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Our 100 History*



**OVER
100 YEARS**
A TRADITION OF INTEGRITY

THE SCOOP

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LaDonna Gatlin

to Speak at Agland's 100th Annual Meeting

Success is a journey...not a destination!

June 30th, 2006 fiscal year ends and completes 100 years of success! Many changes have taken place over the century, which you will be able to read in detail in our 100-year history journal! The annual stock holders meeting is set for October 26th at the Island Grove Exhibition building in Greeley beginning with dinner, at 6:00 P.M. and then followed by a business meeting and entertainment. Results of the last fiscal period will be presented to the stockholders. Agland has five main business units which all showed positive growth or profitability the last fiscal year. Success in Agland's Petroleum business paved the earnings scale to a record performance for Agland this past year. Feed and Retail operations finished strong along with Agland's Tire and TBA business. The Agronomy business made improvements over the last few years, even as water conditions con-

tinue to challenge this business. Total sales this fiscal year were \$132 million with total earning of \$2.9 million. Agland continues to improve its balance sheet and work toward meeting our corporate objectives as we enter the next century of business. Agland has a number of assets that are well positioned for the future but more importantly are the people that the company has employed to run the day-



MITCH ANDERSON
General Manager & CEO

to-day operations. The strength of a company is not just the numbers that get reported to stockholders but the board, management and staff that service our members and patrons. The intergrity, dedication, hard work and safety practices that the Agland and joint venture employees have accomplished, has set the bar to a new level this past year. I am happy to tell you they continue to set industry performance records, and in turn produce record financial numbers because of this performance standard. Thanks to all for your business and to the directors and employees for their commitment to Agland Inc.

The election will occur at the stockholders meeting again this year. You will find those seeking election to Agland's board of directors within this publication.

Hope to see you October 26th. Have a safe and bountiful harvest season! ❖

Our 100th Annual Meeting...

Agland Incorporated announces its annual meeting set for October 26th, 2006 at the Island Grove Exhibition Building. Reservations need to be into Agland no later than October 20th. You can either mail in your reservation using the cut-out card on page 5 or by calling Kim Woods at (970) 454-4007. If you leave your message on the answering service please speak clearly, leave your phone number and spell your name. If you must cancel your reservations for any reason please do so before October 20th.

Agland is excited to announce this year's entertainment for

the 100th Annual Meeting. After her program a few years back during the Ladies Day event, we knew we had to have her back and this seemed to be a great opportunity to do so. So back by popular demand is LaDonna Gatlin.

The sister of country music's famous Gatlin Brothers, LaDonna literally "grew up on stage" singing gospel music with her brothers. By the time she was ten years old, the Gatlin Quartet had recorded four albums and toured in 28 states from coast to coast. The Gatlins took their family harmony to Nashville in the early 70's to pursue a career in country music. Their efforts were rewarded with a Grammy in 1977 for the song entitled "Broken Lady". In 1978, she received a Dove Award for best mixed group.

LaDonna's schedule puts her on the road about 100 days a year presenting at conferences, concerts, retreats and corporate events. She has shared her music and message everywhere from the Crystal Cathedral to the prison cells of death row.

Certainly the Gatlin name insures great music. LaDonna's presentations go far beyond the music to deliver a powerful message. She believes we each "sing our own song" every day through our words, our deeds and our actions, in short through our lives. LaDonna will be entertaining us with "The Song in You"; a highly entertaining program which includes lots of singing as well as LaDonna's own story of triumph when she took a giant step of faith to follow her heart and "sing her own song" apart from her famous brothers. ❖



Director Candidates...

Regarding director elections, the terms for those Directors representing Districts one (I), two (II) and a District-at-Large are expiring this year. The incumbents currently holding those respective Director seats are Messrs. William Bashor, Duane Bashor and Lanny Cook. William Bashor and Lanny Cook are seeking reelection. Board terms are for three years and become effective at the first regular Board of Directors meeting following the election. Qualified candidates must be Agland

common stock holding members and be an agricultural producer in one of the aforementioned director districts. The included map is provided to identify the boundaries of Agland director districts.

The nominating committee for this year's election process consists of the following Agland members:

<i>Keith Amen, Chairman,</i>	<i>Glenn Leffler</i>
<i>Ross Bashor,</i>	<i>Russ Leffler</i>
<i>Terry Deines,</i>	<i>Lenny Simpson</i>
<i>Curtis Foss,</i>	<i>Greg Weideman</i>
<i>Bob Kraft</i>	

On behalf of Agland, we would like to thank these gentlemen for their time and effort. They have, during the nominating process, selected the two incumbents for re-election to their respective districts, and two candidates seeking districts one (I) and two (II). Further, in accordance with company by-laws, resumes of the nominees are included below for your review. In the event you have any questions regarding the nominees or the election process in general, please feel free to contact one of the gentlemen on the nominating committee, or Agland's corporate office. ❖



William Bashor
District 1 Incumbent

Candidate: William Bashor, District 1

Family: Two daughters and 1 son

Crops: 6,000 acres - Grass

Operations: 200 cow/calf – yearling operation

Board Experience: Agland Board of Directors past 3 years, Mountain Plains Farm Credit Service and Weld County Livestock Association

Cooperative Member: Since 1978

- 1. Why do you want to seek re-election to the Board of Directors?** Interest and concern for the future of agriculture. Cost of services and supplies, and the implications of regulations will determine if some operators will survive or not. Hope to have some input and influence on these issues.
- 2. What do you see as the biggest challenge facing the Cooperative today?** To continue to offer services and products to members at a competitive price. Retain membership numbers.

3. What do you feel you have to offer as an Agland Board Member? Experience as a board member, have served on several boards and committees as Chairman and member. Experience as owner operator of my ranch and family corporation.



Eldon Marrs
District 1 Nominee

Candidate: Eldon Marrs, District 1

Family: Married 14 years to wife Tanya. Children: Andrea, 18 years old - attending Colorado School of Mines; Emily and Colton, 12 years old - 6th graders.

Crops: In Pierce, my partnership farms 200 acres of silage corn and 200 acres of tritcale and sorghum grass.

Operations: Owner/Partner of Longs Peak Dairy. We are currently milking 1500 cows at our Johnstown facility and 2500 cows at our Pierce facility.

Board Experience: American Pride Co-op, Water Supply and Storage Company, Brighton Lateral Ditch Company - Past Member, Lone Tree Members Accretions Company, Eaton Sertoma Club - Past President, Colorado Livestock Association Member.

Cooperative Member: Since 1994

- 1. Why do you want to run for the Board of Directors?** I have been involved with cooperatives most of my life and believe strongly that cooperatives still play an important role in agriculture today. I would like the opportunity to represent and serve the owners of Agland.
- 2. What do you see as the biggest challenge facing the Cooperative today?** The biggest challenge facing Agland, is its ability to remain a financially strong, flexible entity with the financial strength to not only retire members' equities in a timely manner, but also to meet the changing needs of its newer members. Given the ever increasingly competitive marketplace in which cooperatives operate today, this will not be an easy task. Agland will need to find ways to become even more efficient in providing services to its members.
- 3. What do you feel you have to offer as an Agland Board Member?** I have 11 years of cooperative board experience to offer this membership. I have chosen to not run for re-election to my board position at American Pride Co-op and I will vacate the chairman's seat in January after serving in that role for the past 5 years. As the American Pride chairman, in addition to dealing with the issues facing cooperatives in our area, I have gained valuable insight into the organizational structure and management philosophies of Cenex Harvest States, Land O' Lakes and other regional cooperatives that are currently some of Agland's regional suppliers and business partners.



Ross Bashor
District 2 Nominee

Candidate: Ross Bashor, District 2

Family: One daughter

Crops: N/A

Operations: Fat Cattle 800 - 1200 head/year

Board Experience: Northern Colorado Agri-business Association - Past President

Cooperative Member: Since 1989

1. *Why do you want to run for the Board of Directors?* To assist our company as it faces a rapidly changing environment in our communities.

2. *What do you see as the biggest challenge facing the Cooperative today?* The urbanization of our farm land, which is diminishing our agricultural population.

3. *What do you feel you have to offer as an Agland Board Member?* A new perspective with fresh ideas.



Lanny Cook
District at Large

Candidate: Lanny Cook, District-at-Large

Family: Wife, Barbara – Sons, Brad and Brian (both in college)

Crops: 240 acres – corn, alfalfa hay and sugar beets

Board Experience: Agland Board of Directors for past 9 years

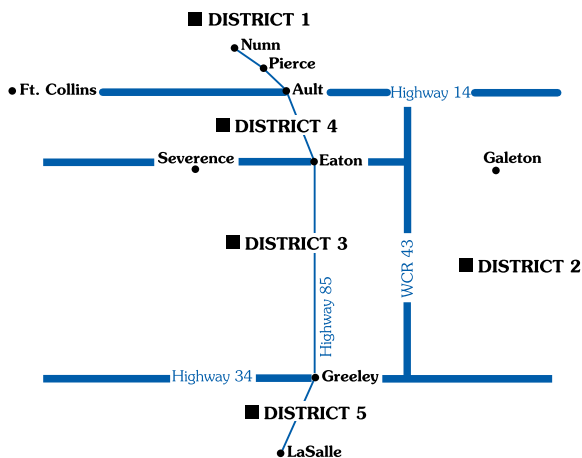
Cooperative Member: Since 1970

1. *Why do you want to be re-elected to the Board of Directors?* To keep moving the company forward by continuing to learn about the various operating divisions as well as the joint ventures such as the Agland/Land O'Lakes Feed, LLC. Educating myself and others on the details covering the planning, budgeting and financial aspects of our members company.

2. *What do you see as the biggest challenge facing the Cooperative today?* With the changing agricultural economy, increasing urban sprawl, declining commodity prices and the ever changing technology, Agland will face many challenges and opportunities in the next five years. Agland must continue to further expand its website into e-commerce, to utilize variable rate application and computer controlled applications. These rapidly changing technologies allow for more member benefits and expands Agland's ability to provide high level services. With a strong management team, I feel this company will continue to prosper and continue its commitment to utilizing new technology and to continuing to be pro-active to changes in the ever-changing market place.

3. *What do you feel you have to offer as an Agland Board Member?* To continue to achieve success for the cooperative and its members and to help develop long-range plans that make Agland a strong profitable cooperative that benefits members and the agricultural community.

AGLAND DIRECTOR DISTRICTS



Introducing a new Agland Member Benefit

Got High-Speed Internet Service? We Do.

Agland and Whatwire have partnered to save Agland members time and money.

**Agland members save 25% off
of the one-time Whatwire activation fee.**

High speed internet makes everything on the internet faster, with features such as:

- "Always On" Internet connection
- Up to 50 times faster than dial-up
- Download in seconds what used to take minutes
- Telephone line not required
- Multiple computers can access the Internet simultaneously
- Internet Service Provider (ISP) included (i.e. AOL, MSN, etc. not needed)



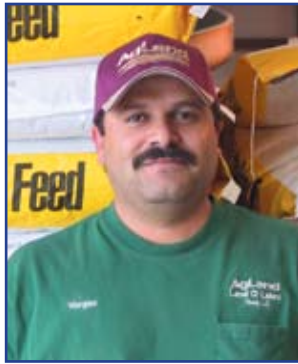
**Call Whatwire at 970-352-0023
for more information**



**Stuart Gebauer, Feed Division,
Livestock Specialist**

Both my wife Stephanie and I were raised in Greeley. After graduating from Greeley West High School, I went on to Colorado State University and completed my undergraduate and a Masters degree in Ruminant Nutrition. My first job out of school was in East Texas where I spent 3 years managing a Vitamin/Trace Mineral premix facility and providing nutritional technical support. I then spent 4 years in Illinois with a National Mineral Manufacturer providing technical sales support to major feed manufacturers.

My wife Stephanie and I then made the decision to move back to Colorado to raise our 2 boys Ryan-8 and Justin-10 near their extended families. After a few changes I landed at Feed Products Inc. in Denver and spent 3 years in distribution of animal supplies to feed stores and then joined Agland in June as a Livestock Specialist providing technical support and formulations for all species. We have lived near Galeton for 5 years on a small acreage and are glad to be back in Colorado for good. ❖



**Abel Vargas, Feed LLC,
Warehouse**

Abel Vargas has rejoined the Agland/Land O'Lakes Feed, LLC employee group. Abel works for the feed warehouse. He worked for Agland between 1996-1998 and has returned to a similar position. Abel is married to Juana, and they have three children; Jose-9, Kimberly-5, and Leroy-1 month. We all would like to welcome Abel back. ❖



**David Wailes, Feed Division,
Feed Dispatch**

I was born in December, 1966 in Greeley, CO to my parents, Dave and Katherine Wailes. I attended school in Johnstown at Roosevelt High School. After graduation I attended CSU in the animal science department. After college I worked for several different feeding operations in the area. I then started a trucking company that I ran for 10 years delivering feed products to local dairies and feed lots. I have one daughter, Madison, one sister and one brother. I look forward to getting to know all of Agland's feed customers. ❖

Reserve Your Seat for Agland's 100th Annual Meeting Today!

Agland's annual dinner and meeting is free to Agland members, but you must make a reservation before October 20th to ensure your place at the table!

Please call Kim Woods at 454-4007 to make your reservation, or if you prefer, you can fill out the reservation card below and mail it to our corporate offices.

The Annual Meeting is Thursday, October 26th, at the Island Grove Exhibition Building. Hope to see you there!

(Clip and return by October 20th)

Please confirm our reservation of _____ for Agland's Annual Meeting, October 26th, 2006 at 6:00p.m. - Island Grove Exhibition Building
Dinner and Meeting - No Charge

(Name of Member)

(Name of Spouse/Guest)

(Address)

(Phone)

Mail to: Agland, Inc.
P.O. Box 338
Eaton, CO 80615

Thanks for the support!

First of all, I would like to thank all the members/patrons for the business and support this past year. We had a strong turn out at our annual Customer Appreciation Days held at Eaton and Gilcrest, with over 350 in attendance.

THE YEAR IN REVIEW

As of this writing, this growing season looks to be the driest in history for our service area. This coupled with wells shut down in the Gilcrest service area turned out to be one of the most challenging growing seasons we have experienced. The season started out highly optimistic with an abundance of snow in the mountains and high hopes of more normal weather patterns for our area. The fall and winter seasons were kind to us and allowed a lot of ground preparation to be completed prior to planting season. By mid April our optimism was fading and by May 1st with the shut down of wells we began taking a strong look at what crops could be saved. We did have a good growing season and where water was adequate it looks like we will have better than expected returns from these areas. As always, we are looking for next year to be better.

FALL FERTILIZER

With harvest under way it's now time to plan for next year on areas you know that you can expect to have adequate water. This starts

with soil testing as soon as practical so a fertilizer program can take advantage of fall fertilizer prices that will most likely continue to be less costly than in the spring. Fuel costs also come into play, as everyone is aware of these days. Railroad fuel surcharges are running as high as an additional 30% to the freight rates, and trucking surcharges are running an additional 20%. We still have high natural gas costs that will continue to increase manufacturing costs of most commercial fertilizer products. All these factors will have the effect of raising costs and causing shortages of some products, especially nitrogen.



WAYNE GUSTAFSON
Agronomy Division
Director, CCA

In short, in spite of rising costs, fall application of at least some of your anticipated needs for next year will go a long way in protecting input costs as well as insuring a supply. We will again be offering a fall application program where you can apply the

product now, lock in your cost and pay for the product next spring.

I know there are a lot of uncertainties going into next year, however grass and alfalfa responds well to fertilizer programs and any moisture received this winter definitely will be used by these crops come early spring. Also, once alfalfa becomes dormant we can include a herbicide program for one-pass application for fertilizer and chemical weed control. Check with your Agronomy Specialist at Eaton (970) 454-4004 or Gilcrest (970) 737-2406 for Fall Application Program specifics.

SEED ORDERS

This is also a good time to anticipate next years seed requirements in order to take advantage of early order and early payment discounts. This will also insure that you get the varieties with the traits you want. Many of the Round-Up Ready varieties of alfalfa have been in short supply, so if you plan on moving into this system, order your seed early. Many of our seed suppliers have financing programs that require early sign up should you be interested. ❖



Ethanol Reshapes the Corn Market...

The year 2005 was marked by a flurry of construction activity in the Nation's ethanol industry, as ground was broken on dozens of new plants throughout the U.S. Corn Belt and plans were drawn for even more facilities. As of February 2006, the annual capacity of the U.S. ethanol sector stood at 4.4 billion gallons, and plants under construction or expansion are likely to add another 2.1 billion gallons to this number. If this trend and the existing and anticipated policy incentives in support of ethanol continue, U.S. ethanol production could reach 7 billion gallons in 2010. 3.3 billion more than the amount produced in 2005.

The tremendous expansion of the ethanol sector raises a key question: Where will ethanol producers get the corn needed to increase their output? With a corn-to-ethanol conversion rate of 2.7 gallons per bushel (a rate that many state-of-the-art facilities are already surpassing), the U.S. ethanol sector will need 2.6 billion bushels per year by 2010 - 1.2 billion bushels more than it consumed in 2005. That's a lot of corn, and how the market adapts to this increased demand is likely to be one of the major developments of the early 21st century in U.S. agriculture. The most recent USDA Baseline Projections suggest that much of the

additional corn needed for ethanol production will be diverted from exports. However, if the United States successfully develops cellulosic biomass (wood fibers and crop residue) as an economical alternative feedstock for ethanol production, corn would become one of many crops and plant-based materials used to produce ethanol.



MICK DANIEL
Feed Division
Director

Where will the corn come from?

Large corn stocks will enable U.S. ethanol production to increase initially without requiring much additional adjustment in the corn market. The U.S. ended the 2004/05 marketing year with stocks of 2.1 billion bushels - enough to produce 5.7 billion gallons of ethanol. As long as corn is the primary feedstock for ethanol in the U.S., however, sustained increases in ethanol production will eventually require adjustments in

the corn market. One possibility is that ethanol producers will secure the additional corn they need by competing with other buyers in the marketplace and bidding up the price of corn. A comparison of the 2006 Baseline with the 2005 Baseline suggests that much of the increased use by ethanol producers will be diverted from potential exports; the 2006 Baseline projects higher use for ethanol and lower exports than the 2005 Baseline. The 2006 Baseline suggests that among the major foreign buyers of U.S. corn, Japan and Taiwan are likely to be the least responsive to a rise in corn prices, while Canada, Egypt, and the Central American and Caribbean region are likely to be the most responsive.

Slower growth of U.S. corn exports would create new opportunities for corn producers in other parts of the world, including Argentina, Brazil, and China. Another country to watch is Mexico, where irrigated lands have accounted for about half of the increase in domestic corn production since the late 1980's. Increased demand for corn by U.S. ethanol producers might push prices high enough that these transportation costs are more easily surmounted.

Farmers may increase corn supply

The growing corn demand of ethanol

continued on page 10...



Our First Hundred Years...

A Condensed History.

By 1905, the area around Eaton, Colorado had been a thriving agricultural region for decades. It was known especially for an ability to produce the popular Neshannock potato in quantities up to 400 bushels to the acre, and in 1904 the district shipped out almost 120 tons of them by rail. A few years later, Weld County would be named the second largest potato-producing county in the nation.

Despite good crops with high yields, potato farmers around Eaton were struggling to make a profit. They didn't have to look far to see why: at 56 cents per hundredweight, dealers were receiving half the profit just for storing the crop, finding buyers and seeing the potatoes were properly shipped. For the same 23 cents the dealer got, the farmers bore all the labor and expense of planting, raising and harvesting the crop, not to mention the risk of a crop failure.

Talk began to circulate among farmers in the neighborhood about forming a co-op to get a better deal. They could build their own warehouse and hire their own manager to do what the dealers did. They could buy supplies such as potato sacks in much larger quantities, thereby earning discounts from the suppliers. They could be in charge of their own destiny, and not at the mercy of the potato dealers. It just made sense.

A co-op is born.

On October 21, 1905, 20 Eaton area farmers met and adopted bylaws, and put in \$100 apiece for operating capital. They called their organization the Potato Growers Company, because there were no laws allowing them to operate as a real cooperative until the Colorado Assembly passed the State Cooperative Law in 1913 and the federal government passed the Capper-Volstead Act in 1917.

A manager was hired and installed in rented space in W.H. Eaton's produce office on Second Street. Soon after, land was leased from the Union Pacific Railroad to build a brick warehouse adjacent to the tracks, and in 1906, the Potato Growers Company did \$12,000 worth of business.

On the Tenth Anniversary of the

founding of the Potato Growers Company, in 1915, it was reorganized as the Potato Growers Cooperative. Because of the success of the original venture, now there were 500 members who bought shares at \$50 each, creating a capital stock of \$25,000. Just four years later, by an amendment to the articles of incorporation, the capital stock would be increased to \$100,000.

Building and expansion.

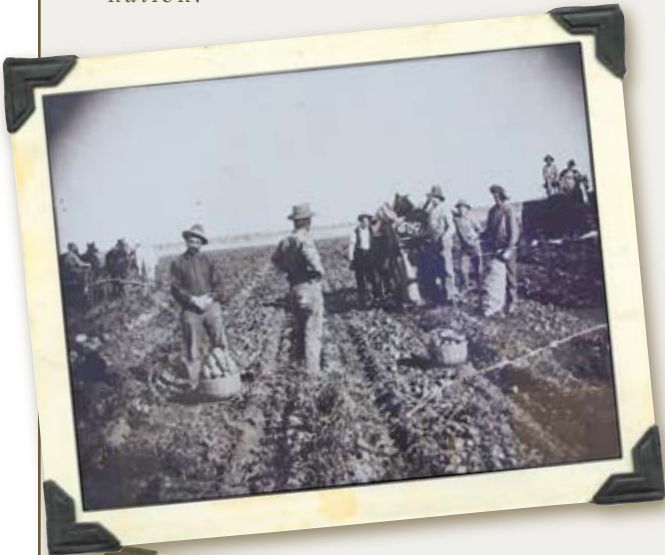
The Co-op used some of the money to expand the warehouse and build its first grain elevator, then a second warehouse and elevator in Galeton in 1916. In 1920, the PGC entered into its first retail venture when the Board approved development of a lumber yard. Service stations in Eaton and Ault followed not long after.

By the time of the Great Depression, the Co-op was strong enough to survive by lowering salaries and putting a temporary halt to dividends. Growing conditions weren't as bad in Colorado as in some parts of the country, and expansion continued. In 1936, the cooperative built a new warehouse and office in Eaton, in part to handle a shift away from potatoes, for which demand had dropped, to marketing pinto beans. In 1942, sales hit \$1 million.

The 1940s saw development of bean facilities as well as the addition of equipment for syrumping and mixing feeds. When a devastating fire destroyed the grain elevator in 1949, construction on a new, bigger and better one began almost immediately.

A rough patch in the road.

At the Co-op's golden anniversary in 1955, sales hit \$6 million, but it was the beginning of hard times for the organization. First, long-time President J. M. Collins died, and Al Epler, who had put in almost 25 years as manager retired. These two men personally embodied much of the faith members had in the Co-op and when the new manager failed to connect with farmers, membership and loyalty began to slide. When the Board was expanded to five members in 1960, they also had to deal with a big drop in the cattle market, defection of some of their biggest



1905	1906	1913	1915	1916	1920	1936	1942
20 Eaton farmers form the Potato Growers Company	Potato Growers Company does \$12,000 in business	Colorado Assembly passes the State Cooperative Law	Potato Growers Company is reorganized as Potato Growers Cooperative	Potato Growers Co-op builds first grain elevator	PGC opens a lumberyard	PGC builds office & warehouse in Eaton, markets pinto beans	Sales hit \$1 million

members and a feed operation that could no longer compete with other suppliers on price.

Fortunately, they had an ace in the hole. In 1962, testing began at Colorado State University on the Co-op's new flaked feed, Red Bird Nu-Flake. The results were more than just promising: cattle fed the new feed ate less, were ready for market earlier, and had a higher percentage of choice and prime graded beef. Soon after, the revolutionary process was being used to produce similar results in lambs and the Feed Division began a long, profitable run.

The Co-op structure evolves.

By the mid-60s, the major operations of the Co-op had long since switched from potatoes to beans and feed along with a variety of services and retail enterprises geared toward the ag sector. For years, the character of the Co-op had been shifting away from marketing commodities on behalf of the farmer to providing goods and services to the farmer. In 1963 the membership voted to become a "cooperative corporation" and in 1967 the name was changed from Potato Growers Cooperative to Agland, Inc. to reflect the wider interests and progressive vision of the organization.

The 1970s brought the Arab oil embargo, which rocked the entire country, but hit farmers disproportionately hard.

Determined to never again be in a position where they were unable to supply gasoline to members, the Agland Board voted in 1976 to merge with Consumers Oil Company in Greeley. Although the merger was challenging and the worldwide petroleum market continued chaotic, by the early '80s it looked like a good move, and by the mid-80s, the petroleum division was an operational mainstay. It was buoyed in part by the 1983 move from downtown Greeley to a new service station at the 16th Street Plaza on the U.S. 85 bypass. Fuel sales tripled in the first year, and sales were

strong in Agland's first-ever convenience store.

Into the modern era.

The '70s and '80s brought other changes to Agland. Computers and other technology helped the company keep pace with an ever-increasing deluge of data, and programs were begun and expanded to support youth, wives, and the continuing education needs of its members.

The farm economy has always been one of ups and downs. The '90s began with a big drop in bean prices on top of a recession, the beginnings of a long drought, conflict in the Middle-east and continued uncertainty about energy. Agland reacted to the uncertainty by strengthening strategic partnership positions with other co-ops and suppliers, and by diversifying into other markets and market areas. By the mid '90s Agland had formed a joint venture with Farmland Industries in the Feed Division and built member condo corn storage facilities. They had begun marketing propane in the Boulder-Estes Park area through another joint venture, named Peak to Peak Propane. New convenience stores were opened, further strengthening the company's diversification. The servicing of crops evolved into precision-ag through the use of soil sampling, satellite imaging and global positioning technologies.

The Co-op also did a major management restructuring in 1997, moving away from an alignment by product line to an alignment by market segment to better serve customers by having an improved understanding on their needs. To go with the more modern corporate structure, Agland introduced a

new logo to reflect an organization ready, willing and able to change with the times.

The challenges continue.

The turn of the 21st Century saw continuing challenges in the ag sector. The 9/11 terrorist attack set off an economic downturn which led to the bankruptcy of Farmland Industries in 2002. Agland was heavily invested in Farmland, emotionally and economically, but had no choice but to write down the debt and find alternative suppliers such as Land-o'-Lakes and Agriliance.

Today, Agland is still one of the largest agricultural cooperatives in the country, with capital assets of over \$18 million, gross sales well about \$130 million, and member equity about \$15 million. With some 180 employees, Agland continues to be a major employer, and by sales volume alone is one of the most significant economic forces in Northern Colorado today.

In a hundred years, our Co-op has changed a lot, because the whole face of agriculture has changed. Since change is the only constant, in the next hundred years, you can count on Agland to be out in front, doing everything we can to make life easier, more productive and more profitable for our members.

Because that's one thing that has never changed.



1949	1955	1962	1963	1967	1976	1983	2006
Fire destroys grain elevator	Sales hit \$6 million Pres. J.M. Collins dies Manager, Al Eppler retires	CSU tests Co-op's new flaked feed	Members vote to become a cooperative corporation	Company name is changed to Agland, Inc.	Agland merges with Consumers Oil, petroleum div. is born	First convenience store at 16th St. & Hwy.85 is built	Agland completes 100 fiscal years with gross sales of \$132 million

producers could also be satisfied through higher corn output. Over the past decade (1996-2005), U.S. corn yields averaged 138 bushels per acre, compared with 115 bushels during the previous decade. The United States also could increase corn production by devoting more land to the commodity. Growing corn more intensively is yet another approach producers can attempt. For example trying to rotate corn more acre, compared with 115 bushels during the previous decade. The United States also could increase corn production by devoting more land to the commodity. Growing corn more intensively is yet another

leaves, and cobs left over after harvest - materials that are formally known as stover. An acre of corn will yield roughly 5,500 dry pounds of stover, enough to produce about 180 gallons of ethanol. In the United States, corn stover is typically left in the field following harvest to minimize erosion and to contribute organic matter to the soil, so removing some of the stover at harvest might adversely affect the long-term viability of the soil.

Market adjustments extend to ethanol co-products and beyond

As ethanol production increases, the supply of ethanol co-products

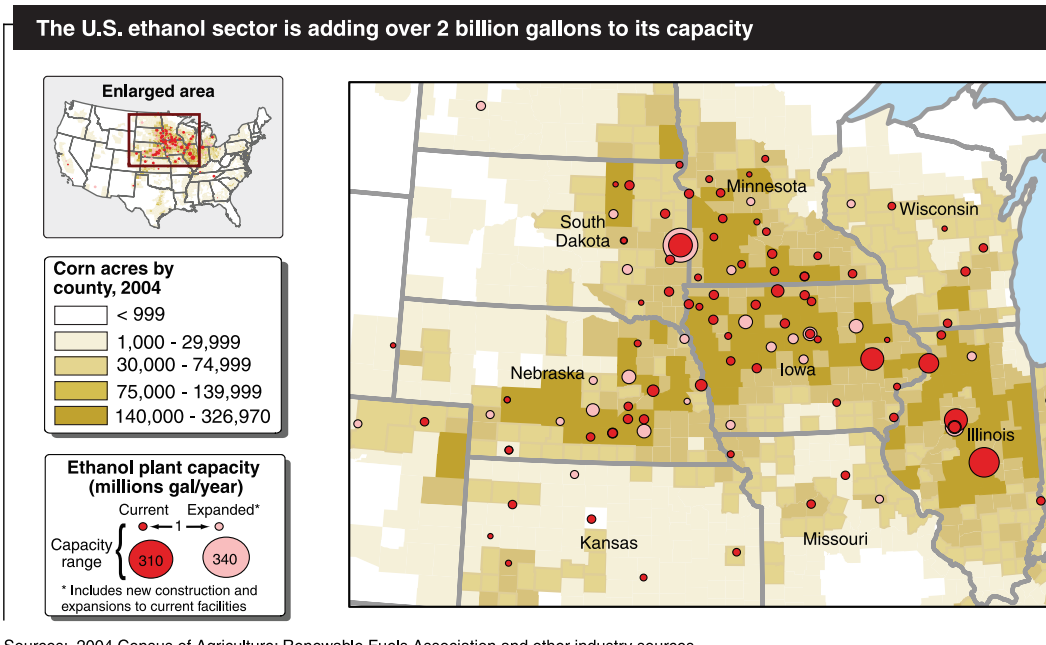
users of DDGS as livestock feed, but larger quantities of DDGS are making their way into the feed rations of hogs and poultry. Use of distiller's grains in animal production lowers the use of corn and protein supplements.

New feedstocks are the wildcard

The search for ethanol feedstocks will not stop at the edge of the corn field. While corn is currently the primary feedstock for U.S. ethanol production, many other agricultural commodities and plant-generated materials can be used to produce the fuel. For example, ethanol derived from sugar cane satisfies roughly half of Brazil's annual demand for motor vehicle fuel, and sorghum is the feedstock for about 3 percent of U.S. ethanol production.

The U.S. and many other countries are very interested in cellulosic biomass as a potential feedstock for ethanol. Cellulosic biomass refers to a wide variety of plentiful materials obtained from plants - including certain forest-related resources (mill residues, precommercial thinnings, slash, and brush), many types of

solid wood waste materials, and certain agricultural wastes (including corn stover) - as well as plants that are specifically grown as fuel for generating electricity. A report prepared for the U.S. Department of Energy and USDA in 2005 suggests that, by the middle of the 21st century, the United States should be able to produce 1.3 billion dry tons of biomass feedstock per year - enough to displace at least 30 percent of its current petroleum consumption.



Sources: 2004 Census of Agriculture; Renewable Fuels Association and other industry sources.

approach producers can attempt. For example trying to rotate corn more often in rotation techniques would help to intensify corn production. Interestingly, one of the key factors boosting ethanol demand - high oil prices - also makes intensive corn production less attractive because more fertilizer would be needed.

One way to get more ethanol feedstock out of existing levels of corn production is to use the stalk,

will also increase. Both the dry-milling and wet-milling methods of producing ethanol generate a variety of economically valuable co-products, the most prominent of which is perhaps distiller's dried grains with solubles (DDGS), which can be used as a feed ingredient for livestock. Each 56 pound bushel of corn used in dry mill ethanol production generates about 17.4 pounds of DDGS. In the United States, cattle (both dairy and beef) have so far been the primary

Petroleum Division 2006 Recap...

The Petroleum Division of Agland is proud to report that our 2005/2006 fiscal year was one that the Member Owners can be proud of. Our milestones simply stated were the savings for our customer members and for the Cooperative. The Division had sales of nearly \$81 million, and distributed approximately 70 million gallons of fuel. While numbers are still being finalized, we are confident that last year was a record year.

We expanded on our supplier relationships and further fortified supply security and our ability to



DAN BEAUVAIS
Petroleum & Retail
Division Director

deliver fuels to our customers in a timely fashion. Agland's niche is the transportation and terminaling of refined products. Basically we pick up the finished product at the refined products terminal and complete

the transportation to your tank. Service is the most important part of this "final journey". Our team of transportation and administrative professionals insures that inventories are where they are needed when they are needed.

To accomplish this, we dispatch up to 30 trucks everyday to move fuels to our valued clients. We manage and maintain terminals with storage capacity in excess of one million gallons. We work with key vendors to insure that forecasts and inventories are adequate to meet the demands of our customers and members well into the future. This "final journey" requires that the product be at your tank when you need it. At the end of the day, Agland has retained just over .01 cents per sales dollar with which to invest in our community, plants, equipment and valued employees.

In addition to Mr. Max, finance, transportation and terminaling are the most closely scrutinized area of the Petroleum Division. It is the only way that Agland can impact prices. Agland is responsible for price notification, but is only the messenger when it comes to price. This simple chart shows the other areas that makeup the expense of a unit of diesel fuel delivered to the average customer.



Commodity prices affect sales dollars; they do not impact net savings. 100% of Agland's operating ex-

pense must come out of the gross margin. Any retention after expense ultimately is returned to the members as an asset. When costs such as interest, fuel, insurance and other variable expenses increase, Agland must make a slight adjustment to the

EXPENSE PER UNIT OF DIESEL FUEL DELIVERY

Fuel	\$2.24
Federal Excise Tax	\$0.244
State Excise Tax	\$0.22
Freight	\$0.0436
Margin	\$0.04
Super Fund	\$0.0137

gross margin to pay for the increased costs. Generally, this is so minimal that you would not notice it in the price of your delivery. The part of a gallon of fuel that you do see is made up of the cost of petroleum and taxes. The best way to combat fuel costs is Mr. Max. It establishes a ceiling but no floor and helps our member customers to combat higher energy prices.

We are rethinking our business on a daily basis and looking for ways to cut unneeded expense, minimize delivery costs and enhance your savings. It appears that 2006/2007 will be another challenging and exciting year. We look forward to your ideas and most of all a new year of mutual opportunities and success through the spirit of cooperation. ❖

Retail Stores Working For You...

Another summer is over and the employees in the retail division are busy getting ready for the busy fall and winter seasons ahead. After a successful 2005, we are all looking forward to this year and all the challenges that the end of 2006 may bring. We have had a very busy season for fuel and with the diesel prices and the demands, such as they are, we can only hope to continue to supply our customers with the best service and quality fuel available. Thanks to the excellent foresight of our Petroleum Division, we have had a steady supply of diesel to meet the needs of our customers at a time when product was limited or not available at all at our competitors. Thanks everyone for all the good work.

At 16th Street Plaza, we are continually working on keeping a steady supply of E-85 for our customers. We are the only distributor in Northern Colorado and with the help of Colorado Corn who leases the tank, we are offering E-85 at \$1.99. This has caused quite an increase in interest in this alternative fuel. It has also increased our sales immensely. The good news is that the team at Gateway is working with Weld County Garage and the Colorado E-85 Coalition to get a tank installed at their facility in the near future. This will ensure better service for all our

E-85 customers especially those on the west side of town and our friends from Loveland and Fort Collins who are making regular trips to see us for this fuel.

We are also preparing for Customer Appreciation days in December. At the 16th Street Farm store, we are preparing for the big day but we urge you not to wait. We are one of the leading Carhartt dealers in the



DAN BEAUVAIS
Petroleum & Retail
Division Director

area and have a new line to meet all your winter needs. Also come in and look at all the great summer clearance items and the new fall and winter items we have. Get a head start on your Christmas shopping.

The Retail Division has added new faces to our Agland family. At our Gateway store, long time employee Cody Shaffer has stepped down as the

Assistant Manager to take a position teaching at UNC. He will still be available on a limited schedule to help with customer service duties. We wish him the best of luck in his new career and thank him for his many years of dedicated service. Ruth Peister has taken over his duties as Assistant Manager. Ruth has been in the retail business and particularly with the Cenex group in the past and she will be a definite asset to the company. We would also like to congratulate Shawn and his wife on the birth of their first child, daughter Emerson.

At the 16th Street convenience store Rose Spurlock has moved into the Assistant Manager position to assist Diane with the everyday operations of the C-store and the Farm store.

At the Eaton store they continue to offer some of the best food and service in the area.

Stop in to any of the three locations and experience the award winning customer service from your fellow Agland employees. We are always glad to see you. We continue to be at the forefront of customer service, product quality and continue to strive to provide more efficient and convenient service to our customers. We look forward to another successful year as we enter 2006/2007. ❖



Making Life Easier for Agland Customers...

Well here we are at the end of a long hot dry summer and looking at a long cold winter coming up. I know it has been hard on everyone with the heat, wind and very little water. Then to make it just a little more unbearable the cost of fuel and oil just keeps going up. All of you hung in there and I would like to thank you for your patronage.

Now we have to start getting ready for winter. Keep the vehicles running smooth and safe down the road. Keeping your tires at the proper inflation will help on the gas mileage as will a tuned up engine. Lets not forget to check that antifreeze and get it down to the proper temperature.

At the Eaton shop we have Glenn who can perform all of your light duty gas engine needs and at the Greeley shop

we have Chad, Carlos, Larry and Leonard who are trained in diesel vehicle work also.

Let us not forget that we also do tire work in both shops, everything from



KEITH BAXTER
TBA/Bandag
Division Director

mower tires to tractor tires. With the high cost of new truck tires and the constant increase in the price, we would like to remind you that we have good quality Bandag re-tread tire and

we have had the Bandag franchise in this area for 37 years.

With harvest running hot and heavy I know that some of you are working from can til can not, and when you have a flat tire out in the field and even at night, keep in mind that we have 4 service trucks to come to you, fix your tire and keep you going. We have a couple of new faces with the service trucks, from the Eaton shop we have Keegan Mantel, and back at the Greeley shop we have Mike Widick. Get them out there on the farm and watch them work, they know what they are doing. For after hours calls dial 970-350-1293.

To help get you started we are going to offer you some very special deals.

Drive safe and we are looking forward to seeing you at the annual meeting.

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Agland members/account holders only
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More Women Turning to Horse Farming...

According to the 2002 Census of Agriculture, the number of farms operated primarily by women more than doubled since 1978, the first year that such information was recorded. Over the same period, the growth in numbers of horse farms far outpaced that of either beef cattle or other types of crop and livestock farms. The Census of Agriculture defines a horse farm as a USDA farm that generates 50 percent or more of its sales from horses. (A USDA farm is an operation that sells at least \$1,000 of agricultural products in a year.) Riding stables and other equestrian recreational facilities could be counted in the Census if these operations sell horses and operate like a farm.

inventory as measured by the Census of Agriculture almost doubled during that time.

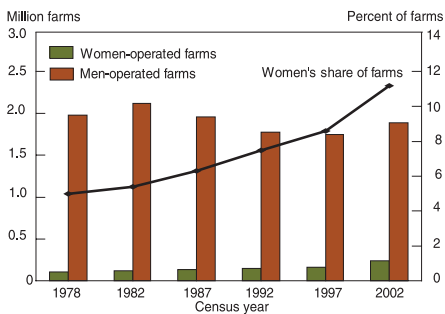
Horse farming is compatible with other goals

Given that the demand for horses is derived from the growth in participation in equestrian sports, it follows that horse farms will locate near major population centers. At the same time, horse farming may be particularly compatible as a peri-urban agricultural activity. Horse operations with pasture and sporting facilities provide open space, consistent with the land-use objectives of many suburban jurisdictions. In suburban Washington, DC, for



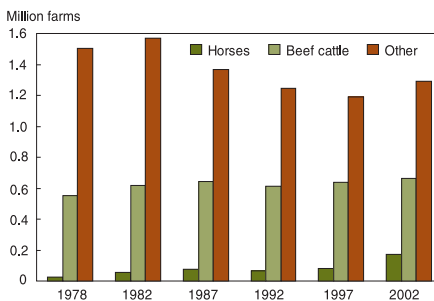
trucks, trailers, farm structures, and fencing. In addition, horse farms purchase equine equipment and obtain services from farriers and veterinarians.

Women are operating a larger share of U.S. farms



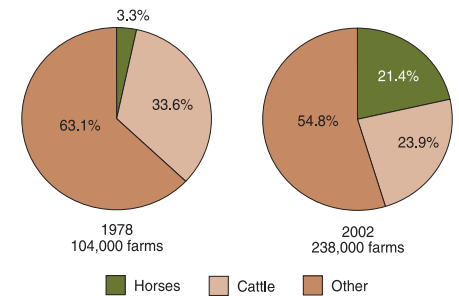
Source: Compiled by USDA Economic Research Service using data from the Census of Agriculture.

Horse farming is growing relative to other types of farming



Source: Compiled by USDA Economic Research Service using data from the Census of Agriculture Longitudinal file.

U.S. farms with women as primary operators



Source: Compiled by USDA, Economic Research Service using data from the 2002 Census of Agriculture.

Share of horse farms operated by women has more than doubled since 1978

The significance of women in horse farming is far higher than in other types of farming. By 2002, women were the primary operators of almost a third of all U.S. horse farms. Women farmers, singly and jointly, operated over 65 percent of all horse farms, compared with 37 percent of all farms. Of all the farms operated primarily by women, one-fifth were horse farms. As to why women appear to have been disproportionately attracted to horse farming, answers are conjectural. It has always been the case that women operators were more likely than men to be involved in livestock farms and also that women operated on smaller acreages than farms operated by men, so women's increasing presence in horse farming is consistent with that history. ❖

Equestrian sports driving increase in horse farms

The increase in horse farms is largely attributed to the growth in participation in equestrian sports and recreation. While the horse racing industry has declined in popularity over the last 20 years, other horse sports—including show jumping and field hunting, driving, cutting, roping, eventing, dressage, and endurance—have expanded their appeal. Jockey Club Thoroughbred foal registration (an indicator of the number of race horses expected to race) dropped by about a quarter from the 1980s to the 1990s, while the U.S. horse and pony

example, the 93,000 acres in the Agricultural Reserve in Montgomery County, Maryland, is an area zoned to protect farmland. There, over the past 25 years, the number of horse farms more than doubled while the number of cattle farms fell by 50 percent, and total farm numbers declined by 15 percent.

Also supportive of goals to preserve agriculture, horse farms provide income to other farms and to a variety of agriculture related businesses. Like other livestock operations, most horse farms purchase feed and hay, and peripheral equipment like tractors,

Directions: This audit form has been developed for the purpose of evaluating the level of security on farms and farmsteads. It enables farm owners to determine those areas on their farms that could be more secure in order to prevent vandalism, theft, and terrorist-related activities. While the emphasis is on security, safety of the farm family, workers and visitors is also a primary concern.

Building/Facilities

Agri-chemical (Pesticide) storage buildings and cabinets

- 1. Are pesticide storage areas locked when not in use? Yes ___ No ___ NA ___
- 2. Do pesticide storage areas have proper signage? Yes ___ No ___ NA ___
- 3. Do pesticide storage areas have proper ventilation? Yes ___ No ___ NA ___
- 4. Are all pesticides stored in their original containers? Yes ___ No ___ NA ___
- 5. Is there adequate lighting in the pesticide storage area? Yes ___ No ___ NA ___
- 6. Is there an emergency plan in effect? Yes ___ No ___ NA ___
- 7. Is there proper personal protective gear available? Yes ___ No ___ NA ___
- 8. Is the floor in the pesticide area impermeable? Yes ___ No ___ NA ___

Fuel storage and dispensing station

- 1. Is fuel-dispensing equipment kept locked at all times? Yes ___ No ___ NA ___
- 2. Does the fuel storage area have proper signage? Yes ___ No ___ NA ___
- 3. Is there adequate lighting in the fuel storage area? Yes ___ No ___ NA ___
- 4. Does the fuel storage area have impact protection? Yes ___ No ___ NA ___
- 5. Is appropriate fire suppression equipment available? Yes ___ No ___ NA ___

Propane storage area

- 1. Does the propane storage area meet state fire codes? Yes ___ No ___ NA ___
- 2. Does the propane area have proper signage? Yes ___ No ___ NA ___
- 3. Does the propane area have adequate impact protection? Yes ___ No ___ NA ___

Livestock housing areas

- 1. Is the milk bulk tank area properly secured? Yes ___ No ___ NA ___
- 2. Is the livestock housing area properly ventilated? Yes ___ No ___ NA ___
- 3. Is the ventilation system linked to a central alarm? Yes ___ No ___ NA ___
- 4. Does the livestock area have proper fire protection? Yes ___ No ___ NA ___
- 5. Are smoke detectors located in the livestock housing? Yes ___ No ___ NA ___
- 6. Are smoke detectors connected to a central alarm? Yes ___ No ___ NA ___
- 7. Are manure storage areas properly gated? Yes ___ No ___ NA ___
- 8. Is proper warning signage installed at manure pits? Yes ___ No ___ NA ___

- 9. Are access ladders to confined spaces locked out? Yes ___ No ___ NA ___
- 10. Is rescue equipment available at manure storage areas? Yes ___ No ___ NA ___
- 11. Are proper silo gas warnings attached to silos? Yes ___ No ___ NA ___
- 12. Are livestock areas properly gated? Yes ___ No ___ NA ___
- 13. Are animal health products kept in locked storage? Yes ___ No ___ NA ___

Anhydrous ammonia storage

- 1. Are anhydrous storage tanks properly labeled? Yes ___ No ___ NA ___
- 2. Do anhydrous nurse tanks have SMVs? Yes ___ No ___ NA ___
- 3. Are anhydrous tanks kept in a secure location (i.e. locked)? Yes ___ No ___ NA ___
- 4. Is the area well lit? Yes ___ No ___ NA ___
- 5. Do anhydrous tanks have emergency water containers? Yes ___ No ___ NA ___
- 6. Is personal protective equipment readily available (i.e. goggles and gloves)? Yes ___ No ___ NA ___
- 7. Does the farm operator have meth awareness? Yes ___ No ___ NA ___

Farm shop and maintenance areas

- 1. Are fire extinguishers charged and visually mounted? Yes ___ No ___ NA ___
- 2. Are combustible materials properly stored? Yes ___ No ___ NA ___
- 3. Do grinders and welders have proper spark protection? Yes ___ No ___ NA ___
- 4. Are shops properly secured and/or locked? Yes ___ No ___ NA ___
- 5. Do shop work areas have proper lighting? Yes ___ No ___ NA ___

Farm machinery

- 1. Are tractor and machinery keys properly stored? Yes ___ No ___ NA ___
- 2. Are combines cabs locked when not in use? Yes ___ No ___ NA ___
- 3. Are machine storage sheds properly lighted? Yes ___ No ___ NA ___
- 4. Are fire extinguishers charged and properly located? Yes ___ No ___ NA ___
- 5. Are proper fire extinguishers located on machinery? Yes ___ No ___ NA ___
- 6. Are outside-stored machines within eyesight of farm? Yes ___ No ___ NA ___

Miscellaneous

- 1. Are weapons (guns, knives, etc.) kept properly stored? Yes ___ No ___ NA ___
- 2. Are local EMS and fire personnel aware of dangers? Yes ___ No ___ NA ___

NA – Not Applicable or does not apply to your farming operation.

Security Scoring: Use this rating system to determine the existing level of security on your farm. To rate your farm, divide the total number of responses that applied to your operation by the number of yes responses to see how your farm scored. (For example, out of 39 questions that applied to your operation, you answered yes to 30. 30 divided by 39 equals a score of 77%.

YES RESPONSES	FARM SECURITY LEVEL
0-25%	Security needs attention
26-50%	Average security level
51-75%	Above average security level
76-100%	High security level



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