



MAR  
2015

## Building Your Cooperative



» *By Milt Handcock, General Manager*

Thanks to everyone who attended your Midwest Cooperatives annual meeting. We enjoyed the chance to visit with many of you and fill you in on what has happened—and what is happening—with both Midwest Cooperatives and CHS. Let me hit a few of

the highlights for those of you who couldn't join us for the meeting.

Midwest Cooperatives had a busy and very successful 2014. We engaged in many capital expansion projects that were either completed in 2014 or are scheduled to be completed in 2015.

Construction on the dry fertilizer plant at our Philip location was completed in late fall, and the facility is fully operational. It will be exciting to see the efficiencies it creates for our operation as well as for our producer-owners.

Construction of the Philip grain expansion project is ahead of schedule, and we should be ready to receive grain by July 1 of this year. When completed, this project will be a state-of-the-art, 800,000-bushel grain addition with both incoming and outgoing scales. It will speed our receiving capacity by 20,000 bushels per hour and will increase our rail loading capacity to 55,000 bushels per hour. A train that used to take 12 to 14 hours to load will now take less than half a day. The expansion project is engineered to allow us to add a second receiving pit, two more 400,000-bushel bins, a dryer and wet holding bins to receive high-moisture commodities.

At Blunt, we completed construction of a 40,000-bushel-per-hour rail loading system that tripled our loadout capacity and provided the added benefit of allowing us to unload a different commodity than what we are loading. A new fall protection system was also added for the safety of our employees.

Onida is in the process of adding two bunkers, which will add 1.5 million bushels of storage capacity and increase our truck receiving capacity to 85,000 bushels per hour.

It is the goal of our board to increase speed and space at strategic locations to meet the ever-growing harvest and delivery demands of our producers. I feel that we are headed in the right direction, and I am confident that there will be more to come!

### Patronage—the untold story

One of the often overlooked advantages of doing business with a company like Midwest Cooperatives is the benefit of ownership—specifically the fact that our success comes directly back to you in the form of patronage. This is a story we may not do a good enough job of telling.

Sometimes, nothing speaks as loudly as numbers. So, putting this into an on-farm perspective and keeping in mind that every grower's specifics differ—based on average spring wheat yields, input costs and patronage rate—CHS Midwest Cooperatives returned \$26.81 per acre for fiscal 2014.

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*Questions about marketing your grain are answered on page 3.*

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PIERRE • BLUNT • PHILIP • HIGHMORE • ONIDA • DRAPER • KADOKA

# March 1-20

Call our Pierre office to learn more about this great CHS program to aid our area food pantries and to make a donation.

## Building Continued from page 1

Here's how we arrived at that \$26.81 figure:

### Inputs

(Average may vary by location.)

#### Crop nutrients

195# of urea = \$44.36/acre

87# MESZ = \$26.75/acre

Total = \$71.11/acre

**Crop protection: \$40/acre total**

**Seed wheat: \$20/acre**

**Application: \$19/acre (3 passes)**

**Fuel: \$3.50/acre**

### Patronage

(Based on 2014 rates. These rates vary annually.)

Grain = \$24.45

Fertilizer = \$0.97

Crop protection = \$0.43

Seed = \$0.21

Application = \$0.475

Fuel = \$0.225

Services = \$0.05

**Total = \$26.81/acre patronage back to the customer!**

Money back in your pocket, and back into our communities, is one of the unsung benefits of working with the company you own—Midwest Cooperatives. ■

## Is Your Truck Safe?



» By Chad Wrightson, Safety Director

As a company, CHS is required by the federal DOT to do a daily inspection of our trucks prior to each day's work. There are over 100 different points on a commercial vehicle inspection, from checking the oil to making sure your brakes are adjusted.

Also, our drivers are required to take a physical every two years to make sure they are healthy to perform their duties.

What does this mean to you?

The truth is that our concern for safety is not motivated primarily by the DOT rules. We all share the road with each other, and we all have families and loved ones. That's why inspecting our trucks is a top priority. Not only do we want you to feel comfortable sharing the road with us, but our drivers' safety and peace of mind depend on the safety of their equipment. First and foremost, we are here to serve our customers, and the best way to serve you is safely.

So the next time you're on the farm and fire up that big rig of yours, take a few minutes to make sure you're driving a safe truck. Even though we all don't fall under the federal DOT rules, one thing is for sure—we all share the same roads.

Most importantly, someone at home loves you.  
Drive safely. ■



## Financing Made Easy



» By Rich Henderson, Credit and Finance Manager

Each year, more Midwest Cooperatives customers take advantage of our in-house financing options. Last year, we added a convenience line of credit up to \$300,000. This year we've bumped that upper limit to \$500,000. Of course, we also have input financing available for any agronomy and fuel purchases.

With commodity prices where they are, many of you may also be interested in our bin-financing program. We're offering a five-year loan of up to \$250,000 at 3.5% on bins from any manufacturer you choose. It's a very simple application process, we don't put a lien against the land, and you're not obligated to sell your grain to us. Now is the time to get the process started so you can have the bin built in time for the 2015 harvest.

Livestock producers, don't forget that we also have a credit option for feed customers with flexible due dates to match your marketing plan.

See me for details on any of our competitive financing options. ■

# Where Do We Go Now?



» *By Jeremy Frost, Grain Marketing Manager*

Another spring around the corner means busy times for producers. These busy times also can be important times as one makes grain-

marketing decisions. Do I sell my old crop? Do I forward contract new crop? Should I be buying puts to protect grain prices? How high could things go—or how low? Where and how should I market my grain?

As to the “Where should I market” question, my answer is CHS Midwest Cooperatives. While I’m slightly biased, I have some very good reasons. One reason is because when we make money, it goes back to our producers in the form of patronage. In the past month or so, many of you received a patronage check that reflected spring wheat patronage near 50¢ a bushel. We also continue to make capital investments, such as our bunker expansion in Onida and our new pit and bins in Philip, that should help make Midwest Cooperatives your number one grain-marketing destination.

As for some of the other questions above, such as do I sell my old crop, I like the idea of following one’s gut and getting comfortable knowing the possibilities we have for our prices. Realizing the amount of risk and reward in the markets is a big first step in coming up with a grain-marketing plan. The same applies to the question of forward contracting new-crop grain. Find a way to get comfortable, and if you are a pre-harvest marketer, don’t be afraid to start making sales at times when the levels make sense for you and your operation. As one of our speakers, Kevin Van Trump, mentioned at our marketing meeting back in late January, If you are a pre-harvest marketer, be a pre-harvest marketer, and if you are post-harvest marketer, be a post-harvest market. Neither method is clearly better than the other and each can work for different people. Just try to be consistent so you don’t take away the advantages of each marketing method.

Should you be buying puts to protect grain prices? I love the idea of using options for producers, and I would like to see producers buying more puts and selling more calls. But should you? Only if you are comfortable doing it and understand the benefits and risks. Just because I or other market advisors like using those tools doesn’t mean they are right for you and your operation.

How high or how low could prices go? In my opinion, it all comes down to corn, since I think wheat and beans will follow corn. Where corn price goes is all up to yield and Mother Nature. We have done a good job of building demand, and our balance sheet won’t be able to afford much below trend line. If I had to peg local cash price against U.S. corn yield, it would look something like this:

- 170 -180-bushel corn crop gives us a local cash low near \$2 a bushel with a high of maybe \$3.50 or so.
- 165 -160 bushels gives us \$3 local cash on the low side to \$4.50 on the high side.
- 150 -160-bushel yields give us \$4 cash corn on the low side to maybe \$6 on the high side.

Our yields the past few years starting with 2014 have been: 171, 158, 123, 146, 153, 165, 153, 151 and 149. The bottom line is, we have so many factors that will determine our prices that we won’t be able to outguess them, but we can come up with price ideas based on certain variables such as yield. That should allow us to get a better idea of the risk and reward possibilities (keeping in mind that our markets tend to overdo price moves both to the upside and downside).

Once we know our risks and rewards, we can try to come up with a plan that we’re comfortable with. That plan won’t be the same for everyone, for every operation has different needs and goals. If you need help coming up with a marketing plan, please feel free to give us a call. ■

# Glasses Half Full Not Good Enough

» *By Ed King, Energy Department Manager*



Our goal in 2015 is to fill all of your on-farm tanks as full as possible prior to the spring rush. Last year during planting to some degree, and to a greater extent at harvest, we had spot shortages and tie-ups at terminals as our drivers waited for loads. The best way to avoid logistics logjams is to have as much fuel on hand as possible. Talk to us if you want to right-size your tank or tanks.

Prices are good, and we don’t know what they will look like down the road, so take advantage now. We still have a small amount of contracted gallons available, but if we run out and you want to contract, we’ll go out and purchase more.

As a final note, lubricant prices have come down about 50¢ per gallon within the last few weeks. We try to fill up most of you over the winter, but if there is anyone out there who still needs to stock up on oil, this is a good time to do that.

Call us for any and all of your energy and lubricant needs. ■



*Ready to work  
together with you  
in 2015.*

## Don't Let Spring Sneak Up on You



» *By Daris Kampfe, Agronomy Sales*

Spring has already begun for the agronomy department, as our applicators have been out spreading fertilizer on winter wheat. Even though we're already working, we still have a lot of plans to get put in place. There is a lot of ground to cover this spring due to a light

fall season. We're all much more efficient with a plan in place, so please visit with us as soon as you can.

Planning also enables us to lock in fertilizer supplies and avoid potential logistical issues that can creep up when we try to obtain supplies in the middle of planting season. We have locked in quite a bit of fertilizer due to favorable prices, but we need to act now to make sure we have enough on hand to meet your needs.

Also, we still have some spots available for anyone who wants to get into our YieldPoint™ precision ag program, and there is still time to get your soil sampling done.

As we move into the spring fertilizer season, we do face the possibility of some starter fertilizer shortages, specifically 10-34-0. Two major suppliers are having production issues, which have forced them to cut the supply of phosphoric acid to the North American market. Our suppliers do not anticipate acid supplies improving through spring.

There is good news, however. We have a product only available from CHS that we feel is agronomically superior to 10-34-0. Aventine™ Complete is a premium, low-salt starter formulated to eliminate the risk of crop injury and the resultant yield loss. It is a blend of macro- and micronutrients, including ortho/polyphosphate, that will give your crops an early advantage. Talk to anyone on the agronomy staff for more information on the advantages of Aventine Complete.

### All your wheat needs

Spring wheat will soon be going in the ground, and we have Advance and Brick spring wheat in stock with the ability to access just about any variety. Available seed treatments for that wheat include Stamina® F3, Warden® Cereals, Nitro Shield® insecticide, and Ascend® growth regulator. We'll bring seed treatment to you, too, with our on-farm seed-treatment unit.

Seed treatments for our bulk soybean seed include Vault® HP, Warden CX, and Warden RTA. We'll be happy to deliver bulk seed to your farm or field.

In-season seed supplies are stronger than we've seen for a few years. We have good selections of corn, milo, soybeans and sunflowers for those situations when plans change.

Finally, winter wheat spraying is just around the corner. We haven't had a spring like the one coming up for several years, so get your acres on the books now. ■