

NEWSLETTER

Ottawa Hub — Overbrook Hub
Burlingame — Burlington
Edgerton — North Lawrence
Melvern — Midland
Pauline — Scranton — Waverly
South Lawrence

Fall 2003

Manager's update

By *Adrian Derousseau*

Here we go again. Another hard drought has covered our entire trade territory. Agribusiness is one field that can make you humble quickly. Most of the rain that we received came about 30 to 40 days too late to ensure a good harvest. We were encouraged early, but that quickly changed.



What's our plan of attack for the third drought in a row? Most of our changes have already occurred. All of our departments are being operated with as few people as I care to go at this time. If we continue to downsize, we only create safety issues. That is one item on which we will not compromise. All departments will continue to be watched. Our warning to all members has been along these lines — use it or lose it. It seems some members continue to follow the philosophy that if their cooperative doesn't have the lowest price on what they want to buy, or pay the highest price for what they have to sell, they pass it by for another place of business. Your cooperative offers services that do not pay their way. These services will have to be scrutinized and eliminated in order to cut expenses and ensure that your cooperative is a survivor in this poor economy.

We have made some changes that include the sale of our convenience

store to Gas N Shop. The store has been good for your cooperative for many years; but just as some things change, we began to see a down trend in this type of business. When you look at the liability and workman comp issues with which we are faced, I believe we got into the business at the right time and we are exiting at the correct time.

We are continuing to improve our crop production, LP, and fuel parts of the business. Some changes that are taking place include the addition of another dome for our nitrogen fertilizer needs. Our requirements for these products are growing and demand is improving. Concerns with the world supply and high natural gas prices continue to be a threat in the fertilizer arena. Another storage unit will help keep us from being dependent on just a few suppliers. Every year it seems suppliers are exiting this market. Hopefully, this facility will keep us ahead of the demand.

Another area of expansion is in the LP part of the business. We recently bought Wellsville Propane. Ottawa Co-op has been a partial owner of this business for some time; but, due to liability issues, East Kansas Chemical was forced to sell off this part of their business. Ottawa Co-op has been delivering the LP for this LLC for many years. This does simplify our LP business

and, hopefully, we can continue our relationship with the Wellsville customers. Wayne Figgins will continue to be their driver and Jay Tucker will handle all the installation and safety issues.

Changes never seem to stop. We hope that those we've made will ensure continued positive growth and efficiencies for all our departments.

Our hope is that we will be able to salvage some soybeans this year. No matter how it turns out, may it be a safe harvest. We further hope the drought cycle has ended.

Operations

By *Calvin Pearson*

The Ottawa Co-op will be offering an Input Finance Program for next year. This program had a lot of participation from the patrons last year. I feel like it is something that we can offer that has a lot of advantages for our patrons. The one thing that I can't stress enough for those of you who are on the program now is to pay your balance off on time. That will have the most influence on your ability to participate in the program next year. I know some lending institutions have shied away from agricultural loans which makes this program a very important tool that can be used by the farmer to help get going for next year. After a year like this, it is sometimes



Continued on page 2

hard to get geared up for the coming year. However, if a person is going to continue to farm, it is never too early to start getting ready for your next crops.

With the volatility in the grain markets right now, it may be hard for some of you to decide what to plant where next year. I know some of you are thinking twice about planting soybeans and I can certainly understand that; but, if the price continues to go up, soybeans certainly look attractive. Wheat and corn seem to be what producers have had the best luck with the past couple of years and may very well continue to be the best cash crops. I would just encourage everyone to visit with Matthew about a marketing plan and try to lock up some decent prices if the market allows for that. I encourage each of you to do some real number crunching this fall and put a pencil to everything you do to try and squeeze every possible penny out of each acre. We often hear how this seed or that chemical or fertilizer program may be more or less expensive than another. But the real cost, or money made per acre, may be in marketing or fixed cost per acre rather than an input item. If some farmers really put a pencil to it, they would be shocked at what their equipment payments or costs per acre are per year.

I am sure that most of you are aware that Roundup Technology seeds will be higher next year. We certainly don't want this, but there is not a lot that we can do about it. Even though seed may be higher next year, and with the way chemical prices have gone, your cost per acre may not be any more than in the past. Here again, look at your total cost per acre and see where you end up.

Crop yields may be all over the place this year. While your corn or soybeans may have been better or worse than somebody's down the road, maturity dates and planting dates this year have made a huge difference. Make sure when comparing yields that you are comparing apples to apples and not oranges. Full-season corn, for the most part this year, took it on the chin and short-season soybeans did also. I know of several instances where the same corn was planted right across the road from each other, but there was maybe a week difference in planting dates and the yield on the late-planted corn was only half that of the first planted.

Your Co-op will be offering a fall fertilizer program again this year. As soon as harvest is over, I would encourage each of you to talk to the people at your branch or the Fertilizer Department and look at the available options that will best fit your farming operation.

higher) due to their heat wave this summer and reduced production ideas on the Chinese corn crop (reduced to 115 million metric tons from 118 earlier). Corn prices should be well supported at current levels and have a good chance to move higher as harvest progresses later in the month due to increased demand possibilities.

Soybean trade, on the other hand, has skyrocketed to \$7.00 spot futures. Mediocre yields and strong export demand have led to a strong counter-seasonal rally. USDA quarterly stocks reports estimated carry-in for the 2003-2004 marketing year at 169.4 million bushels. Current new-crop production ideas are about 2.5 billion bushels (35 bushels per acre). Carryout for the marketing year will be at minimum pipeline levels of 50 - 100 million bushels. Demand will have to be rationed or imports considered. Bearish factors include a fund long position of around 50,000 contracts and possible South American production of 100 million metric tons that could exceed U.S. production next spring by a billion bushels! Due to South American soybean expansion, prices are 60% of the levels seen in the early 1970's with similar tight U.S. supplies. Old-crop soybeans should be fairly well supported near current levels for the balance of the calendar year. Look for very high volatility on soybeans next spring with futures potentially tempered by imports from South America and potentially supported by any threat to South American production.

Daily market comments are available on our website — www.ottawacoop.com, Monday through Friday. Keep yourself informed.

Ottawa Co-op Association
302 North Main
Ottawa, KS 66067

Directory

Ottawa

General Office 785-242-5170
or 888-242-5170

TBA/Oil/Service
Feed Department
Crop Production
C-Store

Burlingame 785-654-3611
Burlington 620-364-8061
Edgerton 913-882-6251
Overbrook 785-665-7143
Melvern 785-549-3513
Midland 785-841-5331
Waverly 785-733-2311
South Lawrence 785-841-7583
North Lawrence (Seasonal) .. 785-841-7054
Pauline (Seasonal) 785-862-0453
Scranton (Seasonal) 785-793-2296
Le Loupe (Seasonal) 785-883-4256

Grain marketing outlook

By *Matthew Vajnar*

The grain markets have diverged this fall.

Projections of the second largest corn crop in history have pressured corn, while disappointing yields have rallied soybeans \$2.00 off of summer lows.

Corn price action has been disappointing to say the least. Corn is 25 cents off of the recent highs despite the recent soybean rally. The USDA estimated corn production was at 9.944 billion bushels on the September Crop Report. Private estimates expected a 100- to 200-million-bushel increase on the October 10, 2003 crop report. The world supply and demand picture is more supportive. Corn values are much higher in Europe (around \$50 per metric ton



From the office

By *Clark Wenger, Controller*

We are currently in the middle of wrapping up our year-end audit. Our annual meeting will be in November as in past years. No date has been scheduled yet, but when it is, there will be notices sent out to all active members. It was another challenging year and it looks as if next year will be more of the same. We continue to look into ways of diversifying our organization to make it stronger. We have made some great



Continued on page 3

Continued from page 2

technological strides this past year. As we continue to strengthen our network infrastructure, we are starting to see some additional benefits.

If you have moved in the past year, be sure and get an address change to the main office. We want to make sure that we get required information to the correct address in a timely manner. With this, the end of the year, we will be sending out several different mailings in the next couple of months.

There still seems to be some confusion about what happened last year due to the Farmland bankruptcy and how it affected the Ottawa Co-op. Since there was no patronage allocation last year, the board of directors approved a plan to retire several years of old equity. You need to understand that retirement of equities is an item that requires board approval every year. There is no guarantee that any equity retirements of old years will be approved this year. We will continue to pay estates upon death. If a member has passed away, their equity can be cashed in by filling out an application and returning it along with a copy of the death certificate and any old stock certificate that the member may have had.

With another drought upon us, remember that the Ottawa Cooperative Association's charging policy is for convenience credit only. Charges that are made during a month need to be paid by the 20th of the following month. If you can't pay your bill in full, please contact Adrian Drousseau to make arrangements to get the balance paid.



Crop production highlights

By Mike Selman

As crops come out of the field, it will be a good time to get starter fertilizers on the ground for both wheat and next year's row crops. A fall application allows for the maximum breakdown of fertilizers into the nutrients the plants need so they will be available when the

planters start rolling next spring. Fall is also the best possible time to purchase fertilizer and get the most benefit from fall tillage work. We will have plenty of spreaders at all the locations and three air trucks are available for use anywhere they need to go. We can serve your needs in a timely and economical manner.

Many of you have noticed the construction of our second fertilizer dome at Ottawa. This is being done so that we can continue to have fertilizer available when you need it for your operation. Supply and transportation problems have already been an issue for us this year as we prepare for the next growing season. Consolidations and mergers of fertilizer manufacturers, together with continued high natural gas prices, have resulted in spot outages since the first part of September and they may continue until after the first of the year. We feel sure that the addition of a second dome will allow us to buy and store enough fertilizer to meet your needs, even during the busy spring season.

With that said about fertilizer, I would remind everyone that we have a pre-pay program that may be the best investment you can make this year. Our pre-pay prices will be out soon and will be good until the first week of January, unless we sell out of what fertilizer we can store. In addition to this, the delay-pay program allows you to put your fertilizer on now for next year's corn and milo and not pay for it until next March. The price you pay is locked in at the price the fertilizer was the day you picked it up. I would also remind everyone to be sure and get their input financing in place as we prepare for next year. We have a financing program here as well as Farm Plan. There are also many other lending institutions available. The cooperative's convenience credit is not intended to be an input financing program.

Something else to keep in mind for fall is an application of one or more herbicides for next year. We treated more acres last year than we did the year before, and I think we will see an increase again this year. These treatments have been very successful and have resulted in some very clean fields in the spring. One treatment that

is inexpensive and often overlooked is simply an application of Atrazine on fields that were in beans this year and are going to be planted to corn or milo next year. If you want more options and flexibility in planning for next year, there are several other treatments available — Python, Valor, Canopy XL, and Roundup just to name a few. We can discuss them in more detail at the office or on your farm. Just let us know which works best for you.

We really appreciate the opportunity we had last year to work with each of you. We truly value your business and hope that we can work together next year to make it an enjoyable and profitable one for your operation. Thanks again and the best of luck for a safe and rewarding harvest.

The Seed Department

By Kenyon L. Rumford

The seed department was busy the months of



August and September cleaning and bagging seed wheat. We will be offering 2137, 2145, Jaggar, Karl 92, and Jagalene in the bags. Jaggar and 2137 will be offered in our bulk bins with a savings of 50 cents per bushel versus bagged seed wheat. Jagalene has taken off in popularity like we had suspected it would. All trials indicate at least a ten-bushel-per-acre advantage over other varieties of wheat on the market. Jagalene is packaged only in 50-pound bags, and the price will keep rising as the supply gets short. All the branches will have a good supply of seed wheat this fall. I would suggest that you book your needs with the branches early so you will be guaranteed the seed and also the lower price. The price of seed wheat could easily ease upwards as the season progresses.

All the branches will have grass seeds in stock. We will primarily have brome and K-31 fescue in stock year round. If there is a certain type of seed that you are looking for, we can get what you need within 2 to 3 days. Get with your local branch managers and they will help you with your needs.

Just a reminder — the early cash discount schedule is out for the 2004 DeKalb/Asgrow corn, soybean and milo

Continued on page 4

Continued from page 3

seeds. The early discount schedule for November 25 is 8.5% cash on top of your volume discount. I am compiling the test plot results for the 2003 corn crop. Some may think that the test results do not mean much this year since the drought was a factor. We feel this year was probably one of the best tests for hybrids that we could have had. We need to select hybrids that produce well in ideal situations, but on the other hand, we also need to see which ones best stood the dry weather. We found some new hybrids that stood out in the plot and also some that fell short. If we can select a hybrid that can withstand dry conditions, but also yield in ideal conditions, then we will be off to a good start. I have all the test results on file if you would like to look at them.

Feed for thought

By Brandon M. Plaschka

The Ottawa Co-op offers many goods and services at many locations across East Central Kansas. This is a benefit that is often overlooked. Please be mindful of these goods and services right in your back yard. It takes your support to keep the doors open. The old adage, "shop at home first," means a lot to the Co-op. We hope it means something to you. Keep it in mind the next time you are looking for products or services for your farm, ranch, hobby farm, pet, yard, or garden.

Perhaps you are new to the area or were unaware of what we have to offer from our Feed Department. We have seven locations offering a full lineup of Land O' Lakes bagged feeds. Not all products are available at every location but we will be glad to order it in for you. Locations offering bagged feed are: Burlingame, Burlington, Edgerton, Melvern, Overbrook, Town & Country, and Waverly. Other items you may not be aware of but are available at these locations as well are: bird feeds, dog and cat feeds, horse feeds, baling twine and wire, gloves, rat baits, fly sprays, and other animal health products.

Burlingame, Overbrook, Waverly, and the feed mill in Ottawa offer

cracked corn in bulk. Waverly offers bulk soybean meal and corn gluten feed pellets. The feed mill at Ottawa offers bulk feeds either custom mixed to your specs or formulated for your specific needs. The mill requires 24-hour notice for feed orders. The mill can be reached at this toll-free number: 800-242-5170. Call the other locations to check on availability of bulk products.

This is only a partial listing of what all is available at your local Ottawa Co-op branch location. We spend a lot of time, energy, and money keeping our locations and equipment in good condition and our employees on the cutting edge of technology and trends. We hope you notice these things and take pride in them as we do here at your local cooperative. Thank you for your patronage if you are a current customer and we look forward to helping you if you are a new customer.

From the Petroleum Department

By Arlie K. Watts, Jr.

Fall is here and fuel prices are tracking a little lower for the first time in several months. If crude oil stays at present levels, we will surely see some savings in fuel costs. They may not be as much as we would like, but every little bit helps.

You are still getting the best fuel on the market. Cenex Ruby Diesel Fuel will always give you the best performance for your buck. Our Ruby Red Diesel meets all five of the National Council of Weights and Measures criteria to be a qualified premium diesel fuel. Most diesels can be called a premium diesel if they meet at least two criteria. Cenex Ruby meets four of the five at all times. In extreme cold conditions, our Ruby premium blend gives you low temperature operability and that makes all five. The five criteria factors are:

1. Energy content
2. Low temperature operability
3. Fuel injector cleanliness
4. Cetane number
5. Fuel stability



The soy diesel and ethanol-blend unleaded gasoline have really taken the front seat this summer. Your support for these two fuels will surely benefit your operating statement's bottom line in the long run. We have had an increase in sales for both fuels and numerous inquiries have been received. Ethanol usage has not quite kept up with soy diesel, but demand is beginning to pick up. We are pricing ethanol at one cent less than unleaded gasoline. You save some money, plus your octane level increases to 89 while unleaded is 87 octane. Take the plunge and try it. Support the corn growers!

We do not know how much propane and natural gas prices will climb this winter. They may stay at their current range. National inventory levels, bitter cold temperatures, bullish oil market news, and crude oil prices are just some of the factors that determine price levels. By contracting your season's needs, you have at least guaranteed yourself a plan to help budget the LP gas bills for the winter. Good job, people!

By the time you receive this newsletter, most of you will have heard the news about our acquiring full ownership of Wellsville Propane. We are very excited and anxious to bring the Wellsville area people into our group of very loyal and super-great customers. We are very grateful to have the propane business of all our patrons. We always have been, and always will be, here to serve any needs a customer of ours has. We do not believe a sale is our only objective in service to customers. The safe usage of LP gas is priority number one and goes hand in hand with our purchase delivery.

We have been fully active in the delivery and safety service work for the Wellsville people as well as all our customers for many, many years. Wayne Figgins is still the main delivery person for the area in and around Wellsville. Jay Tucker is our service safety technician, Jerald Perry runs the north route and I deliver to the area in and around Ottawa. Milton Lutz has been doing a fine job delivering the refined fuels. We are a very stay-busy and dedicated group of individuals and always strive to serve our customers' best interest. Thanks for your patronage.