



AgVentures NW, LLC

Managing: Odessa Union Warehouse Cooperative
Reardan Grain Growers, Inc.

Spring 2010

AGVENTURES' QUARTERLY

Year-End Preview

by Keith Bailey, General Manager

The closing of the 2010 fiscal year is indicating another successful marketing season as auditors work through our year-end numbers. Fragile global economies and non-traditional traders have created unprecedented market volatility. Traders of index funds have more influence than millers and bakers on wheat futures. In spite of these market pressures, our risk management and logistic strategies have helped us to achieve better than expected results. Looking forward to our next harvest, there is growing anticipation of better yields as the soil profile is approaching more normal levels of moisture.

The question I'm most asked these days is, "How's the biodiesel business?" While the final numbers are not completed for Inland Empire Oilseeds, we know that there will be a significant year-end loss as the company goes from capitalizing "in construction" to expensing for "manufacturing". The good news is that sales for the last twelve months have shown steady growth demonstrating viability at only half the facility's design capacity. Interest in biodiesel and canola meal has presented steady demand for these products. With demand growth and refining capacity increasing each day, sales are limited only by our ability to make product. Over the last nine months our production rose from 10,000 gallons per month to nearly 150,000 gallons in April. The biofuel industry is publicly controversial. However, green energy and energy independence for the United States is still very high on the current administration's agenda. In addition, senior level state administrators here in Washington have expressed strong support for our crushing and biodiesel refining project.

Harvest will be here sooner than we expect. As you prepare, please remember to thoroughly clean your combines of debris and animal waste. We know that combines, bank-out wagons, and truck beds make great winter homes for those little guys. Also, be sure to pressure wash the beds and under carriage of the truck you used during seeding. The ledges under the bed are often places where treated seed gets caught and waits until you are in the elevator to jump off. The industry has a zero tolerance for treated grain in our food grade shipments.

Finally, we want to remind you that the State has hired a *battalion* of agents to handle DOT and Labor and Industry inspections. Don't be surprised if a team sets up a weigh stop somewhere near your farm. Last year, near Reardan, 1,500 trucks were stopped in a five day period yielding several severe fines for overloads, improper signage, and equipment failures. A little time spent on these items will make your harvest much smoother.

Have a great summer.

Market News

*by Byron Behne
Merchandiser/Broker*

As the 2010 harvest approaches, the world finds itself awash in grains of all flavors. In spite of reduced planted acreage due to lower prices, the U.S. will still have plenty of wheat this year due to a sharp reduction in exports from previous years. Also, financial turmoil in Europe has boosted the value of the U.S. dollar, which should further reduce exports of grain. The USDA has projected the stocks-to-use ratio for U.S. wheat to rise from a burdensome 46.6% this year to 47.3% next year. Essentially, that means that before we even cut this year's crop, the U.S. already has nearly half the wheat it needs for next year in the bins and that is projected to carryover into next year as well. Soft white wheat has a relatively better picture with a stocks-to-use ratio of about 25% which is still more than comfortable. Basically, we've got plenty of wheat and that's not going to change, which is not good news for prices. Club wheat was the only thing in short supply this year as evidenced by the \$5.00 premiums paid earlier this spring. Japan had to reduce their percentage of club wheat in their western white blend from 20% to 10% in order to avoid running out before harvest. Club acreage is certainly up this year and whether or not we see premiums over \$1 will depend on whether Japan increases their blend back to 20% this year. Personally, I'm not sure that they will; after all, they never went back to 25% after lowering to 20% a few years ago.

Corn production is forecast to be 13.37 billion bushels this year, which is up a couple hundred million from last year's crop. In spite of that, the stocks to use ratio for corn only rises from 13.3% this year to 13.7% next year. This isn't a very troublesome number historically speaking. Corn usage continues to expand with ethanol production taking a bigger bite out of supplies every year. Also, this year we've seen China import U.S. corn for the first time in 4 years, which raises some interesting questions about their production last year and the coming crop condition this year. We're still projected to end next year with 1.8 billion bushels on hand so it seems unlikely that corn prices have much chance of moving significantly higher without some sort of drought/heat issue this summer.

Canola prices have fallen off recently along with the other grains as the U.S. has greatly increased soybean

production after record prices a year ago. Canola prices are highly influenced by soybeans as both are oilseeds. The stocks-to-use ratio for U.S. soybeans this year was a historically tight 5.7% but is projected to double next year to 11.6% as U.S. production rises. Also soybean crops in South America are projected as being record large in both Brazil and Argentina this year, which means we're no longer the only game in town for Chinese buying; last year South America's soy production was severely curtailed by drought.



Feed & Specialties

*by Bryan Bezdicek
Branch Manager/Merchandiser*

Grain markets have been very quiet lately especially for the barley market. Demand has been slow as well. Very little barley has been sent to the coast for export. There have been a couple of tenders for off coast business but the U.S. has not been an aggressive bidder for any of that business. Exportable quantities are now to the point where they couldn't fill a barge or unit train, let alone fill an ocean going vessel. AgVentures NW has purchased 94% of the last harvested barley crop, which is probably the same throughout the rest of our industry. At this point, we would expect more of the same movement of prices for barley as we could see it move up a couple dollars here and then lose the same amount very easily. Let's hope the feed lot business we have had will continue, at least going into the new harvest. In our last newsletter, we talked about the impact the financial markets were having on everything around the world, and now Europe is going through something very similar to what happened here in the U.S. a short time ago. Let's hope that gets squared away sooner rather than later too.



AgVentures NW, LLC

2010 SEED PLOT TOURS

July 1, 2010

AgVentures Spring Canola Strip Trial and U of I Winter Plot

- At 9:30 am - Paul Williams' farm on the corner of Riefe Rd and McRae Rd
- See Spring Canola Strip Trials with 12 spring varieties - Report by Scot Hulbert from WSU on last summer's winter canola planting - Jack Brown from the U of I on their spring canola varieties in the trial and their winter canola variety plot on HWY 231 - Kevin Zanders from Monsanto (invited), and Denise Race from Croplan (invited).
- After the tours, AgVentures will provide a picnic lunch in the Reardan Park.

AgVentures Spring Wheat Plots and Winter Wheat Strip Trials

- At 1:30 pm - Spring Wheat Plot Tour will start at Steve Krupke's Farm on HWY 231 - sponsored by Wilbur Ellis Company. Invited speakers are Dr. Mike Pumphrey – Spring Wheat Breeder WSU, Dr. John Moffatt – Wheat Breeder-Production Manager AgriPro, Ed Driskill – PNW Regional Business Manager AgriPro, and Kevin Hodges – representing Westbred, and Dr. Kim Campbell – USDA-ARS.
- This plot is off to an excellent start. Bob Johnston from Wilbur Ellis will talk about the different seed treatments in the plot.
- At 4:00 pm - Mike Miller's farms on Rehn Road west of Schoonover Rd. We have 2 winter clubs, 2 hard red winters, 1 hard white winter, and 5 soft white winter varieties in this Winter Strip Trial. We are testing emergence, fertility efficiency testing with soil samples and tissue testing and yield. Invited Speakers – Dr. Arron Carter - WSU, Dr. John Moffatt and Ed Driskill – AgriPro, and Dr. Kim Campbell – USDA-ARS.
- Dinner social sponsored by AgVentures NW LLC and prepared by *Marci Miller and friends* following plot tour at Mike and Marci Miller's home.

Please RSVP to 1-509-253-4324 by June 25th if you're planning on eating with us

Summer Field Days are approaching fast.

WSU Wheat Plot Tours

June 15 th	Ritzville	5:00 pm	Contact Aaron Esser, 509-659-3210
June 16 th	Harrington	6:00 pm	Contact Diana Roberts, 509-477-2167
	Refreshments to follow provided by AgVentures NW LLC		
June 17 th	Lind Field Day	8:30 am	Contact Bill Schillinger, 509-235-1933
June 23 rd	Reardan	7:00 am	Contact Diana Roberts, 509-477-2167
June 23 rd	Wilke Farm Field day	9:00 am	Contact Aaron Esser, 509-659-3210

From the OUW Board

by Don Timm

Chairman of the Board, Odessa Union Warehouse

I hope you are all enjoying the little extra moisture we've been receiving. While the soil profile is generally short overall, recent rains have certainly provided welcome relief. It is difficult to know what an average crop is any more, but it appears we may be getting close this year.

I want to let you know about an important resolution recently passed by the Odessa Union Board of Directors. Over the last decade and more, producers have been expanding their farming operations. The resulting increase in farm size corresponds directly with a decline in the number of active farmers. For the last couple of years, the Odessa Union Warehouse Board has contemplated reducing our number of board members. This is driven in part by the difficult process of finding growers willing to dedicate the time necessary to actively serve. Last November, we looked at a board structure of (9) nine members rather than our current (11) eleven members. We determined that each of our growing areas can be adequately covered with representation and our meetings can be conducted more efficiently. Compared to companies of similar or greater size, our current board is one of the largest. This coming June, two of our directors will be finishing their 3rd term presenting an opportune time to make a change. With this information, a motion was unanimously passed on February 22, 2010 to reduce the size of our board from (11) eleven members to (9) nine. The board is confident that your interests in the company regarding such matters as capitalization, equity redemption, and our future direction will be represented well.

Thank you for your patronage and have a safe and bountiful harvest.

RGG Board News

by Hal Johnson

Chairman of the Board, Reardan Grain Growers, Inc.

What a spring. First, we had very little snow over the winter followed by rain in the spring like most have never seen. I'm hearing no complaints though.

The Board of Directors of Reardan Grain Growers has been working to develop a better process for voting at our annual meetings. The proxy system we currently use is very confusing and cumbersome. We hear differing complaints each year about who should vote on behalf of an entity and how many entities one person can represent with their vote. In asking other cooperatives about their voting process, we discovered that a mail-in ballot system can be very effective. Therefore, the board has agreed to adopt a mail-in voting system this year. We think this will allow a better opportunity for each patron to vote individually and clear up some of the confusion.

Every stockholder will be mailed a ballot and a separate pre-addressed, stamped envelope prior to the annual meeting. The ballot will hold the names of candidates, in the case of board elections, as well as any measures that might come before the membership. We hope you like this change and find it easier to cast your vote. The voting deadline will be clearly noted, and will be prior to the annual meeting so that the ballots may be tabulated and results can be announced at the annual meeting.

Please don't forget to mark your calendar today for the upcoming Reardan Grain Growers Annual Meeting on July 8 at the Reardan Community Center. We changed the location this year, since we will have a special program featuring a look back at the first 80 years of the company and community. We hope to see you all there.



Seed Division Happenings

by Paul Porter, Seed Division Manager



Since we last talked there have been a lot of things happening. Over the last several weeks yellowing of the leaves has been observed on Xerpha from Washtucna to north of Davenport. Xerpha is showing the yellowing more when compared to other varieties. The discoloration does not extend into the main crown; however, some blackening of the sub crown internodes is seen. Tim Murray has observed it across the region, especially in the wheat/fallow area. *Typhula incarnate* is a snow mold favored by cold temperatures that is active at 34 – 41 F. But unlike the others that cause a web of hypane visible at snowmelt and can completely kill the plants, *Typhula incarnate* does not need snow cover and does not cause severe disease in wheat. Once the weather warms up, it will outgrow it.

The weather started to warm up earlier than normal this year and we saw farmers starting to plant in early March. The early planted wheat has not gotten much of a head start with the weather freezing often and not warming up during the day. We have had some nice spring rain and our soil moisture is improving.

This spring our most popular seed variety has been Eden club wheat, followed by Louise soft white spring and then Otis hard white spring and various DNS varieties. Growers planted around 1,000 acres of AgriPro's new DNS variety Bullseye. Last week I went and looked at our seed circle of Bullseye and it is looking very nice. It is still tillering and has good color even with the cool temperatures we have been having. Bullseye has very high yield potential, high temperature adult plant resistance to Stripe Rust, Hessian Fly resistance, medium maturity, good Foot Rot tolerance, and outstanding test weight.

Some of the other new varieties we will be offering this fall are: Whetstone – hard red winter, high yield potential, excellent Stripe Rust tolerance, early maturity, strong straw strength, good Foot Rot tolerance, and excellent Protein and quality. Legion – soft white winter, excellent Stripe Rust resistance, early to medium maturity, very high yield potential, good straw strength, and broadly adapted. If you have been planting 4 inches deep or less and planting Eltan, you should try some acres of Legion this fall. For the last 2 years, the Legion sprayed with grassy weed herbicides has shown less stress symptoms than some other varieties. AP Legacy- soft white winter, very high yield potential, good Stripe Rust resistance, early to medium maturity, very good straw strength, moderately resistant to Dryland Foot Rot, and excellent quality. If Madsen and/or Rod have been your favorite wheat(s), you will want to plant some acres to AP Legacy this fall. AP Legacy is a Madsen, Rod, Stephens cross!!!

This fall we continue to offer an excellent selection of other certified seeds: Soft White – Eltan, Madsen, Xerpha, Masami, ORCF 102 and ORCF 103 by order. Winter Club – Chukar, Coda, and Bruehl. Next spring we expect to offer these certified seeds: Soft White Spring – Louise and Alpowa. Spring Club – Eden and JD by order. Hard White Wheat – Otis. Dark Northern Spring – Bullseye and call with your other spring DNS needs.



Ed Driskill from AgriPro examines AP Legacy soft white wheat being grown for us in the Quincy area. AP Legacy is a Madsen/Rod/Stephens cross.

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(This newsletter was produced and edited by Karen Larsell)

Take a few minutes to browse www.agventuresnw.com. The cash market closing prices are featured along with a commentary to inform you of current news and events. In addition, you will find the local weather, a number of informative industry related links, and this newsletter.

For additional company information and/or specific market information, contact one of our offices at the contact points listed above.