First Cooperative Association

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Convenient Direct Deposit & Auto Payment Services Are Available For FCA Customers

Now you can complete your corn and soybean sales transactions and have your settlement check deposited directly into your bank account from the comfort of your home without having to wait on the mail to deliver it, or having to drive to town to pick the settlement check up, then to the bank to deposit it yourself.

This convenient service is ideal for customers who over-winter out of our fair northwest Iowa climate, those who will be traveling on vacation, and everyone who will be busy planting their crops in the spring, harvesting them in the fall, etc.

You can also set up a Direct Payment Option with FCA to have your monthly statement is automatically paid from your farming operation's business account on the due date each month.

This eliminates having to write a check each month, mailing and/or bringing that check in so it's received by the due date, and eliminates late payments or payments that you forgot to make because you were busy with other things or away from home when the statement arrived or the payment was due.

Our Direct Deposit/Direct Payment Services are the ideal solution for today's lifestyle, and they offer added safety and security too, since there is no longer the risk of having settlement or payment checks lost, stolen or misplaced.

For complete details on these services, contact your local FCA office to see how much easier you can make all your FCA business transactions in the future.

MANAGER'S CORNER

By Jim Carlson
General Manager
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STRENGTH: It has been remarkable to witness this price rally in our corn and soybean markets as it has carried us to crop values that, up to now, have been considered reachable only under the most extreme and rare of circumstances.

And the truly amazing part of it all is that corn approaching $5.00 and soybeans valued at nearly $15.00 have come about in the span of just 2 short years, proving once again just how unpredictable, sudden and dramatic change can occur.

When you have each bushel of grain stored in one of FCA's elevators holding values as high as these, it gives a totally new and often amazing definition to the number of dollars of inventory on hand at any given time.

Each sale of grain that our customers make to FCA as they market their crops results in a grain settlement check that is many times double, and in some cases approaching triple, the size of the check written for the same volume of bushels sold just 24 months ago.

There is a similar effect at work with the value of crop nutrient inventories as the value of each ton of N-P-K has steadily increased during the run up in fertilizer prices, plus having every gallon of diesel and/or LP valued at their current prices pushes the value of inventories at FCA's facilities even higher.

You need only to look at the sales totals for the first five months of operations for last year and this one to appreciate the significant impact of higher priced inputs and grain, where in comparison to last year at the end of January we are currently running some $40 million higher in total sales.

Obviously, when all of our basic grain and production input inventories are valued so much higher, and when each bushel of grain we buy represents a greater outlay of capital, there are also significant increases in interest expense to carry those inventories, greater demands on FCA's capital resources, plus greater demand on borrowing capacities that accompany those higher valued bushels and inputs.

This is where the exceptional strength of FCA's balance sheet pays tremendous dividends to your cooperative, and to all customers, since it is this strength that provides added flexibility and leverage to keep pace with your on-going needs as you and we are merchandising your crops into these strong markets, and at the same time as we are securing the crop input inventories you will need in massive volumes when spring arrives.

While it's only natural that we talk about and focus on the basics of sales, savings and patronage rates as we review FCA's year at each Annual Meeting, I have always tried to say a few words in reference to the steadily increasing strength of the balance sheet that the support and business of our members and patrons has continued to make possible by doing their farm business here.

You can all take pride in the role you have played in developing this strong balance sheet to make it another of the solid assets you have at FCA, since it is an asset which works in so many ways to benefit you, your farming operation and your cooperative.

FCA HONORED: During February the Cherokee County Economic Development Association presented their *2007 Business Of The Year* award to FCA at a special awards banquet, and on behalf of your cooperative and all of the members, I want to express our thanks and appreciation to them and to the Cherokee County business community for this honor.

FCA is proud to be an active part of the business community in Cherokee County and to offer our support to a wide array of worthwhile community projects that benefit and serve all of the communities and residents who call

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AGRONOMY NEWS & NOTES

By

Jim Compton

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With Old Man Winter showing no signs of easing his snowy, icy grip on us at this time, it may seem a stretch of the imagination for me to be talking about spring at this point.

And yet it will be March as you read these words, and in a short 6 to8 weeks there will be big changes taking place in our weather and in our fields as we launch into the many time-sensitive tasks of another planting season.

With that in mind, I want to mention we need to put the hours we have so readily available to us today, when nothing can be done in the fields, to the best possible use by planning and preparing in advance, because every hour and day later will be filled with work that needs to be done on time and on schedule to keep pace with Mother Nature and the calendar.

As all of you know, worldwide demand for crop nutrients has surged to unprecedented levels, with countries like Brazil, China and India leading the charge, and this has caused supplies of all nutrients to become exceedingly tight, and prices have skyrocketed.

I recently saw India just announced the purchase of 1 million tons of DAP, and that is only one example of the volumes that are now flowing to countries other than our own.

Having the value of the U.S. dollar staggering and stumbling ever lower with each passing week simply allows these overseas competitors for the limited supply of crop nutrients to purchase greater volumes with less capital, further shrinking supply.

When you also factor in the high transportation costs to get product from the source of supply and/or manufacturing centers, plus high interest costs for carrying products, it naturally follows that we're in a very serious situation with both supply issues and pricing issues that are growing ever deeper.

If you do not have your spring crop nutrient needs covered at this time, I therefore encourage you to *Talk To Your FCA Agronomist Today* to get them covered immediately so we can finalize all needs.

While you are communicating with your FCA Agronomist, I additionally recommend you firm up and finalize all custom spreading and/or spraying orders for the initial push into spring, since time will be of the essence and we need to coordinate the logistics of moving manpower and equipment with maximum speed and efficiency each day.

While fertilizer issues have captured most of the attention, similar situations regarding tighter supplies and higher pricing have also developed in crop protection products, many of which are, as you know, petroleum based.

Overseas demand coupled with the loss of a major production plant in China have created tighter supplies and higher pricing in glyphosates.

There are also serious issues with various seed categories, especially soybean seed, which has been impacted by production setbacks that have created very tight supplies and early shortages.

The time you spend working with your FCA Agronomists will be some of the most valuable time you can invest to make this spring pay off for you and your farming operation, so don't let too many days slip away before you meet to plan and prepare.

THE PETROLEUM REPORT

By

Jim Bieber

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First things first, we are currently *Contracting Spring Diesel*, and I would recommend you take advantage of this opportunity to *Layer In* your anticipated needs over time, rather than waiting and hoping for a break in this volatile fuel market which may not come before the work is underway, if indeed anytime soon.

Crude oil recently topped the $100.00 per barrel mark for the first time, and there are no indications we will see much, if any, relief from these highs in the foreseeable future.

In fact, there are some in the trade who have predicted we could see crude as high as $150.00 per barrel at some point this year.

This market can change any time, of course, but I am sure everyone would agree the upside potential is always greater and more risky than any downside we might have.

I feel it would be wise to have at least 50% of your spring needs covered by a contract now, and to watch for additional opportunities to Layer In additional percentages in the weeks ahead should the market offer any signs of weaker prices.

I also want to mention that we once again are offering our *Early Bird LP Contracts* at this time for product used for the 2008/09 heating and grain drying season.

These are, as in the past, 100% pre-paid contracts, and the gallons available for contracting are limited, so don't put off taking advantage of this opportunity too long.

Historically speaking, customers who have used the *Early Bird LP Contracts* have locked in LP at our lowest pricing opportunity for the entire year, so *this is by far the best program we have available to help you control your costs*.

For example, *Early Bird LP Contracts* for 2007/08 were at $1.37 per gallon, and the current price for LP is now in a $1.80 t0 $2.00 range, so you can quickly see the kind of substantial savings using these contracts can provide

Elsewhere in this issue of the newsletter I've included a breakdown of how the 42 gallons that make up each barrel of crude oil are refined into the different fuel, energy and other products that are manufactured.

For comparison sake, $100.00 worth of $5.00 per bushel corn can be manufactured into 54.3 gallons of ethanol, whereas $100.00 worth of

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A Pre-Spring "Things To Do Today" List

Here are just a few of the simple bases that you can cover before the start of spring that will take very little time today, and which will save lots of valuable time later for everyone.

Make Sure Your FCA Agronomist Has ...

... All FSA Aerial Maps Updated

... Your New Pesticide Applicator Certification Numbers

... Your Arrangements For Seed Delivery

... All Spreading & Spraying Services On Order

... Seed Treatment & Fungicide Product Orders

FEED TEAM NEWS
By
Marc Hinners, Beef Consultant
And
Doug Davis, Swine Consultant

BEEF: What's the number one question in the beef business these days?

No doubt about it, the question on most producer's minds is: *"How do we make $5.00 corn work when feeding cattle?"*

There are three specific areas that the producer needs to focus on to make things work with corn at these higher values. They are:

The Front End, or the price for the feeder.

The Middle, or managing feed efficiency.

The Back End, or the number of days on feed to market.

Now let's take a closer look at each of these, and to start I'll go to *The Back End*, since the way to get the best results on *The Back End* is simply *Don't Over-Feed The Cattle*.

On *The Front End* there are several major areas you need to focus on, and the very first one can be summed up by the time-honored and proven statement: *"Bought Right Is Half Sold".*

To *Buy Right* you must first and foremost go into the purchase of feeders knowing your exact costs of production so you will be able to make true and accurate projections for all of your costs, including what you will spend on the purchase price, all of your production costs, and what you will need for a selling price to cover these costs.

Keep in mind that cheaper is not always better.

For example, you might be able to buy a particular ingredient at a lower price, but the same ingredient may require more days on feed than a different choice costing a little more, so in the long run cheaper costs more.

Compare all the costs for feeding out calves compared to feeding out yearlings, as well as a comparison between feeding steer calves and heifer calves.

And of course do a comparison on different breeds to determine where your best chance for break-evens and profits lie. How much is a black hide worth, and is it enough to make the difference?

Now we come to *The Middle*, and this is where feed costs can work for or against you, depending on your choices and management.

Take a solid look at feeding the different co-products that are now available. Know the different costs for each and feed them the right way to make them work.

Always remember that # 2 yellow corn is and always has been the most predictable and reliable source of energy we have.

Take a lesson from the past. Corn silage has become a *Lost Friend* in many operations, but it's a viable source and as things are today it's also a *Best Value!*

What can you do to optimize feed efficiency at every turn?

Fine-tune your selection and use of implants and ionophores, and be sure your cattle are getting the right supplements, in the right amounts, and at the right times.

Feed bunk management is an absolute must, and that's where you come in.

Every mouthful of feed wasted in and around the bunk costs you money, so manage feed bunks to make sure cattle aren't wasting feed and are getting the full value of every pound they consume to perform and gain.

SWINE: February's FCA Swine Seminar was the 3rd Annual event of it's kind, and once again turned out to be an overwhelming success.

I've had many comments and compliments from local producers who attended regarding the speakers on the agenda, the topics of information that were presented, and of course the fine meal that was served, and I sincerely thank all of you who have expressed your input and ideas.

I also received constructive suggestions for improvements we might consider for next year, and we will be looking into these in greater detail.

For those unable to attend, I now want to briefly touch on some of the highlights of the presentations.

Dr. Daniel Nelson, nutritionist from Alpharma, presented information on several survival management strategies showing a low-end estimated savings of $6.85 per market hog.

Dr. Dan McManus, Land O' Lakes DVM offered several good pointers on the management of baby pigs, focusing on key areas like ventilation, nutrition, health and other management.

Dr. Mike Brumm from the Brumm Swine Consultancy presented research findings related to water, feed and ventilation, and focused on issues such as proper bandwidth settings, curtain on/off cycles, furnace shut-off settings and minimum ventilation settings during winter in wean to finish buildings.

If you would like additional information on these or any of the other presentations, please do not hesitate contacting me.

Moving on to other items now, producers have been asking me many questions about the cost to produce pork and break-evens, and my initial response is always *"It Depends"*.

There is no single, all encompassing answer, since each producer and operation has its own set of unique and individual circumstances, data inputs, costs etc.

Over the past couple of months I've been working closely with several customers to assist them in gathering producer-specific inputs to conduct financial projections, and in many cases actual closeout reports are proving to be very helpful in conducting objective-based pricing production costs.

If you are interested in additional details and information to develop this data for your operation, please contact the FCA Swine Team.

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$13.00 per bushel soybeans will make 12 gallons of SoyDiesel

Something else few people are aware of is where the U.S. obtains the biggest share of the crude oil we refine into these products, as most folks assume we purchase the majority of our crude from the Middle East.

In fact, our neighbors to the north in Canada are the biggest supplier of crude to the United States, followed by Mexico, our neighbors to the south. The African nation of Nigeria is our third largest supplier, with the Middle East's Saudi Arabia next as 4th.

DID YOU KNOW?

Each and every barrel of crude oil contains 42 gallons. From the refinery processes which are performed on this raw crude we obtain:

1.) 18.5 gallons of gasoline.
2.) 7.5 gallons of diesel/heating fuel.
3.) 3.8 gallons of jet fuel.
4.) 2.1 gallons of "heavy fuels" which are used to make road oils.
5.) 4.6 gallons of propane/butane.

The Remaining Gallons Are For Various Industrial Uses

HEDGERS' HOTLINE

By Randy Dunn
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The USDA Ag Forum recently made public their latest projections concerning the crops for the upcoming 2008 growing season.

I'm really not sure why they do this at this time of the year, since the first bit of meaningful information the USDA collects, and the news that everyone in the trade eagerly anticipates, will be the Planting Intentions Report that will be released March 31.

Nevertheless, these are the first "official" figures we receive from the government, so they deserve a look.

According to the Ag Forum projections, they expect corn plantings to fall by 3.6 million acres and bean plantings to increase by 7.3 million acres.

The extra bean acres not coming from corn are supposed to come from expiring CRP land, pasture and hay ground, cotton, and some double crop beans that will be planted after the eastern Corn Belt's wheat crop is harvested in early summer.

The Ag Forum is also projecting trend line yields of 154.9 bushels per acre for corn and 42.1 bushels per acre for beans as national averages.

Both of these yield projections seem to be fairly optimistic, considering we have exceeded this corn number only one time, back in 2004, and bean yields seem to have leveled off the past few years.

We will therefore need excellent growing conditions across a good deal of the Grain Belt to achieve yield averages of this magnitude, especially when you consider the fact that some of the new acres producing them will be coming from what we would probably classify as marginal ground.

It seems to me that the USDA projections above may be more about what they are hoping for at this time, rather than what they actually think will happen.

The corn, soybean and wheat supply situations are all so tight that any reductions from these acreage or yield numbers will most likely cause a rationing situation in one or more of these commodities.

No one can say from day to day what grain prices are going to do, although during these last couple of weeks of February it seems like the only way for them to go is higher.

But we all know nothing goes up forever. The old grain trader saying is: "*Everyone is the most bullish at the top*, and there are a lot of bullish traders in the grain markets today.

There are a few things we can watch in the weeks ahead to possibly give us an indication of price direction.

* *Crude oil priced* near or over $100.00 per barrel probably means steady to higher prices. Lower crude oil could take corn prices down, as ethanol would lose profitability.

* *The March 31st Planting Intentions Report* to be issued on 3/31 will also be very important.

It probably won't be accurate, as we saw last year with the huge under-estimation of corn acres, but it will give gran traders something to consider.

I am hearing that many in the trade feel we will probably reduce corn acres by more than the 3.6 million in the Ag Forum projections.

* *As always, there is weather.*

Many traders feel we don't have much weather risk premium built into today's prices, however with current prices at all time highs, I don't know if we really need any additional weather risk added to the highest prices we have ever seen.

* *Another thing* you will want to watch are the planting progress reports. We need to get this year's corn crop in early for maximum yield potential.

Whatever scenario plays out with acres and yields, it will probably take 2 to 3 consecutive years of excellent crops to build the corn, bean, and wheat surplus back up to comfortable levels again, so any influences that would create shorter crops and extend this building process could create price moves to higher levels.

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Cherokee County home.

MAJOR PROJECT: We've been witnessing dramatic changes taking place in the crop nutrient industry and a virtually complete re-shaping of the marketplace in which we operate to secure the crop fertilizers our customers need.

Inventories must now be ordered many months in advance to secure supply and the most advantageous freight and pricing terms, opportunities to purchase them are extremely limited and available only for short periods, and as the worldwide demand for crop nutrients continues to escalate rapidly, it has become increasingly necessary to possess the agility, flexibility and capacity to secure products in greater volumes to obtain the best terms.

In response to these changes, I am pleased to announce we will embark on a major construction project in the Central Region this summer by building a 27,000 ton dry fertilizer receiving, storage and load out plant at Aurelia, where a 75 car siding is already in place to receive rail shipments of dry products (potash, phosphates and urea).

Its conveniently accessible central location will also enable the plant in Aurelia to serve the needs of the entire Central Region, hauling products directly from the new bulk fertilizer site to the farms and fields of customers, thus eliminating double handling and the associated shrinkage.

Operating fewer plants will also increase efficiency in our operations and in the handling of fertilizer orders for our Central Region customers by streamlining the entire process.

Work will get underway this spring and we plan to have the plant completed and operational by late fall.

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