



ARMSTRONG BANCROFT BUFFALO CENTER BURT NORTH BURT CYLINDER FENTON HALFA LAKOTA LEDYARD LONE ROCK MAPLE HILL RINGSTED SWEA CITY

"Committed to working and growing together for the future"

From the Desk of Larry Sterk



August 22, 2007

End of another fiscal year

We are completing another fiscal year for your Cooperative. Your cooperatives total earnings will be a little less than last year with the feed department earnings considerable better than last year; agronomy earnings about the same and grain earnings will be less. It is a good successful year for your cooperative. Feed tonnage produced is putting some strain on the Lone Rock Feed mill but it is operating at efficiencies today that we really did not think were possible. In addition to the many benefits of our feed department contributions to SLC, the most obvious is the ability to post an "end user" corn bid to compete with the local processors for our grain customers. Agronomy is continuing to experience considerable growth and this year we had record sales of plant food in the history of SLC. Corn purchases and margins are strong. Soybean purchases from farmers are also strong but historically wide bean basis will limit bean margins for this fiscal year. We are confident that there will be a bean basis recovery in 2008.

2006/07 Annual Meeting

Please mark November 26, 2007 on your calendar to attend the StateLine Annual Meeting. The meeting is scheduled to start at 10:00 a.m. located in the Eagle

Center at Lakota, Iowa. The nomination committee is working on selecting a list of nominees for the ballot. We will also be handing out patronage checks prior to the start of the meeting.

Patronage Revolvement

Because of the financial success of your cooperative again this year, your board has authorized a patronage revolvement of another \$250,000 of old equity. This payment was made at the end of July. This revolvement is a result of your directors continued focus to put money back into your pocket. Over the last three years SLC has averaged over \$700,000 of cash paid back to members.

I know that there is considerable attention to some cooperatives promoting "**condo**" grain storage. Condo storage is asking your members to re-invest into your cooperative. SLC's focus is to revolve money back to members and if the your cooperative needs storage, we must and have positioned SLC's balance sheet and long term debt that if the need is there, we can finance this through operating a good efficient business. SLC has done this and today your cooperative has a total leverage position of 25%. SLC continues to pay down debt, retained savings, build working capital while still paying an average of over \$700,000 per year back to members in the last three years. Your balance sheet is positioned for continued growth and to take advantage of growth opportunities as they become available. This can only be done through the efforts of the extremely talented and committed employees of the StateLine Cooperative. You can be proud of the quality of employees you have at StateLine.

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Harvest Biofuels LLC

100 million gallons of ethanol which will consume over 40 million bushels of corn in a 12 month period.

When all three sites are in full production, over 120 million bushels of corn will be needed annually to keep these plants in production. StateLine will be purchasing the corn for Harvest Biofuels directly from producers as well as other grain license companies in the area.

There is much discussion on ethanol plant competition. I also know that the most efficiently operating plants are the ones that will be the survivors of this industry. This European design is just one of the major advantages that will assure Harvest Biofuels an advantage over neighboring ethanol plants future in the energy business.

Plans are to start construction on the first plant yet in 2007. Construction on the second and third plants are now planned to begin in early 2008. Ethanol production should start in early 2009. As soon as StateLine Cooperative gets a firm ethanol production start date, we will begin posting corn bids.

We are excited to bring corn producers in Iowa this opportunity to market your corn. Harvest Biofuels officials are very professional, methodical, and focused on this program.

I have full confidence the Harvest Biofuels officials are taking the necessary steps to make sure the three plants are built to exceed name plate production and efficiencies to confirm a permanent place of ethanol production in Iowa. We will keep you posted of this new enterprise coming to Iowa.

Chief Financial Officer

I want to welcome David Edge to the SLC employee team as the Chief Financial Officer. David lives in Fort Dodge with his wife and three children. David is a CPA and also has extensive experience in the banking industry. With the rapidly changing agricultural environment, David brings the finance skills on staff to work with staff and your board of directors to give current

and accurate analysis evaluations of all financial aspects of your cooperative. David started with us at the end of July.

Lumberyard Transition

In March, your cooperative sold the Burt Lumberyard to Royce Janssen. The first 4 months have gone very well under the new ownership. We are pleased that SLC could assist in keeping the lumberyard a viable business in North Central Iowa.

Thank you for your support!

As I look at the conclusion of this fiscal year, I see a year of positioning. Your cooperative has positioned itself with a solid professional ethanol company, transitioned the lumberyard to a long term successful business, major efficiencies developed in feed and have seen record growth in the Agronomy Department. As I look to 2007/08 I would expect even a more exciting year. We have a good crop, good prices, and plenty of moisture to prepare for next years crop. We have prepared for this years harvest and SLC will have ample storage for your crop. We still have the "Store & Ship" program to assist you in getting the best market for your grain through out the year. Your cooperative is staffed with the dedicated employees and Board of Directors. We are ready to meet the needs of your farming operation.

It is only through your support that SLC is successful. I firmly believe that SLC, as a local cooperative, does keep the playing field level to make sure you get your production and sales needs at fair and competitive prices. It is with heart felt thanks that we extend to you for the confidence you put in SLC for your business.

"Committed To Working And Growing Together For The Future"

Larry Sterk

General Manager

StateLine Cooperative
Burt, Iowa



As our fiscal year draws to an end I would like to reflect on the endeavors of the Feed Department over the last six months. The rapid growth of the Feed Department has significantly increased the demands for feed production at Lone Rock. The Feed Operations segment has

been striving for maximizing efficiencies in the Lone Rock Feed Mill as well as developing and implementing quality control procedures. In the past six months they have made great strides in both areas and have enabled us to reduce our production hours due to the efficiencies we have gained.

As feed production has increased, the need for corn at our Lone Rock location has increased as well. By the end of August, the Lone Rock Feed Mill will process nearly 5 million bushels of corn for feed this fiscal year. This has created a marketplace for area producers to deliver locally. This type of value added processing enables the Cooperative to utilize its' facilities very effectively and bring value to the members.

Cherilyn Krichau

Opportunities to get Involved

The Sales Team has pig owners that are looking for facilities to place weaned pigs in. The facilities they are looking for can be existing facilities in good working condition. This also may present an opportunity for new building growth. We would be more than happy to discuss this further with those who have the desire to construct a swine facility.

The Livestock Services area of the Feed Department is involved with day to day animal production. We have many openings throughout the year for contract employment. They may include day to day care of swine, loading out animals for market, snow removal, turf management or powerwashing. If anyone has interest in these opportunities they can contact Gary Blagg or myself at the Main Office in Burt.

StateLine Cooperative's Purpose

To provide quality goods and service to help customers be successful in their enterprises. To that purpose, StateLine will use the highest degree of professionalism in directors, employees, facilities and equipment.

Main Office
PO Box 67
Burt, IA 50522
888- 920- 3555
515- 924- 3555
515- 928- 3560 (fax)

North Burt Grain
1203 330th Street
Burt, Iowa 50522
800- 373- 8509
515- 924- 3266
515- 924- 3381 (fax)

Ledyard
PO Box 127
Ledyard, IA 50556
800- 646- 2135
515- 646- 2135
515- 646- 3035 (fax)
515- 646- 2650 (fertilizer plant)

Armstrong
PO Box 286
Armstrong, IA 50514
888- 802- 3897
712- 868- 3150
712- 868- 3120 (fax)
712- 868- 3465 (fertilizer plant)
712- 868- 3281 (fertilizer fax)

South Burt
PO Box 97
Burt, IA 50522
888-920-3241
515- 924- 3241
515- 924- 3239 (fax)

Lone Rock
PO Box 368
Lone Rock, IA 50559
800- 298- 4246
515- 925- 3590
515- 925- 3524 (fax)

Bancroft
PO Box 397
Bancroft, IA 50517
800- 298- 4196
515- 885- 2642
515- 885- 2327 (fax)

Fenton
PO Box 110
Fenton, IA 50539
515- 889- 2251
800- 721- 2251
515- 889- 2252 (fax)

Ringsted
PO Box 128
Ringsted, IA 50578
800- 469- 0581
712- 866- 0581
712- 866- 0580 (fax)

Buffalo Center
PO Box 348
Buffalo Center, IA 50424
800- 852- 4718
641- 562- 2404
641- 562- 2847 (fax)
641- 561- 2440 (fertilizer plant)
641- 561- 2850 (fertilizer fax)

Swea City
PO Box 160
Swea City, IA 50590
800- 574- 2178
515- 272- 4406
515- 272- 4381 (fax)

Cylinder
3875 525th Ave.
Cylinder, IA 50528
800-414-3335
712-424-3335
712-424-3313 (fax)

North Burt Ag
1201 330th Street
Burt, IA 50522
800- 292- 0240
515- 924- 3859
515- 924- 3893 (fax)

Lakota
PO Box 43
Lakota, IA 50451
877- 886- 2461
515- 886- 2461
515- 886- 2045 (fax)

Halfa
5265 206th Street
Armstrong, IA 50514
712- 866- 2671
712- 866- 2672 (fax)

Maple Hill
1746 500th Avenue
Armstrong, IA 50514
800- 776- 8571
712- 362- 3545
712- 363- 3546 (fax)

E-mail addresses for employees and locations are available at:
www.statelinecoop.com

StateLine Cooperative Grain News

Just like you we have been preparing for this year's harvest for over 10 months now and we are ready to give you all the great service you deserve. We'll review three main areas in this newsletter, SLC Grain Policies for 2007, Harvest Biofuels and internet account access. The biggest change in our warehouse policies this fall will be that no minimums will be used in our regular warehouse receipts for corn or soybeans. You won't be charged minimums on our regular warehouse receipts. You will just pay for the "days" you have stored your grain. Warehouse rates for corn are \$0.00233 per bushel per day for the first 60 days, then \$0.000833 per bushel per day for the next 305 days and then \$0.000925 per bushel per day after one year. An easier way to look at it would be to say \$0.00233 equals approximately \$0.07 per month, \$0.000833 equals approximately \$0.025 per month and \$0.000925 equals approximately \$0.028 per month. Warehouse rates for soybeans are \$0.00266 per bushel per day for the first 60 days, then \$0.001 per bushel per day for the next 305 days and then \$0.000925 per bushel per day after one year. Once again the daily rate conversion to monthly totals would be that \$0.00266 equals approximately \$0.08 per month, \$0.001 equals approximately \$0.03 per month and \$0.000925 equals approximately \$0.028 per month.

StateLine continues to offer the Store & Ship Warehouse Receipt which allows you to store corn in a StateLine licensed warehouse and then deliver the corn to another destination. We continue to maintain a prepaid minimum of \$0.18 for the first 120 days of storage and then charge a daily rate of \$0.001 per bushel per day for the continuation of the storage. We still haven't heard of any other Cooperative or licensed grain warehouse that offers this type of service to their customers. We are trying to extend our cooperative owners market access and marketing opportunities by offering the different and flexible warehouse receipt storage programs. Hopefully becoming a true extension of your farm's grain handling and marketing assets. Lastly, the Price Later rates for this fall will be \$0.25 for 120 days and then \$0.000666 per bushel per day (\$0.02 per month) with an expiration of August 22, 2008. We have all these rates and policies posted on our website at the sub-menu headings located on the left hand side of the webpage under **Grain Policies** and **Store & Ship Warehouse receipt**.

The home page address for StateLine is: <http://www.statelinecoop.com/>. Each location also has a copy of the Grain Policies for your convenience, just stop by or call us and we can review which storage program best fits your marketing goals.

Harvest Biofuels LLC is constructing three 100 million gallon capacity ethanol plants located in Galbraith, Garner and Gilmore City. StateLine Cooperative will be acting as the corn origination agent for all three plants, which will each require approximately 40 million bushels of corn per year. The plant's operations will use Vogelbusch's design and engineering.

No ethanol technology company has been in business as long as Vogelbusch. Established in Austria in 1921, Vogelbusch is known throughout the world for its expertise in ethanol production and biotechnology. By the end of 2007, Vogelbusch designed plants will produce over one billion gallons of ethanol annually in North America. More information about Vogelbusch can be found at its websites: <http://www.vogelbusch.com/technology/bioethanol.htm> or at <http://www.vbusa.com/>

Harvest Biofuels LLC will give the plant trade areas an ongoing demand for all the corn produced and StateLine will be offering the grain contracting and origination services necessary to turn your corn into cash. StateLine anticipates employing a minimum of five employees at each plant site. The acceptance of corn delivery at each plant is dependent upon production process start up date. Once we receive confirmation of the plant start up dates, contracting will begin. StateLine will be purchasing corn from both farmers and elevators in each plant's market area. StateLine will update you and keep you informed as production schedules and start up dates are made known.

Harvest Biofuels LLC has been preparing for ethanol production for almost two years and has received the air permits for each of the plants. The company is now preparing to invest over \$500,000,000 in our communities to build these three facilities. Each plant will employ approximately 50 people, earning over \$3 million in wages and salaries per year. These numbers don't even consider the other economic benefits that the corn producers, local businesses and communities will see from the renewable energy industry that will be located in their areas.

On-line account access of your StateLine accounts is just a few mouse clicks away. Go to StateLine's website and just click on the **Patron Accounting** submenu link located in the left hand sub menu under **Tools**. You will be directed to a webpage supported by **farmerdata** with links to log in, set up your account or to just view a demonstration. To view the demonstration just click on the shaded **Demo** box in the upper right hand corner of the page. You can then see what your information will look like when viewing your on-line information. If you like what you see, just click on **Request Online Access For Your Account**, located in the center of the page just under the Account Login box. Fill out the information, send and you are on your way to on-line access viewing of your business at StateLine. StateLine has offered this service to our customers since July 2000. If you experience any problems signing up or logging in please contact Amy Monson at 515-924-3555 Ext. 20 or by email at amonson@statelinecoop.com

Dean Kohlmeier

Seed News

Thank You !! Our agronomy team here at Stateline would like to say thanks to all of you that have helped us make the largest increase we have seen in our seed sales this year!! You have helped us double our corn sales this year, and even with all the corn on corn acres planted we had a 6% increase in our soybean sales. This can not be done with out you and our agronomy sales team working together.

Your agronomists here at Stateline have the crop production and seed expertise to help you match the right corn hybrids to the right soil types at the right population in the right fields using a portfolio of hybrids from different genetic families to help reduce risk. This diverse selection increases your ability to grow consistent yielding corn from year to year. There are nine corn genetic families used in the development of hybrids. So before making any seed decision for the 08 season contact your local SLC agronomists to help you sort it out.

Big Event

Our agronomy Big Event day was again a very big success this past month. Bill Northey, Linda Funk and Steve Barnhart all gave excellent presentations. Thanks to all who attended this year.

Door prize winners were:

Dan Christensen	Gerald Langerman
Jeff Berkland	Kim Ruby
Scott Weisbrod	Darrel Berkland
Duane Peter	Mike Kohlhaas
P.E. Reynolds	Doug Karels
Cory Jensen	Lowell Jensen
Don Heldorfer	Duane Habeger
Glenn Hansen	Dewight Dorenbush
Bill Goche	Gerald Twait
Gerald Pedersen	Dennis Bremer

Congratulations to all of you !!

I have had a few calls in the past weeks requesting help taking population counts and also yield estimates. Here is a table to help you thru it.

Please give your local SLC Agronomists a call to do this count with you.

Thank You Again For a Great Year.

Steve Mulligan
Seed Sales Mgr.

Estimate Population

1) Measure length of row for 1/1000th acre (see table below)

2) Count plants and multiply by 1000 that's population per acre

3) Repeat this several times; average results

Row Width	Row Length
30"	17'4"
36"	14'6"
38"	13'9"

Example: On 30" rows measure 17'4" count plants (with ears) in that row. If you count 28 that is 28,000 per acre.

Estimate Yield BPA #2 Corn

1) Count all ears in length

2) Pick & shuck 3rd 7th and 11th ears (Forces choice of "average" ears)

3) On those 3 ears count rows around and kernels in one row (not the butt or tip)

4) Figure the average rows and kernels from the 3 ears.

5) For BPA #2 corn multiply total ears counted x average rows x kernels in one row x 0.0111 equals BPA.

Example

30 ears counted x 16 rows x 36 in a row x 0.0111 equals 191.8 BPA

StateLine Agronomy Thoughts

Well, it seems that again we are looking at an “average” summer weather-wise in Northern Iowa for 2007. In this case, it’s a bit like asking the man with one cheek on a Weber grill & the other cheek on a block of ice how he feels, “on average”. I’m certain that somewhere, somehow, someone will find a way to credit global warming for the variation between July’s “drought” & August’s “monsoon”. One thing we can be very thankful for is the excellent weather we enjoyed in very late April & most of May that enabled farmers in most of our area to get their crops in under almost ideal conditions. That last April snow really messed up your Agronomy Dept’s “schedule”, but looking back, most all of our and your field work got done under good to excellent conditions. It is that great start that has enabled the bulk of our area crops to successfully weather the extremes Mother Nature has sent our way this summer. The toughest looking corn fields I have seen have been those on sandier soils and those where the weather or scheduling forced the application of liquid manure under wet soil conditions, either last fall or this spring. Soil compaction in those & other areas has obviously had a very negative impact on the crop’s ability to deal with the summer’s weather stresses, and I look for the evidence of that to also show up in grain bins this fall.

As we head into the 2007 fall harvest season, it seems to me that the planning process for your farming operations AND your cooperative’s

operations has taken on a much more intense focus this year. Changes are occurring in agriculture at a speed that has not been experienced in recent memory, and that makes for quite a bit of excitement as well as the occasional consternation. Farmers are beginning to enjoy direct market access for their crops that previously was not possible for most. These opportunities also bring a downside, those being an ever increasing cost of doing business as well as increasing levels of risk. Likewise, your StateLine Agronomy Dept is experiencing opportunities, also accompanied by ever increasing levels of risk. Successfully managing this risk will be a major contributor to who stays and who leaves the field, both in your business, and in ours. Major fertilizer producers are beginning to coach us as retailers to pass our inventory price risk on to our customers by selling you products ever earlier in the year. Some retailers, including some local cooperative are actively promoting the idea of forward selling fertilizer to their farm customers early in the summer, and some so called “expert consultants” are parroting the idea as well, in order to get the best possible “deal”. This may in fact be a good idea for some farmers, particularly those who already have their cropping plans for next spring finalized. I’m certain that would include most of our customers as well.....or would it? One thing to remember if you are already considering purchasing your nitrogen products for next spring is that fertilizer manufacturers no longer offer retailers



such as StateLine protection in the form of the ability to change our product supply plans. Once we purchase UAN Solution, for example, it is ours, whether we have taken delivery or not. Switching even prepay dollars from one nitrogen product to another generally is no longer allowed at the manufacturer or wholesale level. The end result of this practice severely restricts your local cooperative’s ability to allow their customers to switch products, or to allow the customer to “back out” on a purchase, without standing the downside price risk of the product. Please make sure you understand the terms of any purchase you make for fall or spring applied nitrogen products before you grab for that “great deal”, particularly at the price levels we are presently experiencing. It’s just getting too hard to un-do today’s decision tomorrow.

Another issue I hear about some days that bothers me a great deal is talk of product shortages expected for this fall and next spring from

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some in our business. This is usually also accompanied by a pitch to “get your product bought now”. Again, this is also usually aimed at transferring the risk of fertilizer ownership to you, the customer. While we at StateLine Agronomy would dearly love for you to be able to plan your product purchases for this fall and next spring now, (boy, would that help us plan!!!) we understand that is not always possible, at least in most cases. Your Board of Directors also understands this, and that is why they have invested some of your cooperative’s profits in infrastructure that increase our ability to store and supply products that you need when you need them. Additionally, they allow us to minimize your supply risk by pre-paying for some product to be delivered to us “in season”, provided we deal with suppliers whose financial strength insures that your prepayment dollars are not at risk, and with customers who honor their commitments to take that product. StateLine Cooperative is allowed to accept some risk by your Board of Directors because they understand that one reason we exist is to help you, our customers, manage your risk. Basically, in my mind, helping you as farmers and owners of StateLine Cooperative to manage your risk is a major portion of our job.

One item I would like to emphasize on the topic of planning is this fall’s upcoming fertilizer application season. Since many of you are planning to apply NH₃ to more of your fields that will be corn in 2008, I need to share this concern with you; GET STARTED AS EARLY AS AGRONOMICALLY PRUDENT. Most of us as suppliers of fertilizer have recognized the potential need to enhance and upgrade our NH₃ application abilities for this fall by adding equipment and improving facilities. Unfortunately, I cannot make the same statement about the NH₃ terminals your product will be sourced through. For the past 2 or 3 years we have been the beneficiaries of excellent weather and abundant supplies of both application equipment and product. This fall the equipment will again be in position, and your employees will again be ready to go, weather permitting. The supply terminals most likely have the same supply capability they always have had, and when the lines become long, I believe much of all this new equipment that is in place is at risk of stopping, particularly if all the increased demand for NH₃ we have been hearing about actually materializes. I’m going to suggest that if you really want to maximize your chances of getting

your NH₃ applied this fall, be prepared to use N-Serve and get started as soon as soil temps hit 55 degrees in your fields. That is a sound agronomic practice, it is environmentally responsible, and it may also be the key to you being a happy farmer when the fall nitrogen application season is over. The use of N-Serve may be a new thing for many of you, and there is a cost to use it, but given the political climate that continues to swirl around the topic of Hypoxia in the Gulf of Mexico and drinking water in Des Moines, I would strongly recommend that you give serious consideration to including N-Serve as one more management tool in your conservation plan.

As you continue with planning for the 2008 crop, please check out our StateLine Cooperative website. On the front page we have posted links to some ISU worksheets that can be used to help figure out cash flows and projections for producing your 2008 crop. There is a worksheet for corn following corn, and another for corn following soybeans. It is very simple to enter in your figures in the boxes appropriate to your operation. Your StateLine Sales Agronomists can supply you with projected prices to use for fertilizer and seed; these figures are not yet set in stone but will get you pretty close for purposes of projections and returns. Or better yet, give your StateLine Sales Agronomist a call and have them run through the numbers with you. Your best return on investment very often still comes from proper application rates of fertilizer. Don’t let higher cash rents and higher input costs deter you from making the best agronomic and economic decisions for your operation.

Again, thank you for allowing us to be your supplier of choice this and every season. We will work hard to continue to earn that opportunity. We understand that your cooperative is only successful when you, our owners are successful, and we again say a big THANK YOU for the faith you put in us, and for supporting that faith with your business. As always, please don’t hesitate to contact your StateLine 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@state-linecoop.com.

Chuck Peter
Agronomy Dept Manager

David Edge, CFO

David was born and raised in Newton. He grew up on acreage and was involved in 4-H and FFA. After graduating from Newton Senior High School, he went to Iowa State University and obtained a degree in Agricultural Business. After college, he returned to Newton and began his career as an agricultural loan officer for Jasper County Savings Bank. During his time with the bank, David attended Drake University, completing his accounting course work to become a certified public accountant. David has held various accounting positions, primarily in the financial services industry. David and his wife, Carol, have three children. Their son, Zach, is in his third year at the U.S. Naval Academy in Annapolis, Maryland. Their daughters Amy, age 14 and Ashley, age 12, attend St. Edmonds in Fort Dodge. David's family also includes a large pampered golden retriever, Sammie. David enjoys spending time with his family and friends, woodworking and helping his parents with their Christmas tree farm.



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Together for the Future”***

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