

THE RESOURCE

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The Resource

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1-509-523-5858

Manager's Report

~Dick Hatterman, General Manager~

Needless to say, the winter has been very mild. The snow that we just got is much needed to give us some comfort about how growing conditions are shaping up for this spring. With the above normal temperatures that we had been getting, wheat was looking like it had a potential to incur some crop injury if the weather turned cold and windy.

Derek talked about marketing in his article. We have had numerous questions lately about crop insurance and how insurance affects marketing. With the government push on crop insurance and premium subsidies, there are more acres with coverage every year. There are some misperceptions about crop insurance and the risk protection that it offers. If you have questions, please stop in and throw those questions at us. We would be happy to add some clarification to the crop insurance mystery.

Chris talked about grain movement since harvest. The mild weather has been a blessing for us as we load trains, and for the most part, the trains have been able to be loaded during the day. We were hit the last 2 shuttles with night loads. These are tough to get loaded but fortunately, the weather was nice with no moisture.

The McCoy Rail facility continues to move forward albeit at a slow pace. There continues to be various government requirements that we must meet. Most are items that we would expect but there are some that are unexpected such as some septic tank regulations. All of the property has been purchased. Most of the construction contracts are in place. The contractors have done some test holes at the site to validate how earlier cores and readings matched up to reality.

All of the contractors are set up to go as soon as the weather breaks this spring. As we look at the past several months, it would have been possible to have had some construction taking place. But in November when we made the decision, contractors did not want to mobilize equipment to then have to bring it back to town a week later. Project material has been staged so as to provide the most efficient means of getting material at the site when it is needed.

Please stop by the Co-Ag booth at the Ag Expo which runs February 7-9 at the Spokane Convention Center. We would be happy to visit with you about what Co-Ag has to offer for your farming operation. If you have been to the Expo you know what value it brings to your farm operation. If you have not been, I encourage you to see what it's all about.

The Ag Expo Farm Forum programs address everything from weather, pest management, and marketing decisions.

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From The Grain Division

~By Chris Meyer~

MARKET NEWS

We have bought a lot of wheat in the last 60 days, but we have still only purchased 75% of the crop vs over 84% last year.

The USDA released their final production numbers on January 12th for the 2011 crop, the projected carryover, and the fall planted wheat acres. The carryover and planted acres were both above industry projections, and the market dropped over 30 cents due to the report. While the USDA numbers do look suspect to many in the grain industry, these are the numbers that will be looked at for trading purposes.

On the bright side, it is still hot and dry in Argentina and Southern Brazil. This is creating concern for both corn and soybean production in that region. This is important to our market as wheat has been a replacement in the feed market this year for corn, and any reduction in corn production may help increase the demand for wheat. On the other side, we see Australia having a record wheat crop and the world appears to have a good supply of wheat. The market will continue to be very volatile and when looking to sell, you should try to take advantage of any market upswings.

We can help you with hedge-to-arrive contracts as well as minimum price contracts, delayed pricing contracts, delayed payment contracts, and 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.

HOME STORAGE

We continue to take delivery of home stored grain. We have lots of growers who have found that the convenience and the bottom line make this a very attractive way to market their farm storage. Please give

either Derek or myself a call at 509-523-3511 to visit about our home storage program.

GRAIN MOVEMENT

We continue to be busy loading shuttle trains at Spangle and Oakesdale. We will ship 2 trains this month and plan on shipping 2 more each of the next few months. We are also shipping some 25 car unit trains from Fairfield this year into the feed market. We will be shipping over 1 million bushels during the month of January.

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

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

~By Gary Heaton~

Pea and lentil markets continue in the holiday doldrums. December and early January are typically slow marketing periods, but this season has been more so, than most traders can recall. Fluctuating currency markets make it very difficult for foreign buyers to know what they will be paying for future purchases. As long as the currency markets are unstable, buyers may be buying for short term needs only.

There are buyers for peas and lentils, but they are shopping for the best prices. There has been trading for lower quality out of the Midwest and Canada in this price sensitive time. There is also still a carryover of low quality product from the 2010 crop, much of which is going into feed market channels.

I am writing this report while on vacation in Hawaii where the temperature is about 80 degrees every day, rain or shine. I see that winter has finally arrived in the Palouse, so I had to rub it in a bit. Aloha!!



From The Marketing Division

~By Derek Teal~

Volatile – (vol-uh-tl), Tending to fluctuate sharply and regularly : volatile market conditions.

I have heard stories this winter of markets in the past when the cash price for white wheat in the area changed 5 cents from the beginning of October through the first of the year. This year the market has moved more than 5 five cents in a single day, nearly every day and recently 35 cents in a single day! By the time growers find a price they like and think is profitable, it's gone before they can pull the trigger. Having a sound marketing plan may turn out to be the best move any grower can make this year. When prices present themselves, take advantage. How many times have you heard, "I was waiting for another nickel, then the market went down 25." The market place has become more volatile than it has ever been and commodities may be scheduled to take the lead with an ever growing population and demand for food breaking record highs. The global market place is also becoming more competitive as other nations are increasing production to meet rising demand.

Knowing your cost of production is the first to start in making your marketing plan. Figure out your cost per acre to produce, then decide on profitability levels and figure what prices will be needed to reach these levels. Taking advantage of these prices when they do present themselves, helps to limit your down side exposure and takes the stress of watching the market bounce around every day. It has been well documented that traders that try to pin point highs and lows in the market generally miss the highs and the lows in the market. It's those that take profits when they are there and limit losses that come out being the most successful.

We will continue to have monthly marketing meeting through the winter to the first part of spring. In each meeting we will discuss current market situations and a variety of topics that will help you reach your marketing goals and develop that marketing plan that will continue to produce profits for your operation.

If you have any questions give me a call anytime, at the office or on my cell at 208-699-2008 or email at derek@co-ag.com.

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.

CO~AG Credit Policy

No Seed will be charged unless accounts over (60) sixty days are paid in full. If spring or fall seed invoices remain unpaid going into the next seeding season your account will be put on COD terms until your account is paid in full.

If a Fall Seed bill is unpaid by December 12 or a Spring Seed bill is unpaid by July 12 in the season charged, a lien will be filed against the customer's crop.

A finance charge, which is computed at a rate of 1 ½% per month, which is an annual percentage rate of (18%) eighteen percent, or a minimum service charge of \$1.00 on minimum balances will be charged on all balances existing from a previous statement. There will be no finance charges assessed against an unpaid balance of \$10.00 or less.

The credit history of all new accounts will be checked with the Credit Bureau and credit references prior to opening an account.

Collection activity will begin on past due accounts as follows:

Past due by 60 days – a letter will sent

Past due by 90 days – a personal phone call is made by management

Past due by 120 days – a Credit Bureau notice will be sent

Past due by 130 days – a report will be filed with the Credit Bureau

Past due by 150 days – a letter will be sent to inform the customer that the account is turned over to a collection agency.

On all Seed accounts there may be a prompt payment discount not to exceed 5% if paid by June 12th for spring seed and November 12th for fall seed.

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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