



AgVentures NW, LLC

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

Winter 2009

AGVENTURES' QUARTERLY

Year in Review— Challenges Ahead

by Keith Bailey, General Manager

As the first decade of a new century ends, we remember it as one of the most tumultuous on record. More recently, an historic presidential election, coupled with financial markets falling from an all-time high to lose nearly 60% of their value, and concerns with a global economy, global climate, and our place in a global society make this a year to remember. Putting these events into perspective is a challenge. We in the rural areas of America see things from a unique vantage point. In contrast, our urban friends ask, "So what if Australia has a large wheat crop – they're on the other side of the globe, they can't affect us – can they? Besides, there's no shortage of bread on the shelves, so what does it matter?" I also heard the question, "what can it hurt to have a stronger dollar – isn't it better to get stronger?" And of course we all want everyone to have unlimited health care available. No matter where you weigh in on these matters, it is true that we can't sustain our current trajectory. The missile we are riding has passed the top of its arch and if we don't get some fuel soon, we had better hope for a water landing (I don't know how that helps, but somehow it sounds better than landing on rocks).

In our little corner of the globe, we've changed our farming practices dramatically. As agriculture moved across America, most operations were diversified. That is, they had live-stock, hay, grain, and maybe a few milk cows and chickens. That format may not be correct for today, but diversification is back. Most farmers are looking for ways to improve their net margins, not just their gross bushels. And they are trying to do it in a way that will allow them to adapt to changes yet to come. Many have adjusted their cropping systems through varied tillage practices and/or chemical usage. In the past, everyone had some form of crop rotation. Farm programs coupled with selective chemicals that have application to multiple crops have reduced the growers' options. A more holistic approach to our farms is required. Each farm operator needs to understand and plan how to play the game. Wheat will most likely remain "king" in our area for a very long time, but there are ways to enhance the system with tillage, chemicals, and alternative crops.

Your cooperatives are invested in bringing a new business to the area – oilseed processing and refining. This business has created new jobs and spending in the communities. But more important to our businesses, it also brings opportunities for our patrons to diversify their farming operations. It would be foolish to expect or even want an oilseed crop to be planted fence to fence, because we'd be back to where we started – lacking diversity. But, including an oilseed crop in your rotation can generate a reasonable financial return, help protect the soils, and enhance subsequent wheat production. We are working with WSU and U of I along with private breeders and advisors to test yield potential, production quality, and best cultural practices. Information is one of the most valuable tools we have to generate long term financial health. Be sure to log in to our web site or call one of our offices if you are interested and have questions. We will be happy to help you explore options.

Market News

*by Byron Behne
Merchandiser/Broker*

The grain markets continue to be burdened with plentiful supplies but a new element has entered the market to support prices. Commodities have become a hot investment in the financial community and the resulting influx of dollars has boosted prices far above where they would be if the markets were only relying on their supply and demand fundamentals. Commodity index funds, as these entities are known, now own about 1.3 entire soft red wheat crops on paper in the Chicago futures market. This buying has helped to push prices up about 70 cents per bushel in the futures markets from their September low.

White wheat should fare better than the other classes of wheat if traditional market drivers ever take the wheel again as supplies of soft white are tight relative to other classes of wheat. The stocks to use ratio for soft white is currently projected at 15% for the end of the crop year and the other classes are up around 40%. This should mean that over time white wheat prices should strengthen relative to the other classes. However, white wheat does not have a futures market and that's where all the money is these days. Club wheat supplies are just as tight this year as they were last year, maybe tighter, which has propelled club premiums to their highest level ever seen. Japan is currently about 80% of our club wheat market. The western white wheat that they buy is comprised of 80% soft white and 20% club wheat. The Japanese have had to lower the amount of club wheat in the blend to 10% in order to stretch supplies into next year's crop.

Corn is dealing with market conditions which are similar to wheat. Investment money has boosted prices to over \$4 per bushel in the futures markets even though the USDA is projecting a record high corn yield per acre this year. In addition, though, there are two more traditional factors playing a role - weather and demand. Due to the late harvest of this year's corn crop there remains about 600 million bushels worth of production stranded in the field in the northern states. This corn will eventually get harvested, but it remains to be seen how much will be completely lost to the weather. Also, in spite of the large domestic corn crop, world supplies are actually projected to shrink from last year as demand from ethanol and increasing feed usage combine to chew through bushels.

Feed & Specialties

*by Bryan Bezdicsek
Branch Manager/Merchandiser*

There hasn't been much activity for barley this year as the size of the crop was significantly lower than last year. So much lower that demand has responded by filling in with other feed grains.

To our knowledge, no barley has been sent to the coast for export this year and that doesn't look to change. There have been a couple tenders for off coast business, but the U.S. has not been an aggressive bidder for any of that business. Exportable quantities may have been the issue here. However, if not before, it certainly will be now as most of the barley within AgVentures NW has been purchased. This is probably the same throughout the rest of our industry. We only have 30% of the 2009 crop left to purchase.

At this point, we would expect more of the same movement of prices for the barley that is left to purchase—meaning a sideways price. Let's hope the feed lot business we have had will continue, but at some point they will switch over to corn exclusively.

In our last newsletter, we talked about the impact the financial markets were having on everything around the world, and continue to do so yet. Let's hope that gets squared away sooner rather than later.



Direct Deposit Now Available

AgVentures NW, LLC has the capability to deposit your grain settlement checks to an account that you specify. If interested in this option, please contact any of our branch offices. The sign up form is also available on our website, www.agventuresnw.com, by clicking on the link "Direct Deposit Form." Your completed form along with a voided check can be returned to the nearest branch office.



Seed Division Happenings

by Paul Porter, Seed Division Manager



Since we visited last spring, we have been very busy. The summer plot tour was a big success. We started at Mike Miller's farm, traveled to the Crop Production Services winter wheat plots at the Larmer Farm, then went to Steve Krupke's farm north of Edwall to visit our spring wheat plots. The spring wheat plots were sponsored by the Wilbur Ellis Company. When we finished with the spring wheat plots, our next stop was at Dormaier Brothers on Telecky Rd. At this location, we had treated ORCF 102 with different seed treatment rates. After the tour, the seed plant crew served a picnic of Western Grillers, chips and various beverages. If you missed the tour this year, please plan to attend in 2010.

On July 28th, we started harvesting plots at the JR Miller farm. Ron Whittum from Washington State Crop Improvement brought their combine and harvested the plots for us. Aaron Essor, WSU Extension, brought their weight wagon and Odessa Union Seed Plant brought the truck to haul away the wheat. Ron was able to harvest 5 of the 6 planted rows.

Harvest Data—J.R. Miller Field Strip Trial

28-Jul-09

Variety	Plot #	Bu/Ac	Moisture	Protein	Test Weight
Masami	484	38.6	10.0	12.7	57.8
Salute	465	37.1	9.4	12.8	54.7
Legion	382	30.5	10.6	12.8	57.2
Xerpha	530	42.3	8.8	12.4	54.7
Eltan	486	38.8	9.7	12.5	58.7

On August 20th the 2009 emergence trial was planted. All of the seed was foundation treated with 2 oz of Dividend Extreme and 1/2 oz of Cruiser. Again they were planted with JD 6x16 grain drills. Each drill box had a different variety. We planted one hard white winter – NuDakota, two hard red winters – Farnum and Whetstone, six soft white winter wheats – ORCF 102, ORCF 103, Eltan, Xerpha, Legion, and Masami, and two winter club wheats – Cara and Bruehl. The emergence results are NuDakota 11 days, Farnum 5 days, Whetstone 12 days, ORCF 102 10 days, ORCF 103 9 days, Eltan 7 days, Xerpha 7 days, Legion 10 days, Masami 10 days, Cara 10 days, and Bruehl 8 days. Everything was planted 4.5 inches deep, 1.5 of moisture and 3 inches dry dirt. In July, we will harvest the plots and publish the yields on the Odessa Union web page.

On December 15th, we had our first scheduled winter seed meeting in Odessa. We also had a meeting December 16th in Ephrata. We are planning to have this be an annual meeting for our seed customers. Here is the rest of the winter meeting schedule.

Harrington-January 6th, 2010; Davenport-January 12th, 2010; Sprague-January 26th, 2010

Spring Seed

Odessa Union will offer Certified Louise, Certified Alpowa, Certified Eden, Common Eden, and Certified Otis. If you are planting spring wheat, please let us know your needs early. Companies in other areas want to secure seed stocks for their growers. I do not want to let inventory go until you have had opportunity to tell me your needs.

ATTENTION:

We recently experienced an audit by the Department of Transportation (DOT) as a result of changing our DOT registration from **intra**state to **inter**state. The change was prompted when DOT redefined the movement of grain in our trucks to our customers. If you deliver grain from your field to a local grain company, your business is still considered an **intra**state transaction. However, if you deliver and sell your grain to someone within the state who has the *intent* of moving your grain offshore in a subsequent sale, your business is now considered a "leg" of an **inter**state transaction. In other words, deliveries directly to a river terminal or shuttle terminal will be considered interstate for the purposes of DOT. In a separate matter, you will only need intrastate licensing unless you plan to drive your truck across state lines regardless of where you deliver your grain within the state. Check out our web site for links to additional information. Here are a couple sites to try: www.fmcsa.gov and www.wsp.wa.gov.

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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.