

Lifeline



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

Fortunate Developments For Heartland



Heartland Co-op recently announced it has agreed to purchase Grainco, Inc. with facilities located in Dexter, Iowa. Grainco was owned by Doug, Keith, Kevin and

Brent Findley and has been a family owned and operated Company for many years in Dexter. The parents of the four owners, Wayne and Irene Findley, began operations at this location in 1977. Heartland started conducting business at this location on December 30, 2010.

Other than a small amount of feed business, the location is a grain only business. The facility has a total capacity of 2.7 million bushels consisting of concrete constructed working bins and additional storage in steel bins, flat storage, and outside covered piles. This location has the ability to load 30 rail cars on the Iowa Interstate Railroad. The facility has a 2000 bushel per hour Zimmerman grain dryer and a 100,000 lb. capacity truck scale. The site is located on 6 acres of land within the city limits of Dexter.

Keith Findley, one of the owners and former general manager, will stay on as the location

manager at Dexter. This is a fortunate development for Heartland. Because of Keith's millwright skills, the current well kept condition of the facilities can be maintained in the future. With the exception of the bookkeeper, all of the other employees will continue on as Heartland employees. The customer base will see very few changes in the day to day operations of the location.

One of the advantages this acquisition brings is the addition of another rail access point. Because of the geographic proximity of existing Heartland locations, there may be times when the Dexter load out becomes a viable option for grain shipments from other Heartland locations. Grain may be transported into the Dexter location for shipment by rail to capture marketing advantages.

Even though this location did not handle agronomy or petroleum products, it will be our intent to make these offerings available to the customers in the Dexter area. Since we do not anticipate adding facilities for these products, our current infrastructure will be used to provide products and services to this area. Additionally, sales efforts will be expanded to cover this new trade territory.



As we all have observed over the past several years, the face of production agriculture continues to evolve at a seemingly escalating pace. This fact dictates that your input supplier and marketer of grain has to adapt to be sustainable. Part of that change is a continuation of consolidation of providers of these services. Yes, not everyone is comfortable with these changes, but not facing the brutal facts and fighting the changes is not the answer. Our answer has been to be a participant in the consolidation of the grain marketing and input supplier system. By taking this path it is our expectation that we can continue to uphold our objective of "Helping farmers produce and market grain profitably".

Tom Hauschel - Executive Vice President Grain

The Impact of Volatile Markets



The volatile markets that the Grain Industry has experienced over the past three years have brought many things to all the people involved in the Industry. The emotional experience ranges from joy and exuberance to anger and frustration. The economic side brings many different opportunities and challenges based on each individual's situation. As a whole, market volatility has brought prosperity to our region of the country. The Heartland Co-op membership has done a very good job of marketing and managing their revenue by utilizing the various marketing tools available to

them. I have heard many comments from our members wishing they had not sold so much grain using forward contracts or by utilizing any of the specialty contracts available to them, but the facts remain:

- Seven months ago corn was \$3.50 per bu
- Carry over corn stocks were expected 1 billion bu higher than today

- Corn market has traded over \$5.00 per bu 2x ever, and 6x over \$4.00
- Rain has made grain every year but two - 1993 & 2010

One must remember these facts when making decisions to sell grain at profitable levels and historical high values. My first boss always taught me "We are not in the business of speculation; we are here to manage the business profitably. If we are going to speculate we only need a desk and phone not grain assets." This advice still holds true today in both the farming and elevator segments of your business. We cannot market all of the grain at the highest flat price or highest basis level, but we must market it at levels and times that manage our revenue and cash flow needs appropriately.

I would also like to keep you informed of the impact on capital utilization as a result of the volatility. Heartland keeps a fully hedged position at all times, meaning that when a member sells 5,000 bushel of beans or corn, futures are sold to offset the market moves from that point forward. The next day the CBOT requires an initial margin be deposited to guarantee performance against the contract. That initial margin for a bean contract is up to \$3,500 or 70 cents per bushel.

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Tom Hauschel - Executive Vice President Grain

The Impact of Volatile Markets

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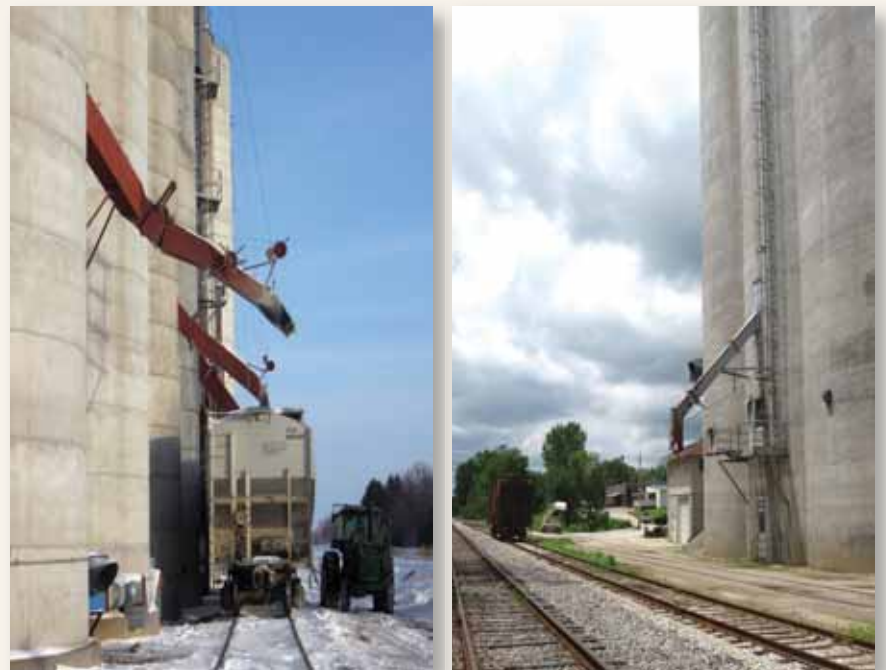
If the market moves higher as has been the case this year Heartland must margin the contract which means sending the CBOT the exact amount of the market move each day. For example purposes, lets use the scenario that a member sold new crop 2011 beans in October of 2010 at \$10.50 and the market is now \$13.50. Heartland must send Chicago \$.70 initial margin and \$3.00 maintenance margin, today in January 2011 nine months before harvest \$3.70 has already been utilized in cash to manage revenue. The decision to sell was a good decision based on the fact that beans have only traded higher than that level six other times in history, but the unintended consequences/expense for the Coop system as a result of market volatility is an additional \$.12 per bushel in interest cost on the associated margin calls until the beans can be shipped into the normal physical markets and

generate the cash needed to pay the margin call loan back. In today's financial world Heartland must have \$1.20 of available working capital "cash" in order to have the ability to borrow the necessary dollars to margin the contract. Each member has repeatedly heard Larry or myself stress the importance of the local earnings needed by your cooperative to create the necessary working capital to meet the Banking regulations which ultimately drive the rules of grain contracting and the availability of contracts for the Membership to utilize while managing the revenue of their individual farm. While Heartland Co-op and its membership have made great progress in building a balance sheet which supports the needs of the Members' marketing plans as well as the marketing plans of the Cooperative, much more capital is needed to meet the expectations of both the membership and bank. Today the bank will not finance 2012 crop margin calls and Heartland does not have available cash to support a marketing plan which includes three marketing years (2010, 2011, 2012), so we believe that more capital is required to support the risk management needs of the Cooperative family.

Execution of Heartland's Reinvestment and Growth Plan

As has been discussed in prior newsletter articles and at member information meetings, Heartland Co-op continues the execution of its asset reinvestment and growth plan. During this past year Heartland has increased the pace of spending and the total dollars reinvested in your grain assets. The single most important step in this process is continued strong earnings. Strong local earnings have built the balance sheet to the level that allows for the increased reinvestment into the business. The \$34 million increase in working capital and the \$25 million growth in Member Equity are two of the main factors which give the Board of Directors, Bank, and Management Team the confidence to reinvest in your grain business at the current pace.

During the past six months the Board of Directors has approved \$14 million of reinvestment into existing grain facilities as well as the purchase of five privately owned elevators. These new elevators operated in the current trade area of Heartland Co-op and meet the long term strategic plan objectives of adding Rail Road diversity and increased market arbitrage capabilities. The Runnells elevator is served by the Norfolk Southern (NS) and Burlington Northern Rail Roads (BNSF). Runnells is the only Heartland elevator directly served BNSF and becomes the third NS loader. Dexter adds rail loading capacity on the very Western edge of the

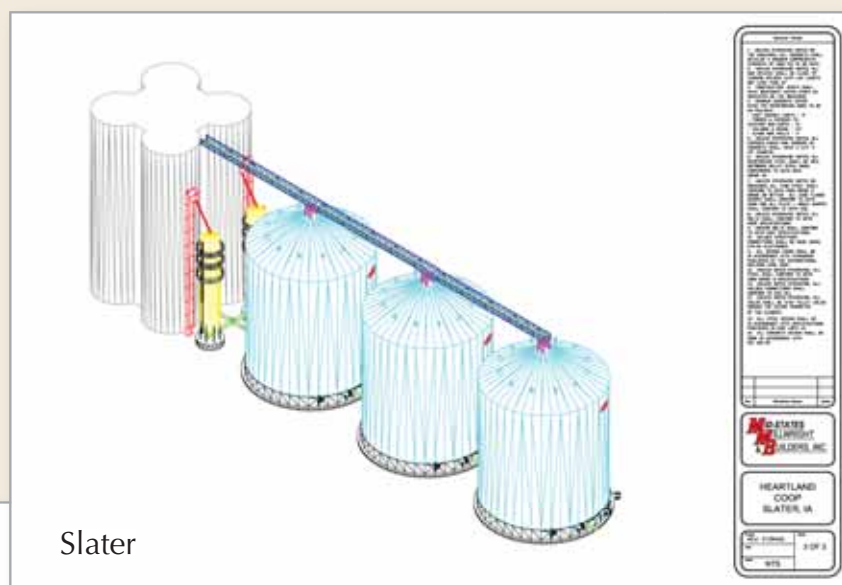


trade area and makes the sixth Heartland location served by the Iowa Interstate Rail Road. Newton, Monroe, and Prairie City bring additional volumes to critical truck markets as well as providing bushels geographically located to arbitrage between the truck markets in the Central region and our long standing Eastern Rail markets.

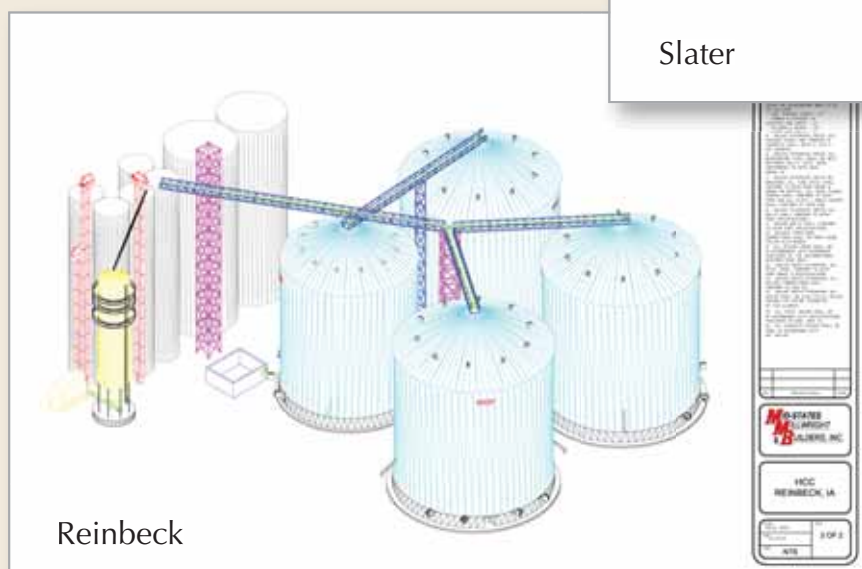
Construction 2011

The construction projects approved for the upcoming year will add 4 million bushels of storage capacity and two new corn dryers at six different locations. The projects range from adding a single bin to developing a complete new elevator complex at Minburn. The first project is currently under construction and will add 1.2 million bushels of storage in two jump form concrete bins at Pickering. Reinbeck will construct a 500,000 bushel bin and a new dryer. Malcom will add a 550,000 bushel bin and enhance the rail loadout system. Colo is building a 500,000 bushel bin and adding to the grain conveying system, and Slater is replacing the corn dryer and adding a 400,000 bushel bin. The most extensive project of the upcoming year will be the establishment of a new elevator complex on the North edge of Minburn. The current Minburn location has a

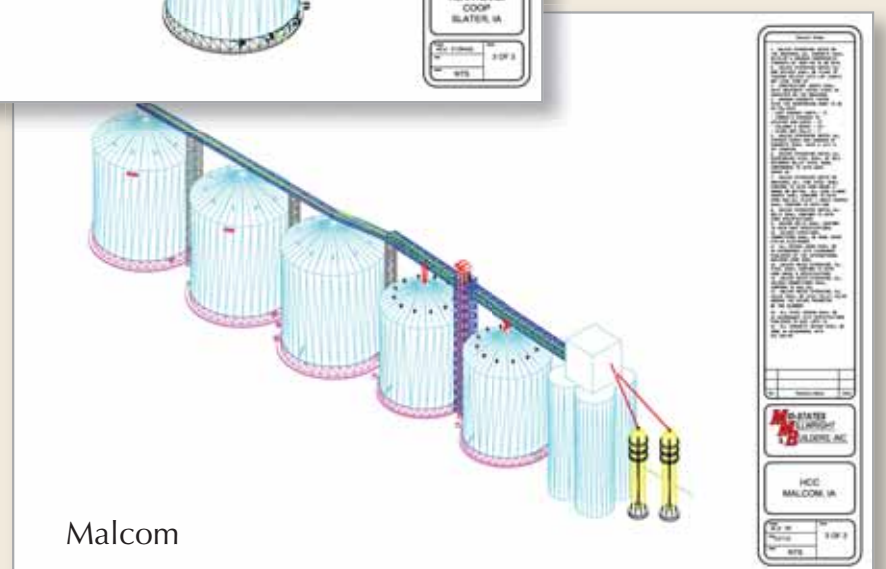
storage capacity deficit of 1 million bushels and the existing elevator property does not have available space to construct the needed receiving pits and grain bins to meet the needs of the membership. After many years of planning land is being developed to meet the current and future needs of the area. This summer new roads, grain receiving, and 890,000 bushel of storage capacity will be constructed in time for the upcoming harvest season.



Slater



Reinbeck



Malcom



Adam Wissink - Certified Energy Salesman

New And Improved Diesel Additive Package

Petroleum News

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.

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: 5-1-11 or while supply lasts
- 10 year payment program – or sale price is:
 - 560 gal tank setup w/o meter \$1,767
 - 560 gal tank setup w/meter \$2,032
 - 1,000 gal tank setup w/o meter \$2,181
 - 1,000 gal tank setup w/meter \$2,446

- Plus applicable taxes
- Call today for more details on these tank systems!
- **Adam Wissink** 515-231-9047 – West/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!

Precision Ag Team

Heartland Develops Precision Ag Training Sessions

These sessions are devoted to growers who are currently using Ag Leader or Trimble products for planting, NH₃ application, and guidance. We will be covering pre-season preparation of your precision equipment, common troubleshooting procedures, variable rate programs, new products for 2011, and have an open Q&A session.

Training dates:

Wednesday, March 2nd at the Ankeny Diner, 133 SE Delaware Ave. Ankeny, IA 50021. 11-2pm

Thursday, March 3rd at the Pizza Ranch, 2305 S Center St. Marshalltown, IA 50158. 11-2pm

Friday, March 4th at Heartland Co-op in Conroy, IA. 11-2pm

For more information and to register please contact **Andy Scarrow** at 515.344.7409

Ways to Maximize Your Potential in 2011

- Save on seed cost by implementing planter clutches. Increase yields in headlands by reducing over-population.
- Utilize the abilities of your precision display. Most displays are multi-functional. Your yield monitor can most likely provide section control, variable rate functions, or auto steer for a minimal cost. Let us help you get the most out of your equipment.
- Put your yield and soil sampling data to good use by working with your Heartland Co-op agronomist to develop a variable rate nutrient and variable rate seeding program that matches the unique characteristics of every field. Invest your resources on the ground that consistently produces payback.
- Use your hardware to gather yield data and record your application data to determine what management decisions need to be made to get the most out of every acre.

Precision Specialists:

We have three specialists dedicated full time to precision equipment. If you ever have any questions or need some advice, don't hesitate to utilize their knowledge.

Thomas Fawcett (West Region) - 515.975.7843

Andy Scarrow (North & East Region) - 515.344.7409

Logan Handsaker (Central Region) - 515.249.1659



NEW!

Ag Leader introduces advanced seed tube monitoring for the Integra display at no additional cost. Growers looking to eliminate yield robbing problems such as poor seed spacing and singulation will find this system extremely valuable and easy to use.

Heartland Co-op is a proud partner with the following companies:



Precision Ag Team



NEW! County Wall Maps are available to order. Give your office a professional appearance when this 4' x 4' map hangs in your office. The map comes laminated to allow dry erase markers for customization. All counties in Iowa are available for order. The imagery data source is USDA-FSA-APFO NAIP County Mosaics, and the base data including roads and sections were collected from the US Census Bureau. Each county map is approximately 24 miles by 24 miles. Stop by your Heartland Co-op location today to see a sample and place your order!

Ron Groskreutz - Director of Western Grain Origination



See How Your Marketing Plan Compared

While the markets have put in their low's on September 8, 2009 at \$3.02 and this past year on

June 29, 2010, December futures bottomed out at \$3.43. Take off an average fall delivery basis of -.50 under the December futures for Oct./Nov. delivery, and you could have found yourself selling cash corn as low as \$2.52 and \$2.93 the last two years. Things have changed dramatically in the past three months. The Chicago Board of Trade has rallied back from it's June low to nearly \$3.00 per bushel higher.

Let's take a look at some price comparisons to see how your marketing plan compared.

In 2009, the average price of fall delivery for the year was \$3.43, while the average price of contracts written by farmers for fall 2009 delivery to Heartland Co-op was \$3.74.

In 2010, the average price for fall 2010 delivery of corn was \$3.68, while the grain contracted for that same delivery period was an average of \$3.79.

So far, for fall 2011 delivery, the average daily price has been \$4.02. The average contract price written for next fall delivery is at \$4.56.

So even with the big rally that we have experienced this year, the contracted prices have exceeded this level.



Heartland Donates to Friends Of Rippey - FOR

John Pinegar location manager of the Heartland Cooperative at Rippey recently announced a \$10,000 contribution to the campaign to change a portion of the former Masonic Building into a new library and community room. The Heartland donation along with others will help to secure additional funds through grants from private philanthropic foundations.

Friends of Rippey, FOR, was given the challenge by the Rippey Mayor and City Council, and the Rippey Library Board to raise an estimated \$200,000 for refurbishing of the former Masonic Lodge building. The Friends of Rippey are very pleased that local businesses as well as individuals are providing funds to use as seed monies for this major project. The recent biscuit and gravy breakfast generated \$500, and the Greene County Board of Supervisors allowed funds from the Louis Dreyfus account for \$5,000. Currently \$70,000 has been secured during the three week fund raising effort.

Prior to the Library moving, installation of windows, enlargement of the entrance on the south, increased wiring, and general interior remodeling must be done to allow the library to function. It is expected this will be done during the upcoming winter months. The new library will share space in the community room for library crafts, movies, as well as story time. There will be general sharing of storage, restrooms, and the kitchen area.



Rippey Mayor - Dan Brubaker, Heartland Co-op Location Manager - John Pinegar, Rippey Library Board President - Jean Borgeson

Additional fundraising will continue from development of a cookbook, activities around the Bike Ride to Rippey, and contributions from businesses and individuals. FOR is a 501 c 3, and donations are tax deductible. Donations may be mailed to the Friends of Rippey, Box 52, Rippey, Iowa 50235.

2011 CROP INPUT FINANCING LOAN

Ultra low interest financing is available with Heartland Co-op for your 2011 crop input purchases

Prepay Purchases 3.50%APR*

In-Season Purchases 5.50%APR*

Third Party Purchases 6.50%APR*

*Variable interest rate as of 1/12/2011
Contact your local Heartland Co-op salesman

or call **Neal Tapken** 515-974-4337



Corey Hillebo - Proprietary Products Specialist



Fixing Potential Problems

Tissue sampling and micronutrients have been buzz words in the agriculture industry lately. In 2010, Heartland Co-op decided to be a leader in the industry and be one of the first to promote tissue sampling on a large scale. With the help from Heartland Co-op's fourteen interns, Helena

Chemical Company, and Midwest Labs we launched a tissue sampling campaign to make sure we stay on the leading edge of agriculture and crop production. Through many hours of hard work we managed to collect over 320 tissue samples for Heartland Co-op customers alone. With the data collected in 2010 combined with Iowa based tissue sample data history from Midwest Labs, we were able to establish a baseline of tissue sampling data for our trade area.

In the past, tissue sampling has been used as a reactive program. This is where samples would be taken to determine what the problem was in a field showing visual deficiency symptoms. While being reactive is better than doing nothing at all, we still want more. By being reactive we know what the issue is in the field, but almost 99% of the time it is too late to help the situation during that growing season. We can combat this issue by being proactive with our tissue sampling. Being proactive allows us to sample the fields before visual symptoms appear, giving us the advantage of finding and fixing potential problems before they have a large impact on final yield. Sampling about a week before post application, should allow for ample time to have a sample sent in and analyzed so the right steps can be taken if there is an issue.



Bethany Olson tissue sampling last summer during her internship.

Micronutrients play a vital role in a plants life cycle, yet they are not needed in relatively large quantities especially when compared to macronutrients such as N, P, and K. Each individual micronutrient has a function within the plant. For maximum yield the crops need to perform their best in every function. Without ample amounts of the micronutrients, a certain function or functions could fall short; this could severely rob yield potential. Some of the nutrients we are going to monitor closely for 2011 in corn are Potassium, Boron, Manganese, and Zinc. These are nutrients that consistently came up low or deficient throughout most growth stages. Sulfur is a micronutrient that gets a lot of attention. Around 10% of the time Sulfur was low or deficient until about tassel. After tassel, Sulfur became deficient over 50% of the time. Soybeans were a slightly different story, we found Nitrogen, Manganese, Sulfur, Copper, Boron, and Zinc had quite a few instances where they were low or deficient. By finding these deficiencies early, we have the chance to fix them. Heartland Co-op offers many of the highest quality foliar nutrition products around. These come from Helena Chemical Company. If there is an in season issue or a supplemental feeding desired, Heartland and Helena offers a high quality and agronomic solution.

The world is growing exponentially and crop land is shrinking. The race to 300 bushel/acre corn and 100 bushel/acre soybeans is real and it needs to happen in order to keep every mouth fed. Genetics can only get us so far on yield. Each bag of corn seed has a potential of over 500 bushels/acre. This tells us that the potential is there, but we are not managing the stresses to the plant as well as we could be. Mother Nature is a stress that we cannot control, but a plant's nutrition is one thing we have a pretty good say in. By utilizing tissue sampling, it allows us to get a look at how the crops are doing during the growing season. In 2011 we plan to launch another tissue sampling campaign and help producers with their in season crop fertility. At fewer than twenty dollars per field, it is a very good investment and could catch a yield robbing problem before it gets out of hand.

To learn more about last year's data, foliar nutrition, or tissue sampling for 2011 please talk to your local Heartland Co-op Agronomist or the Proprietary Products Specialist- Corey Hillebo (515)371-2808 chillebo@heartlandcoop.com



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
Belle Plaine 319-444-2154 800-328-2667	Gilman 641-498-7495	Melbourne 641-482-3206	Redfield 800-334-1182
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 515-827-5431 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	Waukee 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

February Checklist

- Review your 2011 business goals & plans with your Agronomist and Grain marketer.
- Finalize any remaining pre-pay plans.
- Review yield data with your agronomist.
- Order Precision Hardware – Planter Clutches, Guidance Systems
 - Thomas Fawcett – 515-975-7843
 - Logan Handsaker – 515-249-1649
 - Andrew Scarrow – 515-344-7409
- Take advantage of Headline Promotion \$100/gallon rebate.
- Check out other grower rebates with your Agronomist.
- Review Crop Insurance Policies with Optimum Service Group
 - Nate Schechinger – 515-710-0174
- Register for Planned Crop Monitoring in 2011 with your agronomist.
- Place your County Map Order