



Western Farmer

The Official Publication of the Garden City Co-op, Inc.

FEATURES

January-February 2005



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GRAIN DIVISION NEWS

Ken Jameson, V.P. Grain Division

All the grain markets are definitely caught in the winter doldrums as we have seen a sideways to lower trend for the last five months.

The January 12th U.S.D.A. reports showed winter wheat seedings down from last year 1.9 million acres. The bulk of this drop came from soft red winter wheat as hard red winter wheat was only down 500,000 acres. Offsetting this reduced acreage, to this point, is a hard red winter wheat that is in the best shape and under the best conditions we've had for many years. While we know conditions in February can mean nothing as to the bushels put in the bins in late June, the wheat market doesn't care right now, focusing only on the good condition of the crop. Wheat exports, while down 4% from a year ago, are running ahead of U.S.D.A.'s estimate of down 14%. Large crops around the world have made the export business very competitive this year. The European Union has started offering export subsidies for the first time in 18 months due to the large supply they hold. The wheat market relies heavily on exports and with the stiff competition this year, and a growing crop in good condition, this market could struggle for quite a while.

The corn and milo markets have also been very quiet coming off of record production this past fall. Even with the record demand base that everyone has been talking about, it is likely that 05/06 carryout could be 2 billion bushels or more with a trend-line crop this next fall. Plus, with corn exports faltering, feed demand softer, and ethanol usage below expectations, many analysts are thinking that U.S.D.A. will eventually have to shrink our demand base a little more. The bottom line is that we have a tremendous amount of corn out there and this market is probably going to struggle to go higher unless we run into a production issue this spring and summer.

The soybean market continues to make new lows as exports, while up 3% from a year ago, are well behind expectation of up 14% and an anticipated record harvest is imminent in South America. We are now in the transition of shifting world demand from North to South America. March 1st, U.S. bean

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GRAIN DIVISION NEWS (cont.)

Cont. From Page 1

stocks this year will be 500 million bushels larger than last year. Western Hemisphere supplies will be up 1 billion bushels over last year. While planted acres are expected to be down in the U.S. this Spring due to Asian rust fears and good yield trends in corn, unless we have production issues this spring and summer, this market is likely to continue to struggle.

We want to remind everyone with unsold sunflowers in the elevator that those bushels have to be sold by March 31st. Also, this next fall harvest, we will only handle Nu-Sun sunflowers at the elevator. Today, all our markets are showing a \$1.00 discount for new crop regular sunflowers versus the Nu-Sun's and they are telling us they intend to keep a significant spread over the next marketing year. If you plant regular flowers, we will help you find a market but they will have to be kept on your farm or delivered direct from the field.

Since 1973, between March 1 and September 1:

CZ has traded 250 or higher 30 out of 32 years (Years not above 250 = 1986 & 1987)

CZ has traded 260 or higher 27 out of 32 years (Years not above 260 = 1986, 1987, 1999, 2001, 2003)

CZ has traded 270 or higher 25 out of 32 years (Years not above 270 = 1985, 1986, 1987, 1999, 2001, 2003)

CZ has traded 280 or higher 18 out of 32 years

CZ has traded 290 or higher 17 out of 32 years

CZ has traded 300 or higher 13 out of 32 years



PETROLEUM NEWS

Rod Petty, V.P. Petroleum Division

The Garden City Co-op, Inc. Petroleum Division has started this year with a lot of exciting things happening. We are very pleased about the merger with Dighton Co-op. There is a great deal of work ahead of us but it means a better future for both Co-ops.

Some remodeling has been done at the Petroleum Office, turning the customer counter around and adding another office. We think it looks nice and we invite you to stop and have a cup of coffee with us.

While you are here, ask about fuel contract prices. We continue to monitor the markets in an effort to get the best prices for you. It has been very interesting with the fuel markets constantly changing.

Spring is on the way and we want you to be as prepared as possible for the upcoming season. You may want to think about filling your tanks soon. There will be a lot of refinery turnarounds because the refineries have to be in compliance this year with the new ultra low sulfur diesel specs.

We are currently running our annual Winter/Spring Oil Sale. Bulk oil is discounted \$.40 a gallon and Drum oil is discounted \$.30 a gallon. We have 5-gallon bucket of Gear Lube on sale, as well as Molyplex and BlueGard grease. These prices are effective through March 31, 2005. Stock up now and save!

If you need a new irrigation battery, we have plenty in stock to help serve you.

We are always available to hear you questions and/or concerns. Please feel free to call us at 620-276-8301 or stop by our office at 7th and Fulton.



COUNTRY CORNER SPECIALS

Country Corner is still having the Car Wash Special. Buy 7 gallons or more of Ethanol and get \$3.00 off the Ultimate Wash. We now offer pre-paid gift cards. They can be purchased for amounts from \$5.00 to \$100.00. They will be rechargeable if you would like to add more to the card after they have been purchased. So, if you are looking for a quick gift, come in and purchase one. This month, we have new items in the deli. We now offer Fried Mushrooms. Pepsi has come out with new Flavored Water from Aquafina. There are 3 new flavors! They are on sale this month - 2 for \$2.00 so stop in and see us!!!

Know your Employees...

Kraig Lindsay - Precision Ag Manager

Kraig Lindsay has recently joined the Crop Production Division's Sales Force for the Garden City Co-op. Kraig will be managing our crop consulting service in conjunction with Crop Profits. He will also be managing our variable rate fertilizer application, inferred mapping, and information technology along with sales duties in the area. With Kraig's knowledge and expertise, we will be able to add value to our producers by better utilizing today's technologies.

Kraig grew up on a small farm in South Central Kansas near Protection. While in high school and college, he worked for a local farmer and also farmed with his brother.

Kraig received an Associate's Degree in Farm and Ranch Management in 1994 from the Hutchinson Community College. In 1995, he accepted a job with Collingwood Grain in Plains, KS, working in the Crop-Timizer program as a crop scout. While with Collingwood Grain, he moved to Garden City in January 2002 to manage the Garden City location and most recently he worked at the Sublette location.

Kraig and his wife, Jennifer, just had their first child, Jaron Alan, in January.



MARKETING PLANS

The following article on developing grain marketing plans appeared in an issue of Harvest States Newsletter. It was written by Kent Thiesse, educator at the University of Minnesota Extension Service. Although the author refers to marketing corn and soybeans, the same basic principles apply to all grains. We think his advice is well worth consideration.

A marketing plan is as individual as a balance sheet and should be carefully tailored to individual needs. To accomplish that, Thiesse offers the following guidelines:

1. Estimate your break-even cost. To do that:

- a. Determine your total cost of production for corn and soybeans.
- b. Determine storage costs if grain will be stored beyond harvest.

2. Determine your market objective:

- a. Review your cash flow needs for crop input costs, land costs, loan payments, and family living needs. Know what corn or soybean price on either grain in storage or new crop allows you to meet those commitments.
- b. Study basis patterns at your local grain elevator or point of sale for corn and soybeans. Basis is often an overlooked factor for determining potential times of the year to make cash sales.
- c. Consider your storage situation to determine when the grain has to be removed from the bin. Consider seasonal odds, such as the May to early July period, to lock in prices.
- d. Know where your profit margin is. Once you know your cost of production and cash flow needs, you should have a good idea when you are selling into a profit situation. Remember, everyone's situation is different, so it is best to use your own figures.

3. Follow through with your marketing plan:

- a. Put your marketing plan in writing and keep it in a place where you can review it regularly.
- b. Revise your marketing plan as necessary to accommodate changes in market fundamentals, adjustments in yield potential on your farm, and changing cash flow needs.
- c. Most marketing plans have a scaled approach, using certain market price levels to signal the sale of a certain percentage of grain in storage or of the likely production for the year.
- d. A marketing plan may strictly involve cash sales and forward contracts at the local elevator. However, some strategies may include options and hedging strategies through the futures market.

4. Share your marketing plan with your lender:

- a. A sound marketing plan may be a helpful tool for securing operating and other loans from agricultural lenders.
- b. If you plan to use futures and options strategies, be sure to inform your lender of cash flow needs required to use these tools.
- c. Keep your lender informed of adjustments in your marketing plan, based on changes in market price targets and production potential. It is best to relate these adjustments in the plan to your annual cash flow budget.
- d. Do a year-end summary of the actual results of your marketing plan and share this with your lender. This is an indicator of good business management.

5. Other considerations regarding a marketing plan:

- a. Develop a sample worksheet in your farm notebook or on your computer to put your marketing plan in writing.
- b. If you plan to use futures and options strategies, remember to consider option premiums, broker costs, and margin calls.
- c. Don't be discouraged if you sell corn or beans on your marketing plan and the next day, the price goes up. Base your evaluation of a marketing plan on performance for the whole year.
- d. Don't be swayed by "naysayers" at the coffee shop regarding the objectives in your marketing plan. Remember, your plan was designed based on your cash flow needs and your profit goals. Many people like to talk about the time they got the highest corn and soybean prices, but very few are willing to discuss the shortcomings in their marketing strategies.
- e. Inform your spouse and other farm partners about the marketing plan and adjustments in the plan as they occur. In fact, it is best to develop the marketing plan with a team approach involving these individuals. If you are really creative, designate a certain number of bushels to your spouse, son, daughter, etc. and allow them to develop a marketing plan on those bushels.

6. In summary, Thiesse points out that a marketing plan may not allow a farmer to hit the high price for corn and soybeans during a given market year. However, a good marketing plan, based on cost of production and cash flow needs, may allow farmers to market grain at profitable levels a majority of the time.

GARDEN CITY CO-OP

CAN REDUCE YOUR CROP CONSULTING COST!

PURCHASE YOUR SEED FROM GARDEN CITY CO-OP & Qualify for REDUCE COST Crop Consulting

Garden City Co-op will subsidize your current crop consulting service or if you are in need of a crop consultant, we can provide full service to you at a reduced cost. The consulting service provided by the Co-op will be in conjunction with Crop Profit owned and operated by Fred Fisher. The services we are providing and costs are listed below.

CROP PROFIT'S SERVICE INCLUDES

Crop History: Soil Samples, Pesticide Application, Fertilizer Application, and Crop Yield Histories.
Input Decisions: Seed / Pesticide / Fertility Recommendations.

Soil Testing and Recommendations.

Field Scouting: Scouting is on a weekly basis on irrigated, bi-weekly scouting of dry land summer crops, wheat involves a minimum of eight checks at critical times during season.

Irrigation Scheduling: Estimates of available moisture, expected water usage, and recommendations.

FEES W/ SEED PURCHASED FROM GARDEN CITY CO-OP

Reduce Cost applies to the acre that the seed was purchased from the Co-op. Yields will be collect after harvest and the payment date for the service is Dec 2005. If you use your current consulting service, Garden City Co-op will pay the subsidized amount directly to the grower in Dec 2005.

Corn - \$.02 / Bushel
Alfalfa - \$.50 / Ton

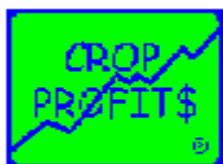
Soybeans - \$.075 / Bushel
Sunflowers - \$.225 / 100 lbs

FEES FOR SERVICE ON NON CO-OP PURCHASED SEED

Corn - \$.04 / Bushel
Alfalfa - \$1.00 / Ton

Milo - \$.05 / Bushel
Sunflowers - \$.30 / 100 lbs

Soybeans - \$.10 / Bushel
Wheat - \$.06 / Bushel



Fred Fisher
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flfisher@pld.com

FRED FISHER IS THE OWNER OPERATOR OF CROP PROFIT\$

Fred operates his business out of Sublette and has been in the crop consulting business for over 25 years. He has spent his entire career in western Kansas and understands the farming practices in our area. Our Crop Production Department worked with Fred this past season and is looking forward to working closer with him to better our services and our customers' operations.



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A MANDATE FOR OPTIMISM (cont.)

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The vote and the resulting applause was the result of enthusiasm and optimism. It was well-calculated optimism as the members that came to the three information meetings in Dighton and the two in Garden City understood. The two boards struggled with the specifics for a year before they were satisfied that the resulting plan was the best for the 1,000 members of Garden City and 600 members of Dighton. It is a chance to grow and become more effective while retaining the personal touch of a hometown business. They were also convinced it was positive for all of the communities that would be served by the new Garden City Co-op.

A year ago at the Garden City Co-op's Board Planning Session, we adopted the commitment statement, "Moving Forward Together." It is meant to indicate that we will not stand still and be victims of what comes our way. We chose to take action and create our own circumstances. We also chose to co-operate and work together to achieve what we can't individually.

Co-ops have always been about working with neighbors. On April 1st, our neighborhood gets a little bigger and it is an optimistic and enthusiastic place to live.

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A MANDATE FOR OPTIMISM

Enthusiasm and optimism have to be the most contagious emotions shared by human beings. A positive approach cannot be deflected by negativity for long. I think it is a basic human trait to believe that tomorrow will be better and good things are headed our way.

That belief may be best exemplified here on the High Plains. This region has relied on agriculture in an environment that was predictably challenging at best. My mother referred to this as next year country, always a better crop or better price next year. My Dad, the eternal optimist, was farming for the year with a bumper crop and record prices. He thought it was probable even though it hadn't really occurred since he bought his place in 1947.

To people that don't understand this culture or the eternal optimism of a high plains farmer, some of our decisions must seem confusing. In difficult times, our commitment must seem like a refusal to face the facts and admit defeat. Every year seems to bring a story of drought, late freeze, hail or low prices. In recent years, we have been able to talk about them all in the same growing season. We

acknowledge that there will be challenges. We have seen our neighbors pay the price for bad decisions or sometimes just bad luck. Some have paid that price and returned for more. So why not just give up?

To understand it, you have to know how we love these wide-open plains. You have to understand that we are the sons and daughters of several generations that chose to live here. For all these generations, we have appreciated the beauty and abundance promised by green wheat in March and a good stand of corn in June. That abundance can provide a good livelihood with enough left over to educate our children and help them achieve their dreams.

We know that enough enthusiasm and optimism mixed with sound business decisions and a willingness to take a calculated risk can return plentifully. Maybe it doesn't happen every year and sometimes it can result in taking the belt up another notch. But we know good times will come because they always have.



John McClelland
General Manager

That commitment and belief of the high plains farmers was demonstrated in Dighton as they voted to merge the Farmers Co-op with the Garden City Co-op. It passed by 92%, 135 to 12. The most exciting part of the merger meeting came when the tally was announced. A round of applause and cheers from the audience greeted the result.

If you have followed the coverage of this merger in the newspapers, you would believe that this was a sign of relief that a struggling co-op had been saved. All of the reporting talked of drought, Farmland Industries bankruptcy and the general decline of rural America. Nothing could have been further from the truth. The condition of the Farmers Co-op was strong.

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