

WINTER 2006 - 2007

Manager's notes

*By Gaylord Sanneman,
General Manager*

It is hard to believe that the month of December is here already. As I think about what has to take place in the next several months for this company, year-end audit and annual meeting, I ask my self, "Where has the time gone?" Although I am ready for another year because of the challenges we had to face this past year with a poor wheat crop and high energy prices, we can begin the new year with a positive note of higher grain prices. As I look back on this past year, there are some other high points that I would like to take time to mention.

The first is you, the customers of the Sublette Cooperative, Inc. In my opinion, you are the backbone of this cooperative. Without you, this company would not exist. You have remained dedicated customers and have been strong supporters of the way we do business. Even with all the personnel changes that have taken place this past year, you remained with your company and supported it to the best of your ability. I don't know how many times I heard from you, the customer/owner, saying, "I like the way business is conducted at the Sublette Co-op." and "We have a lot to be proud of." Thank you for your support.

The second outstanding point I would like to mention is the employees. One of our unpublished goals at the Sublette Cooperative is to provide the best service possible and it takes good employees to accomplish that goal.

I recently was stopped by an individual and they started the conversation about our service station. Well, my first thought was something didn't go right with a product or service. They proceeded to tell me that they had stopped at the post office and someone noticed that one of the tires on their car was low. So they pulled up to our service area and were greeted by an employee and they asked him to check the tire pressure in the one tire. They asked me if I knew what happened next? Of course I replied I didn't, waiting for the hammer to fall, but they explained further that the employee not only checked the one tire but he checked all the tires to make sure they were all inflated at the correct pressure and how appreciative they were. Needless to say, I was speechless.

In late August, I was wondering how we were going to make it through fall harvest without the expertise of Jerry French to help with the grain accounting. Glenda Woods joined the grain department only as a temporary employee, but it became quite evident

shortly after she arrived that Glenda had a good accounting background to deal with the complexity of grain accounting. Therefore, Glenda was retained as a permanent employee to fill the vacant grain accountant position. This is another high point of this past year.

With the emergence into alternative fuels this past year, the tax accounting for all the various types of fuels that we receive is quite detailed. Therefore, with the recommendation from our auditor, I secured the services of Alene Foster to assist me with the various tax reports that are required every month and each quarter. Alene also assists me with other accounting functions.

I am appreciative of the total office staff who assist whenever and wherever needed. Jane and Joy have also taken on additional duties to assist as needed.

I recently received word from the Kansas Cooperative Council that the Sublette Cooperative won an award for our cooperative promotion in the month of October. I extend my thanks to all the employees who helped with this promotion. This really is a high point of this past year.

These are only a few of the many positive points for this past year. May I wish you and your families the best of the holiday season.

Credit Policy administration change

At the November board meeting, management made a recommendation and it was approved unanimously by the board that the cooperative offer a crop input financing program. At the time of this writing, we are in the process of getting this put into place.

Coupled with this new financing program, the board unanimously approved an administration change in our current credit policy of a maximum of 60 days. We will no longer carry any account for longer than 60 days on our regular charge accounts, beginning January 1, 2007. We will be communicating to you the new financing program as well as the administrative change with the regular charge account policy in the near future.

Notes from the Grain Pit

By Lawrence Baxa

Well, it is time to write the next newsletter article already. My, it seems I just did this last month. Time surely flies and boy how things do change. Let me sum up a few things. The last time I wrote an article back in August, fall harvest was just getting ready to start, the crop yields nationally were expected to rival previous years' record yields. The price of corn, one would think, should have traded lower. Well, guess what? It didn't happen that way. In the next few lines, I will attempt to give you a view on things.

First, let me start by giving you a fall harvest recap. Like wheat harvest, our fall harvest receipts were down this year due to the continued dry weather.

We saw corn yields trend 30 to 50 bushels less per acre this year versus last. What that translates into is that our fall corn harvest take was approximately 71% of last year's volume. So we will be dealing with fewer bushels again to market. Looking at the milo and soybean volumes, they were basically historical with last year's volumes totaling 495,000 bushels of milo; 380,000 bushels of soybeans; and 1.4 million bushels of corn. This yield trend was viewed across most of Western Kansas as well as abroad.

The USDA has also lowered the corn yields from their summer prediction. So what we have in our market right now is production that will be down this year and increasing demand. What we usually have seen this time of year is harvest pressure putting the markets on a down trend during fall harvest. We have seen the

CORN Dec 2006, CZ6 1 Week



WHEAT Jul 2007, KWN7 1 Week



SOYBEANS Nov 2007, SX7 1 Week



NATURAL GAS Jul 2007, NGN7 1 Week



exact opposite happen this year. That makes the most popular question we get today from most people, "Where do you think the price of corn is heading?" Wouldn't we all like to know that? Fundamentally we are in uncharted territory right now. While corn did get to \$5 in the mid 90's, we are at levels we have only been at a couple of times in the last twenty years. This gives us a good price to start locking in some corn for 2007 harvest delivery. There are some of the same old avenues for corn, those being export markets and our own United States feed usage. The major issue now is, we can throw a new ingredient into the mix and that is the ethanol demand. This has been a major reason the market is where it is today. And the indicators are there to keep this market strong for the foreseeable future. It will depend on what the spring planting intentions are and what acres will really be planted to corn and how big that increase will be and what kind of effect it will have on production to give the market some direction.

With that being said about the corn, what else can we say about the wheat and the beans? First, the wheat. We will continue to watch the world situation, which remains a tight stocks situation. The market will continue to be led by the corn with wheat following along up or down depending on what the market does. We will not expect much watching of the wheat until we get into the spring weather. Our current condition of the wheat crop this fall is fair, but we need moisture.

Just a quick couple of comments about the soybeans. Like the wheat, soybeans will rise and fall as the corn does. Soybeans will have to keep pace with the other grains or lose acres in production. With the price of corn right now, there will be many people thinking about switching crops from soybeans to corn. However, record October crush numbers suggest higher consumption of meal and oil and good demand. Some analysts are saying soybeans could lose 10 million acres to corn so it will bear watching to see what happens.

One thing about our present situation, it will make for some exciting

times in agriculture. We have opportunity right now to sell our crops for a higher per-bushel price than last year all across the board. What will this mean long term? How long will this last? Where are these bushels going to come from to meet expected demand? CRP buyouts? Crop acreage switches? Which crop will get the producer the best bottom line? Your local Sublette Co-op will be here to help you look for these answers and many more.

Lastly, I would like to introduce you to the newest member of our Sublette Co-op grain staff. Glenda Woods joined us for this fall harvest filling the grain clerk position and will remain with us. Please help me in welcoming her to the Co-op. She and her family have been part of the Sublette community for a number of years.

I will quit rambling and close for now. I would like to wish each of our customers a very **Merry Christmas** and a **Happy New Year**. We thank you for your business and we appreciate it very much. Thank you for supporting **your local Co-op**.

NE Branch news

By Ron Isenberg

To start with, I hope you all had a nice Thanksgiving. With that, I would also like to say thank you for your business and support. We do appreciate it.

November has been a busy month with fertilizer movement. Rod and I hope we have met your needs. Fertilizer movement has also been strong in the Corn Belt to the point of anhydrous ammonia supplies becoming tight. With supplies becoming tight and demand still strong, prices seem to be firming up. After December 1, we will likely see higher prices.

One other bit of news is that we now offer PVC pipe and fittings at the NE Branch.

Once again, I would like to thank you, our customers, for your business.

Merry Christmas and Happy New Year from Ron and Rob.

Crop production notes

By Kent Ochs

It's broken record time again. I don't know how much longer I can use that saying since records, a.k.a. albums, haven't been used for some time. In any event, I'm referring to 2006 and farming. Once again, the drought dealt us a dismal wheat crop and a much-reduced row crop season. Market prices were, at least, to levels that took some of the sting out.

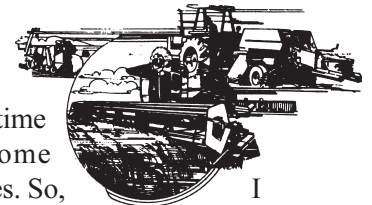
I recently went to several dryland fields with a penetrometer to the check moisture profile. Yes, I know what a penetrometer is used for and yes, I spelled it correctly. Okay, I found several locations with 4 feet of moisture. This is fallow ground for potential row crop usage. Couple a fairly decent early profile with pretty darn good market prices and "presto" positive news. This is a scenario we haven't seen for a long time which

means it is time to pull some soil samples. So, I know you don't normally sample dryland but if there ever was a good time, now is the time. If you prefer, we can pull the samples for you. Give us a call.

Moving to wheat — same scenario as for summer fallow. Top-dress must definitely be considered. You guys know as well as I, the mustard situation. Don't let it rob you!!! They can be hard to find, so scout your fields carefully.

The possibility of a pretty decent wheat crop coupled with a decent price should steer you to some nitrogen. The unit price for 28% is a tick cheaper than in 2005, so give us a call and we'll talk price and other options for top-dressing.

Thank you folks for your patronage. I hope you all have a great Christmas and Happy New Year!!!



News from the Service Station

By Terry Presley

Website update —

Once again, another link has been added to our site. ENVIZIO, a wheel wizard site that customers can view in order to see new styles of wheels for their vehicle.

Diesel Fuels —

Ultra low sulfur diesel is now in place. The stickers on our retail pumps state, “15 ppm sulfur maximum and is required for use in model year 2007 and later for highway diesel engines. Also, this fuel is recommended for use in all diesel vehicles and engines.” The clean air act required the sulfur content of diesel to be reduced from 500 ppm down to 15 ppm by October 1, 2006. This means that your older diesels will operate fine on this ultra low sulfur diesel; but, if you purchase a 2007 and newer diesel vehicle, you **must** have 15 ppm or ultra low, as it is referred to. Most all refineries across the country have switched to ultra low; however, 500 ppm is still available at select refineries, none in Kansas.

Sulfur in the diesel adds a lubricating agent in the fuel; however, the down side was the black smoke you would see coming out of the exhaust,



thus the push by the environmentalists and others to clean up the air, and rightly so. The industry has a learning curve. Cenex, our regional cooperative, and

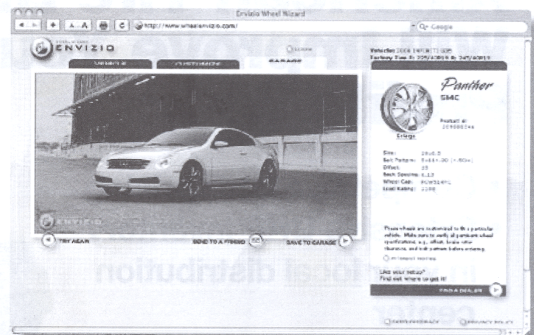
Sublette Co-op have certainly stayed abreast of this market enhancement, providing you with product quality assurance.

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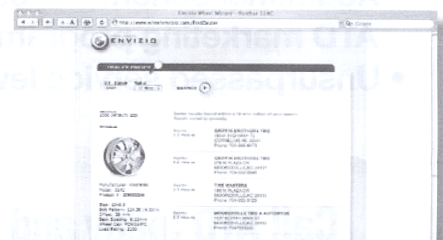


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Rick Koehn Associate Director
Gaylord Sanneman .. General Manager

Glenda Woods

Hello to everyone. I am so excited to be the newcomer to Sublette Co-op. However, I am saddened that this position was a result of Jerry French’s untimely death.

I have lived here in Sublette for over thirty years with my husband, Leon. We both feel very fortunate to be a part of this community. I appreciate the opportunity to serve the patrons of Sublette Co-op and to be a part of this great organization. Thank you.



Mission Statement

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