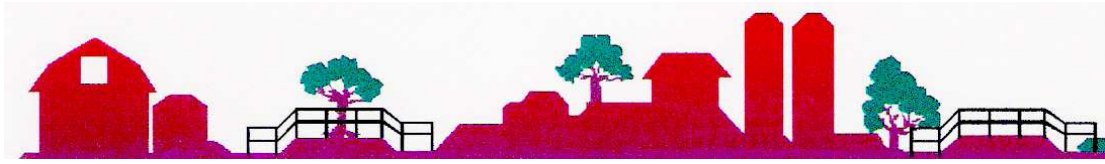


# *Farmers Grain Company*



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## **From the Manager**

We have traveled through some very unusual paths this year. This past year brought dry weather followed by the wettest harvest and summer most of us have ever seen. Along with record weather was the smallest wheat crop for Farmers Grain since we have been keeping records and one of the very smallest U.S. wheat crops.

This short crop added to the already volatile market place and the huge demand for grain fueled by the ethanol industry and the battle for planted acres is on and has created unparalleled confusion in the market place. It is not uncommon for your company to deal with one unusual market environment in any given year, but this past year we have dealt with unprecedented volatility in every department. I believe we can refer to this year as “the perfect storm.” The Feed and Grain departments have dealt with grain markets that have had tremendous swings not just week to week but day to day and of course because of the weather and high grain prices we had virtually no wheat pasture cattle. The Agronomy department felt the brunt of skyrocketing commodity prices and we were put in a situation where we were forced to purchase expensive inventory or take the chance of not having product for our customers no matter what the cost. This trend is going to continue as long as we have a big demand market for fertilizer. We don’t like high energy prices, but fortunately because we are members of CHS a Regional Cooperative that owns refineries we have been able to participate in those record refining margins. Our Fuel department made the decision a few years ago to become a more aggressive marketer of energy products and began to market bulk oil products and the RFD

program. These programs not only provide a valuable service to our members, but allow us to increase our market share in these products through non-members, which in turn has added considerable dollars to our member’s patronage accounts. This year we have been able to participate in historic patronage refunds from our fuel supplier, Cenex, and as a lot of you know we are in the process of re-imagining our 3 branded locations with the new Cenex image.

EMA continues to perform for our customers. We have added a new member this spring as the Waukomis Farmers Co-op becomes a part of EMA and we continue to have other cooperatives that have shown interest in becoming members. EMA continues to perform well above the industry standard for grain companies. We had a very small harvest last year and had to make several changes in the way we handle our customer’s grain and forward contracting. We have been working through a period of unprecedented grain markets and feel we may have real opportunities to continue to see higher grain prices for an extended period of time. Therefore, now, more than ever we are recognizing the benefits of our decision to be a part of grain marketing alliance and EMA is in position to guide us through volatile times.

Amidst all this craziness in the markets your company has again enjoyed a successful year. With the end of our fiscal year in February, we have sold a record volume of refined fuels, the Agronomy and Feed departments had a very good year in spite of the foul business environment, and ventures like Willow Country Store and EMA continue to grow  
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and expand. We are happy to announce that we have enjoyed our most profitable year in history, not our most profitable year from local earnings but our most profitable year overall. We have obtained this record because of the regional patronage from CHS and other regionals like Triangle Insurance, CoBank and LOL. Other entities that have added to this years success is our investment in FCStone a successful regional cooperative that has gone public, which has allowed us as owners to reap the benefits of that IPO.

Your cooperative is also an investor in a couple of other entities. NIK, a fertilizer procurement company with members Nebraska, Iowa, Kansas, Texas as well as Oklahoma. We are also members of American Petroleum Marketers, an LLC with members in Kansas, Colorado and Oklahoma. Our focus in APM is to supply Cenex fuel to independent retail outlets. This is the same focus our former entity Red River Energy was doing. However, when the opportunity developed this past year to combine 3 entities with the same focus the efficiencies became obvious and the new APM began operating this February 1st.

Because of all this and because of the loyalty of our local members we will be distributing to our customers this year over \$1,100,000 of patronage of which \$567,000 will be in cash.

This coming year will again be full of challenges. We have prayed for years for higher grain prices, now we have them and we are not sure how to handle the opportunity. Our customers are struggling with decisions centered around record high input costs and record high grain prices. Your company, Farmers Grain will be struggling with similar issues, how do we buy these high priced products and position them for our customers and more importantly how do we manage the risk associated with owning this high priced inventory? It will take more communication between suppliers and customers working together for our mutual benefit, which after all, is the back bone of the cooperative system. Together we can be successful.  
Kent Prickett, General Manager

## **Farmers Grain continues**

### **Stock Retirement**

FGC has had a great history of retiring members Equity. We again are retiring all of the stock, except for your voting share, for all members that turned 65 years of age in 2007. This is 39 members with a total of \$136,000 of equity. This is a very aggressive program for any cooperative and we are proud of our program and proud of those members who continue to allow us to serve them through their cooperative.

### **Thank you**

Farmers Grain Board owes a huge "Thank You" to Kevin Johnson.

Kevin has served on the Farmers Grain Company Board of Directors since the merger of Farmers Grain of Kremlin with Pond Creek in 2000. He served for several years prior to that on the Kremlin Board of Directors. Kevin has been a faithful member of the board and has helped to direct your company through a period of growth and unprecedented volatility with great success. Being a Cooperative Board Member is a job you have to take to heart, there are very few benefits, a lot of meetings, a lot of paperwork to study and many decisions to make. Most of which are not easy.

Thanks again to Kevin for the time and effort of being a dedicated leader for your Cooperative.

### **Private Applicator Recertification**

Anyone who has a current Private Applicator License must recertify this year after July 1.

If you are certifying for the first time you may use the current Private Applicators packet until July 1.

July 1st the application packets will be changing.

Anyone that certifies for the first time in 2008 will have to test again in 2013.

## **COFINA Financial**

### *Financing for Your Crop and Livestock Operation Needs*

We're excited to announce that our cooperative is now offering a new financing option with a new partner, Cofina Financial. Like us, Cofina Financial is deeply committed to agriculture and dedicated to helping you succeed. That's why we're working together to offer easy financing packages to help your business thrive and grow.

Cofina Financial offers a streamlined lending service for both crop and livestock operations. The easy application process includes fast review and decision, competitive pricing, and the convenience of working with our cooperative. Loan products offered by Cofina Financial include:

- Crop Input Loans—used for input purchases such as seed, chemical, fertilizer and fuel.
- Operating Loans—used for crop inputs, rent, labor, insurance, livestock expenses, marketing costs, and even term payments.
- Feeder Livestock Loans—for financing feed and vet supplies, purchasing feeder livestock, or providing cash flow while retaining and back-grounding calves.
- Breeding Livestock Loans—used to start a livestock herd or add to your existing herd.
- Inventory Loans—used to provide cash flow so that your operation can take advantage of future marketing opportunities available to livestock or grain.

Cofina Financial has over 65 years of experience serving farmers and ranchers as well as cooperatives. We've chosen them for our producer financing partner because we know Cofina Financial can be trusted to look out for your best interests today and in the years to come; they take great pride in knowing what's possible in crop and livestock production and marketing, as well as what's possible financially.

If you would like more information on Cofina Financial's lending products, contact Don Geizler or Jason Biel, our Cofina Financial representatives, at 320-589-1584.

## **Rising Prices**

*It is amazing how fast products are rising.*

We have seen most of the inputs double in price. The market is on a fast incline daily. Keeping up with it has been quite a task. I look for the prices to continue to rise until we get wheat in the bin. How well the crop is, I feel, will be the biggest factor for the local farmer. I hope the price of grains continue to hold on.

No-Till continues to grow by leaps and bounds. But one thing I have noticed, the wind has made it hard to spray. Burn down jobs have been coming in left and right. It seems there is no end to the wind this spring. Planting summer crops have been on the rise as well. Five years ago there was about 8 planters in the area and now it seems there must be 50. We have tried to keep up on the pre-emerge chemicals but once again the wind has been a whipping.

I hope everybody has a safe harvest and cuts lots of bushels.

Just remember, GOD can only make miracles happen. Keep an eye on the weather and the rising costs. And always read and follow the labels.

Rick Howard

Agronomy Department Manager

## **Where has all the rye come from!!!!!!!!!!**

We seem to have a bumper crop of Rye in most of our territory. Many of our customers have struggled over the past few years trying to control the rye and this year it seems those struggles were for naught. The rye is back as bad as ever.

This fact has not escaped the eye of our end users and terminals. I want to warn everyone that the discounts for FM (foreign material) will be extended this year because of the amount of rye we are seeing not just in our area but throughout the state.

Rye discounts have historically started at less than .5% being only a few pennies per bushel, we expect that discount to rise dramatically and can be very challenging during harvest.

At some point we will have to call mixed grain and it will be purchased at feed grain prices.

Contact us if you know you are going to have mixed grain we will do all we can to work with you and make this as painless as possible but the bottom line is the grain industry is struggling with what to do with this much FM in our wheat crop.

Kent

## **Petroleum Division**

We have recently completed some upgrades at two of our fuel sites. The Willow Country Store now has a new diesel fueling island. The installation of new dispensers and slaves, makes this site very handy for large trucks and semis to fuel. OCC regulations required the installation of new tanks and piping at Hillsdale. While we were down to accomplish this, we replaced the suction pumps with a pressure system. I want to thank the patrons in the area for their understanding while this project was being done. It will make a nice addition to the community for years to come. Plans are taking shape to do upgrades at the Deer Creek and Renfrow sites. Both of these sites are currently keytrol pumps that are in need of replacement.

Cenex is providing us with some image upgrades at our branded sites in Enid, Nash and Pond Creek. At this time the Enid site is only lacking a new price sign to be complete. The others sites have been approved and should start in the near future. This is a very short project that only takes a couple of days at each site. Disruption will be minimal, and I want to thank everyone in advance for your patience while we are under construction. There will be some paving work done at the Nash location. This part of the project will create some access problems, but the dispensers will not need to be shut down at anytime.

Now we have to hear the bad news. As you are painfully aware, the falling value of the dollar has increased the volatility of all the major inputs to agricultural production. Fuel has been at the forefront as of late, but in the background nearly everything else is doing the same. Steel, refined oil, feed and tires are experiencing the same volatility. Expect to see retail prices for all consumables to continue on this trend. In the future it will become much more important to try to control these costs. We will do what we can to help. Fuel, in particular, is something that requires a lot of planning in advance. The prime time to do this is October thru December time frame, and if you will communicate your needs and desires at time, we have several ways to try to control your fuel costs for the season ahead. As they say, hindsight is 20-20, this last year saw the opportunity to lock in prices at levels considerably under current markets. Next year let's try to plan ahead.

Import duties imposed on Chinese produced tires has been another issue as of late. Most of the bias ply production of tires has been shipped overseas due to cheap labor. The new import duties has created a void in the supply lines for these tires. Domestic production has been slow coming on line to fill this void. We may see supply problems this summer on implement tires and rear farm tires. But, as always, we will try to have what you need available.

Steve Meritt  
Petroleum Manager

## **New Employees**

**Hillsdale**—Hillsdale's newest employee is Luke Howard. Luke is no stranger to Hillsdale. His grandparents, Pete and Helen Howard, were long-time member of the community. Although Luke grew up in Fairview, he spent lots of time with his grandparents and other family members in Hillsdale during his formative years. Luke graduated from Fairview High School in 1983. Luke and his family moved to Hillsdale about five years ago. His wife, Pam, is an employee of Wal-Mart in Enid. They have one son, Kyle, who is a sophomore at Kremlin-Hillsdale High School. When not working, Luke enjoys spending time with his family. Kyle is involved with FFA and Luke spends quite a bit of time assisting Kyle with his show pigs. Another hobby he enjoys is NASCAR racing. Luke believes in being active in the community and serves on the Hillsdale-Carrier Fire Department. We are glad to welcome Luke to Farmers Grain Company. We hope you will stop by and take the opportunity to meet Luke.

**Pond Creek Agronomy Department**—The newest member of the crew at the fertilizer plant is Gary Crable. Gary and his family (wife Carolyn is the receptionist at the main office in Pond Creek), moved to Oklahoma from Springfield, Ohio. Gary worked in pest and wildlife control for 20 years in Ohio. His hobbies are golf and bowling. Gary says the two things he is adjusting to is the Oklahoma wind and not enough trees.

Please introduce yourself to these guys if you are at Hillsdale or the Fertilizer plant.

## Feed Department

It is starting to feel like spring and I know everyone is looking forward to the warmer weather. It just seems like a fresh start when we can get outside a little more and the warm days seem to provide us with energy we didn't know we had. This is the time of the year with the green grass coming on people can begin to think about cutting back on supplementing your livestock on pasture. While feeding hay and cubes is becoming less important with every warm day, mineral supplements are still important. Although we had plenty of hay through out the area to make it through the winter, much of that hay was a lower quality than we are accustomed to having available. A good mineral supplement will provide the calcium and phosphorus to meet the animal's need that the hay doesn't provide. This is the same scenario with the early grass that is coming on here lately because of the high water content of those grasses.

It has been well documented how important a good mineral mix is to all phases of beef production and now Nutrena has put together a study with a ranch in Osage county to help track the benefits of mineral from weaning to the rail. The study started the week of April 14 with the cattle being brought in from one ranch in Florida. There are 8000 head included in this particular trial that were weighed and grouped in similar groups and turned out in pastures that were as similar as possible. One group will be put on the Nutrena mineral and the other will have just white salt blocks. These cattle will be tracked throughout the grazing season to the feedlot. Eventually the differences in performance between the two groups will be tracked all the way to the packing house. It will be very interesting to follow the results of this study or trial, since it is so close to our area and because we know the Nutrena people that are involved. We will pass along any information as it becomes available.

The mineral of choice now is Right Now Emerald. Emerald is available in three forms, plain, with Aureomycin (CTC), or with fly control (IGR). The Aureomycin additive is a good choice if you have pastures that have trouble with foot rot, pink eye, or you are having troubles with anaplasmosis.

*YOUR* company has just completed another successful year and we would like to thank you for your trust and support throughout the past year, and look forward to working together to continue our success in the upcoming year.

Terry Schovanec, Feed Manager

**SPRING  
OIL  
SALE  
5%  
CASH  
DISCOUNT  
THROUGH  
MAY  
30 GALLON  
MINIMUM  
PURCHASE  
Mix or Match  
Any packaged oil  
Not to apply to Bulk**

### Wheat Prices

April 21, 22 or 23	
2008	\$8.50
2007	\$4.45
2006	\$4.91
2005	\$3.22
2004	\$3.47
2003	\$3.20
2002	\$2.63
2001	\$2.94
2000	\$2.47

### Anhydrous Prices

April 1	
2008	\$625.00
2007	\$415.00
2006	\$425.00
2005	\$370.00
2004	\$320.00
2003	\$330.00
2002	\$195.00
2001	\$360.00
2000	\$200.00

## Farmers Grain Phone Numbers

Pond Creek	Kremlin
Main Office & Station	580-874-2219
580-532-4273	Lamont
Agronomy Department	580-388-4338
580-532-4592	Medford
Clyde	580-395-2286
580-395-2043	Nardin
Deer Creek	580-363-4336
580-267-3221	Nash
Hillsdale	580-839-2291
580-635-2263	Renfrow
Hunter Station	580-849-6416
580-684-7421	Wakita
Hunter Elevator	580-594-2234
580-684-7422	Willow Country Store
Jefferson	Enid
580-532-6218	580-234-1800

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