

Lifeline

SPRING 2009

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A Message From the CEO/General Manager Larry Peterson

In light of the current upheaval in the credit markets and the ensuing economic recession that followed, a review of the financial condition and current credit situation at Heartland is in order. First of all, I need to be very clear in this communication that Heartland's financial position is extremely sound. This beneficial financial base has been set by decisions made over several years to both build ample internal retained savings while continuing to hold a portion of member's preferred stock. This situation has only been made possible because of bottom line profitability that has become a must in building this advantageous financial position. You as a customer can be assured that Heartland has ample capital to perform on customer contractual obligations.

As you are aware, the past year's credit challenges have led many institutions to curtail lending or only lend to high quality entities. The tightening of credit along with last year's run up in commodity prices has led our lender, CoBank, to create stricter lending standards and practices. In our discussions with CoBank it has become apparent that to meet any unforeseen challenges with greater flexibility Heartland will have to work toward developing an even better balance sheet.

One of the largest changes in our relationship with CoBank will be the implementation of a process called syndication. Syndication means that additional lenders take a portion of our loan as compared to the past when CoBank was our exclusive provider of credit. The credit crisis along with the size of our loan has made this step necessary. This process informally began last year when the increase in commodity prices dictated an increase in our credit lines. Through

CoBank other banks were asked to participate in our lines of credit.

The syndication process will be completed in a formalized manner this year. CoBank will take a leading role in securing additional lenders who are willing to take a portion of our loan. Recently, we met with several lenders that are potential participants.

These banks are sister banks of CoBank in the farm credit system. All of the banks in this group have committed to participating in the syndicated loans to Heartland at better than expected levels. Under this process, fees associated with setting up this loan vehicle will be borne by our Company. Heartland will also be asked to enter into sophisticated legal agreements, provide asset appraisals, and undertake environmental studies of selected locations. Also, there will be fees associated with portions of the loans set up but not used.

All in all, CoBank has been a great partner in providing our needs for capital over a long period of time. Today, to adequately fund our capital needs our long term relationship with CoBank will have to evolve into a close working association that allows for access to additional sources of capital. This allows Heartland to continue to meet the needs of our customer no matter the level of commodity prices. ■



News from Communication Manager Susan Raveling

More Than Meets The Eye

Set upon a picturesque backdrop of country real estate, boarded in white fence and a steel gated entrance, a beautifully constructed quaint abode with a magnificent stable – to the untrained eye you might think this is a “hobby” stable. But once you set foot onto Dr. Bob and Sandy Brown's Summer Hill Farm's establishment, you realize it is much more than meets the eye.

Every detail of the stable, indoor arena, paddocks and even the “secret” entrance to the bunk house has been carefully thought out and crafted with a purpose.

For years, Bob and Sandy Brown had put their dream of horses on hold due to his focus on his Ophthalmologist practice and unforeseen allergies in their children. But about six years ago, after thorough research, strong industry contacts, and only one horse boarding in Altoona, the Brown's decided to buy land outside Waukee. They now breed racing quarter horses, western pleasure horses and

have some cow horses on the property.

Their combined passion for what they do is apparent to an outsider as you step onto the premises. It's also a huge contribution to their success as a breeder.

Heartland Co-op's, Bart Porter has worked with Dr. Brown over the last four years helping to create feed strategies that work best for his different breeds of horses. Purina Mills offers an all-around formula called “Strategy” that is diverse enough to feed the colts, maintenance horses and even those that are ridden daily to keep up their strength and energy. With approximately 14-16 horses on the property a versatile feeding strategy is important. Heartland also supplies pasture fertilizer, shavings for the trailers and a steady supply of salt blocks to be on hand at all times.

If you're interested in seeing some of these racing or western pleasure horses and aren't sure when you'll make it out to Prairie Meadows next. Purina Mills visited the Brown's residence last fall and created a high-energy commercial using most of their horses, stables and some special effects that you can view on their website.

As a result of their success, National Geographic has contacted them to do a pilot program focusing on horse owners and barn designs, horse nutrition, etc. Who knows? If all goes well, the whole series might be shot right here at our back door and we'll have some local equestrian celebrities supporting our co-op. ■



SAVE THE DATE
FOR
**THE
2009
ANNUAL
MEETING**
ON
SEPTEMBER 15, 2009

2 SESSIONS WILL BE HELD AGAIN
AT PRAIRIE MEADOWS
IN ALTOONA
(MORE DETAILS TO COME
LATER THIS SUMMER)



News from Director of Western Grain Origination Ron Groskreutz

Weather is starting to become a bigger factor in determining where the grain markets are heading this year. The Iowa farmers are getting their crops in the ground at a decent rate as the neighboring states to the east

are lagging far behind. While the uncertainty in weather and growing conditions makes a person reluctant to make grain sales, history tells us not to miss the opportunities provided during spring and/or early summer months.

For the past 20 years the market high tends to fall between March 15th and June 27th in corn and between March 15th and July 25th for soybeans. Producers are encouraged to make plans for marketing their grain through the various alternatives provided by Heartland Co-op. We offer Cash, Hedge-to-Arrive, Basis, and other premium type contracts to our patron.

These past 20 years have seen major changes in the agricultural industry. Yields have increased due to better technology in equipment, chemicals, seed treatments, GMO seed, and other farming practices. This time period has also seen a dramatic increase in price volatility. The Chicago Board of Trade prices used to move a couple of cents in a week. Now we may experience days

Where Are Grain Markets Heading

where grain prices have 30 to 40 cents swings in the same day. Though growing the crop is still as important as ever, selling the crop has taken on some additional importance. With a market move of over 60 cents in December futures in the last 2 months, profitability is tightly linked to marketing.

While the Chicago Board of Trade prices are typically supply driven, basis on grain is demand driven. The bean market has been inverted, with nearby prices being higher than the deferred summer and harvest prices. This inverse has forced Commercial Grain Companies to sell company owned stocks, and farmers have also been active sellers of old crop beans. Also, the USDA projected soybean carry out continues to shrink due to above average exports. This gives us the feeling that we should see very strong, late summer and early fall, basis levels for beans.

Due to a carry in the corn market, it appears as though there will still be a fair amount of old corn yet available to the market during the late summer

period. While this may help keep a lid on the late summer corn basis, remember that the feed, rail and ethanol markets may leave some areas with a corn deficit and thereby driving basis in those locations.

I'm sure most farmers put together a spreadsheet listing the input costs for raising their crops. Once a person has determined their cost per bushel, they should market grain anytime they can sell for prices, including a profit, above that level. An old saying I have always used is, "You'll never go broke making a profit". Hopefully the comfort level for selling grain has also increased through the use of various types of crop insurance that is available to the grain producer.

While none of us has a crystal ball to foresee what lies ahead, we can use history and common sense to guide our decision making process. Market a portion of your grain during the time of year that is historically the highest, and adjust that plans as you see how the year is developing. A good rule of thumb to use would be to sell 1/3 of your crop before you plant, sell another 1/3 while the crop is growing, and sell the remainder after it has been harvested. Remember to look at the "Big Picture", the entire Midwest, when formulating your plan. Too often we only look at our own backyard when deciding what grain prices should do, and miss out on selling good prices because of this short sighted view. ■

News from Director of Precision Ag Ryan Lemke

Variable Rate Seeding Technology Gaining New Heights

The Agronomy Ag team at Heartland has had tremendous interest in auto-steer systems and planter row control that use Global Positioning Systems to drive and place seed. We have also been busy creating and applying variable rate nutrient recommendations for our customers, as well as finishing grid soil sampling this spring. I want to share with you one of our most promising programs we call our Variable Rate Seeding program.

The process of creating a variable rate recommendation for corn can be quite a task. Many factors play a role in determining proper seeding rates. I have reviewed several research articles that suggested the optimum plant population within a corn field can vary by 5,000 to 12,000 plants per acre. Other articles have suggested we must focus on potential returns based upon seed costs relative to yield potential. We must not forget to focus on yield potential, if we limit populations in high producing areas we create a plan to fail. When determining seeding rate per acre, my largest concern is calculating how far we can actually push some of the new hybrids on the market. We have a new tool that allows us to push the envelope in seeding rate technology.

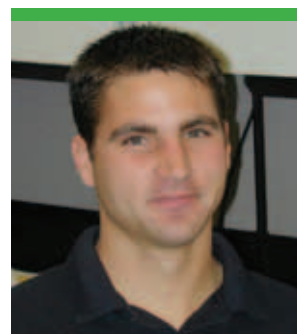


Legend	Label	Target Population
78.00 to 86.00 (10 acres)	C zone	20000
87.00 to 93.00 (12.5 acres)	A zone High	20000
94.00 to 100.00 (16.5 acres)	B zone	22000
101.00 to 107.00 (21.5 acres)	C zone High	24000
108.00 to 114.00 (27.5 acres)	A zone Low	26000
115.00 to 121.00 (33.5 acres)	A zone	28000

This tool uses historic yield data from multiple years and develops a suggested management zone map.

It allows us to use yield information from both corn production and soybean production. A normalization process is applied to determine the highest yielding areas of the field and the lowest yielding areas of a field for every year you have collected yield data. (Finally you can now get some use out of all that yield data you have collected for years!) Back to the point, creating this management zone map and using "Learning Block™" (see picture) technology from Premier Crop Systems gives us the ability to truly test smaller or larger populations in similar areas. The system is web based and automated to make the process very simple. After the recommendation is created the customer can download shape files from the website direct to a controller or import them into their own software program.

Mike Helland, a Heartland Co-op customer and Board member in central Iowa commented, "Prescription worked well and I'm anxious to see how the yields and outcome turn out this fall. The Backstrom field that I just recently planted was interesting to watch it shoot up and down making adjustments and changes... it looked like it was spot on." Mike makes a great point, the system is available year round and now is an excellent time to finish 2009 recommendations and to start thinking about next years crop plan. Creating a variable rate seeding prescription using our new system can be completed any time of the year. We also have a tremendous amount of information on many hybrids that can help you identify if a particular hybrid can even perform at higher populations. If you are interested in our Variable Rate Seeding program or have any other questions about the technology programs offered at Heartland Co-op please contact your local salesperson. ■



News from Director of Petroleum Sales and Marketing Clair Rew

DIESEL CONTRACTING – ADDITIONAL OPTIONS AVAILABLE!

We now offer diesel contracting on a more frequent basis and have also added multiple future periods to contract. Call your local Heartland location today and ask for more details.

CENEX LUBRICANTS – SPRING IS HERE!

Each of our Co-op locations carries a full line of quality Cenex lubricant products. During July of each year is our quart/case Oil Sale. Stop in for great savings.

BUDGET BILL PROGRAM

This program spreads your heating costs over 12 months, eliminating large bills during the winter.

Call today to sign up!

2009 SUMMER FILL PROGRAM

Your Petroleum Team will begin summer filling propane tanks June 1, 2009 and will end August 31, 2009. We will defer your payment of all propane delivered between June 1, 2009 and July 31, 2009 until September 25, 2009. 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.

2009-10 PROPANE PREPAY/PARTIAL PAY SUPPLY CONTRACTS

Contracting for home heating and fall corn drying will begin in July 2009. We will send you a reminder notice of this program when it gets closer to the contracting time. The propane contract this year has some major changes, so please take the time to read the flyer and the contract when you receive them. ■

Special Programs and Contracting Available



Avoiding Damaged Grain

Maintaining the quality of grain over a long period of time can be a challenge to any storage facility and even more so when the quality factors are less than ideal from the beginning. With the wetter than normal corn harvested last Fall both the co-op and our members are currently dealing with various quality issues.

To help us understand and avoid some of the complications arising from damaged grain, Heartland recently enlisted the help of Carl Reed, a Kansas State University professor who has spent his career collecting, researching and teaching science based information which focuses on physical processes which can be used in grain storage operations to decrease the risk of grain deterioration.

Initially we are focusing on the aeration of grain and we are training all employees that have responsibility in maintaining grain quality in our facilities. What we are learning is that many of the practices and beliefs that we have implemented in our operations are not necessarily the right way to do things and for the most part the reason we are doing them is that it is the way we always have done it.

A good example of this would be that a common practice is keeping corn stored in bins within 20 degrees of the ambient (average) outside air temperature has always been considered to be good rule of thumb.

This is not always true and in many cases, doesn't work. Mold is what causes germ damage in corn, not temperature. However temperature is important in that mold growth is severely retarded when dry 15% moisture corn temperatures are kept below 60 degrees. Staying within 20 degrees of the ambient temperature in places like central Minnesota and still keeping your grain at 60 degrees is easier than following the same guidelines for central Iowa. Running fans when temperatures are above 60 degrees introduces air

that can warm the grain to temperatures that molds will grow and thrive.

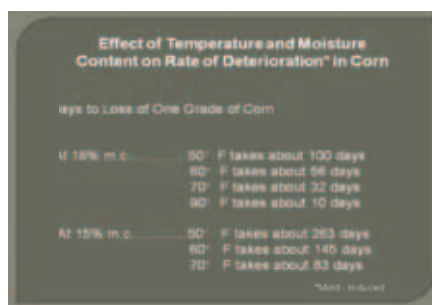
Another major consideration is that many of us are now trying to store corn at a higher moisture content than 15%. Mold begins to develop on 18% corn in about 1/3rd of the time it takes it to grow on 15% corn with grain temperatures over 60 degrees. Grain temperature and moisture content are why the ambient temperature theory does not always work.

Aeration plays an important role because it is the mechanical piece that allows us to manage the grain(s) temperature in the bin. Developing an aeration action plan early on can head off a lot of problems.

Take advantage of cooling grain during late Fall and Winter to condition grain temperatures below optimum mold growth conditions. It is not necessary to freeze grain. In most cases, it is a waste of electricity.

In Spring and Summer do not "warm up" the grain. Only air colder than the grain is useful for aeration. Grain temperature probes are widely available and a simple log of what you measure should be kept. Any variance from week to week should be monitored closely. Run aeration fans with warmer air only when trying to solve a problem like a hot spot. Develop an understanding of how long you need to run aeration fans to change the temperature of the entire mass of grain. This is easily calculated by factoring bin capacities and fan ratings.

Managing grain intended for long term storage is different than managing grain that will be shipped within a short period of time. Almost every situation is different so a plan needs to be developed prior to determining ultimate storage needs.



Utilizing Dr. Reed's approach by starting with a basic understanding of the science behind managing grain quality is just the first step. Developing facility specific storage plans and then implementing those strategies based on facts and not theories should help Heartland's employees achieve maintaining our grain quality goals. ■

Did We Help The Customer

Helping Farmers produce and market, profitably is a brand promise that the Heartland marketing dept. created to remind all of us what is truly important as we strive to achieve our business plans. Heartland's success should not only be determined by how many tons of fertilizer, gallons of fuel, or bags of seeds that we sell to our customers, but also, did we help the customer use those input products to achieve the profitability needed to sustain their business. In addition, though, we must balance this need with the need for Heartland to make a profit on those input products to sustain ourselves as a long-term business entity.

This past season has been a precarious balance for everyone. The volatility of the input markets has made it difficult to achieve both objectives in harmony with one another. Hopefully, the markets have re-calibrated this past spring, and we can, once again, move forward as trusted business partners to achieve mutual profitability and success, together.

One of the challenges we encountered this past season was contract integrity. The circumstances of the market failed to reward everyone that bought a supply contract by assuring them the cheapest price in the market. We witnessed a year when winter prepays were higher than in-season prices for both fertilizer and petroleum products. Consequently, we experienced situations when customers did not want to honor their supply contract because the current cash market was lower. An unfortunate circumstance and one that required more dialogue and understanding than past years when a supply contract was the best business decision. As a result, Heartland is working to improve our processes for positioning and marketing supply contracts.

First of all, with the help of legal counsel, Heartland is re-writing the contracts to more clearly define that the agreement is more than just an "intent to purchase" product. We want everyone to fully understand that if a contract is written, Heartland will take action to assure the availability of the product per the terms of the agreement. Often this requires Heartland to purchase product on a prepay basis with our

supplier, thus incurring costs on your behalf. We don't have flexibility if the market changes and the buyer no longer "likes" the deal. We are committed, and so is our customer. We expect a "good faith endeavor" by the buyer to complete the contract as written or accept the consequences of contract default. This doesn't mean we don't want to help you, only that we don't have the ability to absorb some of the mistakes as we may have in the past.

Secondly, we are striving to do a better job of communicating contract expectations prior to the purchase. We have drafted a revised contract agreement with common terminology for all input products. Once complete, we will endeavor to train our sales and sales support team to clearly share the terms and risk of the revised contract so that everyone understands the document is more than an intent to purchase, it is an obligation to buy and take product. Our intent is to make contract integrity an easier process even if the markets turn against us and things don't work out as planned. ■



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HEARTLAND CO-OP 2009 SCHOLARSHIP WINNERS

For the ninth consecutive year, Heartland is proud to sponsor a Scholarship Program for the youth of Heartland Co-op members who choose to further their education towards a career in agriculture. This year Heartland is pleased to award nine (9) \$1,000 scholarships to high school graduates and/or current college students who are enrolled in an agricultural program at an Iowa college or university. Also, in partnership with Agriculture Future of America (AFA), Heartland Co-op is proud to award two (2) \$3,200 scholarship awards to two high school seniors which will include a summer internship with Heartland Co-op the summer of 2009. All 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 15, 2009. The students, along with the names of their parents and the schools they will be attending this fall are listed below.

AFA \$3,200 winners



Bethany Olson
Daughter of
Rod & Terri Olson
Jewell, IA
Attending ISU
Major:
Agricultural Business & Economics



Taylor Petersen
Daughter of
William & Crystal Petersen
Gladbrook, IA
Attending ISU
Major:
Animal Science/Pre-Vet

\$1,000 winners



Chelsey Branderhorst
Daughter of
Bryan & Deb Branderhorst
Prairie City, IA
Attending ISU
Major:
Animal Science



David Bruene
Son of
Jeff & Cheryl Bruene
Gladbrook, IA
Attending Marshalltown
Community College
Major: Agriculture



Matthew Burt
Son of
Allen & Dee Burt
Marshalltown, IA
Attending ISU
Major:
Agriculture Business



Amanda Folkmann
Daughter of
Dale & Sandra Folkmann
Marengo, IA
Attending ISU
Major:
Animal Science/Pre-Vet



Allison Henry
Daughter of
Keith & Marie Henry
Indianola, IA
Attending DMACC
Major:
Agriculture Business



Clint Hodson
Son of
Ralph & Jacque Hodson
Ackworth, IA
Attending ISU
Major:
Animal Science/Pre-Vet



Codie Johnson
Daughter of
Vernon & Lynda Johnson
Wellsburg, IA
Attending Ellsworth
Community College
Major:
Swine Management &
Agricultural Education



Benjamin Novak
Son of
Ted & Tracy Novak
Elberon, IA
Attending Kirkwood
Community College
Major:
Agriculture



Ross Williams
Son of
Lane & Teresa Williams
Knoxville, IA
Attending ISU
Major:
Agricultural Engineering



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Alleman 515-685-3541 866-613-0094	Kellogg 641-526-8236 800-845-1075	Malcom 641-528-2535 800-273-4485	Redfield 515-833-2953
Belle Plaine 319-444-2154 800-328-2667	Laurel 641-476-3427 800-861-7275	Marengo 319-642-5529	Reinbeck 319-788-6831 800-717-2667
Blairtown 319-454-6411	Colo 641-377-2253 800-397-9513	Melbourne 641-482-3206	Rippey 515-436-7411 800-442-7411
Booneville 515-996-2295 800-244-8579	Conroy 319-662-4100 800-272-6422	Minburn 515-677-2256 800-422-0298	Slater 515-685-3571 800-779-3571
Cambridge 515-383-4345	Dallas Center 515-992-3767 800-362-0305	Mingo 641-363-4250	Stanhope 515-826-3226 877-255-3506
Carlisle 515-266-4215	Des Moines 515-262-2522	Mitchellville 515-967-4288 866-605-8167	Traer 319-478-2147 888-243-2149
Chelsea 641-489-2724	Elberon 319-439-5382	Montezuma 641-623-5727	Washburn 319-296-1392
Collins 641-385-2334 800-448-4028	Enterprise 515-964-2390	Napier 515-292-2323	Waukee 515-987-4511 866-616-8495
Grundy Center 319-824-5466 800-319-7775	Gilman 641-498-7495 800-493-6019	Newburg 641-498-2553	West Des Moines 515-225-1334 800-513-3938
Hartwick 319-525-2311	Holland 319-824-6638 800-375-6638	Panora 641-755-2114 800-422-0914	Winterset 515-462-4611 866-605-8168
Indianola 515-961-2505 800-992-2505	Lincoln 641-473-2640 800-392-2667	Pickering 641-478-3296 800-542-7887	
Jewell 515-827-5431 800-728-0017	Luther 515-795-2386	Prairie City 515-994-2651 800-383-0723	
	Luzerne 319-434-6211	Randall 515-328-2315 800-334-1182	
	Madrid 515-795-3047		

THIS SUMMER PLEASE WELCOME HEARTLAND CO-OP'S NEW INTERNS:



Front Row: Nick Diers (Pickering), Samantha Holland (Kellogg), Michael Sandquist (Dallas Center), Ryan Augustine (Malcom), Tyler Underwood (Helena), Austin Brandhof (Prairie City)
Back Row: Joe Vonnahme (Redfield), Ethan Smidt (Conroy), Carlton Ness (Randall), Adam Mann (Malcom), Matt Schnabel (Holland), Daniel Brandhof (Rippey).