

THE ELBURN SPRING 2006

Advantage

a publication of the Elburn Cooperative

Looking for Those Profit Opportunities

John Husk, General Manager johnh@elburncoop.com

With record high fuel costs coupled with record high fertilizer costs, opportunities for any type of financial reward in your farming operation are very elusive. This is especially true with lower crop prices.

Soaring natural gas prices have shut down many of the nitrogen fertilizer plants, both domestically and abroad. The high energy costs have increased mining and processing costs for potash and phosphates. The transportation industry has also reflected the increased costs by increasing their freight rates.

So, what about those opportunities?

Despite some challenging growing conditions in our area, you've harvested the two largest crops ever produced on the planet in the last two years. We exceeded the previous 2001 record crop by 10% in 2004 and about 7% in 2005. In spite of that, the USDA is indicating world grain and oil seed stocks will drop slightly in the 2005-06 crop year. This implies impressive gains in grain and oil seed use during the last few years.

Then there's the growth of the global economy, led by large and rapidly developing countries in Asia. Their steady increases in population and

per-capita income are powering the demand for food. In addition, an increase in the use of grain and oilseeds for bio-fuel production is also increasing demand. USDA is estimating that 14%, or 1.6 billion bushels of the 2005 corn crop, will be distilled into ethanol this year.

Despite challenging growing conditions, you've harvested two of the largest crops ever produced.

What does this all mean to you?

With all these changes, it's even more important that you sit down with your team at the Elburn Cooperative. We have the tools to look at the most cost-effective input needs for your farming operation, as well as some great marketing alternatives to maximize the sale of your grain.

One of our company's goals is to help you be as profitable as possible. Call today and let us provide you with business solutions.

IN THIS ISSUE

Looking for Profit Opportunities

Planning for Spring 2006

Adding Value to Your Operation

Financial Report

Making Sense of Commodity Funds

Maximizing Your Nitrogen and Fuel Inputs

New Construction in Steward

Blackberry Station Catalog in the Works

Streamlining Processes in Sycamore

ElburnCoop
serving the community since 1921

Planning Ahead for the Spring of 2006

Ron Alms, Elburn Area Agronomy Sales Manager rona@elburncoop.com

The 2006 crop year will bring new and more interesting challenges. The advent of new traits and stacked traits in corn and chemical programs to match gives us better tools to suit your fields. It has become imperative



Ron Alms

to prepare a crop and chemical program early, map out a strategy, and put it down on paper so that everyone is on the same page going into the planting and spraying season.

Our professionals at Elburn Cooperative Company have the knowledge and expertise to do this for you. We can place the correct hybrid and traits on

your fields to give you the best opportunity for maximum profit per acre. Then we can develop a chemical program, complete with maps and a written plan for your fields, so chemicals can be applied to the right fields.

Stay in touch

In preparing for the planting season, we've found that planning and communication are the keys to success. You need to have a strong plan and the determination to stick to it. If you need to change the plan, you need to communicate the changes so the correct products are used on those fields.

When it comes time to spray or pick up your seed and chemicals, we'll have your plan on file—we can pull it out and go over the plan for the

field that's ready. This spring when it's time to spray, things don't happen instantly, so communication is important. Call and let us know as far in advance as possible when you need something done.

Our team is ready to serve you

The spring of 2006 will bring the same quality and consistency that you've come to expect from Elburn Cooperative Company. When you call Meredith Road, you'll talk to Cory Davidson, who dispatches sprayers. Cory has been with the Elburn Cooperative Company for two years and has run a floater and the strip till bar for us. Cory is a very capable young man who has stepped up to the plate to do this challenging task. Karen Cornell, Jeff Keifer, and I will be here to support Cory and answer your questions.

Wayne Parchert, Andy Stover, Kent Bateman, Kevin Peterson, Jeff Grzywa, Mike Harmon, and John Rich will be manning our spreaders and sprayers this spring with the skill and expertise that comes with many years of precision application. We're proud to offer you the finest operators in northern Illinois.

Our sprayers will be supplied by our state-of-the-art fertilizer and chemical facility at Meredith Road. Chuck Assell will be running the computer-controlled loading system, aided by the knowledge and skill of Bill Mack. Their years of experience and training are a valuable asset to the Cooperative and you. Our dry fertilizer is still in Elburn, where Nick Hankes can take care of your needs.

Have a great spring, stay safe, and remember to communicate with us.

The Sycamore Report: Streamlining Processes from Our Office to Your Fields

Dave Kleckner, Sycamore Manager davek@elburncoop.com



Dave Kleckner

Spring is just around the corner, and soon we'll be busy with tillage and planting. In Sycamore, we'll do our best to meet your spring and summertime needs.

To serve you better, we've improved our processes from the office to the field. Dave Campbell has joined us from Maple Park and will be a great asset in the office. During the busy time, Dave will be able to help anyone who comes in for seed, chemicals, and spray orders. Dave, who has been with the Elburn Cooperative Company for 16 years, will also be able to help you with any of your billing questions.

New sprayer increases efficiency

In the field, we've purchased a new John Deere 4920 self-propelled sprayer with a 120-foot boom. We'll use this in narrow-row soybeans for reduced tire tracks. The 4920 also has the capability of applying higher rates of nitrogen. This will allow us to get more out of one machine, and we won't have to use two separate pieces of equipment.

We've also made some minor upgrades at our facility to help things run more smoothly. We've installed a new stainless steel chemical inductor and injection line in the liquid plant. The old system was made of steel and had quite a bit of age on it, so this was a much needed upgrade.

All of us at the Sycamore plant will strive to meet your needs now and in the future. As always, have a safe spring in 2006.



Our new John Deere 4920 self-propelled sprayer will be used in narrow-row soybeans for reduced tire tracks.

Elburn Cooperative Finds New Ways to Add Value to Your Operation

Norm Larson, Sales and Marketing Manager norm.larson@elburncoop.com



Norm Larson

At Elburn Cooperative, it's our job to create value or profit for you at your farm gate. The Merriam-Webster dictionary defines value as "a relative worth, utility, or importance, a good value at the price." How do you define value? "I need to understand the value offered so I can weigh it out and decide what price I'm willing to pay for your service compared to the next company," one of our customers told us.

When our sales representatives drive up to your farm, their job is to ask the right questions, find new ways to create value, and help you become more profitable. If the right solution for your operation doesn't require our help, then we'll go on down the road. If you need assistance, though, we can add the value you need.

Tune up your planter meter

As a grower, your needs change over time. To bring more value to you, we hold meetings each year to keep you updated on the news you need to know. Earlier this winter, we held a planter maintenance training meeting at the Sycamore plant. We'll be following up with some tools to help evaluate your stand in the field. Proper spacing and even emergence can yield large returns for your efforts.

Proper meter maintenance is one part of this. We've been working through many meters recently. Are your meters well-maintained and ready to plant seed this spring? If not, give us a call and we'll tune them up. We've been specially trained to clean and repair these meters and set them properly.

Our job is to ask the right questions, find new ways to create value, and help your operation become more profitable.

Hit the strip to prevent yield loss

Quite a few of you tried strip-till last fall. It's very important to plant on those strips this spring. Yield loss can occur if you miss the strip. Make sure you run the planter speed slow enough to match or meter the recommended RPM. A good eye for speed is to watch the row units and see that they don't bounce. That's a good sign you're running slow enough to achieve good spacing and depth control.

Don't forget to run those residue managers and set them properly. Stalks pushed into the seed trench will act as a wick in dry springs. Last year provided an excellent example of wicking, which negatively affected corn stands in some fields.

If you have any questions as you gear up for spring planting, be sure to give us a call.

Financials Remain Strong

Elburn Cooperative Company has completed the 2005 fiscal year with good results. Agronomy department sales were just under \$17 million for the year, a record level, while grain sales dollars decreased to \$27.5 million with lower price levels on grains. Grain volume was down 100,000 to 9.6 million bushels sold.

FINANCIAL CORNER

Dale Dykstra, CPA, Controller

Local income totaled \$578,789 before taxes. The company paid stock dividends of \$7,008 and revolved the allocated equity portion of the prior patronage distributions for all years through 1978, which totaled \$209,353. During the 2005 year, the company had capital expenditures of \$1,488,858 for trucks, applicators, and upgrading the Steward facilities.

Reducing long-term debt

In the current year, capital expenditures to date total \$616,580 for strip till equipment, an applicator for Sycamore, and a new blender for Newark. Year-to-date income is slightly ahead of last year through the end of January. The long-term debt has been reduced to \$1.9 million from a high of \$3.125 million three years ago.

The AgroGuide component of our accounting software will improve crop planning, field history, formulation, blending, invoicing, and reporting to you. Several staff members traveled to Omaha for three days of training so we can use this tool more effectively in the operations of Elburn Cooperative Company.

The Grain Page

When Is a Fund a Fund?

Phil Farrell, Grain Manager philf@elburncoop.com

The past year has seen some surprising volatility in the grain markets. Since 2006 began, the corn market has had more than a 30¢ trading



Phil Farrell

range, while fundamentals haven't seemed to change much at all.

A lot of this volatility has been blamed on "the funds." Many of you have asked why the market was up 5¢ today or why we lost 4¢ the other day. Lately we're often left without any good explanation, except that the funds

must have needed to go long or short on that particular day. Those of us who tend to follow fundamentals watch the fund action and try to discern what sort of grain marketing strategy makes the most sense.

Breaking down the funds

How do these "funds" impact your long-term marketing plan? Let's start by breaking down commodity funds into three groups: 1) the traditional commodity fund, 2) the hedge fund, and 3) index funds.

- Regular commodity funds were probably the first type of managed money to become involved in commodities. Typically, these funds will hold either short or long futures positions, depending on their current market slant or opinion. These funds will commonly use technical indicators like a 50-day moving average for what positions to take and how long to hold them. These funds will show up in the weekly Commodity Futures Trading Commission (CFTC) commitment of traders report as "non-commercial," and they are subject to speculative margins and position requirements.

Three types of funds impact your long-term marketing plan:

- traditional commodity fund
- hedge fund
- index fund

- Hedge funds are the second oldest type of fund and generally use the commodities markets to offset risk or to protect opportunity in the equity market. Hedge funds can also be formed to offset a specific risk like inflation or rising oil prices. Hedge funds generally will go long or short, depending on opinion or need. They may be willing to sustain a loss in their commodity position if it's being offset by a larger gain in their stock or raw commodity position. The hedge funds also will show up as "non-commercials" in the weekly CFTC reports.
- Index funds are relatively new in the market and seem to have great influence. Index funds offer a way for people to invest in commodities as part of an overall portfolio to add diversity to their investments. Unlike traditional funds, they don't initiate short futures positions. The only time they sell is when they have to roll long positions forward or when they have to reduce their investment in a particular commodity.

In general, index funds fully margin their futures position much as they would a stock position. In other words, they'll put the entire value of the commodity into their trading account as collateral against their position. They do this instead of the typical margin requirement of say 5% of the value that's required by the exchanges. This margining position is part of the reason why index funds will show up in the CFTC weekly report as a "commercial"—a term that's always implied the position was held by an end user or grain exporter or terminal. This makes it hard to track index funds' position. It may also make the market more vulnerable to outside market influences such as a sell off in the crude oil market, which forces the index fund to liquidate a portion of all of its commodities. This could add volatility to the market when there doesn't appear to be a fundamental reason for the volatility.

Be prepared to seize opportunities

The added volatility created by commodity funds can lead to lower bottoms for grain markets, although it can create higher peaks than the fundamentals may suggest. The hard part is knowing when to take advantage of the market when it's out of the price range suggested by the market fundamentals.

Some producers and analysts believe the larger influence of "funds" is a new paradigm for the market. That may or may not be the case, but either way it challenges you to review your marketing plans and be prepared to act when opportunities arise.

The Elburn Cooperative Company is pleased to offer various marketing opportunities to help you take advantage of many different market scenarios. Give us a call if you'd like to discuss your options.

Meet: Scott Meyer

Scott Meyer joined the Elburn Cooperative in August of 2005 as a Grain Merchandiser. Prior to joining Elburn, Scott worked for an elevator in Wilmington, IL as a Grain Merchandiser. Since he was a young boy he has been involved with agriculture, as his father Ed farmed with Scott's uncle and grandfather in the Mississippi River bottoms of Warsaw, IL. Growing up in the small farming community of 1,800 people, Scott was active in 4-H and FFA.



Scott Meyer

Upon graduating from high school in 1999, he attended Western Illinois University in Macomb, IL and majored in Agriculture Business. He completed courses in grain trading, accounting, economics, marketing, and technical analysis of the Chicago Board of Trade. In 2003 he graduated from

Western Illinois University with a Bachelor of Science degree in Agriculture Business and used the fall of that year to experience production agriculture while helping his father with the harvest in Fall 2003.

In January of 2004 he started working for Ritchie Grain Elevator in Wilmington, IL. While at Ritchie Grain he served as grain merchandiser and was responsible for daily bids, grain contracts, accounting, and implementing risk management strategies for producers.

Scott says, "My short experience moving to this area and working for the Elburn Cooperative has been very rewarding. I'm excited to work for a company that has such a positive attitude toward growth and expansion into new areas. It's been a pleasure working with such professional co-workers and clients. I look forward to helping farmers utilize all the tools we have to offer to maximize profitable and efficiency on each farm."

Scott is currently engaged to be married this June to Kristen Kedzior, who is an elementary teacher in Crystal Lake, IL.

Scott can be reached at 815-827-3815, or by email at scott.meyer@elburncoop.com

How to Maximize Your Nitrogen, Fuel Inputs

Rod Aulis, Newark Manager roda@elburncoop.com

As you continually look for ways to increase efficiency, how can you better manage nitrogen and fuel? Below you'll find both old and new options for spreading the cost and the risk of nitrogen applications, along with tips on how to cut your fuel bill.



Your corn crop uses nitrogen as a building block to increase the uptake of other nutrients. Supplying your crop with sufficient amounts of nitrogen throughout the growing season is very important. There are many options to accomplish the goal of supplying the plant with early-season nitrogen.

In the fall we can apply anhydrous ammonia. In most cases, applying part of the crop's nitrogen needs in the fall allows you to take advantage of cost savings. It can also save you time, since you spread out the workload. We can also do this in a strip-till situation that accomplishes both the tillage and a foundation rate of nitrogen. Combining these steps saves fuel and labor.

Fine-tune N in the spring

Spring applications of liquid UAN or dry fertilizer, combined with your herbicide program, also deliver a portion of your crop's nitrogen needs. We continue to see a growing demand for side-dress liquid and ammonia. This practice allows you to fine tune the amount of nitrogen you supply to the crop as the growing season progresses.

If side-dress nitrogen doesn't fit your operation and you want the flexibility to apply a portion of your nitrogen during the growing season, there are other options. In the post application of herbicide, we can include an efficient, foliar-controlled release nitrogen product to supply nitrogen directly into the plant. By combining the herbicide and foliar nitrogen, we can accomplish both a nitrogen application and a chemical application in one pass. The foliar application of nitrogen is an option from V5 to tassel and uses both ground and aerial applications.

Cut your fuel bill

Combining field operations such as strip-till and foliar nitrogen applications can help save on fuel. We've also been working with many of you who utilize guidance systems to decrease the amount of fuel used per acre in tillage situations.

Auto steering products continue to improve in accuracy and decline in price. They've become a viable tool in reducing overlap in tillage operations in the fall and spring, resulting in both fuel and labor savings.

We wish you a safe and successful planting season. Thank you for your continued support.

Steward Views: New Construction Promises to Speed Harvest Deliveries

Mike Harmon, Steward Manager mikeh@elburncoop.com

The 2005 harvest brought many challenges, including uncertainty about the crop yields we would realize. This weighed heavily on everyone's mind until "better than expected" became the buzz words. The yields we achieved locally had us putting corn on the ground, but we kept the operation open so we could meet your harvest needs.

In response to the growing customer base and higher trendline yields, we'll soon build the next phase of improvements to better serve your needs. We're installing a new dry leg and are extending another one. We're also putting up new conveyers to the original storage bins. Upon completion, we'll be able to receive grain in both pits continuously to reduce your waiting time at the elevator.

Pick a plan to meet your marketing needs

Elburn Cooperative Company offers the marketing programs you've come to rely on, along with some new marketing options. Stop in or make an appointment for us to visit with you to review all the alternatives we have to address your marketing needs.

Editor's note: Mike started with Elburn Cooperative Company in March 2001. Through February of 2005, he worked out of Elburn before moving into the manager's position in Steward. "This was a great opportunity, and I've really enjoyed the challenges that it has given me," Mike says.



A new dry leg and new conveyors in Steward will reduce your waiting time this fall.

Watch for the New Blackberry Station Country Store Catalog

Erin Roach, Outside Account Representative erin.roach@elburncoop.com

When I joined the Elburn Cooperative in December 2005, helping organize our display at the Northern Illinois Farm Show gave me a great opportunity to work closely with Elburn's employees and customers. Currently I'm working with the Maple Park administrative staff to coordinate a Blackberry Station Country Store catalog to highlight our products and services.

I've also been busy making sales calls in the field. I work closely with stable owners, livestock producers, and 4-H and FFA families to help design and implement appropriate feeding and animal care programs. We can test your current feed and hay and analyze the results to set up a feeding program that's tailored to your specific operation.

Meeting your livestock needs

You can count on us for all your animal supplies, whether you raise horses, cattle, hogs, sheep, dogs, or cats. We'll be pre-ordering fly spray and dewormers with discounts for by-the-case orders, so catch us early for the best deals. We plan to add more feed brands in the months ahead. Watch for the return of our popular Kent® livestock feeds, too.

Looking ahead to lawn care

To expand my responsibilities at Blackberry Station Country Store, I'm also learning about the lawn care division. I'll eventually become a spokesperson and presenter for this aspect of our business.

I'm very excited about joining the Elburn Cooperative team, and I look forward to increasing the store's exposure and educating the community about our unique business solutions. If you have any questions regarding horse, pet, or livestock needs, don't hesitate to visit our store or set up an appointment to have me visit your operation.



The new Blackberry Station catalog will feature items for all of your animal supply needs.



Meet: Erin Roach

Erin received her four-year degree in agriculture education from Kansas State University. Prior to attending K-State, she completed coursework in animal science at both Butler Community College in El



Erin Roach

Dorado, KS, and Iowa State University in Ames, IA. During college, she participated on the livestock judging teams. At both schools,

Erin won national championship titles at the North American International Livestock Exposition in Louisville, KY, the American Royal in Kansas City, MO, and the National Barrow Show in Austin, MN.

While attending school, Erin also owned and operated a full-service cattle fitting and showing business. She was also an active member of the Manhattan Big Brothers/Big Sisters Program.

Erin grew up in Centreville, MI, on an 80-acre farm that included crops and a small beef cattle herd. She was a 4-H and FFA member, as well as an active member in her county animal science club and livestock judging team.

Erin has served as the state president and queen for the Michigan Polled Hereford Association, which has allowed her to serve as an ambassador for the breed at local, state, and national shows and sales.

Bob Barkei

Richard Biddle

Ed Gorenz

Dennis Hawks

Tracy Jones

Don Rowlett

Mark Schramer

Meet: **Bob Barkei**



Bob Barkei

We're pleased to announce that Bob Barkei joined the Elburn Cooperative Board of Directors in February. Bob was raised on a farm in rural West Chicago, and in 1969 the farm was incorporated into what is now Fermilab.

Bob finished seventh and eighth grade in Steward and attended Rochelle Township High School. He received his A.A.S. in agriculture at Kishwaukee Community College and earned his bachelor's degree in agriculture from Western

Illinois University. After college, Bob began farming with his father and continued to farm with the help of three to four part-time employees. Currently, he raises corn and soybeans in three counties.

Bob is married to Shelly, a wonderfully talented multi-tasker who's a beautician, high school volleyball coach, and a chauffeur who delivers "meals on wheels" to wherever her family happens to need her. Bob and Shelly have a son, 14, and a daughter, 12, who both enjoy being out in the field as much as possible.

When he's not farming, Bob serves on his township's planning commission and the Greater Rochelle Area Planning Council. In his spare time, Bob plays golf, enjoys boating, and pursues his newest hobby of power parachuting. "Crops look a lot different from a few feet off the ground," Bob says. "I hope to be able to use this as a tool to scout fields and for relaxation."



P.O. Box 9 • 1100 S. County Line Rd. • Maple Park, IL 60151

PRESORTED STANDARD
**U.S. POSTAGE
PAID**
ALGONQUIN, IL 60102
PERMIT NO. 14