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Focus now on seed decisions

By Steve Mulligan, StateLine Cooperative Seed Department Manager

As we move into “winter mode” and start to focus on our 2015 agronomy input needs, seed purchasing has been a big part of the picture of trying to cut cost. Many customers are asking the question “How can I cheapen up my seed needs?”

Know your field's productivity

Below are a few factors to consider when making your seed purchasing decisions with your StateLine Agronomist.

- Know the yield potential of the field.
Is the soil consistently productive or are yields good only when growing conditions are nearly ideal?
- Match hybrids with the field's productivity.
Corn on corn production poses additional challenges.
- Choose hybrids that have strong emergence, as well as good early-season vigor and resistance to diseases that thrive in continuous-corn fields. Stalk and root quality also is a key consideration.

Plan ahead now

Look at each of your fields using the StateLine Advantage Precision mapping program.

Seed offerings StateLine Cooperative carries

BRAND	COMPANY
Croplan	WinField
Dekalb/Asgrow	Monsanto
Mycogen	Dow
NK Brand	Syngenta
Curry	Dupont Pioneer
Latham & Stine Seeds	



Seed Programs that are offered through our seed partners & StateLine Co-op for 2015 are:

- Retain and Grow Program
- 50/50 Program
- Seed Purchase with N-Serve, Instinct & Custom Applied NH3
- Start Strong Grow Strong Soybean Program
- 5% to 7% Rebate on Chemical with Seed purchase

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Annual Meeting Recap

By Bill Beukema, StateLine Cooperative CEO



StateLine Cooperative CEO Bill Beukema (center), discusses systems at the Halfa Feed Mill with Mike Jensen, Halfa Feed Mill Location Manager, and Cheryl Krichau, Feed Department Manager.

StateLine Cooperative recently completed the annual meeting to review the fiscal year 2013/2014. I want to thank everyone who helped host the meeting as well as those who attended.

The fiscal year ending August 31, 2014, was a challenging year for StateLine Cooperative. Net income for the year was \$833,000, compared to \$6.2 million for the prior year. Due to lower annual earnings and based on management's recommendation, the board of directors elected not to distribute annual patronage to the membership. However, the lower earnings have also provided StateLine with an opportunity to pass through additional IRC Section 199 Domestic Production Activities Deduction to members that sold StateLine grain during the past fiscal year. The board of directors elected to pass through \$2.65 million,

approximately \$0.17 per bushel, in tax deduction benefits. Members that sold StateLine grain during the past fiscal year will receive a separate mailing notifying them of their share of the Domestic Production Activities Deduction. Despite the lower earnings, StateLine Cooperative remains a financially strong organization.

The completion of the StateLine Annual Meeting for me marks the unofficial end of fall 2014. I had high expectations for both corn and soybeans production. As harvest began, we acknowledged that yields were not going to be at the levels that I had anticipated. The shorter crop issues have been compounded by an overall weakness in commodity pricing.

The Stateline agronomy team had a good fall. Dry fertilizer application was in line with projections. Ammonia (NH₃) application was short due to a later than normal start to the season, and below normal temperatures. I look forward to Spring 2015 but, I have to acknowledge that additional pressure will be placed upon our agronomy team because of the amount of additional nitrogen that will need to be applied in conjunction with normal spring planned applications.

The feed mill at Halfa is performing much better than year ago. Fall 2013 marked the startup of the new mill and several issues related to bring a new facility on line impacted efficiency. Since that time tons per month have increased materially.

Economy strengthens

The United States economy continues to show signs of growth. Gross Domestic Product for the third quarter of 2014 was 3.5 percent. The United States unemployment rate continues to decline, most recently being reported at 5.8 percent. This rate is flat to October, but down slightly from September. As it relates to unemployment the downward trend remains in place.

The United States prime interest rate continues to be flat at 3.25 percent. Although the previous data is supportive of an economy moving in the right direction, it does not explain the strength of the U.S. dollar. The USD index is trading in the 88 range currently. A strong USD is always a hurdle that has to be cleared as it relates to exporting ag commodities. I believe that the strength of the dollar has as much to do with activities outside of the U.S. as the domestic economy. Foreign governments that purchase other countries' currencies as a means to manage internal risk have always viewed the United States dollar as a stable and liquid product. The increased strength of the USD is a reflection of other countries purchasing our USD to mitigate their own currency risk.

Although soybean exports have been strong in the new marketing year corn sales have been less than impressive. Part of the issue relating to corn is that the strong USD is making it difficult to export corn because United States produced corn is expensive on a delivered basis versus others both in interior values and because of the strong dollar. In order to reduce the huge carryout volume that we have on corn, we need exports to help clear the excess.

The strong USD does have some positive attributes. One positive consequence is that energy tends to decrease in value. We are experiencing this via lower crude oil pricing and that translate into lower gasoline pricing. Although lower energy costs are usually good for the United States economy, it can come at a cost to the ag sector. Ethanol historically trades at a discount to gasoline, so as gasoline is put under pressure from a value standpoint, so is ethanol. The ethanol industry represents roughly one-third of the demand for corn in the United States. If ethanol margins are reduced materially and for an extended time, so will the corn values they will be able to pay. World crude oil finds itself in an over supplied situation. The crude oil issue is very complex, but in general there is too much inventory and it appears that no one is going to flinch in the short term and cutback production. The world crude oil situation is now much more diverse than it was even 10 years ago. Two main events relating to crude oil production have changed the landscape, increased production from Canada and increased oil production via fracking in the United States. OPEC's position has been weakened in the last several years, which is allowing crude oil prices to be under pressure and trending lower.

I want to take this opportunity to thank all the members of the cooperative for continued support thru the purchasing of goods and services as well as the selling of grain to StateLine Cooperative. I also want to thank all of the employees and the Board of Directors for the dedication to the success of StateLine Cooperative.

The ethanol industry represents roughly one-third of the demand for corn in the United States. If ethanol margins are reduced materially and for an extended time, so will the corn values they will be able to pay.

— CEO Bill Beukema

Market Outlook on tap for Jan. 22

By Dean Kohlmeyer, StateLine Cooperative Grain Department Manager

Mark your calendars for Thursday, Jan. 22, 9 a.m., when Troy Lust of INTL FCStone will present a market outlook at the Burt Community Center, 400 1st Street, Burt, Iowa. The Burt Community Center is located one-half block northeast of the StateLine main office. Troy will give us a review of the grain market fundamentals and answer your questions.

For those of you who utilize the online recorded conference calls with FCSTONE available on SLC's website, you'll recognize Troy as the individual who provides that information. You can listen to these recorded calls by going to StateLine's website (www.statelinecoop.com) viewing the "Grain" menu tab located on the left side menu and then opening the "CONFERENCE CALL WITH FCSTONE" part 1 and part 2. If you have audio software within your computer, you should have no problem listening to the market conversations. As a customer of StateLine Cooperative, you are welcome to stop by a location and participate in Troy's weekly conference calls. We normally schedule conference calls at 8:30 a.m. on Tuesday and Thursday mornings, though it's always good to check ahead, as the conference call schedule changes as needed to different days or times in order to accommodate schedules and recent USDA report information.

Marketing tools available through SLC

StateLine opened up Free Price Later in most locations Dec. 1. Please contact your StateLine locations for more details and information. You may want to look at StateLine hauling your grain for you this winter. StateLine offers a fantastic trucking service; just ask anyone that has used StateLine's trucks during harvest. That great service can extend all year for you and eliminate the need to get your trucks out in the cold and snowy weather.

Hauling your grain to the elevator doesn't stop your pricing decisions if you use Price Later to market your grain. You also need to have pricing goals set and executed so that you will price your grain when the markets give you the opportunity to lock in profits or minimize losses. StateLine presents different excel worksheets that may help you identify your pricing goals by summarizing likely costs and allowing you to compare different scenarios. You can download these worksheets by clicking on the SLC Crop Net Comparison 2014 or 2015 links usually located within the fourth page of the scrolling header

links. Or you can contact one of your StateLine locations and we would be glad to work with you on your pricing and cost estimates. Working together we can help you define your marketing goals and crop production costs. The information is available; we just need to present the information to you so that you can make the decisions needed for each crop year.

You may have also noticed a scrolling website link entitled GrainBridge. GrainBridge is a web-based agriculture risk management tool. StateLine offers this service to members for free! This service has a cost which StateLine covers. We believe tools such as this will help you identify marketing opportunities as they come your way. Knowing what your marketing goals are and looking at your costs will help you make the decisions needed to profitably farm in this ever changing world marketplace. You can use this tool to assist you with creating a business plan, budgeting, monitoring futures and option positions, including your crop insurance coverage in your marketing plans and helping you to look at your "What-if Simulator."

Navigate the Federal Crop Insurance programs with an SLC expert

StateLine offers the full line of Crop Insurance through Paul Nerem. Paul takes great pride in staying abreast of all current federal crop insurance rule changes and programs available. Paul would appreciate an opportunity to work with you. You may contact Paul directly at 507-464-3333. Paul's cell phone is 515-320-2973, if you should need to contact him after hours concerning crop insurance. You may also email Paul at: pnerem@statelinecoop.com

We all thought that our white snow covered Thanksgiving came a little early this year. Christmas will be coming not too long after you receive this newsletter. StateLine is and always will be truly thankful for the opportunity to serve you. We hope the information and marketing services that we can offer will be a value to you as you try to manage the lower crop prices that we have seen in the last few months. Just let us know what type of market information you would like to see and how you want it delivered. Then we will see what type of package we can deliver to help you share your gifts beyond this Christmas season.

Halfa Mill increasing productivity, efficiency

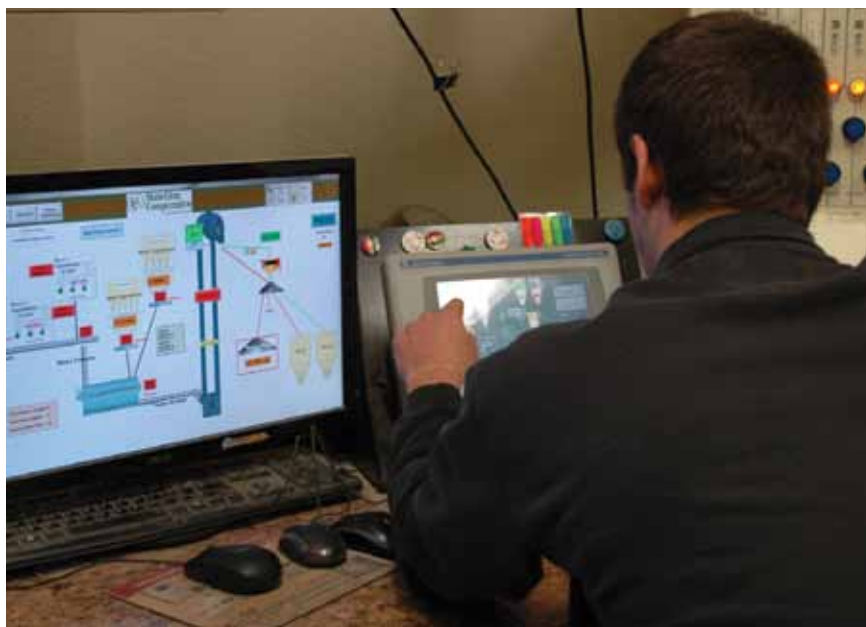
By Cherilyn Krichau, StateLine Cooperative Feed Department Manager

It has been just over a year since the new feed mill at Halfa became operational. Our team felt like we were on a roller coaster ride for the first few months of operating the feed mill, but we are now working in a steady state of production. The pelleting process brought a new service to provide value to our customers and it is surprising that today over 80 percent of our total feed production volume leaves our plant in pelleted form. The benefits that many of our customers are seeing in feed conversion as well as the ability to least cost formulate diets without having out of feed events has been remarkable. Over the past few months we have increased our volumes through the feed mill dramatically with our highest volumes coming in October 2014.

Pelleting feed for swine is not a new concept in the industry. The decision for producers to switch from meal to pellet feed really comes down to looking at ways to improve feed efficiency and the economics. Almost all swine producers today utilize alternative ingredients in their feed rations. Many times some of these “least cost” ingredients don’t flow well and used in high amounts may not fit into our 24-ton feed delivery trailers. Pelleting the feed provides a way for these alternative ingredients to flow and fit into transport equipment. While pelleting gives these advantages, it is very key to understand what levels of alternative ingredients help or hinder the pelleting process. The addition of wheat midds into diets, even at low levels, will help with pellet quality. On the other hand, high levels of distillers dried grains can slow our pellet production rates significantly and also reduce the quality of our pellets.

The performance improvements in feeding pelleted feed may vary slightly but the normal range of improved feed conversion is between 6-9 percent. We have also had producers comment that they are seeing a response in average daily in their systems but have not been able to pin point down exactly what that number is. Overall, the response we are getting from pelleted feed is very positive. We truly feel that our feed products are adding value to our customer’s production systems.

Our team looks forward to providing services that meets the swine and poultry industry’s needs. If we can assist you with your operations please feel free to contact myself or Leland Leichtnam to let us know how we can bring value to your operations.



Improving the Halfa Feed Mill efficiency has been a focus of the feed department throughout 2014. Halfa Location Manager Mike Jensen watches mill performance on multiple screens inside the Feed Mill control center.

StateLine Agronomy Thoughts

By Chuck Peter, StateLine Cooperative Agronomy Department Manager



SLC was ready for a strong NH₃ application season, but due to cold weather, the season ran short.

Well, Mother Nature once again has proven who really is in charge of Midwestern agriculture, and she did it with a blast! If I'm not mistaken, it has been 17 years since we had to call off fall ammonia (NH₃) application so early in November. The reason this created a problem for SLC (and some customers), is because due to the warm temperatures in October, we got started a week later than our "typical" start date of Oct 21. Needless to say, everyone did not get on all of their planned NH₃ this fall, including our StateLine Agronomy custom operation. Fortunately, the equipment and soil conditions were working better than I have seen for quite a while, so those acres that did get applied are really in beautiful shape.

We also saw a significant increase in the number of customers who allowed us to "stabilize" their fall applied

NH₃ with N-Serve this year. Greater use of this proven "Best Management Practice" will help safely retain the applied nitrogen in the soil profile for a considerably longer period of time this coming spring and summer, resulting in better yields with less applied nitrogen, enhanced farm profitability, and also less nitrogen leaving the field and causing a problem downstream in places it is not supposed to be after the growing season ends. We also saw an increase in "variable rate" NH₃ application requested from our custom application customers this fall, which shows me that our message at StateLine Agronomy of the need for better management of our farm nitrogen usage is being heard and positively acted on by our customer/owners.

Going into spring, I am working to get a handle on our customers' needs for dry fertilizer. Ultimately, if grain prices stay around current levels for any length of time, it becomes more likely that there could be an "adjustment" in pricing of many farm inputs in the future beyond this spring season. Due to the risk of price depreciation, no one wants to be sitting with full bins when this occurs, including fertilizer manufacturers, but also, no retailer wants to be in the position of running out of product halfway through spring for their customers who depend on us for supplying their needs in a timely manner.

If we run very short of product in the fall, there is usually time to order and receive replacement product. In the spring season, the probability of being able to resupply is very low, especially should the season break in mid-April, so we need to be "right" in our projections and plans for your next spring's dry fertilizer needs, as we most likely won't get a second chance. I have asked our Sales Agronomists to review spring needs very thoroughly with each of you, our customers, this fall and early winter, so we can accurately project, order, and have on hand the products you will be expecting us to

have for your needs during the coming application and planting season. Please accept my thanks in advance for your help with these decisions I need to make on your behalf.

An update from Bill Aiken, our Precision Lead on the introduction and offering of the StateLine Advantage Precision program this fall:

The StateLine Advantage Precision program continues to complement our Sales Agronomist's efforts as they process the updated and historical soil test information that allows our customers to utilize precision "variable rate, multiple product" fertilizer applications.

Our new program allowed for the Sales Agronomists to generate science-based recommendations at their location, and transfer from their workstations, via the cloud, direct to the waiting Soilection application equipment.

As we got fully into the new system, we saw an increase in operating efficiency by utilizing this new process. Additionally, growers utilizing this program were able to evaluate what impact adjusting the fall recommendations would have on their potential yields, and economic projections prior to authorizing the precision fertilizer applications.

We continue to look at our StateLine Advantage toolbox, and evaluate enhancements that will best fit in with the "plug and play" technology that modern production agriculture is rapidly adopting. While we are in tune with the effect our industry's depressed commodity prices can have on our producer's profitability, we also are confident that many of our growers will continue to manage for opportunity," rather than merely manage their input costs. Evaluating alternatives that support bushels per acre could play a much larger role in farm profits for 2015 and beyond rather than cutting needed inputs will.

We again thank you for allowing us to be your supplier of choice this and every season. We will continue to work hard to earn that opportunity. We understand that your cooperative is successful only when you, our owners are successful. Please remember that the main reason StateLine Cooperative exists is to assist you to improve the profitability of your farming operation. If we are not doing that job in a manner to meet or exceed your expectations, or if you have any questions regarding StateLine Agronomy, please let me know. I can be reached at my office 515-924-3859, cell phone 515-320-1466, or e-mail cpeter@statelinecoop.com.



StateLine Cooperative fertilizer plant at Armstrong is positioned to serve our owners' needs.

Focus now on seed decisions (cont)

By Steve Mulligan, StateLine Cooperative Seed Department Manager



(continued from page1)

Here is one example of a seed program that was put together on a field-by-field situation for the 2015 growing season: Purchase two hybrids with above ground protection for rotated acres and one hybrid for a corn on corn field with two traits for above and below ground protection. By using one of the programs listed on page 1, the grower cost per acre at 2.3 acres per bag will be \$95.06, plus the grower will receive an additional rebate of 7 percent on his chemical purchases.

Please visit with your StateLine Agronomist. He will help work through some of these program offerings with you, and help figure out the best management practice for each of your fields. If you have any questions for me on these programs I can be reached at 515-924-3859; or 515-320-2456 cell. Thank you for your continued support of your local Cooperative.

Have a Merry Christmas and a great New Year!