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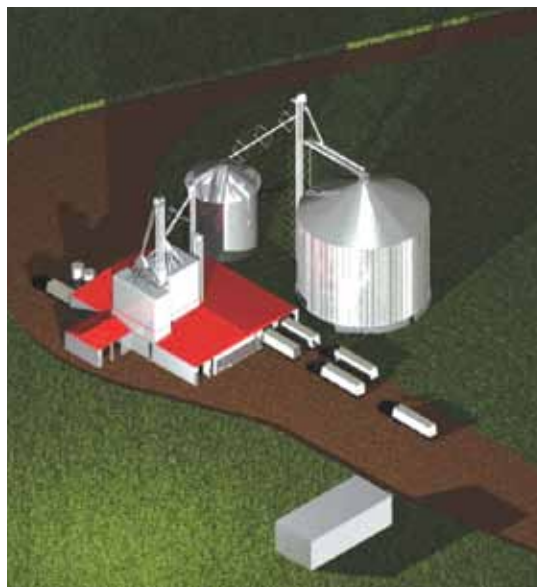
New feedmill approved

By Cherilyn Krichau, StateLine Cooperative Feed Department Manager

The SLC Board of Directors approved the construction of a state-of-the-art feed manufacturing facility at Halfa, Iowa, at its meeting June 21. The construction of this mill will ensure SLC can manufacture quality, safe feed products to meet livestock producers needs now and into the future. The new feed mill will also give area grain producers another opportunity to market corn.

The livestock industry is seeing unprecedented commodity prices due to the world's growing food demand. StateLine's Halfa feed location will have pelleting capabilities to assist feed customers in making their operations more efficient. Pelleting can result in a 6 to 8% improvement in both average daily gain and feed conversion. Also, the freight of the feed to the farm can be reduced due to less feed being needed to attain gains that are similar to meal feed. SLC will continue to manufacture complete meal feeds at the new feed mill as well. The state of the art equipment will allow for feed ingredients to easily be tracked from the ingredient source to the farm. Upon completion the mill will have the capacity to manufacture 400,000 tons of meal feed with the option of pelleting 200,000 tons annually.

The Halfa feed mill will also serve as an end user corn market for area grain producers. The facility will receive grain at 20,000 bushels per hour. We will have the need for approximately 2.7 million bushels of corn initially and over 8 million bushels when the mill is running at



Architectural drawing of feed facility to be built by StateLine Cooperative at Halfa, Iowa.

capacity. StateLine's grain origination team will work with producers to procure corn for this location. I encourage anyone interested in contracting grain for the fall of 2013 and beyond to contact our grain team and discuss opportunities for future delivery into this location.

Out of our current feed mill, we will be offering cattle, sheep and specialty feed out of our Lone Rock feed mill. We will continue to pursue business in this area and look forward to working with a diversified customer base.

StateLine is committed to producing a price competitive, quality feed product for livestock producers of all species.

StateLine Agronomy Thoughts

By Chuck Peter, StateLine Cooperative Agronomy Manager



Numerous large lambsquarter are showing up in area soybean fields.

I don't believe I have ever seen a spring where the business of farming has been quite so stretched out since I left Illinois years ago. Being located as far north as we are geographically, spring field activities usually begin mid April, we are asked to perform all types of fertilizer application at about the same time, and it is usually a very compressed period of time. This year it seemed like field work began the end of March, moved on to the first planting period April 11, to a second planting period around April 20, and the rest of the corn was planted around the first of May. Three pretty distinct corn planting seasons happened this spring, not the usual single 7-day blast, followed by a drawn out soybean planting season. So far, we like what we are finding in your corn fields, especially compared to what we are seeing and hearing from other areas of the state and country.

Weed frenzy comes with early spring

One of the downsides of such an early spring is manifesting itself in the numerous large lambsquarter and other weeds that emerged early this spring were damaged but not killed during tillage, and are now making some soybean fields look rather ratty. While recent spraying conditions have not been the best due to rain and wind, we have been working hard to control these weed escapes while we still do have some good chemistry options to deal with them.

Both we, and our customers who apply their own chemistry, are re-discovering how important it is to completely clean out spray tanks and booms when changing crops, a lesson we learned many years ago. This will become an even greater challenge in the coming years as new plant genetic traits under development begin to allow the use of both 2, 4-D and dicamba products on some soybean crops. It's not a whole new concept that we have to learn and master, rather a continuation of present concept that will be used in a greater variety of products.

In a way, pest management can be viewed as becoming more complicated, but it is also going to be providing answers to some present problems we experience controlling resistant weed species. New labeling of pesticides to protect against harm and damage caused by drift of pesticides will also be coming on next year, and more in the years ahead, providing both challenges and opportunities to your farming operations and your cooperative's agronomy business. Your StateLine Agronomy Team has proven we can adapt to, and adopt appropriate new technologies, and we will continue to meet the challenges in order to assist our customers by providing solutions to meeting these challenges.

Pesticide supply

Another issue I'd like to address is the current supply situation of many pesticides. While it would be easy to point all our fingers at the chemical manufacturers, the problem could be helped by better, and more complete, planning, all along the line.

Manufacturers everywhere, from tractor manufacturers, to seed companies, to pesticide manufacturers, to refrigerator manufacturers, to fertilizer companies, and many other businesses as well, are not able to meet the demands of their stockholders for adequate return on investment while at the same time providing an infinite amount of products to the marketplace. How long can it take to receive a tractor or combine that you order today?

A major difference between implements and chemicals or fertilizers is that many chemical and fertilizer purchase decisions are still made very close to season so the farmer/customer can keep their options open, and respond quickly to changing economic factors in their marketplace. Basically, the chemical manufacturers have followed the lead of the implement manufacturers and others in saying, "If you want it on time, better plan." This year StateLine had, or could have had, for the most part, all the chemicals on hand that we early ordered. My early orders are mostly based on early commitments by our customers. An easy answer would seem to be "just order enough" to cover what we might need. Inventory return privileges are still provided by our suppliers to a degree, which makes it possible for your cooperative to take back product you purchase but don't use for some reason. Without manufacturers and distributors providing this return privilege, we could not provide it to our customers. If planning is the tool that helps to make certain we have enough product on hand to meet your needs, StateLine Agronomy is committed to doing that planning. I ask for your help so that we can continue to provide what you, our customer/owners with what you need, and when you need it.

Thank you for your business

Again, 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 only successful when you, our owners are successful. Please remember that at StateLine 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 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.

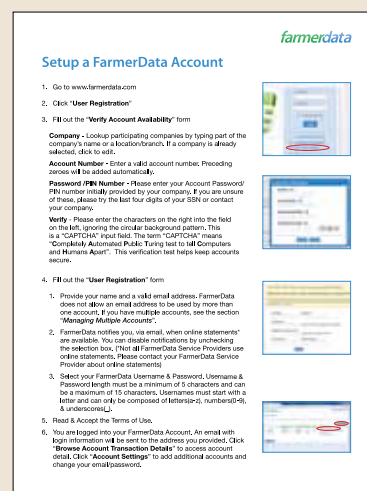
StateLine's OnLine Offer Program

StateLine Cooperative is excited to introduce you to the OnLine Offer Program. There's no fee, no minimum bushel requirements, and it is easy to use.

Once you setup a FarmerData Account on StateLine's website you can begin placing offers online any time, day or night.

The OnLine Offer Program is available for both corn and soybeans. There is no minimum bushel requirement for either commodity. The simple OnLine Offer form allows you to select the delivery location, the month of delivery and an offer expiration date.

To learn how this program could benefit your operation, please give Kayra Weisbrod a call at 712-298-0722 or email me at kweisbrod@statelinecoop.com.



Third quarter results reflect strong product movement

By Larry Sterk, StateLine Cooperative General Manager

Financial update — StateLine Cooperative has completed its third quarter of operations for the 2011-2012 fiscal year. All three StateLine Cooperative business units – agronomy – feed – grain – have seen good product movement.

StateLine Cooperative third quarter results — SLC is having another very successful financial year. Local earnings are well ahead of last year and well ahead of budget as well. Our projections indicate we should exceed our budgeted local earnings by 20% and exceed last year's local earnings by 20%. This continues to support the strong balance sheet of your cooperative to provide you the assurances that your prepayments and contracts are secure and that SLC will perform its obligations to you.

Feed third quarter results — With the exit of the triple net lease barns to Murphy Feeds, StateLine Cooperative feed tonnage has gone down accordingly, however, feed tonnage is still on budget and is showing higher than budgeted margins, SLC is still very close to the feed budgeted local earnings.

The big advantage of doing business with your cooperative is you elect farmers, just like you, that see the financials at monthly board meetings. Therefore, your peers have direct access to the financials of your cooperative to provide oversight and direction for the financial strength of the co-op. When you do business with private, investor-owned businesses, how often do you have direct access to their financials? Most likely, I would say, you do not. If you stop into my office at StateLine, I will share with you the financials of your cooperative.

Mark your calendar for the 2011/12 SLC Annual Meeting — Your Board of Directors has selected Elmore, Minnesota, for StateLine Cooperative's 2011/12 annual meeting. Last year the meeting was held close to Cylinder. The board strives to move the annual meeting around from year to year to give everyone some convenience to attend. The annual meeting will be held Monday, Nov. 26, 2012, at the Golf Course in Elmore. Mark your calendar to attend and celebrate with us the results of another successful year.

Board approved the construction of a new feed mill — One year ago, in a published SLC newsletter, I referred to a presentation of a new feed mill to the board of directors. In that presentation we talked about three priorities:

- ▶ 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

On June 21, 2012, we presented a final business plan of a new feed mill to the board of directors. This is the result of over two years of work designing the fixed asset and evaluating the livestock industry. We have come to the conclusion that we have the best area in the world to grow corn. Corn yields will continue to increase. We have soybean

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Third quarter results reflect strong product movement (cont.)

By Larry Sterk, StateLine Cooperative General Manager



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processors in the area, and we have DDGS readily available. In addition, there is good access to packers from this area. As we surveyed livestock producers nationwide, it was evident that they also see Iowa and Minnesota as the optimal place to raise pigs because of the reasons I just described. Also many of the integrators we talked to have intentions of increasing the number of pigs they will feed in Iowa and Minnesota.

In the final business plan, the financial analysis shows that this mill will be profitable (Priority #1). The decision to build the feed mill in Halfa, Iowa, was heavily influenced by the availability and cost of natural gas and electrical service to this site. Other advantages of the Halfa location are that it is isolated and will be a feed location only with grain receiving capabilities to serve the feed mill. Dust and noise from traffic will not be an issue for the community at this site, and this area is a historic area for a wider corn basis. When the feed mill is at full capacity, it will need upwards to 8 million bushels of corn (Priority #2). Priority #3 is met by Halfa being a stand alone feed site as well as having major pelleting capacity. The next closest competitive feed mill with major pelleting capacity is 80 miles from Halfa. We have integrators that tell us time is of essence and that is why the board approved the feed mill on June 21, 2012. That should give us a production start date of late summer or early fall of 2013.

Nomination Committee — The SLC Board of Directors is in the process of setting up the nomination committee. They have secured the services of Danny Janssen, Land O'Lakes Business Development Services, to contact members the board has selected to serve and to facilitate the nomination committee. The terms of Kim Ruby, Mark Dahl, and Jim Crawford are open for election this year. If you get a call from someone from the nomination committee, please carefully consider accepting the offer to run for the StateLine Cooperative Board of Directors. Today's agricultural environment is as exciting as it has ever been, and having input into the future of SLC is a key ingredient for the continued success of your cooperative.

Positioned for a strong future — This has been an exciting year for your cooperative — we've approved a new feed mill; we're utilizing Ukrainian people to assist with spring labor needs; there's good crop production and prices; and your cooperative's financial balance sheet continues to strengthen. It is satisfying to know that your cooperative will be here for a long time serving the needs of area agricultural producers. That is only possible because of good customers such as you, and we thank you for your support.

We look forward to being a business partner of yours in the future. When making decisions on which agriculture companies to do business with, you might want to ask the question: "can I see your financials?" to verify the financial stability of that business. With StateLine, you can ask a director, (you voted for them to represent you on the board), and you are always welcome to stop into our office and I will review the numbers with you. Have a good and safe summer.

Out of the Field Pickup program

By Kayra Weisbrod, StateLine Cooperative Grain Originator



Do you ever have enough time at harvest? Are you tired of filling wagons, then hauling them to town? Is your valuable time being wasted sitting in line? What would it mean if you had an extra truck and someone to drive it?

StateLine Cooperative's Out of the Field Pickup program is the solution to all of these problems and more. The Out of the Field Pickup program is an on-farm commodity transportation service offered year around, but especially valuable during harvest when time is of the utmost importance.

How it works. StateLine Cooperative puts a semi-truck and the manpower in your field to keep your operation running smooth. This program is like having a hired man, without the stress of finding good help. StateLine's transportation personnel will go above and beyond to meet your trucking needs.

Contact Kayra Weisbrod or any Location Manager to sign up for the Out of the Field program. If you have any questions about StateLine Cooperative's Out of the Field program call Kayra Weisbrod at 712-298-0722 or email kweisbrod@statelinecoop.com.