



First Cooperative Association

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Visit Our Web Site At: www.firstcoop.com

September, 2012



MANAGER'S CORNER

By Jim Carlson

General Manager

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After experiencing such extreme shifts in the weather conditions in 2011, it would have seemed impossible to have had things become even more extreme in 2012.

But that's exactly what has happened here in FCA Country during this past summer season.

At present we are in the midst of what has been a 15 month long cycle of very dry weather that began in the early summer of last year.

The weather gurus claim these dry periods run in cycles, and I know all of us hope the one we've been in over this 15 month period is coming to an end.

While I am as sure as all of you are that the adverse weather this year's corn and soybean crops have experienced will take a bite out of the initial yield expectations we all had at the end of June when the crop looked as though it was doing well, I also believe we could still see some decent results as harvest continues to progress in the weeks ahead.

One reason for having this feeling is the tremendous advances which have been made in seed genetics in recent years.

Today's hybrids, in particular, have much greater tolerance levels to stress conditions than the hybrids you were planting 20 and even 10 years ago.

Additionally, the crop nutrient rates you are applying these days are at elevated levels to maximize crop performance and yields, and the intensity level



Work on the new office location and scale at your FCA Schaller location has progressed very well throughout a very hot summer season, and we are pleased that the finishing touches were being completed in early September.

of management in terms of weed, insect and disease controls, seed placement and plant populations are also much greater than ever before.

Our locations are ready to serve your harvest needs in what promises to be a very busy fall season, and we are looking forward to being of service to you in the weeks to come to put the finishing touches on the 2012 crop.

HARVEST POLICIES: As always we have included our fall harvest policies in this September issue of the newsletter, and I encourage you to review them closely, as a few changes have been made from previous years.

Most notable among them is the lowering of our drying rate to 3 cents per bushel to help encourage early harvest of corn at moisture levels that may be somewhat higher than you normally start harvesting corn at.

There is, as I am sure you can understand with the extreme stress this corn crop experienced, major concerns about the quality and integrity of stalks, with severe lodging and dropped ears both creating the possibility of substantial field losses, especially if a strong wind storm pushes through.

With corn values of over \$8.00 per bushel in the market, you will want to get out early to harvest corn even if the moisture is a bit higher than where you normally combine so more bushels go in

the bin and fewer fall to the ground.

YEAR END: The FCA fiscal year came to an end August 31st as I was putting this article together, and while the auditors will not return until early October to complete their work on this year's financial statements, I am pleased to report that our preliminary figures indicate this will be another very positive year of growth and performance for your cooperative.

FCA's total sales will be in the neighborhood of \$500 million for this past year of operations.

On behalf of your Board of Directors, the Staff and all employees I extend our thanks to you, our loyal customers, for your continued support and business that have made this year's performance possible.

We will be looking forward to reporting the full details of this past year to you at our two Annual Meetings in November.

The first of our **Annual Meetings** will be on **Wednesday, November 14th in Storm Lake**, followed by the second on **November 15th in Cherokee**.

Complete details and information regarding the times for these meetings, along with your ballot containing the list of candidates for the Board of Director positions that will be voted upon will be mailed out to the members during the late October period.

AGRONOMY

NEWS

By

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No doubt about it, the severe weather our crop experienced this year will definitely provide a real test of the advanced genetics that have been developed by the major seed companies in recent years, especially the drought tolerance of the corn hybrids you're planting these days.

While our yields will certainly be lower than our expectations were when this year's crop started off the season with good moisture, there are still a lot of lessons and valuable information we can pull from what has happened in the fields.

In some areas there were bugs or weed issues that haven't been seen in a decade or more, and for some of you there were probably a few first time situations your crops ran up against that you haven't encountered first hand since you started farming.

As always, therefore, keep track of anything unusual you see as you're harvesting this crop, monitor weed escapes, the weed species and field locations where your control strategies might benefit from fine-tuning or outright changes for 2013.

Every year provides you and us with an opportunity to take a closer look at what we have done, evaluate performance and results, and to then take a look at any areas that we feel need to be addressed and improved upon for the next crop.

This is the kind of valuable information you can bring with you when you visit with your FCA Agronomist to begin the planning process for crop inputs next season.

FALL FERTILIZER: With harvest off to one of the earliest starts in recent memory, and perhaps for many as early as it ever has, there is a good possibility we might also be able to get off to an earlier start on fall P & K applications.

With that possibility in mind, please be sure you and your FCA Agronomist have talked about your fall fertilizer plans and needs, and that as much as possible you have everything lined up for applications to get rolling just as soon as you are out of a field and we can pull in to spread.

Hopefully we can get the bulk of the P & K spreading completed early

to open a wider window of time for fall NH-3 applications to be done as soon as soil temperatures and field conditions are favorable to apply.

Once again this fall FCA will be offering custom NH-3 application services, which gives you additional time to focus your days on wrapping up soybean harvest, doing more fall tillage and/or any other work.

As we all know from past experience, the window of opportunity to apply NH-3 in the fall, whether you're doing it yourself or having FCA custom apply it, can sometimes be a very short period of days from the time soil temperatures fall to proper levels until Mother Nature shuts down NH-3 for good until spring arrives.

Therefore it will be very important to communicate your fall nitrogen plans to us as soon as possible to help coordinate the equipment that will be going out to assure everyone will have time to get all their fall NH-3 applied, as well as to coordinate our custom services for maximum efficiency.

Even though everything would seem to point to an early start on fall work as quickly as this year's harvest is getting underway, we also realize fall weather could turn wet and soggy at any time.

Let's be sure to take advantage of this situation to get work done in the weeks ahead, since we all know just how important every day we are able to "buy" in the fall will make things go much more smoothly for everyone next spring.

Your FCA Agronomists are ready to be of service and assistance to you with planning, scheduling and taking care of your fall product and service needs, so be sure you take time to get together with them before you get too much more deeply engaged in harvest and don't have the time later on.

While you're talking to your FCA Agronomist, also be sure you get the ball rolling on your 2013 crop corn hybrid and soybean variety orders as soon as possible.

I think it's safe to assume that this year's seed supply and selection could become a very tight one between now and when planters roll in the spring, since the same adverse weather that struck so much of the Grain Belt this

summer also took a toll on seed production fields.

Early orders to lock in the genetics you want and the numbers and supply you need have always been the best way to assure you get what you want.

And this year there's even more reason to believe the sooner you order, the better opportunity you'll have to secure your top choices.

THE PETROLEUM REPORT

By

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It's early September as I am putting this article together and I am very pleased to say: **FCA's Diesel Tanks Are Full!**

Now let me ask you: **Are Yours?**

If you have not filled your farming operation's diesel storage yet, then please have this taken care of right away because all across the Grain Belt the 2012 harvest season was underway when Labor Day arrived.

The consensus of opinion throughout the trade is that diesel fuel supplies are extremely likely to run short this fall, and to illustrate the reason for their concerns about availability I have included a **Distillate Stocks Chart** elsewhere.

As you can see in this chart, the stocks of diesel fuel on hand as we begin the 2012 harvest season are significantly below the supply of diesel that was on hand last year at this time, and also significantly below the 5-year average.

Hopefully, this information will explain why I encourage our diesel fuel customers who have not already filled their on-farm storage to be sure they do so as soon as possible.

Additionally, I believe this low inventory situation makes it crystal clear how important it will be to keep a close watch on your on-farm inventory of diesel fuel as the harvest sea-

PETROLEUM REPORT
Continued On Page 5

FCA REVOLVES EQUITIES TO MEMBERS

In August FCA mailed out checks for Class C Preferred Stock to members for past year business representing the remaining equities that were in Regional Equity Stock Pool 3, plus 17% of the patronage in Regional Equity Stock Pool 4.

The total of the checks mailed to members was \$575,000. These payments to you "should be" tax free, providing that the member reported and satisfied the tax liability at the time the patronage dividend was received. Please check with your tax advisor to confirm tax status of the check you received.



FIRST COOPERATIVE ASSOCIATION

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GRAIN POLICIES 2012

WAREHOUSE RECEIPT & OPEN STORAGE CHARGES

No Storage For the First 10 Days

On the 11th Day Storage Will Be Charged at The Rate of 0.2 Cents Per Bushel Per Day For 120 Days

Thereafter 98.4 Thousandths Cent Per Bushel Per Day (Equal to 3.00 Cents\Month)

Warehouse Receipt & Open Storage Charges Will Be Billed Quarterly

(December 31st * March 31st* June 30th * September 30th)

GRAIN BANK STORAGE RATES

First 90 Days No Storage Charge

98.4 Thousandths Cent Per Bushel Per Day (Equal to 3.00 Cents/Month) After 90 Days

Grain Bank Sold Will Revert To Open Storage Rates

GRAIN BANK IS INTENDED FOR FIRST CO-OP FEED CUSTOMERS

Corn taken out of Grain Bank must be mixed with protein supplement. Shelled corn hauled out will be charged regular open storage rates.

PRICE LATER

Price Later Service Charge is 18 Cent Per Bushel Minimum For the First 90 Days

98.4 Thousandths Cent Per Bushel Per Day (Equal To 3.00 Cents/Month) For the Next 5 Months

With A 33 Cent Maximum Until August 31, 2012

All Price Later Contracts Expire August 31, 2012

Producer Must Be Informed That Once Price Later Contract Is Issued

No Warehouse Receipt Or Other Storage Disposition Can Be Made

CORN

Moisture Will Be Averaged Up To 10 Days After the First Day Of Delivery

All Other Grade Factors Will Not be Averaged

15% On Price Later Contracts - Warehouse Receipt - Open Storage - Or Sold, 14% On Grain Bank

1.50 % Drying & Handling Shrink Per Point of Moisture Removed From Wet Corn

MOISTURE DISCOUNT IS \$.03 PER POINT OF MOISTURE REMOVED

Drying Charges Are Subject to Change Without Notice

F.M. Discount Is 2 Cents Per Point Over 3%

Test Weight Discount Rate Is Cumulative

53.9 To 51.0 = .02/Bu Lb. 48.9 To 44.0 = .05/Bu Lb.

50.9 To 49.0 = .03/Bu Lb. 43.9 And Below. = .10/Bu Lb.

DAMAGE DISCOUNT

1 Cent Per Point 5% To 7% Damage * 2 Cents Per Point 7% And Above

CUSTOM DRYING CORN

Corn will be deposited into Grain Bank and dried to 14.0% moisture. We guarantee under 15% corn going out. Corn must be hauled out in 10 days or regular open storage charges will be applied.

SOYBEANS

Moisture Requirement For Soybeans Is 13%

1.5% DRYING & HANDLING SHRINK PER 1/2 POINT OF MOISTURE REMOVED FROM WET BEANS

Moisture Will Be Averaged Up To 14%. Each Load Over 14% Will Stand On Its Own

Drying and Shrink are Subject to Change Without Notice

15% And Over Beans Are Subject To Refusal

Test Weight Discount On Soybeans 53.9 And Under Is 2 Cents/Bushel

Musty Discount Is 5 Cents/Bushel * Sour Discount Is 10 Cents/Bushel

No storage first 10 days after unload date, thereafter same as corn (.2 cent per day for first 120 days, .03/Month Thereafter)

THESE POLICIES ARE SUBJECT TO CHANGE WITHOUT NOTICE



GRAIN HANDLING POLICIES AT FIRST COOPERATIVE



As we all realize, this fall will be an extremely busy and hectic time for all. The policies at all FCA locations for operating at a smooth pace during harvest are being addressed below, and we encourage you to please take note of these policies, including those changes which have been made from previous years.

1. Due to the volume of grain coming in daily, please have all signs designating grain ownership visible. If it is a new split for landowner and tenant this year, please inform the office before harvesting so new customer identification can be loaded into our computer system.

Also this year you may need to have fields identified for insurance purposes. If you wish to have your tickets marked for this purpose, let us know before you begin bringing in grain for that field so we can mark your ticket accordingly.

2. Regarding delivery sheets needed at the FSA offices; you will be given a delivery sheet when grain is settled. You may also request a copy of the delivery sheet when you're completed with delivery.

PLEASE KEEP THESE PAPERS!

3. If you wish us to fax delivery sheets to the FSA office, remember that FSA must have a signed Form 237 on file (Signature Authorization Form). **We will not automatically fax delivery sheets** - customer must request this when done if they are not taking them directly over to FSA.

4. FCA is not responsible for ownership distribution splits. YOU are responsible for ensuring FSA has the correct paperwork and documentation to process your claims.

5. Dump hours will be posted and strictly adhered to.

6. The driver leaving the grain dump (empty loads) has the right of way to the scale first.

7. Please remove side gates from wagons to prevent injuries. If not able to remove them, tie them securely.

8. Make sure all end gates open freely.

9. Curving the corners in trucks will allow grain to move faster.

NOTE

The policies and procedure above are designed to help make the season go as smoothly as possible for the customer, the employees of First Cooperative Association and for the people of your local FSA office. We appreciate and thank you in advance for your cooperation.

HAVE A SAFE HARVEST SEASON

**FEED
FOCUS**
By
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The severe heat and drought-like conditions that blanketed so much of the nation this summer created significant challenges for grain and livestock producers alike, and many are now looking ahead and seeing higher costs and an uncertain future.

If there is one message I could relay to livestock producers everywhere it would be this: **Don't Panic.**

As livestock producers we will all need to look at our individual operations even more closely and work even harder to create the most efficient way to feed our livestock.

Right now, everything is being tied to \$8.00 corn. All feedstuffs and/or ingredients are being compared to \$8.00 corn, therefore there are clearly no inexpensive or "cheap" solutions to your feed costs.

The best advice we can offer in times like this is to **Concentrate On The Things You Can Control** rather than be consumed by or with things you can not control.

Inputs are high, so **Know Your Feed Costs.** That means know them as precisely as you possibly can.

Estimates and rules of thumb are not sufficiently accurate to rely on, so utilize your records and do not hesitate consulting with the FCA Feed Team for assistance.

Have your feedstuffs analyzed and use that information to put together the correct diets for your animals.

Take a long look at your overall operation to identify any areas of waste or excess.

When times are good some of these things usually go unnoticed or don't seem to matter enough to spend the time on.

These are not those times.

Do what you can to make your livestock operation perform as efficiently as possible.

Some of the key areas to investigate and evaluate would be:

- Nutrition**
- Environment**
- Herd Health**
- Worming Program**
- Culling**

As you look at these areas, make use of your FCA Team as a resource. We are here to serve as an aid to you

with your livestock operation, and we have the staff and the tools that can help you fine-tune your overall operation in the five key areas listed above, as well as others.

Fall has arrived, and we are also ready for the new run of calves that are or soon will be arriving at your operation.

We can help you with the products and programs for weaning calves to give them the best starts so they are gaining and performing efficiently.

We can also help you with your new calf purchases and getting those calves off to the most efficient start.

We have a number of sound, proven options for the supplementation of your cows to meet their crucial protein and mineral needs to build condition heading into winter.

For swine producers, the industry continues to experience many changes, and your FCA Feed Team is here to help address them with the latest in nutrition and management to maximize productivity and efficiency.

We are as close to you as your telephone and/or computer, so please feel free to contact our staff at any time to let us know how we can be of service and assistance to you and your livestock operation.

PETROLEUM REPORT *Continued From Page 2*

son progresses, to operate off the top half of that supply, and to plan ahead and call in orders for a fuel delivery in advance once the gauge is at that half way mark.

This will be our safest and surest way to be in the best possible position on your farms as well as here at FCA in the event we encounter any significant supply shortages and/or outages at the terminal sites.

And of course it helps us keep gallons flowing as smoothly and efficiently as possible to you once the virtually

inevitable long lines at those terminals start to develop.

I can not over-emphasize the vital role that all of you play in helping us to keep our delivery costs under control and, at the same time, provide the very best in timely, efficient fuel delivery services to all of the customers we serve.

Simply by checking your on-farm supply early in the week and in the mornings when you first head to the fields, then calling in as soon as you can to place your orders with ample advance notice to give us time to route delivery is a tremendous help as our drivers coordinate their trips into the country with fuel.

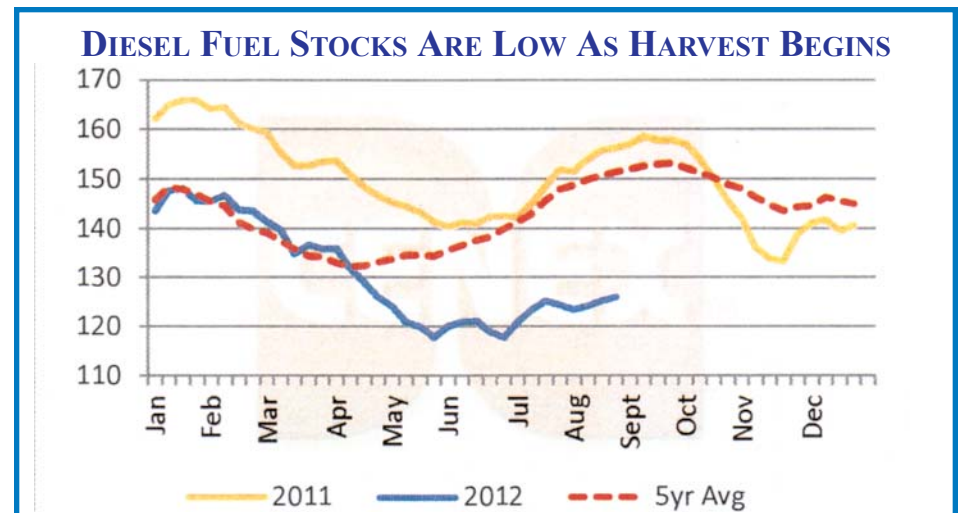
Your calls help us minimize and hopefully virtually eliminate those costly and time consuming extra trips with partial loads, and in the process that saves everyone.

What Happened To SPCC?: At the recent Board of Directors & Staff Retreat a question was raised regarding the status of the EPA's Spill Control and Countermeasure (SPCC) program.

When originally announced, there was a November of 2011 deadline date for farmers to submit their SPCC Plan for operations with anything over 1,300 total gallon storage, a deadline that was subsequently changed to May of 2013.

Well, as we all know, May of 2013 is rapidly approaching, therefore you can go to the FCA web site (www.firstcoop.com) and under the Energy Department tab we have included requirements EPA has established for SPCC Plan compliance so you can check to see if you will need to file an SPCC Plan for your operation by next May.

We have also included a sample SPCC Plan and the forms you can use to file your plan if you are required to do so.





HEDGERS' HOTLINE

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The year 2012 has turned into one of those years for the record books, unfortunately, not in a good way for those of us in agriculture.

This year is being compared to the drought years of 2008 and to those of the mid 1930's. **Notice I said mid 1930's.** The 30's saw 4 consecutive years of drought.

I was at a meeting recently where the presenter pointed out that we have only had two instances previously when we have had national droughts in two consecutive years like 2011 and 2012.

One of those times was in the 30's, and I believe the other was in the 50's. In both of those cases, those drought cycles didn't end after two years. Both lasted four years.

I am hoping 2013 will be a lot more like the 2009 crop year, with record yields following the 2008 drought.

Before we spend too much time worrying about 2013 weather, we need to figure out how we are going to get through the 2012-2013 marketing year with what little crop we will have.

The short crop of 2011 left us with little room for error this year, and the even smaller 2012 crop will require severe rationing of both corn and soybean usage.

It seems \$8.00 corn will be the starting point for the rationing process.

The livestock industry is suffering severe financial losses that look to continue for the foreseeable future. Herd reduction is evident in both hogs and cattle, resulting in a major decline in feed use of corn.

Other products are also being substituted in feed rations such as wheat and ethanol byproducts. DDG's are actually trading at a higher price than corn right now.

The ethanol industry has had some reduction in ethanol production. Most plants have slowed production to a level that gives them maximum efficiency in extracting ethanol from corn.

Several plants on the fringes or outside of the Corn Belt have suspended production completely for the time being, and it may be hard for them to get going again this crop year.

Numerous states have joined together to ask the EPA to suspend the ethanol mandate, and while this sounds good politically, the practical effect of suspending the mandate would be fairly limited.

Gasoline blenders still need something to meet the oxygenate and octane levels that ethanol provides for them, and there is no other product to take ethanol's place.

Blending ethanol is still profitable for the oil companies, and most ethanol producers are getting by financially if they have a corn supply close by.

To no one's surprise, corn export sales for 2013 are lagging behind previous years by a wide margin. South American corn is trading at a discount to U.S. corn prices.

Soybeans are an even more dramatic story.

The South American soybean crop was damaged by drought this past winter just as badly as the U.S. crop has been this summer.

Couple their losses with ours, and we have a world soybean supply problem.

World soybean consumption increases every year and we will have to see some extreme prices to stop that trend.

South America has no beans left to export until their next crop arrives in March, which throws all the world's bean demand on the U.S.

Our bean export sales for 2013

are on record pace in a year when our production is in severe decline.

Several analysts have been calling for a ban on U.S. soybean export sales until we see what our crop size really is.

Their fear is that at the current export sales pace, we could have all of our beans sold by the time we get to the November crop report, and then find out too late that we should have curtailed export sales a lot sooner.

Some experts fear the US could run out of beans next spring. That situation could be stabilized with bean imports from Brazil and Argentina, but by all accounts, their export facilities will be maxed out, thus making their bean unavailable to us.

So how high do corn and bean prices need to go to make sure we don't run out?

As stated earlier, \$8.00 seems to be rationing a lot of corn usage and might be high enough to insure we don't run out in the coming year.

On the other hand, I hear a lot of talk about \$20.00 soybeans, which might not be out of the question. So if beans get that high, should corn be \$10.00 per bushel?

This winter's crop year in South America will have a lot to say about how high our prices need to go.

They will have record acres planted again, and we will just have to wait and see how the weather treats them.

It sure looks like both the U.S. and South America will need at least 2 to 3 years of good crops to get the world grain supply back to a more comfortable level.