



Update

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apachecoop.com

Farmland, Apache Co-op, and you

Your Apache Farmers Cooperative is

- Apache
210 West Floyd
PO Box 332 73006
580-588-3351
580-588-9277 (f)
apachecoop@pldi.net
- Apache Station
123 Coblake
580-588-3346
coopstation@pldi.net
- Apache
Co-op Propane
North Hwy 281
580-588-3300
- Anadarko
Co-op Propane & Feed
East Hwy 62 73005
405-247-3600
- Carnegie
Co-op Propane & Feed
East Hwy 9 73015
580-654-1322
- Chickasha Country Store
3310 West Hwy 62
405-224-5810
rcannon@pldi.net
- Elgin
707 G Avenue
580-492-4832
elginmanager@pldi.net
- Fort Cobb
203 Ponjo
405-643-2177
fortcobbmanager@pldi.net

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apachecoop.com

The Farmland bankruptcy is almost behind us. They filed for bankruptcy protection on May 31, 2002. You, as an individual, are a member of a **local** cooperative like the Apache Co-op. A local cooperative like your Apache Co-op can own shares in a **regional** cooperative such as Farmland was. Farmland was a **regional** cooperative. The Apache Co-op owned \$1.6 million shares of Farmland. The shares that the Apache Co-op owned were removed from your co-op's balance sheet in fiscal year 2002. This past year we had a clear, defining event that put to rest any doubt that Farmland or any part of Farmland would survive

the bankruptcy proceedings. As noted in past newsletters, annual meeting, and notice of cancellation that you, the membership, received at the end of December, in order to protect the financial interest of the cooperative and to ensure that the cooperative will be able to serve its membership in the years to come the \$1.6 million loss was allocated to the membership. The percentage deduction taken against your stock was 27.35%. Example:

Member Smith (total balance of equities)	\$1000
Equities cancelled and written off	\$(273.50)
Remaining balance of equities	\$726.50

Member Smith still has \$726.50 of member equities in Apache Co-op. He is still a member and is entitled to an ordinary loss for federal income tax purposes of \$273.50. Please consult your tax advisor for any tax related information. Your co-op is still strong and vibrant. This action was necessary for it to remain that way. This action was due to circumstances beyond anyone but Farmland's control. A vast majority of other local co-ops throughout the Midwest were affected in this way and took the same action. Some were not as strong as Apache and were much more adversely effected.

Wheat Market Summary (January 23, 2004)

Wheat's downward spiral into the abyss continued as supportive export sales for the old crop and supportive weather concerns for new crop wheat failed to keep funds from pushing prices through key areas of support. Hard red wheat futures in Kansas City settled 6 ½ to 8 cents lower on the day. Export sales of just over 1 million tons for 2003-2004 and 760,000 tons for 2004-2005 were above most estimates. While much of this wheat was known from sales to China last week, the decent export sales coupled with forecasted cold temperatures for much of the wheat region next week gave wheat a steady tone going into the open. While the market has been weak recently,

this news seemed to indicate a steady day to finish the week. As has been the case in the past couple sessions, Chicago has led the charge lower with fund selling causing the March inter-market spread to widen as the market breaks. This was the case for much of the session as this spread widened to as much as 13 cents as Chicago broke. KC March wheat was well supported at 3.95 (just above the 20 and 50 day moving averages) and resisted downward pressure until key support at the 3.91 level was broken and triggered stops and fund selling. This whip-sawed the spread back in to settle 2 cents lower on the day at 9 ¾. The heavy selling led to the March contract finally trading into

the gap area left after the first of the year. Today's sell off was unable to close the gap, which has been narrowed to the 3.85 to 3.87 area. Outlook: While the chart looks extremely bearish, wheat prices could bounce after closing in the gap (3.85 to 3.87) left in the March and strong trend line support near 3.80. Lower prices should also inspire some more export trade that would be supportive. Forecasted cold temps and precipitation will be watched closely for effect on new crop.

How is a Cooperative Organized?

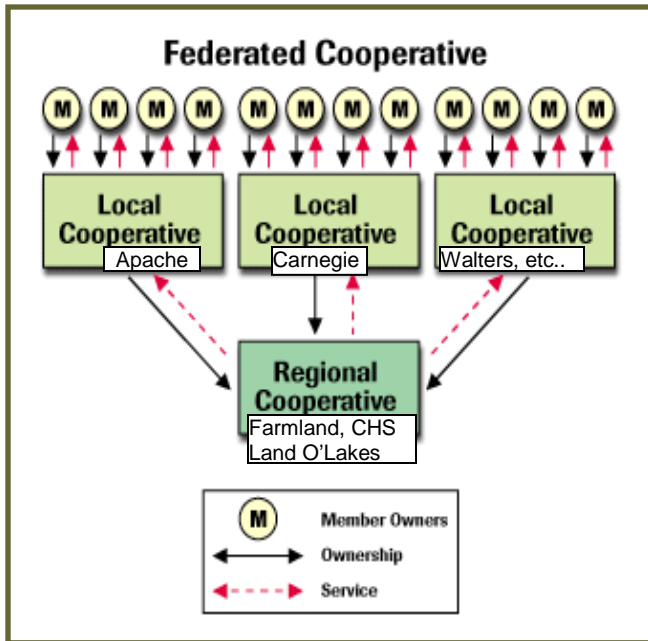
Traditional cooperatives are typically organized following either a federated or centralized model.

In a federated cooperative system individual members own their local cooperative. **Local cooperatives** own their **regional cooperatives**. Through this ownership chain, local member owners do own the regional cooperative.

In this structure, local member owners control their local cooperatives directly through a local board of directors. Because the regional cooperatives are governed by boards made-up of local cooperative directors, local member owners indirectly control the regional cooperatives as well.

Non-traditional cooperatives are more difficult to define. Many people refer to non-traditional cooperatives as joint ventures because they typically involve one or more cooperatives and/or private businesses working together. There are many types of joint ventures. Three of the most common are:

- Operating Agreement
- Partnership
- Limited Liability Company (LLC) – such as Agrilience, Croplan, Equity Marketing Alliance



Keeping Your Perspective

When one is concerned about the long term implications of grain prices relative to one's financial well-being, it is easy to get carried away with the short term price action and the emotion and volatility attached to a rally. But typically rallies are relatively short term, meaning months rather than years, unless there is something along the lines of an episodic event that is driving the rally. An example of an episodic event might be the Russian wheat purchases of the 1970's. This was something that was highly unusual and outside of the norm of expectations. This as opposed to a rally that is driven by a short-term threat to yield in one grain growing area in the arena of global agriculture. Short-term threats to yield in a significant grain growing area will typically impact price for a few months rather than suggesting long-term structural change or a long-term redefinition of price parameters.

Maintaining Perspective

If you are someone who is concerned about the long-term financial well being in your business of farming, it's important to maintain perspective in the emotion and volatility of day-to-day price action. Perhaps one needs to remain disciplined to

a process of price analysis that allows one to stay focused on grain marketing as a process of revenue management relative to one's long-term financial success, rather than a price guessing process for a commodity. It's important to remain disciplined in the process of analyzing weather, known supply and demand fundamentals, the analysis of the market technically, and the involvement of the investment funds in the commodity markets, as the emotion and volatility of commodity markets evolve.

Don't Risk It All

Perhaps the following question should be asked every day relative to one's grain marketing program – Will my grain marketing efforts or strategy employed today, risk the financial well-being of my business and family in a significant way? If the answer is yes, are you willing to communicate this to your family and/or lender on a daily basis? If the answer to this is no, perhaps your marketing strategy needs to be revised and focus on a more disciplined approach to price analysis and revenue management.

The End

Every bull market has an ending. When this occurs, every farmer will wish they had marketed grain on the rally, going with the trend, rather than going against the trend and fighting a declining market. This suggests one needs to continue to sell some as the market keeps going up, rather than trying to "hit the high" with all of one's inventory. Is there anyone who has successfully "hit the high" with any consistency. Most of the time it is simply luck that allows one to do so. In the arena of grain marketing with a focus on long-term financial success, perhaps it's not prudent to leave one's financial success to the hands of luck.

Local Support

Your co-op tries to bring more to a relationship with you than simply providing a competitive bid for your grain. While we do want to buy your grain, we also realize that's it important that we support you in the management of your grain marketing efforts. Give us a call. Volatility is your business now. Whether it is grain, fuel and/or fertilizer we want to help. This is your cooperative. Don't be shy about telling us what you need from us. We are here to serve you.

Traders pick top marketing sites

You may not have all the time that professional grain traders do to watch the markets and track market forces, but there are a plethora of informational and analytical website available on the Internet to make fast work of your regular research.

Where do you start? We polled grain traders and marketing experts for their favorites. Here are the sites they said were on their regular must-click list.

1. www.fas.usda.gov/wap/current/toc.html - a great site for monitoring global crop condition
2. www.ers.usda.gov/Briefing/baseline/summary.htm - provides useful background data for long-term projections
3. www.barchart.com - offers interesting opinions on market outlook
4. www.agribiz.com/merchdiz/outexpsl.html - weekly updates of U.S. ag exports
5. www.turtletrader.com - provides good historic information
6. www.grainnet.com/ - news and information for the grain, milling, feed and seed industries
7. www.smallgrains.org/ - useful crop updates and risk management information
8. www.igc.org.uk/index.htm - International Grain Council offers a free 6-page monthly newsletter