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NEWSLETTER

FALL 2006

Accounting notes

*By Gaylord Sanneman,
General Manager*

Sixth month review

Your cooperative completed the first half of our 2007 fiscal year at the end of July. Your board of directors, as usual, authorized the auditors to review this time period for accounting purposes. As a result of their report, I am glad to report to you that your cooperative remains in good financial status and that the net savings achieved for our first six months of operation were comparable to those of years in the past.

Although a good net savings have been realized at this time, several challenges exist for management of your cooperative to address. I would be remiss in my duties as your General Manager if I did not communicate them to you.

This first challenge, and this is nothing new, is accounts receivable. Our balance at the end of July was \$2.5 million, and a real concern to me is the accounts that are past due. Although the number and amount of these accounts are comparable to previous years, it is my goal that a reduction in the number and amount

of these accounts is needed immediately.

The second challenge is risk management of our prepaid contracts with suppliers. In years past it has always proven to be a good hedge against market price increases, especially in the crop nutrients sector. However, this year it turned out to be the opposite result with the cooperative taking a severe margin reduction in anhydrous ammonia. Our gross margins in anhydrous ammonia at the end of July were zero. We had comparable sales with past years but, at times, we were selling anhydrous at a significant loss because of the downturn in the anhydrous market.

The final challenge we face together is the poor wheat harvest. Although our bushel receipts on a percentage basis were better than some in our industry, the fact remains that we will have little wheat to market in the next nine months to generate income that is needed to offset expenses. Therefore, we continually monitor our expenses and make adjustments when possible.

Again, we had a very successful first six months financially. Our hope is that as we move forward into the fall harvest we will continue with the success that we have had in the past.

In Memory of Jerry French

The Sublette Cooperative family lost one of its longest term employees on August the 26, 2006, **Jerry French**. Jerry started working in the elevator on June 15, 1972 and was moved to the grain office sometime later, completing thirty-four years of service to the cooperative.

We extend our heartfelt sympathies to his family on their loss.



Notes from the Grain Pit

By Lawrence Baxa

Hello everyone. Can you believe the summer is over and school is starting? It's the last of August as I am writing this and fall harvest will soon be here. With that being said, here is where we are. We have just completed the first six months of our new year and look forward to the rest of the year.

First, I would like to comment about the wheat harvest. It was very tough this year as many of you know. With all the challenges the wheat had to deal with from drought to disease to a late season freeze, it seemed like any problem the wheat might have, it did have. The result of these conditions was a wheat harvest that was one half of historical averages. Fewer bushels received means less bushels to merchandise but, rest assured, your Co-op staff will look at the most effective ways to sell the wheat in order to be as profitable as possible. We may have less wheat to sell but we will work for the best we can get with what we have. However, with the recent moisture we have gotten and July 07 wheat hanging round \$4.00/bushel, I would guess more wheat would be planted. Since in this day and age we are a much more global market, here are a few things to watch. There is lingering dryness in Australia with 20% of normal moisture. The European market is concerned with the quantity and quality of their own wheat with some harvest rain causing problems. With all the factors involved, it will be important to watch July 07 for new-crop marketing opportunities.

Looking at the rest of the grain complex, we see the markets coming back down after putting in their seasonal highs. Some softness can be expected as harvest approaches. The question is, what will happen? We have a good carry-over right now and USDA has projected a good crop for fall. This is keeping pressure on the December futures. However, some

models suggest that with any hiccup at all in production and the demand that the surging ethanol and bio-fuel industries are developing, things could get interesting for both corn and beans. We have seen the Dec 07 corn trade at over \$3.00/bushel and the December futures have only traded at that level a couple of times in the last fifteen years. It will be interesting to see what happens. Soybeans really have had a lackluster trade all summer long and fall appears to be no different. Like corn, there are many factors to watch.

There are a number of circumstances going on right now to make one think optimistically about the future. With the demand for coarse grains and oil seeds rising, there will be marketing windows to lock in some good prices. Come by and see us at the Sublette Co-op for the latest prices and contracting options. We appreciate your business. Since this will probably come out after the bulk of fall harvest is complete, we would like to thank you for bringing your grain to the Sublette Co-op. We are very grateful for the community support which we receive and encourage all our patrons to support the local schools and all fall activities. Thanks again.

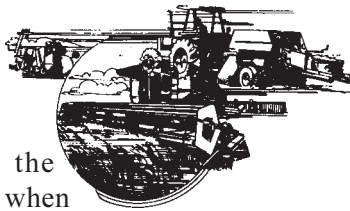
Mission Statement
To be a marketing and service-oriented cooperative organization dedicated to the long-term success of our patron/owners.



Crop production

notes

By Kent Ochs



This is the time of year when your reading of newsletters and magazines is cut short by fall harvest and wheat planting. I remember the farm days and during the busy times my reading was reduced to scanning of the pictures, so here goes. The following pictures consist of your new



anhydrous ammonia satellite plant which is located 6.5 miles north of Satanta on Road FF. We are excited about offering these services to this area. The plant will compliment the other satellite locations and fill a void in the county for a Co-op facility. If you get a chance, drive by and take a look.

The next set of pictures consists of a service we now offer: strip-till with dual applied anhydrous and dry fertilizer for a one-pass operation. This is one fine piece of equipment we share with Garden City Co-op. We are excited about this state-of-the-art



machine and its potential on your farm. With three units available, we are prepared for prompt service.

Give us a call if you have any questions about the new plant or rig. Full fertilizer service is and always will be our goal. Have a safe and prosperous harvest.

NE Branch news

By Ron Isenberg

As I write this article for the newsletter it is surely nice to say that we have received some much-needed rainfall. Maybe it was too late for the corn but it surely helped out on the milo and makes you think about planting wheat.

For those of you who need phos 11-52-0 to put through those wheat drills, keep us in mind. We will do our best to service your needs.

We at the NE branch would like to say "thank you" to all our patrons and wish you the best of luck with fall harvest. We would also like to remind you that harvest is a very busy time and to please be careful.

As harvest is under way and wheat planting not too far off remember, for all your fertilizer needs call on us.

Again, thanks for your business and I look forward to helping you in the future.

Wealth of information

By Mark D. Horinek

As I sat in front of my computer wondering what in the world I could write about for a newsletter article, I went to my usual place that gives me ideas that could provoke some thought on my part. The web site is Kansas State University Extension. This seemed to be the answer to my problem of the newsletter article. As I looked at the computer screen, I saw an encyclopedia of Ag-related research that can be accessed and best of all it is free. People have written articles and have done research on a very extensive array of topics that range from keeping your cattle cool to barbeque safety to name a few. The web site is www.oznet.k-state.edu.

One can also go to www.google.com and type in the name of just about every state in the union that has a Land Grant university plus the word extension (Kansas Extension for example). This will bring up the extension service for that state. All one has to do is click on the link and the search engine will take you to the web site.

We are living in the information age and there is a ton of information out there. Still, if you have a question and want to come and talk to us at the Sublette Co-op, please feel free to come in. We are here to help.

Sublette Cooperative, Inc.

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Officers and Directors

- Pete York President
- Rex Brown Vice President
- Steve Hammer Secretary
- Lynn Leonard Director
- Rusty Sherwood Director
- Rick Koehn Associate Director
- Gaylord Sanneman .. General Manager

News from the Service Station

By Terry Presley

It started a year ago with your inquiries and interest. Through development, commitment, and your participation we now boast about sales of biodiesel of over 156,000 gallons. You might think that doesn't sound like a lot but remember that those soy gallons are sometimes blended into our premium diesel at various percentages according to what you have ordered.

We were diligent to remind you that with higher concentrations of biodiesel greater than 20% you could experience filter problems because strong percentiles will "clean" your tank, pushing any contaminants right on through. Many of you did experience some filter problems but after changing a few filters, things were back to being normal.

A cleaner burning fuel, more lubricity, and less cost drove many new producers in our doors and certainly more of you to at least

inquire about what your neighbors were talking about. Mike Priddy, our veteran bulk delivery driver, asked me, "Did you ever think it would go this good?" My response was a simple, "No."

With a year behind us and looking ahead, we are excited about the future of biodiesel not only for you the producer but for Kansas as well. There is some interest in building an oil crushing plant in St. John, Kansas and that alone would really solidify our source of B100 soy oil. In Southwest Kansas, the Sublette Co-op is the most significant proponent of biodiesel, and rightly so, because you have certainly earned that title. It is the intention of the management and staff to continue our education and understanding of biodiesel and to become more aggressive in our purchasing power and to stay committed to customer service.

Biodiesel is what diesel should be!!!



Key winter clothing at the Service Station

It is finally cooling off.

Now is the time to get your fall clothing in order. The Service Station has a great selection of Key winter attire.

Come on in and see the new selection of bib overalls, waterproof/wind proof jackets with and without hood, waist coats and hooded sweatshirts in a variety of sizes.

If not for yourself, they will make great birthday, Christmas, or "just because" presents for your family and friends!

Bev, Edie, and Alene



B100 Biodiesel Plant

