



Two Rivers

Cooperative

Monroe: 259-2232

Otley: 627-5311

Pella: 628-4167

Tracy: 949-6411

www.tworivers.coop

MISSION STATEMENT

“Two Rivers Cooperative Is Committed To Building Profitable Business Relationships Based On Integrity And Quality”

Two Rivers Cooperative

Pella, Iowa 50219

January, 2005



As I See It
By Tracy Gathman
General Manager

We had absolutely wonderful weather for the Two Rivers Cooperative Annual Meeting on December 16th, a great turnout of the membership on hand to join us as we shared a delicious meal, a good year of business to report to all of you, and some outstanding entertainment provided by Journey Bound to conclude the activities of a thoroughly enjoyable evening for all.

Since my presentation of the various financial report figures was categorized as a “dry” discussion during the meeting - *an assessment I heartily agree with, by the way, since any long list of numbers normally tends to be tedious in any setting* - I will not dwell at length on them again here.

However, there are a few figures I do wish to note in my article this month which I feel highlight what a fine year of growth and performance your Two Rivers Cooperative had.

Those figures include sales totaling \$28,769,150, which was an increase of some \$2.64 million from the previous year, a local savings of \$72,199, and a total savings in excess of \$360,000 for the year ending August 31, 2004.

Had we been able to move on with the “normal” figures in the report as we would do in any other year, the

Have You Checked Your Farm-Stored Grain Since This Jolly Fellow Stopped At Your Farm?
If Not - Then Get Out There Now To **CHECK YOUR BINS**
Monitor Grain Moisture & Temperature
Pull Cores & Level Top Surface
Check The Top Layer For Crusting



presentation at the Annual Meeting, and here in the newsletter, we would have been able to turn to how the past year’s savings were distributed.

Unfortunately, the 2003-04 fiscal year of operations was not a normal business year for your company as a result of the necessity of dealing with an extraordinary item, one which I admittedly found myself at a loss for words to describe in a clear, concise manner without spending an inordinate and, I am sure for the vast majority of those in attendance, an unacceptable amount of time.

I am, of course, referring to the bankruptcy of Farmland Industries and, more specifically, to the manner in which the \$556,725 write off of Farmland qualified equities held by Two Rivers were handled, and why the decision was made to handle this loss internally.

I had assumed that from various newsletter articles (the most recent of which was this past June), presentations at previous meetings and in direct visits with individuals since Farmland first filed for bankruptcy in May, 2002, there had been sufficient opportunities to have resolved any questions on this issue so as to allow us to skip a lengthy and complex presentation of this item at this year’s Annual Meeting.

In retrospect my presentation has created more questions related to this

matter, and while none have been brought to my attention directly, from what I have been able to gather there are a few points I believe I can touch on here that may offer some clarification to this issue.

First of all, of the total qualified equities involved in this write off, only about 65% of the dollars involved were earned as member business, with the remaining 35% earned from business done with non-members over the years, and we can legally only allocate to members that portion of the equities that are classified as member business.

Second, had the Board made the decision to allocate this reduced percentage to the membership, the reduction would have been required to be distributed to all members on an equal percentage basis.

Only those actively farming at the time the patronage reduction was made would be eligible to utilize this patronage reduction on their tax returns.

Third, at the same time the member received his/her portion of the loss allocation, we would have also been required to allocate current patronage to that same member, thus diminishing much of any tax advantage the loss would have created by the tax liability

SEE IT
Continued On Page 4



**Fuel
Facts
By
Scott
Bensink**

One of the clear lessons from 2004 that we need to take into the planning process for 2005 is the continued volatility and uncertainty of the fuel market we're dealing with these days.

I am pretty sure everyone would agree there is just too much risk involved, and too many things that can happen, which can cause fuel prices to skyrocket at any time.

And with this increasing amount of risk, which not only impacts the cost of fuel but perhaps also the availability of supply at a time when it's needed most, I am also sure most everyone agrees with the value and importance of locking in both price and supply when there are opportunities to do so.

Due to the volatility and uncertainty of the marketplace, and to help Two Rivers as well as all of our fuel customers minimize our risks from higher costs and uncertain supply issues in 2005, we are coming out with our contracting programs even earlier than we have in the past.

At this time we are offering a **Spring Diesel Fuel Contract** for product delivered during the months of April, May and June.

A **Non-Refundable Deposit Of 5 Cents Per Gallon** will lock in your price and gallons, and I encourage all of our customers to look into the benefits this program will deliver, and the peace of mind it provides by protecting you from the risks, uncertainty and volatility of our fuel market.

Additionally, and in an effort to help Two Rivers and our fuel customers be one step ahead of the marketplace this time around, rather than find ourselves in the midst of summer and prices sharply on the rise, as happened in 2004, we are also putting together a **Fall Diesel Fuel Contract** that will enable you to capture similar benefits for the fuels you need to harvest the crop, and this program should be finalized and ready for you to use soon.

Running The Routes: We've been through the first cold snap of the winter, so the LP Team is now running the Keep Full Routes to keep everyone well-supplied with their needs in the

most timely and efficient manner.

While the vast majority of our LP customers are firm believers in the benefits and advantages of being on one of the Keep Full Routes, there are still some who prefer to keep track of their own usage and to call in to place orders when they need to have LP delivered.

If you are among this latter group who have decided to shoulder the responsibility of keeping track of your inventory and ordering, be sure you check your supply on a regular basis all season long, and make extra trips out to monitor the gauge when we get into these winter cold snaps that cause usage to soar.

Remember, there is a surcharge for same day delivery, plus if your system runs out before being re-supplied, there is a safety inspection that must be performed before any LP can be put into the tank, and that also costs you an additional fee.

Prices seem to have stabilized for the time being, but how long they remain that way will depend on things remaining peaceful around the world and just how severe the winter season turns out to be.

We've already seen a couple of big storms out east, so just because winter is relatively mild locally doesn't mean prices won't be on the rise if Old Man Winter starts treating the east and south to nasty weather.



**Feed
For
Thought
By
Jason Smit**

Earlier this fall Land O' Lakes became aware of the fact that the Profile brand name they have been using was already in the public domain for a line of products in portions of the western United States.

As a result, it has become necessary for Land O' Lakes to identify their products differently, and they have

chosen Lake Country as the brand name that will be used.

Therefore, over the next month or so we will be making the transition from the Profile line of pet and live-stock feeds we have been handling to the Lake Country line as the new packaging arrives in our inventory.

Please be aware that while there may be some name changes as well as a different appearance to the packaging resulting from this switch over, the formulations and nutritional values will be the same as those you've been using under the Profile brand name in the past.

The Feed Team is already up to speed on this transition and the names involved in it, and they will be happy to assist you in ordering and becoming familiar with the changes that accompany this process.

Looking down the road a bit, in February we will be introducing a new mineral product to our inventory as we start handling the Wind & Rain Mineral.

While the new Wind & Rain Mineral is similar to the Pro Phos 8 Mineral we will continue to handle for those preferring it, there are a couple of key differences which we feel will make this a popular new addition to our mineral line.

First of all, the Wind & Rain Mineral has been manufactured to better withstand the tough weather conditions we have in our part of the country where minerals get wet, freeze, thaw etc.

Secondly, there is also a lower inclusion rate than that of Pro Phos 8.

And speaking of mineral, it will save you a lot of time and hassles, plus your mineral program will be more effective if you take the time now to get your mineral tubs out there in the fields before we get a big snow.

Finally, I'll once again remind everyone that we continue to have very promising opportunities present themselves to us for finishing spaces in existing facilities as well as new construction projects.

Contact Joe or me to take a look-see at the Wind & Rain Mineral we'll be carrying, and learn more about what it can do for your operation.

**Lock In Attractive Savings On Your
2005 CROP INPUTS
Pre-Pay Pricing Rates Will Change 1-15-05
Don't Miss This Opportunity To Save On
Chemicals * Seed * Fertilizer * NH-3**

**Seed
&
Stuff**
By
Jay
Van Woerkom



Ever since news of Asian Soybean Rust being found in the United States was first sprung on us in late November, there have been numerous questions, lots of speculation, and lots of meetings, discussions and time devoted to this issue.

While there are a lot of things we do not know about Asian Soybean Rust at this time, including when or even if it will be a problem for our soybean crop, one thing that is certain is this is only the beginning of what the Two Rivers Agronomy Team feels will be a flood of information coming your way and ours.

The obvious questions that have been arising include:

* **Will Soybean Rust (SBR) cause a problem for the Iowa bean crop?**

* **When will it show up in the fields, if at all?**

* **Will we be able to treat fields fast enough to prevent huge losses?**

* **Will there be enough fungicides available to treat?**

There is no way to accurately predict whether SBR will hit the Iowa crop or not. Some say the chance of it striking in 2005 is only 10% to 20%, but obviously we still need to be prepared for that possibility.

As far as treatment strategies, while we can learn from the experiences other countries have had dealing with SBR, for example in China and South American, specific strategies that are more appropriate to the climate, equipment and practices used here in the United States will probably need to be developed.

Once the disease is present in a field, abundant spore production occurs when leaves are wet for at least 8 hours (including periods of dew), and when temperatures are between 60 and 80 degrees.

With favorable conditions such as these, the disease can spread very quickly in a field.

As we noted in our articles last month, the climate in the northern Grain Belt region is too cold for this disease to over-winter here, so outbreaks will be a year-to-year issue, with

the spores that cause the disease moving it in from the south, where it can survive their mild winters.

As the spores germinate on wet leaves they form a fungus, which enters the plant through the stomates or by direct penetration of leaf cells, where it continues to grow through the leaf tissues.

Initially the infection appears as a light area, usually on the underside of the leaf. Eventually, as more leaf tissue dies, a lesion forms.

In as little as one week the fungus produces uerdina which erupt through the epidermis of the leaf, producing huge numbers of wind-borne spores that can quickly spread to other plants, and to other fields.

Not only will the lesions reduce bean yields by destroying photosynthesis, the fungus also diverts water and nutrients from the plant, further compounding losses.

Like most of the problems our bean crop faces, yield losses can vary significantly from year to year.

Yield losses as high as 80% have occurred, and while a level that high is at the extreme, it is not uncommon to have losses reach 50% during severe outbreaks.

Without using a fungicide, the potential for yield losses can be influenced by:

* **The Virulence** of the SBR strain that strikes. Some strains of SBR are much more potent than others, just as flu strains vary in humans.

* **The Presence** of favorable environmental conditions (60-68 degree temperatures, high levels of humidity and prolonged wetness of plants from rain/dew) for the initial infestation of the disease, as well as for the continued spread of the disease within a field, and from field to field.

On the other hand, high temperatures (above 80 degrees), lower levels of humidity and dry conditions can slow and even stop the spread of SBR.

* **The Stage** of soybean growth at the time when plants are initially subjected to the disease. The potential for loss decreases as soybeans mature.

What about treatments?

Properly timed and applied fungicides can reduce the potential of yield losses, however treatments need to be applied **BEFORE** the symptoms can be observed, so in essence you're using a preventative.

That being the case, this is a disease that does not fit well with relying on scouting strategies to make management decisions.

Also, in the early stages the symptoms of SBR resemble other diseases, therefore misidentification is a potential drawback.

At present there is a significant amount of effort devoted to tracking wind and moisture patterns to aid in monitoring the movement and spread of the disease that will bring spores into Iowa and promote the development of the fungus.

Unlike challenges from pests like aphids, managing effectively against SBR will be based more on a broader, regional approach rather than on a field-by-field determination.

At present there are no genetically resistant varieties of seed that can be planted, though the development of SBR resistant seed is clearly a long-term and high priority goal.

Likewise, there are no rotational solutions we can turn to for SBR control, since each season's initial infection in our area will rely on the spores carried here on the wind, and on the other factors that determine its potential for success or failure that I discussed earlier.

Robby and I do feel it would be wise to include provisions for fungicides and application of them as you are planning your 2005 crop budget so we can all be in position and prepared to deal with this situation, if indeed it becomes a threat for our bean crops in 2005.

Elsewhere we've included several web sites that we feel will offer some good sources of information to draw on, and of course there will be additional information from meetings and other means we'll be using to keep you posted, to answer questions, and to assist in planning.

Check These Web Sites For Additional Information On

ASIAN SOYBEAN RUST

www.soybeanrustinfo.com

www.stopsoybeanrust.com

www.soybeanrust.com

www.aphids.usda.gov



**Crop
Talk**
By
**Robby
Wilson**

As Jay and I noted in our articles last month, the **Big News** in agronomy concerns the arrival of **Asian Soybean Rust** into the United States.

Since last month's newsletter, when we announced the initial findings, there have been quite a few additional reports surface from other southern states where this fungal disease has turned up.

Perhaps the most newsworthy as far as our local area is concerned is finding Asian Soybean Rust in Missouri, and while it's true the reports came out of the extreme southeastern portions of the state known as the boot heel, just having it on a state bordering ours makes it seem so much closer.

Jay has assembled some key information that addresses various facts we both feel you need to have in your hands to better understand this issue and how it relates to you, and to us at Two Rivers as we look ahead.

Therefore, rather than confuse the issue with two separate articles on the same subject, this time Jay can speak for the entire Two Rivers Agronomy Team in addressing Asian Soybean Rust so you can follow along with this information more conveniently.

My article will therefore be short, sweet (I hope) and to the point as I remind everyone that did not pre-pay crop inputs prior to December 31st to put expense on the books in 2004 that we will continue to offer the same pricing, discounts and savings for orders that are placed with us prior to January 15th.

If you wait to place your orders until Monday, January 17th when we return from the weekend, the prices will be higher.

We firmly believe this year, even more so than in past years, there will be a tremendous benefit and likely a very significant savings in store for all of those who lock in their supply and price for production inputs at the earliest possible date, and we're ready to assist you in capturing all these advantages for your farm now.

**Have You Re-Certified For 2005?
CHECK YOUR PRIVATE PESTICIDE LICENSE NOW
To See If You Need To Attend A Continuing Instruction Session
Or Take The Pesticide Applicator Test**

SEE IT
Continued From Page 1

created from the current allocation.

Fourth, anyone who has ever tried to work their way through the complexities and confusion of today's tax regulations for their personal return knows how much more complex and confusing tax legislation is for businesses, and therefore perhaps they also can appreciate just how much more complex these tax issues become when dealing with all the complexities at this level.

Finally, in reviewing the balance sheet of your cooperative you will find that while we have issued Regional Preferred Stock to the members of slightly more than \$1.2 million, we also continue to hold slightly over \$1.6 million in equity in the regional cooperatives with whom we conduct business.

Your Board of Directors spent a tremendous amount of time studying and discussing this issue, the alternative methods of dealing with the write off of these equities, and was aided in their deliberations by professionals from our legal and auditing consultants as to the various tax and legal implications for each of these alternatives.

If memory serves me, virtually an entire afternoon session lasting some 4-plus hours was devoted to this single issue at the last Board-Staff Retreat alone, plus there have been numerous

other discussions at regular monthly Board meetings over a nearly 2-year period to provide the information your Directors have used to help make the best business decision possible for your company and the entire membership.

Neither the Annual Meeting nor the newsletter can provide suitable time, space or opportunity to go into great detail in explaining issues as complex as this, and clearly the best option to resolve any lingering questions, concerns or confusion directly is to do so directly, specifically and in person.

I will be more than happy to do just that with anyone, and therefore I will once again invite and encourage anyone who wishes to have this item explained and specific questions answered to call me, stop in to visit with me at my office, or to let me know and I will gladly meet with them at any of our other office locations if that is more convenient.

In other business conducted at this year's Annual Meeting the membership re-elected incumbent Directors Brad Rietveld, Greg Van Maanen and Clarence Wichhart, each to a three-year term on the Board of Directors.

At their re-organizational meeting the Board elected Brad Rietveld to serve as Board President; Leroy Schumacher as Vice-President; Greg Van Maanen as Secretary and Greg Van Walbeek as Treasurer.

These Directors will serve as officers for the 2004-05 fiscal year.



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