

Volume 23 • Summer 2015

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## The impact of Avian Influenza on your cooperative's feed business

*By Cherilyn Krichau, StateLine Cooperative Feed Department Manager*

In the past few months the news has been filled with stories involving livestock production, mainly Avian Influenza. The impact has been devastating for the state of Iowa. Over 31 million poultry have been affected in 18 counties in Iowa. I've had several people inquire about Avian Influenza and what is happening on poultry farms and at feed mills, including ours.

When you drive through rural Iowa and pass a poultry farm, crews are still working to clean up the aftermath. The farms that have been affected have been depopulated and the animals are being disposed of in an approved manner by agencies overseeing the operation. The damage of the "bird flu" is apparent when I speak with flock owners. Many have barns that are empty anticipating repopulating with birds. They are also hopeful that the warm temperatures have slowed or brought the flu to an end. Feed manufacturers are also seeing an impact. Our feed mill serves both swine and poultry customers. We have seen only a slight decline due to Avian Influenza, while others with a higher concentration of poultry business have been impacted more significantly.

### Swine Industry News

Last week JBS announced that they will be purchasing Cargill's pork business for \$1.45 billion. The sale is subject to regulatory review.

If approved the sale includes Cargill's pork packing plants in Ottumwa, Iowa, and Beardstown, Ill., four hog farms in Arkansas, Oklahoma and Texas, and five feed mills located in Missouri, Iowa, Arkansas and Texas. Cargill has been the fourth largest US pork slaughter firm behind Smithfield, Tyson and JBS. This will put JBS into hog production on a significant scale.

### Halfa Feed Mill

Manufacturing and delivery of feed continues to go well from StateLine's Halfa Feed Mill. As I stated previously we have seen a slight impact on our volumes due to the Avian Influenza. We have scheduled our annual down time for Aug. 8-10 for our boiler maintenance and inspection, so please plan your feed deliveries accordingly.

### Good luck at the County and State Fairs!



We would like to wish all the area 4-H and FFA members and families good luck with your county and state fair entries. You all have worked very hard with your projects and should be proud in showcasing your accomplishments.

# Agriculture: a cyclical business

By Bill Beukema, StateLine Cooperative General Manager

In late June and early July I traveled a large portion of Iowa and have spoken with ag industry people from all of the major corn and soybean production states. The one common belief by myself, as well as others, is that our north central Iowa and south central Minnesota soils have the most consistent and greatest potential for yield of anywhere in the United States.

As this newsletter arrives in your mailbox, the corn crop will likely be at the onset of pollination. The available moisture in the soil profile should be enough to finish this crop in a very positive way. The soybean crop also looks very promising, too. At SLC we have now turned our attention from raising the crop, to determining how we will position our facilities for harvest. Our goal will be to efficiently unload grain, and manage storage space so harvest 2015 will go as smooth as possible for you.

## The United States economy

The United States economy continues to crawl forward. Unemployment for the month of June was 5.3%. The June rate was down slightly from May, which stood at 5.5%. The most recent data for Iowa reflects an unemployment rate of 3.8%.

The United States dollar index had moved lower recently, which was to the benefit of ag, however, the issues related to Europe and specifically Greece have caused our dollar to strengthen from a low of 94 to 96.66. The U.S. Dollar is again trading at a level that limits fluid exports of ag products to the rest of the world. The strength of the dollar coupled with increasing crude oil production is causing weakness in the energy market, placing pressure on ethanol values. I look for the economy to continue to grind forward, but at a very methodical pace. I think the dollar will continue to gain strength because of instability and overall weakness of other economies. I believe that corn and soybean values will continue to be under pressure in both futures and local basis due to crop size and currency strength.

National Unemployment Rates, 2008 - 2015

	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
2015	5.7	5.5	5.5	5.4	5.5	5.3						
2014	6.6	6.7	6.7	6.3	6.3	6.1	6.2	6.1	5.9	5.8	5.8	5.6
2013	7.9	7.7	7.5	7.5	7.5	7.5	7.3	7.2	7.2	7.2	7.0	6.7
2012	8.3	8.3	8.2	8.1	8.2	8.2	8.2	8.1	7.8	7.9	7.8	7.8
2011	9.0	8.9	8.8	9.0	9.1	9.2	9.1	9.1	9.1	9.0	8.6	8.5
2010	9.7	9.7	9.7	9.9	9.7	9.5	9.5	9.6	9.6	9.6	9.8	9.4
2009	7.6	8.1	8.5	8.9	9.4	9.5	9.4	9.7	9.8	10.2	10.0	10.0
2008	4.9	4.8	5.1	5.0	5.5	5.6	5.8	6.2	6.2	6.6	6.8	7.2

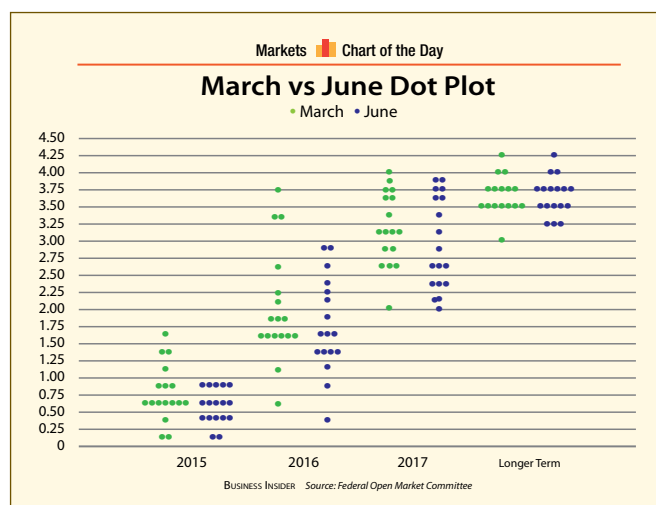
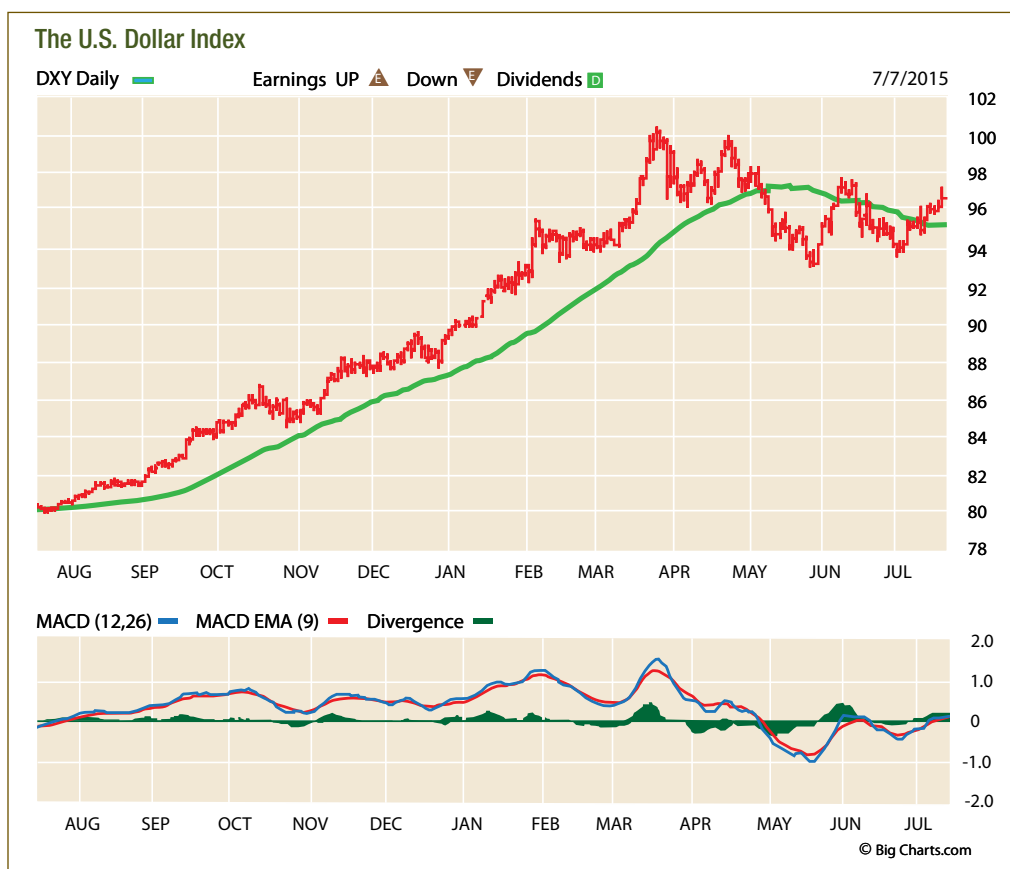
Source: Bureau of Labor Statistics

I think that the U.S. prime rate is likely to rise slightly before the end of the year. The Federal Open Market Committee (FOMC) is the monetary policymaking body of the Federal Reserve System. The FOMC is composed of 12 members — the seven members of the Board of Governors and five of the 12 Reserve Bank presidents. The FOMC updates what is referred to as the DOT Plot chart monthly. The DOT Plot is a reflection of what the sitting members of the FOMC Board believe interest rates will do in the next 1 to 3 years.

The recent decline in commodities values has placed significant pressure upon those involved in production agriculture. I am not as concerned about the 2015 cropping season as I am about 2016 and beyond.

For the 2015 season we have crop insurance that will provide a financial backstop at levels above the cost of production. If the supply and demand values that I think lay ahead are correct, crop insurance programs will be of less value because of market values in the future. I think short term relief from the input side of the business will be very minimal in the next 12 months. Right now, seed values appear to be firm going into next year. Cash rents are under pressure as cash flows appear to be negative for the crop production period of 2015-2016. Fertilizer values currently feel firm as global demand for nutrients is very strong and is offsetting what feels like a reduction in the consumptive demand for phosphorus and potassium by the U.S. farmer. Overall domestic demand for red meat, white meat and ethanol will remain flat for the balance of 2015 and 2016 crop year.

My concern is global demand for corn and soybeans for direct consumption or protein creation will continue to be filled by the least cost provider, which will not be the United States producer in the next 12 months. This will create negative cash flows and reducing overall equity on producers' balance sheets. United States agriculture has, is and will be a cyclical business. In spite of what appears to be an earnings challenge in the short term, we are extremely fortunate to live where we live and are able to do what we have chosen to do for careers, and a way of life.



# Be on the lookout for Northern Corn Leaf Blight

by Steve Mulligan, StateLine Cooperative Seed Department Manager



Picture above shows NCLB "Cigar Shaped" lesion on V9 corn plant. South of Lineville, IA 6/18/15.

As we move into the first full week of July, I would like to share this information on Northern Corn Leaf Blight (NCLB) that may soon show up in area corn fields.

With the continued damp weather this growing season, foliar disease issues such as NCLB are becoming a concern. Northern Corn Leaf Blight is caused by a fungal pathogen *Exserohilum* (*Helminthosporium*) *turcicum*. Yield losses of more than 30% were reported by severely infected fields in 2014. Infection of corn plants is favored by cool (65 – 80 degree) temperatures and water being present on corn leaves for 6 – 18 hours. Free water can be present from rain showers or during heavy morning and evening dew. Higher soil moisture and high humidity also favor development of the pathogen. NCLB overwinters on crop residues and can infect plants by rain splash from the soil or also from movement of spores by wind. Once lower leaves are infected, lesions will develop and move up the canopy to the entire plant. Infections will also occur from plant to plant and even from field to field if highly favorable conditions are present. Many areas had moderate to high NCLB pressures in 2014 and a high amount of inoculum is likely present in 2015.

NCLB lesions typically start as gray-green elliptical shaped area on the leaf surface. As the lesions mature, they turn tan and develop distinct dark areas (specks) of fungal sporulation. The lesions can grow as large as  $\frac{3}{4}$ " wide and be up to 6" in length. The lesions are often referred to as being "Cigar Shaped." In a severe infection, these lesions can spread across the plant, sometimes covering the entire leaf area. This type of severe infection would greatly reduce photosynthesis and ultimately, yield. Infected plants will often times die prematurely and be more susceptible to late season stalk rots and stalk lodging.

At the present time, no real guidelines exist for a fungicide application threshold on NCLB. The key indicator is to protect the ear leaf and above since these leaves will provide sunlight interception and promote prolonged grain fill. Many fungicides are effective in protecting corn from NCLB, be sure to contact your local StateLine Cooperative agronomist so they can help you select the correct product for your situation. Yield response to fungicide application will vary based on the susceptibility of the hybrid to the disease at hand, in this case NCLB. Applications may not be needed in all fields or on all hybrids. Be sure to take advantage of your StateLine scouting team and be prepared to treat susceptible hybrids if numerous lesions are present on the ear leaf and uppermost leaves.

Thank you for your continued support of StateLine Cooperative. Have a safe and fun summer!

## StateLine Cooperative Big Event

Wednesday, July 22, 2015  
9:30 a.m.

3 miles south of Burt on  
Highway 169

# Markets change with June's Quarterly Stocks and Planted Acreage Reports

*By Dean Kohlmeyer, StateLine Cooperative Grain Department Manager*

In the StateLine Today spring newsletter I commented, “We will need weather to change the production lower for 2015 if we expect the markets to rally. We need to reduce production by less planted acres or lower yields.”

The June 30th Planted Acreage Report gave us part of what we needed and the Quarterly Stocks gave us an indication that Carry Over numbers should be lowered in the July 10th Supply and Demand update. The National Agricultural Statistics Service will resurvey soybean planted acreage in Arkansas, Kansas and Missouri because the survey information was collected during the first two weeks of June and weather may have prevented some acres from being planted. So, we may see some revisions in the planted soybean acres. Any changes in acreage will be published in the Aug. 12th update.

The Funds (speculators) began the month of June short nearly 83,000 contracts of soybeans. They ended the month with an estimated long position of over 25,000 contracts. So, the Funds began the month bearish and transitioned into a bull. Each contract represents a 5,000 bushel contract in the CME Globex exchange. The Funds also started the month short nearly 160,000 contracts of corn and ended up nearly even. So, you can see that the Funds buying in their short positions was one of the main reasons we experienced the market rally in June. The CME will close the CBOT Trading floor on July 2nd and will extend the CME Globex futures closing time to 1:20 p.m. effective July 6th. The normal trading hours for the CME Globex futures will be: Sunday – Friday 7:00 p.m. to 7:45 a.m. CT, Monday – Friday Break from 7:45 a.m. to 8:30 a.m. then a close at 1:20 p.m. CT

The February Crop Insurance averages were \$4.148 CZ 15 and \$9.7307 SX 15. So the rallies going into and around the June 30th report finally got the futures above the February targets. We'll need the weekly crop ratings to decline for the Funds to continue their bullish tilt. Some estimations would take SX 15 to \$10.50 and CZ 15 to \$4.50. June's USDA corn stocks changes were the largest surprise from trade estimates since 2010 and the 2nd largest deviation from trade estimates since 1996. The USDA has been sending mixed signals regarding how they are anticipating feed usage numbers for corn. Our backyard view thinks they should reduce the corn feed usage due to the reduction of poultry consumption related to the

avian flu. However the USDA is indicating increased feed usage numbers. So if the USDA decreases feed usage they will need to drop some of their 2014 production numbers to come up with lower carry over numbers in the July 10th update. Illinois, Indiana, Ohio and Michigan have some of the lowest crop ratings in corn that they have seen in 20 years. If corn yields continue to decline, we could see some comparisons with the 2010 corn markets. The drop in soybean stocks in the June report was one of the biggest declines we have seen. We need the soybean stocks to fall in the coming months to encourage the Funds to continue a rally course.

We should see good support at \$4.00 CZ 15 and \$9.80 SX 15. As of 6-30-15 some resistance points looked like \$4.40 CZ 15 and \$10.60 SX 15. If we trade through these resistance points, the market will have been fed more bullish news. The July 10th



Supply & Demand Crop Production report should help us define the trading range or give us hope for a continued bull market. Another factor to consider would be how the South American weather will affect the world soybean supply in 2016. We are seeing the development of an El Nino. Meteorologist Anthony Sagliani stated, “Typically during an El Nino, drier than normal weather prevails across northern South America, which may be heightened this year due to below normal water temperatures in the Atlantic Ocean and African dust suppressing the development of showers and thunderstorms.” So if the El Nino pushes drier conditions into South America, the drier weather could lessen the soybean supplies from South America.



# StateLine Advantage Toolbox and Tool Review

By Bill Aiken, StateLine Cooperative Precision Ag Leader



We are well past planting season, yet a long way to harvest. StateLine Cooperative's Precision Department has over the last year introduced several new items for our willing growers to experience. Some exceeded expectations, some didn't, and some remain to be graded. Maybe a brief glimpse would be helpful.

The umbrella or "toolbox" through which our programs are evaluated and introduced is the StateLine Advantage program, available to growers upon enrollment with their crops sales agronomist. This is the foundation and includes two (2) levels of opportunity — Advantage Base and Advantage Plus. Since kicking off StateLine Advantage last fall we are approaching 30,000 acres enrolled in one of the two programs. The value to participating growers is a program that enables them to manage their farms, fields and varied crops. The program has capabilities to vary inputs, receive integrated pest management feedback on growing crops, document soils testing results, and ultimately generate economic analysis on the profitability, or lack of it, with different management scenarios. It is a web-based program which entitles the growers, if desired, access to their enterprise for a snapshot of their farms/fields at a mere click of a mouse.

**Variable Rate Fertilizer (VRF), Variable Rate Nitrogen (VRN), and Variable Rate Plant (VRP)** is available under the new StateLine Advantage program as well. We had offered VRF for many years and with precision airflow machines, took comfort that we were delivering above industry and grower expectations. Those acres continue to expand, and we now offer VRN. Regardless of the color of your equipment, Precision Lab and Tech, Mitch, has been working closely with sales agronomists, equipment dealers, and even a competitor or two writing VRP files for your fields and farms. We see this trend growing as producers continue to determine effective management zones for their enterprises, and work with our agronomists to capitalize on them.

Under our StateLine Advantage umbrella we introduced a pilot program in conjunction with one of our partners called **Wingscan**. The industry has been awash with farm media regarding the impending necessity for growers and service networks to identify, and rectify yield limiting factors. It's the utilization of drones or Unmanned Aerial Vehicles (UAV's) as a technological set of eyes above your fields to determine if you have any opportunities to enhance your production real time. What we were happy with was the concept — identify population issues at emergence, and examine weed escapes in a timely manner, spot localized pest infestations, all in real time. What we got was interesting aerial photos. What was lacking was the processing (computer generated software) that "stitched" the photos together that allowed for evaluation of your fields. We decided after researching alternatives for 2015 that few companies had evolved past our recent experience, so the pilot programs for 2015 excluded UAV's.



Our 2015 **StateLine Scout** program is an outgrowth of our pilot program introduced in 2014. We have in excess of 26,000 acres under the watchful eyes of our scouts under the direction of Precision Tech, Mitch Giesking, out of the StateLine Cooperative Precision Lab at Ringsted. After some intensive and ongoing training our scouts are visiting enrolled fields systemati-

cally reporting back to the growers and StateLine sales agronomist on matters such as emergence issues, stand counts for populations, skips or doubles, early weed evaluations, insect issues, disease sightings, and any other potential production impacting issues. Expanded this year as well is Winfield's Tissue/Plant Analysis program. Samples are taken by the scouts when ordered, and growers get a report back indicating the levels of major/minor/and trace nutrients. Those enrolled are then entitled to either an email or visit from their agronomist to discuss what had been identified and potential remedies. The 2015 program entitled enrolled growers to (4) scout field visits per field for corn and (3) for soybean acres. We have just completed the second pass on all corn acres and should finish the second pass on soybeans next week.

We expanded our spring and summer soil sampling program this year and, based on the apparent lateness of this year's crop development, it may be very beneficial. Fall harvest is always such a busy time for a grower, and waiting on a soil test to be pulled, waiting on the lab work to get done, and waiting on your agronomist to process the recommendations can be at times trying for you. Our sales agronomists spoke to many of you and if the cycle was close, you moved to spring and summer sampling. Guess what? Those acres are tested, recommendations are made or discussed, just waiting now on your call that the combine is finished, and therefore your message that you are ready for us to "Get in there!" With field conditions, and crop stage as it is now, we are happy with over 5,000 acres, tested and ready to go, with several growers discussing their testing cycle for spring/summer 2016. We expect this trend to increase in scope to accommodate growers ability to manage through hectic fall field operations.

This July we are offering a special for a program we briefly mentioned this spring. **Profit Zone Manager (PZM)** by



**Ag Solver** provides you with an opportunity to breakdown your production practices based on harvest data accumulated from your combine. Growers enrolled in StateLine Advantage and PZM will have access to the profit or loss per acre, based on field inputs amortized across harvest yield. If the recent downturn in the farm economy cycles again, per acre profitability, and the ability to verify it with your trusted advisors may be important.



Few takers so far on another program under the Advantage umbrella is **Farm Link** offered by **True Harvest**. For the grower who wants to compare his production to other growers with like soils, heat units, moisture, etc. this program provides a benchmarking capability. As one grower put it, "My yield maps show me what I did, but where can I see a comparison on what the potential is." While still in its infancy as a program, this might be a solution for the discriminating/progressive grower. With like soils, and growing conditions, Am I in the 75th or 90th percentile of like fields with my production.

With harvest for 2015 looming on the horizon, and decisions for 2016 needing to be made, feel free to contact us at 712-866-0581 with questions about the StateLine Precision lab programs.

## To Class A Members of StateLine Cooperative:

The StateLine Board of Directors has decided to implement a new process for the StateLine Cooperative Board of Directors elections. In the past, the board formed a Nomination Committee to contact other Class A Members asking them to place their name on the ballot to run for the SLC Board of Directors. Going forward, the Board of Directors wants a more open process to attract qualified and interested members! Therefore, if you have a desire to serve your member-owned cooperative on the Board of Directors, and are a Class A member, please contact Renee Pals at 515-924-3555, ext. 16, or by e-mail at [rpals@statelinecoop.com](mailto:rpals@statelinecoop.com), by Aug. 31, 2015. Renee will send you all the pertinent information and further explain the process to run for the board of directors.

To be considered a candidate, you must be:

- Class "A" member
- Member in good standing with StateLine Cooperative
- Have conducted business with StateLine Cooperative in the most recent 12 months

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## CHS and Burt Fire Department team up to improve safety



Burt Fire Department is now better equipped for emergencies, thanks to a CHS grant for new rescue tools. The \$21,500 grant helped replace some of the department's aging extrication tools, which were making timely rescues difficult. "Algona Fire Department upgraded their equipment about 10 years ago and gave us their old set," says Nick McGuire, Burt Fire Department Chief. "It has done very well for us, but it is around 25 years old and it was definitely time to replace it."

Each year, CHS and the CHS Foundation help fund dozens of rural safety projects like this in an effort to improve safety in rural America. The purchase included a new power unit, spreader, cutter and related rescue devices. Burt Firefighters will be conducting training exercises to learn how to properly use their new gear. Nearby Titonka Fire Department will receive Burt's old set, so they can better serve their community. Since 2013, CHS and the CHS Foundation have awarded more than 100 ag health and safety grants totaling more than \$3.2 million. Grants have included funding for firefighter trainings, safety equipment, grain bin rescue tubes and a broad range of other projects that improve safety on farms and in rural America.