

Lifeline



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A Message From the CEO/General Manager - Larry Petersen



Six Months In

Financial Results

As of December 31, Heartland closed the books on the first 6 months of business. I am pleased to report that we are experiencing another solid year of financial performance. Although these results are less than experienced last year, we are exceeding our budgeted numbers. It should be noted that the budget was set below last year's record performance but at the second best level in the history of the Company.

There are many factors that influence the bottom line results of Heartland Co-op experienced thus far. Several of these may be consistent over a longer period of time, but many issues are unique to this time period. Proving to be positive to our bottom line in the first 6 months of operations are the factors listed below.

- The average corn moisture this past harvest season was very high and accounted for additional drying income.
- Our harvest bushel take of both corn and soybeans were at record levels.
- We are experiencing a high amount of propane usage due to the high moisture content of corn at harvest and extreme cold temperatures this winter.
- There was a large amount of post application of crops that brought additional revenues into this fiscal year.
- We are benefitting from some of the lowest interest rates experienced for many years.
- As last year's record results unfolded, additional maintenance and repair costs were used in that fiscal year permitting lower costs this year.

- Because of the investment performance over the last several months, we are anticipated a reduction in the funding needs of our defined benefit plan.
- The costs of vehicle repairs, maintenance and fuel have been below expectations.

Conversely, there have been factors sighted below that had a detrimental impact on our first 6 months' results.

- This year's harvest has created corn with lower density characteristics resulting in storability issues and lessened shipping alternatives.
- Because of the late harvest, lower grain storage revenues have been experienced.
- With the late fall harvest the ability to apply a normal amount of fertilizer was hindered.
- After our operating loans were syndicated last year, we have been burdened with additional bank fees.
- Our grain sales and margins this year will be down compared to last year because of the large amount of grain sold in the July and August time frame last year.
- Since the insurance premiums for inventory coverage are determined during the following fiscal year, last year's high inventory values have impacted this year's insurance costs.
- Some of the locally owned regional cooperatives have experienced decreased financial results producing less patronage dividends for Heartland.

With the good results experienced in the first half of this fiscal year, expectations are high that end of year results will be above budget and close to last year's results. I would like to thank our customers for their support during the first half of this fiscal year. Additionally, I would like to give a special thanks to the Heartland employees for all of their efforts displayed during this time period.

Board Planning Conference

One of the most fundamental responsibilities of a Board is to set the long term direction of an organization. Each year the Heartland Board conducts a planning conference to fulfill their obligation of reviewing the long term plans of the Company. Many organizations including Heartland conduct this planning meeting away from the home area to allow for undivided attention over an extended period of time. Occasionally, the Board has decided to travel to an area where a local agriculture venture of interest can be viewed and studied in conjunction with handling the planning process review.

This year's planning conference was held in the Carmel-Salinas Valley in Monterey County, California. This geographic area was chosen because it is a region where corn from Heartland is shipped and provides a view of a region that is facing many government regulations that impact production agriculture. There is an overwhelming feeling that the regulations on agriculture in California may foreshadow expected regulations in other parts of the country including Iowa.

Monterey County is located on the Pacific coast of California, its northwestern section forming the southern half of Monterey Bay. The county has a total area of 3,771 square miles which is roughly 6.5 times larger than an average Iowa county and 1.5 times larger than the state of Delaware. The coastline, including Big Sur, State Route 1, and the 17 Mile Drive on the Monterey Peninsula has made the county world famous. The city of Monterey was the capital of California under Spanish and Mexican rule.

The economy is primarily based upon tourism in the coastal regions, and agriculture in the Salinas River Valley. The agriculture production value in 2008 was \$2.8 billion with the 10 highest grossing crops being leaf lettuce, strawberries, head lettuce, nursery, broccoli, grapes, spring mix, spinach, misc. vegetables and celery.

The Heartland Board had an opportunity to participate in a guided bus tour of the region to view firsthand agriculture production in the area. One of the highlights



of the agriculture tour was a visit with Lou Calcagno the owner of Moonglow Dairy at Moss Landing. The dairy is within sight of the Pacific Ocean and lies next to Elkhorn Slough owned by the Calcagnos. Even though dairy farms were the foundation of agriculture production when this area was first settled, Moonglow Dairy is only one of two remaining in the entire county.

Calcagno, a Moss Landing native, followed a 75-year family tradition when he became a dairyman. He's been a leader in the industry, serving in the past as chairman of the California Milk Advisory Board, the National Dairy Promotion and Research Board and the California Co-operative Creamery, which has 450 members. He also served on the state Coastal Commission and the Monterey County Planning Commission, and has been a member of the Monterey County Board of Supervisors since 1999. He is a charter member of the Monterey County Agricultural and Land Conservancy and the Elkhorn Slough Estuary and Sanctuary Foundation.

With the help of other knowledgeable speakers, Mr. Calcagno led the Board through a discussion of the many regulations and environmental groups that impact not only his dairy operation but the operations of producers in the entire valley. As shown by his involvement in several organizations he has attempted to understand the positions of groups that have a stake in the environmental condition of the region. The speaker group emphasized

that it was vitally important to be proactive in any legislative matters that pertain to agriculture. These individuals wish they could go back 10 or 15 years to help craft legislative that seemed not intrusive at the time but later expanded into unwanted regulations that proved to be harmful to farming operations. Also, they emphasized it was imperative that producer groups come together to form a united front to protect producers against unwanted legislation and regulations that would be harmful to their long term existence.

By the account of those attending this was one of the better planning conferences held by the Heartland Board. Lou Calcagno and his speaker group was one of the main reasons for this year's successful planning conference.

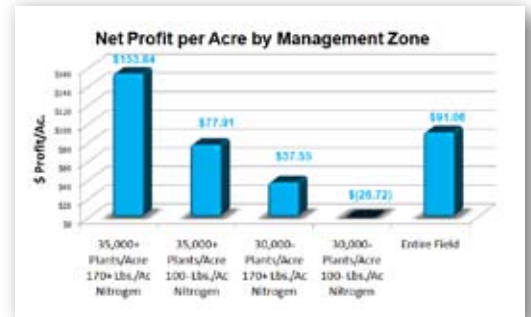


Ryan Lemke - Director of Precision Ag

Integrated Agronomic Technology

We are very excited to share with you our integrated agronomic technology program coined "Matching Nutrient Placement with Seed Placement". The goal of this program is to optimize your agronomic program in terms of seeding rates and nutrient applications. In short we look at historic yield data to determine areas of your fields that historically produce high yields year after year. These are the areas that we can

have the greatest impact of improving your financial bottom line by matching seed populations with proper nutrient rates. This program also gives you the ability to back off of areas that historically do not produce primarily due to moisture or soil factors. During the 2009 crop year we tested our program in several areas. One specifically took place in Jasper County. In this trial we focused on Nitrogen rates and Plant populations. We varied the nitrogen rates between 100lbs. and 170lbs. We also varied the plant population rates between 30,000 plants per acre and 35,000 plants per acre. The results were as expected and show significant yield drops in lower input zones. The top range of 35,000+ plants per acre and 170+ lbs. of nitrogen netted 194.5 bu/ac, while the lowest category netted 136.8 bu/ac. Beyond that applying estimated costs of crop production data from ISU (FM-1712 Revised Dec. 2009), including the varying costs from seed and nitrogen application the top range of 35,000+ plants per acre and 170+ lbs. of nitrogen area netted \$153.84/ac net profit using a market price of \$3.97/bu. See reference graphs for more detail on the breakouts by management type. For more information on this study please contact your local agronomist.



Ron Groskreutz - Director of Western Grain Origination



The History Lessons Of Spring And Summer

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 40 years the market high tends to fall between March 15th and June 27th in corn and between March 15th and July 25th for soybeans. Furthermore, this same time period has contained the high 12 of the past 15 years, or 80% of the highs. Producers are encouraged to make plans for marketing their grain through the various alternatives provided by Heartland Coop. We offer Cash, Hedge-to-Arrive, Basis, and other premium type contracts to our patron.

One of the contracts that we offer is an Averaging Price Contract. This contract sells bushels each marketing day from April 1 through June 30. The thought is to take advantage of this historical high time of year, by selling a small quantity of grain on each marketing day during this 3 month period. The price established during this time period should average up to and through the high of the year, thereby coming up with an above average price for the life of this futures month.

You can choose any CBOT futures option that you wish to sell, i.e. March, May, July, September, or December.

So if you decide to sell 5000 bushels of December futures in this manner, we will take the 5000 bushels and divide it by the number of marketing days during that 3 month period, and price that many bushels at the end of each trading day.

The final price will be the weighted average of the increment prices plus or minus the basis established by the producer. The farmer may price the as yet un-priced portion or this contract any time that the CBOT is open during the three month sell period. The daily priced bushels and the single day pricing of the previously un-priced bushel will then be averaged together to create the producers average pricing level.

The market may not offer you a profit when you want to sell, so you may need to sell when the market is offering you a profit. We have found that selling 12 to 18 months ahead may be your best sale. Don't pass it up. "You'll never go broke making a profit".

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 Global Market, 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.



Dave Coppess - Exec. V.P., Sales & Marketing

Helping Farmers produce and market, profitably.

Certified Crop Advisors Recognized

Recently, the Agribusiness Association of Iowa (AAI) sponsored a banquet to recognize the top CCA's in Iowa, as selected by Iowa's CCA Board of Directors. Heartland is very pleased share that our own, **Mike Gannon was selected as "Iowa's Crop Advisor of the Year"!** This is a tremendous honor and we're very proud of Mike's achievement.

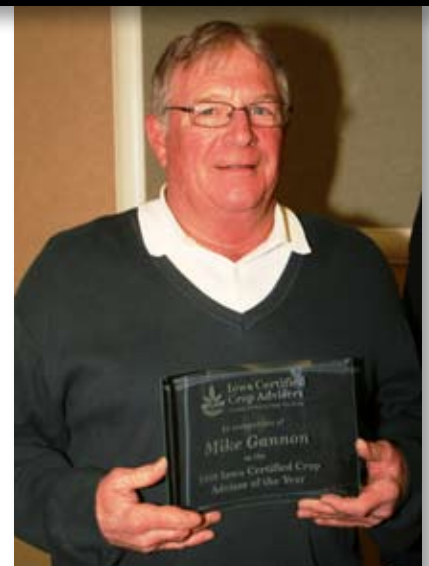
Mike works in the Jasper County geography of Heartland's trade area. He's been a main-stay for greater than 21 years as a crop advisor with a portfolio of more than 25,000 acres he helps plan and advise throughout the growing season. His passion for helping his clients grow a successful crop has set Mike apart from his peers.

The Certified Crop Advisor (CCA) program was created in the early 1990's by the American Society of Agronomy. It was designed to differentiate persons making crop production recommendations by certifying their skills and credibility based on peer reviewed standards established by the Society. An elite testing and certification process was created and implemented to evaluate agronomic knowledge in seed, crop nutrition, crop protection, precision technologies, soil and water stewardship, and a host of other disciplines. Candidates are held to an extremely high standard of working knowledge coupled with extensive practical

experience to become Certified Crop Advisors. CCA also requires annual continuing education credits to maintain certification, and acknowledge only the top professionals in the industry can achieve and retain this qualification.

Heartland had seven (7) other CCA's whom were also recognized for their years of service as a CCA. Those include: **Mike Higgs**, Slater; **Jon Maakstad**, Jewell; **Jay Foster**, Panora; **Jerry Fintel**, Elberon; **Tom Danker**, Pat Dailey, and **Dennis McLeod**, all at Belle Plaine.

Heartland is proud of all 23 CCA's that are employed at Heartland to provide superior agronomic recommendations and advice for our customers. We've always felt providing this expertise creates additional value and helps us uphold our brand promise to "help farmers produce and market, profitably". We hope you agree with the importance of this role as we, collectively, strive to produce and market the food, fiber, and fuel necessary to supply the nation, and the world.





Gary Mohr - Director of Feed

Kopriva Awarded Master Pork Producer of 2009

Jim and Sandi Kopriva of J&S Quality Pork, a pork producing team were named Iowa Master Pork Producers from Tama County this year. They found out about this honor last December and were officially recognized for their outstanding efforts during the 2010 Iowa Pork Congress on January 27th.

Jim's roots in the pork industry go back three generations when he began his career as a 4-Her in his youth. Jim and Sandi have been dedicated pork producers for 31 years. They stopped farrowing in 1999 and built two state of the art finishing buildings with auto sorting systems that year. Today they finish 6000-6500 pigs each year in those barns.

Jim and Sandi have four daughters and the good fortune to have three of them living within 3 miles. And they enjoy seeing their 3 grand-daughters and their grand-son whenever possible. They combine their pork production with 600 acres of row crop in a 50-50 corn-soybean rotation.

Jim and Sandi are both very active in the daily hog operation. Sandi is a nurse by training which gives her insight and skills with the animals. Jim has a passion for pigs and spends time managing the

daily needs of the pigs with a careful twice daily walk through process and monitoring of pig performance and pig comfort. And both Sandi and Jim appreciate the skilled help they receive from their Heartland Animal Enterprise Specialist, David Halvorsen. Jim says if we are ever puzzled about something they'd call David.

Jim and Sandi credit attention to details and being open to new technology and ideas for their success. They are always looking for ways to improve their operation and believe those using the same concepts can keep a place available for young people who want to enter the pork industry.

The Koprivas have also been very active in giving back to their community. They like to do that by donating high quality and wholesome Pork that they have produced. Jim and Sandi have been recognized for those efforts by area organizations also.

Heartland adds our congratulations and thanks Jim and Sandi who demonstrate such great citizenship and set such high standards for other pork producers.



Marc Melhus - Vice President of Operations



This Past Winter Was Very Hard

People have complained a lot about this Winters weather and the heavy snowfall. Fortunately, the early March weather promises better things to come and there is hope we will be through it soon. The Winter has been hard on both people and facilities. Kudos to our employees who we ask to deliver feed, petroleum or haul grain. These guys are on the road every day and in all but the worst weather they were out there making sure our customers received what they needed in a timely manner. As a group, given the awful driving conditions, we have experienced very few problems which says a lot about the quality of drivers within our company.

The heavy snowfall was also especially hard on several of our larger flat storage roofs. Conditions were just right to cause weight from the snow to splinter rafters and cave in roofs at Avon, Cambridge, Indianola and Winterset. At Avon, repairs were just about completed when another adjoining section decided to come down. All of these buildings have been or soon will be repaired. You may want to check your outbuildings for possible damage.

We also experienced a rare phenomena during the period of extremely cold temperatures. While airing a bin in that late December early January time frame, the warmer air from the grain condensed at the roof and eventually froze over the vents and eaves of the bin which then proceeded to pop the roof. Although not unheard of, it is somewhat unusual for this to happen. Apparently during that period of cold weather, various parts of the state experienced the same thing affecting both elevator and farmer bins.

Hopefully, Winter is behind us and we can start looking forward as the agronomy locations have been busy working on ammonia and application equipment in anticipation of a busier than normal Spring Season. We have a lot to get accomplished. The late Harvest prevented many of you from getting any nitrogen applied and we think we are less than 1/2 done with the normal dry fertilizer and ammonia run. Demand for toolbars, tanks and application equipment is going to be strong. Please get your orders in early and work closely with your agronomist and location employees to make sure your needs

are met. With a little help from Mother Nature and by working together our staff will be up to the challenge of a busy Spring.

Late last Spring I talked about some training that our cooperative embarked upon attempting to utilize science and physics as it relates to maintaining grain quality for extended periods. Although the bean harvest was somewhat normal and the quality was generally adequate, the corn quality left a lot to be desired. The combination of high moisture and low test weights has complicated the maintenance of stored corn to the extreme.

Since early December I have had repeated reports of "hotspots" developing in bins and areas of bins where there have never been issues discovered before. I have heard this from both farmers and our elevator operations guys. To say the least, this has been very frustrating to manage.

Charlie Hurburgh, Professor-in-Charge of the Iowa Grain Quality Initiative at Iowa State University recently posted a webinar in which he talks specifically about the challenges we face trying to store the 2009 crop. The information provided is excellent and is timely as we head in to the warmer months.

You can view the webinar at the following link. <http://connect.extension.iastate.edu/p72291359/>

Be safe this Spring.

Lange New Location Manager For Redfield

We would like to introduce Kevin Lange as the new location manager for Redfield, Iowa. He started his new duties March 8, 2010. Previously Kevin was a Certified Energy Salesman with Heartland (CHS) and prior to that worked out of our Waukee location when it was originally Farmers Coop in 1998. He brings with him not only a diverse background of the industry but understands Heartland's culture and our customers. Please feel free to stop by and introduce yourself to Kevin this spring when you have a moment at our Redfield location.



Chuck Barnes - Certified Energy Salesman



Petroleum News

New And Improved Diesel Additive Package

Diesel fuels can vary widely by supplier. But a true premium diesel fuel, like Cenex® Ruby Fieldmaster® and Roadmaster XL® can increase both the performance and life of your diesel-powered equipment. You'll notice the difference—more power, better fuel economy, less maintenance and reduced emissions for cleaner air. That's because Ruby Fieldmaster and Roadmaster XL are specially formulated to meet the rugged demands of your business. It contains a high-quality base fuel and a complete, balanced additive package that work together to provide optimum engine performance. Ruby Fieldmaster has been proven to reduce fuel costs, protect your engine, and maximize power. Ruby Fieldmaster is also blended with soy biodiesel as a lubricity enhancer and clean-burning alternative fuel made from domestically-grown soybeans. It protects the moving parts in your engine better than any other fuel on the market.

Cenex has upgraded and improved the Ruby Fieldmaster/Roadmaster XL fuel additive package that Heartland Co-op offers to its' customers. Cenex has been working with its' additive supplier to put together a formulation that will combat some emissions standard issues that have popped up in the common rail fuel delivery systems that are on the newer motors available. They have been testing this new package for peak performance of the additives to provide Heartlands' customers with a decided advantage in the fuel that they use. So what does that mean for you? This means that Heartland Co-op's premium fuel just got even better! Heartland Co-op and Cenex are among the first to offer this newly formulated premium fuel in the market place. This additive package is formulated for the optimum fuel performance and will ensure that your equipment will perform at its' best too. There will be no need to add any other additives because it is already in the fuel. Please feel free to contact your regional salesman for further information on the premium fuel that you are getting.

CONTRACTING PROGRAMS Refined Fuels & Propane

Heartland Co-op offers its customer refined fuels and propane programs to allow them to make choices. We offer a fixed price contract which allows you to lock in a price and we also offer a price at the time of delivery. This is the customer's choice to make. If the customer feels the price is going to be higher, they can lock in a fixed price and their price will not go up. Each customer must call us if they wish to contract. If they think the price is going to be lower, then they have the choice to not contract and pay the price we offer at the time of delivery.

The contracts we build with our suppliers are built upon the agreements and contracts signed just like the customers - with a fixed price. In order to honor our supplier contract commitment by taking delivery, we require all of our customers to honor theirs as well.

The petroleum market has become very volatile in the last few years. Contracting is not always the right answer every year. No one knows which direction the market will go. Customers should use caution when contracting. Contact your local Heartland location to find out what refined fuel and propane contracts are available.

EQUIPMENT - Farm Fuel Tank Program

If you are a fuel customer of Heartland Co-op and you would like to add more diesel storage or just upgrade the tanks you have, now is the time.

- Program Ends: 5-01-10 or while supply lasts
- 10 year payment program – or sale price is:
 - 560 gal tank setup w/o meter \$1,738
 - 560 gal tank setup w/meter \$1,923
 - 1,000 gl tank setup w/o meter \$2,152
 - 1,000 gl tank setup w/meter \$2,338
- Plus applicable taxes
- Call today for more details on these tank systems!
- **Kevin Lange** 515-240-3663 – West area
- **Adam Wissink** 515-231-9047 – Central area
- **Chuck Barnes** 319-231-5319 – East area
- **Jewell** 515-827-5431 – Minburn 800-422-0298
- **Alleman** 866-613-0094 – Belle Plaine 800-328-2667
- **Grundy Center** 800-319-7775

THANK YOU FOR YOUR BUSINESS!



PO Box 71399
Des Moines, IA 50325-0399

Address Service Requested

HEARTLAND CO-OP LOCATIONS

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

WWW.HEARTLANDCOOP.COM

Producer Checklist

1. Review Seed Placement
2. Forage Seed Needs
3. Soybean Seed Treatment
4. Begin Taking Possession of Seed
5. Spring Grid Soil Sampling
6. Headline Promotion \$75.00/Gallon Rebate
7. Instinct Nitrogen Stabilizer for UAN 32% and Manure applications
8. Hydra Hume contact your agronomist about applying with your dry fertilizer.
9. Consider Starter Fertilizer with the potential cool and wet spring.
10. If you are increasing your plant populations have you taken added N needs into consideration?
11. Sign up for crop scouting
12. If you are getting new equipment can we help with your precision ag needs?