



First Cooperative Association

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MANAGER'S CORNER

By Jim Carlson

General Manager

jcarlson@firstcoop.com

I want to take this opportunity on behalf of the Board of Directors and all of the FCA employees to thank everyone who was able to find time in an excessively busy fall schedule to join us for one of this year's Annual Meetings in mid-November.

It is indeed a pleasure to be able to report that thanks to your continued support and the business which you provided this past year, the fiscal year ending August 31, 2008 was a year of record sales and record savings for your cooperative.

Total Sales ended up being **\$263,654,529**, significantly surpassing the previous record sales figure of approximately \$158 million that was established just last year.

This past year's **Net Savings** total was also a record for FCA at **\$5,951,443**, and again this represented a significant increase from the previous record net savings total of \$1.777 million set a year ago.

One extraordinary contributing factor in net savings was revenue of over \$947,000 generated by FCA's sale of a portion of the stock we own in FCStone, a company we utilize for hedging grain, as they became a publicly traded company in 2007.

The support of the customers for all of our core business segments contributed significantly to this year's increases in sales and volumes.

*Best Wishes To All
For A Joyous Holiday Season
MERRY CHRISTMAS
&
HAPPY NEW YEAR
To You & To Your Family
From All Of Us At
First Cooperative
Association*



Grain volumes were up over 4.9 million bushels, or nearly 17% bushels higher than a year ago, and obviously higher grain prices translated into increased grain sales by our customers.

I should also mention that the additions that have been made to expand and upgrade your grain storage and handling assets play a huge role in helping us handle these higher bushel volumes for you more efficiently and effectively, and of course in a more timely and smoother manner, which is of major importance to customers at harvest time.

Your FCA Agronomy Department had an exceptional year for 2007-08, showing good increases in all of their product and service lines.

Fertilizer volumes showed a 6% increase and we recorded a 50% increase in chemical sales. Seed sales turned in a 25% increase.

As we look ahead to this new year of business and beyond, the commitment to agronomy assets such as the new state-of-the-art bulk fertilizer plant now under construction, plus the recent addition of the Vohs and Miller business in Holstein and UAP in Cherokee to FCA's business offer additional efficiencies and volumes that will further enhance growth in Agronomy sales and services.

Higher commodity prices also contributed to a nice increase in sales for the FCA Feed Department.

While we have seen some reduc-

tions in the number of swine in response to the soaring cost of inputs and the economic struggles all businesses have recently been facing, there was growth in the beef segment of our feed business this past year and we are hopeful of sustaining this positive growth as we move forward.

FCA's Fuel & Energy Department has had another positive year of growth in sales and volumes, strengthened to a degree through the addition of B & M Service in Sioux Rapids this past year.

Refined fuel increases amounted to 16% for this past year, and although the 2007 crop required very little drying, a more normal northwest Iowa winter season required plenty of energy for heat, thus we experienced a 5% increase in LP sales.

As always, one of the special pleasures of being able to report a positive year of sales, savings and growth in a cooperatively owned business like ours is to announce the patronage that each of the members earned through their on-going support and the business which they conducted with their cooperative throughout the year.

This year the members earned **\$4,029,184 In Total Patronage**, of which we will be paying 30% or **\$1,208,755 In Cash**.

FCA's patronage rates for this past

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**AGRONOMY
NEWS
&
NOTES
By
Jim Compton**

jcompton@firstcoop.com

There are several factors I want to touch on this month as we start the process of planning and decision making for the 2009 crop.

And at the top of the list is to assure our customers that we will have pre-pay pricing available on crop protection products, fertilizer and seed so you can put expenses on the books for 2008 with purchases made prior to December 31st.

As always, those same prices and the savings they offer will be good until shortly after the first of the year so that you can get the same savings locked in if you would rather have the expense in 2009.

Your FCA Agronomists will have all of the pertinent price information in hand soon, and now would be an excellent time to visit with us to do some pre-planning, evaluation and discussion of your plans, programs and strategies for next year.

The next thing I need to touch on is the value and importance of providing the right rates of N-P-K to your fields to maximize crop performance and health so that your corn and soybeans can be in the best position to combat the various stresses they may encounter over the course of the growing season, and ultimately that will lead to the highest possible yields.

Producing corn at the amazing rate of 200 to 250 bushels per acre, as many of you are now doing, obviously pulls a significant amount of nutrients out of the soil profile to make that crop, and you therefore need to replace the nutrients used by this year's crop if you want to have any chance of sustaining that level of production next year.

I realize that the emotional response to higher crop nutrient prices is to consider cutting back on rates to economize.

But I think a person has to really be cautious and concerned about the potential consequences of doing so if that decision limits yield potential for the next crop.

Your farming operation has two basic sources of revenue. The corn

crop you raise and the soybean crop you raise.

Therefore if you don't supply the proper rates of crop nutrients to maximize crop performance and crop yields, you may automatically be limiting farm income right out of the starting gate with your decision to cut back on rates.

There are ways to manage your nutrient costs without sacrificing yields in the process.

In fact, by grid sampling fields and having P & K and lime VRT applied, you can lower expenses and, in many cases, increase yield potential over the entire field.

There's an old saying in crop production that to get the best crop possible from your fields you need to plan for the best crop, and that means using the proper rates of P & K to maximize performance and yields.

Fertilizing for only a 150 bushel per acre corn crop or a 40 bushel per acre soybean crop limits performance, productivity, and profitability, and that's not a recipe for success for any of today's farming businesses.

So talk to your FCA Agronomist about your plans for 2009, visit with him about grid sampling and VRT application of P & K and lime.

And of course ask about seed traits and genetic strategies so that you can order early to lock in the best savings, the best selection and the sizes of the hybrids and varieties you will need for your fields when spring arrives.

FERTILIZER PLANT: In closing just a quick update on the progress being made as our new bulk fertilizer plant in Aurelia continues to move forward.

We anticipate products will begin arriving in the late January to early February period, and while the plant likely won't be fully operational for this coming spring, we'll be serving customers needs from it and working

the kinks out so that a smooth transition can commence as we move into the fall season.



**THE
PETROLEUM
REPORT
By
Jim Bieber**

jbieber@firstcoop.com

We knew winter and the challenging conditions the season brings with it was bound to arrive sometime, but I'm sure everyone wishes it would have held off a little longer.

Unfortunately, we have no say in the matter, and now that winter is here and the thermometer has taken the plunge to below freezing temperatures that cause so many more headaches for machinery and vehicles, it's time to scramble a bit to be sure we keep things moving smoothly and steadily, reliably and regularly.

First off, if you have not already changed the paper filters in farm fuel storage systems, do that right away.

These paper filters trap moisture to prevent it from entering the fuel lines of your equipment, and when the temperatures turn cold these paper filters can (and do) freeze to restrict and in some cases shut off the flow of fuel.

As I have mentioned to you before, industry statistics prove conclusively that most fuel flow problems on the farm can be traced to filters being saturated with moisture and freezing.

Fuel gelling gets a lot of the blame, but believe me, the filters are by far the leading cause of this winter time dilemma, and the gap between the two isn't even close.

Obviously, if you haven't already done so you will also want to have

PETROLEUM

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**Take Time To Visit With Your
FCA AGRONOMIST TODAY
To Set The Stage For Top Yields
In Corn And Soybeans For 2009**

Now is the time to start the wheels turning on the best plans, programs and products to make your 2009 crop the top performing, high yielding success story you will want it to be next season.

Your FCA Agronomist can assist you with crop nutrient plans and strategies, crop protection products such as fungicides, herbicides and seed treatments, and of course with the best corn hybrids and soybean varieties in the business.



**FEED
&
LIVESTOCK
NEWS**
By
Dwayne Naab
dnaab@firstcoop.com

COW NUTRITION: Once again this year winter weather moved into the area in full force right after Thanksgiving.

Hopefully this initial plunge in temperatures didn't catch your livestock operation completely unprepared for the cold, snow and all the other "pleasures" of a typical winter season in northwest Iowa.

We have a good selection of protein and mineral products that you will be needing in the weeks and months ahead to keep the proper levels of nutrition available for your cattle.

Stalks and the crop residues cattle are foraging on after the combine leaves are not nearly as high in nutritional values as they once were.

And of course your combines are also more efficient as they harvest your corn crop, thus nearly every kernel goes into your hopper, wagons, trucks and bins.

With cows and first calf heifers now in the all-important final trimester, the calves are getting larger and therefore consuming more of the nutrition and energy the cow is taking in, plus cows are burning extra energy to maintain body heat in these colder winter temperatures.

All of these issues add up to making it absolutely essential to supplement the nutritional intake of your cows with tub, block or loose forms of protein and mineral.

Your FCA Feed Salesman can assist you in putting together the right mix of the products we have to choose from that will give you the best match to your specific needs, those of your cows, and of course those of your operation.

HOLIDAY PLANNING: As I am sure everyone knows by now, the holiday season is bearing down on us very quickly, and if you'll take a moment to glance at the calendar you will see that Christmas Day and New Year's Day are both mid-week (Thursday) holidays this year.

This makes for a very hectic 2-week period for so many of our customers, and for the employees of

your FCA Feed Team as well, and the frantic pace can be even more hectic when the holidays occur during the week as they do this year.

I am therefore asking for the full cooperation of all of our feed customers to check their feed inventories in advance for the upcoming holiday season.

Then follow up by planning ahead and calling to place orders for feed delivery to give us as much advance notice as possible so we can plan and coordinate manufacturing and delivery logistics to serve everyone's needs smoothly and efficiently.

Your response to this request will be a tremendous help to our entire Feed Team, and your consideration and cooperation will enable them to take care of serving the needs of our feed customers in the most timely manner so they can spend as much time as possible with their family enjoying the many activities of the holiday season.

ADVANCE PLANNING: On a similar note, the same sort of cooperation to plan and order feed as far in advance as possible to give us more time and a wider delivery window is also very important throughout the winter season.

The Feed Team also appreciates additional time during winter since things just go slower for any number of reasons.

The roads are slick and icy, daylight hours are reduced, equipment is sluggish and hard to start, maneuvering around drives and feedlot entries is more challenging, feeder doors are often frozen shut, and every step a person takes is just downright more hazardous, so extra care needs to be taken to prevent a fall or injury.

Again, please plan ahead and order in advance to provide more time and a wider delivery window in which the feed can be delivered.

PRICES: Feed costs have come down from the highs as corn and soybean markets have been retreating, and that has taken some of the pressure off livestock producers.

Phosphorus prices have dropped once and it's expected we'll see

another reduction sometime right after the new year arrives.

We're also seeing some mineral product price reductions, particularly for products with copper sulfate or zinc oxide, and vitamin prices are also following along this trend as they drift lower.

Are we in the process of returning to a more normal and, hopefully, more stable environment in livestock production in which it will once again be possible to plan and budget breakeven projections with much more certainty? Let's hope so!

PETROLEUM

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your fuel winter blended, and hopefully this has been or can be done before it turns off too cold, since once wax particles crystallize in the fuel, they cause significant problems.

As we look further ahead, I anticipate a number of you have already visited with your tax advisor, or will soon be doing so, to start bringing together your 2008 expenses, and we will once again have a pre-paid price for 2009 fuels that you can utilize to put some of your farming operation's fuel expense on the books prior to December 31st if that is to your advantage.

You can also be watching for the announcements and full details on our **Spring Diesel Fuel Contracting** program to be coming, plus the very popular **Early Bird LP Contracts** that we have been offering for the past several years.

Both of these contracting programs have worked very well for our customers in past years, providing substantial savings over the typically higher in-season rates.

In closing, and in a message similar to the one Dwayne has included in his article about planning and ordering feed in advance.

Your cooperation is a huge help to our drivers as they plan and route deliveries to keep pace with winter needs, and with things moving a bit slower in the winter for the sake of safety, your advance orders are especially appreciated.

Please Plan Ahead For The Holiday Season

All Locations Will Be Closed For Business

The Following Dates & Times In Observance Of The Holidays

CHRISTMAS HOLIDAY

Closed All Day

Thursday, December 25th

NEW YEAR'S HOLIDAY

Closed All Day

Thursday, January 1st



HEDGERS' HOTLINE

By
Randy
Dunn

rdunn@firstcoop.com

In the time since we published our last newsletter in early September, I'm sorry to report that the downward trend in grain prices has done nothing but continue its free-fall away from the July highs.

Grain prices aren't alone in this downward spiral. Virtually every commodity worldwide continues the march to lower prices almost daily.

The most common question I hear is: **"Are we at the bottom yet?"**

And my answer is **"It depends on the price of crude oil"**.

The fact is, \$150.00 per barrel crude oil is what led us to \$7.00 corn and \$15.00 soybeans in July, and crude's precipitous fall to today's price under \$50.00 per barrel has left us with \$3.00 corn and \$8.00 soybeans.

So, are we at the bottom now?

I would like to think so, but some economists think we could see crude oil hit a low of \$32.00 before the world economy finally hits bottom.

They also expect it might take another nine months to grind crude oil down to this \$32.00 level.

I would also add that these are some of the same "experts" who were touting \$200.00 crude oil right before the world economic collapse, so in my humble opinion no one has a clue how high or low oil prices will go, nor how long they will take to get there.

One situation I am keeping an eye on is the relationship of gasoline, ethanol and corn prices.

Ethanol is currently priced about 45 cents per gallon higher than gas and is therefore in danger of pricing itself out of gasoline blending.

In fact, there would be no incentive to use ethanol as fuel if it weren't for the subsidies it enjoys.

There has been some talk of cutting subsidies, which would put pressure on ethanol prices, and lower ethanol prices are about the last thing agriculture needs right now.

Ethanol plants are going broke almost weekly, and some that aren't bankrupt have ceased production,

which leads to the third part of the equation, which is corn prices.

It seems to me that the value of corn over the long run can only be what ethanol production can afford to pay for it and still be somewhat profitable.

With today's values, ethanol is too high compared to gasoline and corn is priced too high for ethanol production to survive.

If ethanol production drops too far, then our corn surplus gets too large and we don't need all the corn acres.

Some will say we can export the corn surplus, but with the poor state of the world economy and the value of the dollar strengthening, exports won't take up the slack.

Then we have another issue. If too many corn acres switch to beans, then bean prices go down.

It's easy to paint an ugly picture for agriculture considering the commodity price trends the last few months, but as we all know, world events can change things in a hurry.

We are only one Middle East conflict away from \$100.00 crude oil and a return to higher ag prices.

We also know that every oil producer would like nothing more than a return to high priced oil, and they will try to do whatever they can to make it happen.

I am definitely not saying we can expect higher crude oil and better grain prices anytime soon, but there is always the possibility.

However my gut feeling is that we are probably a long ways off from significantly better grain prices, unless something crazy happens to the world oil supply.

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year were as follows:

Grain	7 Cents/Bushel
Agronomy	5.00%
Petroleum	3.75%
Feed	2.00%
Services	5.00%

This past year was an amazing one for many reasons, and again we thank you for the support and business you have provided, for they are the crucial ingredients which are essential to sustain this growth and to have these positive results to report.

As we have all experienced the impact of the recent economic meltdown and its impact on our lives and businesses, it is clear there are many challenges that lie ahead, and we feel FCA is well equipped and well-positioned to serve and assist all of you in meeting these challenges from a strong and stable position.

In other business transacted at the Annual Meeting, we announced the results of this year's Board of Director election in which incumbent candidates Doyle Anderson, Steve Nelson, Robert Parker and Charles Specketer were all re-elected to three year terms by the membership of FCA.

At their re-organizational meeting the Board re-elected Greg Mattson as President, David Dean Vice-President; Charles Specketer as Secretary and Randy Sennert, Treasurer.

In bringing this article to a close, and on behalf of the Board of Directors, all of the employees, their families and, of course from my family and I, **Best Wishes for the upcoming Holiday Season to all of you and to your family.**



First Cooperative Association
5057 Highway 3
Cherokee, Iowa 51012

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