

NEW CENTURY FS MANAGER'S REPORT

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The final results are not yet complete for New Century FS, as our fiscal year end does not end until August 31. However, sales thru the end of June exceed \$87,000,000.

Sales within the Agronomy Department have gone very well this year with increases in all product lines. Across all of our sales territory we had customers applying recommended amounts plant food, because 1) plant food prices dropped considerably and 2) customers had been cutting back because of high prices, and therefore crops were calling for more pounds per acre. P and K sales will be about double of what they were last year, NH₃ sale will be the same as last year, and liquid nitrogen sales will be up 20% over last year. Chemical sales dollars will be down this year, but unit sales will be about the same or higher. Dollar sales will be down because of the large drop in Roundup price. The price drop encouraged customers to purchase Monsanto Roundup versus generic roundup. July and August will be very busy for us applying second pass chemicals on soybeans, spraying fungicides on both corn and beans, and possibility spraying insecticides. New Century FS continues to lead in Precision Farming with over 30,000 acres mapped again this year. Sales and service of precision farming equipment on planters, sprayers, and combine equipment will exceed \$250,000. Crop scouting services continue to sell well with over 30,000 acres being scouted this summer. It is amazing how seed sales continue to grow every year. We have had 10% or more growth in seed sales in each of the last 8 years. Seed corn units will exceed 40,000 and seed bean units will exceed 78,000 units, records for both. All these increased sales are the results of New Century FS employees making the right recommendations and then getting the job done in a timely manner.

The Energy Department is also enjoying a good year with increases in all product lines. Tank wagon deliveries of gas and diesel at the end of May are ahead of last year. Oil sales are up over 38,000 gallons. With July and August still to go we should set a record for oil sales. This is the result of the customers enjoying the new bulk system that is in place, and salesmen doing an outstanding job of promoting the features and benefits of FS oil. LP sales are up over 1,000,000 gallons. This is a result of 1) a very wet and late corn crop last fall, 2) normal winter weather, and 3) a growing customer base. The LP Delivery personnel did an outstanding job this last year making sure none of their customers ran out of product. Our Energy Service Department continues to grow. This summer we will be adding our third service technician. Again this shows we are offering the right products, solutions, and services to our customers.

New Century's Ag Finance program has seen significant growth this year, with over \$17,000,000 in approved loans by the end of June. Key to this growth was our 0% Seed Financing program, which was very well received in the country and largely responsible for a 30% growth in the number of Ag Finance customers. It combined well with other seed programs that were available, allowing us to put together a strong financing package that the sales force was very active in promoting. Stable interest rates have allowed us to maintain our advertised interest rate throughout the year; more volatility is anticipated over the course of the upcoming year which should make our fixed rate program even more attractive.

This was the first spring the 10,000 ton liquid nitrogen facility that was built at our Albion plant was put to use. Timing for this facility could not have been any better. Sales of UAN sharply increased this spring and I am not sure we could have kept up with demand had we not had this facility. By having product on hand we were able to keep customers on schedule with their planting and side dress intentions. A number of customers have commented on how well the facility and the employees performed. I want to thank the Albion employees for an outstanding job of getting product loaded, mixed, and delivered to customers, sprayers, and other locations.

This year New Century FS has added \$2,700,000 of fixed assets. We added numerous NH₃ tool bars and tanks, seed tenders, liquid and dry tenders, dry and liquid floaters, sprayers, fuel trucks, LP trucks, and facility repairs. Continuing to add equipment and updating facilities shows our patrons that we are here to serve them for a long time.

At New Century FS, we continue to look for ways that will contribute to our patrons' profitability and stability as well as New Century's. The biggest benefit that we are able to provide our customers is the assurance that you, our patron, will be able to continue purchasing quality FS products, services, and solutions through your own cooperative, now and in the future.

On behalf of the Board of Directors and employees, I would like to thank you for your support this past year and we hope to continue to earn your support in the future.