

Lifeline



July/August 2009

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A Message From the CEO/General Manager Larry Petersen

After careful consideration, the Heartland Co-op Board recently decided to decrease the number of board members. Currently the Board consists of 14 directors. The Articles of Incorporation allow for the number of Directors to vary between 9 and 15 members. The Board wishes to continue to be an effective group and one that allows for the possibility of adding other Board members through mergers or acquisitions. The group would also like to continue the practice of disbursing Board representation throughout all geographic areas of Heartland's trade territory.



To accomplish these goals the board has established nine different districts. These districts are shown in the accompanying map. At the end of the transition period each district will contain one board member that will hold their position for a three year term. Currently, five of the districts are represented by two board members with the other four containing one member. The transition will be accomplished by reducing the length of terms of specific Board seats that allow for incumbent-facing-incumbent elections.

Current incumbents in the newly formed districts are:

- District A** – *Vernon Flinn & Jim Schimelfenig*
- District B** – *Dale Johnson & Stewart Maas*
- District C** – *Donn Anderson & Warren Schildroth*
- District D** – *John Parker*
- District E** – *Brad Olson*
- District F** – *Art Churchill & Tom Keuning*
- District G** – *Bill Dahl*
- District H** – *Doyle Drake & Mike Helland*
- District I** – *Dan Taylor*

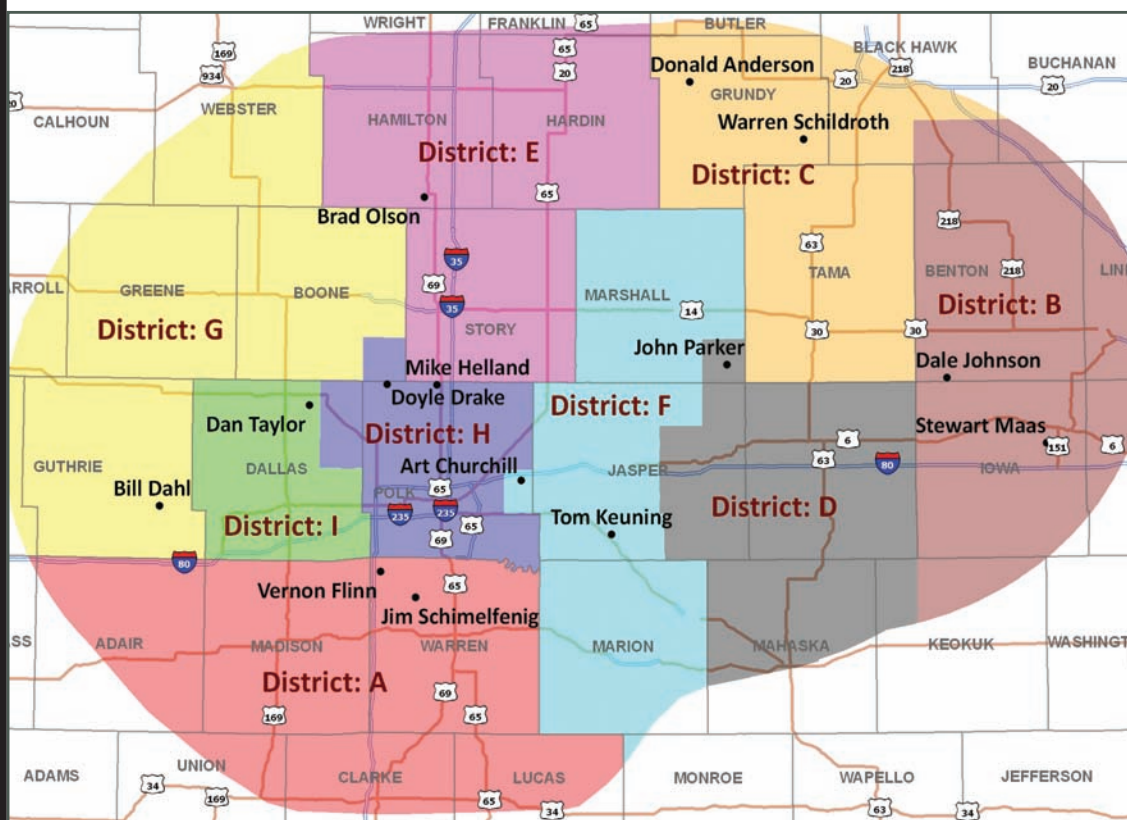
Because of past merger agreements three districts will hold elections where nominees will come from current board districts established over the past few years. After the elections are held those districts will be absorbed into the new arrangement. District K and M will have one more election before dissolving and District L will hold two elections.

Current incumbents in transitioning districts are:

- District K** – *John Parker*
- District L** – *Dale Johnson*
- District M** – *Donn Anderson*

The transition plan as outlined below will reduce the Board size to 9 at the annual meeting held in 2015.

Annual Meeting Year	District	Term (Yrs.)
2009	A	3
2009	B	3
2009	H	2
2009	M	2
2010	F	3
2010	G	3
2010	I	3
2010	K	3
2010	L	3
2011	A	1
2011	C	3
2011	E	3
2011	F	2
2011	H	3
2012	A	3
2012	B	3
2013	D	3
2013	F	2
2013	G	3
2013	I	3
2013	L	2
2014	C	3
2014	E	3
2014	H	3
2015	A	3
2015	B	3
2015	F	3



The nominating committees from each District have been selected. The nominees chosen by the committees will be posted in the offices serving that district and will be included on the official ballot. At least twenty days before the annual meeting, any two voting members may nominate another voting member as a candidate for the open election by filing a nomination letter with the secretary or general manager. In the same time frame, the nominated individual must declare their willingness to serve as a Board member. The name of this nominated individual will be included on the official ballot.

The election process this year will again follow the procedure adopted several years ago. Under this process all members may cast a vote for the candidates for election regardless of the voting member's geographic district. However, as was previously mentioned, the candidates selected by the nominating committees will come from the specific districts as drawn by the Board. This type of election fosters a feeling that a Board member not only represents members in their district, but all members when determining the direction of Heartland Co-op.

It should be noted that if a voting member does not feel comfortable in voting for certain races, their vote for the specific elections marked will be counted.

Ballots will be sent by mail and may be returned in the envelope provided. This allows for voting even though a member is not able to attend the annual meeting. Voting for directors is a duty that should be taken seriously with participation by all members. Through this democratic process your voice is heard in determining the future direction of Heartland Co-op.

Annual Meeting Information Packets Will Be In the Mail Soon
for September 15, 2009 Meeting

Annual Meeting	Year Seats Reduced	Board Members
2011	2	12
2012	1	11
2013	1	10
2015	1	9

Following is the election plan that has been adopted by the Board.

Checklist of Items You Should Be Preparing For Coming Up

- ✓ Meet With Your Heartland Agronomist
- ✓ Monitor For Soybean Aphids
- ✓ Fungicide Applications
- ✓ Grid Soil Sampling
- ✓ Precision Hardware Installations – Yield Monitors
- ✓ Update electronics with current software
- ✓ Seed Plans – Secure The Best Genetics For 2010
- ✓ Fall Fertilizer Plans Phosphate & Potassium
- ✓ Custom Applied Ammonia
- ✓ N- Serve
- ✓ Monitor Stalk Strength – Harvest Schedule
- ✓ Attend The Answer Plot – Field Agronomic Education Session
- ✓ Grain Marketing Position
- ✓ When Preparing Equipment for Harvest Check Safety Equipment
- ✓ Communicate Safety Plans with your family for fall harvest



Petroleum News

ENERGY - Website

Heartland Co-op has a great website @ heartlandcoop.com. There is a lot of information on our web page including an Energy section. Within the energy section you will find areas which include our petroleum team and their phone #'s, a list of our cardrol fueling sites, products and services we have available, after hours emergency numbers, propane safety information, credit applications you can print off, and industry links. A new area that has been added is Petroleum Commentary. With the volatile markets, this area may be of assistance to you when making your buying decisions. If you haven't been to our website yet, please check it out.

Lubricants – Stock Up

Each of our Co-op locations carries a full line of quality Cenex petroleum products. If we can be of assistance to you let us know and we will deliver these quality products to you as we

WHO Tractor Ride

Heartland Co-op has been a proud sponsor the last 5 years of the WHO Tractor Ride. This year the route was based around the Waterloo area traveling a route of approximately 170 miles with 500 tractor participants. Compared to its conception in 1997 with only 60 tractors covering 100 miles, it's become a popular summer excursion for some farmers.



News from Manager of Diversified Ag Rick Petersen

Influences affecting the value of our production

The past two crop years have shown us great volatility in the grain markets. In the past, we looked at the supply/demand estimates to give us a sense of where the grain prices were headed. During the growing season the weatherman played the most important role in setting the direction for the price of corn & soybeans.

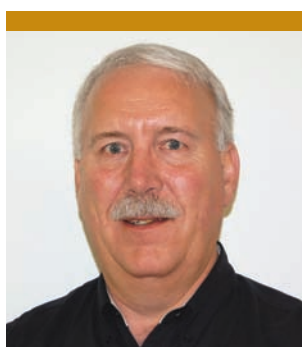
Those days are over! Now, not only do we have to watch the weather forecast, but we also pay attention to the price of crude oil, the value of the dollar compared to other foreign currencies, the stock market and other outside influences affecting the value of our production. The ability to read and interpret these outside influences, calculating the risks they present, and acting on them is one of the greatest challenges for the farmer in today's volatile marketplace.

The future of agriculture rests with those who are willing to make a commitment to risk management. The farmers in our trade territory have done a good job of managing the risk associated with producing a crop. However, very few of those farmers have the time to devote to managing their risk of marketing that production. This requires continuous observation of the market and expertise in

the implementation of a sophisticated marketing plan. The volatility in the range of price during the crop year can be the determining factor in the success or failure of a farming operation. No matter how efficient a producer is at growing his crop, marketing his production will ultimately decide his future.

Diversified Ag Services is the risk management subsidiary of Heartland Coop. As marketing consultants our full-time job is to watch and interpret those outside influences that affect the markets, as well as the internal supply/demand estimates. Diversified Ag Services works daily for the 45 clients that are subscribers to the marketing service. For less than 3 cents a bushel, you too could have a grain consultant help market your production. From now until October 30th we have a special introductory offer. To find out more about this offer call

Rick Petersen
Office phone: 515-645-9857
Cell phone: 319-640-6975



News from Director of Petroleum Sales and Marketing Clair Rew

fill your tanks. Ask about our bulk oil delivery and equipment programs.

PROPANE - Summer Fill and Propane Contracting Programs!

Your Propane Team has been busy Summer Filling propane tanks and should be completed by August 31, 2009. We have deferred all payments of summer fill propane, delivered between June 1, 2009 and July 31, 2009 until September 25, 2009.

Propane Contracting Program for fall corn drying and home heating began July 1, 2009. Many customers have already contracted and we will continue to contract through August 31, 2009. This contracting program allows you to lock in all or a portion of your needs to minimize the risk of high price during peak propane seasons.

News from EVP of Operations Marc Melhus

DOT Tough Compliance Challenges



Compliance with various state laws and working with the agencies that enforce those laws can sometimes be challenging but Heartland's approach has been to strive to meet or exceed whatever is

required. Not an easy task in today's world and with ever increasing costs. The Iowa Department of Transportation is responsible for the safety and well being of the public by enforcing both state and federal transportation laws. We deal with the DOT on a number of issues but on a daily basis are mostly concerned with licensing and vehicle safety on our highways. With each new merger Heartland's "fleet" of trucks has continued to grow through the years. We now own and operate approximately 400 vehicles that we are responsible for maintaining and keeping safe on the road. We have our vehicles that we use every day such as our feed and petroleum delivery vehicles, semis and pickups and then we have vehicles that only get used seasonally. More than 2/3's of our fleet are directly or indirectly related to agronomy operations.

Many of the seasonal vehicles are older but for the most part mechanically sound, just old and used. Unfortunately, these trucks typically require more than average repair and maintenance and for years many in our industry approached these repairs with more of a "get by" attitude vs. being proactive with preventive maintenance programs that prevent problems before they happen. We were very lucky that for a number of years that even though the DOT recognized we were running older equipment, they pretty much left us alone.

Things have changed over the past few years. The DOT has a job to do and the agricultural arena seems to be under higher scrutiny as of lately with much higher standards expected for those of us who run older fleets. For us, this means Heartland's annual budget for repairs have increased over \$500,000 annually to keep and bring our vehicles into compliance. This sounds like a lot of money and it is, however, this cost is somewhat insignificant when compared to other changes in the DOT's approach to protecting the public.

The DOT is now placing a much higher emphasis on the person driving these vehicles than ever before. Testing and scrutinizing the number of hours a driver can be on duty driving and in particular, watching for fatigue.

Since 1995 there has been a federal law on the books that has exempted drivers who haul for farmers and ag retailers from maximum driving and on duty time (hours of service) regulations during the busy planting and harvest seasons. The law did what it was supposed to do and that was to allow the agricultural drivers

Table 1. Crash Rates: Agricultural Carriers with 100 Percent of Drivers Operating within a 100-mile Radius and Agricultural Carriers with 100 Percent of Drivers Operating beyond a 100-mile Radius Year	Agricultural within 100-Mile Radius				Agricultural beyond 100-Mile Radius				Difference in Crash Rate
	Number of Carriers	Number of Power Units	Vehicles Involved in a Crash	Crash Rate	Number of Carriers	Number of Power Units	Vehicles Involved in a Crash	Crash Rate	
2005	14,675	31,943	555	1.737	18,471	52,519	700	1.333	23%
2006	15,862	34,116	551	1.615	19,475	54,362	695	1.278	21%
2007	17,303	36,930	556	1.506	21,182	57,299	747	1.304	13%

to work longer hours. This was needed especially when delivering products like anhydrous ammonia which relies on the entire supply chains storage which then has to be hauled to our local storage on a timely basis to keep product available for our customers.

There is increasing pressure to do away with the agriculture exemption. A study by the U.S. Department of Transportation found that agricultural carriers operating exclusively within a 100-mile radius had a 19 percent higher crash rate than agricultural carriers operating outside 100-mile radius during the period from 2005-2007. It also showed that agricultural carriers had higher violation and out of service rates than the rest of the trucking industry in the categories of unsafe driver, driver fitness, vehicle maintenance and improper loading.

The Commercial Vehicle Safety Alliance (CVSA), a group which is made up of government agencies and trucking industry executives that work closely with the DOT is proposing that all motor carrier safety exemptions have to be reapplied for. Unfortunately, the rules governing this regulation state specifically that in order to qualify for a safety exemption that such an exemption should achieve a level of safety that is equivalent to, or greater than the level that would be achieved without one.

There is a strong chance that we may lose this exemption. What this means to Heartland and its members is that it will ultimately cost more money to get products like ammonia delivered on a timely basis. Small trucking companies may not be able to afford the added cost of hiring more employees and/or purchasing more equipment. Companies like Heartland may be forced to own more of its own equipment just so we are assured of a supply. It's hard to argue with the numbers especially when the numbers are directly related to safety. Obviously this can have a huge impact not only financially but on how we do business going forward. It's important that all of us recognize this change may be coming and begin to plan accordingly.

News from Director of Eastern Grain Origination Dean Ohrt

As harvest approaches, our attention turns to preparing storage bins and harvest equipment. The "cost" of storage is always of interest it seems. Just like your cooperative, your bin space has value and should add to the bottom line of your farm. How do we determine what storage is worth? At Heartland Co-op we have a duty and obligation to all our members to build and maintain storage to serve our customers. Just like you, the cooperative has expenses such as interest, depreciation, labor, maintenance and repairs. In addition there is filling and emptying and the related shrink that is a cost no matter how hard we try to minimize it.

Fortunately, our marketing system tells us the value of grain storage. The past few weeks, the spread between September and July 10 futures has been 40 cents per bushel and December 09 futures and July 10 futures has been trading about 32 cents per bushel. The spread between December 09 and December 10 futures is 48 cents per bushel. The market is telling us that storage and interest for one year is worth 48 cents per bushel. For the hedger, the market tells us when to sell and when to store and most important the value of our grain storage space.

The "Selling Season" is rapidly drawing to a close. The market gave us a good look at \$4.00 corn and \$10.00 beans before deciding it had done enough and broke just before the end of June. Marketing is never easy and this year was no exception. It seems the market is aware of what we need and always stops just a few ticks short of our goal. "Beating the Average" performed quite well this year. The market offered a price of 107% of the January average and 110% of the year to date average for December corn. The average price for July 31, 2009 was 4.11 and the January average was 4.12 The June 11 close was 4.63. Soybeans exceeded the January average by 110% and the year to date average by 128%. The July 31 average price for November beans was 9.41. The January average price was 9.71. The June 11 close was 10.91.

As we move toward harvest, the rallies tend to become of shorter duration. The market will not give you much time to think about it. Having your orders in just in case is a good marketing practice. It is very difficult to damage a crop substantially with frost. The main injury is quality rather than quantity. However it is a good

opportunity to make some catch up sales if you have your offer in.

Heartland Co-op encourages your offers through several methods. Heartland is part of the DTN Offer system you can find on our home web page. We also participate in the Pioneer Market Point at several of our locations. And you can make you offers at your location or through any of our origination people.



Maintaining and upgrading facilities is a constant process at Heartland Co-op. This summer three major upgrades are taking place.

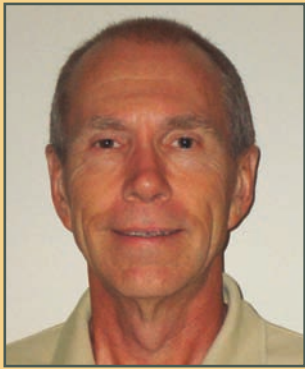
At Colo a new receiving pit and high capacity leg that will fill the flat storage is being erected. Also a new 500,000 bu. bin is under construction.

Elberon is upgrading their receiving and drying capacity. Drying capacity will be increased by 2,500 bushel per hour. A 15,000 bushel per hour receiving leg, pit and related conveying equipment will complete the upgrade.

At Waukee, a new dryer is being installed and new legs and conveying equipment to handle the increased capacity. Many

other smaller projects are under way as well, in order to speed unloading time and prepare for the harvest season. Hopefully it has been a successful marketing season for you. Our Heartland Co-op Origination Team is anxious to work with you to improve your marketing and ultimately your bottom line.





Manager Change

Effective August 1, Dave Tomlinson assumed the responsibility as Location Manager for our Prairie City location. Dave's most recent job was working with Diversified Ag, Heartlands wholly owned subsidiary, helping producers market their grain. Dave brings a strong background in both marketing and operations and we wish him well in his new endeavor.



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The Accumulator

Your Heartland grain team has several products to assist you with your risk management. In addition to price contracts we offer hedge to arrive (HTA) for those interested in managing basis and spreads. We also offer basis contracts for when the basis is good but the price might not be. We have premium offer contracts which can boost your price in exchange for an offer. We have the TAR contract with which we can discount your fertilizer in exchange for a grain offer. We offer the DRC contracts (decision rules contracts) that will sell your grain automatically. Did you know that those that sold new crop corn daily from Jan. 1 through June 30 received a HTA for \$4.21?

This year Heartland offered a couple updated versions of a popular product from a couple years ago – the accumulator. There are a few different versions of the accumulator but they all feature a minimum price with the opportunity to also price grain above the market. The trade-off for sales above the market is the producer needs to be willing to sell more bushels at a higher price. Let's look at an accumulator we did this spring.

Here's how it works:

Guaranteed Minimum Quantity Accumulator-	
March 2010 corn currently	\$4.60
Start date	5/15/09
End date	2/12/10 (40 Weeks)
Accumulation Level	\$5.00
Knock Out	\$3.10
Guaranteed level	\$4.60

Let's say you commit 10,000 bu. That would be 250 bu. /wk for each of the 40 weeks. The accumulator will price once per week on Fridays. Each week there will be 250 bu. priced at \$5.00 provided the market doesn't touch \$3.10 first.

The double up comes into play on the last day only. If on 2/12/10 March futures close above \$5.00, you'll need to commit another 10,000 bu. at \$5.00.

If at any point during the contract the market hits the KO 3.10 level then the contract ends and the rest of the un-priced grain is priced @ \$4.60. For example, let's assume during the 5th week the market hits the \$3.10 level. You would have 4wks X 250 bu.

HEARTLAND CO-OP LOCATIONS

Alleman 515-685-3541 866-613-0094	Kellogg 641-526-8236 800-845-1075	Malcom 641-528-2535 800-273-4485	Redfield 515-833-2953
Belle Plaine 319-444-2154 800-328-2667	Laurel 641-476-3427 800-861-7275	Marengo 319-642-5529	Reinbeck 319-788-6831 800-717-2667
Blairtown 319-454-6411	Colo 641-377-2253 800-397-9513	Melbourne 641-482-3206	Rippey 515-436-7411 800-442-7411
Booneville 515-996-2295 800-244-8579	Conroy 319-662-4100 800-272-6422	Minburn 515-677-2256 800-422-0298	Slater 515-685-3571 800-779-3571
Cambridge 515-383-4345	Dallas Center 515-992-3767 800-362-0305	Mingo 641-363-4250	Stanhope 515-826-3226 877-255-3506
Carlisle 515-266-4215	Des Moines 515-262-2522	Mitchellville 515-967-4288 866-605-8167	Traer 319-478-2147 888-243-2149
Chelsea 641-489-2724	Elberon 319-439-5382	Montezuma 641-623-5727	Washburn 319-296-1392
Collins 641-385-2334 800-448-4028	Enterprise 515-964-2390	Napier 515-292-2323	Wauke 515-987-4511 866-616-8495
Grundy Center 319-824-5466 800-319-7775	Gilman 641-498-7495 800-493-6019	Newburg 641-498-2553	West Des Moines 515-225-1334 800-513-3938
Hartwick 319-525-2311	Lincoln 641-473-2640 800-392-2667	Panora 641-755-2114 800-422-0914	Pickering 641-478-3296 800-542-7887
Holland 319-824-6638 800-375-6638	Luther 515-795-2386	Prairie City 515-994-2651 800-383-0723	Winterset 515-462-4611 866-605-8168
Indianola 515-961-2505 800-992-2505	Luzerne 319-434-6211	Randall 515-328-2315 800-334-1182	
Jewell 515-827-5431 800-728-0017	Madrid 515-795-3047		

WWW.HEARTLANDCOOP.COM

Heartland Coop Prairie City and Reinbeck Iowa Win Land O'Lakes Purina Feed Dedication to Quality

The Heartland Co-op Mills at Prairie City and Reinbeck recently received Land O'Lakes Purina Feed's "Dedication to Quality" award for meeting or exceeding the national feed manufacturer's safety and quality standards. Both of these mills have received the award for over 15 years.

As a Feed Licensed Manufacturer (FLM) Heartland Co-op is licensed to manufacture Land O'Lakes Purina Feed branded feed, then market and sell to our own retail customers. The FLM program is the only one of its kind among animal feed manufacturers in the U.S. The FLM earns the "Dedication to Quality" award by meeting or exceeding FLM Program feed safety, feed quality and feed regulatory requirements and standards.

"As a part of the FLM program, the local feed license manufacturing cooperative location has the opportunity to earn the program's annual 'Dedication to Quality' award by meeting or exceeding the FLM Program requirements," said Steve Smart, Land O'Lakes Purina Feed FLM Program Manager. "Some of the requirements even exceed FDA standards. We're very proud of the great work and commitment our FLMs have to producing the best in animal nutrition."

Land O'Lakes Purina Feed LLC (www.landolakesinc.com) is a national organization serving producers and their families through 4,700 local cooperatives and independent dealerships throughout the United States. The company, in combination with its wholly owned subsidiary Purina Mills, LLC, is North America's leading feed company, providing producers, cooperatives and dealers with an extensive line of animal feed, ingredients and services designed to help agricultural producers, dealers and cooperatives compete in the global marketplace.



From left to right: Jeff DeReus, Bob DeVries, Brad Parker, Kelly Simpson, Marty Shepley



From left to right: Kenny Deberg, Eric Sieh, Don Adkins, Kevin Steward (Land O'Lakes), Steve Friese