



December 27, 2008

VISION

From the General Manager

Ron Hunter



As the year comes to an end, we can mark it as a year of “volatility” in every part of the marketplace in which we do business. We have seen excellent commodity prices that were perceived by many as a new pricing platform erode away as quickly as they came. Destruction was in the path of market prices as values moved higher with livestock feeding, ethanol production and exports. Once the markets peaked, all commodities moved lower faster than any would imagine creating destruction in all areas that affect commodity production on the farm.

Volatility continues to be a driving factor in all areas of agriculture, including short term and long term financing. Many lenders are moving toward greater equity ownership in the lending equation to reduce their exposure to loss. A greater percentage of risk is being pushed over to the borrower which limits risk volatility for the lender. Higher prices has created demand for large capital influxes in Ag Valley and we will be taking on extra long term capital in 2009 to insure that we will have access to all the short term capital we might need to finance grain contracts and inventories as we continue through this volatile period. Our need for increased short term capital was centered on our business growth model prior to 2008. 2008 has definitely been a year of extremes and we can only wonder what 2009 will bring.

We have been building liquid fertilizer storage for sometime to get our holding capacity up to the volume that we can ensure that we have the inventory to get our customers nitrogen when they need it. We are quickly moving toward having that infrastructure in place. The Maywood location is the last tank to be built and it is ready for the roof to be installed. Fertilizer was purchased for that tank in June of 2008 with the understanding that the manufacturer would hold delivery until we had the tank ready. Ag Valley will be able to provide nitrogen needs to members regardless of production issues, world demand or transportation delays once this tank is full. We will be a dependable supplier of UAN.

It would seem that volatility has arrived in the weather arena also. We’ve experienced extremely cold weather lately. Cold weather is a good feature for all the grain we have in ground piles. We have air on most of the ground piles to help extend the “shelf life” for quality once the market calls for it. We are finding in the fuels department that #1 diesel doesn’t have the “cold flow” characteristics of the past. We are told that there may be issues related to ultra-low sulfur that are causing gelling sooner in #1 today with the extreme cold verses gelling levels prior to refinery upgrades to meet federal mandates for sulfur content.

We are nearing the end of the year and we can hope that the New Year will bring prosperity to the family farm. Nebraska is all about agriculture production. We all wait in anticipation for the opportunity to serve our fellow man with our ability to produce food for hungry people and livestock around the world. It would be hard to find a more noble cause today.

Ag Valley Grain Marketing and Outlook Meetings
Tuesday, January 13th : at 9:30 am in Arapahoe at the Ella Missing Center
at 2:00 pm in Norton at the Prairieland Electric meeting room
Wednesday, January 14th : at 9:30 am in North Platte at Becky’s Hall of Celebration
Call us for directions and for more information: Tim, Scott or Fran at 800-228-1352.

Grain Report

Scott Hillius



The good news is that another new year is upon us. While most should come out of the past year ahead, I'm sure we're all hoping to leave some of the added stress that we endured behind us. No two years are alike and I'm sure the coming year will present its own—shall we call them *opportunities*. I feel lucky to work with some of the most optimistic people in the world. A farmer has to be.

How about that nice buck or so run we had in grains the first half of December? It was sure needed after the slide we had the past six months. I know it wasn't as large of a rebound many had hoped for but it may be about all we can expect for the time being. With this recent run-up in prices, we've hurt our chances for much additional export business. Combined with lower trading crude oil and ethanol prices, ethanol crush margins have gotten uglier. This is not good considering roughly one-third of our corn demand is tied to ethanol. If you take away China's soybean buying spree, South America's less than ideal growing conditions and the recent cold snap that's caused fear of potential freeze damage to our now dormant winter wheat crop, soybean and wheat prices would have further tanked. Without these key factors, grains would still be stuck in the mess of our world's economic turmoil.



I don't mean to be so bearish, but the point I'd like to make is that we really need to realize what a realistic price is, given all that's happened in a very short amount of time. A lot of damage has been done both fundamentally and technically. Market dynamics have changed completely.

Pricing what's left of this year's crops and next year's will be much tougher than it has been for a while. Breakeven levels may be hard to come by. We've seen some early acreage projections for next year but it's too early to know exactly how things will shake out and what will get planted.

Some of you have locked in a portion of your input costs for the coming year and have a better idea what's needed to generate a profit. For others, it'll be tougher to know what magic numbers are needed until additional decisions are made. Either way, I believe now is the time to start working on a market plan. Consider going back to the basics, back to tried and proven methods of marketing your grain.

Ag Valley will be hosting grain marketing and outlook meetings Tuesday, January 13th and Wednesday the 14th. Tuesday we'll meet at 9:30 am in Arapahoe at Ella Missing. Later that afternoon we'll travel to Norton for a 2:00 pm scheduled meeting in the basement of Prairieland Electric. Wednesday we'll have our final meeting at 9:30 am in North Platte at Becky's Hall of Celebration. Call us for directions and for more information: Tim, Scott or Fran at 800-228-1352.

We hope we've scheduled meeting times that will work for you because we want to help each of you succeed and prosper, not just survive another year. Please plan to come and spend a couple hours with us. Good luck and best wishes this coming year.



Bunkers of corn and piles of milo at Edison on December 1, 2008.

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Seed Report

Tom Geiser



As I write this article, I just finished talking to a grower who is still harvesting corn. Is harvest ever going to get over? It seems like harvest has been going on forever. We started in September with high moisture corn and here it is the middle of December and we're still not finished.

Dry land corn yields are probably some of the best ever harvested in our sales area. I've heard reports of true eco-fallow going 170 bushels per acre, with most going over 100. Some people were a little disappointed in irrigated yields with much of it being an average crop. On the other hand, look at the water and fuel that was saved. Soybean and sorghum yields were also very good. Wheat planting got over in a timely fashion and most of it looks tremendous.

The moisture soil profile is full, going into spring. All in all, this year has been very good for the area farmers and it makes going into the new year much rosier.

The Seed Division at Ag Valley wants to help you make the right choices for your farm in 2009. To do this we have several things that can help you with your decision making.

See your local agronomist today about 0% financing, cash discounts, and early order incentives for your corn, soybeans, and sorghum purchases.

Ag Valley will have a good supply of bulk soybeans and certified oats at Arapahoe, and bulk soybeans will also be at both Indianola and Maywood. All three locations will be able to inoculate and treat soybeans. We can also handle all of your CRP grass mixes! Give us the information on what mix is needed and we will get it ordered.

Ag Valley offers Dekalb/Asgrow, Croplan Genetics, Garst and NK Brand seeds for corn, soybeans, sorghum and alfalfa. Our Sales Agronomists will be happy to meet and help you with any of your seed needs. They are located in the following locations: Edison, Arapahoe, Cambridge, Indianola, Maywood, North Platte and Norton, Kansas.

Have a Merry Christmas and a Happy New Year!



Ag Valley Agronomist Matt Volk speaking at a recent meeting in Cambridge to a group of Producers.

Ag Valley Producer Testimonial—Emerald Extra Grower Paks

The Emerald Extra's Pak Programs are only available through participating dealers. Ag Valley offers growers substantial incentives with the purchase of unique product bundles.

Emerald Extra's Pak Programs are offered for a variety of agricultural chemical, additives and micro-nutrients. Ask your Ag Valley Agronomist for details.

December 15, 2008

FR: Dick and Bonnie Helms

RE: Thank you !!!

Bonnie and I want to thank you for offering us the chance for a cruise this winter. We just came back from a trip to Orlando and cruise to the Bahamas—Thanks to Ag Valley! The trip was very relaxing and it was fun to try something new like scuba diving. We also met some very nice people, mostly from the eastern and southern US. This trip was very timely as we celebrated our 35th wedding anniversary this past August and had talked about a cruise or special trip. Your offer was just too good to pass up and we wanted to make sure you knew we really appreciated the thought and value.

We believe in the co-op system but never thought it would give us a cruise.

Thank you again!

Dick and Bonnie Helms

Check with one of your Ag Valley Agronomists today to find out the benefits of doing business the cooperative way; along with many incentives that are available to our local producers.



Fertilizer Market

As most of you are aware, fertilizer prices have been coming down, much like the fuel prices at the pumps. Currently, worldwide fertilizer demand is weak which has made for lower prices. Mainly nitrogen and phosphorous have been affected at this time.

It appears that in the United States the dry nitrogen market is even lower than the international market. This lower domestic price has caused fewer fertilizer vessels to enter U.S. ports and shipments of fertilizer are heading to other countries. We rely on 60% imported dry nitrogen domestically. Comparing last year at this time, far fewer fertilizer vessels are offshore USA. The stage is set for some real supply issues this spring if we have 85 to 90 million acres planted to corn in the corn-belt. Only time will tell.

There was a lack of anhydrous ammonia applied this fall due to later than usual harvests. Many suspect that the spring movement will somewhat shift to liquid nitrogen if weather keeps ammonia from being applied. This may increase spring demand for liquid 32% nitrogen and lead to equipment and distribution issues, also.

Many think that nitrogen fertilizer may have bottomed out as international buying is likely to pick up. Phosphorus is a different story. There is still some uncertainty as to where this market is heading. Manufacturers are idling back due to lack of international and domestic demand.

Expect more volatility in fertilizer markets in the future. Supply, demand and distribution will be major factors affecting the markets this spring. Preplanning will be an important factor to meet everyone's spring demand. If we plan together, Ag Valley Coop will be staged to have an adequate supply to meet your needs.

Ag Valley Coop Board of Directors

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Phone Numbers

Edison	Ampride	Arapahoe	Bartley	Beaver City	Cambridge
800-228-1352	308-824-3850	877-250-2049	308-692-3444	308-268-4155	866-339-4057
Curtis	Hendley	Holbrook	Indianola	Lebanon	Maywood
800-416-5795	800-848-2575	308-493-5690	800-762-1589	308-375-4211	800-233-4551
Moorefield	North Platte	Orleans	Oxford	Stamford	Wilsonville
888-214-6898	800-303-7636	308-473-4075	308-824-3431	308-868-2785	308-349-4401
	Norton, KS	Norton Station	Clayton, KS	Reager, KS	
	785-877-5131	785-877-5188	785-693-4522	785-877-3707	