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# NEWSLETTER

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SUMMER 2006

## Manager's comments

*By Gaylord Sanneman*

One of the responsibilities that I am charged with as manager and an employee of the cooperative is the safeguarding of assets. Some of the minor daily duties of safeguarding the assets that I am charged with are making sure that the office is secured and locked at the close of business each day, or at least delegate that duty to another responsible employee. In addition, there is the management of the cash funds of the cooperative and maintaining the compliance of loan obligations with our lender. All of these duties and many more that I am not going to expound on fall under the category of "safeguarding of assets." However, I believe not only should a prudent manager safeguard the assets but he or she must grow the assets with which they have been entrusted. This growth of assets must also be measured with a limited increase of the corresponding liabilities.

For the most part, most increases in assets are the result of having a profitable operation. In other words, purchases of additional assets are

accomplished by the use of funds created by the current operations of the company itself with limited help from outside sources. In my opinion, the Sublette Cooperative has accomplished this objective within a good and sound framework of financial management practices.

In my estimation, the cooperative has made some major purchases in the past several months. We have remodeled the service station pump islands and added an E-85 pump. Also, the cooperative had to purchase a different oil delivery truck, and a minimum investment was made in Conestoga Energy, LLC so the Sublette Cooperative could be a part of the ethanol production facilities that are currently under construction. We also have invested in Western Kansas Chemical, LLC. All of these purchases added to the assets of the cooperative and were financed within the company itself.

One of the ways that most cooperatives have added to their assets is by securing additional locations either through mergers or outright purchases. The Sublette Cooperative, for whatever reason, has not had the opportunity or has chosen not to make that type of asset addition. However, the Sublette Cooperative has

increased its assets through the use of investments in LLCs.

One of the outstanding investments your cooperative made was the investment in Windriver Grain, LLC. In my opinion, Windriver Grain has far exceeded the financial returns projected. It is a well managed and profitable grain train loader and unloader facility at Garden City. Your initial investment of \$500,000 has returned to you as the owners of the Sublette Cooperative \$1,081,265.67 in the past nine years. That is an average of \$120,000+ per year, or a 24% return per annum.

When it comes to investing in additional assets, even with good financial data, it is sometimes difficult to know in advance how things are going to turn out. When your cooperative made the investment in Windriver, it was done with the objective of having another grain marketing alternative and I'll bet little was expected in the way of financial returns.

I hope, as the cooperative moves forward into the future, that someday someone will say that the investments we made this year exceeded our expectations. What we are trying to do is to protect and grow the assets of the Sublette Cooperative, Inc.

# Notes from the Grain Pit

By Lawrence Baxa

Well, here we go. This is my first time writing for the newsletter from the grain side of the business. Many of you will recall I have written a number of these from the NE Branch while I was involved with the crop production side of the business. However, this will be the first I have written while trying to get a handle on which way the grain markets will go. One thing to remember about these markets is that for everyone who thinks they are going up, there is someone out there who thinks they are going down. So, that puts us in between. Paying you, our producers, the best possible price for your grain and then turning around and selling it at the best possible price to make a profit for the Co-op and return patronage to our stockholders is our job. For that, we need you.

As I write this, wheat harvest is just about ready to begin. Cash prices are at a level we have not seen in some time. In fact, wheat is \$1.32 per bushel higher this year than it was last year. Even though we are facing a tough wheat harvest, at least the price is better. The 06 wheat harvest will go down as the tough wheat crop that used all nine lives that year and then some. One thing that is encouraging is 07 and 08 wheat option prices give producers a chance to forward market some bushels for next year's crop.

Looking at the fall crops, we see historical futures prices at levels we have seen only twice in the last twelve years. This presents us with some excellent forward contract values to lock in some good prices for corn and milo, not only for 06 but looking ahead to the 07, and yes, even the 08 crop year. Come in and see Jerry or me to discuss what market strategy we might look at for the coming months.

Lastly, looking at the soy complex, we might finally see those values

climbing. The beans have more or less forgotten about because of what has transpired in the wheat market and the feed grains. Even sunflowers have not been talked about much. It will only be a matter of time before the oil seeds make some sort of move. A lot will depend on what happens in Brazil and South America. We can only hope that oil crops will give you producers a chance to lock some in at profitable values with some forward contracting.

I'll close for now as I have begun to ramble. When you find yourself reading this, wheat harvest should be over so I want to express our thanks to you for your wheat bushels you brought to your Sublette Co-op. We look forward to being your grain delivery point for this fall harvest. As always, if you have any questions, just give us a call or come by the office. Thanks again. We appreciate your business and the community in which we live and work.

## Crop production notes

By Kent Ochs

Change is a word that no one really likes to hear. I know I dislike making too many changes here at the Co-op, especially if things are going well. Fathers and grandfathers surely didn't like change and they passed on some great farming practices and work ethics that we all continue today.

With that being said, change is sometimes inevitable and I was faced with this at the end of 2005. Big changes in the Satanta area resulted in the possibility of the Sublette Co-op expanding in that territory. It would have to be done correctly so as not to create a "takeover" atmosphere.

I have strong Co-op principles that date back to my grandfather being a Co-op board member, through our farming era, and now by my being here. It appeared to me the stage was set and all that was left to do was getting the additional support to make this endeavor successful. I contacted Ron Isenberg, longtime Satanta Co-op employee, and after several meetings, we came to terms. We had a position open at the Northeast Branch after Lawrence Baxa moved to the Grain Department in Sublette. With the possibilities of additional acres, our needs for custom applicators and their support personnel became an issue. I contacted Doug Long, Guillermo "Willie" Padilla, and Roy Pywell, all long-term Satanta Co-op employees and, again, terms were set. The boys had barely signed on the dotted line and we hit the ground running. The hunger for the return to cooperative principles showed during top-dressing season and continued right on through the row-crop application season.

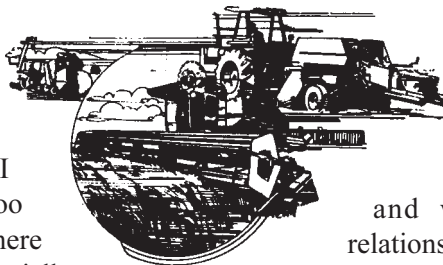
With the immediate success of our expansion, we decided to offer an anhydrous ammonia plant in the Satanta area. Ron and I picked several potential locations and finally settled on one north

of Satanta. We hope to have it operational by July or August. The change has been great so far. The Satanta patrons have accepted this project

and we can see long-term relationships being started.

I have always stated that "I would not forget the one who brought us to the dance" and our patrons in the Sublette area and Northeast Branch area have not been forgotten. We continue to serve everyone equally and I am very well satisfied that everyone has received prompt, quality service.

I feel like I'm rambling, but I have tried to give you the pertinent information about what has happened the last six months. Give us a call any time. Thank you for your patronage. It is sincerely appreciated.



## NE Branch news

By Ron Isenberg

Hello from the NE Branch. My name is Ron Isenberg, the branch manager. I have met a lot of you but if I haven't yet, I look forward to meeting you. A little about myself: I come from Satanta where I worked for the Co-op there for thirty-one years. I have been in the fertilizer and chemical business for most of that time. I am taking Lawrence Baxa's place at the NE Branch. Lawrence moved into town to become the grain manager. Good luck on your new duties, Lawrence.

Spring has come and gone and with it, hot dry conditions. The corn and beans are up and look good and milo planting is underway as I write this. We are busy selling and supplying chemicals and fertilizer for all of these crops; so, if we can help you in any way, give us a call or stop in.

I would like to take this time to let you know we appreciate your business and if we can help serve you in any way, please let us know.

### Mission Statement

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

#### Sublette Cooperative, Inc.

500 West La Lande, P.O. Box 340  
Sublette, KS 67877-0340

#### 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

## Fertilizing Soybeans in a high-yield environment

By Mark D. Horinek

Research at Kansas State University has shown that dry land soybeans rarely respond to starter fertilizer applications. However, in high-yielding environments, soybean yields can respond to fertilization. Irrigated soybean yields in Kansas often top out at 60 bu/acre. Research by K-State agronomist Barney Gordon, North Central Experiment Field, has shown that by using adequate levels of phosphorous and potassium fertilizer, irrigators can increase soybean yields considerably. Typically, in a corn-soybean rotation, fertilizer is applied only during the corn phase of the rotation. **"To capitalize on genetic improvements in soybean yield, plant nutrients should not be the limiting factor,"** Gordon says.

In Gordon's study, treatment included two row spacings, two plant populations, and seven fertility treatments. Fertility treatments consisted of various combinations of nitrogen (N), phosphorous ( $P_2O_5$ ) at low and high rates.

Neither plant populations nor row spacing affected yields. Increasing plant populations in narrow rows reduced yield. Soybean yields did respond to fertilizer application. Applying 80 lbs/a  $P_2O_5$  with 60 lb/a  $K_2O$  increased yield by 35 bu/acre over the unfertilized plot. Applying higher rates of  $K_2O$ , or adding N to the fertilizer, did not increase yields. Increasing plant population at lower fertility reduced yield. In 2005, Gordon added 5 lbs/a of manganese (Mn) to a 20-80-120 fertilizer treatment. The Mn lifted yields from 87 to 93 bu/acre. In other research, Gordon has found that fertilizing Roundup Ready soybeans with about 5 lbs/acre of Mn in a band preplant or

as a liquid in a starter fertilizer increased yields where soil pH levels are 6.5 or higher. At lower pH levels, soil Mn is more available and Roundup Ready soybeans are less likely to respond to Mn as fertilizer. Gordon concluded that in a high yielding environment, soybean yields can be greatly improved by direct fertilization with P, K, and possibly Mn.

At the time that this article is published, it will probably be too late for most, if not all, growers to get high rates of P on soybeans. One can apply Mn to soybeans at R1, (the beginning of pod set) and see on average about a 3 bu/acre increase in yield. This can be done in a foliar application at the same time that one applies Roundup for weed control. Potassium can be applied also in a foliar application at about R3.

This is a very boiled down version of the data presented, please come in or give us a call if you are interested. The source for the data presented in this article is: *Kansas Fertilizer Research 2005, SPR957*

### Fertility effects on soybean yield, 2005

Treatments	Bu/Acre
Check	55
Low P	63
Low P-Low K	76
Low P-High K	81
High P-Low K	88
High P-High K	89
N-P-K	88
N-P-K-Mn	93
Average over row spacing and plant population.	



# News from the Service Station

By Terry Presley

## New site —

Installation of the clear diesel and dyed diesel pumps is now complete. More room and better lighting are features that enhance the new location for diesel fuel customers. By widening the south driveway, large trucks are now able to enter and exit the property more easily and with greater access. Several customers have commented that the expanded site is "really a lot better." It's been a long time coming and we'd like to say thanks for your patience during this whole process. Remember to thank your local board members for their leadership in making improvements at your cooperative.

## Bio Diesel —

Bio Diesel is another value-added



benefit provided to the local cooperative members. Our bulk supply of Bio Soy is now in place and we can offer to our patrons a large range of blends of soy and diesel. A B10 Blend would consist of 10% soy and 90% diesel. As the soy percent is increased, the diesel percent is decreased. For more information there are two Web sites that provide excellent data on Bio Diesel: [www.pmaa.org](http://www.pmaa.org) and [www.biodiesel.org](http://www.biodiesel.org). Sublette Co-op will offer custom blends of Bio Diesel through the warm weather days and provide B2 or B5 in the colder season via our retail. We are excited about being in the forefront of this relatively new market here in Southwest Kansas by providing an innovative, environmentally clean product that reduces our dependency on foreign imports while giving economic support for American farmer-grown products. The following is a short list of things to

do to bring your understanding, comprehension, and experience up to speed:

1. Visit Web sites
2. Inquire at your local Co-op
3. Question a local Co-op board member
4. Purchase Bio Diesel
5. Keep records on consumption
6. Brag to your neighbor

## Expanding fleet—

A 7,200-gallon bulk oil delivery truck known as "Big Red" has joined the delivery fleet of Sublette Co-op. Its previous home was Spring Valley, Minnesota with Baudoin Oil Company.

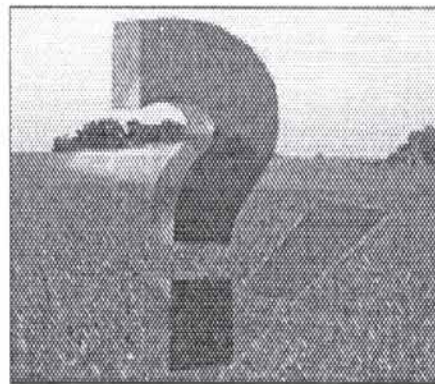
Good, clean trucks are rare and hard to find but after numerous phone calls and patience, the deal was made and Sublette Co-op

bulk oil delivery service was given new life. All products have seen significant cost increases here of late, but by buying in bulk we're able to purchase and then retail engine and hydraulic oil competitively. And now with Big Red, we are able to deliver a quality product efficiently and with great Sublette Co-op pride.

## Ad campaign —

"Beef, it's what's for dinner" is a popular slogan of the beef industry. Well, the National Ethanol Vehicle Coalition (NEVC) has their own take on slogans: "E-85 the American Fuel." Certainly so. What we know of gasoline fuels today won't even compare to technology that will be forthcoming in just a few short years. Remember, "Need is the mother of invention." How true. E-85 is an exciting new product with a great new future. Let's take this journey together — Sublette Co-op and you!

## Are All Laboratories The Same?



Sublette Cooperative, Inc. doesn't think so. We want to assure you are getting the right fertility recommendations each and every time. That is why we trust Servi-Tech Laboratories.

A cooperative owned lab with over  
80 agronomists  
1 million acres under contract  
and 30 years of experience.

Why trust just anyone, when we know we can TRUST Servi-Tech?

 **Servi-Tech  
Laboratories**  
*Results You Can Trust*