

HEARTLAND CO-OP

Lifeline

With locations in Alleman, Avon Lake, Booneville, Cambridge, Collins, Colo, Conroy, Dallas Center, Des Moines, Enterprise, Indianola, Jewell, Luther, Madrid, Malcom, Melbourne, Minburn, Mingo, Mitchellville, Montezuma, Napier, Panora, Prairie City, Randall, Redfield, Rippey, Slater, Stanhope, Waukee, Winterset and Zearing.

Spring, 2007



Leadership

By Larry Petersen, CEO/General Manager



At a special member meeting of Central Counties Cooperative, Reinbeck held on Friday, March 30, it was announced that the merger between Heartland Co-op and Central Counties met approval. The positive ballot tally of 77% exceeded the 66.7% needed for a successful outcome. The effective date of the merger will be July 1, 2007. Before that date business will be conducted as usual with a final

accounting of business for Central Counties to take place on June 30, 2007.

The merger of our two cooperatives is very exciting. This combination will create a business that will be one of the largest producer owned local cooperatives in the country. This gives the reorganized Heartland advantages that will allow for a sustainable future as we continue

to provide products and services that bring value to our combined customer base. With the unparalleled growth of the ethanol industry in Iowa and the uncertain impact that may be created, this proactive business combination will allow the cooperative to meet the changing demands of our combined customer base.

All of the current employees of Central Counties will become Heartland employees on July 1. The same benefit programs available to Heartland employees will be available to the Central Counties employees. Central Counties employees hire date will be used to determine vacation accrual calculations. Since Central Counties' employees are covered under

a different defined benefit retirement program, that program will be frozen and the employees will begin accruing benefits under Heartland's program.

Three director districts have been established in the Central Counties trade territory. The merger plan calls for three current Central Counties' Board members to represent each district. Those three Board members are John Parker-Gilman, Donn Anderson-Wellsburg, and Vince Moye-Reinbeck.

Along with the main location at Reinbeck, Central Counties has locations at Gilman, Grundy Center, Holland, Kellogg, Laurel, Lincoln, Newburg, Pickering, Traer, and Washburn.

GRUNDY CENTER



HOLLAND



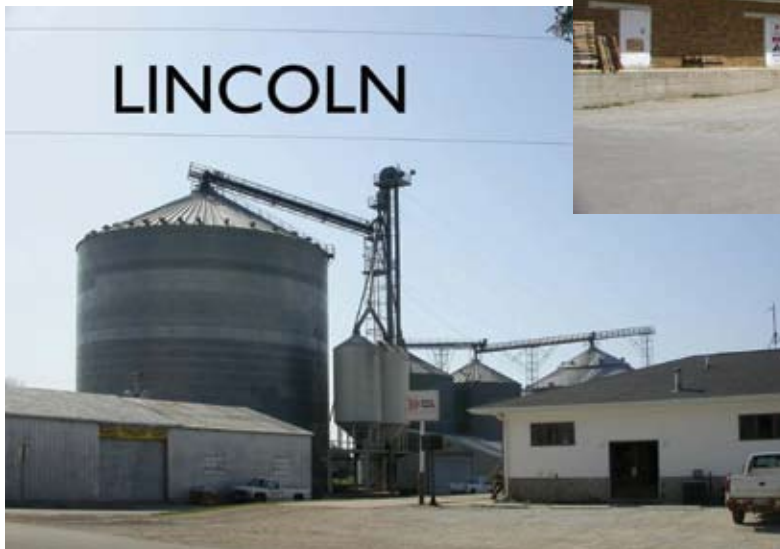
GILMAN



LAUREL

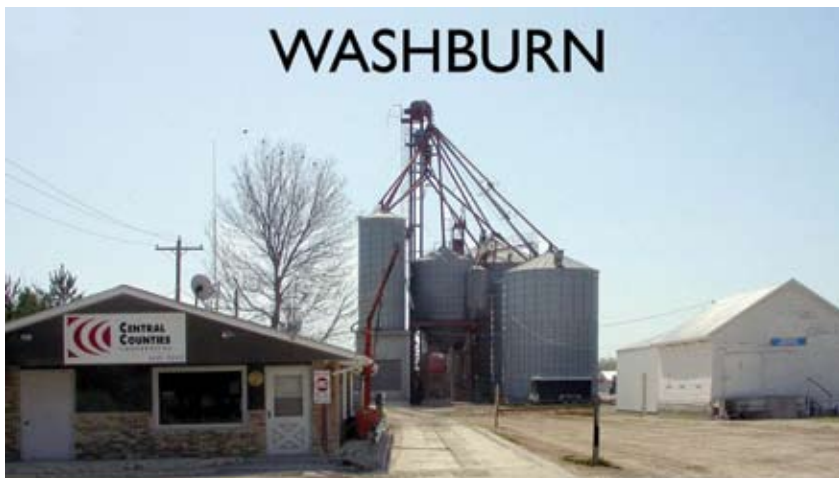
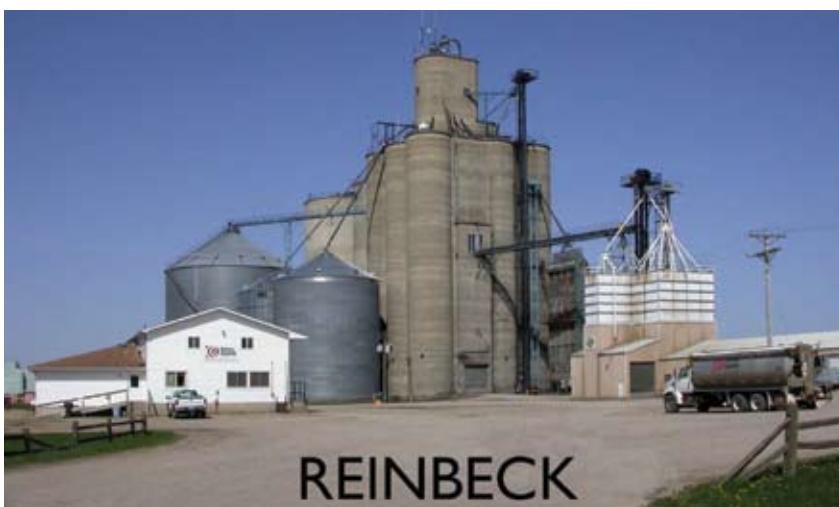


LINCOLN



NEWBURG





Market Strategies

By Jay Nelson, Director of Origination



What a ride the markets have given us since I last wrote for this newsletter. I know that I predicted market volatility but wow, 20 cent trading ranges in a day have become quite commonplace.

On May 11 the USDA gave us our first glimpse into the grain supply and demand situations for the upcoming 2007-08 crop year. The outlook for feed grain production, corn in particular, is sharply higher at 12.5 billion bushels. This is 18% higher than 2006, but not as high as initially thought. For the first time, the USDA incorporated current planting progress numbers and how they think they will affect trend-line yields. The currently behind average pace to corn plantings reduced the initial 152 bpa estimate to 150.3 bpa for this report. On the demand side of the equation domestic usage of corn for ethanol production will outpace exports at 3.4 billion and 1.975 billion bushels respectively. Feeding, the largest use, will show a modest decline in 2008 due to increased usage of corn processor by-products like distillers dried grains. If this set of arithmetic holds true corn carryout in September 2008 will be 947 million bushels, the second tightest carryout to use ratio in history.

The above paragraph makes a point that I would definitely like everyone to be aware of. The U.S. will routinely be going from the absolute largest crop sizes in history at harvest time to relatively running out of corn just prior to the next harvest. This scenario will continue to perpetuate increased volatility in the CBOT futures markets as well as reinforce your need to utilize Hedge-To-Arrive contracts to capture the inevitable basis gains that will accompany a supply move of this nature.

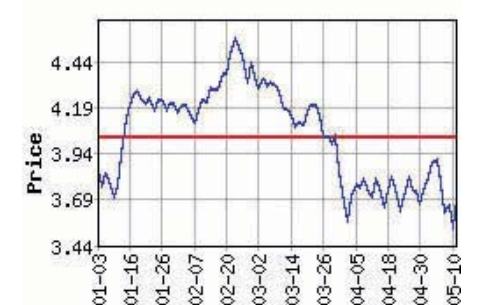
In this same report, soybean production is forecasted at a 13% decline from year ago levels. This reduction can be tied almost wholly to the reduction in planted acres as revealed in the March intention report. Soybean usage is forecasting a slight 1% increase in soybean crushing and exports that are unchanged. Growth opportunities in biodiesel will consume 19% of the total 2007-08 soybean oil production as compared to 13% from one year ago. Despite the

record carry-in of 610 million bushels from 2007, soybean ending stocks for 2008 are expected to nearly be halved at 320 million bushels.

Despite higher U.S. corn and South American soybean production levels, global ending stocks for both commodities are forecast to shrink yet again making it 8 out of the last 9 years production has failed to meet consumption. This reality makes it a fact that we simply need more acres both domestically and abroad to meet this rampant global demand for grain. The markets will continue their violent price swings because grain surpluses and supply cushions from one year to the next are becoming obsolete.

In our cash markets basis values have been steadily appreciating on soybeans and aggressively appreciating on corn since I last wrote. For those with Hedge-To-Arrive contracts you should be watching closely to establish basis.

With everything written above and so much of the growing season remaining, I would like to reintroduce you to one of the first marketing tools Heartland Co-op helped farmers employ; the V.A.M. "simple averaging contract". The premise is simple, you market an equal amount of grain every day at closing price of the CBOT futures market. Look at this illustration of CBOT July corn futures price action from January 1 to today, May 14.



How many of you still have old crop corn unsold? How many of you would sell that grain if the CBOT would move back above the \$4 mark? The average of the CBOT July corn futures contract is \$4.04 in the above time span. If the idea of marketing your grain in such an effective and effortless manner interests you, please feel free to contact the Heartland Co-op grain department at 515-974-4355.



Grain

By Tom Hauschel, VP Grain



Market Impact of Seed Decisions

The 2007-08 marketing year is starting to resemble the STARLINK year when unapproved varieties of corn reached the export channels and affected the demand for US corn. This loss of worldwide demand increased the US corn carryout and drove down the national price of corn. We see the same event occurring again this year as Syngenta has chosen to launch a seed corn product that does not have Japan or EU approval. (AgriSure RW MIR 604) Jeff Cox of Syngenta has stated that US approval should be all the approval needed to introduce new products into the market, but the fact remains that Japan is a very important customer of US corn. Their approval of our new corn varieties is important if we expect them to continue to purchase corn from us. If the US would lose the 650 million bushels of demand that Japan represents, the price of corn

would drop \$1.00 per bushel because of the increase in corn carryout. US approval of these events is only the first step in the worldwide approval process needed to maintain the markets available to corn producers today.

Three major US railroads have announced that they will not haul corn containing the "AgriSure™" event. This is the first time we have seen rail carriers take a position regarding corn marketability and genetics. A shipper of grain that has a railcar of corn rejected at a destination for containing "AgriSure™" corn will be assessed fees by the railroads for handling the rejected car. These fees will be approximately \$2 per bushel. These potential risks make it imperative that all segregation measures are followed to avoid contamination of surrounding fields, on farm grain bins, and commercial grain elevators.

The cost of the Starlink contamination was paid for by
Tom continued on page 3

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Aventis. This time the cost for testing and market loss will most likely be paid by the American corn producer and the grain industry. It's important that farmers pay close attention to the "communication and commitment" form they signed when purchasing the product and to double check to see limitations placed on them by the agreement. The co-mingling of corn at elevators and the increasing amount of DDGs from ethanol plants that are being exported make the separation of "AgriSure™" corn from varieties that have been approved for export very difficult once the corn enters the normal grain marketing channels.

Pioneer's Herculex Xtra varieties also need close attention, as they are not approved in the EU. Several of our corn processing customers sell gluten to the EU which causes them to not accept these corn varieties. This loss of a market will cause price differences between varieties of corn. These pricing differences will occur in the regions which market corn into

processing plants (including local ethanol plants).

VISTIVE Beans

I would like to caution our membership on the marketing risks of growing Vistive beans. I would encourage each producer of Vistive beans to talk with one of our grain team to fully understand the impact on bean pricing when a guaranteed captive supply of beans is contracted with a soybean plant. The plants with guaranteed supplies and "buyers call" contracts have been able to buy beans 5-10 cents per bushel less than plants without this program. This translates into revenue losses for the Heartland membership of \$1,000,000 per year. This is a substantial loss of income when compared to the small amount of premiums being paid to the Vistive bean acres. In summary the yield drag on the Vistive bean acres and marketing losses resulting on all of your bean production; more than offset the premiums being paid for the Vistive bean production.



Sales & Marketing

By Dave Coppess, VP Sales and Marketing

"Helping farmers produce and market grain, profitably"

Soil & Water Stewardship

The recent rains that have canvassed Iowa these past few weeks are an important part of our growing season. They charge the soil with moisture reserves that can carry us well into our growing season, and often set the stage for corn yields of 200+ bu. /acre. At today's corn prices of \$3.30 per bushel (and higher), the incremental yields generated by adequate moisture are very important to your bottom-line. Recognizing that surplus moisture is a blessing, we also realize it can have some down-side repercussions when it comes this fast, especially on tilled soils in fields that are well tiled.

I have shared in previous newsletters, Heartland's affiliation as a member of Agriculture's Clean Water Alliance (ACWA). ACWA is a group of ag retailers that do business in the Raccoon River watershed, and have organized to take an active role in reducing nutrient loss. Specifically working to manage nitrates from farm fields, and keep them from entering the river and its tributaries.

ACWA's primary function has been collecting water data, via a network of certified water samplers, including one automatic sampler that feeds live data from the Raccoon River. ACWA views this investment in data in much the same manner that we use agronomic data to prove agronomic performance. The water quality data creates a foundation for proving environmental performance. It is our hope that this information will help our scientists better understand the movement of nutrients throughout the watershed and offer solutions that are economically feasible and acceptable to the farming community.

It has been most interesting to track the recent flow and concentration of water and nitrates through the

real-time monitoring device. I would encourage you to see for yourself at: <http://waterdata.usgs.gov/ia/nwis/uv?05484500>

You will be able to see the correlation between water flow, and nitrate levels. You should also recognize the Des Moines Water Works (DMWW) cannot use water that has nitrate levels above 10 mg/liter. As you can see, the Raccoon has been running higher than these levels on a regular basis.

At a recent meeting to discuss these high nitrate levels and attempt to explain the correlation between fall nutrient applications and the impact on water nitrate levels, the question was asked, "what responsibility do producers have for the quality of the water leaving their ground?" The argument could be made that each farm unit is no different from a factory or municipality that uses water and is required to return that water back to the watershed within the parameters of acceptable water quality standards. It should also be noted that today, the EPA only provides recommended water standards, these are not firmly regulated standards...yet. (I will give a \$50 gift certificate to the first bona fide Heartland agronomy customer that responds to this side-note by e-mailing or calling your account number to me at 515-974-4334 or dcoppess@heartlandcoop.com).

This summer the IDNR will be announcing Total Daily Maximum Loads for the Raccoon watershed. This will be the first step to creating a water management plan designed to return the Raccoon River to levels perceived to be acceptable to society. It is expected to spark much more discussion and action that will require greater soil & water stewardship on everyone's part. We want you to know Heartland Co-op is working hard to represent your interests in this endeavor, and is here to assist your efforts through communication and interaction with the state agencies responsible for implementing these new standards.



Feed Department

By Gary Mohr, Feed Department Manager

If you are looking for an opportunity to buy or sell livestock or livestock equipment we may be able to help. We will post links very soon on the Heartland feed page so that you may let buyers or sellers know your needs. Contact your Heartland Feed salesperson to get your offering on the web page.

This has certainly been a spring when our RangeLand weather resistant minerals have been a real benefit. The

RangeLand Minerals limit the nutrient losses due to wind and rain and keep your cattle well supplemented. We have a number of choices to match to the needs of your herd for all seasons and purposes. If you need a special mineral for breeding, with medication, fly control or stress reduction we have products to match with your cattle and conditions. Ask one of our salespeople or counter people about RangeLand Minerals. They get the job done.



Petroleum Tips

By Clair Rew, Executive VP Petroleum

PROPANE - Summer Fill & Prepay/Booking Contracting

Your Petroleum Team will begin summer filling propane tanks June 1, 2007 and will end August 31, 2007. We will defer your payment of all propane delivered between June 1, 2007 and July 31, 2007 until September 25, 2007. A notice will be sent to all of our propane customers around the first of June to inform you it's time to top off your LP tank at normally seasonal low prices.

Propane Prepay/Booking Program for fall corn drying and home heating needs will begin in July 2007. We will also send you a reminder notice of this program when it gets closer to the prepay/booking program period.

BULK OIL AND BULK OIL SYSTEMS - Sign up now for pre-fall delivery!!

Several of our locations are signing up customers for pre-fall delivery of bulk oil and bulk oil equipment. We have bulk oil equipment for sale and also attractive lease purchase programs. Stop in and find out more about this exciting new Heartland value program.



REFINED FUELS – Spring is here!!

Your Petroleum Team has been busy keeping your fuel barrels full of
Clair continued on page 4



Precision Farmer

By Ryan Lemke, Precision Ag Manager

Heartland Co-op teams up with ISU and CSI partners for Cropwatch Blog.

Crop conditions in Iowa can change rapidly during the growing season. That is why Iowa State University and Iowa Farmer Today have teamed up to launch CropWatch Blog. The new website features 13 agronomy specialists from Iowa State and industry partners of ISU's Corn and Soybean Initiative. This new electronic blog is essentially a chronological log of thoughts

published on a web page. They will post reports of crop conditions, weed problems, disease and pest threats as they arise in fields across Iowa. CropWatch Blog, which went live on May 10, is accessible from <http://www.iowafarmertoday.com/blog>. The blog will be continuously updated throughout the growing season, as the crop experts become aware of changing conditions important to Iowa farmers. Visitors to the site can pose questions to bloggers or report conditions in their areas.



HEARTLAND CO-OP 2007 SCHOLARSHIP WINNERS

2007 is the seventh year that Heartland has sponsored a Scholarship Program for the youth of Heartland Co-op members who choose to further their education towards a career in agriculture. The first five years of the Heartland Scholarship Program there were 10 scholarships available of \$1,000 each. Any high school graduate or any current college student of a Heartland Co-op member, enrolled in an agricultural program at an Iowa college or university were eligible to apply for the scholarship. In 2006 one of the 10 scholarships was upgraded to a \$3,200 scholarship in partnership with Agriculture Future of America (AFA). Only high school seniors were eligible to apply for this scholarship. This year of 2007 Heartland is proud to again award nine (9) \$1,000 scholarships and one (1) \$3,200 scholarship which includes an internship program with Heartland during the summer of 2008. These recipients were selected by a committee appointed by the Iowa FFA Foundation and they will be given recognition at Heartland Co-op's Annual Meeting on September 11, 2007. The students, along with the names of their parents and the schools attended are listed below.



ALEXANDRIA HENRY
High School:Indianola High School
Parents:..... Keith & Marie Henry
Indianola, IA



ERIN JOHNSON
High School:South Hamilton High School
Parents:..... Craig & Gail Johnson
Jewell, IA



SHERRY JOHNSON
College Student..... IA State University
Parents:..... Stephen & Sue Johnson
Ames, IA



DEREK ADAMS
College Student:..... IA State University
Parents:..... Richard & Marsha Adams
Stratford, IA



AUSTIN CARLSON
College Student:..... IA State University
Parents:..... Bradley & Karleen Carlson
Jewell, IA



CLINT HENDERSON
High School: South Hamilton HS
Parents:..... David & Shari Henderson
Story City, IA



ALEX KOENIG
College Student: Kirkwood Community College
Parents:..... Allen & Julie Koenig
Marengo, IA



JACOB PETERSEN
High School: Melcher-Dallas High School
Parents:..... James & Julie Petersen
Knoxville, IA

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Des Moines, IA 50325-0399

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PAID
DES MOINES, IA
PERMIT NO. 5297



ASHLEY THOMPSON
High School: Southeast Warren High School
Parents:..... Gary & Brenda Thompson
Lucas, IA

Heartland Co-op congratulates each of these students and extends to them best regards as they continue their education towards their career in agriculture.

Clair continued from page 3

Ruby Premium Diesel for your spring tillage and planting needs. Hopefully everyone booked or prepaid their Ruby Premium Diesel for this spring. Each of our Co-op locations carries a full line of quality Cenex petroleum products. If we can be of assistance to you let us know and we will deliver these quality products to you as we fill your tanks.

Case Oil Sale in July - Stop in for



2007 SCHOLARSHIP IN PARTNERSHIP WITH AGRICULTURE FUTURE OF AMERICA

This year of 2007, Heartland Co-op, in partnership with Agriculture Future of America, has awarded one scholarship of \$3,200 to Zachary Preston, son of James & Julie Preston of Carlisle. Zachary graduated from Carlisle High School and will be attending ISU in Ames this fall. As previously noted, included with this scholarship is an internship for the summer between Zachary's freshman and sophomore years of college.

great savings!!

WE THANK YOU FOR YOUR BUSINESS

Heartland Co-op Locations

Alleman 515-685-3541 866-613-0094	Jewell 515-827-5431 800-728-0017	Prairie City 515-994-2651 800-383-0723
Booneville 515-996-2295 800-244-8579	Luther 515-795-2386	Randall 515-328-2315 800-334-1182
Cambridge 515-383-4345	Madrid 515-795-3047	Redfield 515-833-2953
Carlisle 515-266-4215	Malcom 641-528-2535 800-273-4485	Rippey 515-436-7411 800-442-7411
Collins 641-385-2334 800-448-4028	Melbourne 641-482-3206	Slater 515-685-3571 800-779-3571
Colo 641-377-2253 800-397-9513	Minburn 515-677-2256 800-422-0298	Stanhope 515-826-3226 877-255-3506
Conroy 319-662-4100 800-272-6422	Mingo 641-363-4250	Waukee 515-987-4511 866-616-8495
Dallas Center 515-992-3767 800-362-0305	Mitchellville 515-967-4288 866-605-8167	West Des Moines 515-225-1334 800-513-3938
S.E. 18th Street Des Moines 515-262-2522	Montezuma 641-623-5727	Winterset 515-462-4611 866-605-8168
Enterprise 515-964-2390	Napier 515-292-2323	
Indianola 515-961-2505 800-992-2505	Panora 641-755-2114 800-422-0914	

