



Farmer's Pride

Section 199 Deduction

by Dean Thernes, President/General Manager

Remember the days when doing business was less confusing? Over the years we all have seen numerous changes to tax codes and regulations that now make daily transactions so much more complicated. IRS Section 199 has brought about exciting opportunities for your co-op and you the member-owner. Our auditor has even found that this deduction has resulted in many cooperatives saving millions of dollars in tax liabilities. These tax deductions ultimately result in enhanced patronage, more retained earnings and a stronger balance sheet.



It is important to understand the member-owner role in the Section 199 deduction. Under IRS definition: payments made by a cooperative to its members are considered Per Unit Retain Paid in Money (PURPIMs). As the member-owner, you are unable to count these payments received as Domestic Production Qualified Gross Receipts (DPQGR). However, according to IRS guidelines, businesses engaged in a qualifying activity can take up to a 9% deduction of adjusted taxable income before the PURPIMs and allocated qualified patronage. The most noticeable example would be payments in the form of grain checks. The member-owner cannot count this grain check as a DPQGR, but the cooperative receives up to 9% tax deduction on the payment, ultimately resulting in more equity and cooperative patronage.

Our auditors, Gardiner Thomsen, are still reviewing the complete effects of Section 199 to your cooperative. It is unknown at this time how long the 199 deduction will be available due to frequently changing tax codes. We plan to maximize our ability to use this deduction as long as we can. Our cooperative's goal is to strengthen the economic well-being of our ag producers. We, along with our auditors, feel the Section 199 deduction will accomplish this goal. As always, please consult with your tax advisor for implications of Section 199 upon your operations.

I was glad to meet many of you at the seed plot tours, we hope the tours offer some of the information that you were looking for as well as the opportunity to visit with the cooperative staff and your neighbors. We are here to partner with you in your operation and look forward to working with you in the future.

Both inputs and commodity prices in general have settled down. I hope that the market becomes more stable and this will make the buying of inputs and marketing a little less stressful. However, we probably will not see the marketing opportunities that we have seen the past 18 months. We are here to help with all your operational needs.

We are excited for the upcoming harvest and look forward to visiting with you!

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Grain Department

by Dean Thernes

Fall harvest is just around the corner; our employee group has been busy cleaning out bins to make space for what we all hope is a big harvest. We will make some operational changes at some of the locations to speed up harvest, resulting in less wait time for you at dump pits. With the late rains and cooler summer, we anticipate wetter grain this year. To help us keep up with your drying needs, we plan to start the dryers as soon as harvest starts and continually run them around the clock at the main drying locations. Our employee group is committed to do their best to help with the harvest operations.

The harvest policy will be very similar to last year. We will have a "price-later" program for soybeans at a reduced service fee rate. This will allow us to move the beans out to market and make more room for corn. "Price-later" contracts will need to be signed as soon as possible. This will allow us to move the title of the grain to the elevator and move the beans immediately. Under this program you will not be able to get a warehouse receipt. If you have questions please call.

We are excited about the construction of a new 250,000 bushel bin in Bloomfield. At writing, the foundation has been poured and weather permitting, the bin should be finished in time for harvest. The Board of Directors' is committed to ensure that our facilities are equipped to handle your storage needs. As economics allow, we will continue to build upon our grain facilities. Our greatest need this year was in Bloomfield, due to a summer storm damaging one of the legs. In the meantime, we do anticipate some outside piles this harvest at some of our locations. Evening hours could present a greater challenge in visibility. Please be safe and watch for employees when delivering your grain.

Our goal is to provide you with the best options and prices. Many times we hear about "independent" retailers offering what would appear to be better prices. We encourage you to give us the opportunity you may not think exists, because at the end of the year, many independents do not put cash back into your pocket. That penny difference could be in your pocket in the form of patronage.

We are here for you and appreciate any suggestions or comments you may have. Thank you for your business!

Office News from Linda Berg, Office Manager



By the time you get this newsletter, it will be getting very close to harvest time. We are hoping everyone has a very good harvest and safe one.

Just a reminder, if anyone would like to receive their statements by email, just give me a call and I will set it up for you.

We have very good firewalls in place to protect all your valuable information. We are always on top of this issue to make you feel comfortable about identity theft.

Here's a recipe that might help in some of your busy harvest days.

Work Person's Roast

- 1 beef roast
- 1 package dry onion soup mix
- 1 can cream of mushroom or creamy onion soup
- 1 section fresh garlic
- 2 T. Worcestershire sauce

Place roast in center of large sheet of double heavy foil. Cut slits in roast and push in cut sections of garlic. Pour can of soup over roast, pour Worcestershire sauce over soup, then sprinkle on dry soup mix.

Pull foil up and seal tightly across top and ends, leaving space above and around roast for expansion. Place in cake pan and place in oven at 200° for 10 hours. Roast will be tender and juicy with gravy.

Bloomfield News by Meril Friedrich, Location Manager

Is it a bird? Is it a plane? No, it's summer flying by! It's hard to believe that it's time to prepare for harvest. The new bin is progressing and plans are to be ready for bean harvest by mid-September. The guys are busy checking the augers, legs, and bins.

For normally being dry from mid-June to the end of August, the recent rains have been greatly appreciated. Going through the fields, the crops in this area are looking very good. If Mother Nature cooperates; we could see record breaking numbers this year.

Fall is coming fast and it's time to think about propane. We are contracting for the winter months and grain drying. We have three contracts available as well as the Keep Full Program. Call for information on these options and for gallons used last year. With harvest fast upon us, fuel is a major concern also. We have contract prices for the fall, spring, and summer.

Schools are in full swing, with volleyball, football, soccer, and cross country. We wish all the area scholastic and athletic teams good luck throughout the school year. Have fun and enjoy yourselves.

**Have a safe and bountiful harvest.
Remember the coffee is always on.**

Energy Department

by Bryan Daum, Manager

WINTER FUELS Preparation



Recent testing has shown that some ULSD fuels do not respond as well to #1 blending or to cold flow additives. The desulphurization process appears to change the way wax crystals form at cloud point. Based on early test results, you may have to add more #1 or cold flow improvers to get the same results as previous years.

Remember, that blending with #1 or cold flow improvers **MUST** be done when the fuel is above its cloud point (typically 14 degrees F). Neither will melt wax crystals that have already started to form. To be on the safe side, blending should be done 10-20 degrees above the fuels cloud point.

Check both above ground storage tanks and below ground storage tanks for water and other contaminants, particularly storage tanks drained to low levels. If either is found, remove and change filters. Water in diesel fuel, actually causes more cold weather operability problems than gelling in colder temperatures.

It is advised to change fuel filters on tanks and equipment before the onset of cold temperatures. The filters job is to trap contaminants and water. The water can freeze impeding fuel flow resulting in operability problems.

Water gets into diesel fuel storage and vehicle tanks in several ways – by condensation of humid air, during transportation (pipeline & truck), and improperly maintained tanks.

Common Misunderstanding – A #1 fuel will not bring a #2 fuel that is gelled back into solution unless the #1 fuel is warm enough to bring the temperature of the blended fuel back above the cold filter plugging point.

HARD WORK PAYS OFF!

Purchase Cenex Lubricants and we'll reward you with a \$75 gift card.

Earn one \$75 gift card for every 100 gallons of Cenex Superlube TMS or Superlube 518, Qwiklift – HTB, or Maxtron products, purchased between November 1, 2009 and January 31, 2010.

You can choose from four popular gift cards: Cenex, Applebee's, Cabela's, or Sears.

ADDED BONUS: for purchasing Cenex grease. Earn one additional \$25 gift card for purchasing a minimum of 40 tubes of Cenex branded grease.

Please call or stop by your local Farmers Pride location for more details.

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Newman Grove Update by Randy M. Benson, Location Manager



The Newman Grove location has been moving corn out this summer; the beans are almost all gone. We have bins to sweep and some repairs to make so we can be ready for you to deliver your harvest this fall. We will have several dumping stations so getting you in and back to

the field quick will be our goal. The challenging weather this spring gave us concern but our floater operators, tender drivers and staff stayed long and got fields sprayed in a timely manner. The agronomy department has prices for fall fertilizer and good deals on Dekalb, Cropland, and NK seed. We will be out to talk to you about some of the most exciting corn and soybean

traits that have ever been offered, disease tolerance, herbicide and insect resistance, better plant health and yield that is ahead of all others; we can help you get the right number on the right field.

The station personnel moved a lot of fuel this season and are thankful for all the service work and tire sales that our valued customers have brought and called in.

Thanks for your cooperative support; we are here as your partner to improve and serve your household and farming operation in whatever needs you might have. In closing I found the Champion's Creed by Tom Hopkins, "I am not judged by the number of times I fail; but by the number of times I succeed. And the number of times I succeed is in direct proportion to the number of times I can fail and keep trying".

News from Progressive Nutrition

by Merlin Schlote, CEO

The past week has certainly given us a taste of the fall weather, cool days, cooler nights and fall school activities. Although commodity prices have softened the profitability picture for the livestock sector has been very challenging. The need for optimum nutrition is as important today as a year ago when we were seeing record commodity prices. Please contact the sales staff at Progressive Nutrition to work with you on your feeding needs.

In the beef sector whether you are weaning your own calves or purchasing calves the right start will dictate lifetime animal performance. Programs need to focus on palatability and proper nutrition. The PN Headstart 5 Receiver and PN Headstart Receiver are excellent choices to accomplish the goal using a complete pelleted feed. We also offer a full line of Starter Supplements to feed with your homegrown feedstuffs.

Another focal point for this fall concerns internal parasites for the cows and calves. This summer we hosted a parasite evaluation clinic and I was surprised, amazed and concerned about the findings. This spring there was a lot of media concerning worms gaining resistance to the pour on products. Our clinic did reinforce the media claims. We have developed two new products to control internal parasites. Our PN Safeguard 0.5% pellet and CGF Safeguard Cube provide convenient and superior alternatives for parasites.



Now that we have the calves started with the PN Headstart program it is time to discuss growing programs. Last fall we conducted a trial at South Dakota State University to determine the performance of our PN All DDG pellet. This pellet is fortified with all the minerals, trace minerals and feed additives to exceed the calf's requirements. We fed the PN All DDG Pellet at 4 pounds per head per day with grass hay and we achieved a 1.9# average daily gain. Looking at current economics we are able to reduce daily feed costs by \$.02 per animal per day. Talk with your sales person about implementation of this program.

Finally, we need to take a good look at the cow herd at weaning time.

Economically it is more efficient to influence body condition score in the early fall versus early spring prior to calving. We offer a range of products from protein blocks, protein tubs, and cubes to provide the supplemental nutrition to accomplish your needs.

I know this article seems a little beef focused, keep in mind we do offer a full line of feed products for the swine, dairy and poultry industries.

Lastly, we have just completed our 9th year in business as Progressive Nutrition. The year was again a success. Our success is a tribute to our great employee group, direction by our board of directors and most importantly YOU our customer.

We cannot say Thank You enough for choosing Progressive Nutrition as your supplier.

Progressive Nutrition = The Leaders in Animal Nutrition

Osmond News

by Ron Woslager, Location Manager

Here it is September already. I don't know where the summer has gone. The air in the mornings has that feel of fall to it and the season is changing.

At the Osmond location we are trying to prepare for the fall harvest. The guys are busy cleaning out the flat storage building and shipping corn out. They are also making any repairs needed to try and eliminate any problems this fall. But with all the moving parts anything can happen. It looks like the corn yields will be very good but probably looking at wet corn this fall. Soybean crop should be average yields and may be short in some areas. With the wet corn that is anticipated we will be starting the dryer right away and try our best to keep up with the demand. Hopefully Mother Nature will give

us some good drying days before harvest.

In the agronomy department mostly all the spraying is done. We thought at first we may not have the aphid problem but at the end the little buggers showed up and became a problem. As harvest starts let us know what fields you would like soil samples taken. If you plan on planting corn on corn next year, deep samples will need to be taken to test for nitrates. We already have some fields lined up to be grid sampled so if you are thinking about having any grids done, contact any of our locations for more information.

As the long hours of harvest starts we hope everyone works safe and there are no accidents. Be careful when working around all the equipment.

Agronomy Department

by Bryan Hoffman, Agronomy Department Manager

Here we are at the beginning of fall. It seems like this has been a growing season full of waiting; waiting for rain, waiting for the crop to mature, so forth and so on. Fall is the payoff time; the time when we get to harvest our crops and find out what our decisions (made concerning crop plans) and hard work have brought us for yield.

During the harvest we are gathering information, whether we are using something as high tech as a yield monitor or nothing more than our eyes. The information can range from a problem area of weeds to variability of yields over the field to how the different varieties of seed performed. Information that we gather can be used to make better cropping decisions for the coming years.

Fall is also a time of change, temperatures cool down, leaves change color and days get shorter. Things at the Farmers Pride Agronomy Department are also changing. Marv Ernesti who has been the location manager at Pierce for more than 6 years will be taking a new position as Seed Coordinator for the company. Those of you that have worked with Marv will still have the opportunity to work with him, and the rest of you that have not worked with or do not know him will have that chance, as he will be working with all of our agronomy sales staff with the seed business. Marv has a strong background and knowledge of the seed industry, as well as all agronomics.

This is the time of year to make your seed orders for next year to make sure you get the varieties and

the traits you want. Marv and all of our agronomy sales staff can help you with your seed needs.

Every year we remind our customers the importance of letting your agronomy professional know as soon as you get a field harvested, so we can get it sampled before it freezes. Once the soil freezes it takes four to five times as long to take samples. With harvest being later this year it will be likely that we will have less time before the ground freezes. Thus, we need to make the most of the time we have.

If you remember one thing from this newsletter let it be to have us take your soil samples that you need during the fall. It works a lot better for us as well as you. Don't forget fall applications of fertilizer and lime can be very helpful in time management for next spring and in getting the product to move into the soil profile.

**Thank you for your business
in 2009 and we look forward to working
with you in 2010.**



Greetings from Neligh & Oakdale

by Anna Crabtree, Location Manager

Are we ever going to have a harvest this year? Will the corn or beans be mature? Will the corn be dry? All these questions are being tossed around and worried about. Last year was a strange and difficult harvest because the corn wouldn't dry down. It looks like this year will be more of the same. I think we will all have to dig deep for patience this fall.

We have been busy this summer trying to get emptied out and the facilities repaired to be ready for the harvest rush. We are getting the dryers ready to roll for their big responsibility this fall.

You will notice as you

are coming in this year that we have some new faces. Randy Gartner is new in operations. Mandy Ofe will be running the scale in Neligh. Bobbie Osborn will be returning to run the Oakdale office and Ken Rittscher is again helping us from South Plant. And of course, you will see Mike Dewey and Richard Henery, whom you already know from their past dedication of handling your grain. We all look forward to seeing you this fall and helping you gather in the rewards of your long summer's work.

I would just like to remind everyone as we get into this high pressure season, that safety needs to come first. Watch carefully for other people and trucks, be extra careful with children around the harvesting process.

Thank you for your past support of your local co-op. We wish you all a safe and bountiful harvest. We look forward to seeing you this fall.



Madison News *by Mick Goedeken, Location Manager*

Wishing for better yields and a less stressful spring? WE HAVE ANSWERS!

A look at new research that demonstrates when crops are most affected by weed pressures and the effect those weeds have on yields plus fall herbicide application.

We all know that weeds reduce yields and proper timing of spring weed spraying can be very difficult. Every spring we fight the same challenges. Spring is always busy with family activities, planting and spraying. Days are long, nights are short and we are all stressed. Often times for one reason or another herbicide application is delayed. New research has found a measure of what delays in herbicide application are costing us in yield loss. I would like to take time in this article to review this research and discuss some solutions that Farmers Pride can offer to make spring less stressful and boost yields for you, no matter if you spray your own crops or have herbicides custom applied.

Why is weed control in crop production so important? Our goal is to increase yields in order to increase profits so that we can feed an ever growing population. A very important part of increasing yields is reducing competition from weeds. Our crops are designed to harvest sunlight, then convert it into energy to produce the crop. Previously we have only considered weeds as a competitor for moisture and nutrients; however, cutting-edge research has found other issues with weeds. When weeds are present they are robbing sunlight from the crop; therefore, robbing yield and keeping us from reaching full yield potential.

Dr. Clarence Swanton Ph.D. Professor of Weed Science at the University of Guelph and his colleagues have found that both corn and soybeans are very sensitive to the presence of weeds. This is because weed pressures actually alter the quality of light surrounding seedlings and causing changes in the crop before competition for resources such as moisture and nutrients ever occur. The research demonstrates that the crop (corn or soybeans) will hold onto their full yield potential until a specific time in their development and this point is called the plants switch-point. The presence of weeds after the crops switch-point can cause irreversible yield loss. They have also studied the economic effects of weed pressures after the crops switch-point with yield losses accumulating everyday that weed control is delayed.

In corn, the plant actually recognizes weed pressures at emergence and the switch-point occurs after the 3 leaf stage. In soybeans, the switch-point occurs about 21 days after emergence or at the development of the 2nd trifoliolate, but yield loss actually occurs at a more rapid rate than in corn losing about 1 bushel per day. Tables 1 and 2 illustrate the effects of delaying weed control past the crops switch-point and the economic losses associated with that delay. Corn yield is reduced even more when weed pressure is higher or more competitive therefore, making it extremely important to have good weed control.

One discovery of this research that I find to be amazing is that the plants actually change their leaf orientation when weeds are present. Corn grown in weed-free environments will have leaves that are perpendicular to the row (across the row), but when weeds are present the leaves will develop with the row. Although this is easier to view from above the plant, but as you walk fields throughout the growing season you can observe this reaction for yourself. I have even been able to find areas in fields that had skips in herbicide placement just by observing leaf orientation. In soybeans the leaf orientation is also changed but it is not as easy to detect because the leaves will still develop 360° around the plant.

Although, it is not easy to predict the amount of yield loss that may occur prior to the growing season you can manage your weed control practices by using the following steps.

1. Understand the role of the switch-point in the growth of your crop.
2. Know your weed species.
3. Know your fields.
4. Keep accurate records.

If these steps are followed then you can know where the most critical fields are and where to concentrate on achieving the most consistent weed control and what herbicides will give you the best results. Please take the time to contact one of our professionals at Farmers Pride to assist you in making the correct herbicide placement for each of your fields.

Table 1. Corn Switch-point Yield Impacts (Based on \$2.72/bu Corn)

Days After Switchpoint	Average Pressure		Competitive / Stressful Pressure	
	Yield Loss (bu/Ac)	\$/Acre	Yield Loss (bu/Ac)	\$/Acre
1	0.5	\$1.36	1.0	\$2.72
3	1.5	\$4.08	3.0	\$8.16
7	3.5	\$9.52	7.0	\$19.04
10	5.0	\$13.60	10.0	\$27.20
14	7.0	\$19.04	14.0	\$38.08

Table 2. Soybean Switch-point Yield Impacts (Based on \$8.82 / bu Soybeans)

Days After Emergence	Days After Switch-point	Yield Loss	\$/Acre
21	0	0.0	\$0.00
22	0	0.3	\$2.65
23	2	1.0	\$8.82
24	2	2.0	\$17.64
25	3	3.0	\$26.46

Madison News .. .continued

How can we make spring less stressful for all of us? Since the advent of roundup ready crops many producers have thought that a two pass roundup program was the cheapest and easiest weed control program. However, according to research this is not the case. Furthermore, many of our no-till fields are covered with winter annuals by the time we are ready to plant in the spring. In order to combat the stresses of properly timing of weed control, having a clean seedbed, and to beat the switch-point of both corn and soybeans we offer two products that can be applied in the fall that have been proven to control weeds very well. For corn, we offer Basis and for soybeans, we offer Enlite. Both products can be applied after November 1st and will provide you with a weed free seedbed in the spring. Additionally, the manufacturer gives a guarantee that you will only need a single pass of glyphosate next season.

In Figure 1 there are pictures from two different fields in the Madison area that were treated with Enlite last fall. The combination of Enlite, 2-4,D and crop oil was applied on November 18, 2008, and these photos were taken on June 17, 2009. Admittedly there were a few weeds in these fields but they were much cleaner than other fields in the area that did not have any residual herbicide applied to them and also cleaner than some other spring applied residual herbicides. Enlite may be applied either in the fall or in the spring up to 3 days after planting. Through my experiences with Enlite over the past few years I have learned that this product is most effective with fall or early application. I have used the product in spring applications from late March through planting. In my opinion Enlite is most effective when applied in the fall or before April 10th. When considering using Enlite it is important to keep in mind that incorporation is not recommended and you cannot graze stalks after application. If you plan to graze stalks, delay application until the cattle are removed. Also, have any planned cultivation completed prior to application.

Basis can be applied in the fall to fields that will be corn the next spring and will provide a clean seedbed in the spring. Using Basis will provide both burndown and residual control of tough winter annuals and certain perennials allowing no-till fields to warm up faster in the spring and reduce springtime tillage passes needed in the spring for conventional tillage fields.

I am proud to announce that this year Farmers Pride will be offering a program for fall applied herbicides that will allow you to delay payment for these products and services until January 8, 2010. This program will work in the same manner that our fall fertilizer program does. If you would be interested in using the fall applied herbicide program contact your local Farmers Pride Professional so that we can schedule your field to be sprayed



Figure 1. Two fields from the Madison area sprayed with Enlite November 18, 2008.

Photo taken June 17, 2009.

before Mother Nature stops application for the winter.

As you plan for next year's crop keep in mind the importance of a weed free field and consider looking at your records before planning your herbicide program for next year and take advantage of help offered by our professionals at Farmers Pride so that you can place the correct herbicide in the right field. Also consider utilizing some fall applied herbicides to ease stress levels next spring.

May all of you have a SAFE and bountiful harvest. We look forward to seeing you during the harvest season and at grower meetings over the winter. Most of all we look forward to working with you again next growing season.

Battle Creek News *by Dawn Pochop, Human Resources & Safety*

New & exciting things have been taking place at our Battle Creek Office.

Some of you may have already seen our newly updated & renovated office/scale area. It's amazing what a little paint and ingenuity will do. Special thanks to all the staff at Battle Creek & BC South Plants for their hard work in helping with the improvements.

We would like to welcome Jesse Weidner as a new member of our Battle Creek team. Jesse is working in the Grain Department and lives in Battle Creek with his wife Abbie, and their two children Brennan (5) & McKinley (4).

The Grain Department crew has been quite busy cleaning out bins & preparing for harvest. We feel very good about our storage capability this year and look forward to seeing you at harvest time. Also in preparation for harvest, we would like to get your grain accounts/splits/information finalized prior to the fall rush. The sooner we have your information the better. You will also receive cards for your delivery drivers to hold up while on the scale. These cards will correspond with the information you have given us. This will save you time when delivering your product to the elevator. We invite you to stop by for a cup of coffee, enjoy our new surroundings, and meet with Dean if you have questions on your fall harvest needs.

The Farmers Pride Fair Breakfasts were a great event for us this year. We hosted pancakes and sausage at the Madison, Antelope, Pierce, Knox and Wayne county fairs. Here are the final attendance numbers.

GOOD LUCK TO ALL FALL SPORTS TEAM'S, PLAYERS, AND SCHOOLS.

BREAKFAST ATTENDANCE

LOCATION	2009	2008	2007	2006	2005
Madison	275	240	290	345	300
Pierce	375	392	451	475	400
Knox	175	215	200	200	180
Antelope	348	309	300	280	300
Wayne	206	200	220	175	200



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