

With approximately 95% of our fall harvest being complete (finally), I thought I would take this opportunity to address a few of the phone calls and face-to-face questions I received this fall regarding how our plants were operated during this extraordinarily out-of-the ordinary harvest season. Here are some of the most popular questions asked, and these include questions from all over our service area, some from the east side which may not affect the west side and some from the west side which may have not even been thought about on the east side:

1. Why are your hours so limited or why is my branch not able to open at all?

The following are statistics for bushels received during fall harvest for the past 10 years:

2002	2003	2004	2005	2006
6,211,391	12,463,223	12,914,930	12,629,984	11,114,261
2007	2008	2009	2010	2011
12,657,579	7,740,067	12,212,750	14,082,096	16,338,136

- We received 14.1 million grain bushels in 2010 and took in over 16.4 million bushels in 2011. As you can see, the farmer has delivered 2.3 million **more** bushels this year than last year, and last year we received 1.2 million **more** bushels than in any of the previous eight years.
- That means in the past two years we are up almost 3.5 million bushels received during grain harvest.
- Improving our fixed assets is the only way we can step up our service to you, our valued customer. Over the past seven years, we have invested over \$15 million in new grain storage bins, dump pits and grain-receiving legs.
- Before this fall's harvest began, we had NO corn or soybean bushels on hand from the previous year's harvest for the very first time in BVFC's plus-20 year history. With the increased wheat bushels received during this past summer's harvest, we did have significantly more wheat bushels on hand (1.2 million more) when fall harvest began than in a normal year. Some of this wheat includes vomitoxin wheat from the 2010 harvest which we have been blending off. The end-user will only allow us to haul a minimal amount of wheat bushels from August 1 to the beginning of corn and soybean harvest. They only want to receive this wheat on their terms, accepting periodic shipments timed to their capability to mill wheat they already have.

2. This question refers back to the previous statement. *I understand you have 3 million bushels of wheat with vomitoxin on hand. Why not sell it, take your losses and have more room for corn and beans?*

- That statement is not true at all. We have about one million bushels of wheat left on hand, with various levels of vomitoxin, which we purchased from the farmer without a discount. Blanchard Valley Farmers Cooperative did not discount the wheat with a strategic anticipation that next year's wheat crop will be of high-enough quality, so we may blend the two years' crops together, therefore not taking a loss on our bottom line. There is a tremendous amount of carry in the wheat market, and due to this carry, the resulting income has probably paid for the majority of the bin storage we have built over the past five years.

3. One of the most frequently-asked questions is: *Why are BVFC's larger grain elevators open and the smaller-sized facilities seem to be closed more often?*

- The overwhelming majority of the corn received during this harvest was over 21% moisture. This fact alone made it almost impossible to keep up drying corn fast enough in order to maintain enough space to take in the wet corn which was still being delivered. If one of our locations still had room to receive high-moisture corn, we tried to keep it open as long as we could to best service the farmer and their needs. We also moved dry or wet corn internally, depending on how we could create extra room on a branch-to-branch basis.

4. *Several customers have also asked why we don't have dryers at all of our facilities?*

- It is simply not cost-effective, as it would cost approximately \$500,000 to \$600,000 **at each branch** by the time you added the legs and conveyors necessary to get grain to a dryer. This would cost Blanchard Valley Farmers Cooperative up to \$2.6 million. That money would be much better spent in building 1,000,000 bushels of additional storage, which over a normal period of five years would see much more use and therefore be a much better value to our farmer customers. While our competition was closing small branches, we were making them more efficient by building additional storage and receiving pits and legs. This is the best way to make sure every dollar spent in improvements has a chance to make the most efficient impact. Also, by not closing the smaller branches, the farmer has less distance to travel to market his grain. That is also why we maintain three seasonal grain facilities, to benefit the farmer more when he needs it most.

Also, keep in mind that once wheat harvest was over, and before we started getting that “million-dollar rain” (approximately July 15th), corn was not even knee-high and soybeans were barely out of the ground. We at BVFC have to start making planning decisions for the fall harvest, such as how much storage will we need, which bins shall we save for corn and beans and at which of our branches are these commodities located, plus how many trains should we schedule for fall harvest, knowing that once we order these train we are committed to filling them? Looking at those projected small crops in late July, who could have anticipated the outstanding yields we received once harvest was in process? Sometimes we have to make planning decisions well before the farmers actually get into the field, so we can do our best to maximize the stockholder's return on their investment.

Of all of the phone calls I received this fall, the one that concerned me the most was a customer who felt it was quite evident that I did not care about the customer's needs. I assure you that I have spent my entire career thinking of the customer first and foremost, so much so that my family sometimes has wondered if I put customers before them. The projects Blanchard Valley Farmers Cooperative has undertaken over past few years have been quite stressful, making sure that every dollar spent will yield the greatest improvement possible. Some may even question that, why at my age would I give myself such a task to manage these projects? It is because I care about the service we give to our customers. I continually stress to all of our managers and employees they must take it seriously as well.

I have been in the grain elevator industry for 50 years and I must say that this past year has been like no other that I have experienced. As trying as it has been, it has also been one of the best. Even though there have been various questions and even some complaints this past fall, I have also heard many of you say that it has been one of your best years as well.

Sometimes I feel that since we in the agricultural business have had it pretty well over the past five years with exceptional yields and similarly favorable prices to match, and there is absolutely no denying that is the truth, we become used to and get accustomed to that as being the norm and eventually we even can come to expect that to be a yearly occurrence. When that happens, rather than recognizing the good fortune we have had and being thankful for good yields and prices, we look for things to complain about. That just seems to be human nature more than anything else. Trust me when I say that we are thankful for our stockholders and customers and will always make a conscious effort to never take your business for granted. Since this is your cooperative and we are all involved in this effort together, please take a moment to give thanks for what is most important to you as well. Make it a great new year!