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NEWSLETTER

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Spring 2004

Manager's update

By *Adrian Drousseau*

We are off and running and we are almost half way through the 2003 – 2004 year. At the present time, we are running well above our projected budget. We have seen all parts of our business running ahead of normal. With the wet fields this winter we are starting to get behind in our fertilizer application. Very little top-dressing of wheat has occurred so far this year. I'll have to admit that being behind is a welcome problem to have in this business.

We have been working on improving all safety issues within the cooperative. Due to the ever-increasing problems we face in insuring this business, we feel safety has to come first. Many repairs and improvements have already taken place for the coming year.

Improvements at the crop production building include a new roof and the installation of high-intensity lighting throughout. Additional room is being made for the main office. The grain department will be moving into a remodeled area south of the main office. The red brick, two-story building will be gutted and redone inside in order to house the department and to allow for a lot of storage which we badly need. By utilizing an existing building, the cost per square foot will be greatly reduced.

Other improvements have been the complete remodeling of the Waverly feed mill. To date, the mill is running

ahead of all projections. Brandon and his department people have been able to exceed all goals and, hopefully, this will continue. Other changes have been in our wireless communications system. Clark and his team have planned for well into the future. This will enable us to control expenses and at the same time provide a vital link to all our branches.

Departments of the company are continuously being looked at each month for efficiencies and profitability. No department can be subsidized in this current agribusiness climate. That's why some businesses are exiting this field so rapidly. This cooperative has been very flexible over time and we have been able to get in at the right time while keeping an open mind about exiting areas that we can no longer afford to operate. All basic services and departments are intact and we intend to keep it that way.

Everyone is anxious for spring to arrive. We wish every one a safe and productive season ahead.

Operations

By *Calvin Pearson*

It has been several years since we have had a wet winter and I am sure you are anxious to get in the fields and get some work done. We have done all we can with equipment to help with the fast-paced spring but your cooperation will be very important. Try to give each branch



manager and the crop production people as much lead time as possible in getting custom application done. I am sure we will be a few days behind so early planning will be your best way to get your work done in a timely manner. For those of you who are no-tilling or are thinking of no-till because of time issues, it will certainly save time in the field; but as you well know, it usually is two or three days later when everyone else is in the field. No-till can really save time and money but it must be managed more intensively than conventional farming.

The Co-op has just wrapped up another year of the Input Finance Program; and, as last year, it had a lot of participation from our patrons. It has nearly doubled in size from one year ago and from all indications, the program will continue to grow in the future. This program has allowed farmers to get a very good interest rate and have funds in place during the prepay season to take advantage of early cash discounts. So it is saving money for farmers in two ways. Although we are past the deadline for new loans this year, if you have heard about the program and think it might be something you would be interested in for the future, please let me know and we can make some plans for getting an application for next year. The growers who have already used the program like it very much as demonstrated by 100 percent return business from last year.

It appears there will be an opportunity

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to forward contract grain for the year's crops. Give Matthew a call at the Ottawa office and see if this is something that fits your program. We realize it will be hard to pull the trigger when there is so much volatility in the market, but with prices the way they are now, you can at least lock in a nice profit.

I caution all of you to follow the guidelines for planting corn this next year regarding BT corn. The EPA will be doing some spot checks to see if farmers are complying with the 80-20 rule in planting BT and non BT. BT corn is a great tool for controlling corn borer, and the EPA and the seed companies don't want to see it abused. Seed sales again this year are up from last year and judging from the trials at the Kansas State University Experimental Farm south of Ottawa, we are very fortunate to be with Asgrow and DeKalb and have those brands to offer to farmers. Let me know if I can be of service.

Grain marketing outlook

By Matthew Vajnar



South American weather concerns have pushed soybeans to price levels over the last bull market in 1997. Spot soybean

futures have jumped nearly \$4 since last July. Wheat and corn have benefitted from this rally as the fight for U.S. acreage is on.

The latest USDA Crop Report of February 10 estimated the 2003 - 2004 U. S. soybean carryout at 125 billion bushels which yields a minimum pipeline 5% carryout-to-use ratio. Weather concerns in Argentina (drought) and Northern Brazil (floods) have rallied soybeans over \$1 this month. Recent avian influenza outbreaks have not slowed the soybean rally much due to otherwise overwhelmingly bullish old-crop fundamentals. This market promises unprecedented volatility this summer on U. S. weather prospects. Be careful in making early new-crop sales as the upside potential for new-crop futures is extreme.

Corn has benefitted from the dynamic soybean market and tightening old-crop inventory due to increased domestic feeding and ethanol usage. Carryout was estimated at 901 million bushels in the February USDA report, down 300+ million bushels from earlier reports. The recently completed USDA Outlook Forum estimated 2004 - 2005 carryout at only 821 million bushels with a 1.8 million increase in acres and a repeat of last fall's record yield of 142.2 bpa. Obviously, any adverse weather this summer will take corn prices higher quickly. As with soybeans, use caution in utilizing forward contracts.

Ottawa Co-op now has the capability to track production by field for our producers. FSA field numbers are a preferred method for tracking historical production as they can be maintained through an ownership or operator change. If you are interested in having the Co-op track production by field, please contact Gloria at the Ottawa office with your field information well in advance of harvest. Requests during harvest cannot be accommodated.

Daily market comments are available on our Web site, www.ottawacoop.com, Monday through Friday.

From the office

By Clark Wenger, Controller

With our year already more than half over, we are pleased with the way things have gone so far. In January, Form 1099's were sent out to our



customers who had received taxable benefits from the Ottawa Co-op during 2003. These items are varied and different limits apply depending on what type of income is being reported. In general, patronage or interest you received must be reported if it amounted to more than \$10 for the year ended December 31, 2003. In regard to patronage, the amount which must be reported to the IRS includes both the check you received plus the amount of stock you were allocated. This is a common area of confusion. The 1099 which is mailed out in January represents both of these amounts in one lump sum. The IRS requires this to be taxed when it is earned. We are required by law to pay at least 20% of the patronage in cash. Currently, we pay 35% in the form of cash and feel this is adequate to cover the taxes on the entire amount. The benefit of paying the taxes up front is that when the 65% is retired in the future, it will be a tax-free distribution. Currently, we are working on a 12-year payout revolvment.

Some of you may have received a W-9 form to fill out and return to the main office. The IRS has really cracked down on matching up taxpayer identification numbers with the corresponding name. In the past, we have had some customers operate under various farm names. Our account database must have the correct name which matches the taxpayer identification number. If a customer is operating as "Joe Farms," Joe Farms must be recognized by the IRS with a unique taxpayer identification number. If "Joe Farms" is not a legal entity, then we need the customer's name and their social security number.

As always, we are continually attempting to keep our records up to date. If your situation changes for whatever reason, please take the time to convey your new information to us. Thank you in advance.



Crop production highlights

By Mike Selman

This winter has certainly been different than those of the recent past,

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Ottawa Co-op Association

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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

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and the moisture we have received will be a great help as we head into spring planting and forage production. Fertilizer is high again this year like it was in 2002 and we are fortunate to have built our second fertilizer "dome" so that we could supply your nitrogen needs as economically as anyone around. Without the addition of the second "dome," we would not have been able to allow so many growers to purchase urea before the price increases took effect.

We are trying to make up for lost time by getting pastures and hay ground fertilized that we would have done six to eight weeks ago, but the wet winter has all of us a little behind. Both grass and wheat are off to a great start this year because of the recent wet weather. They will be especially susceptible to weed flushes as the temperatures continue to warm up.

Planters will soon be rolling on corn ground; and, if you haven't had a chance to fertilize yet, it is time to do that and to think about a chemical program for your 2004 crops. We will be carrying a new liquid starter fertilizer for corn and beans that can be put on with the planter and applied directly to the seed. This is a pop-up starter and not a substitute for a well-rounded fertility program. More and more university tests are showing a significant yield increase from this practice.

Even with herbicide-tolerant crops like Liberty, Clearfield, or Roundup Ready corn and Roundup Ready soybeans, a pre-emergent herbicide application followed with a post-emergent application puts the most bushels in the bin and the fewest weeds in the field. There are several tie-in programs this year that will pay for your post-emergent applications if they are needed when a good pre-emergent program is used to start with. Stop in or give us a call and we can go over some of these programs in more detail to see how they might fit your operation and improve your bottom line.

One of the possible consequences of the wet winter we have just come through would be larger numbers than usual of insects in corn, milo, and soybeans. Seed treatments, planter-box treatments or in-furrow applications, should be considered more this year

than perhaps they were in the past. We have solutions for all these options as well as a planting-time treatment for cutworms in corn. An insecticide like Lorsban or Warrior mixed in with a pre-emergent herbicide application can give excellent results.

We will continue to run application equipment out of Ottawa and Overbrook. We have spent the last few months trying to get our equipment and facilities repaired and ready for what will be a very busy spring and we look forward to getting started. As we approach the busiest part of the year, we would again ask that you call us four to five days ahead so that we can be at your farm the day you want us. We will also be able to deliver bulk chemical to any location, so visit with the branch manager in your area about what works best for your operation and we will do all we can to make sure you have the tools you need to raise the best crop possible. We appreciate your business and look forward to providing you with the best products and services around.

The Seed Department

By Kenyon L. Rumford

Spring will be here before we know it. That, in return, means corn and bean planting. This year's supply of seed



corn and beans is still good. Of course, the closer we get to planting, the harder it will be to find specific varieties. We have had a large response in prepaying seed this year. This not only enables me to keep tighter inventory control, but also ensures the farmer that the seed will be here when you are ready for it.

This year's corn varieties have a new seed treatment that is standing out in protection over last year's Gaucho. This season Gustafson is offering Poncho 250 for protection against cutworm, white grub, chinch bug, wireworm, southern corn leaf beetle, southern green stink bug, flea leaf beetle, seed corn maggot, and grape colapsis. The biggest advantage of using Poncho is the cutworm control and also the flea leaf beetle protection until the 5th leaf stage. Our sales this year have been 90% treated with Poncho 250. The cost of the treatment is \$14/bag or \$4.25/acre. In more than 100 test trials over the last

two years, using Poncho 250 produced an average of 8.4 bushels per acre more yield than seed receiving no protection. If you base this on \$2.50 corn at harvest, you will net a return of \$16.75/acre. If this sounds like something you would like to try, contact me and we will get it booked in for you.

Soybean seed sales response has been very good this year. Again, we are seeing that the bulk bean system is becoming more attractive every year. This not only eliminates handling each unit by hand but also will save time in filling your drill or planter. Again this year, we will also be offering fungicide treatment that is applied with our machine to bulk and minibulk beans only. This will be very important if you plant early; or, if the ground stays wet for a length of time, it will protect the seedling.

Group-four beans are in good supply now but I feel they will diminish very quickly as the season gets closer. One thing we need to consider is the possibility of anhydrous ammonia not being applied in a timely manner this spring. This may force farmers to look at planting more beans and less corn. If this is the case, the beans will be in short supply. There is still a cash discount on all seed until March 31.

All the branches will have ample supplies of lawn grasses, brome, alfalfa, and red clover seed in stock. Any special type of grasses or legumes can be ordered and in stock within a couple of days.

We appreciate your business. If you need anything, please give me a call.

Feed for thought

By Brandon M. Plaschka

Many of you may be wondering why I have been answering the phone in Waverly instead of



Ottawa. The Ottawa Coop has recently signed an agreement to manufacture feed for a large Midwest pork producing company with local growing facilities. The decision was made to renovate the Waverly feed mill exclusively for this project. For biosecurity reasons, we are only manufacturing for this entity at the Waverly mill. Jeff Hahner is the mill man at Waverly now while I still have an office in Ottawa, but I spend most of my time at Waverly due to the newness of the project and the volume of work to be done. You can reach

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me direct at 785-733-3626 or call the Ottawa office and they can transfer your call to me at no additional cost to you. This project has already proven to increase our efficiencies in labor and equipment, not only at the Waverly mill, but at the Ottawa mill as well. Not only is it helping to better utilize our facilities, but it is also providing a new outlet for corn and other feed products.

Brad Shoemaker is our mill man at Ottawa along with his regular seed cleaning responsibilities. This keeps our people very busy and makes scheduling bulk pickups and deliveries very important. Please continue to call me to schedule for your feed needs and give us as much notice as possible. The Ottawa Co-op is still committed to providing your bulk feed needs at Ottawa and, with the added opportunities created with the Waverly project, we hope to be able to do more for you as we move forward.

With increased grain and protein prices (at the time of this writing we are approaching record soy meal prices), buying feed in the bulk can help reduce your feed costs. Usage is the biggest limiting factor. In order to mix properly, we like to make as close to a ton as we can. A ton will fit in the back of most pickup beds or trailers. Buying bulk picked up will save you the cost of delivery. With fuel and equipment costs, this can be expensive. We offer blends of many different commodities to provide a more balanced diet for your animals' needs. Feeding individual commodities can be risky. It is very important that you remember that just as we need a balanced diet, so do your livestock. As much as we might like to try eating steak alone, I don't think we would be very healthy in the long run. If you think buying in the bulk may be of interest to you, give me a call.

From the Petroleum Department

By Arlie K. Watts, Jr.

By now I believe everyone is getting used to the fact that fuel prices are not going down to prewar levels anytime soon. With the upcoming draw down on U. S. inventories of finished product and OPEC's cut in production of crude, there is not a promising outlook. My sources tell me that prices will, more likely than not, stay at least at these levels. We all know that goods and services always go up and almost never go down to where we would like them to be. The only hope we have is if OPEC breaks their agreement, and this happens sometimes.

We will have Soy Oil additive again as soon as temperatures stay above freezing. The cost will still be three cents more per gallon of soy diesel. We also have Ethanol and it is priced at one cent less per gallon than regular unleaded gasoline.

The propane gas season is winding down. Those who contracted propane saved about 10 to 15 cents per gallon. We will be out leveling and painting storage tanks for our customers this summer. Please be receptive to the advice of installing new gas regulators on your propane tanks and houses, if needed. If in doubt about the age of your regulators, give us a call this summer and one of us will check out your propane system and make a recommendation as to the need for updating and the cost of installation. Regulators older than 15 years should be replaced for your safety and the efficiency of your LP gas system.

New regulators can mean a savings and ensure your safe usage of propane gas. The process of installation will give us an opportunity to perform a system leak check. Your safety is very, very important to us.

The refined fuels and propane departments will be closed on Saturdays. This will allow our employees to have the weekend to spend with their family and take care of their personal business. We all work many hours to meet our customers' needs. The exceptions to the closed-Saturday rule will be during peak seasonal times such as at harvest for refined fuels and during extremely cold weather for propane gas. We also know that emergencies do arise. If so, we will have someone on call. So please place your orders during the week for Monday through Friday delivery. Thank you for your continued patronage and support of the Ottawa Cooperative Association.

News From the TBA Center

By Jarod Franks

With spring just around the corner, it is time once again to begin your equipment management program. Lubricants and bulk oil are the key to a clean farm operation. Starting February 16 and running through April 16, 2004, we are offering sale prices on packaged and bulk lubricants, so stock up now while the price is right.

In addition to lubricants, we have a line of EXIDE batteries. We have them for use in passenger cars and light-duty trucks, as well as for commercial and agricultural uses.

Propane bottles are available for purchase at the TBA center. All bottles will be purged and IO tagged with the purchase of a cylinder. We have 30-pound and 40-pound bottles while 100-pound bottles are available to order.

A tire shop you can trust — with no hidden costs or outrageous labor fee, we pride ourselves in working for you. We handle Hankook, Cooper, Kelly, Kumho, and many other brand names in tires. With the purchase of a set of four (4) tires, rotation and balance are free for the life of the tires. That is a \$42 saving each time you balance and rotate your tires. Call and ask about special-order tires. **The Shop direct-line phone is 1-785-229-7040.**

Annual Spring Oil Sale

Now through April 16, 2004

Stock up now and save on:

- ✓ Super TMS 15W-40
- ✓ Super HTB Hydraulic Oil
- ✓ Double Circle SAE 30
- ✓ LS Multi - Gear Lubricant
- ✓ MolyGard 500 + Grease
- ✓ BlueGard 500 + Grease

Ottawa Co-op Association

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