

Volume 15 • Dec 2012

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What should we follow? Wise men?

By Dean Kohlmeyer, StateLine Cooperative Grain Department Manager

Everyone's question is always, "Where are the grain markets headed?" Since we don't have a star to follow and Wise Men seem to be hard to find; we just need to continue watching and wondering.

A suggestion from some wise men (and women) is to check your grain bins. Many people have already experienced some heating and moisture condensation in bins. As we reviewed in our last newsletter, we hit record corn highs in August and record soybean highs in September 2012. To move the markets above these levels, weather and production problems must be a focus of the markets.

High corn prices have already taken some of the corn demand away. Some traders call this "demand destruction." Some feeders and users of corn can't afford the cost of the corn within their feed ration and will change feed stocks. Now, if feed wheat and other substitutes continue to rally, the feeder will cut their animal numbers if a net profit can't be maintained. Ethanol producers must continue seeing higher gas prices to be able to collect a net margin from grinding corn into a gasoline substitute.

The market will be watching the weather in both South America and the United States this spring. The next BIG USDA grain report will be released Friday, Jan. 11, 2013. USDA releases the annual summary of acreage, yield and crop production by commodity for the year in its January report. They give the market Grain Stocks, Supply & Demand and other domestic and world updates at that time. This report is always very important to market traders. We are still looking for the wise men that can tell what the markets will do before and after the report is released. So, it is similar to some of your Christmas gifts, you won't know what you are getting until you unwrap the package.

We all get gifts throughout the year that we don't even realize we have received. One of the gifts StateLine Cooperative customers received last year was more than \$130,000 of value from discounts they didn't receive. CHS at Fairmont applies discounts for oil and protein content of soybeans. StateLine absorbed those discounts in 2011/ 2012 for its customers. If farmers had delivered directly to CHS, they would have been discounted for low soybean oil and protein levels.

All of us can take time during the Christmas and New Year season to reflect on the blessings and gifts we have experienced during 2012. The employees at StateLine understand that our farmers give us the employment we have and would like to wish everyone a very Merry Christmas and a Happy New Year.

StateLine Agronomy Thoughts

By Chuck Peter, StateLine Cooperative Agronomy Department Manager

Mother Nature has again given us a fall season to remember. Very similar to last fall, except since we experienced very little pounding rains and flooding, the ground worked up much better, whether for tillage, NH₃ application, or for tiling.

Yields were, for the most part, very respectable, with the occasional bin buster and some very poor fields as well. Overall, we in agriculture certainly do have a lot to be thankful for in this part of the country. As we celebrate, it would be good for us all to remember those in this world who were not so fortunate this year, and find ways to share our bounty with them whenever and however possible. While I am concerned that current soil moisture levels going into winter do not bode well for next year's harvest results, I also remember the year not very long ago that many in the Okoboji area said, "It will take years of rain to fill those lakes again." The following summer, you might remember, certainly was one to remember as well. Let's not write off next year's crop quite yet.

Thanks to you, our customer owners, StateLine Cooperative's Agronomy Department experienced a very successful fall season. Tonnage was similar to last fall, and with the mild, dry weather we were able to meet and frequently exceed your service expectations. There were a couple things, however, that did not go quite as well as expected, lime application in some areas was one of them. I have every belief that we can solve this problem, and during the coming year we will be working with our suppliers to come up with ways to provide an improved level of service for lime application.

New equipment to help serve you

Dry fertilizer went well, and StateLine's Precision variable rate applied acres continue to grow. We do not try to market this aspect of our business because we like running more expensive machines over your fields; rather this part of our business grows because our customers see the improvement the program makes in yields, and, more importantly, in profits. Due to this growth, StateLine Cooperative is adding a new, full Soilection dry fertilizer applicator to ensure our ability to continue to service this segment of your business.

We also saw an increase in custom applied NH₃ acres this fall, which was a bit surprising to me because several customers who usually use us to apply their NH₃ chose to apply their own

product this fall.

Application conditions were excellent, which enabled us to operate very efficiently, while still getting to everyone's fields. Also, due

to the excellent ground conditions, and the care taken by our custom application operators, the repair expense on the NH₃ and dry application equipment was reduced significantly this fall, which positively impacts our bottom line. Thanks for all your efforts, guys.

Moving towards spring, we are adding two new Rogator liquid machines to the fleet that are capable of both preplant and post-emerge application of liquid nitrogen and crop protection products. That will allow StateLine to properly service the growth we are experiencing from our customers. It's one thing



to buy the equipment, another to find the qualified operators to operate the equipment well. So far, we have been able to add the quality personnel

that it takes to do this, usually by training one of our existing employees that wishes to be involved in this part of our customer service effort.

With the year end fast approaching, we want to wish a Merry Christmas and a happy, safe and prosperous New Year for you, our customer owners, and your families. 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.



Bin buster harvest, new construction highlight fall season

By Larry Sterk, StateLine Cooperative General Manager

As I think about the anxiousness of last summer's drought conditions and realize the size and quality of crops harvested, I am truly amazed how blessed we are in north Iowa and southern Minnesota. At your cooperative we received more bushels of corn at harvest this year than any other year that StateLine has been in existence. We had corn on the ground at several locations, including filling the pad at StateLine's North Burt location. At this time, corn remains on the ground at Buffalo Center and North Burt locations; and we expect these two piles to be cleaned up shortly.

At StateLine Cooperative's Annual Meeting on Monday, Nov. 26, 2012, another successful year was reported to the membership. Jim Crawford, Mark Dahl and Kim Ruby were elected to serve on the Board of Directors. Thank you to those who attended.

Halfa feed mill construction update

The mild fall and early winter weather temperatures have contributed to favorable construction progress of the new feed mill at Halfa. Should the mild winter continue, your cooperative should be ready to process feed next summer. We are excited about this new project. There is not another feed mill within nearly 100 miles that has the pelleting capacity that this feed

mill will be capable of doing. With feed input costs at current levels, pelleting increases the feed efficiency of swine, providing a competitive advantage to feeding pellets. I believe this feed mill provides long-term sustainability for StateLine producers feeding livestock in Iowa and Minnesota. Also, the Halfa feed mill will provide StateLine Customers another "end user" market. Our feed mill, along with the ethanol industry, and access to world markets through the two railroads that serve SLC, give producers in our area a strategic competitive advantage for marketing their crops.

Fall field work, fertilizer application ahead of schedule

With the wonderful weather this fall, our customers are ready for spring planting. Tillage and fertilizer applications are well ahead of a "normal" fall season, so all we need now is time and some moisture and we will be ready for another crop year. I have worked in northern Iowa for most of my working career. Professionally, I believe one of the biggest attractions to working in agriculture in this area is the consistency of growing a crop year in and year out. The consistency of good crops every year is why land brings the prices it does today. Iowa and Minnesota have the best soil in the world and great businessmen and women that farm the ground, so I have every reason to look forward to next year's crop growing season.



Baffled by the various crop insurance programs?



Let Paul Nerem, StateLine Cooperative's licensed crop insurance agent help you protect your cost of production.

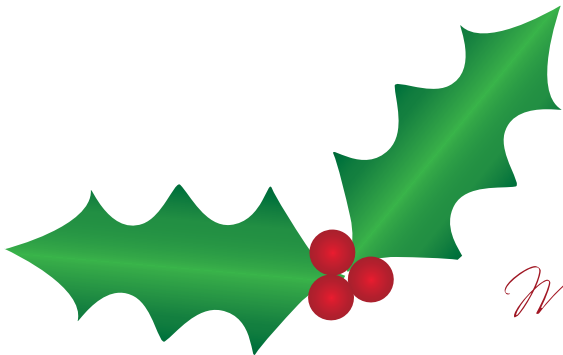
Call 800-373-8509 or 515-924-3892 to set-up an appointment with Paul to review the various crop insurance programs; Paul can help you purchase the crop insurance products that would give you the best protection for the money invested. Paul can also be reached by email at pnerem@statelinecoop.com.

This is the season to be thankful

Our locations are here to serve you, the producer. We look forward to celebrating Christmas and New Year's. As we are preparing for the end of the calendar year, we are ready to serve you and your year-end needs. While our StateLine facilities will close early on Christmas Eve to give employees time to celebrate Christmas Eve and Christmas Day with family and friends, we will remain open normal hours on December 31. We will be closed on January 1.

We want to thank you for your support and business in 2012. We are in a people business. We strive to be professional, courteous and have a strong desire to be an extension of business to make you successful. From your Board of Directors, employees at StateLine, and me, we wish you and your family a Merry Christmas and a safe and Happy New Year.

— Larry Sterk, General Manager



*Wishing you and your family a very
Merry Christmas and Happy New Year!*