

Keith's Monday Morning Update

July 7, 2003

Page 1



Good morning! Some weekend storms battered crops in a few areas of FSC's trade territory, but generally speaking crops are looking very good at July 7th. We'll start this issue off with some items to update you on in Agronomy...

Delayed spring planting has extended the agronomy season this year. The table shows a comparison of 2003 vs 2002 sales in categories where sales are near year-end completion.

Category	2003	2002
Ag-Lime	\$940,000	\$792,000
Dry Fertilizer	19,090T	18,794T
Liq Fertilizer	9,762T	11,236T
Nh3	14,637T	13,237T
Soybean Seed	42,200 Units	44,050 Units
Seed Corn	8,300 Bags	10,400 Bags

Strong Natural gas prices have increased price concerns on heating fuels and fertilizer prices. FSC has scheduled summer-fill fertilizers earlier than usual. **Thanks to all locations for their cooperation on summer-fill during the spraying season. Also, thanks to Rich Cline for preparing all dry fertilizer buildings for summer-fill tons!**



Congratulations to everyone for a safe spring season! Despite the long, delayed spring season—SAFETY was definitely a TOP PRIORITY.

Equipment sharing was excellent in 2003! Cooperation was excellent and this makes spring season go better and most importantly—allows FSC to provide excellent customer service!! **Thanks to each of you!**



Safety...Workers' compensation and Auto Claim results for June are finalized. We incurred TWO WC claims and NO Auto Claims in June. This has our September—June YTD totals at THREE WC and THREE Auto Claims. Keep discussing SAFETY at your location. Work SAFELY and make sure your fellow workers are working SAFELY.

Remember, the FSC Safety Committee has approved a WC and Auto Safety Incentive for the 2002-2003 fiscal year. Let's finish the last couple months of the fiscal year ACCIDENT-FREE...Thanks for working SAFELY!

Birthdays...the next MMU will be published on August 4, 2003. I'll report birthdays up to that date—and we have lots of birthdays during that period! Amy Barrett, Harlan Elevator, 7-12; Mike Evers, Denison, 7-12; Connie Herbold, Denison, 7-19; Rick Lohrmann, Irwin, 7-20; Bryan Shimp, Harlan Elevator, 7-22; Scott Schiltz, Denison, 7-24; Clark Jackson, Atlantic, 7-24; Nick Woebke, Irwin, 7-25; David Hamilton, Feed Sales, 7-29; Kevin Rutherford, Transportation, 7-31; Steve Nelson, Corporate Maintenance & Defiance, 7-31; and Justin Watje, Harlan Elevator, 7-31. HAPPY BIRTHDAY to each of these employees!!



HAPPY BIRTHDAY

Employment Anniversaries...the following FSC employees achieve an employment anniversary during the month of July:

Congratulations to Ron and David! Thanks to each of you for your contributions and years of dedicated service!

Employee	Hire Date	Location
Ron Kenkel	7-1-74	General Office
David Hamilton	7-1-97	Feed Sales



FSC Vision Statement:

“To be the BEST ag-retail supply and grain marketing company in Western Iowa.”





Effective Monday, June 16th, Ernie Wood accepted a Division Manager position with FSC. Ernie's position will include a heavy emphasis in marketing and sales in several key product areas at FSC. Ernie will also be responsible for seed, bulk oil marketing and sales, lime and transportation. Ernie brings a wealth of ag-retail and marketing experience to FSC including eighteen years in ag-retail and nine years in key marketing positions with a major seed company. Ernie will be getting to locations over the next couple weeks to meet each of you...welcome aboard, Ernie!

Congratulations to Bryce and Robyn Bruck on the birth of a baby girl, Loryn Ann, born on June 20th!! Loryn Ann Bruck and the entire family are doing well. Bryce works for FSC in feed production at the Harlan Elevator. Congratulations, Bryce!!



Recently, the Federal reserve lowered the prime interest rate and as a result, FSC will change the interest rate on Demand Capital and Employee Reserve Accounts from 3.25% to 3.0%, effective July 1st.

Some Employment Benefit updates:

Co-op Retirement Plan: In order to address the funding requirements for the Co-op Retirement Plan, the Plan's Retirement Committee has decided it must make the following two changes to the Plan:



Effective July 1, 2003, the employee contribution rate will increase from 2% to 3% of the previous calendar year's gross average monthly wage. The Retirement Committee intends to review this rate annually with the ultimate goal of reducing this rate as soon as the Plans funding status warrants. **Current employee (FSC) contributions are 10.3% of payroll.**

Effective October 1, 2003, the benefit accrual rate of the Plan will decrease from 1.75% to 1.25%. This reduction in the benefit accrual rate only applies to Creditable Service earned after September 30, 2003. **The 1.75% accrual rate will still apply to Creditable Service earned before October 1, 2003.** The benefit accrual rate will be reviewed annually, and it is the hope of the Retirement Committee that the rate can be increased upon sufficient improvement of the long-term funding status of the Plan.



Recently approved Federal Income Tax reductions will be effective July 1, and this will help offset the additional 1% increase in individual retirement plan contributions. These changes were communicated in detail by letter to eligible employees on June 26th. If you did not receive a letter, please contact Marcia Hansen.



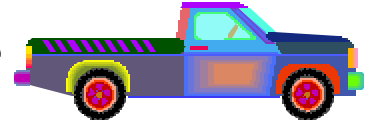
VACATION REMINDER: In July of 2002, all employees were notified of a change in the vacation accrual policy. The change communicated at that time was that "each FSC employee's vacation year begins on August 31st." **The handbook states that employees with hours in excess of the allowed 80 or 120 hours will have the excess written off at FSC's fiscal year end, August 31st.** This time is fast approaching and several employees have vacation time to be used in order to be in compliance with the policy. In March 2003, and June 2003, individual letters were sent to employees notifying them of their vacation status and the hours required to be taken to be in compliance. **Thanks for your efforts and cooperation to have your vacation accrual in order by August 31st!**





LP Summer-Fill and Contracting...FSC has just kicked off our annual LP summer-fill and contracting program. *Many people fill their LP tanks in the summer because the price is often lowest during the summer months and keeping your tank full helps prevent moisture condensation. FSC's contracting program allows customers to lock in a specified number of gallons at a guaranteed price. Both the summer-fill and contracting programs run through August 22nd. If you have questions on either program, check with an FSC LP Specialist, Pam Gubbels or Steve Petersen.*

For Sale: 1991 Ford F-250 pick-up. Please contact Steve Gawley at the Harlan Shop, 755-7435 for more information.



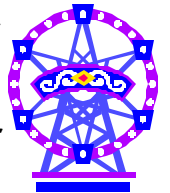
The past few summers we have had the FSC general office closed on Saturday mornings from July 1st through Labor Day. This has worked quite well and we will do the same again this summer. The FSC general office will resume normal Saturday hours beginning on Saturday, September 6, 2003.

Just a reminder...spring accounts at FSC are due Tuesday, July 15th. Thank you in advance for communicating this due date and assisting with the collection of all spring accounts!



FSC Board Tour...The annual FSC Board Tour will be held on Tuesday, August 12, 2003. A schedule will be mailed to Branch Managers as we get closer to the tour date.

Fair Dates are set for area counties...Area counties begin fair celebrations this week. Shelby County (Harlan) is July 9-14; Pottawattamie County (Avoca) is July 17-20; Crawford County (Denison) is July 20-28; Harrison County (Missouri Valley) is July 23-27; and Cass County (Atlantic) runs from July 26-August 1. Since we are having typical fair weather (HOT!!!), go to the fair and have a good time!!



Agriculture and Agribusiness have experienced considerable change the past few years. Much more change will continue to take place in our world. With that in mind, I felt the following article was worth sharing. Enjoy...

Surviving in the Age of Instability:

Some organizations will ride the winds of change, seizing the opportunity to go far...very fast...and sail past the competition. Others that are unprepared for the wind's force, and that mistakenly think their safety comes in bracing themselves against it, will find their rigidity a fatal stance. They will be shattered. Devastated. As for those that think they can lie low until the storm passes, they will be left behind. Pete Silas, Chairman of Phillips Petroleum, described the situation well: "We can't wait for the storm to blow over; we've got to learn to work in the rain."

Our organization will be challenged still further by many things, economic downswings, new competitive pressures, reshaping of the business and new technologies.

Strong winds, Big Changes, and they naturally bring PROBLEMS. But the organizations that refuse to change, or change too slowly, will have even bigger problems. They won't survive in the Age of Instability.



Overcoming Resistance to Change:

Some people cling desperately to the past. Change always means giving up (something), and the greater the personal sacrifice the more you feel like dragging your feet. Another reason why people defend the old way of doing things is to maintain personal stability or feel more in control. They battle against change out of fear of the future, not because of love for the past. A third group of people resists change as a way of getting even. They play "punish the organization" in retaliation for changes they don't like.

Finally, some change resisters are well intentioned people who think they see their outfit about to make a mistake, and have the courage to try and stop it. But frankly, these people with good intentions often happen to be wrong. In trying to save the organization, they shoot it in the foot!

Instead of trying to hang onto the past, grab hold of the future...

The next MMU will be published on Monday, August 4, 2003. I look forward to visiting with you then. In the meantime, have a GREAT MONTH at FSC. Please remember to work and DRIVE SAFELY as you go about your work. THANK YOU!

Keith Heun

**FSC is now marketing bulk oil!!
If you know of someone who may
be interested in purchasing their
oil in bulk, have them contact
one of our Energy Specialists for
more details!!!**



FSC Mission Statement:

"Providing quality supplies, services and marketing at a competitive price for the economic benefit of it's members and their cooperative."