

With locations in Alleman, Avon Lake, Belle Plaine, Blirstown, Booneville, Cambridge, Chelsea, Collins, Colo, Conroy, Dallas Center, Des Moines, Elberon, Enterprise, Gilman, Grundy Center, Hartwick, Holland, Indianola, Jewell, Kellogg, Laurel, Lincoln, Luther, Luzerne, Madrid, Malcom, Marengo, Melbourne, Minburn, Mingo, Mitchellville, Montezuma, Napier, Newburg, Panora, Pickering, Prairie City, Randall, Redfield, Reinbeck, Rippey, Slater, Stanhope, Traer, Washburn, Waukee, Winterset and Zearing.

Summer, 2008



Leadership

By Larry Petersen, CEO/General Manager



Year End Financials

The 2007-08 financial results that will be reported at this year's annual meeting will set another record for financial performance for Heartland Co-op. Strong bottom line financial performance allows for an increase in working capital and a strong equity position which has become imperative in today's market place. To remain a viable option for our customers we have to demonstrate the financial ability to take on additional debt and to weather the risk and volatility of today's grain and input markets. If we cannot sustain and grow our balance sheet, some of our offerings may have to be modified.

In a cooperative structure the most viable source of adding to the strength of a balance sheet is through profitability. At Heartland we continue to emphasize the importance of maintaining an adequate bottom line. Maintaining Heartland's profitability along with our ability to add to the profitability of our customers has become a culture that we continue to stress. This combined focus has become even more important into today's marketplace.

Among the many factors that led to the positive effect on the bottom line this year included:

- More acres of corn were planted
- Above average grain market carries
- Better margin structure on crop inputs
- Better petroleum risk management
- Increasing gross revenues in feed

A better bottom line was accomplished in spite of the fact that we had several factors that were negative this year including:

- Higher fuel costs
- High net interest costs because of high commodity prices
- Escalating employee pension costs
- Higher cost of outside service providers
- Increasing need and costs of supplies

Annual Meeting

This year's annual meeting will again be held at Prairie Meadows Conference Center in Altoona. After receiving many positive comments about this location last year, it was decided to repeat our meeting at this site. Because we filled the Conference Center to capacity last year, it was decided that we would hold two meetings this year. One will begin with a meal at 12:00 noon and the evening meeting will begin with dinner at 6:30. The same buffet meal will be offered at each meeting. By giving two time options, it is our hope that we will have an even better turnout. Members may attend the meeting of their choice.

Heartland has several new members that will be attending their first Heartland annual meeting this year. These are members from the former Central Counties Cooperative, Reinbeck and members from Farmers 4-County, Belle Plaine. We hope to have a large number of these members attend the meeting of their newly formed cooperative, Heartland Co-op.

Since we will have several new members voting this year, I will clarify some of the specifics of Heartland's director elections. The election process will be the same as in the past several years. All voting members will be allowed to cast a ballot for candidates in any district race regardless of the voting member's district. The candidates, however, will come from one of 14 specific districts established by the Board of Directors. If a member does not feel comfortable in voting for candidates in certain races, their ballot will count in those races in which they have voted. In other words, a ballot does not need a vote in all contests to be official and counted.

All members will receive a ballot by mail which is to be returned in the envelope provided. All members are allowed to vote even though they may not be able to attend the annual meeting. Voting for directors is a duty that should be taken seriously with all members participating. Through this democratic process your voice is heard in determining the future direction of Heartland Co-op.



Seed

By Cecil Harry, Manager North/West Regions Seed Sales



This has been a truly difficult year for crop production. Addressing weed, insect, disease and weather related challenges have never seemed to quit. I have been asked several times how the crops look now. My response has been that there is a wide variation. I always hope for the best, but I know there will be fields that have disappointments. Expectations can cause disappointments. The past few high production years has set expectations quit high. I hope we are all positively surprised when we start harvest.

Our agronomy team has started planning for next year. We are planning soil testing and nutrient applications for as soon as the crops are harvested. We know we will probably be working with a later than normal harvest because of planting dates. We need to be as prepared as possible to take advantage of the fall application window. We are asking for your help in identifying your needs for soil testing and nutrient applications by going over your nutrient records before harvest. It will help us both to plan for those needs in advance. In addition, we are offering a discount for signing up grid sampling acres through Sept 15. Be sure to give us a call.

I also wanted to mention harvest information. We always place a high value on yield information. Whether it's comparing hybrids or showing yield variations within a field, it's all information that can be applied in the decision making process. We offer equipment and the technical

expertise to set up your combine for gathering your yield information. With the cost of nutrients moving higher, utilizing both soil samples and harvest information will help us to invest your nutrient dollars better. We will be offering two programs this fall that will make use of your own information. They will cover Variable Rate Nitrogen and Variable Rate Seeding or a combination of the two. The best part is we will pay you back for providing us the yield information off of these fields as a scorecard on how well they worked. So ask us how we can make these programs work for you and your operation.

We will be hearing a lot of discussion about the affect diseases have on our corn crops stand ability. I just saw the first article today about anthracnose. Stock root is always a threat, but it seems that this years weather conditions may lead to more concern than ever. The ways to monitor your fields are by testing your corns stand ability. You can cut your stalk in half and monitor the color of the pith or simply test your corn by pushing the corn and watching for breakage. Fields will vary and your harvest plan should address concerned fields first.

One last thing. Thanks goes to all our customers for working with our agronomy department through many challenges. The weather created a huge test for your coop. I'm really proud of our support team for going beyond the call to try to take care of our customer's needs and our customers for their understanding.

HEARTLAND CO-OP 2008 ANNUAL MEETING

September 9, 2008

Prairie Meadows Events & Conference Center,
Altoona, IA

Two Meeting Times -
12:00 Noon
6:30 PM

Official notice of meeting will be mailed to members
at the end of August

5 director positions are up for election

The 2008 Annual Meeting of Heartland Co-op will be held on September 9, 2008 at the Prairie Meadows Events & Conference Center in Altoona. This year there will be two meetings. The first meeting begins with a buffet lunch at 12 noon and the business meeting will follow. The evening meeting begins with a buffet meal served at 6:30 p.m. followed by the business meeting. All Heartland members are encouraged to attend one of these meetings.

Director positions will be elected in the following districts:

- District C (Luther, Madrid, Napier, Slater)
- District E (Collins, Colo, Mingo, Mitchellville, Prairie City)
- District I (Booneville, Redfield, Winterset)
- District J (Jewell, Randall, Stanhope)
- District N (Lincoln, Reinbeck, Traer, Washburn)

Profiles of the candidates in each district are presented below.

DISTRICT C



Doyle Drake of Madrid

Doyle grows corn and soybeans in the Madrid/Slater area with his Dad and brother. Doyle has been on the Heartland Co-op Board of Directors since 1993. He also has a business of field tiling, backhoe work and directional boring. Doyle is a member of the Midland Power Co-op and the Iowa Land Improvement Contractors Association. Doyle feels that the highest priority for Heartland Co-op in the coming years is to strive to maintain profits while continuing our steady growth. Heartland's track record proves we can give our patrons excellent service and he feels it just keeps getting better as Heartland grows. Every year brings new challenges in both farming and the coop world. We need to keep our coop strong and viable for the next generation.

DISTRICT C



Tom Hollingshead of Ogden

Born and raised in Ogden, Tom farms 1500 acres in Boone & Greene counties along with one of his sons, Ben. He also custom feeds hogs along with Ben and his other two sons, Alex and Chet. Tom has

a trucking business and sells PMC hay equipment. He is a Farm Bureau Board member, vice president of the Boone County Extension Council, and a board member of the Central Iowa Farm Business Association (president for the last two years). He is a member of the Methodist Church and a member of the REC since 1980. Tom feels that the highest priority for Heartland Co-op in the coming years is to keep promoting the flexibility that Heartland offers its customers of selling grain to the best market, whether it is an ethanol plant or a rail sight. He feels Heartland offers a lot of flexibility to the farmer.

DISTRICT E



Arthur Churchill of Mitchellville

Art's farming operation consists of corn, soybeans and hay. Besides currently holding an office on Heartland's board, he is a director on the Legacy Bank in Altoona, Bondurant, Mitchellville and Clive. He is also a director on the board of the Iowa Thoroughbred Breeder and Owners Association. Art feels that risk management is very important at this time of volatile markets. Higher volumes of capital are needed today and in the future. Heartland's highest priority in the coming years should be to continue using risk management tools to ensure positive bottom line. A strong bottom line means continued strength in Heartland's balance sheet, better service and growth and most important, protecting our members equity while returning a dividend to members.

DISTRICT I



Vernon Flinn of Cumming

Currently a director on the Heartland Board, Vernon has been

farming in the Cumming area for 35 years. He has a beef cow herd and grows corn, soybeans and alfalfa hay. Vernon feels that the highest priority for Heartland Co-op in the coming years is to remain profitable and to provide a service to all members by using knowledgeable and professional people at competitive prices.

DISTRICT J



Randy Greenfield of Kamrar

Randy farms 600 acres of corn and soybeans between Jewell and Kamrar. He serves on the Board of Directors of the Coop Telephone Exchange of Stanhope and Kamrar. He is also a member of the United Coop, Prairie Land Coop and Midland Power Coop. Randy feels that the highest priority for Heartland Co-op in the coming years is to remain viable and able to serve the varied needs of the members in this time of rising grain prices and inflated input costs.

DISTRICT J



Brad Olson of Story City

Brad is part of a family farm that consists of a corn and soybean grain operation and feeder to finish swine operation. He farms in southern Hamilton County near Randall and Story City. A current director on Heartland's Board, Brad also served, in the past, as secretary and vice-president of the Farmers Grain Co-op in Randall and was a director for 11 years on the board of the Central Iowa Coop, serving as president for three years. Brad is a member of the Hamilton County Pork Producers Board of Directors and a member of the Hamilton County Market Hog Show Committee. He is also a member of the Elim Lutheran Church in Randall and a member of the Iowa Pork Producers.

Brad feels that the highest priority for Heartland Co-op in the coming years is to maintain a high level of products, services and customer support while being profitable for Heartland and its members for whom we work.

DISTRICT N



Vincent Moye of Reinbeck

Vincent farms with his brother southwest of Reinbeck. They have a corn and soybean operation, a cattle operation and hog operation. As a family organization they are also now incorporating their sons into the business. Vincent's primary concern has always been for his family and secondary towards a growing and efficient farm operation. A current member of the Heartland Board of Directors, Vince served two terms on the Central Counties Cooperative Board prior to their merger with Heartland Co-op. In the past he has served on the Iowa Soybean Association Board, the National Corn Growers Association and several times on his church board. Currently he is serving as chairman of his church board and township committee. Vincent feels the highest priority for Heartland Co-op in the coming years is to maintain the 'Co-op Promise' which is the belief and constant proof that we will have a reliable and honest provider of our farm operation needs, that builds the members equity that is periodically redeemed with cash.

DISTRICT N



Warren Schildroth of Reinbeck

Warren farms a corn and soybean crop operation in the Reinbeck area of Grundy County. He also has an

*5 Director Positions - Schildroth
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Sales & Marketing

By Dave Coppess, VP Sales and Marketing



“Helping farmers produce and market, profitably”

Crop Year 2009

Even before we know the outcome of our 2008 crop, we are beginning the planning stages for the 2009 crop year. Many of you have been to plot tours and other informational meetings to learn what's new for 2009 and begin the decision making for your crop inputs. We hope our sales agronomists are providing the necessary technical support to help with those decisions. They've been busy scouting insects and arranging for treatment as deemed necessary, but hopefully, they are also discussing seed selection and crop nutrient plans for 2009 even as we work to protect your 2008 crop that's still in the field.

Fertilizer Outlook

So what's in store for fertilizer prices in 2009? Of course no one knows for sure, but prices continue to move upward driven by world demand. A few years ago, we watched the cost of natural gas, a primary input for manufacturing nitrogen products, to predict what nitrogen prices may do. Not the case anymore. We've witnessed a complete disconnect between manufacturing costs and the price of fertilizer. Today, farmers in China, India, Brazil, and other middle-class countries are willing to pay

more for fertilizer to sustain their increasing production capability. We are in a supply / demand cycle that has become a seller's market and continues to push prices for fertilizer upward.

Nitrogen seems to be driven by the world supply of urea which was recently hampered by China's move to raise their export tariffs on urea and phosphates. It's unknown how long China will sustain the higher tariff rates, but we're not expecting it to drop soon. New urea production continues to come on-line in the Mid-east and other parts of the world, but not at a pace fast enough to keep up with demand.

Phosphates may be showing signs of hitting the top of the market. A global shortage of sulfur and high phosphate rock costs have stabilized. We witnessed some reduction in usage this past spring and may have hit a plateau for now.

Potash is our greatest concern. Our supplies for fall appear to be adequate based on current forecasts, however, the Canadian suppliers have put us on an allocation which continues to keep product availability very tight. We expect prices to continue to move upward to reflect these conditions.

Heartland has been accepting prepay dollars for fall needs. Check with your local sales agronomists for details.



Grain

By Tom Hauschel, VP Grain and Risk Management



Storm Damage and Delays

The Summer of 2008 has presented many first time events. Corn went to \$8 for the first time, flood waters invaded some elevators for the first time, and high winds blew over towers, catwalk and bins all over the Midwest. Heartland Co-op has experienced storm damage at several locations. Kellogg, Lincoln, and Conroy experienced severe wind damage. Chelsea, Washburn, and 18th Street were all victims of flooding. Heartland Co-op's staff and contractors are working very hard on the cleanup and rebuilding process. The repair work at all locations is scheduled to be complete prior to harvest.

The Cedar Rapids floods forced many changes in the marketing plans and grain flows for both Heartland Co-op and its members. The flood waters closed processing plants and washed out rail road tracks, which halted shipments of both corn and soybeans. Many contract destinations had to be moved or delivery months rolled from July to as late as February. Member grain contract delivery points were shifted from Cedar Rapids to Pickering, Iowa Falls, Malcom, and Eddyville. The process has also slowed shipments of Company owned grain to Cedar Rapids and Pickering.

The 18th Street elevator was not able to ship grain on the Norfolk Southern Rail Road for a two month period. Flooding severely damaged track between Des Moines and St. Louis, which forced the closure of the rail lines until the water went down and repairs could take place. Water was over our loading tracks in Des Moines for some forty-five days. During that time we were 30 trains behind on our shipment schedule. These delays have compressed the shipments into a smaller window than normal, but all trains will be shipped prior to harvest. I would like to thank the membership and staff for all of their work and patience in dealing with the flood challenges.

Marketing

This past marketing year should

be a reminder to us all of the value of multiple marketing options. The facility upgrades at Avon, Pickering, Malcom, and 18th Street have brought unprecedented value to the Membership and Company by providing competitive market access and bids. The value of grain in our trade area would have been much lower if these facilities had not been upgraded. These upgrades have allowed Heartland Co-op to access the best rail markets available and enabled Heartland to ship greater quantities of grain by rail. The new grain storage built throughout the company has also allowed harvest bushels to be handled in a much more effective manner, as well as increasing storage revenues, capturing carrying charges, and maximizing the utilization of the rail loading elevators. New corn volume records were set each month of this past year. The new volume, market arbitrage and the combined balance sheet strength of the newly formed Heartland Co-op is what allowed for the marketing options and pricing benefits obtained by Heartland and its members.

Diversified Ag

Diversified Ag Services, LLC is a grain risk management company started by Central Counties Coop several years ago. With the merger last summer, Diversified Ag Services, L.L.C. is now a wholly owned subsidiary of Heartland Co-op. Dave Tomlinson and Rick Petersen are the two grain market consultants working in Diversified Ag Services. Dave and Rick currently work with over 40 clients; helping them market their grain and select the proper crop insurance coverage for the risk they bare. They both have many years of grain merchandising experience within the industry. Both are licensed commodity brokers and licensed crop insurance producers. Your local Heartland Co-op location manager can put you in touch with Dave or Rick if you want a sound grain marketing plan or the correct crop insurance coverage so that you can remain profitable.



Petroleum Tips

By Clair Rew, Director Petroleum Sales & Marketing



ENERGY - Website

Heartland Co-op has a great website @ heartlandcoop.com. There is a lot of information on our web page including an Energy section. Within the energy section you will find areas which include our petroleum team and their phone #'s, a list of our cardtrol fueling sites, products and services we have available, after hours emergency numbers, propane safety information, credit applications you can print off, and industry links.

A new area that has been added is Petroleum Commentary. With the volatile markets, this area may be of assistance to you when making your buying decisions. If you haven't been to our website yet, please check it out.

PROPANE - Summer Fill and Propane Contracting Programs!

Your Propane Team has been busy Summer Filling propane tanks and should be completed by August 31, 2008. We have deferred all payments of summer fill propane, delivered between June 1, 2008 and

July 31, 2008, until September 25, 2008.

Propane Contracting Program for fall corn drying and home heating began July 1, 2008. Many customers have already contracted and we will continue to contract through August 31, 2008. This contracting program allows you to lock in all or a portion of your needs to minimize the risk of high price during peak propane seasons.

CARDTROL FUELING SITES - New Image

Heartland Co-op has 15 cardtrol fueling sites throughout our trade area. We will be changing the look of these fueling sites over the next few weeks. The road sign will be changed to Heartland Co-op and the rest of the site will also have a new look.

We will continue to purchase the same quality Cenex gasoline and diesel products and you will be able to use your same Heartland card and or major credit cards as in the past.

THANK YOU FOR YOUR BUSINESS!

Heartland Grain Storage LLC3

Condo storage shares are available for \$7,500/5000bu share.

Call your nearest location

or Doug Watt at 515-238-5116



Feed Department

By Gary Mohr, Feed Sales & Marketing Manager



Improving News

The news has improved over the past few months for livestock producers. While grain prices are still historically very high they moved substantially lower since mid July and the prospects for a good crop in the U.S. are looking much better. Your Feed Division will be working with a risk management company who could help you smooth out some of the bumps in the road to profit and you can contact any of the sales people if you wish to know more about this.

A part of the news that has been a continuing positive force is the level of meat exports. Pork exports in June were 113% higher than last year and 136% higher than the five-year average. The total value of those pork exports for June was \$395 million and 94% higher than one year ago. Exports of pork to China are at a five-fold increase over last year, accounting for the largest shipment to any one country in June of 2008. U.S. beef exports for June were 27% higher than a year ago,

with Mexico, Canada and Japan being the most important markets. Exports to Japan are up 67%. All of this has helped U.S. meat prices remain fairly strong in the face of very high slaughter numbers.

One factor that a number of producers have been concerned about over the past few months is COOL legislation and the final rule has now been published on this. Dr. Steve Meyer at Paragon Economics feels that the way those final rules are written makes the potential issue much less challenging for packers and then in turn for producers. There is a provision in the rules for a "combination" label that gives packers flexibility in labeling product for distribution. Dr. Meyer is confident that producers finishing hogs that were born in Canada will not have a large market price disadvantage.

So, the meat industry has a number of things to feel good about and that is good for Heartland's livestock producers who are meat protein suppliers to a hungry world.



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5 director positions are up for election -

Schildroth continued from page 2

eight hundred sow farrow to feeder pig operation. He and his son-in-law, Matt Martin, supply their sow farm and other small producers from their boar stud business, M 4 AI Inc. Warren is a Grundy County Farm Bureau Board member, holding various local offices. He served on the American Farm Bureau Soybean committee and Grain Quality Committee. He is a member of the Reinbeck United Methodist Church, for which he has served on various committees and boards over the past 30 years. Warren is an accounting graduate of UNI and worked for a public accounting firm for nine years before moving back to his home county to farm. Warren feels the highest priority for Heartland Co-op in the coming years is to develop new ways to listen and communicate with its members so they are assured that their concerns are being heard and understood, as competitive markets and industry consolidation will change the cooperative structure from what it has been in the past. Examples of this could be e-mail interest groups and regional customer round tables.



Market Strategies

By Dean Ohrt, Director of Grain Origination Eastern Area



Dean Ohrt, Director of Eastern Grain Origination

It was just a few weeks ago, we were struggling to get the crop planted and out of the ground. We have been blessed with better weather and there is no doubt today's genetics perform better than their predecessors. The August crop report is now behind us and tells us the current state of the crop is good especially considering what it has endured. We are looking at the second largest corn crop on record and soybean crop that still has a long way to go. South America is projected to grow a few less beans in Brazil (down 1.5 to 62.5 mil. bu.) and Argentina (up 1.5 to 49 mil. bu.). This will be a difficult year to determine yield until we are near or at harvest. We have to remember that this report reflects what we have on August 1. Weather and all the other variables will continue to play out the balance of this season.

The market provided some excellent opportunities to price this year's production. Most of us are wishing we had done more considering the recent break in commodities. History tells us we will have another opportunity once the market finds a bottom, but rallies in August and early September tend to be very sharp and do not last very long. Sales made this time of year tend to be disappointing later in the fall as the market makes harvest low and then begins to focus on

longer term demand. Prices are still profitable for this year's crop but cost of production for next year is another matter. Marketing will become even more difficult as we move forward. The merger of the CBOT with the CME and the advent of electronic trading have made trading increasingly difficult and volatile. Execution of hedges and options are not always what we would like. The key is to plan ahead and realize this is not our grandfathers CBOT.

As part of your marketing plan, it is important to give some thought to what you are going to do and when. The January thru July time period usually gives us an excellent opportunity to make hedge sales. July thru August is the optimum basis selling period. There are certain times of the year when you have to make sales that almost guarantee you will not be happy later on. Option strategies work very well in these situations especially in the late summer and fall time frame. For a copy of a Market Map worksheet, call 319-231-5967 or email to dohrt@heartlandcoop.com.

The job of the market is to plan for next year not knowing for sure what production this crop year will provide. As it stands now, the battle will be to find 6 million acres more of corn and beans. It will be another intense year. It is our goal to keep you informed and help you make the best possible marketing decisions.

Heartland Co-op Locations

Alleman 515-685-3541 866-613-0094	Holland 319-824-6638 800-375-6638	Newburg 641-498-2553
Belle Plaine 319-444-2154 800-328-2667	Indianola 515-961-2505 800-992-2505	Panora 641-755-2114 800-422-0914
Blairstown 319-454-6411	Jewell 515-827-5431	Pickering 641-478-3296 800-542-7887
Booneville 515-996-2295 800-244-8579	Kellogg 641-526-8236 800-845-1075	Prairie City 515-994-2651 800-383-0723
Cambridge 515-383-4345	Laurel 641-476-3427 800-861-7275	Randall 515-328-2315 800-334-1182
Carlisle 515-266-4215	Lincoln 641-473-2640 800-392-2667	Redfield 515-833-2953
Chelsea 641-489-2724	Luther 515-795-2386	Reinbeck 319-788-6831 800-717-2667
Collins 641-385-2334 800-448-4028	Luzerne 319-434-6211	Rippey 515-436-7411 800-442-7411
Colo 641-377-2253 800-397-9513	Madrid 515-795-3047	Slater 515-685-3571 800-779-3571
Conroy 319-662-4100 800-272-6422	Malcom 641-528-2535 800-273-4485	Stanhope 515-826-3226 877-255-3506
Dallas Center 515-992-3767 800-362-0305	Marengo 319-642-5529	Traer 319-478-2147 888-243-2149
S.E. 18th Street Des Moines 515-262-2522	Melbourne 641-482-3206	Washburn 319-296-1392
Elberon 319-439-5382	Minburn 515-677-2256 800-422-0298	Waukee 515-987-4511 866-616-8495
Enterprise 515-964-2390	Mingo 641-363-4250	West Des Moines 515-225-1334 800-513-3938
Gilman 641-498-7495 800-493-6019	Mitchellville 515-967-4288 866-605-8167	Winterset 515-462-4611 866-605-8168
Grundy Center 319-824-5466 800-319-7775	Montezuma 641-623-5727	
Hartwick 319-525-2311	Napier 515-292-2323	

