

Lifeline



A Message From the CEO/General Manager - **Larry Petersen**

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Strong Start To 2010-11 Fiscal Year



The first six months of operating results at Heartland indicate a financially strong start to the 2010-11 fiscal year. Results surpassed both budget and last year's figures. During

the remainder of the year, Heartland normally experiences results that are break even. If we repeat that scenario this year, we would experience a very solid year that would rival the results of the past two years. However, this may be a year when that will be more of a challenge.

As usual there are several factors leading to the solid performance of the first six months of operations. Some of these will continue to positively impact our bottom line for the remainder of the year. Some of these specific items include:

- Excellent grain quality allowing for reduced costs and longer term storage.
- Although our take of corn in the fall was disappointing, bean receipts were at record levels.
- The relatively higher grain prices have produced higher amounts of grain purchases earlier in the season.

- To this point of time we have experienced favorable grain basis and spreads.
- We have continued to benefit from historical low interest rates.
- The low moisture content of the corn at harvest positively impacted our dryer fuel and utility costs.
- Excellent fall weather conditions led to a large amount of fertilizer application.

On the other hand, there are factors that have been detrimental to results. Some of the factors that have negatively affected our bottom line results include:

- Initial expenses tied to the purchase and assimilation of the operations of the Roorda Feed Centers and Grain Elevators.
- Reduced corn receipts at harvest due to substandard corn yields.
- Drying income declined substantially as compared to the last two harvest seasons.
- Because of the dry crop conditions at harvest, propane deliveries were drastically reduced.
- Timely shipments of grain on certain railroads have been hampered by inadequate rail service.
- The summer weather conditions encountered during the early part of the fiscal year, decreased post chemical application.

- Although the long term view is positive, the loss of the Pioneer dealerships will negatively impact current year revenues.
- Escalating commodity prices have increased borrowing needs which have led to higher interest costs.

These results would not be possible without the support of the Heartland customer base. Thank you for choosing Heartland as your input supplier and handler of your grain output. 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

Again this year in the month of January, the Heartland Board of Directors spent a number of days considering the long term direction of Heartland Co-op. The Heartland Board regards this undertaking as a major responsibility of a Cooperative Board. To allow for undivided attention on this task Heartland conducts this process overview at a site away from the home area. If possible the Board has chosen to conduct the meeting at a site where a local agriculture venture could be viewed and studied to increase the awareness of the larger picture of agriculture.

This year's planning conference was held in the Tampa Bay, Florida area. This area was chosen because of the proximity to phosphate mining in this geographic area. It was the Board's intent to view the area that supplies the phosphate needs for a large percentage of the world grain production. It also formed the basis of additional discussions at our planning conference on the world production and shipping of fertilizer products. Undoubtedly, this new world scope of fertilizer handling will have an ever increasing impact on supply into our market area.



Before our tour of the phosphate mining facilities, the Heartland Board took a side trip to SMR Farms, Bradenton, Florida. While in the area the Board felt it would be constructive to view a farm with production that is unfamiliar to upper Midwest farmers. The contrasting production modes and practices would be educational and give an appreciation of different regional cropping systems.



Back row: **Jim Schimelfenig, Mark Vogel, John Parker, Warren Schildroth, Dale Johnson** Middle row: **Dan Taylor, Mike Helland, Stewart Maas, Brad Olson, Donn Anderson** Front row: **Vernon Flinn (Secretary), Art Churchill (President), Doyle Drake (Vice President)**

SMR was chosen because of the unique history of the Company and the vast diversification of production. In 1922, The Uihlein family, founders of the Schlitz Brewing Company, acquired over 48 square miles of land east of I-75 in Manatee and Sarasota counties, at the southern reaches of the greater Tampa Bay area. The Uihleins pursued timber and ranching activities on the property creating what is today Schroeder-Manatee Ranch, Inc. (SMR). Over the intervening years, SMR has expanded to include the award-winning master-planned community of Lakewood Ranch, SMR Aggregates, The Sarasota Polo Club, and the diversified agricultural operations of SMR Farms.

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A Message From the CEO/General Manager - **Larry Petersen**

Board Planning Conference

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With the experience of over 80 years in the industry, SMR Farms has become a leader in Florida agribusiness. SMR Farms produces sod and improved turfgrasses, containerized and field-grown trees, premium Brangus and hybrid cattle, and citrus for both the juice and fresh-fruit markets on more than 31,000 acres. With their experience, resources and personnel SMR Farms has earned a reputation for quality in everything it does. Because natural resource management plays a large part in every land management decision, SMR has become a nationally known leader in environmental stewardship and water management.

The Board next toured CF Industries phosphate rock mine and ore beneficiation plant in Hardee County, Florida. This mine contains more than 22,000 acres of phosphate reserves. At the current annual rate of mining, 3.5 million tons of phosphate rock, this mine will support 23 years of mining. Because gaining mining permits is an ongoing challenge, presently, 14 years of those reserves are fully permitted.



One of the highlights of touring the mine was to view one of the large mining draglines used at the Hardee County facility. The draglines are positioned at the mines to maximize their efficiency and minimize the distance to the beneficiation plant. Distance is important because the mined ore and water are mixed to form a slurry which is pumped from the draglines to the beneficiation plant. The plant upgrades the slurry by eliminating impurities such as sand and clay and produces phosphate rock.

The beneficiation plant ships that phosphate rock via unit trains to the company's phosphate fertilizer manufacturing complex in Plant City, Florida. To complete



the manufacturing process the plant receives ammonia and sulfur via rail and truck from its Port of Tampa operations. The Plant City facility, one of the largest integrated ammonium phosphate fertilizer complexes in the U.S. is ideally sized to the company's mining and beneficiation operations. This plant each year converts the phosphate rock into approximately 2.1 million tons of diammonium phosphate (DAP) and monoammonium phosphate (MAP). The finished product is shipped via rail and truck to customers and to the company's Port of Tampa warehouse for cross-Gulf and export sales.

The Board member's felt this tour of the farm and phosphate facilities were very informative. They were particularly amazed to learn of the amount of processing that took place to make one ton of fertilizer and the corresponding cost incurred.



Clair Rew - Director of Petroleum Sales & Marketing

New Heartland Diesel Offerings

Petroleum News

NEW DIESEL CONTRACTING PROGRAM – Cardtrols!

We now offer diesel contracting at our cardtrols. Call your local Heartland location today and ask for more details.

CENEX LUBRICANTS – Stocked up for Spring!

Each of our Co-op locations carries a full line of quality Cenex lubricant products. Stop in and load up on your spring needs.



PROPANE – Programs available!

It is time to review our propane programs.

- 1. Budget Billing** – This program spreads your heating costs over 12 months, eliminating large bills during the winter.
- 2. Automatic Fuel Delivery** – Sign up for this program! You don't have to watch your propane tank, we do it for you. The program also saves you from having to pay for expensive Out-of-Gas fees if you happen to run out of propane.
- 3. Summer Fill** – The best time over the years to buy propane has been in the summer time. This program period is June through August. Any propane delivered

in June and July is deferred till your August statement and is due September 25th of each year with pre-approved credit.

4. Propane Contracting – You can lock in your propane price for home heating and corn drying. Prices may go down during the heating and corn drying season, but we will offer you a price to lock in and you can make the decision to contract.

2011 SUMMER FILL PROGRAM

Your Petroleum Team will begin summer filling propane tanks June 1st and will end for the year on August 31, 2011. We will defer the payment of all propane delivered between June 1, 2011 and July 31, 2011 until September 25, 2011. A notice will be sent out to all of our propane customers around the June 1st to inform you that it's time to top off your LP tank.

2011-12 PROPANE PREPAY/PARTIAL PAY SUPPLY CONTRACTS

We have a contract price available now if you are looking to lock in your home heating and fall corn drying needs for 2011-12. In the future we will have a contract price available in advance of our normal contracting period of July and August.

WE THANK YOU FOR YOUR BUSINESS!



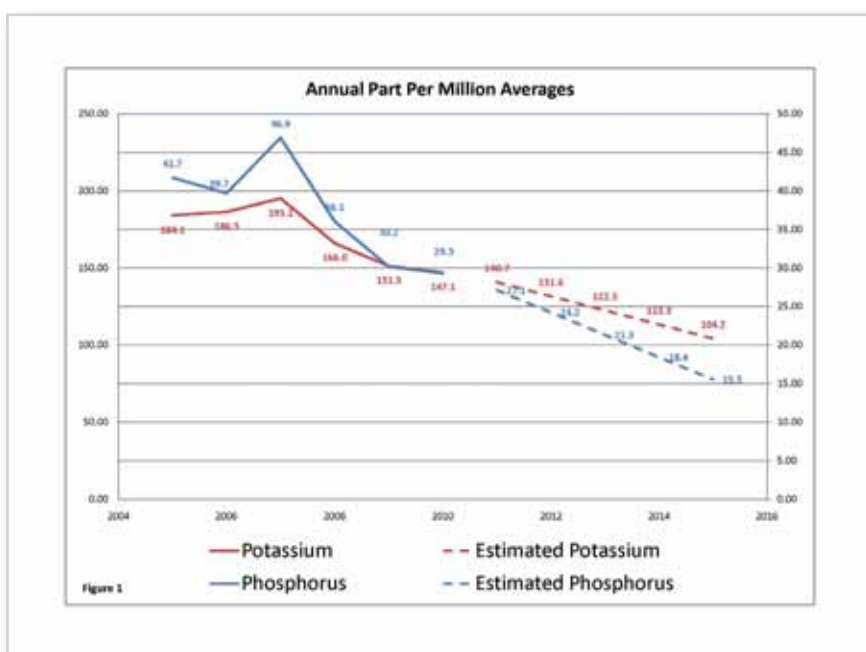


Ryan Lemke - Director of Precision Ag

Nutrient Deficit Gaining Ground

We continue to see new trends occurring with soil test levels. Specifically, P & K levels, as noted in Figure 1., are dropping below historical levels and trending downward. We have documented this data across our trade area since 2005. You can

see that we have had an average of 5.8% drop in phosphorus and 4.1% drop in potassium. This equates to a drop in P levels of 12 ppm and K levels of 37 ppm. Based upon the trend if we continue fertilizing at current rates we will potentially see K levels around 100 ppm and P levels of around 15 ppm.



This is not just a local trend. With the assistance and cooperation of numerous private and public soil testing laboratories, the International Plant Nutrition Institute (IPNI) periodically summarizes soil test levels in North America (NA). As indicated by the attached maps the 2010 summary of soil test levels in NA show a change in median Bray P1 equivalent soil test levels from 2005 to 2010 of -3 ppm in Iowa and -6 ppm in NA. The change in soil test K levels from 2005 to 2010 indicate a change of -11 ppm in Iowa and -4 ppm in NA. For more information on a detailed version of this report please visit <http://info.ipni.net/soiltestsummary>.



There are many indicators pointing to a decline in soil test values in Iowa and elsewhere. One possible explanation has been the release of new information documenting hybrids with biotechnology traits require more fertilizer. This specific study proves that new hybrids could be require as much as 27% more nutrient uptake. For more information please visit <http://www.mosaicco.com/about/1599.htm>.



Marc Melhus - Vice President of Operations

CSA 2010

About a year ago I wrote that the D.O.T was preparing to hold companies that use heavy trucks much more accountable as to the safety of the vehicles we drive. The federal D.O.T. has now implemented CSA 2010. Although there is still a lot that remains to be seen the new regulations are going to force sweeping changes upon the trucking industry. Some good, some bad.

What is CSA 2010?

Comprehensive Safety Analysis 2010, CSA 2010, is a new Federal Motor Carrier Safety Administration (FMCSA) safety program to improve commercial trucks operating safety and ultimately reduce crashes. It introduces a new enforcement and compliance model that allows FMCSA and its state partners to contact a larger number of carriers earlier in order to address safety deficiencies before crashes occur. The goal of the program is to create a new nationwide system that will make the roads safer for motor carriers and the public alike. The new program will provide a more comprehensive and understandable safety profile which will better pinpoint the area(s) of safety deficiencies, and will more effectively identify high crash-risk behavior.

There will now be seven basic categories in which both the companies that own commercial vehicles and the drivers themselves will be tracked and rated.

1. Driver Fitness
2. Unsafe Driving
3. Fatigued Driving
4. Controlled Substances/Alcohol
5. Crash Indicator

6. Vehicle Maintenance
7. Improper Loading/Cargo Securement

Much of this system is based on the documentation that our drivers will generate to satisfy several of these categories.

Scores will be based on a rolling 24 month average and when the category score gets too high the DOT will expect that a plan is initiated to get the score back in compliance. As long as a company is successful, nothing happens and life is good. Failure to do so is not so pretty and ultimately could mean the loss of a company's driving privileges.

From a safety perspective, CSA 2010 is a very positive change for the driving public. These changes should make our highways much safer as we go down the road. (pun intended)

The new system will create some challenges as our industry adjusts but will result in a good driver becoming a better driver due to the attention to detail that the driver will have to become acclimated to.

The majority of our members who own their own trucks will remain unaffected by CSA 2010. If you are not hauling for hire and do not require a DOT number, then you will not be held to these same standards. However if you are hauling for hire you will be held to all of the same standards as the rest of the industry.

It remains to be seen what the long term affects will be. Many think that driver shortages are in our future and that higher freight rates are inevitable. Although ag related activities have an exemption in Iowa, we all will be impacted by virtually everything else we use in our every day life.

These changes have had a huge impact on Heartland due to the fact that our fleet consists of over 400 vehicles. More than 200 of those vehicles, and their 300 drivers, are and will need to stay CSA compliant for Heartland to operate with minimum restrictions. So far so good.

Location Manager Changes



Effective January 3rd, 2011 **Steve Matthews** assumed the responsibility as location manager for the Melbourne and Mingo locations. Steve was most recently employed by FC Coop.



Effective March 7th, 2011, **Dave Tomlinson** assumed the responsibility as Location Manager for our Redfield location. Dave's most recent job was working as the location manager at Prairie City.



Effective March 7th, 2011 **Jeff Jones** assumed the responsibility as location manager for the Prairie City location. Jeff was in charge of sales accounting and scale and counter activities.

Gary Mohr - Director of Feed



Heartland's Part in the Food System

Livestock producers of all types are working with historically high input costs, especially for feed.

Alternate ingredients to corn and soybean meal

have come into every day use for all meat and milk producers in unique ways. Heartland has worked with many of you to optimize the benefits of those ingredients and to keep in mind the impact of any actions we take on the overall market.

The overall market today includes the domestic and the global market for food. Pork producers today export twenty per cent of their product and beef producers rely on exports to support their market in a similar fashion. On the feathered side of the proteins, one of the most profitable divisions of Kentucky Fried Chicken world wide is in China. What we used to refer to as "Third World Countries" are very desirable food consumers for the future. With the export markets in the balance it makes good business sense to choose the nutrition you put in front of your livestock carefully so that you achieve the best performance and income over cost that is possible.

Heartland has recently updated our "standard" swine finishing diets with increased levels of DDGS. Before making those changes we did extensive analysis of the DDGS products we are buying from both quality and nutritional aspects. We have also examined as much animal performance and meat quality data as possible to insure that these diets will maintain producer costs and pork quality for long term sustainability.

We know that many systems utilize much higher levels of alternate ingredients for swine than our current recommendations and that may be correct for what they are trying to achieve. Heartland has avoided the current maximum inclusions we witness until there is good data on the efficacy of those diets for the animal and the production system as a whole. We also know that all of these alternative ingredients have the potential to continue to change as plants desire to extract as much value from the raw products they buy as possible.



One of the most likely examples of this today is that ethanol plants will be tempted to spin off corn oil. This is a "fractionating process" to capitalize on the current high value of fats and oils in the market. We are continuously evaluating and testing ingredients we receive to know when any given plant does something like this because it changes the nutritional value of the product for your livestock.

Last year Heartland had a special focus on vomitoxin and other mycotoxins in corn and DDGS to prevent the negative impact of those compounds on production. Today the levels we detect are much lower and safer, but we continue to monitor those feedstuffs to protect your bottom line. We monitor ingredient quality similarly on all the ingredients we use in feed and will adjust our testing and analysis to meet current needs and concerns. This is part of Heartland's commitment to our producer owners.

Producing for a Global Food System will provide many opportunities for livestock producers in the future. This also creates an increasing number of responsibilities for livestock producers and for the Heartland Co-op. We continue working to be a reliable partner for Central Iowa meat and milk producers feeding the world. If you would like to know more about Heartland's Feed Programs please contact me or one of our other Animal Specialists.

April Checklist

- q Finalize Precision Hardware – Planter Clutches and Guidance Systems
- q Seed Treatment on Soybeans
- q Register for Planned Crop Monitoring with Your Heartland Co-op Agronomist
- a Tissue Sampling – Foliar Micronutrients
- a Put plans in place for CoRon split applications of Nitrogen
- q Make plans for early fungicide applications
- a Ratchet – LCO promoter on corn and soybeans
- a View the new Ag Zibbit videos on the Heartland Co-op website under the agronomy tab.

Precision Ag Team

Trimble EZ-Guide 500 Trade In Program

Now is the perfect time to upgrade your EZ Guide 500 to Trimble's new CFX-750 Display!

For a limited time, customers who purchase a new Trimble® CFX-750™ display can receive a free unlock to the next level of accuracy when they trade in an existing EZ-Guide® 500 system.

The CFX-750 display is the newest touchscreen display from Trimble. It offers affordable guidance, steering, and precision agriculture capabilities.

CFX-750 display supported features:

- Field-IQ™ crop input control system for planting, variable rate, spraying, spreading, and strip-till
- WAAS, OmniSTAR, RTK, and GLONASS capable
- Large touch screen display, wireless connectivity available, remote joystick available
- EZ-Steer® assisted steering, and Autopilot™ automated steering system support

This amazing deal won't be around long so act fast! Contact your Heartland Co-op precision ag specialist for more details.

Thomas Fawcett 515-975-7843
Logan Handsaker 515-249-1659
Andy Scarrow 515-344-7409

Ask about our other Trimble promotions available for a short time only:

1. FmX Trade-In Program
2. FmX GPS 2 Promo
3. RTK to GLONASS Promo
4. Greenseeker Promo



Dean Ohrt - Eastern Grain Origination Director



Beating The Average

It is mid March and we find the agriculture community preparing to turn many months of planning into a crop. Markets have attempted to give price incentive to planting what is needed to satisfy the tremendous demand for food and bio production. Prices have rallied to near record

highs but most of us still struggle with making the right sale and keeping our marketing perspective.

We are looking at very tight carry outs for virtually all the grains and oilseed crops. There are not a lot of similar years as they only come along about every 4-6 years. Price rallies in grains come about due to concerns about either supply or demand. Supply rallies are more common and usually arise from concerns about quantity and or quality. The unknown is usually rectified in a fairly short time. Demand rallies

such as we are experiencing this year tend to be of much longer duration and more extreme. Demand is simply much more difficult to curtail. One should not underestimate demand markets and the extremes they can achieve.

Looking at our marketing, it is important to recognize that corn and soybeans are in an inverse from old crop to new crop. The market wants the physical bushels and will worry about the new crop more as we get into critical growing periods. One needs to be aware that the basis and the futures usually will not achieve their highs at the same time. Hedged bushels need to have the basis established in an orderly fashion so the grain can be moved prior to the market inverse. Our origination staff at Heartland Co-op will be glad to help you with this process.

"Beating The Average" is a simple tool to help us keep our marketing perspective. The average price in grain marketing terms is very good. It is like hitting 300 in baseball. Beating the average will put you in the 375-400 league.

Markets seldom move higher than 110% to 115% of the January average. The January average is used as that is the time of the year when the market knows the least about the crop to be planted, knows very little about the weather for the year ahead. The market pays the most for what it doesn't know. If we can beat that average, history shows us we will be in the top 20% of the price range for the year. There are many ways to use this tool but the simplest is sell above the average and don't sell below the average.

Heartland Co-op has many marketing tools and contracts to help you achieve your marketing goals. Our origination team is always available for you. Give us a call.

Beating The Average				
	Corn		Soybeans	
Averages	July 2011	Dec 2011	July 2011	Nov 2011
2011 High	745	654	1512	1400
January AVE 2011	648	568	1409	1312
March 16, 2011	624	649	1295	1251
% of Jan Average	96%	97%	92%	95%
2011 Year to Date	687	587	1404	1322
% of YTD Average	91%	94%	92%	94%
110% of Jan Ave	714	625	1550	1443
115% of Jan Ave	745	653	1620	1509

New Agronomy Employees



Adam Millang
Malcom Sales Agronomist

Adam is our new Sales Agronomist at Malcom. Adam comes to us from Paton, Iowa where he served as their area agronomist. Adam grew up in Rockford located within Floyd County. He has also worked for the Pinnacle Group writing manure management plans. Adam is an ISU graduate with an agronomy degree.

Sima Nayeri
Proprietary Product Specialist

Sima is our new proprietary product specialist working across the Heartland Co-op trade territory. Sima comes to us from Kelley, Iowa where she worked for Land O' Lakes/WinField Solutions. Sima grew up in Bondurant on a row crop farm and raised and showed cattle and sheep. Sima is an ISU graduate with an Ag Studies degree with an emphasis on agronomy.



Heartland Intern Elected



Samantha Bissell
Heartland Co-op Intern

This February, Heartland Co-op had one of their interns elected as the Postsecondary Agricultural Students of Iowa (PAS) President. Samantha Bissell is a PAS member originally from Massena, Iowa and will help lead the state organization as the 2011-2012 Iowa PAS President.

Samantha is a sophomore at Des Moines Area Community College (DMACC) Ankeny Campus, majoring in Ag Business and plans to transfer to Iowa State

University in the fall to major in Agronomy. While in high school, she was an active member and officer with the CAM FFA chapter, president of student council, and captain of both the basketball and volleyball teams. At DMACC, Samantha has been active in the Ag Business Club as a committee chair, active member of PAS serving as one of the four 2010-2011 state vice-presidents, and competed at the 2011 national PAS conference college bowl.

Serving out the PAS mission "Uniting Education and Industry in Agriculture," Samantha currently is interning with Heartland Co-op in the seed treating and crop scouting fields and will be interning with Land O' Lakes in the sales and marketing division this summer.



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	Marengo 319-642-5529	Randall 515-328-2315 800-334-1182
Belle Plaine 319-444-2154 800-328-2667	Gilman 641-498-7495	Melbourne 641-482-3206	Redfield 515-833-2953
Blairtown 319-454-6411	Grundy Center 319-824-5466 800-319-7775	Minburn 515-677-2256 800-422-0298	Reinbeck 319-788-6831 800-717-2667
Booneville 515-996-2295 800-244-8579	Hartwick 319-525-2311	Mingo 641-363-4250	Rippey 515-436-7411 800-442-7411
Cambridge 515-383-4345	Holland 319-824-6638 800-375-6638	Mitchellville 515-967-4288 866-605-8167	Runnells 515-966-2349 800-245-6221
Carlisle 515-266-4215	Indianola 515-961-2505 800-992-2505	Monroe 641-259-2157 800-659-2157	Slater 515-685-3571 800-779-3571
Chelsea 641-489-2724	Jewell 515-526-5431 800-728-0017	Montezuma 641-623-5727	Stanhope 515-826-3226 877-255-3506
Colo 641-377-2253 800-397-9513	Kellogg 641-526-8236 800-845-1075	Napier 515-292-2323	Traer 319-478-2147 888-243-2149
Conroy 319-662-4100 800-272-6422	Laurel 641-476-3427	Newburg 641-498-2553	Washburn 319-296-1392
Dallas Center 515-992-3767 800-362-0305	Lincoln 641-473-2640 800-392-2667	Newton 641-792-5169 800-800-5169	Wauke 515-987-4511 866-616-8495
Des Moines 515-262-2522	Luther 515-795-2386	Panora 641-755-2114 800-422-0914	West Des Moines 515-225-1334 800-513-3938
Dexter 515-789-4230	Luzerne 319-434-6211	Pickering 641-478-3296 800-542-7887	Winterset 515-462-4611 866-605-8168
Elberon 319-439-5382	Madrid 515-795-3047	Prairie City 515-994-2651 800-383-0723	
	Malcom 641-528-2535 800-273-4485	Prairie City West 515-994-2631	

WWW.HEARTLANDCOOP.COM



Randy Sunderman - V.P. of Information Technology

Enhancements To Accessing Your Information

We have made several more changes to the customer only section of the website. You can now combine multiple accounts to a single account. This way you can navigate between several of your accounts without the need to log out and back in. We have had this feature for several years, but now you can manage the setup to your accounts.

There are two new options on the website to view your information. The 1st new option is 'Grain Sales Summary'. This option allows you to select a date range and it will display the bushels and dollars in grain sales. You can click on the corn or bean line and see the details that make up those bushels and dollars. You can also click on a grain settlement and see the entire detail of the grain sold. Most of the screens have an option to 'email report'. This will email a copy of the information in a better format to be printed. The 2nd new option is 'Inquire to

Selective Statement'. This option is similar to the printed monthly statement, but with some nice enhancements. You can select a date range, press enter and it will display new information for that date range. If you page down to the bottom, the total dollars and units purchase in that time period is displayed. The best feature of this option is the report that can be e-mailed to you. The printed report looks different than the screen. The report separates your prepay usage into a 2nd column. This report is very easy to read and understand how your prepay dollars were used. Give these two new options a try and let us know how we can help make it easier for you.

We have a couple of other options available for you to get your information. You can receive text messages up to 4 times a day of our grain bids. This information can help you with knowing what the markets are currently doing. You can select the delivery location and commodities you want to receive in these text messages. These text messages are delayed 10 minutes from the CBOT and has our basis applied for the current locations price. Contact your Heartland location if you are interested in offering grain for sale.

Another option is to have your scales tickets for the previous day emailed to you. The report can be sent to you in Excel spreadsheet or sent to you as a report. Contact your local location for help getting yourself setup with these two services.