

South Central  
**GRAIN & ENERGY**

#### **LOCATIONS:**

##### **BUFFALO LAKE**

320.833.5321  
800.642.6727

##### **COSMOS**

320.877.7261

##### **DARWIN**

320.693.2311  
800.275.8216

##### **EDEN VALLEY**

320.453.3200  
800.240.8835

##### **FAIRFAX**

507.426.8263  
800.328.0131

##### **GIBBON**

507.834.6534  
800.690.6534

##### **HECTOR**

##### **OFFICE & FEED MILL**

320.848.2273  
800.547.5576

##### **C-STORE**

320.848.2286

##### **MR. TIRE SHOP**

320.848.6255

##### **STEWART**

320.562.2650

## Maybe It Was an Amazing Crop After All

BY EUGENE LUTTEKE, GENERAL MANAGER

Even though we'd all been imagining a disappointing outcome, I have to admit the 2011 crop turned out to be kind of amazing. Mostly, I'm amazed you got a crop at all.

Locally, corn averaged between 135 to 140 bushels and soybeans averaged 35-40 bushels, which would have been good 15 years ago, but by today's standards, yields ought to have been better. Of course, you recall all the weather events leading up to these results. You also understand the implications for your operation and for your cooperative. Reduced yields will mean less grain for us to handle, along with reduced grain drying and storage revenue, etc.

Though lack of drying costs was good news for you, it will create a challenge for us. Since most grain went directly to bins, our revenue streams will change. We appreciate all the bushels our customers delivered this fall and look forward to handling the balance of your crop throughout the year.

### Timely changes at our facilities

The shuttle train project at Buffalo Lake continues to move forward. We expect to take bids early next year with construction starting in the spring. Our target completion date is fall 2012.

The Lake Lillian elevator is up for sale by auction with Henslin Auctions, Inc. Just over a year ago



we promised to carefully operate and evaluate every location while asking ourselves whether each one will bring positive results for you and for us. Lake Lillian did not work out financially this year and we didn't foresee improvement. Grain volume there is extremely low while operating costs-per-bushel remained too high.

We pinpointed the stumbling block to being competitive in that trade area. It's difficult to pull grain east when it wants to go west. Operating any SCG&E location must result in a win-win for customers and South Central Grain & Energy. Lake Lillian isn't a bad facility, and deciding to sell the location was a tough choice.

Hiring our new grain department manager was an easy choice, though. Brad Kohls comes to us with years of grain-industry experience. We feel fortunate to find someone with his knowledge, shipping background, and experience developing shuttle trains. Brad's talents will enhance our management team. Read about Brad in his own words on page 2. ▶

# Will You Need to Get More Aggressive?

BY BRAD KOHLS, GRAIN DEPARTMENT MANAGER

Harvest came and went very quickly for much of Minnesota and has allowed, for the first time in a number of years, for all the tillage to be completed and a lot of tiling to get done as well. Quality this fall has been excellent, almost too dry in some cases. I know a number of you have been disappointed by the yields this year, but you can also see the seed technology has worked despite the extreme growing conditions we experienced this season.

Throughout Minnesota and the Corn Belt, producers binned the unpriced portion of their crop at home, expecting the price to rise because of the recent price activity and the lower yields. As a result, producer movement has been light, keeping basis levels firm.

I am not anticipating a lot of futures movement until the final crop report is released in the middle part of January. It appears that the market is more focused on the global financial markets right now. Recent reports around the world are suggesting higher production levels from our competing countries. In fact, some of the countries we recently exported to are selling to other countries in the world.

For now, ethanol and domestic feed are the main demand sectors. Exports have been limited by U.S. pricing and larger global production, as earlier mentioned. China is the wildcard in all of this. They have been rumored to be importing corn, but they are currently on pace of having their largest corn crop ever. They have been rumored to have cancelled some of the corn they previously bought. So the market has been keenly watching China.

On the soybean side, it is South America's turn to supply China. The domestic soybean processors are about all we have going for us this year. So far South America is in good shape in the early planting stages of their crop. All eyes will be on them for the next six months.

If corn spends much time above \$6.50, you may need to be a more aggressive marketer, as it appears that some of the luster is off these markets. Historically, the corn market has not spent much time above the \$6 area, and I look for it to be flat-to-lower over the next four months until we start talking about moisture levels, because there is a large area that is currently below average moisture.

## Benefits of shuttle trains

Our planned shuttle train project is something we need to do. We need to

be able to access export markets and many more domestic demand points. In the upcoming years, the United States will be known for its supply of corn. Your co-op will be well-situated to add substantial value to local grain once we can rapidly load and deliver to those markets. In addition, we expect ethanol plants to compress their demand area because of yield increases and more efficient processes.

Moving shuttle trains will be more efficient and allow us to move 440,000 bushels of corn in 12 hours. Today we need to load 400+ trucks over a matter of days to achieve the same efficiency. ▶

**Brad Kohls grew up in the grain business, but he never thought he'd find his career path in the industry. This elevator manager's son graduated from North Dakota State University in ag economics. After working as a grain merchandiser for a cooperative based in Clear Lake, IA, he's happy to be back home in Minnesota. He's excited about the opportunity to work at SCG&E. Brad is the father of three boys.**



## INVESTMENT OPPORTUNITIES

South Central Grain & Energy now offers Patron Investment Promissory Notes in addition to our Demand Notes.

- Ask about three-year promissory notes at 4% interest or five-year promissory notes at 5%. Both will be available on a limited basis.
- The cooperative is currently paying 2.5% on demand notes.

Inquire at one of the following locations—Fairfax, Gibbon, Hector, or Buffalo Lake.

# Strategies for Keeping Calves Healthy and Growing This Winter

BY AMANDA KOEHLER, RUMINANT SPECIALIST

A calf's average body temperature is approximately 102°F; it's thermo-neutral zone (the range of temperatures at which the animal needs no energy beyond maintenance levels to heat or cool itself) is 60°-75°F. In the first 3 weeks of life, a calf experiences cold stress at temperatures under 60°F. Calves of any age are stressed once the thermometer dips below 42°F.

When the temperature drops below the calf's thermo-neutral zone, dietary energy will be used to generate heat instead of growth. This ultimately leads to reduced feed efficiency and reduced profits. Dietary energy requirements increase 1% for every degree below thermo-neutral zone. At an average daily temperature of 30°F a calf will need 30% more energy just to maintain its current weight.

The best method of getting more dietary energy into a calf is a third milk-replacer feeding later in the evening. This feeding will provide more nutrients, it will help warm calves, and it will increase their fluid intake. Three daily feedings also have a substantial

economic impact. Calves fed three times a day show improved growth rates (hip height and weight gain) when compared to calves fed twice a day. They also demonstrate better feed efficiency than calves fed twice a day. They consume more calf starter during the pre-weaning process, resulting in better rumen development, and they are three times more likely to enter lactation than calves fed twice a day.

Additionally, you'll keep your calves healthy and growing this winter (and all year-round) if you aim for nutrition on a higher plane. Land O'Lakes Purina Feed recommends a full-potential nutrition program that will provide calves with enough energy and protein to help them regulate body temperature and maintain growth. The program includes Cow's Match® milk replacer with Architect soluble fiber technology and Future Cow® 22 calf starter with AMPLI-Calf® technology.

Research on higher-protein milk replacers continues to show a clear economic benefit. A recent comparison of conventional versus full-potential



rearing systems shows an advantage of more than \$200 per calf. (Mike Overton, University of Georgia et al 2011).

## Match good nutrition with sound management

No matter how good your nutrition program is, it doesn't stand a chance unless you're practicing good calf management. Here are a few additional cold weather tips to help your calves face winter weather:

- Keep milk replacer and water as close as possible to the calf's body temperature. If the calf doesn't have to use its own internal resources to warm liquids to 102°F you're reducing that drain on its energy.
- Starters such as Future Cow provide a rich source of energy and heat. By providing grain at two days of age, calves are able to consume additional energy when needed.
- Provide a deep bed of straw (five to six inches) so calves can nestle in and preserve body heat. If the calf's legs are completely hidden when lying down, bedding is deep enough. (Calf jackets are also helpful in preserving body heat).
- Provide proper ventilation. By exchanging dirty inside air with fresh air, especially down at calf level you'll prevent excess moisture and ammonia buildup, which cause respiratory problems and permanent lung damage.

Good calf management practices such as these can help prevent the cold from robbing calves of their energy—and you of your profits. If you would like more information on calf feeding programs, call me at 507-766-6020. ▀





# Possible Price Opportunities at Year-End

BY DAN FILZEN, REFINED FUELS DEPARTMENT MANAGER



The last couple of years, the best fuel contracting opportunities came near the end of the year, or shortly after, so I would suggest watching the fuel prices closely. Call Dave at 320-583-9407, Doug at 320-894-8580, or me, or stop by the Hector office to check current or contract prices on diesel fuel and gasoline for spring or next fall. You'll also find prices posted on our website, [www.scgemn.com](http://www.scgemn.com).

## Comparing past and projected energy prices

Regular-grade gasoline retail prices fell 46¢ per gallon from 2011's peak monthly average of \$3.91 per gallon for May to \$3.45 per gallon in October. The drop resulted from falling crude oil prices as well as normal seasonal consumption decline. The Energy Information Administration (EIA) projects gasoline retail prices will continue

to decline, albeit slightly, through the end of the year. Locally, diesel prices have not declined to the same extent as gasoline. I believe this stems from short diesel supplies this fall.

Oil prices continue to face upward price pressure because of supply uncertainty resulting from ongoing unrest in the Middle East oil-producing regions. However, there may be downward price pressure if Libya is able to ramp up both oil production and exports sooner than anticipated. At the same time, risks continue as fears persist about weakening global economic growth, the effects of the debt crisis around the world.

EIA expects world crude oil and liquid fuels consumption to grow from record-high levels of 87.1 million barrels per day (bbl/d) in 2010 to 88.2 million bbl/d in 2011 and 89.6 million bbl/d in 2012. China and other emerging economies account for nearly all projected crude oil and liquid fuels consumption growth through 2012. ▸

## PRICE SUMMARY FROM U.S. ENERGY INFORMATION ADMINISTRATION

	2009	2010	2011	2012 projected
WEST TEXAS INTERMEDIATE CRUDE (DOLLARS PER BARREL)	61.65	79.40	93.80	91.13
GASOLINE <sup>a</sup> (DOLLARS PER GALLON)	2.35	2.78	3.54	3.46
DIESEL <sup>b</sup> (DOLLARS PER GALLON)	2.46	2.99	3.84	3.79
HEATING OIL <sup>c</sup> (DOLLARS PER GALLON)	2.51	2.96	3.73	3.77
NATURAL GAS <sup>c</sup> (DOLLARS PER THOUSAND CUBIC FEET)	12.12	11.19	10.97	11.56
ELECTRICITY <sup>c</sup> (CENTS PER KILOWATT HOUR)	11.51	11.58	11.77	11.92

<sup>a</sup> Average regular pump price

<sup>b</sup> On-highway retail

<sup>c</sup> U.S. residential average

# Continuing to Look at Rail Project for Spring

BY ALLEN BAYSINGER, REGIONAL LOCATION MANAGER



On page 1, Gene Lutteke describes the action steps scheduled for our Buffalo Lake rail project. We're very excited about the work that may begin next spring. This planned shuttle

train setup will give us the flexibility to go anywhere with your grain—wherever we can access the better markets.

You'll feel the effect of this improvement beyond Buffalo Lake, because our entire patron base will benefit price-wise. Though this project will be very expensive, something we don't take lightly, this improvement will be a route to opportunity for both producers and SCG&E. You've seen those long trains load in a matter of hours at other elevators, and now we're looking at having the same advantage at South Central Grain & Energy.

That's for tomorrow. What about today? For a variety of reasons, our recent harvest season didn't seem normal. Maybe it was the way it all went by so quickly, with yields only fair at best. Or maybe it was because everybody dumped rapidly. One-hundred-fifty-bushel corn isn't impressive, but at least you didn't have to dry it down to get full value. Now we're focused on merchandizing the crop for a better market opportunity going forward. Call us to help you get the best price,

using an array of marketing tools at your disposal.

Warm weather through November facilitated catching up on cleaning and repairs around our elevators—things that typically get pushed away when we're occupied with cleaning up corn piles. We hope you use the weather to your advantage whenever you can by checking grain in your bins every week. Quality control has to be more important this year, since you harvested a smaller crop. Also, be prepared to use your fans or core your bins. Some corn went in extra dry and could have hairline fractures susceptible to mold and insect damage. ▶



# Make Safe Practices Part of Your Profit Strategy

BY KEN KOCH, SWINE SPECIALIST

We talk a lot about ways to cut costs, create efficiencies, and improve your bottom line. What we don't discuss often enough is the human element—your safety. What will efficient swine production matter if you're not around to reap the benefits?

Safety usually gets some publicity at harvest time, but, honestly, those tips and precautions don't do any good unless implemented and enforced in your daily lives. Safety should be an everyday, year-round concern, because it's no secret agriculture is one of this nation's most dangerous occupations. Yet every day farm folks scramble around equipment while its operating, hop over augers, and climb into pens with boars or bulls.

Steve Wettschurack, Purdue University safety specialist, says 90 percent of grain entrapments could be eliminated if farmers didn't work alone. Working in pairs is wise in many situations. Never, ever go into a manure pit without a respirator, a

safety line, and another person spotting for you. And never means not even for a second! In recent years, news stories of the unhappy outcomes of manure crusting, methane gas buildup, and flash fires should have convinced you to be wary around stored manure. Since even the experts can't be sure what causes these issues, extra caution makes sense.

While you're thinking about safety, make yourself a promise you won't work alone around large animals. Don't ask your family to take that risk either. No matter how comfortable you feel working around that old boar or bull, it can always have a cranky day you'll regret forever.

Yes, there's no escaping every risk on a farm. It's still worth your commitment to building an on-farm safety culture that refuses to tolerate risky choices. No amount of time saved is worth a life lost. I enjoy working with each of our swine customers and look forward to seeing you throughout 2012. ▶

# Choosing Products That Limit Your Input Expense

BY BILL MEYER, AGRONOMY DEPARTMENT MANAGER

Last year there wasn't a big price difference between Roundup® WeatherMAX® and PowerMAX®. For your 2012 crop there will be noticeable advantage, so we're switching back to PowerMAX to save you money.

We're also stocking Volley® instead of Harness® this year for your aceto-chlor needs, and for the same reason. Volley, which is a Dow product, will be more affordable. You'll get the same weed coverage and the performance you expect. Application rates will be basically the same. By making inventory switches in the two main chemicals we sell, we're doing what we can for your profitability.

In soybeans, we intend to offer a pre-plant or pre-emerge product mix that will tackle giant ragweed, waterhemp, and lambsquarters. Ask about that program when you stop by to prepay your chemicals.

When you're in our offices, we'll probably

spend most of our time discussing your nitrogen requirements. How you'll apply nitrogen next spring is shaping up to be the biggest issue for 2012. Only our customers in Cosmos were able to get their anhydrous on this fall.

We don't yet know whether the manufacturer will hold us to our NH<sub>3</sub> contracts. I predict one of three possible outcomes: (1) contracts will be cancelled, but then we'll all have to pay the going rate next spring; (2) the manufacturer will hold us to the contracts, which puts you in the position of paying storage and applying NH<sub>3</sub> next spring; or (3) we'll get the chance to carry anhydrous ammonia through to next fall's application season (storage and interest fees will apply). Our best prediction would be option number one. If they hold us to the contracts, you'll have to put on NH<sub>3</sub> next spring or side-dress your corn after it comes up. If they don't make us honor the contracts, will you want to switch to urea or 28%?



DAP prices will be down next spring over fall prices. Potash price will remain the same as fall pricing for early December and January prepay. Urea should stay constant and NH<sub>3</sub> will be up when compared with this fall. Our supplier will make the decision, not us. Since the price is up from when you created your contracts, I wouldn't be shocked if somebody decided you should buy again later and pay more. As soon as we hear the final word, we will contact everybody who bought nitrogen for this fall.

Thank you for your business this year. Everyone in the agronomy department looks forward to working with you in 2012. ▶

## Here's Special News

BY DAN FILZEN, HECTOR LOCATION MANAGER

Watch for our c-store specials coming in December and January. We're starting by offering a lunch special of two hot dogs for \$2. Expect additional in-store bargains along with our Super Bowl Specials coming in February.

First things first, though, and that means Christmas! Cenex® Gift Cards make good stocking stuffers or popular choices for the hard-to-shop-for people on your list. And Cenex cards fit easily inside the Christmas greetings you'll mail to out-of-town friends and family. These days a full tank of gas is a thoughtful way to say "Happy Holidays."

You won't have any difficulty reaching our store for last-minute shopping. The Highway 212 construc-

tion project that affected our Hector C-Store and Buffalo Lake Cardrol is complete. As traffic resumes its normal pace, we're grateful to loyal customers who hung in with us through the inconvenience of road construction and detours.

We're celebrating the refurbished highway by adding Asian cuisine. You'll find new items on the hot deli line, including sweet and sour chicken, sesame orange chicken, sweet and sour pork, Mongolian beef, and lo mein, to name just a few. We're also offering take-home ready-to-make menu items from InnovAsian™. These are prepackaged entrees you can pick up here and serve up with little effort in your own kitchen. I think you will find our new Asian menu lineup delicious. ▶

## EMERGENCY PROCEDURE If You Smell LP Gas in Your Home

If you smell propane gas in your house, workplace, or around any gas equipment or appliances, follow this emergency procedure:

1. Put out all smoking materials and other open flames; do not operate electric switches; do not light matches; do not use your phone.
2. Immediately get everyone out of the building.
3. Close all gas tank or cylinder supply valves.
4. Use your neighbor's phone to call South Central Grain & Energy.
5. Our trained service person will perform a pressure check on your system, repair any leaks, turn on the gas, and relight your pilots.
6. Re-enter the area only after our trained person says it's safe. ▶

# Constantly Evaluating Ingredient Choices and Pricing

BY TOM VIRNIG, FEED DEPARTMENT MANAGER

We continually strive to keep your rations current based on available feedstuffs and costs. As with most other financial issues today, it's important we constantly review ration options to keep current with drastic price changes and product availability concerns. That explains why we have increased dried distillers' grains and solids (DDGS) in many rations only to pull back on DDGS levels when prices of the ingredient go up and corn values drop.

When you buy a car, cost is important, but it is not the only thing you consider. We need to follow the same thought process when making ration adjustments. Livestock are mostly creatures of habit and do not like a lot of changes in their environment or their feed. When we make drastic changes over short periods—such as switching from a corn and soy diet to a corn, soy, and DDGS ration and then back again—we potentially may cause digestive changes and stress the livestock. We have to keep in mind your potential feed efficiencies and profitability as well as the toll ration changes might take on your animals.

It's important we monitor ingredient quality as well. There has been some concern about low protein levels in soybeans this fall. Though early on we tested a couple of loads that fell slightly below specifications, all recent loads have

met or exceeded required protein levels. We'll continue to monitor soybean meal and DDGS samples to ensure all ingredients meet our product specifications.



Soybean meal booking opportunities are once again available. Though the basis isn't as attractive as when we started encouraging early booking, prices still allow you to capture some fairly good risk protection. Please let us know how we can help cover meal, secure the corn you'll need, or review your rations in relation to current market conditions.

## Feed delivery during holiday season

Help us allow our employees time to spend with their families this holiday season by ordering your feed as early as possible. Early ordering and a larger delivery window will enable us to serve your feed needs and still enjoy Christmas and New Year's celebrations. Our SCG&E feed department will be closed Monday, December 26, and Monday, January 2. We wish you a happy holiday season and thank you for your business. ▶

# Propane Supply Lines Flowing Again

BY BRUCE BEUSSMAN, PROPANE DEPARTMENT MANAGER

Propane supplies continue to run on the short side, but at least the pipeline that supplies us from the south has now been repaired. Volumes shipping overseas are reducing U.S. inventories, but the small drying season has helped

ease pressure on gas inventories as we head into winter. Dryer gas delivery to South Central Grain & Energy customers was less than 10% of 2009 usage! Many of our customers never lit their burners this year after nature's corn dryer (south winds, high temperatures, and 24% humidity) kicked in. August and September weather conditions took Minnesota corn fields from rain forest to desert.

After we learned Missouri River flooding had disrupted the pipeline this summer, we ordered some propane on rail cars to cover what might have been a shortage. Once I realized our August worries proved

unnecessary, we managed to use or move that excess inventory.

Overall, crude oil inventory and natural gas inventories are good. Diesel inventories are adequate, too. Only propane is a little short. As long as supplies nationally are running low, prices will stay inflated. An early-season cold snap can always set propane prices higher, but right now worldwide economic issues are keeping prices from going even higher.

We do have propane contracts available for 2012-2013. If you're interested in locking in next year's grain drying inputs or livestock barn needs, call me at the Fairfax office. ▶



Customers in the Hector and Buffalo Lake area may have noticed our new propane truck. Glenn Gaulke our LP driver based in Hector was happy to attach our logo to his new rig.





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# It's Time to Push Paper

BY CHUCK BRAUN, CONTROLLER

If you haven't settled your 2011 grain accounts with Chuck Marlowe or selected a 2012 deferred payment option, please do so immediately. Though we would like to make deferred payment checks available immediately after closing the books on 2011, a few procrastinators could delay the process.

If you haven't returned the W-9 form with either your Social Security number or Federal Employment Identification number, there is still time (but not much). IRS regulations allow the cooperative to charge \$50 to a

customer who receives a patronage check without supplying an appropriate tax ID number.

Agronomy customers may have noticed changes in their monthly billing statements. If you made fertilizer, chemical, or seed prepayments, you can now see those dollars displayed on your statement. Your current account activity along with changes to your prepaid balances and deferred charges are summarized at the end. We hope these improvements make your statement easier to understand. ▶

## C-STORE HOLIDAY HOURS

Christmas Eve: 6:30 a.m.–5:00 p.m.  
**CHRISTMAS DAY: CLOSED**  
Monday, Dec. 26: 6:30 a.m.–10 p.m.  
New Year's Eve: 6:30 a.m.–10 p.m.  
New Year's Day: 8 a.m.–8 p.m.  
Monday, Jan. 2: 6:30 a.m.–10 p.m.

## HOME HEAT DELIVERY POLICY

If you need to order LP gas, we need:

- 48-hour notice.
- A 200-gallon minimum order.
- A \$30 charge will be imposed if either of the above two conditions are not met.
- A \$60 charge will be imposed if we have to deliver gas after 5 p.m. on weekdays or any time on Saturday or Sunday.
- If you do run out of gas, our insurance company requires that we do a line pressure test before we can put gas in your tank. The charge for this test is \$70.
- This policy will be strictly enforced—no exceptions! ▶

## Happy Holidays

Enjoy the spirit of the holiday season. We are grateful for your business and for the ag industry that connects us, and look forward to serving you in the future. We wish you a successful 2012!

**All SCG&E departments (with the exception of the Hector C-Store) will be closed Monday, December 26, and Monday, January 2, when the Chicago Board of Trade and the federal banking system will be closed.**