

# POLICY

Perhaps you have heard the following expression:

*"I KNOW YOU BELIEVE YOU UNDERSTAND WHAT YOU THINK I SAID, BUT I AM NOT SURE YOU REALIZE THAT WHAT YOU HEARD IS NOT WHAT I MEANT"*

Misunderstandings can arise so easily. By reading and referring to our Grain Policy Booklet, you can help us eliminate misunderstandings. By understanding policies and rates, the customer can correct us if we err and do not follow grain policies as stated herein. Perhaps you have also heard the expression *"If all else fails, read the instructions."*

We need to update policies and rates as necessary, to conform to the times, to cover new situations that have come to our attention, to try to eliminate gray areas and to give a better explanation so customers will know what they can expect from us. For these reasons, we have put much time and effort into preparing this policy booklet for you - the customer.

It is the **customer's responsibility** to know and understand all of our policies and to keep us informed. We have tried to work out policies that will eliminate misunderstandings and allow us to readily place incoming grain in a particular category. This will allow us to keep up on the paperwork and to know our grain storage and purchase position.

Please study the enclosed information and save it in a handy place for future reference. If you have any questions or would like policies explained in more detail, we would like the opportunity to do so. This would be of benefit to us when it comes time to review and update rates and policies. Customer's suggestions and questions on policy are appreciated and often prompt us to change or reword policy.

**[www.twomeyco.com](http://www.twomeyco.com)**

In 2002, we initiated a web site for our customers. Please visit [www.twomeyco.com](http://www.twomeyco.com) for grain markets, weather, agriculture information, etc.

If you have questions or comments regarding the site, we would welcome your call.

# HOURS OF BUSINESS

It is difficult to establish and explain in a few words hours of business that customer can rely upon for an entire year for various locations serving various needs. Following is our attempt to explain.

All of our locations (except Suez and Media) will be open at least from 8:00 A.M. to 5:00 P.M., Monday through Friday the year around (unless otherwise posted). During harvest time all locations will be open 7:00 A.M. to 6:00 P.M. Monday through Friday and from 7 A.M. to noon or all day on Saturdays as dictated by harvest. Hours during peak harvest periods may be lengthened. Check posted hours at each location as hours may vary by location.

In addition to the above times, Smithshire will be open at least until noon on Saturdays during the months of April – May – October – November (weather and seasonal progress permitting) and closed Saturdays during months of January – February – March – July – August. The months of June – September and December will depend on seasonal progress.

Saturday hours at locations other than Smithshire during April – May – June – September and December will be dependent upon seasonal activity.

## STORAGE RATES

**CORN — per bu. - 12¢ minimum for 1st 100 days and 3/100¢ per day thereafter.**

**Per annum 19.95 cents**

**SOYBEANS — per bu. - 13¢ minimum for 1st 100 days and 4/100¢ per day thereafter.**

**Per annum 23.60 cents**

Additional storage is calculated by the day when over the minimum storage days.

**Example:** Corn stored for 195 days = 12¢ for first 100 days plus 95 days x 3/100¢ per day or 2.85¢ for additional days = 14.85 cents total cost of storage.

Grains carried over from one year to the next will be subject to the minimum storage charges each year thereafter. Date for reapplication of the minimum storage will be the anniversary date of the average date of delivery based upon minimum in effect at the time of reapplication. As an example, if grain is delivered with an average delivery date of November 10th of one year, reapplication of minimum storage will apply each November 10th thereafter.

## CORN AND SOYBEAN DRYING RATES

**Corn for storage and grain bank** will be dried to 14% @ 2.90¢ per point of moisture removed. Drying charges are calculated on dry bushels. There is no minimum drying charge.

**Corn for sale** (priced prior to or at time of delivery) will be dried to 15.0% @ 2.90¢ per point of moisture removed. Drying charges are calculated on dry bushels. There is no minimum drying charge.

**Soybeans for storage and sale** will be dried to 13% @ 5¢ per point of moisture removed. *(Premium soybean bids for early or quick delivery will not be based upon drying, but on whatever schedule of discounts for moisture that we are shipping against. You cannot apply sales already made for fall delivery to premium bid sales and pick up difference, but will need to make a new sale to pick up such premium, if any.)*

From time to time, we may place a limit on the percentage of moisture that we will allow on grain being delivered. Drying charges will be based on the dried weight. Grain that is dried for sale will be net and will be deducted from the settlement. All other drying is subject to 5% cash discount for payment by the 15th of the month following the month of invoice.

## CORN AND SOYBEAN SHRINKAGE RATES

Shrinkage for corn to 14% = 1.25% x points of moisture above 14%.

Shrinkage for corn to 15% = 1.30% x points of moisture above 15%.

Shrinkage for soybeans to 13% = 1.4% x points of moisture above 13%

Our computer system takes into account the size of each load when computing average moisture for a near perfect weighted average with which to arrive at the pounds of shrinkage.

Shrinkage is not an expense, but merely the weight of the water that leaves the wet grain as it is dried down to dry grain either artificially or by action of Mother Nature. There is a very small consideration in shrinkage rates for artificial drying to cover what is called the invisible loss. That covers loss in weight from dust, small particles, and by wear and tear on the grain as it works its way through the drying equipment. This loss is insignificant when compared to the amount lost by waiting for grain to dry in the field. Field losses by waiting on Mother Nature to do the job can exceed the entire cost of artificial drying of high moisture corn.

## EXPLANATION AND PROOF OF WEIGHT LOSS DUE TO MOISTURE AND INVISIBLE LOSS

Example: Corn dried from 20% to 14% basis an estimated invisible loss due to the drying process of 52/100 of 1%. Corn dried by Mother Nature loses the same amount of weight as corn dried by artificial means except for the estimated invisible loss.

1 BUSHEL OR 56# OF CORN



$$56\# \times 80\% = 44.80\# \text{ DRY MATTER}$$

1 BUSHEL OR 56# OF CORN



$$56\# \times 86\% = 48.16\# \text{ DRY MATTER}$$

$$44.80 \div 48.16 = 93.02\% - .52\% \text{ (INVISIBLE LOSS)} = \mathbf{92.50\%}$$

The following is an example of our shrinkage calculation for corn dried from 20% to 14% (same as above) using our flat rate shrinkage factor for stored corn of 1.25% per point of moisture removed.

$$\begin{array}{r}
 20.00\% \text{ MOISTURE CORN} \\
 \underline{6.00 \text{ POINTS OF MOISTURE REMOVED}} \\
 \underline{\times 1.25 \text{ SHRINK PER POINT OF MOISTURE REMOVED}} \\
 100.00\% - 7.50\% \text{ TOTAL SHRINK} = \mathbf{92.50\%}
 \end{array}$$

# GRAIN BANK

## RATES AND POLICIES

Corn deposited in a grain bank account will be shrunk to 14% moisture. Shrinkage rates and drying charges for grain bank corn are the same as for stored corn. Corn testing 15% or less will be returned to the customer.

Corn withdrawn from a grain bank account is subject to a home charge of 4% of the corn withdrawn and a minimum service charge of 12 cents per bushel for first 100 days and 3/100 cents per day thereafter from the average delivery date of the corn deposited (same as stored corn). Grain bank corn carried over from one year to the next will be subject to the minimum service charge each year thereafter. Date for reapplication of the minimum service charge will be the anniversary date of the average date of delivery based upon minimum service charge in effect at the time of reapplication (same as stored corn). To avoid a transportation charge, corn must be withdrawn from the same location as the corn was delivered.

According to law, a customer cannot overdraw to a loaned account. Overdrafts will be charged basis the day they occur at that day's base price. Grain delivered at a later time cannot be used to replace overdraft bushels.

We do not transfer stored corn to cover overdrafts on grain unless requested by customer prior to time overdraft occurred. The best policy for the customer is to place more corn in the grain bank than anticipated needs and sell surplus grain bank corn when it is known to be surplus for that crop year. Storage charges for corn sold from grain bank account are identical to those for open storage or warehouse receipt grain. Orders to sell all corn in store does not include grain bank. Customer will need to specify if they want grain bank included in their sell offer order.

# GRAIN GRADING POLICIES

## CORN

Moisture at 14% and above is averaged throughout the job. Corn testing below 14% is marked dry and figured as 14% in arriving at the average.

All moisture testers are checked and approved by the Illinois Department of Agriculture – Department of Weight and Measures each year. Moisture content of corn of the same variety planted at the same time in the same field and similar soil can vary considerably from load to load when harvested due to uneven fertilizer spread, uneven depth of planting various rows, dead furrows, ridges, etc.

**Foreign Material and Broken Corn (F.M.):** During harvest corn is subject to F.M. discounts on the basis of each load that exceeds 3% F.M. if dry corn or 2% F.M. if wet corn (since F.M. increases after wet corn is dried) at a discount rate of 1¢ per each 1% or fraction thereof that the F.M. exceeds the dry or wet standards stated above. F.M. discounts on corn can usually be completely eliminated with proper combine settings. We need your cooperation for a good quality storable product. After harvest F.M. is based on the average of all loads delivered on a contract.

**Damage:** Damage that exceeds 5% will be subject to discounts in effect at time of delivery. Discounts are basis average of all loads for a particular delivery. **Upon customer request,** we will grade corn on a load per load basis or run spot checks to let customer know how the grade is doing on damage or F.M.

**Weevil, Heating, Musty Odor and Sour Odor:** Discounts often vary; therefore discounts applied will be at rates in effect at time of delivery. Discounts are basis each individual load. We will consider **hot** dry corn out of farm dryers as heating and subject to heating discount. The standard for proper cooling of dried corn is to cool to within 10 degrees (and preferably less) of the outside air temperature.

# GRAIN GRADING POLICIES

## SOYBEANS

Soybean grade settlements on foreign material (F.M.) and moisture are on the average of all loads in **each calendar week only**. Moisture below 11% will be marked dry and figured at 11% in arriving at the average. A weekly grade average does not allow for averaging the last part of one week and the first part of the next, but for the calendar week only. **This is a big advantage for the customer as compared to being graded on a load per load or daily basis.**

Please bring in a sample for moisture testing before harvesting a full load of soybeans if indications are that moisture content is high. We will let you know at that time how high a moisture content we will accept. F.M. is basis of #1 soybeans (1%) and excess F.M. is deducted from the weight of the soybeans delivered. Should the official or trade standard for F.M. in soybeans be lowered the percentage we allow would also be lowered.

## ALL GRAINS

Samples of grain testing above #2 for damage or F.M. are held until settlement date or 30 days whichever comes first, except high moisture samples which are disposed of after 24 hours. If you wish to view your sample, please do so within the above described time limit. We do not average grade of a customer's grain delivered prior to or following their harvest with their new crop harvest deliveries.

# GRAIN SETTLEMENTS

Our normal policy is to settle for grain when delivery on the contract is completed. Payment on partial delivery will be made upon request. **Customer does need to advise us to mail check or to wait for them to come in.** If we settle on overrun or shortage for a customer and then we find we have missed scale tickets through our error, we will use the same price per bushel that was used in what was thought to be the final settlement. The loss or gain should be for our account since that would have been the price if we had not made the error.

Be sure to have scale attendant mark **“LAST LOAD”** on scale ticket so your grain settlement will be printed by the computer as soon as that day's posting is completed. We mail each customer a copy of their grain settlement sheet listing their grain deliveries (showing their proportionate share if not 100%).

We request no grain settlements on Saturdays.

# **POLICY ON DETERMINING IF GRAIN DELIVERIES ARE FOR STORAGE OR SALE**

Our pricing policy for deliveries that are for sale rather than for storage are as follows: To allow the customer time to ascertain bushels delivered during a calendar week, customer will have until close of business on Wednesday of the week following to price grain delivered during a calendar week. This gives landlord and tenant and those who own grain jointly adequate time to get together. **Grain delivered during one calendar week is stored and subject to our minimum storage charges if not priced by customer by the following Wednesday.**

This policy gives customer from 10 days on Monday deliveries to 4 days on Saturday deliveries to make their decision to sell or have grain fall into storage category.

A calendar week is **Monday** through **Saturday** of the same week. If your deliveries are started later than Monday, then that calendar week of deliveries will be less than 6 days in length. Our calendar week policy is not a new policy since it dates back to 1974.

If there are no bids or protection being taken on a Wednesday afternoon due to a limit down futures market or a bearish grain report, we will extend the time customer has to avoid storage to the first day that closing futures are tradable thereafter. If we have been instructed to price deliveries daily or no later than Wednesday of week following calendar week of delivery we will extend the day of pricing to first day that the closing futures are tradable thereafter.

In order to avoid storage, customer must come in or call on or before Wednesday of week following the first calendar week's delivery of grain and have a grain merchandiser enter in a written order on our "Confirmation of Grain Offer" form that we are to sell the grain and the manner which the customer wishes to have his grain deliveries priced out instead of stored. If customer wants to price daily they will need to instruct us to do so by having us fill out the grain offer form for them on or before the day that such deliveries commence. Please be sure that you receive a copy of the offer and check it for accuracy. For customer to just leave a message with someone to price grain by Wednesday if not priced by then is not sufficient.

If customer wants to price on Wednesday to avoid going into storage, we would appreciate knowing prior to 1:15 p.m. so that we could hedge the purchase in the futures market prior to the 1:15 p.m. futures market closing.

The policy of grain being stored if not sold by the following Wednesday is the easiest policy since the largest percentage of incoming grain goes into storage and **THOSE WISHING TO STORE DO NOT NEED TO INSTRUCT US ON WHAT TO DO WITH THEIR GRAIN.** It is

up to landlords to keep the lines of communications open with tenant or whoever delivers the grain if they do not wish to store.

If a scale ticket bears more than one person's name such as landlord and tenant and one party has instructed us to sell their grain, we will sell only their part of such a load. If the grain is just landlord or tenant, please make sure scale ticket bears only one name and have us note under remarks name of landlord and tenant. Be sure to so instruct driver and have them check the tickets.

## WAREHOUSE RECEIPTS

We would like to call your attention to the fact that we are a State licensed grain facility. The State warehouse receipt is a negotiable instrument that should be kept in a safe place. **The original negotiable copy of the warehouse receipt must be surrendered before payment can be made.** The non-negotiable copy of the warehouse receipt is for customer records only so they have a copy on hand if original is surrendered to the F.S.A. Office or to another lender for security. If grain is under loan to C.C.C., producer must repay loan to release warehouse receipt and surrender warehouse receipt to Twomey Company before payment can be made to producer.

Absentee landlords can give a tenant (or anyone local) power of attorney to do specific things for them at the local F.S.A. Office such as signing for a loan or signing an authorization to release warehouse receipt when grain is sold without giving tenant or others any other powers. If we can be of any service to help absentee landlord make such arrangements with the F.S.A. Office, please let us know.

We can purchase any part of a warehouse receipt and issue new receipt for the balance.

We will mail warehouse receipts upon request. Otherwise customer can pick up by calling ahead and advising someone in the grain department to have the receipt or receipts ready by a certain date. Please leave all the information necessary to make receipts out in the manner desired.

If customer loses a warehouse receipt they will need to sign an "Affidavit as to lost Warehouse Receipt" before payment for the grain can be made. Customer can go ahead and sell grain if they wish and then search for receipt.

All stored grain (open storage, grain bank storage and warehouse receipt storage) is treated equally under the U.S. Warehouse Act and the Illinois Warehouse Act. For this reason, it is not necessary to have a warehouse receipt to have more protection than if stored open or in grain bank. Per definition of storage in our tariff, grain is in storage unless or until sold. Open storage means a warehouse receipt has not been issued on the grain. Scale tickets and/or grain settlement forms that list loads of grain delivered are producer's proof of grain in open storage or grain bank.

If customer does not use stored grain for collateral for loan and does not want responsibility of safekeeping of receipt and/or inconvenience, if any, of having to return receipt before obtaining payment for grain sold, they may elect to leave their grain in open storage at no disadvantage.

# POLICY ON GRAIN CONTRACTS

Grain contracts must be for a certain number of bushels based on certain grade and for delivery within a specified period of time.

If a customer has a contract for grain and delivers that commodity to us, we will assume the grain is intended for contract. If you deliver grain and wish to store or sell on a new contract, you must let us know when you commence such delivery that it does not apply to sales already made.

Overruns are to be priced when known to both buyer and seller and at market price agreed upon, but no later than the Wednesday of the week following calendar week in which the overrun occurred in order to avoid minimum storage.

In the case of shortage on a contract, the price used to determine what the customer owes or is to receive for being short on the contract will not be on the day delivery is complete, but when both buyer and seller know the shortage and a price is agreed upon. In addition, a charge of 5¢ per bushel will be made for costs incurred in settling shortage for customer. It is the seller's responsibility to not oversell and if he does so, he should make up or receive the market difference, whichever it may be. A shortage on contract must be settled no later than the date that the delivered portion of the contract is settled.

We prefer to price overruns since they are simpler for us to price, record, and they are better understood and accepted by the customer. It is the customer's responsibility to check on bushels delivered on contract in order to determine if there is a shortage to be settled or an overrun to be sold or stored.

If customer requests an outright cancellation of a contract or a portion thereof, we will negotiate our terms of cancellation at that time. When we purchase grain we expect delivery and are not allowed or licensed to perform the function of a broker.

During the rush of harvest, please allow us about 24 hours in which to post scale tickets before trying to determine the amount of overrun or shortage on a contract. All corn purchases are basis bushels of 15% moisture or less and soybean purchases are basis of 13% moisture or less. After the previous day's deliveries are posted in our computer system we can tell you the bushels delivered to date.

Please let us know when you are delivering the last load. It is very important, as we want to complete grain settlement papers for you as soon as possible.

We offer a variety of contracts to help our customers sell their grain. The contracts: Spot Sales, Forward Cash Contracts, Futures Only Contracts, Basis Contracts, Minimum Price Contracts, and Delayed Payment all vary as to **Terms and Conditions** and government regulations. We would welcome the opportunity to explain any of these contracts to you.

If you sell grain for future delivery and do not receive a contract within a reasonable period of time or if you have sold grain in store and have not received your check by mail contact us immediately. There is always the possibility that the merchandiser failed to record the transaction or misunderstood your instructions. The customer should make sure the merchandiser knows you wish to sell the grain and are not merely inquiring about price levels. Each merchandiser keeps a log of all conversations with customers that call and discuss grain markets. If we fail to sell offered grain when our grain bid reached the offered price (and customer had received a written confirmation of their offer), or if we fail to record a sale made directly to a grain merchandiser that can be verified, we will make good the sale when this is known with any gain or loss being for our account.

For those who sell ahead, remember this, a contract doesn't guarantee the producer a higher price. Instead, it permits him to set a price that he feels he is willing to produce the crop for and assures him of that price. A contract doesn't protect the producer against the loss of a product that is wiped out by drought, insects, or other "Acts of God". This is a good reason to fix the price on no more than half or two thirds of your prospective yield or production.

# OFFERS TO SELL GRAIN

When a customer places an offer to sell grain at a higher flat price, futures price, or basis than the current market, a merchandiser will fill out a "Confirmation of Grain Offer" and mail or give you two copies (one yellow and one pink). If there are discrepancies in the confirmation you must contact us immediately. We will only accept responsibility for what is written on the "Confirmation of Grain Offer" and hold customer liable for the same. If you do not receive a copy of the confirmation by mail within a couple of days of placing an offer by phone please contact us at once and we will check our records. **We do not accept responsibility for failure to sell grain during this interval of time should the record show that we failed to make out a grain offer form following a phoned-in offer to sell by our customer.** By making an offer in person and picking up a copy of offer form customer has our absolute guarantee that the grain has been offered for sale at a particular price for a particular time of delivery and/or payment. Absentee landlords could have tenants pick up their offer form and check it out.

**Please check your copy of offer form to make sure that delivery period, payment, price, etc. are correct.** For example, the difference between fall delivery - January payment - or fall payment could result in an offer not being filled. Customer must distinguish between offers on grain in store and grain in the country.

We do not accept day orders or orders for a limited period of time, such as for one week, 10 days, 30 days, etc. However, offers made for forward contracts or delayed payment will be canceled at end of time period specified for delivery. Following are some examples of forward contracts and when offers would be canceled due to expiration of delivery period.

Fall delivery and Fall payment - Cancels at end of November

Fall delivery and January payment - Cancels at end of November

Fall delivery and March payment - Cancels at end of November

(Fall refers to September through November)

January delivery and payment upon delivery - Cancels at end of January

Opening of navigation – Cancels at end of March

We do not accept orders to call if the market reaches a certain price or offers for a net price after storage and/or drying. Premiums are never included in offer price, but added after sale is made.

Once customer delivers grain in the fall and the grain becomes subject to minimum storage charges, we do not increase the offer to sell new crop grain to cover such storage. If customer still wants to net the same amount per bushel as on the original offer customer will need to come in before the offer is filled, preferably before such grain falls in storage category, and adjust the offer price so as to net the same amount. If you wish to make a day order you can make an offer

good until filled or cancelled and then come in or call and cancel later in the day, if the order had not been filled in the meantime (or cancel an open order at end of any time period that you choose).

Orders must be cancelled by phone or in person with one of the following grain merchandisers: Jim Keistler, J.C. Colclasure, Ken Quinn, John Twomey or Craig Twomey. Customer must state on the bottom of the grain offer form that the offer was cancelled directly with a certain grain merchandiser at a certain time by phone or in person and be signed and returned to TWOMEY COMPANY.

Offers to sell grain are combined with other offers at the same futures price and orders placed with our broker. In fast and volatile markets we are sometimes unable to enter additional orders or cancel orders before the opening and prior to the close at 1:15 P.M. In these situations we hold the customer liable for the offer until we have confirmation from our broker that the order has been cancelled. We will not be responsible for any offer entered prior to the opening or close until we have placed an order with our broker and it has been accepted. We suggest you cancel and place any offer well before 9:30 AM. or 1:15 P.M. to avoid these problems. During the opening, closing, and in fast markets: the broker is not responsible for orders even if the market trades through that price. Therefore, we will only accept responsibility for the offer if our order gets filled.

Please retain your copies of grain offer record until filled or cancelled to remind you of the offer and so that you have it handy for returning signed yellow copy in case of cancellation. This will leave you with a pink copy for your record of cancellation.

An offer to sell grain or request to cancel grain offer does not guarantee sale or relieve the customer of obligation if given to and accepted by anyone other than the above mentioned grain merchandisers.

During most market days we find ourselves quite busy working with grain customers in person and by phone giving out bids and market information, buying and selling grain, and figuring grain settlements. We are not usually aware of whose grain was sold from offers until after futures markets have closed and we have time to match offers to fills reported from Chicago. We will monitor and watch for such situations as best we can, but again remind you that the customer is liable for the grain offer until cancelled.

All requests by mail to sell grain at the market will be priced on the closing bid for the day that the letter is received.

It is difficult for us to always know if a customer has sold grain for which an offer had been entered. We can monitor stored grain fairly well, however many customers have multiple accounts that complicates matters. **It is the customer's responsibility to cancel an offer if he is selling the grain at a different price.** In addition to the customer receiving copies of the "Confirmation of Grain Offer" we mail each customer that has open offers a summary each

month. Please review the summary. If you need to change or cancel an offer, do so immediately. The customer is liable for all offers until cancelled.

Several years of experience have taught us that there are many pitfalls in offering grain for sale. This lengthy policy on grain offers has developed through our efforts to eliminate the pitfalls and hence misunderstandings and losses.

# GRAIN BIDS

Our grain merchandising hours are 8:00 A.M. to 4:00 P.M. every day that the Chicago Board of Trade grain markets are in full session. Grain bids are only good or firm for the moment they are given. They are in a constant state of change when the grain futures market is in full session (9:30 A.M. to 1:15 P.M.) and can change when the market is not in session due to a **change in the basis** brought about by any one of a number of things that effect grain markets.

Grain bids will be quoted for delivery to inland facilities and the Gladstone (Bluff) facility. Grain bids quoted for delivery to inland facilities will be for delivery to Smithshire, Larchland, Yorkwood, Media, and Suez. Grain bids quoted for delivery to the Gladstone (Bluff) facility are for delivery only there. Grain directed to our River barge loading facility (at Twomey Company's discretion) will have a transportation adjustment added to the sale price, since the sale price will be for delivery to the Gladstone (Bluff) facility.

If customer sells grain for our Gladstone delivery and then delivers inland or vice versa, then such sale will have to be adjusted for the market difference at the time of sale. It is up to customer to know where delivery will be or has been made.

**Customers delivering grain to our Suez Township receiving facility will be charged a 3-cent per bushel transportation charge (based on dry bushels).** The transportation charge will be included in the drying charge on our monthly billing statement if stored or will be deducted from the sale proceeds if sold. Customers may pick up stored corn at our Yorkwood location or sell stored corn to Twomey Company at our inland bid. **Deliveries to our Suez facility will be for fall delivery.** Hours will be posted at the Suez office or you can call the main office at Smithshire for receiving hours.

If futures markets are too volatile we may have to make our bid subject to getting an order filled in the futures market, but under normal market conditions bids are immediately available while the futures market is in session. Cash prices change throughout the day due to Chicago Board of Trade futures and basis changes.

When bearish news comes out after the grain futures market has closed, the processors and exporters sometimes drop out of the market or more often seek protection on what they purchase by lowering their bids. If you, the producer, think the protective bids have been lowered more than enough to offset the bearish news, you can assume the risk by waiting for the next grain market opening.

We are generally unable to take advantage of special bids for immediate delivery to processors and terminals during harvest since our truck fleet is normally committed to moving grain already sold or to warehouses for storage.

During the fall months, we are not usually aggressive bidders for the January or February position on either stored or country corn because we know that we will be buying larger quantities of corn during January and February than we can ship during that period due to the Mississippi River being closed. It is not advisable for us to overbook this position in the fall, but rather buy that position from storage customers following harvest.

We have a fall delivery and January payment contract that saves the customer cost of storage and is basis 15% moisture and drying rather than 14% for stored corn. A January contract also allows us to load corn out before the river closes in the fall and pay for such contracts in early January.

In regard to settling January deferred payment contracts, please do not ask us for a grain check the last days of December dated ahead to January. We will do our best to have January deferred payment contracts paid by January 7<sup>th</sup>. Deferred payment contracts from stored grain, March delivery, May delivery, etc. will be paid on the 15<sup>th</sup> of deferred contract month.

# SUGGESTIONS FOR DRIVERS DELIVERING GRAIN

Have your vehicles equipped to unload as quickly as possible by having **Good Sized Easy Operating** dump gates, adequate hoisting, etc. Please remove spouts unless there is an immediate need for the side dump wagon. During the height of harvest, men in the elevator have to open grain gates every two or three minutes during a long day. Customers who do not cooperate by removing grain slides from side dump wagons, greasing slides, repairing gates, or having decent sized discharge openings are creating lost time for their neighbors as well as for themselves. The men in the dump pit area are a vital link in the process of receiving grain during harvest. Show them you care by doing all you can to make the job easier for them. We will appreciate your time saving efforts and will do our best to get you back to the combine as soon as possible.

Approach scales slowly and do not slam on brakes. Help us to maintain accurate scales and prevent loss of time due to breakdowns. We have each of our scales tested and serviced at least once per year by a private scale company in addition to the testing performed by the State of Illinois.

Remove or roll up tarps before reaching scales. Do not pull onto scales until load ahead of you has cleared the far end of scales. The slower you pull onto the scales, the quicker the electronic scales will come to rest. Try to stay far enough away from the edges of the scale so the attendant can tell that you are completely on the scales. Please observe vehicles ahead of and behind you to make sure they are not on scales. We prefer that you weigh on as this speeds up the weighing process and creates less confusion as to the driver having been on or off when being weighed.

Try to stop the load of grain at the right spot on the scales for automatic probe. If you have two loads on the scales at once, stop first one under probe and then pull ahead for probing of second load. This will speed movement of trucks and wagons across the scales. We are probing several hundred loads per day and attempt to be as careful as possible. The different configurations of hopper bottom trailers and sometimes hidden tarp bows, makes it difficult to not hit one or probe a little too deep. Most trailer manufacturers use thin lightweight materials to cut down on the overall weight of their equipment that makes it even more difficult to probe loads. **WE WILL NOT BE RESPONSIBLE FOR DAMAGES TO TRAILERS OR EQUIPMENT USED TO HAUL IN GRAIN.** Do not pull off scales until waved off by scale attendant as weight may not be recorded or probe may still be in the load. Keep an eye on the top of truck or wagon box when hoisting a load inside an elevator driveway as well as listening for attendant to tell you to stop. Watch out for men crawling under and between your vehicles to open and close dump gates. Watch for elevator attendant to motion you ahead.

Check unloading gates prior to loading again. Elevator attendant is usually quite busy and may miss closing a gate for you. **We will not be held responsible for grain passing through a truck or wagon box and directly onto the ground as the result of an open dump gate.**

Pick up drivers copy of weight ticket after weighing back empty and examine the ticket to make sure all information is listed correctly. When loading grain off the ground (such as by granary door, by auger resting on the ground in the field or driveway, or due to spillage) please watch for rocks or stones. This can present a very serious problem for someone or us further along the market channel. Grain can be classified D.L.Q. (distinct low quality) if just one rock or stone is found that measures one inch or more in diameter. Please do what you can to avoid this problem. Let us know if you think the load has rocks in it and we can screen them out. Beware of Treated Grain - just one kernel of treated grain in a truckload can cost the farmer or us (if not observed while unloading) thousands of dollars. We perform an independent check on all gross and tare weights, moisture, shrink totals, etc. that are posted to the computer. **REMINDER: The one place for error is an incorrect name on the scale ticket, so we would like to stress again the importance of every driver and customer checking the customer name on the scale ticket.**

Elevator attendants work very hard during harvest cleaning out corners and raking corn out of side dump wagons. However, we do not expect or require them to scoop loads off or crawl up into boxes to get grain out that will not slide due to bad floors, piles of rotten grain on the floor or loads left on so long that the grain has to be dug out. Loads of freshly harvested corn left in the field for several days (sometimes in the rain) will be graded separately and not averaged for damage, heating, odor, etc. If such loads were partial loads topped off when harvest resumed following a rainy siege, we will need to pull the tops off of such loads, then the damaged and heating portion would again be weighed and tested separately. We are responsible for the grain quality while stored in our warehouses. We would like to stress the importance of not allowing wet grain to sit in trucks or wagons until the grain begins to heat as this diminishes the storage life of the corn.

## **COMMERCIAL STORAGE AVAILABILITY AND ADVANTAGES**

At this point in time we have more than enough grain storage capacity for past customers and therefore capacity to serve new storage customers as well. It will not be necessary to ask ahead for space prior to fall harvest. We wish we could have always made the above statements, but there were a few times in the history of building to handle and store the crop and carryover that we limited storage space to customers from the prior year in order to be fair to those who had depended upon our grain storage services.

In the future we will continue our policy of guaranteeing storage space for a particular grain that a customer delivered to us during the prior harvest.

We feel we have reached our goal of having surplus storage space so that we can assure all customers and prospective customers that we can provide licensed warehouse space for their grain at harvest time.

There are many advantages to commercial grain storage providing customer can be unloaded in time to keep the combine going, providing storage rates are reasonable and providing warehouseman's bids are competitive. Some of the advantages as we see them are as follows:

- 1) Elimination of extra labor during harvest to handle and dry crop on the farm.
- 2) No harvest time delay due to breakdown of on farm drying and handling equipment (with multiple locations for backup and our own maintenance crews, we can minimize mechanical failure).
- 3) Elimination of extra shrinkage from handling and storing.
- 4) Elimination of risk of loss due to spoilage while in storage.
- 5) No extra weight loss due to grain becoming extra dry through over drying.
- 6) No extra weight loss due to aeration of grain while in store.
- 7) No extra weight loss due to weevil damage or dry matter being consumed by grain heating.
- 8) Ease of marketing – customer can be planting and needs to sell some grain - just make a phone call, send someone to pick up check or we can have it in the afternoon mail for you (our policy has always been and will continue to be to pay customer for grain when due).
- 9) No time lost waiting to deliver (no worry over snowdrifts or posted roads).
- 10) Interest savings by receiving payment as soon as grain is sold and payment is due.

11) No worry about fire, wind, or theft.

12) An exact division of crop between landlord and tenant so there are no misunderstandings over division and easier record keeping.

13) Preventing road breakup and cost to taxpayer for road repair by avoiding spring deliveries over township roads.

14) Only paying for storage when needed -- with storage on the farm, cost of owning the bin is continuous unless fully depreciated out and paid for.

15) Producer does not fall into trap of holding grain too long just because they have the bin or because it is not a convenient time to empty bin and make delivery -- it's easy to get the full bin syndrome.

16) The cost of the farm bin alone (including interest on investment, depreciation, taxes, insurance, repair and maintenance) can easily exceed the cost of commercial storage, depending upon the warehouseman's rates. Cost of commercial storage can (if reasonable enough) be a real asset to the producer.

17) Farmers responsibility for the grade ends as grain passes over the scale. We continually monitor grain temperature (almost all of our facilities are equipped with temperature cables), check surface of grain, aerate when needed and temperature and humidity are right, treat or fumigate when necessary, etc. to preserve the quality of stored grain.

We believe we can store grain cheaper for the producer than can be done on the farm. At the same time eliminate many areas of risk and concern so the farmer can put his energies to greater use by concentrating on producing and harvesting grain.

## **AUDIT**

Since 1979 the Illinois Grain Dealers law has required an annual C.P.A. audit. Sikich Gardner & Co, LLP, an accounting firm in Springfield, Illinois, has been performing our C.P.A. audits on an annual basis since 1964. We consider audits by an independent certified public accountant to be an important tool in the operation and growth of our business.

## **FINANCE**

Commerce Bank, Midwest Bank of Western Illinois and Raritan State Bank are our sources of loans for financing grain inventory.

In our 60 years in the grain business, we have always had funds available to cover grain purchases when due. Each year at harvest time we sit down with our bankers and arrive at what has always been a sufficient line of credit (based on volume of grain in store and current and prospective price outlook).