

# NORTHWEST NEWS

The quarterly newsletter of Northwest Grain, a division of CHS

## Record Results to Be Released at Annual Meeting

**O**ur fiscal year ended August 31. Grain volumes were at an all-time high due to record high prices complementing good 2007 spring, wheat, and soybean yields.

Another bright spot was CHS Ag Services performance. Agronomy volumes, including seed and crop protection, were very good.

As with anything new, some road bumps were experienced. But in its first year of operation, CHS Ag Services still exceeded expectations in both volumes and net profit. Congratulations to Gary Halvorson and his staff on an excellent first year.

We are very pleased with the results of both Northwest Grain and CHS Ag Services and will be returning what should be record dividends to you this winter. Results will be announced at our Tuesday, Dec. 9 annual meeting. The event will begin at 10:00 a.m. at the Eagles Club in Thief River Falls. The official meeting notice is on the back page.

### Global bear market

In the summer newsletter, I wrote about grain market volatility and the tremendous



### From the Manager's Desk

By **TIM MILLER**, General Manager



amount of money it takes to operate a farm or ag business today. Much has occurred since those words were written. We've entered a global bear market in all stock and grain exchanges around the world. Additionally, frozen credit markets have the world economy teetering on the brink of something worse than a recession.

Recently, gas has fallen to levels similar to a year ago. Grain is at 14-month lows, and retail sales are dismal, at best. So where do we go from here?

The world certainly has more wheat now than it did last year. The U.S. dollar is stronger versus other grain-exporting countries—making our grain more expensive than theirs,

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FALL 2008

### Northwest Grain Board of Directors

**Steve Sparby**  
Chairman  
Grygla, MN

**Curt W. Swanson**  
Vice Chairman  
Thief River Falls, MN

**Jerry Sedlacek**  
Secretary/Treasurer  
Warren, MN

**Tom Scholin**  
Thief River Falls, MN

**Connie Mehrkens**  
Thief River Falls, MN

**Merle Stinar**  
Warren, MN

**Dale Price**  
Stephen, MN

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*“...don't let the high wheat prices of last winter cloud your judgment. The market is different this winter.”*

# From the Manager's Desk *Continued from Page 1*

in some cases. In large part, the rapid grain market decline was due to the economic/financial crisis that we will probably be facing for quite some time.

But it's also due to predicted lower demand for grain and unprofitable livestock balance sheets. As it turns out, no one could make money feeding or processing \$7-8 corn, or \$15 soybeans.

## Marketing your crop

Soybean harvest is wrapped up and corn harvest across the Corn Belt is progressing slowly. It's a time when prices are at seasonal lows. Something to consider this winter as you market the balance of your 2008 crop is gross revenue per acre. Simply take your average yield per acre times the net price per bushel.

If the gross dollars per acre look attractive some time this winter, let that guide your selling decision.

In other words, don't let the high wheat prices of last winter cloud your judgment. The market is different this winter—it is not super-heated like last year's. We may yet see stronger prices this winter, when the market figures out how many acres of each commodity it needs next spring.

## Thankfulness

We appreciate your patronage this past fiscal year and thank you so much for your support. I also want to thank our Northwest Grain employees. They helped make this year successful with their hard work, long hours, and job dedication. Thank you, one and all. ■

## Financial Update

As events continue to unfold in our turbulent financial sector, it seems there is no end to the bad news. Grain markets and stock markets are down, though energy markets are weaker. I'm thankful to be living in the Midwest where, traditionally, the economic swings are not as large as they are on the east and west coasts. Yes, agriculture certainly has its ups and downs, but the past several years have been very good.

This is especially reflected in the success CHS and Northwest Grain have experienced. Without the recent profitable years, CHS would have had a difficult time putting money back into the

countryside to build grain bins, railroad tracks, and other items that enhance grower success. It also gives me confidence when selling grain and using deferred payments with Northwest Grain—I know that the contracts will be honored and paid in a timely manner.

This winter CHS will again be allocating dividends back to growers at the rate of 35% in checks and 65% in retained equity. The financial success of CHS also allows for timely stock retirement at age 70. CHS will retire all of your equity if



## Director Comments

By **STEVE SPARBY**  
Board Chairman

you are 70 years or older, and estates of deceased members. The age limit was lowered last year from 72 to 70 upon request. If you have any redemption procedure questions or know someone that has reached this age and may have forgotten to apply for equity distribution, please contact Jan Nelson at 218-964-5252. Thanks, and I'll see you at our Dec. 9 annual meeting. ■

## Director Profile: Dale Price, Stephen, Minnesota

Dale has been on the Northwest Grain board of directors for two years after being asked by the local nominating committee to consider running for a board position. "It's been a wonderful experience already," says Dale.

While board members don't always agree with one another all the time, that diversity, says Dale, is actually a source of inspiration. "I think we all have great respect for one another. We don't necessarily always see eye to eye. But that stimulates good discussion and exploration for arriving at the right answers for this cooperative and its patrons."

Dale and his wife, Barbara, have 3 school-aged children. They raise wheat, soybeans, and sugar beets on their family farm. Dale notes they are moving away from conventional tillage to more minimum tillage practices. His working relationship with CHS Ag Services and its agronomists, says Dale, has been helpful as the farm makes this transition.

"I'd encourage area growers to give Northwest Grain the opportunity to market their grain and service their agronomy needs. I think this cooperative has a lot to offer customers." ■

# From Wall Street to Main Street to the Farm Gate



## Marketing Matters

By **JEFF BLOM**  
Grain Merchandiser

The economic crisis on Wall Street has funneled its way to the farm through commodity prices—just like we knew it would. We've seen hedge funds liquidating their positions. Just covering their margin calls has caused a huge drop in oil, gold, and grain commodities. You name it, it's been beat up.


The presence of hedge funds the last couple of years caused prices to rally significantly. Now with the absence of this money, the markets will have to fall back more on the fundamentals, which should support prices at these current levels. But it will take a while for importing countries to figure out their financial wherewithal for buying our products and commodities. Over the

long pull, however, prices should regain strength and get to levels that are at least profitable for farmers.

A major influence on profitability should be the decline of input costs. Many of them should be coming down. Fuel, fertilizer, seed, and possibly land rents—all these inputs should come down from the previous year's record highs. That should help with profitability without even experiencing significant commodity price increases. For now, the financial markets will probably rule the marketplace. That means as the stock market goes, commodity prices will probably follow.

It will be hard to put price parameters on commodities this year. Because of that, I don't recommend selling at less than breakeven prices at this time. But if we see substantial moves in the market this spring, you probably need to take advantage of it in a larger way than you'd normally do. That's because the economic fallout from all this will have a pretty long tail, according to analysts. Expect our foreign customers to be impacted, especially as long as our dollar stays strong. ■

## Putting Our Money Where Our Mouth Is



We believe we have one of the most comprehensive and affordable farm and ranch programs on the market. Our farm policy, written with State Auto Insurance Companies, protects against specific losses or damages to your property—including your residence, personal property, outbuildings, and farm personal property.

Automatically included in the basic policy are items like \$25,000 coverage on newly acquired and replacement self-propelled machinery, pollution liability, and special perils coverage on self-propelled equipment. Various policy discounts are also available, including longevity credits, new home discounts, auto farm credit, IRPMs, and financial stability credits.

State Auto Insurance Companies are also one of only 13 insurers to receive an A+ rating from A.M. Best every year since 1954.

We are so confident about our coverage packages that we want to put our money where our mouth is. Bring us your complete farm package (including personal vehicles and farm trucks) for a review and updated quote. Just for the privilege of providing you with



## Insurance Insight

By **JERRY FREITAG**  
St. Hilaire Ag Insurance

our insurance quotes, we will give you a new Rand McNally road atlas. We'll then register you for a free winter weekend vacation at Arrowwood Resort, in Alexandria.

How can you go wrong? Receive a free road atlas and a chance at winning a winter getaway, just for receiving an updated quote.

We are also recommending updates to farm/personal inventory listings. Have you traded or bought a different tractor, or any other equipment? What value do you place on stored grains, hay, and livestock? There have been huge price swings in the last 12 months. Are you current? We can also review this with you and get you the latest values to properly cover your operation.

We are looking forward to seeing everyone at the Dec. 9 annual meeting. Have a joyous holiday season. ■

# Annual Meeting Notice



***You are cordially invited to attend the annual meeting of Northwest Grain.***

Location: Eagle's Club—Thief River Falls  
Date: Tuesday, December 9  
Time: 10:00 A.M.

Dinner will follow the meeting.

The annual meeting business includes elections for:

- One 1-year board of director term
- Two 3-year board of director terms

*By order of the board of directors.*

## DIRECTORY OF NORTHWEST GRAIN LOCATIONS

**St. Hilaire**  
964-5252

### Warren

Agronomy . . . . . 745-4361  
Elevator . . . . . 745-5363

### Thief River Falls

Agronomy . . . . . 681-8494

**Grygla**  
294-6192

**Hazel**  
681-5280

### Stephen

Agronomy . . . . . 478-2258  
Elevator . . . . . 478-3521

[www.northwestgrain.com](http://www.northwestgrain.com)



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