



# Western Farmer

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

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January-March 2008



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## **Grain Update**

*Ken Jameson, V.P. Grain Division*

Today we are participating in history being made in all the grain markets. In the past, an article about the grain markets would talk about trading levels, trends, support and resistant levels. Today, that information would be good for maybe 5 minutes. We have never seen volatility in the markets as we have today.

The billions of dollars that have flowed into the commodity markets has changed our landscape. We never thought we would hear the comment that money is flowing out of the stock market into a "safe haven" investment, the commodity markets. This money is coming from unconventional sources. The California Public Employees Retirement Fund recently announced they would increase their investment in commodities from the current \$450 million dollars to \$7.2 billion dollars this year.

Are these market levels justified? Who knows. Will these markets break back to 3 year ago levels? Who knows. The markets are what they are and this heightened volatility provides opportunities and risk.

All commercial entities handling commodities; i.e. elevators, feedyards, flour mills, major exporters, ethanol plants, are taking a serious look at the way they do business to handle this risk. Changes in how they do business will happen in this environment as the cost of handling grain increases, mainly through interest charges and the cost of dockage and other discounts. Will all the changes be permanent? Some probably will while others will be dictated by the market place.

Change is never easy but we are in uncharted waters today and no one has a crystal ball that can tell us how long it will last. We will do our best to keep these changes to a minimum but ultimately we have a responsibility to protect the financial position of your cooperative for the future while providing as many services as that responsibility will allow.

In the mean time let's enjoy the ride and watch for the opportunities it provides. We would rather be writing to you about \$10.00 wheat and \$5.00 corn than the \$3.00 and \$1.75 of a few years ago.

## Crop Production Update

*Tim Giesick, V.P. Crop Production Division*

Spring is almost here. With temperatures rising and days getting longer, farmers are turning their focus to getting back in the fields. Higher fertilizer and chemical prices seem to have captured everyone's interest and the question of the day is how high these input and commodity prices go. We here at the Garden City Co-op are committed to bringing the fairest prices and best service that we possibly can to our customers. The Garden City Co-op Crop Production Staff's goal is to always keep a ample supply of products available for our customers even with recent shortages and transportation issues. Over the past 6 months, we have found it sometimes difficult to keep up with farmers' needs but I would like to commend the Crop Production Staff for all their hard work and dedication making sure that they had product and the people available to satisfy the needs of our customers. Even though we are faced with very challenging times, we feel that by working hand and hand with our customers almost any problem we face in the future will have a positive solution. Crop Production has added some new equipment. We have purchased a new dry rig and a few more NH3 trailers. This should improve our service. We have added a few new faces at our Lowe facility. They are James Wills and Ryan Rodd. At the Dighton facility, we have added Matt Bogner and Gary Sharp. If you have a chance, please take the time to stop in and meet them. Now for the good news! With the market value of wheat, it's time to start top dressing and get chemical down to protect your investment. Our spray list is getting longer every day. We have several programs and financing programs available for your fall crop needs. Please give one of our salesmen a call - Ryan Kennedy (620-290-3512) or Michael Kempke (620-271-3446) if you have any questions about fertilizer or chemical. We here at the Garden City Co-op would like to take this opportunity to thank you for your continued loyalty and commitment and look forward to serving you in the future.

## Western Transport

*Kary Smith, Manager*

Western Transport is ever expanding and working hard to meet the needs of the Garden City Co-op. We are currently running 7 transports hauling fuel, fertilizer, and grain. We will be bringing on another 3 trucks in the very near future. We recently purchased another liquid fertilizer trailer and more hopper trailers. We have been hauling liquid fertilizer for Lowe, Dighton, and Western Ag Chemical from Woodward, OK and Dodge City. We have also been hauling dry fertilizer to Lowe from Goodland, Ensign, Catoosa, OK, and Carlsbad, NM. We have hauled some NH3, as well. We have hauled grain for several companies, including WindRiver. On the Petroleum side, we have had trucks hauling gas, diesel, oil, and kerosene in Texas, Oklahoma, Colorado, and Kansas. Western Transport is committed to support each division of the Co-op. Although we haul some outside freight for other companies, our first priority is to the Garden City Co-op and its member/owners.

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John McClelland - General Manager  
Brent Merz - C.F.O.  
Ken Jameson - V.P. Grain  
Tim Giesick - V.P. Crop Production  
Pete Maestas - V.P. Petroleum



#### 10% Ethanol Blended is available at:

Country Corner East  
7th & Fulton  
Fleming & Harding AFS  
Dighton Service Station  
Dighton Ampride

### For Daily Grain Bids or To Sell Grain

620-275-6161 (G.C.)  
620-356-1219 (Ulysses)  
620-397-5343 (Dighton)  
785-391-2336 (Utica)  
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*(Part of the Western Transport Fleet)*

## Monsanto's Mobile Technology Unit Plans Stop in Garden City

Chris Irvin, Manager

Producers of Southwest Kansas have an excellent opportunity to tour Monsanto's Mobile Technology Unit, MTU. The MTU is a unique experience featuring a 14-seat high-definition theater and interactive stations covering a variety of topics that can help you become more productive and profitable on your farm.

Western Cooperative Seed and Garden City Co-op will offer farmers three chances to participate in the hour long sessions which include a tour of the 53 foot long van and 1000 square feet of exhibit space. Only a limited number of producers will be allowed per session. Tour times will be at 2:00 pm, 3:00 pm, and 4:00 pm, on April 1st.

The traveling exhibit has made around 40 stops since July, 2007. The exhibit takes visitors through the entire process of developing new products and traits. It also gives farmers a first-hand look at how Monsanto is applying advanced science to help them be more profitable and create new market opportunities for their crops. Monsanto invests over \$2 million dollars per day in new product research and development.

During the tour, you will also see how Monsanto researchers use advanced robotics and MRI technology to study grain samples that help them analyze the oil content of corn, to help produce higher quality grain.

These are just a couple brief topics covered in the hour long sessions. Like I said before, this is a great opportunity for us to tour this facility and see how Monsanto has climbed their way to the top of the industry in traits and new products. Dekalb/Asgrow are brands that are owned by Monsanto and are sold by Western Cooperative Seed. Watch your mailbox for an invitation and RSVP to me as soon as possible. I will need a head count for dinner, which will be served at 5:00 p.m. You can reach me on my cell phone at 620-271-8150.



See Jayrene at Dighton for all  
your cell phone needs.  
Jayrene is located in the  
Dighton Office  
Phone 620-397-5343



**Garden City Co-op  
'Moving Forward Together'**

## Petroleum Update

Brent McMillan, Petroleum Sales

Spring planting season is here once again and along with that we have rising fuel costs to begin a new season. We at the Garden City Co-op Petroleum Division would like to encourage everyone to begin filling their fuel tanks for this spring. One more thing to consider is with the rising price of crude oil it not only affects fuel prices but also lubricants, so if you need oil or greases whether it's packaged or bulk, you should stock up. Cenex has already had one price increase this year and we expect to probably receive another increase in the near future. In other words, take advantage of the current pricing before the increases reflect upon our pricing to you. Get your orders in early so we can schedule your delivery.

We will soon be having some changes to Country Corner at Hwy. 50 and Campus Drive in Garden City. There is going to be some new Cenex imaging taking place with a new canopy on the gasoline island and new imaging for the exterior of the store itself. On top of that, we're going to install a flex fuel dispenser on the west end of the gas island that will offer E-85, E-50, E-30 and E-20. The E-10 dispensers will remain in place where they are located now. You can also expect to see some new Cenex imaging at our other AFS locations in Garden City, including the Bulk Plant, Fleming & Harding and 7<sup>th</sup> & Fulton. We look forward to serving you.



Country Corner has a Car Wash Special (Get \$3.00 off of an Ultimate Wash with a \$20.00 gas purchase).

We are also offering 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 from us.

## Ethanol Q & A

**Q: What is E-10?**

**A:** E-10 Unleaded is gasoline with 10 percent ethanol. It can be used in any gas-powered car.

**Q: Does E-10 make engines run hotter?**

**A: No.** The ethanol in E-10 Unleaded actually helps keep your engine cooler, since the ethanol in the fuel combusts at a lower temperature. In fact, many high-powered racing engines use pure alcohol for that very reason.

**Q: Is E-10 bad for fuel injectors?**

**A: No.** Ethanol and E-10 Unleaded have never contributed to burning or fouling of port fuel injectors. Some components in gasoline, such as olefins, have been identified as causing deposits that can foul injectors. Because ethanol burns 100% and leaves no residue, it can't contribute to the formation of deposits. The ethanol in E-10 actually keeps fuel injectors cleaner--helping improve engine performance. It does not increase corrosion, nor will it harm any seals or valves.

**Q: Does E-10 cause vapor lock?**

**A: No.** Vapor pressure specifications of gasoline continue to be lowered by state and federal statute, virtually eliminating the vapor lock problems that were reported in the past. The vapor pressure of gasoline is set by state law, and is lower in the spring and summer than in the fall and winter. Vapor lock usually occurs when a winter grade of gasoline formulated for cold weather starts is used under summer-like conditions. (Remember: 90% of E-10 Unleaded is gasoline, so the formulation of the base gasoline has a dramatic effect on performance.) Also, all major auto manufacturers now have in-tank fuel pumps which are not subject to vapor lock like the older in-line fuel pumps.

**Q: Does E-10 plug fuel lines?**

**A: No.** Today occurrences of plugged fuel filters are virtually non-existent. The cleansing nature of E-10 can actually keep your fuel system cleaner and lead to improved performance. In the case of dirty fuel systems, contaminants and residues that have been deposited by previous gasoline fills can be loosened. That residue can get caught in the fuel filter. In older cars, especially those made prior to 1975, replacing the filter solves the problem, and once your fuel system is clean, your car's performance should improve as well.

**Q: Does 10% ethanol reduce gas mileage?**

**A: No.** Many variables affect fuel economy, including seasons, the weather, the state of your car, road grade, tire pressure, and the use of air conditioners. Most drivers using E-10 see an increase or no difference in fuel economy.

**Q: Why do some auto mechanics tell people not to use E-10?**

**A:** A mechanic who says not to use E-10 simply does not have correct information--particularly since every major automaker in the world approves the use of 10 percent ethanol fuel.

**Q: Can E-10 be used in older cars?**

**A:** The formulation of gasoline has changed dramatically over the past few years without affecting the performance of older cars. Many older cars were designed to run on leaded gasoline, with the lead providing necessary octane for performance--and the lead oxides that were formed during combustion provided a cushion that reduced wear on non-case-hardened valve seats. When lead was phased out of gasoline, oil companies added chemicals to raise the octane rating--and other additives to replace the "lubrication" value of lead. The ethanol in E-10 raises octane in gasoline by three points using a natural, renewable additive that works well in older engines.

**Q: Can I use E-10 in small engines?**

**A: YES!** E-10 is perfectly acceptable in lawn mowers, snowmobiles, and other small engines. Manufacturers of this equipment know that more than 40% of the gasoline sold across the U.S. contains oxygenates such as ethanol, so they've made certain that their engines perform on these clean-burning fuels. E-10 may be used anywhere that unleaded gas is used--from ATVs to chainsaws, from lawn mowers to personal watercraft. Virtually every small engine manufacturer approves the use of E-10 in its equipment.

**Q: What is E-85 and Can I Use It?**

**A:** E-85 is the term for fuel blends of 85 percent ethanol and just 15 percent gasoline. E-85 fuel can be used in flexible fuel vehicles that are designed to use any combination of gas and ethanol up to 85 percent ethanol. Today there are over 6 million FFVs on the road made by several leading manufacturers. Visit [www.e85fuel.com](http://www.e85fuel.com) to see if you have an FFV and to find E-85 fueling locations.

*For more information on ethanol, visit the Kansas Ethanol Information website at:  
[www.ksgrains.com](http://www.ksgrains.com)*

## Ulysses Ag Inputs

*Daron Cowan, Sales*

There has been a lot going on in the past couple of months. The most notable change is at Dighton where we have moved the feed and animal health products to the service station. We hope this move will be more convenient for our customers.

We will be switching our feed brand at Dighton and Utica. We will be carrying Purina Mills products in place of Land O'Lakes products. This is being done partially by our choice and partially by LOL Purina Mills future business decisions. The first reason we decided to switch to Purina Mills is to have better logistics in getting the freshest feed to the customer at a better price. For example, if we pull our product from the LOL line of feed out of St. Joseph, Missouri or Hillsboro, Kansas, our freight is about \$1.20/bag. If we pull from the Purina line of feed out of Henderson, Colorado, we can get a back haul rate at about \$0.70/bag. The second reason is so all of our locations can carry the same products. When all locations carry the same products, we can do branch-to-branch transfers limiting the amount of inventory we have to stock at each location. Lastly, our pet food will change to the PMI Red Flannel brand. The horse, chicken, and all other lifestyle feeds will change to Purina Mills products. The show feed will eventually change its name from Honor and Show Chow to Honor Show Chow. Some of these changes have already been put into effect, with some coming later on in the year. Land O'Lakes and Purina Mills are the same company and they are gradually consolidating their feed products into one line. This consolidation will help reduce their production and advertising costs, and in turn hopefully reduce feed prices.

Show animal season has begun, and we look forward to taking care of all your show feed needs. We will carry show feed at all 4 locations, and if we don't have what you need, we will try our best to get it for you. Once again, LOL Purina Mills is still offering the Honor and Show Chow awards program. This program rewards Grand, Reserve Grand, Breed and Reserve Breed Champions with really cool Honor and Show Chow products. You can check out the prizes, rules, and regulations at the following web sites: [www.betteranimalsshowseries.com](http://www.betteranimalsshowseries.com) or [www.honorrollawards.com](http://www.honorrollawards.com). These web sites are subject to change with the consolidation of the two brands.

Feed, Trailer, and Livestock equipment sales have remained steady since the first of the year, but we do still have some items here at Ulysses on sale.

1. All 2007 trailers are \$125 off list price.
2. 3 bale transport regular price is \$2585 on sale for \$2250.
3. Filson Calf Tipping table regular price is \$980 on sale for \$830.

Just a reminder-- at Ulysses, Lakin, Dighton, and Utica, we carry a full line of LOL Purina Mills feeds. In Ulysses, Lakin, and Dighton, we carry Hastings Stock Tanks and Blattner Livestock Equipment. In Ulysses and Dighton, we can special order auto accessories thru Keystone Automotive. In Ulysses, we also carry Tophat Trailers and Butler Flatbeds.

Thank you for all your past, present, and future business. Please call Daron at 620-356-1219 or 353-8587 with all your feed, livestock equipment, and trailers needs.

## Not What Should Be, What Is...

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I hope this report helps you prepare for what is from your local Co-op. We will not sacrifice the financial stability of the Co-op to maintain a method of doing business that we all have become accustomed to. We will make changes to services offered, assets currently deployed and our business structure as we need to. We will attempt to meet the new reality of increasing production and more planting and harvest pressure by refocusing our time and money on our core businesses. We will run the Garden City Co-op in a manner that you can count on for your farm. If we make a commitment, we will live up to it because we have preserved the financial ability to perform.

There will be change and some of it may be dramatic. Is it right or wrong? I don't know or care, but I do know what is. We didn't create this market and we are not big enough to stop or redirect it. It will be difficult to adapt just as change always is. The best part of the process is we will emerge as a re-energized, re-focused and stronger Co-op.

In closing, every discussion I have had recently about this new agricultural world carries a tone of negativity and fear about the future. Change is always tough and extreme volatility makes it scarier. But enough of that already. The path we were heading down wasn't so hot either. We were experiencing a poverty of imagination and our communities were dying from it. Stagnant markets and subsistence living was killing our businesses, schools, churches and home towns. It is OK to shake things up a little and embrace what has been referred to as the golden age of agriculture. Aren't these kinds of markets and opportunities just what we have been asking for? Well we got them.

So join your Co-op in embracing the new what is. It may be a bumpy ride but man; the scenery is sure a lot nicer!

## Not What Should Be, What Is...

The Garden City Co-op has a strong culture of stability and dependability. We now enjoy the disciplined decision making of previous managers and boards as they have protected the balance sheet while serving you as members. The current management and board of your Co-op strive to accomplish the competing needs of service today versus strength tomorrow. After all, a strong balance sheet does no good to members if service suffers and service at all cost is not a long term strategy if you don't have the financial where-with-all to fulfill your commitments.

With that paradox in mind, we participate in a board and management planning retreat every year. For those of you with experience serving on this or other boards, you well know what a challenging and difficult process that the distillation and prioritizing of strategy can be. In the world we live in today, that challenge has been ratcheted up several levels. The search for the strategy "sweet spot" is always difficult but the hard work really begins the next day. That is when the strategy is, successfully or not, expressed to you as execution. All the planning and strategy in the world does no good if it stays in the meeting room to be dusted off and reviewed again next year.

We have completed our planning session this year. It was an excellent three days in which we tried to get our arms around the new global market and all of its implications on High Plains grain producers. We worked hard to gather information and then give context to it. We struggled with risks that were unknown just weeks ago and grasped at new opportunities presenting themselves on a daily basis. Now we are back home and ready to get back to the work of execution.

For us that means several things. We are done for another year of deciding if the market is right or wrong, sustainable or in transition. We are not discussing whether the world is progressing as we think it should. We are done contemplating if all this change is good or bad. We are now focused on what is. There is real power in that concept.

Centering on what is relieves you from making value judgments about others in the marketplace. It lifts the burden of right and wrong in an economic and logical sense (not from a moral perspective). It makes us all accountable for performing today without the cover of "who could see that coming" or "the market should have never done that". What should be is the plan the menu laid out, what is is what you eat.



**John McClelland**  
**General Manager**

So, What is? Two years ago our interest costs were much less than \$1 million. Last year, we budgeted a similar amount and it was \$3 million. Interest was the single biggest contributor to our challenge with earnings from local operations last year. This January, interest costs for the month was \$500,000. We are currently living off our balance sheet strength built up over the previous 87 years and the cash received from our risk management Co-op, FC Stone, converting to a public company. Thank goodness we have that cushion but we cannot rely on it for long. I could go on for days about the world we live in and the brutal facts about today's what is. I have for three days recently; just ask the board members.

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