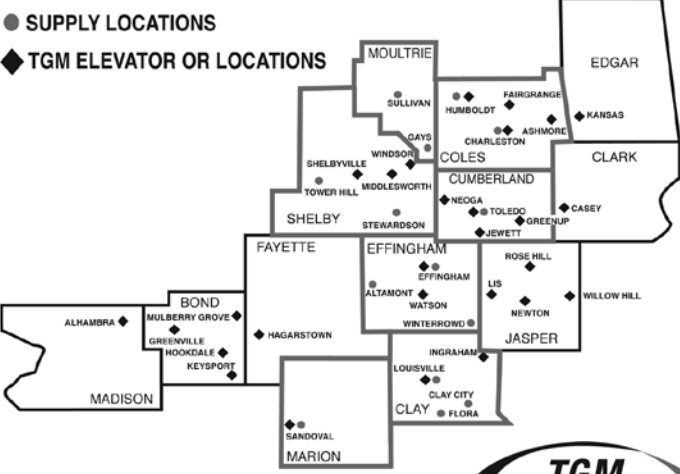


Country Connection

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GRAIN SCOOP: REFLECTING ON 2010

By Kim Holsapple

Once again another year is behind us. Often we remember how a year was either by the crops production or by the crops profit or lack of. Most of the time the size of the crop dictates price direction so sizing up the crop is what most people remember. I can still remember the horrible crop years of the 80's. I know I am showing my age when I refer to a dry year as being similar to 1988 when yields were cut in half or to the cool summer we had in 1994 in which corn yields broke all previous records.

So how will we remember 2010 when we are telling our grandchildren about the early part of this century 30 years from now? In my case in which I deal in commodity futures on a daily basis, I will remember sev-

eral events that happened during the year.

We started our planting in late March or early April. Best start in several years!

We started receiving rains and by early May replanting had began.

What corn that did not have to be replanted was very slow in growing.

In some of our trade area planting did not get finished until July 4th holiday, making the planting season running into parts of 5 different months.

One of the warmest summers on record maturing the crop much quicker than normal.

Earliest and fastest harvest in my 35 years.

We have just read some of the highlights from 2010 from an agronomic standpoint now let's look at it from the marketing perspective:

December corn low June 29th \$3.4325 ---- High November 9th \$6.05

January soybean low June 9th \$8.9725 ---- High November 12th \$13.485

December wheat low June 11th \$4.7275 --- High August 6th \$8.68

As you can see we had more volatility from June to November than we had in years past. We came from a year (2009) from which the USDA said the average farm price for corn was \$3.55 per bushel into this year in which they estimate the price to be \$5.20. This is \$217 per acre above last year and \$169 per acre gross above the previous highest year (2007) of \$633. For soybeans we went from last year's average price of \$9.59 to this year's estimate of \$11.45. For wheat, what can be said! In less than 2 months we had a \$3.96 per bushel rally based on mostly what was happening on the other side of the planet. Russia had a drought that had not been matched for 125 years thus reducing their crop to almost half of what was expected.

It doesn't take long to see that the difference between a mediocre year and a great year is the way the crop was marketed. As most of you know I preach to be proactive and not reactive when it comes to marketing. I completed my bean sales earlier this year having the 2nd best average price per bu and the highest average gross per acre. Could I have got more? You bet! But I will put this one down in the record books and can already see that next year looks to be very promising. As for corn, there is no doubt this will have been a great year but I am still waiting to finish pricing that crop. When it comes to wheat, I feel like the August high of \$8.68 per bushel will be a high we will not see for sometime to come. Our world supply demand picture still tells me we have room to spare and without another supply problem from a major producer that high will be around for a couple of years.

Most people want to talk about how they pulled the trigger too soon on last year's crop so they are going to wait this year. Just a warning, the market does not care, so be cautious with this kind of thinking. When the profits are good lets lock in enough grain to cover your cost and if you want to play with the rest no one will complain and you will be back to farm another year. I think corn and beans will retest their yearly high!

Happy New Year from all of us at TGM!

THOUGHT OF THE MONTH

We are leaders only if we can look through the eyes of our followers, and ask ourselves the questions that our followers would ask and answer them straight and clear.

John Klawson



GENERAL STORE

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Big Red Dog Food 50lb
\$16.99

Lil Red
Cat Food Dinner 40lb
\$20.99

MANAGER'S REPORT

By Randy Handel



We all grew up with the belief that “normal” is pretty much everything stays the same and not much changes. Boy, has that changed. Now, “normal” means everything is going to change. The only questions are how much will it change and at what speed? Effingham-Clay's 2010 fiscal year was a new “normal” year.

Our year started off with a record late harvest. We followed that up with a colder winter and then had a very wet spring with just a few good weeks of weather. Most of the corn got planted in those good 2 weeks in April, which has harvest this fall being one of the earliest ever.

As our farm customers struggled through these extremes, so did your cooperative. But, again due to the diversification of Effingham-Clay we had a profitable year. Our local earnings improved from the previous year. GROWMARK patronage was significantly lower (but still very good) and TGM completed another great year. Net income this year is \$4,733,501 which is one of the better years for Effingham-Clay. This level of income allows your company to pay patronage in all departments. Your support is what makes these results possible. Thank-you for your business.

Livestock producers finally saw a little relief and a return to a low level of profitability. That is a welcomed change. Our feed department had a very good year. Total sales of feed increased over the previous year. The focus we have on helping and supporting independent producers is the foundation of our business.

Structure sales had another wonderful year. Garage door sales and service continues to grow and our door company, Altamont Overhead Door, was recognized as one of the top 50 Raynor dealers in the country. We are also a very large CHI dealer. We have a door that will fit your need and your budget. And we pride ourselves in having the best door service employees in the area. We are a full line supplier of grain bins and accessories and livestock equipment. Any opportunity to serve your needs is welcomed and appreciated.

LP sales have been growing for us over many years and with the record grain drying use last fall and a colder winter, our sales exploded with a 20% increase in volume. Being part of the GROWMARK System again paid dividends on having a supply of LP available to us to meet that increase. Being part of a large cooperative system does pay dividends in years like this one.

Fertilizer tons were up over the previous year, but still less than we projected. Fall movement was almost non-existent with the very late harvest and wet weather. So, everyone had to apply fertilizer this spring and with limited days to work it put a real stress on everyone. With the compacted spring season, it was extremely difficult to get to “everyone” at the exact time it was needed. But again, I believe our employees and GROWMARK did a remarkable job of covering your needs and not running out of product when our customers needed it. Effingham-Clay took pride in having product available to us throughout the season. That happens with having a good supply plan and reliable transportation system to get our product to us. Again, being part of the GROWMARK System paid off. Crisis times makes our investment worthwhile. That's something we take for granted when everything flows smoothly.

Seed sales increased in 2010. Having 3 brands – FS Seed Corn and Hisoy's, Dekalb and Asgrow, and NK Seeds lets us meet every specific needs and wants a grower has. We are blessed with having the best seed available on the market.

Effingham-Clay sold chemicals on more acres than we ever have before, but our chemical dollar sales fell. Why? Roundup prices dropped in half from the previous year and will fall again in 2011.

Fuel and lube oil sales set a record for us this year. Liquid gallons increased 5.2% and lube oil sales increased 30.9%. We continue to grow our business both on farm and commercial. Our Fast Stop locations at Effingham and Flora continue to grow and are doing quite well. Thanks for your support and if you've never been at our Fast Stop General Store in Effingham, please stop by. You'll be amazed at what we have to offer with the best and most unique store in the area.

Our company Vision Statement “To be the Best at Exceeding Customer Expectations” is what we believe in. We know you can buy virtually everything we sell from someone else, so we have to add more value to our customers than someone else would. Effingham-Clay has and is doing many things to help our customers.

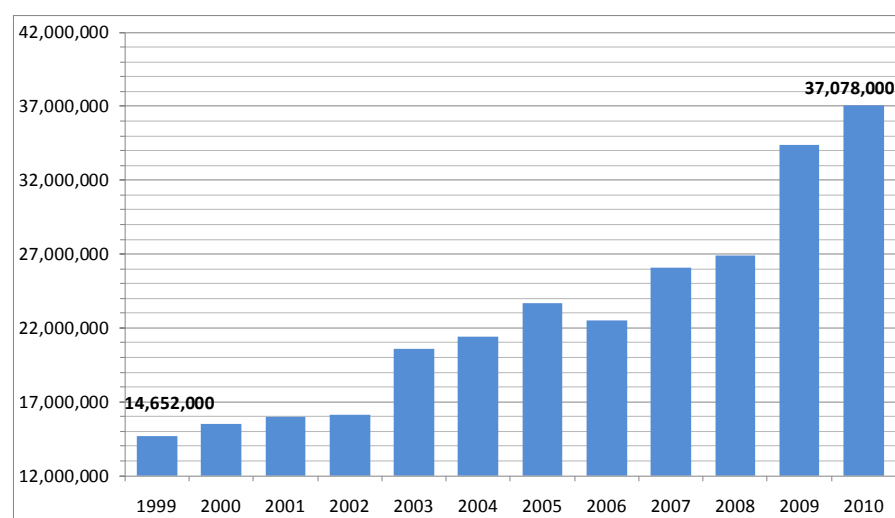
Just a few of them are:

- Early adapter and supporter of Soy Biodiesel (use your own product)
- 43 Pursuit of Maximum Yield Trials (how can we help you make more money)
- First to experiment with and promote late side-dress of urea with Agrotain on standing corn (how do we help raise corn yields)
- Fungicide spraying (how do we reach those top yields)
- On farm discoveries (what works on your farm to help you make more money)
- Database of local information to have our crops specialists give you the BEST recommendations (every field and every producer is unique and has different needs)
- LP leak tests and regulator upgrades (keep your family and your assets safe)
- Closeouts and feed rations just for you (how do we make you more money)

You can tell we aren't just focused on selling you another ton or another gallon. Our focus is our customer. If our customers are successful, our company will be successful. There is never any doubt that we will always have our customers' best interest in mind.

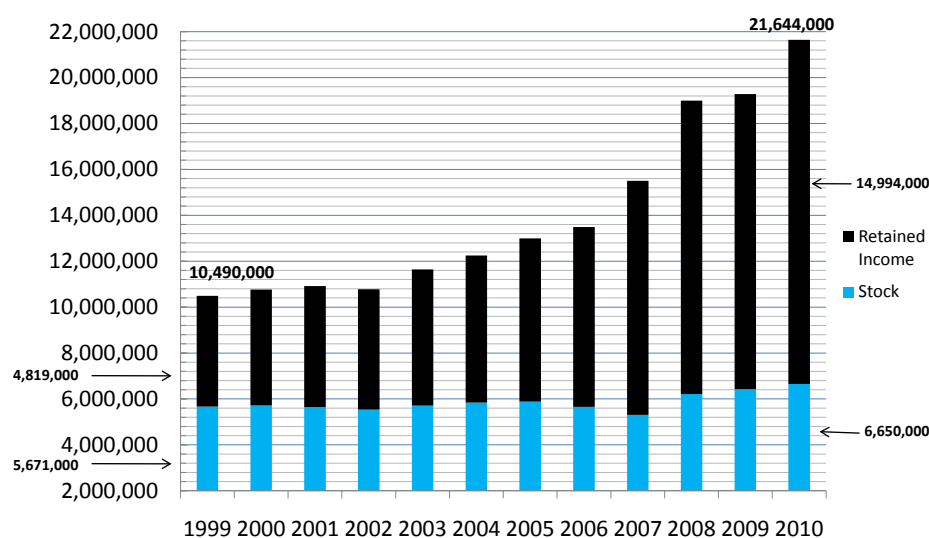
This report includes a lot of information about the last fiscal year, what we are doing, and a little about the future. But sometimes it's good to reflect a little on where we've been and how far we've come. The two charts below give you a 12 year glimpse of your company.

F/A Gross Cost + TGM Investment



The first chart provides a look at the fixed assets at cost that the company has in place. In 1999 there was \$14,652,000 and in 2010 there is \$37,078,000. If you remember we transferred our grain assets into TGM in 2006 and 2007 so from 2007 thru 2010 the number includes both Effingham-Clay's investment (only) in TGM and our supply location fixed assets. Your company has been and is growing.

STOCKHOLDER EQUITY



The second chart really shows how well your company has done. In 1999 there was \$5,671,000 of stock outstanding in our patron's hands and there was \$4,819,000 of retained income or \$85 cents of retained for every dollar of outstanding stock. In 2010 stock has only increased \$979,000 to \$6,650,000 while retained income has increased \$10,175,000 to \$14,994,000. There is now \$2.25 of retained income for every dollar of outstanding stock. Total stockholder equity of \$21,644,000 in the company has doubled in the past 12 years. Your company has seen tremendous growth and the outstanding stock has grown very little to support this growth. This, along with the fact that this is the 6th straight year the company has redeemed older stock is a sign of how strong your company is. Thank-you for the great support you have given your cooperative.

TGM continued on its successful path this year. This was the 4th year of operation. We are constantly looking for ways to improve our customer service both with grain marketing and physical facilities. New bins, legs, trucks, upgrading of facilities and increased dumping capacity have been the focus of TGM. With the addition of the South Central FS and Madison Service Company's grain assets and business in August 2010, TGM now serves customers from the Mississippi river to the Indiana border. TGM is an organization that Effingham-Clay is proud to be part of and welcomes the Return on Investment back to our stockholders and customers.

Year end results are the result of a lot of commitment and hard work by our employees. Our employee group is second to none in having our customers best interests as their focus. They overcome obstacles and rise up to anything put before them. I hope you'll join me in thanking them for what they do. They are a fantastic group!

We will never take your business for granted. Without you, our customers, there is no reason for us to exist. Thank-you for giving us the opportunity to serve you.



Todd Wachtel (left) presents a gift of thanks to Greg Logan (right) and his wife Ellen for his service as a Board Director. We want to give our sincere thanks and appreciation to them for his service to our cooperative.



Todd Wachtel, president (left) welcomes our new director Chuck Trainor (right) to the Board of Directors for Effingham-Clay Service Company.

MARKETING MANAGER'S REPORT

By Gerald Witges

"We Are" is an interesting two word statement and the theme of the past year's GROWMARK Annual Meeting.

Your local cooperative has been in business for 66 years. Through these years, there have been many choices for customers to choose from when making their buying decisions. Your cooperative has employed many residents of the local areas and they have contributed to the well being of local communities, where as private companies have come and gone.

Let's look at the statement "We Are":

"We Are" local residents paying taxes that support schools, etc. etc.

"We Are" grandpas, grandmas

"We Are" grandsons, granddaughters

"We Are" proud to be a part of agriculture

"We Are" proud of our local communities

"We Are" here to serve our stockholders of the company

"We Are" local producers who are stockholders of the company

"We Are" here to train and educate our customers on the best ways to enhance their profitability

"We Are" the Board of Directors who oversee the financial strategy of the cooperative

"We Are" your neighbors

"We Are" your friends

Like any other business, we are dependent on the support of our member owners. When you purchase from Effingham-Clay Service Company, you are supporting your local community. As always "THANK YOU" for your past and future support.



LIVESTOCK SERVICES

"Totally Committed To Your Livestock Needs!"



RANGELAND TUBS VS. A COMPETITOR



RANGELAND 30-13

- 225 lbs
- 30% protein
- 2-3% moisture
- Complete mineral package, no additional mineral needed
- Consumption rate: ½ to 1 lb. per head per day
- No salt added
- No chemicals added
- Consistent intake
- Average cost of \$0.29/head/day
- Research proven results of increased forage intake and utilization



YELLOW TUB COMPETITOR

- 200 lbs
- 24% protein
- 25-35% moisture, causing high consumption
- Consumption rate: ½ to 2 lb. per head per day
- 8-10% salt added
- 5-8% chemicals
- Moisture (water), salt and chemical equate to 88 lbs of non-nutritional value
- Average cost of \$0.47/head/day
- Supplemental mineral must be added to provide a nutritionally balanced diet



Rangeland Protein Tub are a free choice supplement designed for beef cattle on forage diets.

Contact FS TLS Feed Specialists at 1-888-374-2748

to ask about the benefits of these tubs



Customer Appreciation / Annual report dinners were held at nine different locations throughout the company on Tuesday, December 14, 2010.

THANKS TO EVERYONE WHO ATTENDED AND MORE IMPORTANTLY THANKS FOR YOUR BUSINESS AND SUPPORT OF YOUR COOPERATIVE.



FS Total Livestock Services hosts Beef Feedlot Tour

A full bus load of cattle producers participated in the Beef Feedlot Tour on November 18th throughout south central Illinois. The tour was designed around three stops:

- 1st Stop: Dave & Anita Lidy Farm - Mulberry Grove, Illinois
This stop focused on the feeding of Holstein steers on high grain rations along with showing three years performance and profit data.
- 2nd Stop: John & Donnie Mast Farm - Humboldt, Illinois
This stop focused on background feeding of cattle and feeding cattle under stress situations using the new stress feeds developed by Land O'Lakes and TLS.
- 3rd Stop: Jim & Larry Westendorf Farm - Dieterich, Illinois
This stop focused on feeding commodities and farm ingredients to multiple groups in a feedlot environment.

Every stop on the TLS tour focused on maximizing profitability in the cattle business at the farm gate.



**We know Farming
We know Financing
We know Crop Insurance**

Here at Effingham-Clay Service Company we pride ourselves on servicing and educating our customers on their crop insurance and financial needs. Let us come to your farm and help you with your operational needs, call Jim Howard or Tony Deters today.

Tony Deters
Crop Insurance Specialist
Certified Crop Advisor



Jim Howard
Patron Finance Marketer
Crop Insurance Specialist

217-342-5074

Ready for next year?

**If your grain system didn't perform at peak level last fall,
Let your FS Grain Systems Specialist take a look.**



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Altamont Overhead Door-Division of Effingham-Clay Service Company



All of our doors are manufactured in Illinois!

