



News & Views

A Monthly Publication Dedicated to the Feed, Seed, Grain and Farm Supply Industries of Wisconsin

Forewarned is Forearmed

A guest article by Diana Klemme, Grain Service Corp., Atlanta, GA.

In recent (communications) we've thrown up caution flags and sounded warnings about what may lie ahead with this year's markets, including potentially \$5 corn. We're not backing down – if anything we're more concerned than ever. Index funds continue to attract investment money; corn futures are near contract highs despite talk of 90 million corn acres in 2007; and ethanol production is running at capacity. Now reality is setting in; analysts and traders recognize adding 10 to 12 million corn acres this year may be nearly impossible, and that seed and fertilizer limitations could shave yields. Any weather (or acreage) threat could set off an explosive rally that could have dramatic consequences before the market figures out whether or not the corn crop was really at risk. Under-financed elevators (or even some grain companies) could exhaust their borrowing capacity within days, and basis could fall apart under the rush to liquidate inventories.

This is not a pretty image and we certainly hope it doesn't come to pass. It probably won't. But forewarned is forearmed – underestimate this corn market at your peril. Run the most extreme price/basis scenarios and calculate the financial impact on your business. Assume corn futures could rally \$1 in two to three weeks, for example; assume basis simultaneously drops 10, 20 even 30¢; and assume farmers rush to sell their old-crop holdings and more 07, 08, and 09 crop production. How would you manage this scenario? (Note: Anyone who doubts how far basis can fall in extreme events should research the Russian Embargo of 1980.)

One senior ag lender we spoke with in recent days suggested elevator managers and owners lay out cash flow projections into the summer and harvest.

Show your merchandising plan and your "what if" scenarios for financing requirements. A number of banks are now doing on-site limited or full audits, including bin measurements and reviewing documents. Some borrowers have learned they aren't far from their absolute credit cap. Another lender told us to expect more banks to even review their own aggregate exposure in the ag sector and perhaps instruct loan officers to 'ratchet down.'

Stay well ahead of the market with available credit/financing. Keep long basis positions to a manageable size, roll short hedges forward to protect futures carries, and sell cash into forward carries to spread out logistics. (If nearby basis heats up you can move inventory sooner and cover the deferred sales later.) Continue to aim for singles & doubles instead of holding for a home-run.

Seminars and Training

Following the model of last year's well-attended FDA recordkeeping seminars, we have scheduled another round of seminars on another 'in demand' topic. WASA Executive director John Petty will present the topic "Biofuels: Opportunities and Challenges for the Feed & Grain Industry." This is an updated and expanded version of the program that John has done across the state for the past four months.

The goal of the presentation is for agri-business owners, managers, and directors to understand the ground shift in agriculture that is occurring due to the biofuels revolution. Every feed, grain and agronomy operation in the state will be impacted by the changes that are occurring. And you as a manager or owner need to know exactly what's happening and why to better understand and plan for the future. John will also will give his insights into what the next five years of this change in agriculture will bring and how you can plan for the challenges and profit from the opportunities. The program also

includes enough time for you to ask questions following the presentation. This is a presentation that you can not afford to miss.

In addition, WASA will be presenting a one-day classroom event on grain merchandising meant for those new to merchandising or for office staff needing to understand the fundamentals of the subject. "The Basics of Basis" is intended from the perspective of the elevator or feed ingredient buyer. We have already had questions from members if this class is open to producer customers of member firms. We have responded that we do not check ID's at the door and if a member firm wishes to pay the registration fee for someone, we don't question their employment or customer status with that company. That said; this is not intended to be a farmer marketing presentation. Although aspects of producer marketing will be discussed, that is clearly not the focus of the class.

Both programs registration forms are included with this copy of the newsletter. Space is limited for the biofuels presentation, so please register in advance so that we can accommodate everyone.

WASA Board Election Results■

The WASA Board of Directors had four seats (two regional representatives, the Feed Industry representative and an At-Large Director) up for election this year and the votes have been counted. Thank you to all of you who voted and to all our candidates. The newly elected members of the Board of Directors, along with information about them, are listed below.

Northeast District Representative:

Tom Lefeber, St. Nazianz Milling Inc., Saint Nazianz (re-elected)

Tom is President and owner of St. Nazianz Milling Inc., which he has operated for 28 years. St. Nazianz Milling provides feed, grain, storage, seed, and nutritional services. Tom is formerly President of IDO Board of Directors and has been actively involved in the feed business as well as civic affairs in the surrounding areas. He had been a feed representative for a large feed company for five years before buying

the mill. He is married to his wife, Kathy, and is a father of two and grandfather of three.

Feed Industry Representative:

John Van De Wiel, Cuba City Feed Mill, Inc., Cuba City (re-elected)

John is Manager and Owner of Cuba City Feed Mill. John graduated from UW-Madison in 1966 and worked in St. Louis as a chemical engineer until 1972. At that time, he came home to Cuba City and bought his father's feed business. In 1994, he built a new facility, which handles a large list of commodities and grain. In addition to the retail business, Cuba City Feed Mill provides toll milling for several feed companies and private nutritionists. John previously served on Southwest Health Center Board of Directors and the church council. John and his wife, Ann, have four children and five grandchildren.

Southwest District Representative:

David Wiederholt, Riverdale Ag Service, Inc., Muscoda (re-elected))

Dave is manager and co-owner with his wife JoAnn. Riverdale Ag Service is full-service dealership providing feed, dry and liquid fertilizer, crop protection chemicals, custom application, and grain elevator with rail loading. This past year is the 23rd year of ownership for Dave and JoAnn. They have three children, Alexandra, Johnny, and Nick, who are growing right along with the business.

At-Large Representative:

Doug Cropp, Landmark Services Cooperative, Evansville

Doug is the Grain Division Manager for Landmark. He currently manages five grain facilities and his office is in Evansville. Landmark Services Cooperative is a large diversified company including grain (both rail and truck grain shipper), feed, agronomy, refined fuels, propane, c-stores and hardware stores. One of the locations is a high-speed rail facility capable of loading 75 cars in less than eight hours and total cumulative grain storage capacity at all the coop's facilities is over 10 million bushels. Doug has been with Landmark for almost four years. He has over 15 years of experience in the agriculture industry. Doug and his wife, Tracy, live

in Janesville with their two boys Matthew and Nicholas.

In addition, the new board met and voted to retain last year's officers for the coming year. They are President Tom Stehr of Vita Plus-Columbus, Vice President Tom Lefeber of St. Nazianz Milling Inc., and Secretary/Treasurer Pat Duffy of Duffy Grain, Inc.

We would also like to recognize Brad Mathson of Whitehall for his service on the board and to the members of the Association. Brad has been a true champion for Wisconsin agri-business and his insight and energy will be missed by the Board.

Eldon Roesler Scholarships ■

The criteria for consideration for the scholarships will remain the same and are as follows:

- be a Wisconsin resident,
- have completed one year of study at a Wisconsin university, college or vocational/technical college in an agricultural discipline or in another discipline with the stated intent of pursuing a career in an agriculture-related field,
- have a minimum of a 2.75 cumulative grade point average on a scale of 4.0, and
- can demonstrate in written form qualities of leadership, academic ability and financial need.

What do you need to do? Just copy both sides of the enclosed form and leave it on your counter and/or mention it to any employees or customers who may have an eligible child. If an applicant is awarded a scholarship that received their application from you, the resulting good will and potential positive publicity can't do you any harm. And all you have to do is have the applications on your counter or mention it to your employees. Not a bad deal.

Looking Down the Road ■

Mar. 7 **WASA Grain Merchandising Seminar:**
“The Basics of Basis”
Kalahari Resort, Wisconsin Dells

WASA Industry Seminar:

“Biofuels: Opportunities and Challenges for the Feed and Grain Industry”
Presented twice daily at each of the following locations 11:30 AM & 6:00 PM

Mar. 8 **Kalahari Resort, Wisconsin Dells**

Mar. 12 **Comfort Inn, Mineral Point**

Mar. 15 **La Quinta Inn & Suites, Appleton**

Mar. 22 **Country Springs Hotel, Waukesha**

Mar. 26 **Sleep Inn, Eau Claire**

Mar. 27 **Stoney Creek Inn, Mosinee**

Mar. 29 **Hazel Brown Leicht Library, West Salem**

WASA Directory Update ■

The following updates should be made to your WASA Directory.

New:

Bump Investor Services
150 1st Ave. NE, Ste. 400
Cedar Rapids, IA 52401
Phone: (319) 362-2325

Grand River Cooperative
225 E John St.
Markesan, WI 53946
Phone: (920) 398-2301

Key Ingredients, LLC
1225 Nelson Parkway
Viroqua, WI 54665
Phone: (608) 637-3539

Seneca Feed and Supply, Inc.
154 State Hwy 27
Seneca, WI 54654
Phone: (608) 734-3700

As additions or changes are made throughout the year, we will notify you here in WASA N & V.