StateLine Cooperative
Real People. Real Pride.

Today

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Halfa Feed Mill Update

By Cherilyn Krichau, StateLine Cooperative Feed Department Manager

Iowa weather can be rather unpredictable. Although we have not had much snow this winter, the frigid temperatures over the past few weeks along with strong wind gusts have made it almost impossible to set the ingredient bins and panels at StateLine Cooperative Halfa feed mill. The EBM Construction crews have been on site working through these bitter cold days and setting ingredients bins as the wind allowed. They have also been preparing the feeder screws to attach to the hoppers on the ingredient bins.

The EBM Construction crews were successful in completing the grain leg. The head section has been placed, and the belt and cups are now hung. In early spring they will start construction on the 600,000-bushel bin that will supply corn to the feed mill.

We are anxiously awaiting opening day at Halfa. We understand the impact that pelleting can have on your operations and want you to know that we are committed to working and growing together for the future.

The StateLine Cooperative Halfa Feed Mill now has a completed grain leg, which has a 20,000 bushel per hour receiving capacity. Construction on the 600,000-bushel bin will begin in spring.

StateLine Agronomy Thoughts

By Chuck Peter, StateLine Cooperative Agronomy Department Manager

In one way, both production agriculture and supply ag business are a bit like surfing. We paddle around for awhile, looking for the big commodity wave to arrive and carry us. When the wave comes, it's not usually the big one we were wanting, so we let it pass and paddle some more, until the next promising wave shows up. We eventually try riding one or more of these waves, always hoping they turn out to be "the big one." When the big one does show up, those who time it right get a really cool ride, providing they bail out at the right time and don't get swallowed up in the steep drop and crash that always occurs when the wave hits the beach . . . or the rocks. For the past couple years, it seems like your StateLine Cooperative Agronomy Department, along with our customers, have been riding on one of the "big ones."

Grain prices have been good, generating profits for customer owners, which also allowed for you to invest in rebuilding fertility levels in some fields where several years of high input prices relative to crop prices had justifiably caused some reductions in application rates. Additionally, the favorable corn price relative to soybeans has been responsible for increases in nitrogen tonnage sales due to the additional number of corn acres planted in the geography we service.

The cumulative effect of good grain prices, additional corn acres, and profitable customers, has been good for SLC Agronomy Department's bottom line, as well as those of our competitors. The point this reinforces in my mind is that the purpose of our existence at SLC Agronomy, our "raison d'être", as the French would say, continues to be helping our customer/owners improve the profitability of their farming operation. If we do our jobs properly, and our customers are successful, they will enable us to be successful as well. Our business begins and ends with our customer/owners; those of us who remember that principle and allow it to guide our decision making as cooperative ag businesses, will continue to be successful. Determining when "the big one" will end is like a modern day search for the Holy Grail for all the talking heads and ag prognosticators on radio and television. Everyone has an opinion. An answer to a similar question was given to me several years ago by a sharp cooperative general manager, he said, "Those who tell don't know, and those who know don't tell."

"For the past couple years, it seems like your StateLine Cooperative Agronomy Department, along with our customers, have been riding on one of the "big ones."

Chuck Peter, StateLine Cooperative Agronomy Department Manager

From a fertilizer perspective, the big picture continues to be cloudy. Lower domestic pricing for natural gas in this country has spurred considerable interest in new nitrogen manufacturing capacity, by both current manufacturers as well as some new players. As international phosphate production has come on line in Morocco and Saudi Arabia, if international demand does not follow suit, prices could soften. Potash demand has been down this winter, causing expectations that pricing could soften in the months ahead. The big drivers, though, continue to be the world grain market, the world economy, and summer 2013 weather in the U.S.

Until we solidify a sense for U.S. 2013 crop production, the fertilizer markets, manufacturers, resellers, and dealers like us will be very cautious. Risk exposure suggests caution; our lenders require caution, and your SLC Board of Directors makes certain that we are not exposing your cooperative to unnecessary risks.

As the person responsible for determining what our fertilizer ownership will be at StateLine Cooperative, I can tell you that because of the financial implications to our customer/owners and to the cooperative itself, this question is one of the issues I ponder and research every day of the year. Right now I am very cautious about ownership of product beyond the coming spring and early summer season. I can't seem to find anybody predicting crop prices long term that will support the direction that fertilizer manufacturers have wanted to take the price of their products.

If a lot of corn acres get planted this spring, and rains come to the Western Corn Belt, new crop corn and soybean prices are predicted to fall considerably. That will not be a good time for you, or your cooperative, to be sitting on unsold fertilizer. I don't currently see any drivers that would cause the price of fertilizers in general to run away from us to the upside. My advice would be that unless you have a very strong belief that grain prices will continue at present levels or higher, I see no reason to get excited about owning fertilizer past this spring/summer season. I would expect this situation to sort itself out by early summer

Operations wise, StateLine Cooperative's agronomy team is looking forward to a very good 2013 spring fertilizer and planting season. Our shops have been very productive this winter, getting all the equipment through so it is ready to hit the field in spring. We really do appreciate having those facilities, which your business with us has allowed us to build. They really help. This spring we will again be hosting 12 guest student workers from the Ukraine here to work with us through the coming growing season. We have struggled to find enough seasonal help the past several years locally, and this program allows us to have enough drivers available to serve our customers' needs in the manner you both expect and deserve. Apparently, we (you and SLC) did a good job making our guest employees feel welcome and appreciated last year. We were told by the company that handles the details of recruiting for us that most of the candidates in the Ukraine they interviewed for positions with the program asked if they could work for StateLine Cooperative. That speaks well for all of us involved. Thank you for supporting us in this program.

Again, we 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 offers GrainBridge

By Kayra Weisbrod, StateLine Cooperative Grain Originator

Creating your marketing plan is the first step in managing risk for your farm operation. That is why StateLine Cooperative has teamed up with GrainBridge to provide online risk management tools that have taken all the components needed to manage your farm and integrated them into one easy-to-use management tool.

GrainBridge offers both the convenience of an online system - safe, secure, accessible 24/7 - and a comprehensive crop plan that incorporates break-even, profit targets and crop insurance. You can manage crop production by whole-farm, farm entity or field-by-field. The tracking system manages all your cash, futures, options and payments, with a real-time look at your on-farm profitability, plus Current Market Value (CMV) updated daily. You can run summary reports and what-if applications, which provide quick profit analysis that will assist with your decision making. On any given day you can see your estimated bottom-line values.

You'll see where you're spending your money, and can set your profit goals for each crop, and know what the expected profit and losses are based on current market values.

1. PLANNER	2. MANAGER	3. WHAT-IF-ANALYZER
Comprehensive crop plan incorporating break-evens and profit targets, understand your cost of production and update expenses on the go from the convenience of your own personal mobile device.	Manage and track all positions including cash, futures-options, payments and crop insurance, positions are updated daily with current market values, giving you a true picture of your net profits.	Create multiple what-if scenarios, adjust your yield, price, insurance projections to analyze best case outcomes with current positions, unsold grain and crop insurance program.

Organize and plan – understand cost of production – incorporate crop insurance – manage crop, futures-options and government payments – understand net profitability with current market updates.

This new online tool is called GrainBridge and is available at StateLine Cooperative to you, by simply calling Kayra Weisbrod at 712-298-0722.

Plans for facility improvements

By Larry Sterk, StateLine Cooperative General Manager

We are approaching the end of the second quarter of fiscal year 2012/13. Financially, your cooperative is ahead of last year and pretty close to our projected budget. We are budgeting local earnings to be similar to last year. We are on course to have another good year financially.

We just attended the Land O Lakes Annual meeting. Your regional cooperative had a good year financially. What I thought was interesting was the fact that their theme for the Annual Meeting was "Building Momentum" for the future. This describes accurately what StateLine Cooperative is doing by reinvesting in people, equipment and facilities while researching areas of growth.

StateLine Cooperative's Armstrong fertilizer storage was completed in 2011.

Improving speed and space

Feedback we hear from SLC members is that you are continuing to expand your operations with bigger, faster, and more equipment. That means more pressure on your cooperative to get bigger, faster, and have more equipment to keep up with the demand of getting products to your fields in spring as well as getting your tractors and wagons and trucks unloaded more quickly during harvest.

Every year we invest in speed and space updates for StateLine Cooperative's facilities. In addition to updating facilities for more efficiency, there are more state and federal regulations to comply with at those facilities. You can be assured that the attentive employees of your cooperative have taken steps to keep facilities safe for customers and employees. Here's a list of the upgrades you will see throughout your cooperative:

- StateLine Cooperative owned wood elevators and wood feed mills have now been removed, except for one wood elevator in Cylinder.
- During this fiscal year SLC is upgrading the Cylinder agronomy fertilizer plant to the same safety, efficiency and legal requirements of the other fertilizer plants your cooperative owns.
- We will complete the feed mill at Halfa with additional storage and 20,000 bushel receiving capacity.
- To relieve the pinch point of grain receiving in one driveway in Armstrong, we are adding another dump pit and leg on the north side of the concrete elevator.
- SLC continues to upgrade rolling stock and grain handling equipment to meet the need for bigger, faster, and more efficient equipment and facilities for our customers.

At the risk of getting the cart ahead of the horse, I will give you a glimpse of what StateLine Cooperative's intended capital expansion is for the fiscal year 2013/14 and beyond. Keep in mind, as issues arise, the longer range plans may change.

For 2013/14 and beyond, the plan is to continue to replace and upgrade rolling stock company wide. In addition, SLC plans to expand storage in Cylinder and grain storage and receiving in Fenton. We also plan to upgrade grain receiving capacity in Buffalo Center as well as a couple of other locations. Another need that has been brought to the attention of your Board of Directors, is that there is a need for grain service in the

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Plans for facility improvements (cont.)

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Blue Earth area. The SLC Board and Management are closely studying the need for SLC customers and members and what the opportunity is for StateLine by building grain receiving facilities in the Blue Earth, Minn., area. What we have determined so far in this study by Board and Management is:

- We are receiving many calls from farmers in Minnesota, predominately from the Blue Earth area.
- We currently do agronomy business in Minnesota
- We receive grain into SLC from Minnesota
- StateLine has current customers and members who farm in Minnesota.
- In a circle with a 12 mile radius, this area produced approximately 31 million bushels of grain
- There is basically only two grain receiving facilities in this circle for farmers to deliver grain.
- These two facilities are located on the eastern edge of the circle
- If you draw the same 12 mile circle of the SLC facilities in Iowa, there are 9 grain receiving facilities available to farmers.
- Farmers in this 12 mile circle are very limited to where they can deliver grain to in the fall of the year.

The process of the project study exemplifies what the cooperative was originally designed for—farmers helping farmers. We have farmers in the Blue Earth area that have reached out to the farmer directors of StateLine Cooperative and said, "Due to circumstances beyond our control, we need help to provide us with the services we need to make our farming operation successful." The SLC Directors have responded to this request by directing management to study and research how SLC can respond to this request to assist those farmers and be beneficial for all of the StateLine customers and members. The Board has asked, "What could this be for SLC long term?"

At this time we have more questions than answers. There has not been any decision from the SLC Board on this, other than study and bring back a recommendation. Our intentions are to approach this opportunity as we would any capital expenditure plan. We will study what the financial opportunities are for SLC. If we can provide better service to the Blue Earth area and make it financially beneficial to SLC and its members, this would be the best of both worlds.

Your cooperative is continually striving to be positioned to serve you today and in the future. Your Board of Directors is reinvesting in your cooperative to make sure the facilities, people, and balance sheet can accommodate the newer, larger, and faster equipment producers are using. The board also expects your cooperative to have the financial strength to give you confidence that your prepayments, deferred payments and contracts are secure with the StateLine Cooperative.

The success of any business depends a lot on having a good demand for your products. With the world population projected to be over 9 billion people in the near future, it will take a lot of food to feed these people. The demand for the products you grow really makes the future of agriculture bright. This is an exciting time to be in the agriculture industry. As StateLine Cooperative employees, it is a pleasure that you allow us to serve your farming needs. We like serving "real people, real pride."

We thank you for the business you have done with StateLine in the past and we look forward to serving you in the future. Remember when spring season starts; take your time to be safe. At StateLine Cooperative, "real people, real pride" means we enjoy meeting and exceeding your expectations.

Crop insurance tidbit

By Paul Nerem, StateLine Cooperative Crop Insurance Representative

It's now official . . . producers growing high amylase (Enogen) corn now have the option to insure it using the contract price (need to set-up new units and have to take T-Yield without T.A.) — OR — they can elect to insure as #2 yellow corn as usual and take advantage of current databases WITH T.A.

Even if the Enogen contract price was much, much better than what is currently being offered by ethanol producers, it would still need to be analyzed which way would benefit the producer. Currently, the standard contract is giving producers 40 cents over market. In almost all cases, the producer is going to be better off insuring as #2 yellow corn, even if contract was $1.40 over market . . . which, we probably won't ever see.

Any questions, feel free to call 800-373-8509 or 515-924-3892 to set-up an appointment to review the various crop insurance programs; email at pnerem@statelinecoop.com.

Expanding seed treating needs

By Steve Mulligan, StateLine Cooperative Seed Department Manager

From year to year we see the increased advantage of treating soybean seed before planting season. StateLine Cooperative has expanded seed treating sites and updated a few locations to cover the growing needs and many options of seed treatments, including the newest chemical technologies available.

One new site where SLC will offer seed treating is Maple Hill. There we have added a new USC: Drum Treater, capable of treating seed at varying rates. The treatment options at this location will be:

- Warden RTA (fungicide protection only)
- Optimize 400 (inoculant only)
- Acceleron/Poncho Votivo (fungicide, insecticide and biological nematode action)

The Ringsted location has been treating soybeans since 2007. We have upgraded the treater there to a USC: Drum Treater with a Novo system, so SLC can provide a wider selection of products. This new system is specially designed to be enclosed, allowing us to offer Avicta, a new nematicide treatment for areas with high cyst pressure. The following soybean seed treatments will be offered at the Ringsted site:

- Warden RTA (fungicide protection only)
- Optimize 400 (inoculant only)
- Cruiser Maxx Advance/Vibrance (both fungicide and insect protection)
- Cruiser Maxx Advance/Vibrance/Avicta (this offers fungicide/insect and nematode control)

In the Cylinder location we have upgraded the Convey All G3 system to a USC: Drum Treater. At the North Burt Site we have the USC: Drum Treater. Both of these sites will offer these treatments:

- Warden RTA (fungicide protection only)
- Optimize 400 (inoculant only)
- Cruiser Maxx Advance/Vibrance (both fungicide and insect protection)

All four of StateLine Cooperative's treaters have the newest updates for excellent seed coverage. These two updates include:

- A seed wheel: This simplifies calibration of different seed sizes and improves seed flow accuracy.

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StateLine Cooperative has expanded seed treating sites and updated a few locations to cover the growing needs and many options of seed treatments,

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Expanding seed treating needs (cont.)

By Steve Mulligan, StateLine Cooperative Seed Department Manager

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- Flow meter: Features digital readout providing excellent accuracy of the treatment being used.

Your Cooperative is offering many different options for your seed treatment needs. Your local agronomist can work with you on every field to determine what treatment will work the best for the conditions. Choosing to use the complete fungicide/insecticide option will work to prevent yield-robbing diseases and insects from taking hold:

Disease pressures: Pythium, Phytopthora, Rhizoctonia & Fusarium

Pest pressures: Early season aphids, bean leaf beetle, wireworm, white grub, seed corn maggot and thrips.

By using these superior treatment choices we can help you protect your soybean crop from day one, and in turn maximize your yield potential at harvest.

Give your StateLine Cooperative agronomist a call to discuss options that will work best for your fields.