



Two Rivers

Cooperative

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MISSION STATEMENT

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

Two Rivers Cooperative

Pella, Iowa 50219

January, 2010



Crop Talk

By
Robby
Wilson

Over the past couple of years there have been several articles in the newsletter by Tracy and I about the dramatic changes that have taken place in the crop nutrient industry, and about how those changes have altered the ways in which supplies of these nutrients are secured and priced.

Additionally, both of us have also had many direct conversations with customers about how those changes have created a massive consolidation in the crop nutrient industry.

In those articles and conversations we've explained that instead of having several alternatives to choose from, there is now a limited choice and, in some cases, only a single supplier available from which we are able to obtain crop nutrients.

Suppliers now offer only limited time opportunities to contract a specific supply of nutrients at a specified price, and as we have noted before, their terms are virtually a **“Take It Or Leave It”** proposition.

One of the biggest differences in today's crop nutrient industry from the one that we had operated in for so long is the concept of price protection.

Back when the major source of supply for many cooperative businesses was Farmland Industries, the price at which we contracted nutrients with them was protected so that in the event the price we had contracted at changed in the overall marketplace, we

Iowa Legislature Considering Bio-Diesel Mandate

By Tracy Gathman

During the previous session of the Iowa Legislature the Iowa Senate passed legislation that would mandate a 5% inclusion rate of soy or other bio-products into all diesel fuels sold in the state of Iowa.

This legislation will now appear on the agenda for discussion in the Iowa House, and it is possible that they will vote on this proposal some time during the upcoming Legislative Session, which will begin in January.

If the Representatives in the Iowa House vote in favor of the bill, it will be sent to the Governor for his signature, and could become law in July of 2010.

I have heard from many producers and have had a number of discussions with our customers and members of the local business community regarding their thoughts, and mine, on this 5% bio-diesel mandate.

I encourage all of you to share your thoughts and opinions on this issue with your elected Representatives in the Iowa House so that they can have and use the input of their local constituents in their deliberations, discussions and in casting their votes on this issue.

Regardless of which side of the issue you support, I feel it is very important that your elected Representatives know your feelings on issues such as these, rather than having to rely on information they receive from special interest groups or others with vested interests, so they can enter the discussions and cast their votes in accordance with the true voice of the people they represent in mind.

still received the best price available.

Today, however, the practice of price protection is little more than a cherished memory of days gone by, since the consolidation of the crop nutrient industry into a select and limited number of sources of supply gives them total control over prices and terms.

Events of the past couple of years demonstrate just how different things are today, and why I hope our customers can understand and appreciate the frustration we at Two Rivers also feel when our suppliers change their pricing and terms.

A year ago, when the price of NH-3 dropped dramatically, our supplier extended the NH-3 contracting commitments we had made with them at a higher price, and gave us no choice but to pay the higher price to obtain the NH-3 needed to serve and supply our customers.

This year the situation was reversed.

Prices for NH-3 have risen since Two Rivers made contract commitments to secure price and supply, but instead of allowing us to extend the contracts like last year, our supplier cancelled our contracts and therefore we must pay a significantly higher price than what had been contracted months earlier.

In essence, therefore, it's a win-win proposition for those who are supplying companies like Two Rivers, since they will cancel contracts for products if the price for NH-3 moves higher than the contracted price, and they will hold us to a higher contracted price if the price for NH-3 declines.

We don't like this situation any more than you do, since at times it causes confusion and creates misunderstandings with our customers.

But this is the marketplace we now operate in, one we have no say in or

CROP TALK

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Fuel Facts

By
Scott
Bensink



LP NOTES: The LP industry continues to struggle with the challenges of a very tight supply, as it did throughout the fall harvest season.

A late start on harvesting this year's crop all across the Grain Belt became just the first in the line of dominos that brought us to the present difficult situation with LP supply.

Wet conditions for virtually the entire month of October kept combines idle in all of the major grain producing states, therefore there was not the typical area by area progression to kick off harvest.

Instead, as Mother Nature turned off the showers in late October and everyone began to dry out, it was a mad dash to the fields by farmers north to south, east to west, and most all of them were finding a higher moisture crop.

That was another domino in the line, and faced with a late start in November and a huge workload ahead of them, farmers harvested more fields with higher moisture corn because there was just no time to let the crop dry down naturally.

The next domino was a very large corn crop, one that still could reach 12 billion bushels when all the figures are tallied.

A big crop. A wet crop. A late start. A condensed harvest season. Everyone in the Grain Belt starting at the same time and therefore needing to start drying that big, wet, late-harvested crop all at once were simply more challenges than the distribution system could handle.

It's important to note here that we are operating with an LP distribution system that for all practical intents and purposes has been the same one we've operated with for the past 60+ years.

It was not designed or built to handle such extreme demands, and to upgrade or expand it today would run into the billions of dollars.

Even if we were able to navigate all of the new environmental requirements such a task would require, ones that weren't even dreamed of when

the system was first put in, there might not be a similar demand upon the system for the next 10, 20 or more years.

The fast pace, condensed work schedules and a big, high moisture crop created heavy demand for LP dryer gas and a tremendous pace for LP delivery services to keep farm grain drying systems supplied.

I therefore want to say **THANK YOU** to all of the customers who did a fantastic job of planning and placing orders for delivery in advance so our drivers could do the best job of keeping your farm well supplied in the most timely and efficient manner.

WINTER LP: This year gave us a unique set of circumstances in the LP industry to deal with, and in many ways we're still dealing with them and we will therefore need to continue to work together as we move forward into the winter season.

For one thing, it will be very important for everyone to monitor their inventories as we progress through the winter heating season, and that includes customers who are on a **Keep Full Route**.

As I have mentioned in previous wintertime newsletter articles, usage fluctuates wildly with the shifts in winter weather, no two farms or homes use the same volumes, and a prolonged cold snap can draw down the supply in the tank rather quickly.

By checking your gauge periodically and letting us know if you see it approaching 20%, we can be sure a delivery can be routed to your place even if we need to do so before the regular route is run for your area.

CLEAR THE PATH: I also want to ask for the cooperation and assistance of all of our LP customers to make sure they keep a good path cleared to access their LP systems so our drivers can get to them as safely as possible.

It's no picnic lugging those heavy hoses from the truck to the tanks in any weather, and I think you can

understand and appreciate the extreme difficulty of doing so through deep snow and/or over narrow, slick, icy paths.

Also keep in mind that delivery in these challenging winter conditions simply takes extra time to complete each delivery, and that's where your calls about your LP needs also help us to keep everyone well supplied.

UNDERGROUND SYSTEMS: Some places have underground storage tanks, and if you're one of them please be sure that you have the fill site properly cleared and marked so that our drivers can recognize these systems and access them.

DIESEL CONTRACTING: We continue to monitor the marketplace for opportunities to secure contracting terms with our suppliers, and as those become available we will be offering opportunities for our customers to start and/or to continue layering in their spring diesel needs with us.

Check with us if you have pricing targets in mind and keep monitoring our contracting prices and programs periodically so you can lock in supply and savings.

CROP TALK

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control over, and unfortunately the consolidation of the industry leaves us with no alternatives or options to turn to for the supplies our customers need.

As always, we will continue to strive to provide our customers with a reliable, dependable supply of inputs at the most competitive prices available, and we will continue to offer the best opportunities for you to lock in attractive prices with flexible, innovative programs and terms to manage your costs and risks.

January is here and we're busy working with customers on farm and field plans, so be sure you set aside time to meet with your Two Rivers Agronomist to get the ball rolling on your 2010 crop plans and programs..

Did Your Pesticide Certification Expire 12-31-09?

**CHECK YOUR LICENSE TODAY TO SEE
IF YOU NEED TO RE-CERTIFY FOR 2010**

REMEMBER

You Must Have A Current Pesticide Applicator Certification

To Purchase & Apply Any EPA Restricted Use Pesticides

Private Pesticide Testing & Continuing Instruction Sessions

Will Be Offered On A Limited Basis Again In 2010

**Check Your Local County Extension Offices For The
Dates/Times/Locations Of Local Sessions In Your Area**

**Seed
&
Stuff
By
Jay**

Van Woerkom



We have definitely seen a lot of dramatic changes taking place in the seed industry in the decade from 2000 to 2009, and the past 2 or 3 years have definitely been a wild time.

With new traits and trait combinations, new technologies and changes in refuge requirements and restrictions, plus new seed treatments all coming into the marketplace in such rapid-fire succession, it's a wonder things don't get even more confusing than they already are.

And yet while so many things have changed so fast, and while so many new things have entered the picture for farmers making seed decisions these past several years, if the seed researchers are correct we'll be seeing even more happening even faster over the course of this next decade.

At times it seems like ancient history when you consider that in the not too distant past perhaps the biggest decisions you made for seed was the maturity ranges to plant.

But once the full benefits of the Roundup Ready trait were unleashed on the seed industry, first in soybeans and more recently in corn, it has been a virtual runaway race to include more traits and thus more protection and greater flexibility in the genetic make-up of the seed that you plant.

Also included are extra safety and extra savings, plus the farmer can now have more time for other important management because he is spending less time dealing with crop challenges that are taken care of by the genetic package of traits in the seed itself.

For example, you no longer have to devote significant hours to scouting and monitoring corn for corn borer infestations, nor do you suffer the substantial economic losses those pests were consistently responsible for prior to the development of Bt traits.

Additionally, you no longer are exposed to the risks of adding various insecticide products, all of which were extremely toxic and always a very serious potential health and safety risk, thanks to the insect protection now contained in the seed traits.

Farmers have also gained greater flexibility and freedom through genetic traits that enable them to address changing crop environments and growing conditions by planting different genetic families of corn hybrids.

These also enable you to spread your risks beyond the basic variation of maturity dates so that you can get high yielding crops that dry down faster, plant hybrids that have longer lasting stalk strength and standability, and/or that will produce high yields even when moisture amounts are limited.

We see and hear about the benefits and advantages that these traits and technology have delivered in all the media claims as well as in results that come in from our fields year after year, yields that have pushed us beyond the 200 bushel per acre plateau once thought impossible, and pushed us well beyond it in an amazingly short time.

What you do not hear, see or likely even think about is the vast sums that are invested in research and development to bring those hybrids and varieties into the marketplace.

Also, no one considers the tremendous costs in research and development that are never recovered for the countless number of seed products that fall short during the developmental stages and are abandoned or replaced by those few that ultimately survive it.

These technologies, the seed traits and the genetics that give us greater safety and flexibility, which create more time for us by eliminating numerous time-sensitive tasks, which create savings in time and money by reducing trips through the fields, and which give you bigger yields in the face of stresses that once would have cut deeply into crop performance and yields, are included in each seed you plant, making it more valuable and vital to you, your farm, your family and future.

The seed companies are just like all of you, they are in business to be profitable, and like you they also need to make sound business decisions, manage risks, enhance efficiencies and

maximize profitability.

That's one reason why they need to continue to include as many traits as they can into each seed to help pay for the huge research and development investments that have been made, and which are still being made, to provide you with the seed traits and technologies that will perform successfully and profitably in your fields today, tomorrow and for the future.

The fine, large crops that our farmers have been producing in recent years in what are often far less than favorable growing conditions are proof-positive of the values we are receiving from the seed traits and technologies that have been introduced in the past decade.

Given those same set of growing conditions and planting the basic un-traited seed you were planting ten, fifteen or twenty years ago, what kind of crop would you expect to harvest?

And with everything else remaining equal, your production costs as well as all of the normal costs for living for you and your family, what kind of year would you be looking forward to with the reduced yields of that un-traited crop harvest?



**Marketing
Analysis
By
Justin Huebner**

Over the past couple of months I have been working with the Two Rivers Management Staff on the Grain Marketing Plan and the rebate structure for the business that you do with Two Rivers, and I am pleased to report in this month's article that this portion of our comprehensive services has now been established.

MARKETING
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***Have You Checked Your Grain Bins
Since This Jolly Chubby Fellow
Stopped By Your Farm Christmas Eve?***

IF NOT

CHECK THEM NOW

***The 2009 Crop Will Not Keep Well Due To
Excessive Fines & FM Created In Drying
DON'T LET DAMAGE DISCOUNTS
COST YOU BIG \$\$\$\$\$\$***





**Livestock
Production**
By
Nick Steinbach

For the past several weeks we have been keeping busy pouring bales with **QLF Liquid Supplement**, and from the many comments and compliments coming in from customers who have had us treat bales for them, the results are everything we've claimed they would be, and more!

Let's face it, we've had more than our fair share of nasty winter weather already, with snow, ice, drifting, bitterly cold winds and temperatures, in short Mother Nature in full force pulling out every kind of challenging weather in the bag to make things miserable for your cattle.

The bad thing about it is winter only officially arrived about a week ago, so we have a long stretch of challenging weather in front of us before things get better for the cows.

Boosting the nutritional values of the baled forages you're feeding not only means your cows will be getting more nutrition from every bite they consume, you are also enhancing forage palatability in the process, which means you get more out of your available forage by minimizing waste.

As Joe and I have discussed in previous articles, the QLF Liquid Supplement we handle is not like most supplement products that are available on the market which contain various minerals, since QLF has no additional minerals included in the product.

That means it won't interfere or alter the established mineral products and programs our producers are already feeding, ones they are comfortable with, confident in and have been satisfied using.

QLF Liquid is also a very economical product to feed and, as customers who have fed treated bales will tell you, it's convenient and it works!

Give Joe or me a call about treating your bales with QLF to get the maximum nutritional benefits and values to your cows.

THANKS TO ALL: In closing this time I just wanted to express the sincere thanks and appreciation of the Two Rivers Feed Team to all of the customers who responded to last month's article about spreading out feed orders

so we're receiving more orders earlier in the week and are therefore not overwhelmed with Friday deliveries.

This has been a huge help to us, particularly through the holidays and with the weather challenges we have been facing with the snow, ice and drifts, and I can assure all of you who have pitched in to plan and place your orders early that your efforts and consideration are and will continue to be deeply appreciated by all of us.

**Hybrid
Vigor**

By
Joe Toillion
Swine & Beef
Specialist



Even though there is a lot more snow (and ice) covering the pastures than all of us would like to see, we can take some comfort knowing that as fast as the days seem to slip by these days, we'll have green grass out there again in just a few months.

With that comforting thought in mind, it's not too soon to start looking ahead and planning for your mineral needs for spring, and Two Rivers is pleased to offer an excellent opportunity for our customers to stock up and save on their needs.

Throughout the months of January, February and March we will be offering **Special Prices On All Lick Tubs** so you can lock in your needs in advance.

We'll be running this program a little differently this year compared to the way tub pricing has been handled in the past, and I think you'll find this approach offers the **Best Possible Savings** on your needs!

During this same three month period of January, February and March we will also be offering a **Buy 10 Get 1 Free Offer** on our loose mineral, including our weatherized mineral products.

This is also a great chance for you to stock up and save, so feel free to

contact Nick or me for pricing, product selection and for any assistance you need planning and placing orders to cover your seasonal needs.

MARKETING

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In the discussions I have been having with customers, many of you have expressed a great deal of interest in the **Grain Marketing Plan**, and now that we've put together the final details on it I will be looking forward to visiting with those who I have already talked to, and with others who are interested in investigating these services.

Now that you are looking at your crop inputs for the 2010 season and lining up your needs by placing pre-pay orders with the Two Rivers Agronomists & Seed Sales Staff, be sure that you set aside time to visit with me about your input financing needs.

As mentioned last month, customers financing their crop inputs using our services and the CFA Input Financing program offered by Two Rivers are eligible to receive a **2% Interest Rate Reduction** on their input financing, and that can add up to a very nice savings on interest costs.

Also, while crop insurance renewals will not come due until mid-March, it is not too early to start thinking about and planning for your 2010 crop insurance products and programs.

Remember, today's crop insurance is far more than simple protection from the natural perils that your crop may face during the planting and growing season, it's also the foundation of a revenue and risk protection program so that you can be protected from sudden, dramatic and potentially devastating shifts in grain markets.

As such, the crop insurance products you use are a vital part of every sound grain marketing plan/strategy, and as you continue to look for opportunities to market both the 2009 crop you have in the bin and the 2010 crop you'll plant this spring, the complete and comprehensive services Two Rivers now offers enable you to take care of all of these needs right here in one place, Your Two Rivers Co-op!

ATTENTION CATTLEMEN
Plan Ahead & Order Early
TUBS & LOOSE MINERAL
AT SPECIAL PRICES
THRU MARCH

*Contact Nick & Joe To Order
Or For Assistance In Calculating
The Block/Tub Numbers You'll Need*





As I See It
By Tracy Gathman
General Manager

I want to extend a special thanks to all of the members of Two Rivers who were able to join us for the December 10th Annual Meeting.

It's likely the severe snowstorm earlier in that week prevented some of our members from being able to journey out to attend, but overall we were very pleased with the attendance and participation of our customers.

We hope all of you who were there enjoyed the fine meal and the presentation of the financial statements showing another fine year of positive growth for your cooperative, plus the opportunity to gather with friends and neighbors to spend an enjoyable and relaxing evening together.

For the benefit of those unable to attend, I will try to cover a few of the basic highlights from the financial reports that were presented during the Annual Meeting that cover the 2008-09 fiscal year of operations ending August 31st.

Copies of the financial statements that were distributed at the meeting are available on request at any Two Rivers location, so feel free to pick one of these up to review the year if you are interested.

This past year Two Rivers had **Total Sales of \$53,766,208** and a **Local Savings of \$358,285**.

We received **Patronage Dividends of \$724,139** and ended up the year with a **Net Savings of \$954,854**.

The Board of Directors authorized a **Total Patronage Dividend of \$539,296** be paid to the membership for the business they had conducted with Two Rivers over the course of the 2008-09 fiscal year.

Of that amount, **35% or \$188,754 was Paid In Cash**, with the remainder being placed into the deferred patronage accounts of members.

The 2009 patronage rates were:

Grain - In & Out
1.82 Cents Per Bushel
Merchandise & Services
2.4%



P.O. Box 47
Pella, Iowa 50219

Presorted Standard
U.S. POSTAGE
PAID
Des Moines, Iowa
Permit No. 2929

Petroleum
4.17 Cents/Gallon

As I believe I mentioned on various occasions over the course of this past year, 2008-09 has been among the most volatile years in recent memory, with unprecedented shifts in market prices and values, dramatic changes in our markets and marketplaces, and perhaps some of the most challenging economic conditions since the era of **The Great Depression**.

Therefore I feel it has been a significant accomplishment for Two Rivers and its members to be able to weather the storm of these difficult times in such a positive manner, to have had a good year of business thanks to the support and business you have provided, and to be entering this new year with a strong and solid balance sheet to focus on our goals and objectives as we move ahead into a new decade.

This past year Two Rivers dedicated over \$1.6 million in financial resources to fixed asset expenditures, the second highest sum in the past five years.

These investments represent your cooperative's on-going commitment to keep pace with the ever-changing growth in crop yields and grain volumes, and the speed at which you are now able to harvest and deliver them from your fields.

Your Board and the Management Staff remain focused on upgrading our capacities and capabilities to meet the needs of the customers who call upon Two Rivers for products and services, and to do so in the most timely, efficient and cost-effective manner.

Your continued support and business to generate the revenues necessary to sustain positive growth in our company, its facilities, assets and people are, as always, the driving force in

all that we are able to do, and I thank all of you for giving Two Rivers the opportunity to serve your needs and to supply you and your farming operation this past year, and in this new fiscal year that is now underway.

BOARD OF DIRECTOR ELECTION: This year the membership re-elected incumbent Directors Alvin Kuening, Dennis Uitermarkt and Dan Wichhart to three year terms on the Board.

I want to thank all of the candidates who were on this year's ballot for stepping forward and agreeing to serve their cooperative and fellow members, since it is the active participation of the membership in this and other areas of business which is so necessary to sustain positive growth for the future.

TAX ISSUE: One of the items that I spoke about in my Annual Meeting presentation dealt with a new tax situation that surfaced this past year regarding **Section 199 Pass Through To Members**.

By now all of you should have received a letter in the mail detailing your portion of this pass through, and you will need to provide this letter to the individual(s) who prepares your taxes, along with the 1099 patronage statement you will be receiving in January.

During December we held a meeting which was well attended by representatives from the majority of the area's tax preparation services, and there was a good discussion of this new tax issue between them and your cooperative's tax representatives.

If the individual/firm that prepares your taxes is not familiar with this particular issue, please have them contact me so that I can put them into contact with a representative of Two Rivers tax firm to discuss this pass through issue.