

THE RESOURCE

FALL 2011

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Manager's Report

~Dick Hatterman, General Manager~

It looks like the harvest of 2011 is a wrap. 90 days ago, the prediction was that the harvest was going to be start late and would last until November. Well nature proved that it is unpredictable. While the harvest did start about 10 or 14 days later than normal, the combines were able to stay in the field and get the crops in bins in record time. Thank you for the bushels, tons and pounds that you brought to a Co-Ag facility or delivered to CFTA. Our direct haul bushels into CFTA continue to increase which helps keep our local elevators open to receive crop.

Remember that the Co-Ag Annual Meeting is scheduled for November 2nd at Park Place Event Center in Spokane Valley. It will start with the meeting at 10:00 followed by lunch at 12:00. We will be presenting our financial results from last year as well as taking a look for what is ahead.

Just a short reminder about our Co-Ag website at www.Co-Ag.com. Julee from the Fairfield office has continued to add information to the site. If you haven't looked at it lately, check it out. One area that I would recommend looking at is the column of information on the left. There are tabs to variety of information about Co-Ag.

There is also a tab for links. At this tab you will find a wide range of websites that offer you a wealth of agricultural information. We are also showing our basis information along with the futures prices. By clicking on the chart symbol, you can look at historical activity of the futures market. Also if you have some Ag pictures to post on the site, email them to julee@co-ag.com.

Co-Ag would like to welcome Derek Teal to our staff. Derek is from the Tekoa area and brings an agricultural background to help you sort out your marketing needs. Derek knows that raising the crop is only part of the job. He will work to help you get the crop marketed. During the last few years, we have seen an extremely volatile market place. There have been opportunities to sell white wheat in the \$9.00 range. But we have also faced \$6.00 wheat. Talk to Derek to discuss marketing methods that would work for your farming operation.

If you haven't looked at the September 30th Green Sheet from WAWG, I would encourage you to take time to read it. Among the articles is information about shipping our wheat to Japan. Wheat prices are directly affected by exports. We need to do whatever we can to keep the export graph moving higher. There is also an article about the quality of the 2011 crop. It echoes what we saw at our Co-Ag facilities-higher test weight and lower protein levels.



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From The Grain Division

~By Chris Meyer~

HARVEST and BEYOND

Harvest was challenging this year with all of the different commodities and the good yields. Our harvest intakes through September 30th totaled 11,215,750 bushels. Co-Ag moved almost 2.5 million bushels of commodities during harvest. This included shipping 2 shuttle trains, transferring wheat in between elevators and hauling wheat to Central Ferry Terminal and CLD in Lewiston. We also loaded feed barley on railcars and delivered wheat to ADM this harvest. This allowed us to keep the doors open and provide service to our customers.

With the completion of harvest, we are busy making room to start receiving farm storage deliveries. Our goal is to start taking deliveries as soon as we ship our October train. It is scheduled for October 17th. If you have October contracts please call our office to find out when you can ship. We also have a train scheduled for November 1st. This should allow us to take deliveries of farm stored grain with no interruptions.

As always we can also work with you at Central Ferry Terminal if you prefer to deliver to a river terminal.

MARKET NEWS

As I talked about in the last newsletter the markets continue to be very volatile. The market has taken a large price decrease since early August and what happens next is anybody's guess. There appears to be enough wheat in the world to meet this year's demand, with the wildcard being how much wheat is going to end up moving directly into the feed channels. If the corn crop is as small as they are projecting and wheat replaces corn in the feed rations, wheat has a chance to regain at least some of the lost price as we move into winter. Continue to price your crop at profitable levels and make sure that you stick to your marketing plan.

We can help you with hedge-to-arrive contracts as well as minimum price contracts, delayed pricing contracts, delayed payment contracts and deferred payment contracts. For market information you can call, look us up online at www.co-ag.com, and sign up for our daily email or our text messages.



From the Co-Ag Pulse Division/Northwest Pea & Bean

~By Gary Heaton~

All's well that ends well! After the worry of late spring planting and late harvest, the results have been worth the wait. Surprisingly good yields, good quality and stable prices for peas and lentils rarely come together at the same time as they did this year. Most of Montana and southwest North Dakota had results similar to ours, however most of North Dakota had the same late spring followed by wet weather during harvest resulting in a real crop disaster. Canada on the other hand, had favorable weather during harvest resulting in average or better yields and mostly good quality.

There has been some selling pressure on lentils, but prices have held steady. Early on, there were some offers picked up at higher prices. Pea prices have crept a bit higher with less selling pressure. Our grower prices for regular lentils have ranged \$3 to \$6 above grower prices in Canada, so we are facing price competition, but so far have been able to maintain a premium.

All of the Co-Ag processing plants are busy cleaning and shipping lentils, as well as whole and split peas from the Spokane plant where all of the peas are processed. Having good quality peas and lentils from our Co-Ag growers makes our job of cleaning and marketing much easier – Thank you!!

When comparing net returns per acre between peas, lentils and grain; lentils still look attractive, and peas are gaining ground. Add in the rotational benefits, and they look better yet, so don't forget to grow your peas and lentils.

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From The Seed Division

~By Alan Yirak~

In our August Resource newsletter I stressed the importance of ordering your seeding needs early. The response was incredible! Co-Ag had a lion's share of their orders in place when other seed companies in the region had not received a single one. The early orders also gave us a chance to go out and secure an adequate supply of inventory before the bushels were sold out. Thank you for your help in making this seeding season a successful one! While visiting with growers we have just recently discovered that there is seed being sold in our region without Dividend. Dividend is the only fungicide seed treatment that will control TCK smut. If given the right amount of snow cover TCK smut could be a serious problem in this region. If TCK smut is found in your crop the dollar discounts are huge and your entire crop could be IP'd and quarantined due to the fact that our foreign markets do not accept wheat with TCK smut in it. Co-Ag will not treat any seed without Dividend which is one of the ingredients in Cruiser Max Cereal Custom Blend. We cannot afford the risk and I do not think that you can either so make sure that all the seed that you purchase has Dividend on it. Considering the consequences, it is well worth the extra dollar or so per bushel in seed costs.

Spokane County Crop Improvement will be holding their annual grower meeting on November 22nd at the Northern Quest Casino. They have a great line up of speakers on the agenda and the buffet lunch is always worth the trip. There will more information and invitations coming soon. See you there! This is a very early reminder that Co-Ag will be holding it's annual grower meeting on the last Thursday of January 2012 which is the 26th. We have not set the final agenda so if there is any special topic that you would like us to address please give us a call so we can set it up. Your inputs and thoughts are very valuable to us. Have a great holiday season!

Marketing Division

~By Derek Teal~

Now that harvest is over, it's time to really start thinking about your marketing plans for next year and finish up marketing what wheat you have unsold from this year's crop. With the wheat market being as crazy as it's been, who knows what next year's harvest price may be. Coming up with a plan now to market the new crop is crucial to managing your pricing risk. Forward contracting, hedge to arrive contracts, basis contracts, and minimum pricing contracts are all ways to help manage risk and help to take some guess work out of the market. With wheat markets being as volatile as they are, it's more important than ever to figure out what your cost of production per acre is on your farm so that you can price your wheat at profitable levels. The days of pricing on a feeling are gone and in order to stay above water, growers are going to have to become more active in marketing and exploring different ways to sell. We are working to get the simulated Co-Ag Farm up to date and on the website as an example of different marketing practices and scenarios.

November 15, we will be holding a marketing meeting at the Coeur D' Alene Casino to go over contracts, market conditions, market outlooks going forward and hopefully have a guest speaker that can give another insight to the market and why it's doing what it's doing.

As Chris mentioned, world wheat supply is up. Currently there is enough wheat to meet demand, but with the corn crop being tight, more and more wheat may be used to supplement. Also, there are more players coming to the table when it comes to exporting wheat, making that market more competitive than ever. There is a lot of supply looking for demand. Another situation to keep an eye on is La Nina. Many of the plains states are in drought conditions this year due to the weather patterns influenced by La Nina, and with this same pattern gaining more strength as we head into winter the outlook for a relief in dry conditions isn't looking favorable. If they have another drought year, it will affect US wheat stocks and prices.

If you have any questions give me a call anytime, at the office or on my cell at 208-699-2008. Keep an eye on our website, www.co-ag.com, for upcoming marketing meetings and also to follow along with the Co-Ag Farm to see how we are marketing our crop and what we are doing moving into the coming crop years.

Our desire is to grow profitability, retire shareholder equity, and provide sound employment opportunities while striving to keep our local communities strong .

Thank you to all of the members that continue to support the company and choose to do all of your business with Co-Ag. Your neighbors and communities appreciate the support.



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