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NEWSLETTER

SUMMER 2007

Manager's notes

*By Gaylord Sanneman,
General Manager*

It may be because I am getting older, but the changes that are taking place in the business sector in which we operate seem to be nearly overwhelming at times. I realize that change is inevitable, but the pace and the scope at which adjustments are required seem to increase on a daily basis anymore. I would like to share a few of the major changes to which we are currently adjusting.

The first concern which is very prevalent in our area is about the ethanol plants that are proposed and the ones that are under construction. The impact that these facilities will have on local grain markets and how these plants will secure the grain is yet to be seen. However, I was somewhat encouraged when a group of cooperative managers met with representatives of Conestoga Energy. Some of our concerns were addressed, especially as to how they would secure the grain that they will use in their facilities. We were assured that Conestoga would work with the local grain companies to the best of their ability. They stated they did not want to take over a lot of the services that we provide for our customer base because they lack the infrastructure and personnel needed. They also stated that we as local elevators have done an outstanding job of working with producers and they did not want to destroy that relationship.

The second good change that we are adjusting to is the impact of higher grain prices. The downside of this change, however, is that it has required borrowing capital to operate at a level that we have never before realized. Another reality we are adjusting to is the amount of interest expense that we are incurring. The amount of interest expense for just the first quarter of this year would have been equal to the amount for the entire year several years ago.

Government rules and regulations always require daily adherence and administration. Several years ago, your company secured the services of a safety and compliance officer. That person makes sure our files are complete, our safety training for employees is up to date, and if required, employees meet certification requirements.

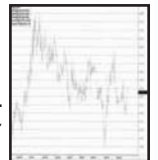
In visiting with customers, I have learned there is a lack of knowledge about the requirements that your company must meet in order to have an employee deliver chemicals, fuel, fertilizer, or to load/unload grain trucks. We cannot just hire someone off the street and assign them to do a job without proper training and certification. The upside of this policy is that our insurance carrier is aware of our safety practices. Thus, our insurance premium discounts reflect the care and pain that we sometimes go through to make sure our practices are safe and legal. Likewise, the movement of employees from one department to another within the organization requires specific safety training.

Another change we are dealing with at the current time is that it is reported a major crop production competitor has leased their facilities to another company. What this means to your cooperative in the future is unknown at this time, but please be assured that whatever adjustments are needed your staff is ready for the challenge.

As I stated in the beginning, "change is inevitable," but one of the pluses for the Sublette Cooperative is that we are a locally owned and operated business. As such, we adjust to changes as quickly as possible because of our ownership and operational structure. I personally believe that locally owned and operated businesses are the basic economic backbone and support of this great country of ours.

Notes from the Grain Pit

By Lawrence Baxa



Hello all! It is newsletter time again. As I was thinking about what I wanted to write this time, several things came to mind. One topic is the way the markets have been acting the last several months and that gives a person plenty to talk about, and to think about. We have seen the markets reach new contract highs only to pull back a while, then come back up strong and set new highs. Then they have backed off yet again. The word, volatile, does not even begin to describe this action. Many factors are involved in what makes the

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markets react as they do. Crop reports, weather reports, export reports, etc. all play a role. There were some big numbers to digest from the last reports, so here goes.

I will start with the wheat market. By the time you are reading this, wheat harvest will probably be here. The current wheat crop we have before us is looking very good. I think we can expect a much better harvest this year vs. last year. As I see the wheat market shaping up, I think there will be plenty of bushels produced to build stocks. I realize there have been some crop problems, i.e., the Easter freeze in Central Kansas, and dry weather in Europe, etc. However, the Kansas wheat tour participants pegged the wheat crop at 393 million bushels, and we could see it get to 400 million just in Kansas. Oklahoma is also projected to have a good crop. What this means is, we will probably see harvest pressure work on the market and grind it lower on into summer. One thing to watch will be the 2008 July wheat futures. If we have a big world harvest in 2007, it may be time to look at 2008 values and lock them in before they absorb a big carry-out from 2007 and trade lower. We have seen good values this past year as we had a short crop in 2006 and all it will take is one big round to send them back down.

Turning attention to the corn side of things, we see a lot of information to talk about. Early this spring a planting-intentions record of 90 million acres plus was reported. That's up 12 million acres from last year, the biggest increase in history. The corn market is fueled right

now (no pun intended) by the current prices based on the ethanol fuel industry. We can expect corn to drift lower into the late spring and summer as it appears the spring planting was timely across the Corn Belt and the acres are there. So, as long as conditions remain favorable, the market will keep drifting down. However, I don't look for it to fall out of bed until we get this crop closer to harvest this fall. Any kind of production hiccup during the summer will give us pricing points to market some new-crop grain. Based on the current numbers on demand for ethanol, feed usage, and the export markets, it will take a nearly perfect growing season just to generate the production needed to keep our corn ending stocks around 950 million bushels. This is kind of a magic number for the shipping pipeline to maintain balanced values between price and supply.

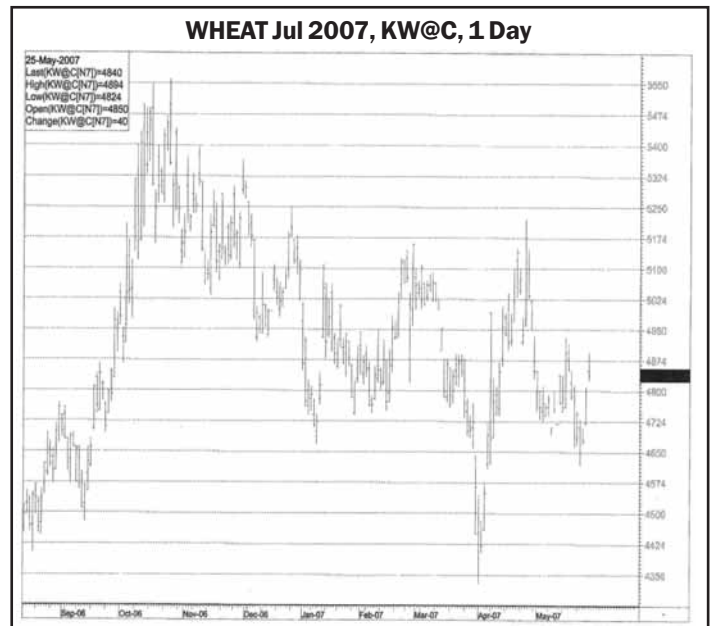
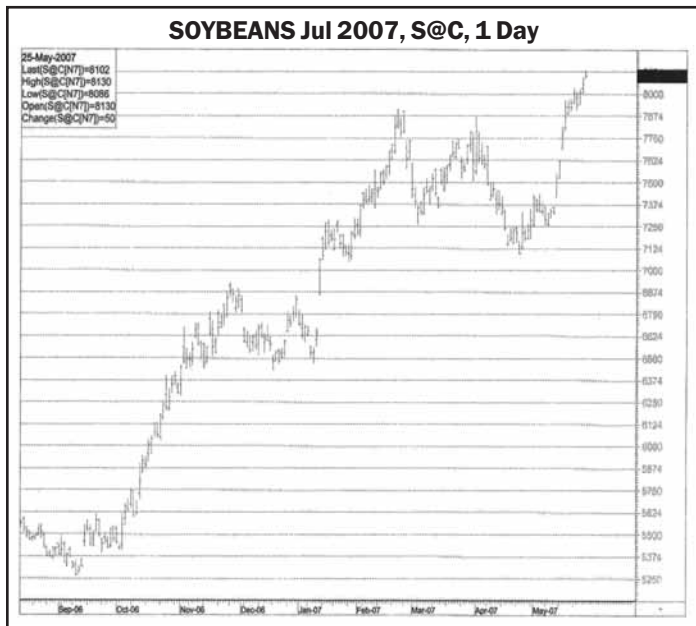
Soybeans are another matter. Recently, we have seen those values strengthen as fears of reduced soybean plantings coupled with the bio diesel growth projections have the soybean prices working up. There is some concern that with the increase in corn acres, beans will run

short. We could see prices work higher allowing you to lock in some good bean values for November. Time will ultimately tell what will happen.

I have just a comment or two about milo. Perhaps we will see the value of milo become stronger in the future. With the local demand for milo for ethanol usage and the feeding of milo that goes on in our region, we may see milo and corn values work closer together. There are some folks thinking we could even see them at equal values some time in the future.

I will conclude this with these few comments on things that I know for sure. No. 1, the grain markets could go up. No. 2, the grain markets could go down. No. 3, the grain markets might move sideways.

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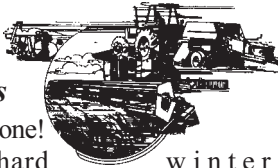


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And No. 4, we at the Sublette Co-op thank you for your business, and we appreciate it very much. We hope everyone has a good wheat harvest and a safe summer. Give us a call if you have any questions. Thank you for supporting your local cooperative.

Crop production notes

By Kent Ochs



Hello, everyone!

After a long, hard winter with late freezes and a wet spring bringing rust, we appear to have a tremendous wheat crop out there. Barring hail, harvest should be bountiful. Couple that with a price we haven't seen in years, and 2007 could go down with profits in a wheat crop.

After harvest is over, why not check the fertility of your soil. We have been cutting application rates for years because of the drought and coupled with the draw-down from the potentially large '07 crop, you have the recipe for low analyses.

There is considerable discussion about spot shortages in the fertilizer industry. I have been through this before only to see excuses for raising prices. There are several factors in place this time that make me think the shortages are for real. Only time will tell, but why gamble if you know what your 2008 wheat crop acres will be. The big million-dollar question is availability of products this fall. I will give you updates in the next newsletter or sooner if needed through my office.

Don't forget that we have Traeger Grills and pellets. We are also going to have a line of stoves: coal, pellet, corn, and wood stick burning models. See us early this fall if you are interested. We will talk chemicals, fertilizer and cooking. May you have a safe and successful harvest!!!

Headline on corn and soybeans

By Mark D. Horinek

Note: The following came from *Southwest Crop Journal*, December 30, 2004.

"For improved plant health, including disease control, early application is critical," said Gary Fellows, BASF technical manager. For

more than two years, Headline fungicide has delivered disease control in dozens of crops. Now, soybean and corn growers can make use of Headline as the result of a label expansion authorized by the Environmental Protection Agency.

Headline is registered on more than 100 crops to control some of the most damaging diseases that growers face. F500, the active ingredient, controls diseases by interfering with cell respiration and energy production. Headline was first registered for use in the United States in late 2002. BASF recommends that growers in areas where Asian soybean rust is identified apply Headline as a tank-mix with a registered triazole fungicide as a preventive treatment.

Headline also controls major diseases in corn including gray leaf spot, common corn rust, and northern and southern corn leaf blight. As in all other labeled crops, BASF recommends that Headline be used in soybeans and corn as a preventive treatment. That is, applied prior to any visual evidence of a disease being present. "For improved plant health, including disease control, early application is critical," said Gary Fellows, BASF technical manager. "Preventive treatments are the best way to insure that the fungicide will protect the plant by inhibiting the development of fungi before an infection has taken place."

"Soybean growers and seed producers will see great benefits from treating with Headline," said Tracy Lindo, soybean and plant health market manager for BASF. "It is a good fit for seed corn producers as well as for growers of intensely managed crops such as irrigated corn, sweet corn, and popcorn." Lindo noted that Headline has provided positive return-on-investment benefits in the other crops on which it has been labeled. She anticipates strong demand from U.S. soybean and corn growers.

Application directions on both corn and soybeans indicate that Headline applications should begin before appearance of the plant disease and continue every seven to fourteen days if conditions are conducive to development of plant pathogens. Please follow label directions carefully.

For more information on Headline and other BASF crop protection products, visit the BASF Web site at <http://www.agproducts.basf.com>.



Wilson Portable Corral

is now available to rent from the Sublette Coop
Call
672-2252
for details

NE Branch news

By Ron Isenberg

As this is written for the newsletter, it's nice to see another 80 to 90 hundredths inch of rain. Here it is early June and side dressing nitrogen on corn is well underway and milo planting has started. Chemical spraying of row crops is still going on when the wind will allow it.

Wheat harvest is just around the corner and we would like to wish you a safe and bountiful harvest. Keep us in mind after harvest for your stubble spraying needs. Also keep us in mind for your dry fertilizer needs as well as your nitrogen needs on next year's wheat crop.

Thanks for your business. We look forward to serving your future needs.



News from the Service Station

By Terry Presley

Fuel prices—

Once again, here we are finding the retail prices as high as a year ago. The facts are that supply issues here in the Midwest as of the last three months have been strained to put it lightly.

Our country is divided into pads or sections— Pads I, II, and III. Our part of the Midwest is in Pad II. Let's narrow

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down this picture for a more regionalized look at the situation, let's say within a 300 mile radius. The loading rack at Turpin, Oklahoma operated by Valero is still struggling to resolve issues there and is hopeful to be able to load product in the next couple of weeks. Remember, this facility has been down for over three months and no product is available. Turpin is supplied by a refinery in Texas which suffered damage from a fire. Moving on to Great Bend, Kansas, there is no product there because of storm damage. Salina, Kansas was down for almost three weeks due to high water, and is now up and loading again. Scott City, one of the main sources, was on strict allocations and was "on-again and off-again" as supply was available. Very frustrating!!! Then Kansas' largest refinery, NCRA at McPherson, was our most logical, and only, source; however, long lines with a waiting period of two to three hours to load translated into additional surcharges by the transportation company.

This same scenario continues even further out throughout the Midwest. Typically, the east and west coast markets are higher compared to us here in the middle of the country; not so these past two months. As these issues begin to work themselves through, the supply situations are improving and that helps us breathe easier. However, the "trading houses" dictate the moves or swings in the price as much as, if not more than, does supply. Hurricane season, political issues, etc. drive this market and we consumers, suppliers, and retailers are on the end of the whip of those "middlemen." I agree that "Big oil" does make good money; but I remind you that standing between you and me and "Big oil" is this thing called NYMEX, New York Mercantile Exchange. It's the place where facts, fears, greed, power, and posturing are all mixed into one and you and I are left holding the bag so to speak. That may be too harsh or cynical a look at the situation, but the bright side is, we Americans pay the least amount for gasoline and diesel than anyone else in the world.

Our commitment to bring you quality fuels at competitive prices has never wandered. It is our mission statement to you our member/producer. It's what we do, and I might add, "We do it well!"

New employees join Petroleum Department



Skylar Morlan (left) recently joined the staff at the Service Station. Skylar grew up at Ulysses and recently moved to Sublette. **Aaron Brown** (right) was hired in January 2007 to drive the refined fuels and bulk oil trucks. He also helps out in the Station as time allows. Aaron is a native of Sublette and was formerly employed at T/L Irrigation in Sublette. He has a little daughter, Kelly, who lives with her mother in Garden City.

Summer employees



My name is **Julia Montabello** and I'm 22 years old. I am originally from Brazil, but I go to college at Truman State University in Kirksville, Missouri.

I come from a family of five. My sister, Paula, graduated from college last year and now works at a hotel as manager of events. My brother, Rafael, joined the army this fall and is thinking about making a career in the military. My mother is a councilor at high school and also is an MBA teacher at a university. My father is a basketball coach and a teacher at the university level. Both my parents played basketball and because of my family's passion for the sport, I have played basketball since I was seven years old. In 2002 while playing at a National Championship in Brazil, I was invited to come to the USA and play at the college level.

At my university in Missouri, I started to study business management. In order to improve my knowledge of my major, I decided to apply for an internship which brought me to Sublette.

Working at the Co-op helps me with the learning process at school since I can relate what I study with what I have seen being done at work. It will also give me experience for future jobs because I am able to not only observe the management process but also to execute them myself.

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

Hello, my name is **Misha Rhone**. I will be a senior this coming year and am involved in sports such as volleyball and softball. I have been playing volleyball since fourth grade and softball my whole life.



My mother is Candy Huffine who is the Register of Deeds in Haskell County. My father is Lawrence "Bud" Rhone. He used to be a truck driver for Alfalfa, Inc., but he broke his leg falling off the trailer. Now he is in the process of healing. I have a sister, Summer, who is 16, and a brother, Taylor, who is 14. Then I have a step sister and brother: Kaylee and Landon who are eight and six years old.

I plan to attend the University of Kansas, play volleyball, and major in pre-dentistry. It may be that I will attend a community college first, however. We'll see what happens.

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