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Director position up for election

By Larry Sterk, StateLine Cooperative General Manager

StateLine Cooperative will have two director positions up for re-election this fall during the organization's Annual Meeting, Nov. 28: the board seat held by Brian Cronk, who is eligible to run for another term; and the board seat held by Duane Seegebarth, who is not eligible to run for another term because he has served the maximum number of terms a director is allowed to serve per the SLC bylaws.

Seegebarth has faithfully served on the board since StateLine Cooperative was formed 15 years ago. Prior to serving on the SLC Board, Duane served on the board at the Lone Cooperative. StateLine Cooperative thanks Duane for his dedication, knowledge and skills he contributed during the many years he has served the cooperative system. In addition, thanks to his family for picking up the extra work load at home while Duane was serving on cooperative boards.

Nomination Committee

The Nomination Committee is one of the most important committees for StateLine Cooperative, as its responsibility is to seek out candidates to run for the Board of Directors. The Board of Directors has appointed the following members to its 2011/12 nomination committee:

Verdean Mawdsley
Lawrence Sukulski
Harlan Schavey

Steve Bershman
Jeff Felkey

Kim Dreyer
Larry Jensen

If you are contacted by the Nomination Committee, please seriously consider the opportunity to run for the Board. The fact that you were asked to be nominated indicates that you are well thought of in the community, considered a leader, and have skills that would complement the

board of directors at StateLine Cooperative. Building a strong cooperative is essential to keeping the playing field level for ag producers to purchase and sell the products and services they need to make their business successful. Board of directors are part of the decision-making today that impacts the cooperative and the area for many years to come. Thank you to the nominating committee for your willingness to serve and do your part in establishing the long term viability of the StateLine Cooperative.

ANNUAL MEETING DATE SET

The StateLine Cooperative Board of Directors has set Monday, Nov. 28, 2011, for the 2010/11 StateLine Cooperative Annual Meeting. The meeting will be held at St. John's Lutheran Church Fellowship Hall, Depew, Iowa. The meeting begins at 9:30 a.m. with refreshments and patronage check distribution. The business meeting starts at 10 a.m. Mark your calendar to attend the November 28, 2011 StateLine Cooperative Annual Meeting.

StateLine Agronomy Thoughts

By Chuck Peter, StateLine Agronomy Department Manager

Well, it certainly has been an unusual spring and summer. From what I read, the total of accumulated Growing Degree Days beginning April 28 through June 29 is running around 20% ahead of “average.” From what the weather has felt like, one might conclude otherwise, but who am I to argue with Mother Nature, based solely on what things “feel like?” I do know, based on what I saw in pictures of some Missouri fields last week, that whatever we think of our local field conditions, there are plenty of farmers in the Midwest who would trade their crops for our crops in a heartbeat this year. Let’s make sure we remember to take some time to give thanks for what we have, rather than getting too upset with what we don’t have, at least crops-wise.

Armstrong Fertilizer Project

We have begun construction of a significant addition to the dry fertilizer storage capacity of StateLine Cooperative. When complete, we will have added approximately 17,000 tons of increased storage capacity at Armstrong. This will allow us to take physical possession of most all the dry fertilizer StateLine Cooperative needs to service our fall fertilizer customers, and also allow us some opportunity to grow our business.

We looked at several ways to accomplish our storage needs, and after considering those options, your Board of Directors supported the recommendation of your StateLine management staff to build this addition. We have been asked by some why we chose not to build enough storage to hold an entire year’s supply of dry fertilizer. Part of my answer to that question is that the 2008-2009 year demonstrated that I don’t know anybody smart enough to tell me absolutely when to buy an entire year’s supply of dry fertilizer, especially without tools to adequately help us to deal with the risks associated with taking on such an aggressive ownership position. Further, I never want your StateLine Cooperative Agronomy team to be in the position that the only way we have to deal with a high risk fertilizer supply situation is to dump it off on you, our customers, without regard for what is in your best interest as well. We can’t eliminate all risk in owning fertilizer for you, but we also don’t have to add to that risk by speculating unnecessarily far ahead on our future fertilizer needs.

EPA regulations for pesticide use

One issue I’d like to highlight in this newsletter is what the Environmental Protection Agency is doing to regulate spray drift. Everyone engaged in this business knows that some spray particles or vapor can drift off-target during pesticide applications. We know pesticides are expensive, and if drifting occurs, there is a risk of damage to people and/or another’s property. The EPA’s Proposed Statement of Policy reads “*Do not apply this product in a manner that results in spray (or dust) drift that harms people or any other non-target organisms or sites.*” According to a public policy counsel with the Agricultural Retailers Association, the concern with such a broad statement being incorporated into pesticide labels, is that it could expose applicators to criminal liability. The same language would also apply to a farmer that applies his or her own pesticides, and could result in a similar liability exposure in the event of product drift.



Federal DOT regulations on tap

Another issue to be aware of is what the Federal Department of Transportation is considering regarding potentially regulating implements of husbandry; those pieces of equipment designed to transport seed, liquid and dry fertilizers and other commodities. DOT believes they should treat this type of equipment as Commercial Motor Vehicles, since there is no federal definition for an implement of husbandry. In Illinois, DOT officials have stated that delivery of grain under crop-share arrangement to elevators with a tractor and wagon was considered to be interstate commerce, since the destination elevator may export the grain. If this interpretation were to be upheld, the vehicles used would be considered Commercial Motor Vehicles, and would need to be licensed, maintained, and inspected as such, and be operated only by those holding Commercial Driver's Licenses (CDL's).

Federal Clean Water Act and EPA

Perhaps the issue looming on our horizon that could have the greatest long-term impact on your farming operation is that of nutrient loss from farm fields that ends up in the ditches, streams, and rivers that make up the greater Mississippi River Basin and watershed. Under the auspices of the Federal Clean Water Act, the EPA is studying how to most effectively regulate the discharge of contaminants from regulated entities, or those that are permitted. Most of these "permitted" ag entities in the Midwest are large livestock feeding operations, or CAFO's. If the EPA deems it necessary, they will be looking to broaden their definition of what a "permitted" entity will be, so that they can regulate the discharges from those entities. Currently the EPA is heavily involved in enforcing a cleanup plan for the Chesapeake Bay watershed along the East Coast. They believe the goals for achieving acceptable progress in this cleanup effort have not been adequately met by traditional conservation practices, and they are now tightening the screws on those "permitted" entities that discharge pollutants, including most of the agricultural producers in the basin to achieve those pollutant reduction goals.

We as suppliers, and you as producers can squawk and sputter all we want to, but in the end, if we don't arrive at voluntary ways to restrict and in some cases eliminate the discharge of "excess" nutrients into the Mississippi River Basin waterways, we will be looking down the barrel of things like mandatory nutrient management plans, mandatory nutrient usage reductions, and the loss of much of your ability to use your own best judgment as producers regarding how to manage your farming operation.

Thank you for allowing us to be your supplier of choice this and every season. Remember that StateLine Cooperative's Agronomy Department exists to help you improve the profitability of your farming operation. If we are not meeting your expectations, or if you have questions regarding StateLine Agronomy, please let me know. I can be reached at 515-924-3859, cell 515-320-1466, or e-mail cpeter@statelinecoop.com.



Post Season Spraying Safety

Post-season spraying brings out another concern:

- Check labels before use and follow label rates.
- Make sure you are using the right PPE [personal protective equipment] when using hazardous chemicals: chemical resistant gloves, goggles and aprons or clothing.
- When unfolding and folding your sprayer, be aware of your surroundings. Sprayer booms and highline or power line wires do not get along well with each other. If you get entangled in the wires stay in your tractor and call 911 for help.

Have a Safe Summer!

Updating StateLine Cooperative's Articles of Incorporation

By Larry Sterk, StateLine Cooperative General Manager

In our effort to find the best possible ways to position StateLine Cooperative and continue to provide you the quality products and services, we need to update your cooperative's Articles of Incorporation to assure your cooperative has the advantages of cooperative structure allowed by law.

It has been 15 years since StateLine Cooperative was formed and the Articles and Bylaws have not been reviewed since that time. StateLine was formed under Iowa Code Chapter 499. With the changing environment at the Iowa Legislature there have been many legal changes the legislature has made to the Iowa Code your cooperative was formed under 15 years ago. Your Board has decided that now is the time to review the changes in the Iowa Code, and apply the changes to the StateLine Cooperative Articles of Incorporation.

StateLine Cooperative's attorney reviewed the existing Articles of Incorporation, and applied the changes the Iowa legislature has made to the code to the Articles and Bylaws. As a result, SLC's attorney is recommending changes to 14 of your Articles and Bylaws. To make any changes in the Articles, two-thirds of the members casting a ballot must approve the changes.

Your cooperative will send a comprehensive copy of the Articles of Incorporation out to membership prior to the SLC annual meeting, Nov. 28, 2011. The ballots for you to vote on the changes of the Articles of Incorporation will be included in the mailing, with the ballots to vote for new board members.

Recommended changes to note

Many of the recommended changes are wording changes to comply with Iowa Code. Two bylaw article recommended changes with significance include:

- Change in the Bylaw Article II, section 18: a person over 68 years old cannot be elected to the board. The reason for the age limitation is the desire to keep active producers on the board and with this limitation; the board will not have anyone older than 72 years old serving on the board.
- Change in Article V, section 1: eliminate term limits for directors. Duane Seegebarth is the last original director that organized StateLine, and all of the original directors have reached term limits.

StateLine, as well as many other cooperatives, struggle to find qualified members willing to take the time to serve on the

Board. The challenge of getting people to run for the board will continue to increase as the number of ag producers continues to decline, as well as time constraints on individuals who could serve. In the past, SLC has struggled to find two qualified active members to run for each open position. Without two candidates for each open position, some candidates will run for a director position unopposed.

The board believes that eliminating board of director term limits will give members the ability to choose who they want to represent them, improve the odds of putting a ballot together with two candidates per open director seat, give the members more choices, and retain continuity of knowledge, relationships, and experience on the board of a complex cooperative.

The board is also recommending that 68 be the age limitation for a candidate to run for the board, as referred to above. An age limit is recommended to ensure individuals aren't serving on the cooperative board for a lifetime.

Electronic voting a possibility with article/bylaw change

Another change being recommended is for electronic voting. The Iowa Code allows for electronic voting, and while we have no plans to move to electronic voting anytime soon, approving the electronic voting option on SLC's Articles of Incorporation now will give your cooperative that option in the future should the board decide to allow members to vote electronically.

Other article/bylaw changes include enhancing cooperative debt offset, lien offset, providing flexibility in dealing with director vacancies, and other wording changes that better clarify some current practices.

As we proceed through the education process of the recommended changes to the Articles of Incorporation of StateLine Cooperative, we welcome your questions and comments to any directors and/or management staff at StateLine. The information will be sent in plenty of time for review prior to the required vote.

The StateLine Cooperative Board of Directors unanimously asks for your support in voting in favor of these changes to better position StateLine Cooperative for the future.

A review of hedging as a risk management tool

By Dean Kohlmeier, StateLine Cooperative Grain Department Manager

Hedging is a risk management tool your cooperative uses to reduce the flat price exposure in the grain markets. StateLine Cooperative buys cash grain from farmers and sells futures to “hedge” the purchase.

Now, I will try to explain how your cooperative does not make \$1.60 per bushel on October 2011 delivery corn we bought for \$4.00 in September 2010, and now the price is \$5.60 in June 2011 for the October 2011 delivery period.

- ▶ When we bought the \$4.00 October 2011 delivery contract in September 2010 for \$4.00 we hedged or sold December 2011 futures at \$4.64.
- ▶ We will need to buy back our \$4.64 December 2011 futures position when we sell the cash grain.
- ▶ On June 27, 2010 we buy back our futures at \$6.30. We have a net loss in our futures position of \$1.66 per bushel.
- ▶ The cash gain of \$1.60 (\$5.60 - \$4.00) is offset with a futures loss of \$1.66 to give us a net of \$0.06 loss on holding the October 2011 delivery contract from September 2010 until June 2011.
- ▶ We hopefully will have gained in a narrower basis value from our buyers in this time which would allow us to overcome the \$0.06 loss.
- ▶ So, when somebody tells you the cooperative is making \$1.60 per bushel on the \$4.00 corn they bought because the price is now \$5.60; please tell them that your cooperative hedges, and therefore didn't make the \$1.60 per bushel.

We practice the same hedging risk management on all of our soybean purchases so the same hedging principles apply. Hedging limits and reduces the price risk the cooperative has when it purchases and holds ownership for a period of time. Hedging allows us to offer forward contracts for a larger time frame. Bankers are not comfortable with \$1.60 range of flat price risk when hedging can reduce the risk to under \$0.15. StateLine Cooperative hedges so we don't collect the cash price gains. Hedging also insures that StateLine Cooperative will be around to pay you the \$7.00 per bushel after the market has dropped back to \$3.50 because StateLine will not incur the \$3.50 cash market loss.

How do you sell your grain? Do you wait until you can't hold it any longer and then sell, or, do you try to sell a little over time for a good average? Looking at SLC's October 2011 contracts show us that the cash price ranged from \$3.30 in June 2010 to \$6.60 in June 2011 for the October 2011 delivery time period.

Our customers did a good amount of selling during last year's price rallies. Our average price for October 2011 contracts is a little over \$5.10 per bushel. That shows us that many farmers rewarded the market by selling as the market changed and moved during the last year. The same June 2010 to June 2011 time frame gave us an \$8.19 - \$13.22 price range for the October 2011 delivery period. Once again our customers sold an average price of better than \$11.60.

So you decide how you want to sell your forward contracts, and let us know if you want to place offers in person or by phone as you have done for years with StateLine. StateLine has The Dynamic Pricing Platform for those of you that want to manage all your offers via a web-based application from your computer or smart phone. Check out the DPP link on our website for more information or give us call.

Just don't stop selling during these higher markets. Remember, home run hitters usually strike out more than on-base hitters. On-base hitters usually end up with a better batting average.

Feedmill Study Update

At its June 2011 Board Meeting, the StateLine Cooperative Board was presented with a preliminary look at the feedmill study. While the design of the feed mill is fairly well established, we are finalizing the location of the new proposed feedmill. The three questions that the board has asked staff to answer in regard to building a new feed mill are:

- It must be profitable;
- Must provide an end-user corn market for SLC customers;
- Be supported with a risk management plan to protect the investment.

Safety Notes

By Dean Holland, StateLine Cooperative Safety Coordinator

Grain bin entrapments on the rise

We have seen an increase in grain bin entrapments in the last couple of years in Iowa and across the industry. There have been two grain bin entrapments just in the month of June in Iowa. One entrapment in Ocheyedan resulted in a fatality. While another in Danbury resulted in a rescue.

With everyone moving grain to fill summer contracts and emptying bins to get ready for fall, let's ensure Best Management Practices are followed when entering grain bins.

In an emergency, call 911 [your local fire department], immediately. Your cooperative has donated cofferdams [grain rescue tubes] to all local fire departments. The departments have been trained along with StateLine Cooperative employees on how to use the rescue tubes.



1. Stay out if possible
2. Never enter alone
3. Never enter untrained
4. Follow entry permit
5. Shut down/lockout
6. Secure lifeline
7. Emergency preparedness