StateLine Cooperative
Real People. Real Pride.

Today

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Information meetings on tap

StateLine Cooperative will hold two information meetings this winter for member customers. Watch your mail for more information. Senior management will be available at these meetings to update you on the departments and to answer your questions about products and services from StateLine Cooperative. We welcome your input to make your cooperative the best for you.

Solid financial year, over $500k returned in patronage dividends

By Larry Sterk, StateLine Cooperative General Manager

We are pleased to inform you that at the StateLine Cooperative 12th Annual Meeting your cooperative reported a very good financial year. Total earnings were over $6 million dollars; of the patronage declared, 30% was paid out in cash – a total over $500,000. Year-to-date, since your cooperative's inception, members have received well over $6 million dollars in cash patronage. StateLine has 26% of the member equity leverage to long term debt. As illustrated by your cooperative's financial report, StateLine Cooperative is financially solid with a track record of earnings that produce financial stability. This can assure you that your deferred payments and prepayments are secure with SLC.

Your board of directors and management team's first priority is to keep StateLine Cooperative financially stable and therefore provide producer-members with the financial security to support their farming operation, as well as provide goods and services to enhance producer profitability.

We have never said we would always sell the cheapest or always pay the highest prices, but we are committed to making sure that when you make a contract with SLC for a future price/sale of grain, prepay products or any other service, we will make sure our checks and contracts to you are good and the products you paid for are delivered to you. I believe the cooperative system, under the oversight of people you elect to the Board of Directors, gives you the security of no surprises when you cash a check, forward grain contracts, or take delivery of a product you may have paid for six months earlier. Your cooperative today is filling needs that our forefathers had in mind when they organized the first cooperative over 150 years ago.

Director election results

Directors elected to the board for a four-year term are Jim Crawford, Cylinder, Mark Dahl, Elmore, Minn., and Kim Ruby, Lakota, Iowa. Thank you to the nominating committee and to the candidates that agreed to have their name on the ballot. In the next three years we will have four directors that have served the maximum of 12 years on the SLC Board. The nomination committee works diligently each year to find qualified candidates to serve, and in the next few years, the nomination committee will have an important role in filling these open positions. If you are asked to serve on the nomination committee in the future, please accept. If you are asked to run as a candidate for election to the board, please seriously consider that opportunity. If you are asked to serve, you have been identified as a qualified candidate to bring experience,

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Fertilizer market driven by global demand

By Chuck Peter, StateLine Cooperative Agronomy Department Manager

Depend on a StateLine Cooperative Sales Agronomist for information about the ever-changing fertilizer markets. www.statelinecoop.com.

With all the self anointed and media anointed "experts" out and about now in print, radio, television, and on the Internet, commenting on where fertilizer prices have been, are right now, and how farmers should respond, I thought it might be appropriate for me to explain a bit about what is actually happening in the fertilizer industry itself, and let you make up your own mind about what will happen. The one-word answer to the question "*What is happening in the world of fertilizer manufacturers"?* is "nothing." Yes, nothing, as in nothing is happening. Unless you consider the recent closings of fertilizer production facilities, in which case, there are PLENTY of things happening.

Example; given the relatively weak fall NH3 application season we just experienced, the dropping of NH3 imports pricing below the cost of production in this country, and the lagging industrial demand for NH3 caused by the our weaker economy, would it surprise you to learn that Mosaic has stopped production at one of its larger facilities in Louisiana, Agrium has closed one of it's North American production facilities, and speculation is that Koch and CF could shortly follow. Taking down an NH3 production facility also takes off line the Urea and UAN Solution manufacturing that is done at those facilities. There certainly is plenty of NH3 in storage right now, but if we don't have a spring that allows for a LOT of NH3 application, having the world's lowest market prices for Urea and UAN means that just at the time when we need them the most, imported nitrogen fertilizers will not be coming. Whether there are 90 million corn acres or 83 million corn acres planted in 2009, without imported fertilizer to supply the demand, products will be in short supply, and the cost will increase. How ironic would that be, given today's fertilizer pricing headlines.

In the phosphate business, currently between 25% and 30% of the *world's* phosphate fertilizer production is either shut down for repairs, or shut down just to not produce, with more cutbacks possible. Driving these closures has been the falling world market prices caused by the world wide economic slow down, and a lack of available credit.

The U.S. phosphate export industry has also been severely hindered by a lack of credit by buyers. Deals that would have been done were rejected because banks did not accept letters of credit from customers. China still is carrying high export tariffs, which if they come off in February as predicted, will only increase the pressure on domestic manufacturers to keep China's currently closed facilities closed, or possibly close additional units. Less you think all the shutdowns will negatively affect manufacturer's profitability, recently published comments by Jim Prokopanko, Mosaic's president & CEO, indicate Mosaic remains in excellent financial condition, with more than $2.5 billion cash on hand, no borrowings under it's revolving credit facility, and only minimal short term debt maturities as of Nov. 30, 2008. Does this sound to you like a company desperate to return to full production of phosphate fertilizers, just because someone "might" buy them?

What all this tells me is that manufacturers, having just finished a hugely successful and profitable year, are not going to go back to "normal" production and trading until the world fertilizer markets have some direction other than down. The current economic downturn is causing a reduction in manufacturing like we have not seen since 2001 in the nitrogen and phosphate industries. Once again, we are setting the table for a price increase rush when the grain markets rebound. We had best learn today's lessons well before we encounter the next run-up, with its following drop-off.

As I have noted earlier in this newsletter, there are plenty of "self anointed" experts giving you advice about fertilizer prices. Folks, your cooperative's fertilizer business is about as transparent a business as can exist today. You can discover prices all over the state of Iowa, the Midwest, the USA, or the entire globe. By themselves, any of these numbers mean absolutely nothing, but they sure make for good shop-talk and for keeping the expert "talking heads" going.

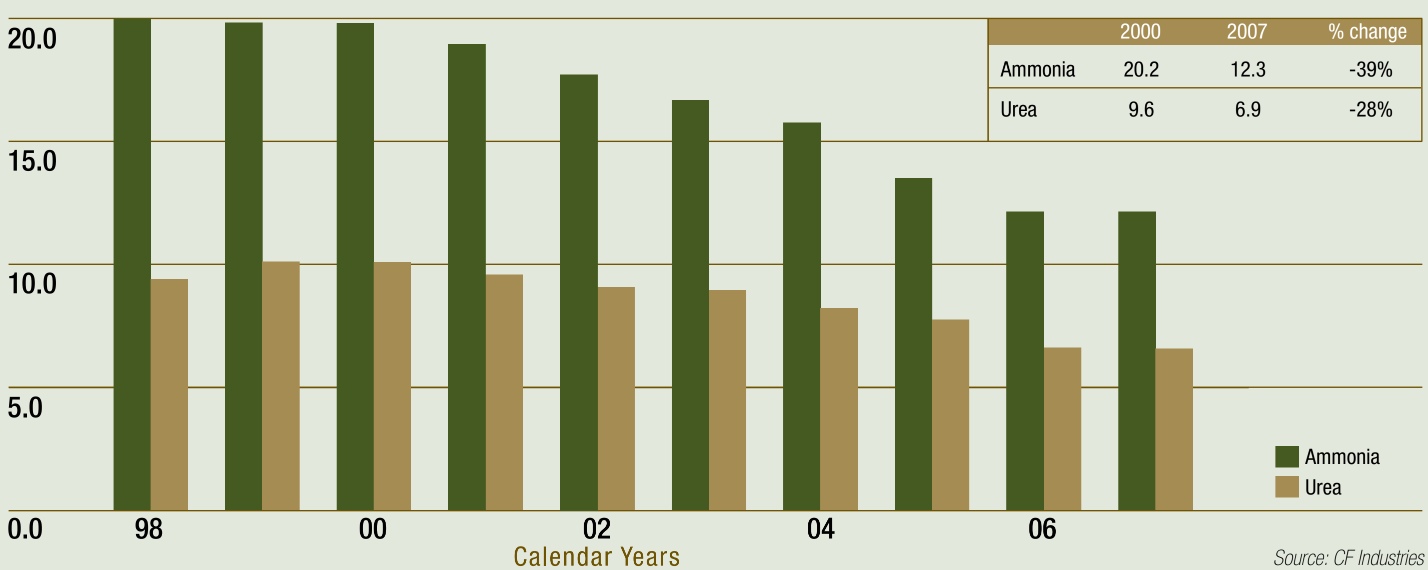
At StateLine Cooperative, we strive to provide you with factual information. We don't pretend to have crystal balls, and we can and do make mistakes. Above all, we strive to do a good job for customers, and be fair and equitable in our business dealings. We understand that our customers' success in their farming operations is what drives our job security.

I also understand the desire of some to have fertilizer products priced to them this spring on a "replacement cost" basis, and not average in the cost of the higher priced inventory we as dealers all are carrying. We could do that. If, however, your local cooperatives had taken that approach this past summer, during the time when many customers were requesting prepay opportunities for fall 2008 fertilizer, your prepay price of DAP would have started around $1000/ton in May & June, and ended at $1300/ton in September. NH3 prepay prices would have started around $900 in May/June, and ended at $1150/ton in September. Most years, a farmer loses under this scenario, which is one reason we prefer to price on a "cost average" basis. Again, we're supposed to be about being fair and equitable, and we work hard to achieve that.

As we continue with our winter season, thank you for allowing us to be your supplier of choice. We will work hard to continue to earn that opportunity.

At StateLine Cooperative Agronomy, the main reason we exist is to help you improve the profitability of your farming operation. If we are not doing that job in a manner to meet your expectations, please let me know. As always, please don't hesitate to contact your StateLine Cooperative Sales Agronomist or myself with any questions or concerns you may have. I can be reached at 515-924-3859, cell phone 515-320-1466, or e-mail cpeter@statelinecoop.com.

U.S. ammonia and urea capacity *(million tons of product)*



	2000	2007	% change
Ammonia	20.2	12.3	-39%
Urea	9.6	6.9	-28%

Protect your crop next year with crop insurance

By Paul Nerem, Hail & Crop Insurance Agent and Grain Market Planning

Prepare for the risks associated with the growing season, from weather to pests, contact Paul Nerem at 515-924-3266.

There is considerable risk in the business of ag production. Will it rain at the right time? How bad will the hail be if it falls from the sky? Will bugs feast on our crop? Will weather cooperate until harvest is complete? Will I be able to sell my crop at a price to satisfy my inputs and continue farming into the future?

These are all valid concerns. In a season that has started with higher than traditional inputs and proportionately lower prices, there is even more at risk. If any of the variables lead to disappointing production numbers in the fall, we need to be prepared to minimize our losses. The Federal Crop Insurance revenue plans protect the producer from declines in production as well as falling prices. Revenue plans also provide the opportunity to take advantage of the higher price spikes that occur during the growing season.

This coming season, it's more important than ever to work closely with a Federal Crop agent that understands the risks that are being faced. It's important that your crop insurance representative knows how to protect you and your future. Contact Paul Nerem, 515-924-3266, at StateLine Cooperative, to set up an appointment to review your risk management strategies.

There are some important changes being made to the Federal Crop Insurance revenue plans as well as changes in the ability to get discounted premiums. Contact Paul at North Burt. He'll be happy to explain the changes to the revenue programs and how the premium discount program changes can benefit you!

Winter season safety

By Dean Holland, StateLine Cooperative Safety Coordinator

As winter driving is upon us, focus on being a good driver. Good drivers make adjustments in their driving habits. Remember to slow down.

Cold weather safety

Everyone should wear proper clothing for cold weather. Before you leave the house listen to the local forecast and dress appropriately for the day ahead. Without the right care taken you could suffer frostbite and symptoms of hypothermia.

In extreme cold, cover your face and mouth to prevent frostbite and to help warm the air entering you lungs.

Clothing should be worn in layers, with the amount and type varied depending on temperature and wind chill factor.

Clothing should not be so tight as to bind. The extremities must always have the best protection; hands, feet and head.

Fluids are even more important in winter because of the extremely dry conditions. The dry air evaporates the moisture out of your body by your breath and perspiration. Be careful not to consume too much caffeine, as this will increase your dehydration.

Good winter driving habits

- Watch for icy curves and overpasses in the early morning.
- Reduce speed and allow more clear space between you and the vehicle in front.
- Keep windshields and lights clean.
- Keep wipers and windshield cleaner in good condition.
- Use only tires with good tread.
- Avoid sudden stops.
- Pump the brakes to stop (with anti-lock brakes, keep constant pressure on the brake pedal).

Winter driving

Some causes of winter driving accidents:

- Slippery roads due to ice, sleet, snow.
- Driving too fast for conditions.
- Dirty windshield, tail and head lights.
- Slick tires.
- Braking too hard.

Working around bin sites and grain legs

- Be aware of the footing [maybe ice around bins].
- Check roofs for snow and ice on top [when melting may fall and hit you].
- Check for ice and snow on ladders before climbing [use a hammer to knock off].

Solid financial year, over $500k returned in patronage dividends (cont.)

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wisdom and knowledge to the StateLine Cooperative Board of Directors. One of the key assets to SLC's continued success is the strength of the Board.

Our promise to you

We have just experienced unprecedented commodity, crop input and energy prices. Who would have ever expected $7 corn and $14 beans to be less than $3 and $8 before Christmas? Let alone the extremely high fertilizer prices? It is in times like this that your relationship with your StateLine Cooperative agronomy sales person, grain originator, and a SLC location manager is so important. We firmly believe that in our business, the relationship we build with you is important. We want to be an extension of your farming operation and the best way to do that is to develop the confidence you have in SLC through having the best people to serve you. People who know you, care about you, and that you can rely on to stay in contact with you during these changing times.

We are in a people business and we have added a tagline to our logo to describe the StateLine Cooperative as "Real People, Real Pride." As we developed this tagline we, the employees of StateLine, have made a promise to you and your business. Last winter we reviewed with all employees our dedication to you and came up with this employee promise: "I promise to help customers grow their knowledge confidence and profitability." This goes right along with our mission statement of "Committed to Working and Growing Together for the Future."

We sincerely thank you for your business and we look forward to the opportunity to earn your business in the future.

Have a Blessed Holiday Season.
Larry Sterk, General Manager

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