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NEWSLETTER

"Keeping you in touch with your cooperative business"
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Volume 32 Number 6 **August-September 2011**

Manager's comments

By Duane Boyd

When we prepared the last newsletter, wheat harvest had not yet gotten underway. It turned out the crop was about 30% smaller than last year. Even so, it took 22 days to get the job done which is longer than the average wheat harvest. The quality of the grain was good considering the weather conditions the crop had to endure. We had plenty of room in the elevators to take care of the grain as it came in. At this writing, it appears we'll have to move very little grain to make room for the fall crops as it looks like the fall harvest will be somewhat less than previous years. It may be necessary to move some grain around within the organization, but we should have ample room to take care of your grain..

There continues to be a lot of volatility in the markets for all grains. Right now, indications are that we should have fairly good prices for all commodities as we get into the fall harvest. Of course, that all depends on the weather, growing conditions here and in other countries, etc. We are dealing with a global market. That is pointed out very vividly in a study by U.S. Wheat Associates (USW). It says global wheat demand in 2010 reached an estimated 666 million tonnes. If that demand rate were to remain constant, global wheat consumption would surpass 880 million tonnes by 2050. That's a 40% increase which mirrors the population growth over the period. It's estimated that the rate of world wheat trade will likely grow much faster than overall consumption. That's because the regions where the biggest population gains will take place over the next 40 years (mainly in the mid-latitude countries) are not where most of the world's wheat is grown. The study noted that the world's largest wheat exporters — the United States, Canada, Australia, the Black Sea region, Europe, and Argentina — are expected to see minimal or even negative population growth through 2050. In

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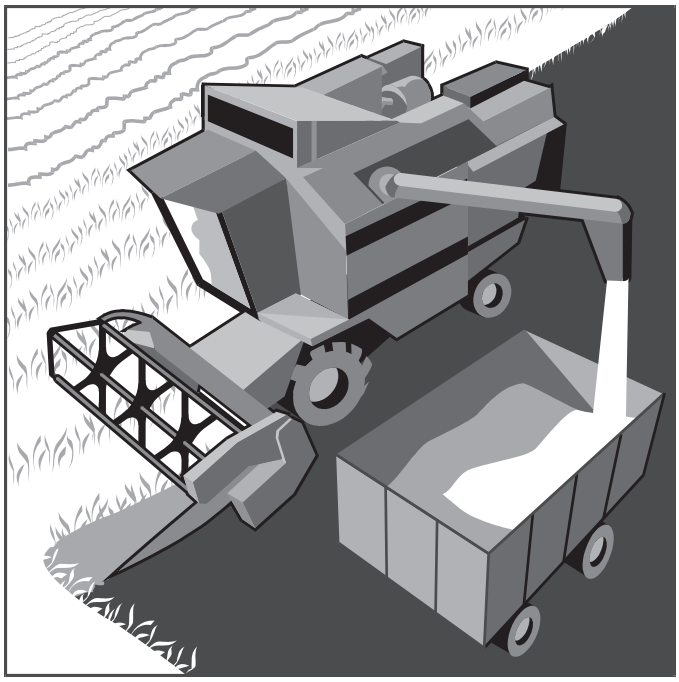

Manager

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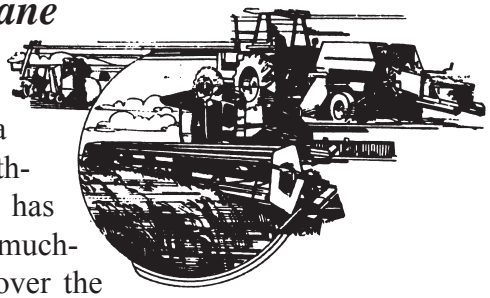
contrast, population growth will be strongest in the countries of the tropic and subtropic regions where little wheat is grown. Meeting the demand will be a challenge. Obviously, increased yields are the key. Since arable land is limited, it would seem the answer would be the commercialization of biotech wheat. It will be interesting to see how that all shakes out in the decades ahead.

The corn harvest is under way in the south. We understand aflatoxin is showing up in some areas. It is a serious situation because it t takes very little to make corn unfit for feeding. Aflatoxin is associated with heat and moisture. We are looking at ways to determine its presence and levels of contamination. Generally, we take samples and send them to the state labs for testing. Of course, it is very possible our area will not be affected. However, we have to be aware of the problem and be ready to deal with it if necessary.

Thanks to all of you for using your Offerle Co-op as the source for your harvest inputs and as the place to market your grain. Your business is sincerely appreciated. We've been in a hot, dry period but the situation will, no doubt, change for the better. This is Kansas. Now, as we look to the fall planting and harvest seasons, we trust that you will, once again, consider your cooperative for all your production inputs and the delivery point for your fall crops. You can count on us to do our very best to provide for all your needs. Thanks again for using the products, facilities and service you provide for yourselves through your cooperative system. Have a good, safe fall! -OCGS-

Crop Production News

By Darryl Roane



Well, the big news for this newsletter is that a very small area within our trade area has received some much-needed moisture over the past couple of weekends. While this was not a general rain for everyone, it is a start. Let's hope that the rain comes a little more often and delivers a nice shot of moisture to get us ready for fall planting.

There's not much news in fertilizer at the moment. Nitrogen prices for the most part are remaining flat and the phosphate prices have increased a small amount. Near term, don't look for much change until the Corn Belt gets geared up and starts putting nitrogen down this fall. That could trigger some higher prices throughout the winter and into spring. Phosphate will be much the same; we could see higher prices throughout the fall months especially with the liquid products. Higher fuel prices are not going to help us much either as it costs more to get the product into our inventory. Looking ahead into spring, nitrogen supplies should remain good and phosphate supplies good on dry, but limited on liquid.

Let's talk a little about liquid phosphate for this upcoming season. We are working to try to get a position on green phosphate liquid and to date, the future is not bright. Suppliers are telling us that they have been informed that green acid production will be down approximately 20% from last year, and last year it was down 20% from the previous year. With higher demand, mostly due to higher grain prices, that is one market that won't last long. Suppliers are reluctant to forward-contract as they are not sure what product they will have available come shipping time. Some suppliers are going directly to selected producers and that allows them to make much higher profits. That makes product unavailable for the vast majority of producers. Some suppliers, much like the one we had two years ago, have opted to use a comparison between previous tons purchased and current supply as leverage to force us to buy all our other fertilizer from them. Neither of these situations are good for the vast majority of producers or retail outlets, such as we are.

One option we are looking into is black acid phosphate. At the present time, there seems to be a pretty good supply of black acid to use. Many of you may remember the old black phosphate products we used many years ago. Today's black acid product is much cleaner than the old product, but it is still black. This means that whatever you mix it with will be black. You will have a slight film build up on your tanks that will require a good cleaning out when you get done. The film can easily be removed with water. The analysis is identical to the green product and has pretty much all the same characteristics as the green. Price wise, it has been running less than the green by $50 to $200 per ton depending upon when it is bought. If you think you would like to try the black product, let us know so that we can begin shopping for a supply. If enough producers are willing to go this route, we will look at getting our inventory geared up for the spring season. Think it over and let us know, or talk to us about any concerns you may have. It is a good possibility that much of the ag industry will be using this product within the next few years anyway.

By the time you receive this, The Watson Wheat Seed Guide and seed prices should both be out. We're not sure what varieties to recommend at this time but if you have in mind what seed wheat you want to use, you should consider getting your orders placed as soon as possible.

"What do I have to do to kill weeds in my fields?" I am sure that you have all asked that same question of yourselves as well as your agronomist or local chemical retailer. We have used just about everything we can put together and have had some success. You have to remember that when it gets this hot and dry, kochia (firebush) just doesn't want to die. They start to harden off to conserve moisture and this makes it very difficult to kill it with many herbicides. If you are using Roundup with 2,4-D products, you may have to include a high rate of Banvel (6-8 oz or more). You may also want to consider the addition of Ally at 2/10 of an ounce and adding some crop oil to the mix will help. I know that all this seems like a lot more investment in your burn-down, but if you don't get those weeds the first time, it is almost impossible to clean them up later unless you plan to get the sweeps out. Fall will be approaching us soon and if you have bindweed issues, plan on spraying those bindweed patches at least a week to 10 days before drilling wheat. Hi-Dep has proven to be a good choice to take out bindweed and does a better job than traditional 2,4-D type products. You should use 16 to 24 ounces if you do not plan to use any Roundup type products with your spray. -OCGS-

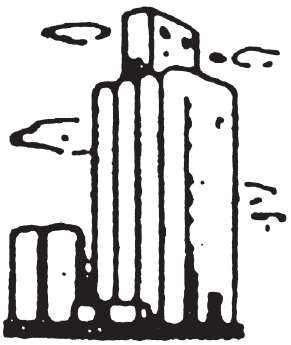
Feed Mill News

We have a good supply of Rangeland 20 cubes and Rangeland Tubs. Drought conditions have left us with little or no good grass and you should consider supplementing protein to keep your cattle healthy. It would also be advisable to keep a good mineral such as our ProPhos 6 Mag mineral in front of your livestock and of course provide them with lots of fresh water. Hopefully, Mother Nature will see fit to give us some moisture so that we can get some feed growing so we can get through the winter.

We will have our Fall Protein, Mineral and Salt Sales week in the first part of November. Be watching for this announcement in the next issue of our newsletter. -OCGS-

News from Bucklin

By Ken Matzen



In a normal year, we would be moving anhydrous ammonia for wheat ground but since this year is anything but normal, activity is really slow. More and more people I talk to are thinking maybe some starter fertilizer at planting and then top-dress if we get a stand.

The topic of anhydrous distribution from the nurse tank to the knives has come up a couple of times in conversation recently. I always knew all the hoses had to be the same length from the manifold to the knives but I really wasn't clear as to why. This prompted me to do a little (darn little) research into

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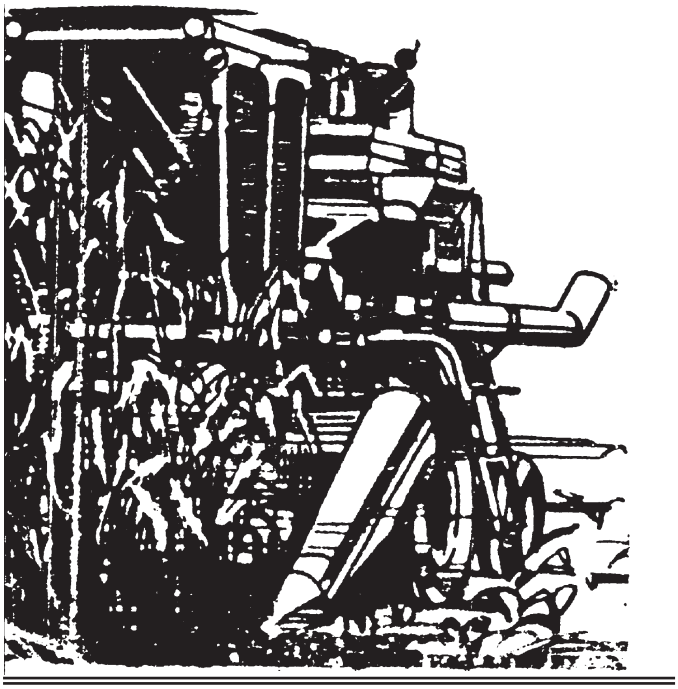
the subject and I did learn a couple things. The following is substantially borrowed without permission from an article published by Iowa State University Extension:

When anhydrous ammonia is in the nurse tank, it is under pressure in a liquid form at some temperature primarily determined by ambient conditions. Obviously, the higher the temperature, the higher the pressure but generally less than 150 psi. When you open the flow valve, the pressure in the tank pushes the liquid ammonia through the various components of the applicator and to the knives. Here's where trouble starts. As soon as the liquid encounters a pressure drop, it starts to boil creating ammonia vapor and the ammonia cools drastically. Now, ammonia vapor under no pressure takes up 800 times the volume of the liquid it took to create it. This creates real difficulties in getting even distribution to the knives since only a small amount of liquid can represent several hundred times the amount of anhydrous ammonia as the vapor and there is both in the lines.

The standard manifold does little to help the situation. When you have vapor going through one port and liquid through another, the one with the liquid is getting the lion's share of the ammonia. And not all ports get equal amounts. Tests at ISU have demonstrated that the ports with the most flow are commonly two to three times greater than the ports with the least.

This all sounds like it's impossible to get good coverage when applying anhydrous ammonia. But with conventional tillage most of the time there are enough knives or outlets close enough together that coverage was adequate. When the fertilizer is applied diagonally or in a different direction than the planter rows it was hard to tell also. This is not the case with strip tilling. When your planter gets right in the same row as your anhydrous applicator and one of the orifices is only getting 35% as much as the one next to it, that row of corn is going to be yellow. But, as is usually the case, technology has been developed to address this. We now have available cold-flow systems that meter liquid and some with pumps that keep the ammonia in a liquid state until it reaches the distribution tube which ensures even distribution to all outlets. -OCGS-



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