll leave it at that. Lets look at crop inputs for a minute. Someone else came up with these guide lines to follow, they are good enough to repeat.

- Keep seed cost down. Take advantage of all discounts offered. Prepaying for seed makes money.
- Soil test! Don't waste money on fertilizer that isn't needed. Fertilizer is like an investment, make sure you get a good return on yours.
- Consider a crop consultant. If you don't have time to monitor your crop, hire a consultant. Many producers already have.
- Yield boosters. There are a variety of products that give your crop a head start when young and finish with a flurry when high yield potential is present.
- Control the things you can. Weather isn't on the list.

Earlier I ask whether 2008 would be a year of challenges or opportunities? I'd like to close by quoting something I've heard Rick mention several times. "The one thing that usually runs true, is that commodity prices will fall far faster and lower than the inputs needed to grow them". I can't say it any better than that.

We are ready to meet your needs in Atlanta, wishing you a great year in 2008.

Darren

Joe

Terri

Kirk

Josh

Katherine

Jimmy