

FEBRUARY, 2010

Vol. 16, No. 1

# ECIC

**Dedicated to Service ...  
Committed to Success ...**



**MISSION STATEMENT:**

**DELIVERING  
PROFITABILITY AND VALUE  
TO OUR PATRONS THRU  
INNOVATIVE  
PEOPLE,  
PRODUCTS,  
AND SERVICES**

**Business Hours  
7:30 a.m. - 5:00 p.m.  
Monday thru Friday**

During the busy service seasons (both Spring and Fall), East Central Iowa Cooperative will also extend hours to accommodate member service needs during the planting and harvest phases.

These extended hours are designed to meet patron need and may only affect specific divisions and locations of the Cooperative. During the Fall season, hours of operations will be posted at each elevator location.

**ECIC TELEPHONE DIRECTORY**

<b>CEDAR FALLS</b>	<b>(319) 266-0775</b>
<b>HUDSON</b>	<b>(319) 988-3257</b>
<b>Hudson TOLL FREE</b>	<b>(800) 400-3247</b>
<b>Hudson AG CENTER</b>	<b>(319) 988-4511</b>
<b>Ag Center TOLL FREE</b>	<b>(800) 859-0497</b>
<b>JESUP</b>	<b>(319) 827-6226</b>
<b>Jesup TOLL FREE</b>	<b>(800) 859-8061</b>
<b>Jesup AG CENTER</b>	<b>(319) 827-3531</b>
<b>Ag Center TOLL FREE</b>	<b>(866) 599-7666</b>
<b>LA PORTE CITY</b>	<b>(319) 342-3013</b>
<b>La Porte City TOLL FREE</b>	<b>(800) 877-3810</b>
<b>WATERLOO ENERGY</b>	<b>(319) 235-6281</b>
<b>L.P. Plant TOLL FREE</b>	<b>(866) 404-3242</b>

**WEBSITE:**

**[www.ecicoop.com](http://www.ecicoop.com)**

**YOUR BOARD OF DIRECTORS:**

<b>Shane Clark</b>	<b>La Porte City</b>
<b>James Grady</b>	<b>Waterloo</b>
<b>Tom Greiner</b>	<b>Waterloo</b>
<b>William Hesse</b>	<b>Cedar Falls</b>
<b>Randy Lichty</b>	<b>Waterloo</b>
<b>Dennis Rottinghaus</b>	<b>La Porte City</b>
<b>Jason Trumbauer</b>	<b>Jesup</b>
<b>Mike Reiter</b>	<b>Jesup</b>



**Mark L. Grove  
General Manager**

## FROM THE GENERAL MANAGER

It's a pleasure for me to be a part of the management team here at ECIC. In doing my research on your company prior to beginning the interview process with the Board of Directors, I quickly found that the company is "right sized" for operating in today's competitive environment. Beyond that, I can go one step further and suggest that there may be opportunity for future strategic growth.

As with any company or business, it is critical that as we continue to evaluate growth opportunities, we must take into consideration three very important questions:

- 1) How does it fit our current business structure?
- 2) Can it provide value (economic and operating) to our patrons?
- 3) Will it provide a rate of return that is acceptable to the company?

Without going into too much detail, previous leadership has considered some very intriguing opportunities over the past couple of years. As I continue to "get settled in", I plan to work closely with our management staff and the Board of Directors in laying out our roadmap to the future. As things develop, we will make every effort to keep you informed.

Many cooperatives publish newsletters periodically. As I understand it, our newsletter has been out of circulation for the past number of months. Knowing that part of our job is to keep our stakeholders informed, ECIC will again put out a minimum of 4 issues per year. Communication is one of the keys to any company's success. As we put out the information to you, please feel free to contact us with any comments you might have.

Finally, I would like to thank the Board of Directors, senior management staff and employees for making me feel more than welcome during my first few weeks with the company. I couldn't be more pleased with the quality of people and the level of commitment they all have. I look forward to playing a part in the future success of your cooperative.

Since our last publication in June, there have been several changes at your cooperative involving personnel and the location at which we work. By this time I'm sure most of you are aware of those changes that have taken place. Since early December I have been working out of the Jesup office, and have really enjoyed my new duties and location. The people in the community have been very welcoming and have eased the transition to this office for me. The Jesup employees have been very supportive of the changes and understand that change is not always a bad thing, and I am really enjoying the opportunity to get to know each of them better. They are a very industrious group of workers and there is a wealth of experience and knowledge amongst them. By working together we plan to exceed your expectations of operations and service.

The new feed warehouse was completed by early last fall and we installed the steel racking which has allowed for storage capacity of over 150 tons of bagged products. This has been a great addition to the Jesup mill, as it will consolidate storage space from various warehouse sites and save time and labor for the mill staff. The Board of Directors also approved the purchase of a 4000 lb. LP powered forklift for usage in the new warehouse. We were able to purchase a 2005 Caterpillar unit with very low operating hours on it. In fact when it was delivered the mill staff thought it was brand new. To date it has been a very welcomed addition, and the entire project has been well worth the wait. Last October we also took delivery of a 2007 Western Star truck that pulls one of the feed trailers. Used trucks that meet our specifications of horsepower and full locking rears are very hard to find with low miles. We were very fortunate to secure the 2007 unit which had less than 70,000 miles on it and was in excellent condition. Russ Larson is the main operator of that unit. I'm sure he really likes the new truck, and he does a great job of maintaining the unit, as do all our drivers.

So far this year our tonnage at the Jesup mill has been stable. This despite the prior 20 plus months of losses for swine producers. We are beginning to see some swine finish barns become available for producers that may have interest. To dates the sites available are anywhere from 1,400 to 4,000 head sites. All of them are feeder pig to finish but may have the ability to accommodate wean to finish production. Current cash hog markets are slightly over \$50 live weight, which will offer producers a chance to finally make a little profit. Summer months are very promising,

(Continued on back page)

## Feed Division

**Dennis Francik**



## Agronomy Division

Gene Mitchell



### Risk factors

- Weather

The only way to lower this risk is to be ready to get as much work done as possible when the weather presents a window of opportunity. Planning ahead and communicating your needs will help to optimize this.

- Price

Earlier in this article we outlined a strategy of looking ahead to make commitments by purchasing your fertilizer and selling a corresponding amount of grain when that relationship is 40 bushels of December corn futures or less. These are firm commitments with penalties if not satisfied, so it is important to know what you want ahead of time. Knowing what you want means taking good soil samples with high confidence (grid sampling) and getting the results back early enough to make a good recommendation (spring sampling?). You also have to start making commitments to the crops that will be grown on each field earlier than you may like.

- Supply

Two years ago the industry experienced supply shortages and escalating prices. I think this will again be an issue in the near future. With the demand for food being so high, world-wide production needs to increase. The quickest way to increase production is to apply fertilizer where it is indicated. As countries try to satisfy an ever increasing need, prices will go up and supplies will be strained. It takes years for manufacturers to increase supply, so supply risk is almost inevitable. Being smart about applying fertilizer where it will give you the highest rate of return will increase efficiency. Grid sampling is an important tool in making that recommendation, but not the only one. Yields removed, crop rotation, weed and pest control, and hybrid selection are also important. Decisions are becoming more complicated.

The "take-away" as I see it, is that successful farm operations in the future will be very good at managing risk. They will need to forecast their needs sooner than ever and will cover those purchases with corresponding grain sales when favorable. They will also be very efficient producers that utilize the latest technology to maximize the return on every acre they farm. They will look for partners who can provide them expertise that is easy to understand. New demands will necessitate new solutions. East Central Iowa Cooperative will continue to work to find those new solutions for you.

## Controller

Joe Murphy



### Fertilizer Price reduced

Fertilizer prices this past fall returned to more reasonable levels due in part to large carry-over inventories after the financial crisis of September 08 and the resulting world-wide recession. Even though fertilizer prices were high in 2009, there were times that you could have locked in a reasonable corn to fertilizer ratio. The table below summarizes that relationship on different dates.

Date	Bushels of nearby December futures to purchase 150-110-120 fertilizer
July 3, 2006	33.8 bushels
June 26, 2007	39.7 bushels
June 26, 2008	40.1 bushels
January 22, 2009	46.6 bushels
January 6, 2010	29.9 bushels

I would say that anytime you can lock in a relationship of 40 bushels or less for a 150-110-120 fertilizer program, it would be prudent to do so. As you can see, it is as good today as it has ever been in the last few years. To make this work, though, you have to sell a corresponding amount of corn to cover your fertilizer purchase.

### Demand driven market

We have talked many times about how global the markets have become. The top five fertilizer nutrient consuming countries of the world are China, India, United States, Brazil and Pakistan, respectively. The top five nutrient importing countries are United States, China, Brazil, India and France, respectively. The top five fertilizer producing countries are China, United States, Russia, Canada and India, respectively.

The United States leads the world in corn and soybean production and China leads the world in wheat and rice production. The world's population grows by 80 million people each year and the world's grain stocks to use ratio is at its lowest level in 35 years. Food demand has simply outstripped the world's ability to increase food supplies. In fact we currently have only enough grain in storage to feed the world's population for 58 days. This becomes important to us, because volatility in both grain and fertilizer will likely increase and will correspondingly add to our risk.

Believe it or not Spring is right around the corner which means we are well into our fiscal year and we continue to produce strong results on top of last year's exceptional financial results. Sales are down over last year by roughly 13 million which is driven mainly from lower volumes of grain sales which account for 12 million of this total. Feed sales are up on stronger volumes over last year. Agronomy and Energy are also up over last year due to dry November conditions along with the wet corn which increased our propane sales substantially. Our operating income is up over one-half million over last year as we had another record year in drying income along with another good year in grain storage. We have reduced our interest expense significantly due to no seasonal loan requirements through the first four months of the current year. We are on plan to meet our budgeted targets for the year and continue to maintain our strong balance sheet.

The Board will be reviewing our equity revolvment process in the coming weeks for payouts for the current year. This process is driven by the birthday in our accounting system. So it is very important that we have accurate information for all sole proprietors, partnerships, LLCs and corporations. For all entities with more than one member we need all member's birth dates and the percentage of ownership of the entity so that we get complete the revolvment process. I would encourage all patron members to make sure we have this information on file so we can handle this process as we move into future years.

The current tax season is underway for all patrons and I'm sure everyone who sold grain to the Coop noticed we are again reporting the information in box 3 on your 1099 patronage for per unit retain paid in money. This is the case since we retained the benefit of the 199 deduction at the Cooperative level. This will allow the coop to minimize our tax liability and keep those funds within the Cooperative.

## JESUP AG CENTER

Norm DeJong



According to Mojib Latif, a professor at the Leibniz Institute at Germany's Kiel University and an author of the U.N.'s Intergovernmental Panel on Climate Change, America's present icy weather may just mark the beginning of a 30-year mini ice age. However, before I get too concerned, I think I'll

wait and see what the ground hog Punxsutawney Phil does February 2nd. Even if they both agree, here at the Jesup Ag Center, we will still be preparing to go the field early this spring. Fertilizer products have arrived. Delivery of seed and pesticides will soon be winding down. Most cropping plans are in place and input orders nearly finished.

Last fall, the Jesup Ag Center applied dry fertilizer to a record number of fall applied acres. Previously to last fall, a high percentage of the acres applied received a 2-year fertilizer program application. Then, due to the increased cost of fertilizer, many programs were switched to 1-year application. This fall, many acres returned to the 2-year program, but we still had to apply a 1-year application to get back to a 2-year program. The point is that we will have the same situation coming this spring. Even though we had a record number of acres applied last fall, we will likely apply more acres than usual this spring. So, an early start would be great.

One other item to note, there are Continuous Instruction Courses scheduled to keep your private pesticide applicator licenses up to date. Please check your status and get it updated if needed. There are several "restricted use" pesticides that require a private applicator's license. Many commonly used insecticides such as Lorsban are restricted. Also, Atrazine is a commonly used restricted use pesticide that is in many herbicides. If you apply any restricted use pesticide yourself, you will need a private pesticide applicator license and provide the license number before a purchase is made. See the table below for dates and locations. You'll probably need a coat on your way there, but I hope you can hang it back in the closet before the next 30 years is over.

02/10/10	9:30 AM	Waterloo	Tama Hall, Hawkeye CC
02/16/10	1:30 PM	Independence	Heartland Acres Agribition Cen.
03/03/10	7:00 PM	Waterloo	Tama Hall, Hawkeye CC
03/22/10	7:00 PM	Independence	Heartland Acres Agribition Cen.
04/08/10	7:00 PM	Traer	Memorial Building

Thank you to all of our customers for your business and Please Always Be Careful.

## Waterloo Energy Center

By Terry Grant



Cold weather and plenty of snow and wind are starting to wear on most of us this year. Blizzard events this year have made life miserable for a few days. Fall harvest was late and then we received the cold and snow with a vengeance. I would like to thank our patrons for being patience with us thru the allocations of propane. I would also like to thank our drivers for putting in some long hours delivering fuel.

We have seen oil prices increase with usage for harvest and winter heating needs. Propane has jumped 50 cents as well as heating oil. Crude oil had soared over 80 dollars a barrel increasing our commodities.

We are having a spring oil sale on February 16th at the Waterloo office. The open house will be from 10AM to 2PM with lunch served. We have posted our sale flyer on the web site if you are unable to attend our open house. We also have spring diesel contact prices if you would like to lock up some gallons.

I would like to introduce our new employees; Shawn Davis is our propane driver, salesman for the Jesup area. Shawn started this fall and has done a great job. Ryan Schults is our cylinder delivery salesman; Ryan has done an excellent job in learning his routes. Mark Thesing is our sales representative form Cenex. Mark is our Cenex expert in Oils and Lubes and refined fuels. Mark will be calling on our patrons and is a resource for all your lubricant questions.

I would like to thank our customers for their business and have a safe winter.

## Grain

Brad Stewart



Our grain markets have taken quite a beating in the aftermath of the USDA final production report released on January 12th. The report pegged corn yield at a new record of 165.2 bushels per acre. This has led to a cur-

rent drop of fifty cents in the corn market. USDA production estimate increasing 230 million bushels from the November report, which is the largest increase since 1988. The drop in corn prices has led to increased demand from export markets, as well as ethanol processors. I look for this demand to remain strong this year, and expect a trade range on corn prices to be \$3.50-\$4.00. I would advise you to make old crop corn sales in May, June, and July to capture your best chances at seasonal price bounces. Soybean yield pegged at 44 bushels, with total production at 3.361 billion bushels. This would actually lead to a reduction in US carryout of 10 million bushels, but the world supply is collapsing under the pressures of much larger South American supplies than last year. Our export numbers will begin to suffer more pressure as China turns their attention to cheaper soy supplies from Brazil and Argentina. We currently have all of the next twelve months bean prices above \$8.00 per bushel. I am very concerned about where the bean market will find support in the coming year. Our cash prices are reflective of over a dollar drop since the report was released. Supply/Demand tables for the coming year show that we will need a

bean yield less than 41 bushels per acre to support our current prices. I would advise selling your remaining old crop inventories soon. New crop sales should be in the 25-50 percent of production range in the next 30 days, with the remainder to follow in the next 60 to 90 days. Please feel free to contact me anytime at 319-213-2401 to discuss your personal marketing plan.

**Feed Division (continued from front page)**

as futures are trading in the low to upper \$70s, finally bringing some relief to a very needing industry. Reports are indicating that the entire supply of "red meats" is being reduced and at these reduced levels there should be profit for both the swine and beef industries. I sincerely hope that production stays at current levels and does not again exceed demand. Our producers need a period of good prices just to stabilize their operations and going forward to begin to recoup equity that has been lost over the past 20 -24 months. With the current setback in CBOT values, many of you are wondering about soybean meal prices and if now is a good time to book meal. Current CBOT values are in the mid \$290 per ton range, which is considerably less than prior months. Cash values will still be in the \$310 - \$320 range, as basis values remain very strong and are still historically high. My instincts are that at this time I would still stay in a current position on ownership and wait for basis values to break as the South American crop comes to harvest. Financially the Feed Division to date is experiencing another solid year. As stated earlier, if our tonnage continues to hold, we will be very pleased, as we budgeted approximately 10% less tons in a response to the distressed swine industry.

This winter weather has certainly brought challenges to our team, as we have really struggled at times to get all the tons delivered. Thanks to all of you that keep your building sites open and free from snow and ice. We really appreciate your efforts. I also have been very pleased to find that many of you order feed with two days or more notice. That lead time really allows our staff to operate at maximum efficiency and with the winter challenges the extra lead time is great. I certainly hope that the next edition of this newsletter finds all of you planting your crops for next year and the weather will be accommodating for all of us. From Jesup – Thank you for your continued patronage and support!



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## Customer Connection

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PRESORTED  
STANDARD MAIL  
U.S. POSTAGE  
**PAID**  
PERMIT NO. 10  
HUDSON, IA 50643

**Dedicated to Service ... Committed to Success**

## Your ECIC Locations:

**Hudson**  
602 Washington Street  
PO Box 300  
Hudson IA 50643

**Jesup**  
661 Douglas Street  
Jesup IA 50648

**La Porte City**  
106 Cedar Street  
La Porte City, IA 50651

**Cedar Falls**  
212 Lincoln Street  
Cedar Falls IA 50613

**Waterloo  
Energy**  
1467 West Airline Hwy.  
Waterloo IA 50703

