



Two Rivers

Cooperative

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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, 2008



Crop Talk

By
Robby
Wilson

Hopefully, you've spent some time with one of the Two Rivers Agronomists by now to talk about your 2008 crop plans and programs, evaluate your alternatives, and at least pencil out the majority of the products and supplies you'll be needing when spring gets here.

If you haven't done so, take some time before Open House to *Take Care Of Business*, so when you do stop in during the Open House, you'll only need to spend a few moments finalizing your orders, writing a check, and then you'll have the rest of the time to relax and enjoy socializing with your friends and neighbors over lunch.

And remember to include those “incidental” as you're placing your orders, the “non-basic” crop inputs like seed inoculating products, nitrogen stabilizers, grass seeds and seed mixtures, liquid starter fertilizers, insecticides or herbicides that may or may not be a part of normal inventories.

Ordering these needs now rather than in-season can save you money, save you time, and save you potential delays, and that all adds up to a bonus not to miss.

Now I need to focus on some issues that are creating significant concerns throughout the entire crop production industry, ones that we as your supplier and which you as a grower will need to address and deal with together so we can both be in the best position to operate our businesses for the future.

We've touched briefly on some of these issues of tremendous change taking place in the crop nutrient market

several times in previous articles, and this past fall we have all seen just how these changes have impacted the availability of supply and the price for N-P-K.

At one time, and not all that many years ago, the U.S. was the dominant destination for the crop nutrient industries to market their products.

At one time, and not all that many years ago, there were at least several and in some cases numerous sources of supply from which retail businesses like Two Rivers could obtain a supply of these nutrients to serve your needs.

Supply of any given nutrient was almost always readily available from one source, or from another, or from a combination of sources.

In fact, during those times it was not uncommon for there to be an over-abundance of supply as inventories built season to season, year to year.

If we needed more, we picked up the phone and placed an order from a supplier with the best price who could get the product here the quickest.

And while there may have been years when the price of a particular nutrient would spike, and of course there was typically a spread between fall and spring price, the gap was not overwhelming and price moves were measured in ten or twenty dollar increments.

All of that has changed and, I am sorry to say, it appears to have changed for good as the entire crop nutrient

industry has been reshaped by the forces of worldwide supply and demand issues altering the marketplace in which we now operate.

Now, at best, there may be two sources of supply available at times, but typically we have only one source.

As Tracy mentioned last month, suppliers now specify order and payment terms that require firm commitments on quantities be given and payment arrangements made not in months, weeks or even days, but within hours.

And the choice is basically down to a take it or leave it one, because that supply will most likely not be available the next day and, even if it is, the price will almost certainly be higher, and perhaps even much higher.

That's partially because there are no “extra” inventories available in-season, as in the past, because nations like China, India and others with exploding agricultural economies are now the destination for every available pound of N-P-K that might become available on the spot market, and they can and will pay more to get it.

To understand how world demand has created this reshaping of the crop nutrient industry and marketplace, consider that within just the last five years the world demand for nitrogen has

OPEN HOUSE & PRE-PAY DAYS

Tuesday, January 8th - Pella & Tracy

Wednesday, January 9th - Otley & Monroe

LUNCH SERVED FROM 10:00 TO 2:00

Don't Miss This Great Opportunity To

Share Plenty Of Good Conversation

With Your Two Rivers Friends & Neighbors

And Lock In Great Savings On 2008 Production Costs Too

(Pre-Pay Pricing Good Through 1-20-08)

CROP TALK

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Fuel Facts

By
Scott
Bensink

SPRING CONTRACTS: The market remains volatile, and with the weakness of the dollar we're seeing these days, the big investors, fund market managers and the speculators are all maneuvering for position as they shift assets and alter their portfolios.

Prices have been on a wild roller coaster ride, and we have tried to take advantage of those opportunities when they're in one of the dips to obtain gallons for spring contracting.

We currently have a limited number of gallons locked in and a price established if you're interested in locking in some of your spring diesel needs, and we'll continue to monitor the marketplace for any additional opportunities to secure more.

As I've said before, with the volatility there is in the market these days, and with the way prices now move in bigger increments in a shorter time, we try to *Layer In Our Inventories* to reduce the risks, and I feel this is an equally sound strategy for our customers to utilize as well.

SAFETY: Our drivers will continue to do their best to keep energy products flowing as smoothly and efficiently as possible, but obviously the condition of the roads, farm driveways and access areas to the tanks makes things move along more slowly so we can avoid accidents.

Please do your best to keep the drives open and with sufficient space for the large delivery equipment to maneuver safely, and of course try to keep the pathway clear and safe for the man hauling those heavy hoses to the fill spouts.

Everything you can do to help us prevent having a vehicle stuck in the ditch or a driveway, or losing a man to injuries in a fall or accident, will be greatly appreciated.

THANKS TO DELWIN: For those who haven't heard by now, Delwin Van Zante, our LP driver for the past 25 years in the Otley area, has retired, and we hope all of you will join with us in thanking him for his service.

At this time we have different individuals filling in to handle deliveries

until we can appoint Delwin's permanent replacement, so please provide advance notice and work with the person who delivers your LP during this transition to smooth the process.

Beef Prodcer News

By
Ashley Paddock



To be sure your cows will be ready for the upcoming calving season, take time to establish realistic goals, which should include: **1.) Weaning a 90% calf crop; 2.) In a 60-day window; 3.) To reach a 500 pound weaning weight at 205 days of age.**

To achieve these goals, maintaining optimum body condition and a high health status for the cows through proper nutrition must be a priority.

The *Land O' Lakes Beef Cow Program* is a complete and comprehensive program designed to help you reach these goals utilizing beef cow biological priorities that include:

- 1.) *Body maintenance.*
- 2.) *Growth in young cows (both 1st and 2nd year heifers).*
- 3.) *Lactation.*
- 4.) *Reproduction.*

By focusing on meeting nutritional needs during these key stages to optimize body condition scores, your operation will reap many benefits:

* *Increased* reproductive efficiency, since cows with an optimum body condition score breed back at a higher rate than those which have less than an optimum body condition.

* *Cows that enter winter* in better condition withstand cold weather better because they have more "insulation" to protect them.

* *Cows with optimum* body condition consume less forage and will have lower winter feed costs.

* *Cull cows* that are in better body condition weigh more, and will therefore sell for a higher price than thin cull cows.

Maintaining a good body condition for your cows is the result of providing them with the proper nutrition at the right time, and with the proper balance of energy, protein and minerals to meet their needs.

Two Rivers handles the products and programs to help you reach these objectives, and I welcome the opportunity to visit with you about them.

Feed For Thought

By
Jason Smit



On behalf of the entire Two Rivers Feed Team, I want to express our appreciation to our producers for the great cooperation they have been giving us when placing orders for feed in advance, especially over the holidays and as we've had our share of challenging winter weather.

Now to business, and we all know it's always important to look for ways to improve management to help keep the lid on costs, and even more so when feed ingredient costs are high, as they are these days.

While the big things always stand out and get immediate attention as feed costs move higher, often there are also a number of the less noticeable details that a person tends to overlook that can add up to increasing your overall feed expense.

A perfect example is feeder management, and this applies to both beef and swine that are on self-feeders, which over time take a significant amount of abuse from the elements and from the wear and tear they're subjected to.

Talk to the Two Rivers Feed Team if you have any questions about proper feeder adjustment and management to reduce wasted feed that costs you money.

Also keep in mind that Two Rivers has a convenient Grain Bank program to help you better utilize your own corn in your livestock's rations.

Jerry Says:

"Try The Hot Water Treatment On Regulators To Avoid A Service Call Expense"

If your LP regulator is encased in snow and/or ice, often you can free it up by pouring a pan of hot water over it to thaw it out. Try this "Home Remedy" before picking up the phone and calling to save on the cost of a service call.

Seed & Stuff

By
Jay
Van Woerkom



During the past few weeks we have been working closely with quite a significant number of Two Rivers' customers to plan and place seed orders for 2008 corn and soybeans.

Hopefully, we're getting close to the point where we can get together with all of you who have seed decisions still to make so we're able to get those orders finalized, especially if there are specific genetic traits, maturity ranges, hybrid and/or variety characteristics, seed sizes or other individual preferences you want to have a supply of for your planter in the spring.

As always, the most popular numbers, traits and so forth are the ones that start becoming scarce fastest as inventories are committed to those placing early orders.

An example of that is already shaping up with the triple stack corn hybrids, which look to be in very heavy demand for 2008.

This year it also appears we have some serious concerns about soybean seed quality starting to develop, since a large number of the fields that produce the seed that will be planted in 2008 were hit hard by adverse weather.

For example, in visiting with our various seed suppliers, I am being told that problems with phomopsis were wide spread in this year's soybean seed crop fields.

This disease infects the bean as a result of the shrinking and swelling of the seed coating creating a gap in which the disease establishes itself, and our soggy weather just as fall arrived, followed by a nearly month long period of no moisture, provided an ideal combination for this swelling and shrinking to occur.

If seed infected by phomopsis is planted, emergence rates are lower due to seed rot or seedling blight.

Seed germination appears to be another area of concern for this year's soybean seed crop, again with the extreme weather we experienced in so many areas where beans are produced for seed a factor.

As a result of these and other quality issues, the availability of some vari-

eties of soybean seed could be falling short this year due to the increased percentage of the seed that is rejected by suppliers for not meeting the high quality and germination standards seed must meet.

I feel the sooner you have your soybean varieties lined up and locked in with an order, the better, so be sure to set aside some time to visit with one of the Two Rivers Agronomists soon to firm up your needs.

The sooner we have your seed orders committed on paper, the sooner we can start laying in our inventories of the specific hybrids and varieties you are wanting to plant in 2008.

In closing for this time, I want to again mention the new pilot program the USDA has introduced through its Risk Management Agency (RMA).

In mid-December it was announced by the RMA that Iowa would be one of four states in which the Biotech Yield Endorsement (BYE) would be implemented for the 2008 growing season.

This program provides for a substantial discount (estimated to be approximately 14% or in excess of \$2.00 per acre) on the premium cost a grower pays for crop revenue assurance policies.

To be eligible, the grower must plant a majority of their farming operation's corn acres with hybrids that feature Monsanto's YieldGard Plus with Roundup Ready Corn 2, or YieldGard VT Triple, corn hybrids.

In a statement released to the media, Robb Fraley, Executive Vice-President and Chief Technology Officer for Monsanto stated:

"The BYE pilot program rewards corn growers for using technologies that help them manage risk on their farms. Much like a "safe driver discount" in auto insurance, this program recognizes that our technologies are able to consistently deliver higher yields year after year".

This program deserves a look, so feel free to discuss it with the Two Rivers Agronomists and with the insurance representatives who are also here to assist and serve you at Two Rivers.

CROP TALK

Continued From Page 1

increased by 14%, phosphate demand is up by 13%, and potash demand is now 19% higher.

These increases alone represent over 21 million tons of N-P-K, and that happens to be the total amount which is used in this country annually.

Additionally, with the costs for production and energy what they are these days, those who manufacture nutrients aren't over-producing or stockpiling inventories as in the past.

Can you blame anyone for not assuming the risk of stockpiling inventories for 6+ months, when at today's N-P-K costs the interest expense alone runs nearly \$25.00 per ton?

As your cooperative, we take very seriously our commitment to be a reliable source of supply for the crop nutrients our customers need in the amounts they need them and when they need to apply those products.

But to fulfill that commitment for the future in the vastly changed, almost completely restructured crop nutrient marketplace, we must work together, cooperate and communicate more closely than ever before so we can continue to adapt quickly and smoothly to the marketplace in which we are and will be operating.

First, a huge emphasis needs to be placed on advance planning and solid commitments upon which we will be able to better manage risks in securing inventories for you, and with which your future crop production and marketing strategies can be based to help you manage risks and maximize opportunities more effectively.

Secondly, there will be an ever increasing value placed on cementing the business relationships that exist between you as our customer and Two Rivers as your supplier based on those commitments if we are to move forward with timely, decisive decisions on product procurement in the volumes and at the prices which are needed to remain competitive on your farm, in your fields and at your cooperative.

Introducing A New Information Service

By Tracy Gathman

We've launched a new information service through the Two Rivers web site that will take the form of an E-Newsletter we will use to keep customers updated on fast-changing developments such as crop threats, special announcements or other timely topics of special interest to the farmers and farming operations we serve.

If you are interested and want to begin receiving a copy of this E-Newsletter, please access the Two Rivers web site at www.tworivers.coop and sign up so we can send it to you.



As I See It
By Tracy Gathman
General Manager

We had a very good turnout of the Two Rivers membership for this year's Annual Meeting on the evening of December 13th, especially when you consider that many of our members were still battling the aftermath of the winter ice storm that caused such damage in our area.

Those living in the Monroe area were particularly inconvenienced by power outages and treacherous icy conditions, and speaking on behalf of the Board and all employees, I want to personally *Thank All Of You* who made the extra efforts that were necessary to join the Two Rivers Cooperative Family that evening.

Special recognition and a tremendous *Thank You* also goes out to our great friends of the *Monroe American Legion*, who traditionally do such a wonderful job preparing a delicious meal for the enjoyment of all those attending the Annual Meeting.

This year the Legion's team went above and beyond the call, since with the electricity still out, they brought in generators to provide the power to prepare a thoroughly delicious evening meal.

In my November newsletter article I touched on some of the highlights of this past year of operations, mentioning the figures only in general terms at that time with the thought the detailed results would be presented to the membership at the Annual Meeting.

That was indeed done, however, since power outages, icy roads or other difficulties still lingering from the winter storm may have prevented some of our members from attending as they had originally planned, I will offer a brief review here.

In doing so, I will also note that copies of the financial reports containing the full details of the past fiscal year's performance are available upon request at any Two Rivers location, so feel free to stop in to request a copy if you would like to receive one.

Total Sales for the fiscal year end-

ing August 31, 2007, were **\$41,232,518** as compared to the previous year's sales total of \$31,675,538.

Two Rivers had a *Local Savings* of **\$452,320** this year, compared to \$289,426 the previous year, and *Pre-Tax Total Savings* of **\$1,064,686** for this year, compared to pre-tax savings of \$908,129 for the 2006 year.

The Board of Directors approved a *Total Member Allocation* of **\$653,659** for this past year, compared to \$348,429 the previous year, and of that total *35% or \$228,781 was Paid In Cash* on business members transacted with their co-op during this past year.

This year's patronage rates were:

Grain	2.4144 Cents/Bu.
Mdse. & Svcs.	4.7140%
Petroleum	5.1271 Cents/Gal.

With this year's 35% cash portion of patronage dividends added to the cash payments the co-op paid out for estates and member equities during the past year, it gives us a total of **\$330,769 In Cash Payments made to Two Rivers members in this past year**, and this is something I feel all members can be very proud of.

In other business transacted at the Annual Meeting, the final votes were tallied for the election of Directors by members, with incumbent *Directors Greg Van Maanen, Brad Rietveld and Arvin Vos* each being re-elected to serve three year terms.

I want to take this opportunity to express my *thanks to Edgar Gritters, Jerry Parker and Joe Rempe* for stepping forward as candidates in this year's election.

Two Rivers is indeed very fortunate to have members such as these who

take an active role in the business of their co-op, and who are interested in serving fellow members when elected to one of these important positions.

It is amazing to consider that as we wrap up reporting the details of this past year to you that we are now nearly one-third of the way through this new fiscal year of business.

You can all be very pleased with the year Two Rivers had, and with the growth, progress and performance this company has made, since you are the driving forces that make it happen.

Your Board, the Management, Staff & Employee Team are all looking forward to sustaining this momentum, and with your continued support, business and commitments to work together as a Cooperative Family, we can build upon this past year's growth.

Each year presents all of us with challenges, on the farm, in the fields, in the individual farming operations of our members and patrons, and of course here at their cooperative as we continue to face changes in our industry and the markets and marketplaces in which we operate.

As we get ready to begin 2008, I feel it should already be clear from the experiences of this past fall that crop nutrient price and supply issues are certain to be among the biggest challenges we will need to work together to address.

I touched on this subject last month, and Robby has done so in his article this month, and I urge all of our customers to review these comments and to be aware of the very serious and very important nature of these issues and how they can and will affect all of us in the months and perhaps even years to come.



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