



First Cooperative Association

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MANAGER'S CORNER

By Jim Carlson

General Manager

jcarlson@firstcoop.com

SCHOLARSHIPS: It gives us great pleasure to introduce and honor this year's recipients of the **FCA College Scholarships**, a total of fourteen young men and women from the 2008 graduating class who we are all very proud of, and who we are pleased to recognize for their scholastic achievements.

Since FCA initiated this **Scholarship Awards Program**, we have provided over \$85,000 in scholarships to assist graduates from the area's high schools in their college careers.

Congratulations to this year's FCA Scholarship recipients, who were selected from an excellent group of candidates, and of course please join with all of us at FCA in extending good luck and our best wishes to each of them in their college career choices and future.

A CHALLENGING SEASON: This season was a very unusual one, with temperatures remaining cool and frequent showers presenting all of us with challenges to get the crops planted during the relatively short intervals in which we had favorable weather and field conditions to operate equipment.

I've had the opportunity to travel to many parts of Iowa on business the past several weeks, and I assure you I have seen no other area that can come close to matching the fine looking, rapidly progressing crops we have in our area fields.

At the present we are in Iowa's **Garden Spot**, and while there is certainly a long way to go in this season,



Excavation work was continuing on the new bulk fertilizer plant at the FCA Aurelia location as tons of dirt were being moved and sand was being hauled in to prepare the storage facility foundation.

and thus so much time in which so many things can happen, we have a solid foundation from which to build.

Therefore, I encourage you to continue to work closely with the FCA Staff on your crop needs, questions and concerns so they can assist you to sustain the early momentum to keep this crop progressing toward a positive fall harvest.

PROJECT PROGRESS: As the photo elsewhere shows, the early stages of site preparation are underway on our new bulk fertilizer plant project that will be built at our Aurelia location.

The periodic showers have slowed the dirt work phase, however we feel by the time you receive the newsletter all the earthmoving will be done and we can proceed with pouring concrete.

Hopefully, we'll have favorable weather and the next phases of construction can progress more smoothly, enabling us to complete this 27,000 ton dry fertilizer receiving, storage and load out plant

before the arrival of winter.

CHANGING TIMES: As I'm sure all of you are experiencing in your own farming operations, not only have grain values soared to record levels over the past several months, so too have costs for all inputs needed to produce those crops.

As prices for grain, all crop nutrients, crop protection products and seed, fuel and energy moved to record highs, then continued to move even higher, we have felt their impact in all phases of your cooperative's operations.

For example, interest costs have moved substantially higher as a result of much higher demands for substantially larger sums of capital needed to secure inventories of the crop inputs you need.

Adding even more to those costs is the fact that virtually all inputs today must now be purchased many more

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**AGRONOMY
NEWS
&
NOTES
By
Jim Compton**

jcompton@firstcoop.com

PLANT PROJECT: We are very excited about work now underway on the bulk fertilizer plant project at FCA's Aurelia location, and as noted elsewhere in this month's newsletter, the dirt work is being done at this time and I would estimate that as of the end of the first week in June it's over two-thirds complete.

It's a huge task to remove over 22,000 cubic yards of earth and replace them with sand, and having an experienced contractor with an excellent crew like Schmillen Construction out of Marcus is a huge asset for this phase of the project.

On any given day there have been up to 18 semis hauling materials into the site, thus when Mother Nature has spared us from another shower, the men and machines have been doing a monumental task.

If you have the opportunity to be in the area over the summer as work is underway, check out the progress as you're driving by. I think you'll be very impressed with the sights as this new bulk fertilizer plant takes shape.

The new plant is going to be an extremely valuable asset for FCA and all of the customers we serve, and it will pay huge dividends to us for many years to come as our crop nutrient market continues to change.

As global demand for fertilizer has increased, supplies are becoming increasingly difficult to secure, and the process of doing so has been altered significantly.

In today's marketplace there are fewer sources of supply, they offer us limited opportunities to contract/purchase limited volumes in incremental amounts for only a short period of time, and the supply and price must now be committed to many months in advance of when those products will be applied.

With the added volumes of storage provided by the new plant, FCA will have the opportunity to begin laying in inventories much earlier, which will hopefully make our costs and yours more economical.

Plus, perhaps the greatest benefit

of all is that with those added volumes to secure supply, we will be able to have a sufficient inventory of P & K to meet the demands of our customers for an entire season.

That means we won't run short of supply as a spreading season progresses, and thus be forced into the in-season spot market where availability can be questionable, and where prices are almost always significantly higher.

SPRING REVIEW: Our part of the state has perhaps been the most fortunate in terms of getting the crops in and having an opportunity to get the pre-emerge spraying and crop nutrient work handled.

So many other portions of Iowa struggled with wet fields and some corn was still not in the ground as June arrived, and there were vast ponds and flooded out areas that covered a lot of the corn (and beans) that did get in.

We've had our share of rain delays and wet conditions too, of course, but certainly not to the extremes of so many other areas, and thus for the most part our crops are off to a good start.

I suspect we're getting a backlog of post-emerge spraying orders on the books following these showers.

Therefore, I would ask all of you whose crops are or soon will be ready for a post treatment to work very closely with your FCA Agronomist on planning and scheduling orders so we can serve your needs in the most timely, efficient and effective manner.

One thing I would recommend all of you take time to do before too much time gets away from us, and before our crop gets much larger, is to take a drive into the country to observe different fields.

One thing that you'll quickly notice is there are some where a fairly thick carpet of green fills in the gaps between the rows, and then there are others where the rows are extremely clean.

That difference is proof positive of the benefits and advantages of applying a pre-emerge herbicide

ahead of the corn to hold the line on weeds until it's time to spray the post products.

The way this season unfolded, with wet conditions delaying post applications, makes an even stronger case for pre-emerge strategies, since early season weed competition in corn is a big yield thief.

For example, weeds that are only 6" tall when the post is applied have already caused you an average yield loss of 6 bushels per acre, and while it may not have been a big issue back when corn values were \$2.00 per bushel, at \$5.00 corn we're talking a \$30.00 per acre loss.

Now, we all know how fast weeds grow, and with as much rain as we've had you can be sure that when we get some heat and sun on these fields in the weeks ahead, weeds will be taking off while we're waiting for fields to dry so the post machines can get back in to spray.

If those 6 inch weeds double in size during that time and you have foot tall weeds by the time the post is applied, the average yield loss is 22 bushels per acre, and now we're talking some serious cash.

So as I suggested, check some of these fields out now, because the difference between those where a pre was sprayed and the "naked acres" which were left bare waiting for the post season to get here is right before your eyes.

LOOKING AHEAD: At this time we're putting together pre-pay and contracting pricing and programs for NH-3 as well as dry fertilizer products to be applied in the fall of 2008. We also will have a 28% Summer Fill program and pricing established for our producers to use.

Information on these programs should be available by the time you receive this newsletter, or shortly thereafter, and I recommend that you give them prompt attention so you can lock in your needs.

Feel free to talk to your FCA Agronomists about these programs as well, and don't put this off too long, since volumes will likely be committed very quickly.

NOTICE OF HOLIDAY CLOSING

*All FCA Locations Will Be Closed
For The 4th Of July Holiday Weekend*

FRIDAY THRU SUNDAY

JULY 4TH 5TH 6TH

*Please Mark Your Calendars
And Plan Your Business In Advance*



Introducing The 2008 Graduates Who Are Recipients Of FCA Scholarship Awards

The individuals pictured represent the Graduating Class of 2008 who will each receive a \$500.00 scholarship from FCA.

Many of these young people are entering agricultural related and rural study fields with the intention of working in our rural areas, a goal supported by FCA in the hope of continuing and strengthening our rural economies in Iowa.

Jon Foell

Jon is the son of Jim and Terry Foell and a graduate of Storm Lake St. Mary's.



He plans to attend Iowa State University and major in Agricultural Business.

Allison Glienke

Allison is the daughter of Bruce and Traci Glienke and a graduate of Alta Community School.



She plans to attend Northwestern College and major in Elementary Education.

Justin Henke

Justin is the son of Ted and Tracee Henke and a graduate of Marcus-Meriden-Cleghorn Schools.



He plans to attend Iowa Lakes Community College and major in Agricultural Production.

Greg Hermstad

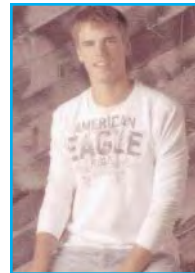
Greg is the son of Jay and Carol Hermstad and a graduate of Sioux Central Schools.



He plans to attend Iowa Lakes Community College and major in Agriculture & Beef Production.

Jordan Hinkeldey

Jordan is the son of Myron and Trudy Hinkeldey and a graduate of Alta Community School.



He plans to attend Iowa State University and major in Finance & Accounting.

Renae Hinkeldey

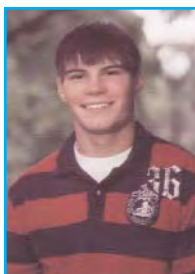
Renae is the daughter of Mark and Jennette Hinkeldey and a graduate of Aurelia Community School.



She plans to attend South Dakota State University and major in Dairy Production & Manufacturing.

Collin Johnson

Collin is the son of Larry and Rhonda Johnson and a graduate of Schaller-Crestland Schools.



He plans to attend Kirkwood Community College and UNI to major in Secondary Education & Agriculture.

Trisha Johnson

Trisha is the daughter of Rod and Diane Johnson and a graduate of Newell-Fonda Schools.



She plans to attend Iowa Western Community College to pursue a career in Education.

Spencer Lind

Spencer is the son of Steve and Karen Lind and a graduate of Laurens-Marathon Schools. He plans to attend South Dakota State University and major in Wildlife/Fisheries as related to agriculture.



Julie Lundsgaard

Julie is the daughter of Steve and Mary Lundsgaard and a graduate of from Washington High School in Cherokee.



She plans to attend the University of South Dakota and complete her studies at Palmer Chiropractic College to attain a Doctor of Chiropractic.

Caitlin Patten

Caitlin is the daughter of Doug and Carol Patten and a graduate of Sioux Central Schools.



She plans to attend the University of Northern Iowa to major in Elementary Education.

Chris Peterson

Chris is the son of Paula and Carey Hinkeldey and Rick Peterson.



He is a graduate of Alta Community School and plans to attend Iowa Lakes Community College and major in Ag Business.

Jennifer Prunty

Jennifer is the daughter of Kevin and Julie Prunty and a graduate of Marcus-Meriden-Cleghorn Schools.



She plans to attend Iowa State University to major in Elementary Education.

Desiree Welty

Desiree is the daughter of Tami Welty and Francis Welty and a graduate of Laurens-Marathon Schools.



She plans to attend Wayne State College to major in Elementary Education.



THE PETROLEUM REPORT

By
Jim Bieber

jbieber@firstcoop.com

By now I am sure all of our LP customers have received information about this year's **LP Contracting** programs and **Summer Fill** in the mail, all of which are basically the same as those we've offered in previous years to give you an opportunity to lock in supply, price and savings.

Briefly, the highlights of these programs are as follows:

You will receive a **10-Cent Per Gallon Discount** off the daily posted price **for Summer Filling in June**, with the billing deferred until August.

This discount drops to **7 cents per gallon for July Summer Fills**, and to **5 cents for August Summer Fills**, so to get in on the maximum savings, be sure you order for June.

There is also an additional **2 cents per gallon savings if you pay for your Summer Fill within 5 days from the date of delivery.**

Our **LP Contracting** for the fall and winter of 2008/09 season has also been a very popular and widely used one, with 3 separate LP Contracting programs available, plus a budget billing program that's offered for residential customers.

- 1. 100% Pre-Paid Contract**
- 2. Maximum Price Contract**
- 3. Firm Booking**

There is a **2 cent per gallon discount** that is available for contracting customers who sign up to be included on one of the **Keep Full Routes** for the heating season.

I am sure everyone understands how volatile and unpredictable our fuel and energy markets have become, and that makes **FCA's LP Contracting & Summer Fill** programs even more valuable for both the savings and the peace of mind they offer.

Customers are asking about fall diesel contracting, and I want to assure everyone that we continue to monitor this very volatile and fast changing market closely as we watch for an opportunity to contract from our suppliers.

We will have a program available at some point this summer, so keep

watching for details to be announced.

Finally this month, at the bottom of this page I have included a chart I came across on the internet that I found revealing in putting some perspective on the higher fuel prices that we're faced with these days.



FEED & LIVESTOCK NEWS

By
Dwayne Naab

dnaab@firstcoop.com

It is a pleasure to be a member of the outstanding FCA Feed Team, and I am looking forward to the opportunity to meet and get to know all of the cooperative's livestock producers as we move forward with this very challenging year.

For those I've not had the opportunity to introduce myself to since arriving at FCA in April, I thought I would include some biographical information by way of introduction in my first newsletter article.

I graduated from Iowa State in 1990 with a Bachelor's Degree in Animal Science, and started my career in Minnesota working in feed sales and customer service near Buffalo Lake for 7 years. For the past 11 years I've been in swine operation management.

CHANGES: We will soon be installing a new roller mill to improve grinding capabilities and offer a more consistent 600 to 650 micron particle size in the swine rations we manufacture to optimize consumption, performance and efficiencies.

Our Feed Team will have corn samples to show you from the new roller mill as the equipment is installed and becomes operational, and they can discuss any potential feeder modifications to address opti-

mum flow rates with you.

Also, as feed costs have continued to skyrocket in this period of record corn and soybean meal prices, as well as the soaring prices of ingredients such as many vitamin and minerals, phosphorus, which has more than doubled in just a few months, along with many of the synthetics ingredients, such as Methionine, which has nearly tripled in price recently, your Feed Team continues to explore every viable alternative that will help our producers manage costs and save on their expenses.

These alternatives include the use of DDGS, which are an excellent source of phosphorus and energy, other alternatives like wheat midds and soy hulls, along with products like Phytase, and synthetics such as Lysine and Threonine, both of which have stayed at relatively stable price levels.

Also, as mentioned, fat prices are continuing to move higher now that warmer weather is arriving and the demand for fat products increases, so we are looking for options that our producers can turn to that will provide the most economical fit to their operation's individual needs and characteristics.

In short, we are leaving no stone unturned in our search to help our producers deal with the changing and challenging times that all operations are facing today.

Thus whether it's installing new, more efficient and effective equipment such as the new roller mill, or investigating and evaluating the rations you are currently feeding and seeking out potential alternative ingredients that can be used to reduce costs without negatively impacting livestock gains, performance and efficiencies, you can rely on your FCA Feed Specialist to be at your side to provide answers to your questions, and solutions to the challenges you're facing.

WORLD PETROLEUM PRICES

National Avg. Price Per Liter Of Regular Unleaded Fuel - April/May '08

Norway	\$2.49	New Delhi, India	\$1.02
Netherlands	\$2.48	United States	\$1.00
London, England	\$2.15	Bangladesh	\$0.97
Spain	\$1.77	Beijing, China	\$0.61
Singapore	\$1.58	Indonesia	\$0.60
Tokyo, Japan	\$1.50	Malaysia	\$0.51
Sydney, Australia	\$1.39	Venezuela	\$0.03

Note: It Takes 2.6417 Liters To Make 1 Gallon



HEDGERS' HOTLINE

By
Randy
Dunn

rdunn@firstcoop.com

Corn and beans continue their erratic trading pattern, keeping everyone, including professional grain traders on the Chicago Board of Trade, confused as to what is important in determining grain prices.

Some days it looks like weather and planting progress are the market movers. Other days it appears to be the economy, oil prices, and government announcements that drive markets up and down.

Most of the time it is a combination of all of the above, and occasionally it is apparently none of the above.

That is when price changes just defy explanation, which is a lot more often than I like to think about.

December corn futures continue trading in a sideways pattern of \$6.10 to \$6.50 with a high, so far, of \$6.55 coming on May 9.

November soybean futures have spent most of the last month between \$13.00 and \$14.00, with a high price of \$14.66 on March 4.

I remember not that long ago that a 40 cent price range on corn and one dollar range on beans could have covered a couple of years, but in today's marketing environment, these ranges are routinely covered in a single day.

I don't see anything in the near future that's going to change this pattern, so we may as well learn to deal with it.

I won't even attempt to guess where prices might go over the summer growing season because there are several factors that deserve watching, other than weather, which is always on the market's radar.

One of these factors arrives **June 30** as the USDA will issue their **Planted Acres Report** along with the latest **Grain Stocks Report**, and both of these reports will carry a lot of weight.

Corn and soybean acres are still somewhat undefined because of planting delays, and there's a chance some crops may have to be replanted, or actually abandoned all together for this crop year, due to recent heavy rains.

Grain stocks could also contain some surprises, since there are many in the industry who have felt for some time now that the USDA missed last

fall's corn and soybean crop size by a wide margin.

The speculation is that we have less corn and more beans from last fall's harvest than what USDA has reported so far.

An extremely high livestock feeding rate reported by USDA for corn and record wide soybean basis are contributing factors to this theory.

The price of crude oil will continue to be the overriding factor that determines the price of most every thing we produce and consume in agriculture.

As long as gas prices stay high enough for ethanol production to remain profitable, we will probably not be able to build any excess inventory of corn/beans in the U.S unless we find more tillable acres.

Extra acres could come from the early release of CRP ground in the future, but at this time the USDA does not seem inclined to let this happen.

We're off to a rather unusual start on this year's crop in many parts of the Grain Belt, so the weekly **Crop Condition Reports** will bear close scrutiny along with the various other factors I've mentioned in this article.

Also bearing close attention would be any grain you have in storage, since as we transition into the summer season and temperatures increase both inside and outside the bins, heated grain can spoil quickly and most damage discounts are taken as a percentage of crop value, so the penalty is even higher with high prices.

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months in advance than in past years, and thus carried for an even longer period of time until they are sold to, used by and ultimately billed to and paid for by our customers.

Also, with diesel prices surging to approach \$5.00 per gallon for highway use product, and gasoline prices following along to record highs as well, our fuel expenses to move grain from location to location, or to local market destinations, and/or from the farm to our elevators or local markets, plus the fuel costs for custom application equipment, tenders, feed and fuel delivery equipment have also soared dramatically.

The increases that have occurred in just those two single categories, interest expense and fuel expense, are now over \$1 million higher than they were at the same time a year ago, and clearly increases of that magnitude are budget busters that far exceed any projections that could have been envisioned nearly a year ago when the current year's business plan was established.

The task of looking ahead to the future to plan and budget for the upcoming year has therefore become an even more challenging one for your Board and Management, since these are just two examples from what has become an unprecedented level of change in the markets and marketplaces in which we operate, and in the costs we are experiencing to provide our customers with their needs and to conduct **"Business As Usual"** each day.

Thus to remain a viable, competitive force in the marketplace, and to continue to hold the line on operating costs while at the same time maintaining realistic, competitive margins, it becomes increasingly important for FCA to address the changing times, the changing costs and the changes in our markets as we undertake to evaluate the rate structures/fees associated with providing products and services for the future so they will reflect the costs of providing them in the most timely, efficient, effective and economically sound manner.



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