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Vote YES to update the SLC Articles of Incorporation

SLC was organized 15 years ago when five cooperatives pooled their resources to build a platform of a strong cooperative to serve members in Iowa and Southern Minnesota. Since 1996 we have seen corn yields increase over 30 percent, grain prices have increased 200 to 300 percent, fuel has more than doubled in price. As your cooperative continues to grow and operate in this changing world, your board of directors have reviewed StateLine Cooperative's Articles of Incorporation and felt that it is time to update the Articles to get current with the Iowa Code as well as address the issue of term limits for your directors.

*Your StateLine Cooperative
Board of Directors
supports these changes
and asks that you
vote to approve the updated
Articles of Incorporation.*

In addition to dropping the term limit requirement, Iowa Code 499 has been updated by the Iowa legislature over the past 15 years. Article II, Article III, Article VI, Article VII, Article VIII, Article IX, Article X, Article XII, Article XIV, and Article IV all refer to Iowa Code 499 housekeeping. From adding electronic notice procedure, to better member debt offset language, to just "tightening up" many current practices that the Iowa Legislature has approved for cooperatives to remain current on good sound business practices. With the changes we have seen in agriculture, we are overdue for updating our Articles of Incorporation.

With the term of Duane Seegebarth expiring, the entire 1996 original SLC board has transitioned through term limits. The board decided that with the last original director maxing term limits, now would be a good time to address the issue of finding consenting, qualified directors to run for the board. By eliminating the term limits in the Articles of Incorporation, it still leaves the option open for members to decide through the annual director elections who should be on the board. It is difficult to find members willing to put the time into being on your cooperative's board of directors. Dropping term limits gives members additional choices who they want to represent them on the board.

In early November, you will receive the annual meeting notice. With this notice you will receive the ballot for you to vote on directors to represent you and you will also receive a full copy of the Updated Articles of Incorporation and a second ballot for you to vote on adopting the new Articles. Please cast both ballots and return them in the postage paid return envelope provided in the annual meeting packet.

If you have any questions concerning the updated Articles of Incorporation, contact Larry Sterk, General Manager, or any directors that are currently serving.

September 21, 2011 — Manager's Message

By Larry Sterk, General Manager



At the end of August StateLine Cooperative closed another successful year. We are pleased to report that local earnings have exceeded planned budget. Your cooperative achieved record earnings from operations, and we are reporting record working capital levels for the year that ended Aug. 31.

Return on local equity is 16.3 percent. Your board has approved allocating over \$1.7 million in patronage, of which 30 percent will be paid in cash. The board also approved a Section 199 Tax Deduction pass through for members that will be around 4 cents per bushel. In addition to the current allocations, the board has approved to revolve around 5 percent of the equity members brought into StateLine Cooperative in 1996.

What this means is your cooperative is continuing to build a strong balance sheet. This is just added security for you to know that your deferred payments, prepayments, and contracts you have with StateLine are secure and you can rely on your cooperative to provide you the peace of mind that your investment is safe and that SLC will perform on contracts you have with us.

In addition to the good customers StateLine Cooperative has, we have the best employee base agriculture can offer. The integrity, professionalism and the highly valued rural work ethic of SLC employees is second to none, and I thank them for their hard work.

Thank you to Duane Seegebarth

Duane has faithfully served on the SLC Board of Directors since 1996. Prior to serving on the SLC Board, he served on the Lone Rock Board of Directors. Duane has served the cooperative system for many years as well as supported the cooperative with his business needs. We also thank his wife Karen for picking up the slack when Duane was away from the family business serving the cooperative.

Thank you Duane for your commitment to making the local cooperative a business agricultural producer can count on to serve them.

StateLine's facility facelifts

We are continuing the process to take down outdated facilities. We have taken down the obsolete feed mill at Swea City, and the feed mill at Burt is scheduled to come down before winter.

In addition to cleaning up facilities, your cooperative is making a substantial investment to the infrastructure to better serve you. The multimillion dollar expansion in your agronomy and grain facilities is necessary to make sure SLC is capable of handling your needs now and well into the future.

We still believe that the feed mill in Lone Rock needs to be replaced. We have plans ready to go and the final piece we need to work out is a risk management plan for that type of investment. As you see in your farming operations, it takes a lot more capital today for your cooperative to add, replace, and update equipment and facilities.

It is only through the strong balance sheet of your cooperative that we can fund this growth, as well as allocate patronage, revolve equity and still end the year with record working capital levels.

Harvest is in full swing

We have people, facilities, and equipment ready to serve you. We are focusing on some new grain services this year to better serve you. Check with your agronomist or location manager to see if these new programs have a fit for your business.

From me and all the employees of StateLine, we truly appreciate the opportunity you give us to serve your business needs. Our employees are our greatest asset. In addition to good employees we have the best customers farming the best land in the world. We are so pleased to be a part of our ag producers feeding the world.

Thank you for your business, and we look forward to serving you in the future. See you on **Monday, November 29, 2011**, at the Annual Meeting of StateLine Cooperative.

Updating SLC Articles of Incorporation

SLC was organized 15 years ago when five cooperatives pooled their resources to build a platform of a strong cooperative to serve members in Iowa and Southern Minnesota. Since 1996 we have seen corn yields increase over 30 percent, grain prices have increased 200 to 300 percent, fuel has more than doubled in price. Farm programs have changed, our political environment has changed, and I could go on and on about the changes in the last 15 years. These changes have affected the way you farm and also affect the way your cooperative does business.

As your cooperative continues to grow and operate in this changing world, your board of directors have reviewed StateLine Cooperative's Articles of Incorporation and felt that it is time to update the Articles to get current with the Iowa Code as well as address the issue of term limits for your directors. (See complete article on page 1.)

Your StateLine Cooperative Board of Directors supports these changes and asks that you vote to approve the updated Articles of Incorporation.

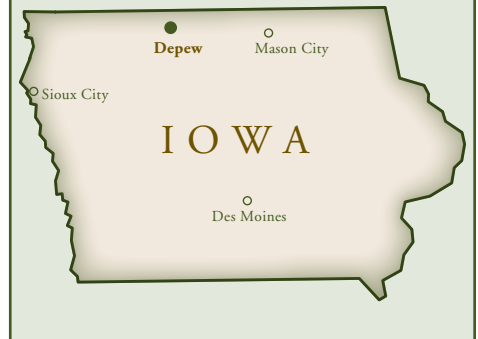
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If you have any questions concerning the updated Articles of Incorporation, contact Larry Sterk, General Manager, or any directors that are currently serving. Much thought and preparations have gone into this. We also had Steve Schoenebaum, our corporate attorney, guide us through this process to make sure we have the most current updates allowed by law.

Save the date for Annual Meeting

Please reserve **Monday, Nov. 28, 2011**, to celebrate with us by attending the 15th annual meeting of your cooperative. The meeting will start with refreshments and distributing patronage checks at 9:30 a.m., with the business meeting starting at 10 a.m.

Every year we move the annual meeting location to try and give everyone the convenience of a meeting located in their community. This year the meeting will be held at the **St. John's Lutheran Church, Depew, Iowa**, to accommodate members in the southwestern area of the SLC trade area.



StateLine Agronomy Thoughts

By Chuck Peter, StateLine Agronomy Department Manager

It's that time of year. When the wind seems to blow regularly at least 50 miles per hour, the nights are cool, high school football, cross country, and volleyball are in full swing, the sun is right in the middle of the road on the horizon on my way to and from work, and most farmers I encounter are in a really good mood. Yep, it's harvest time in Iowa.

One highlight – New Armstrong facility

One of the highlights of the summer in the StateLine Cooperative Agronomy Department has been watching the construction of the dry and liquid fertilizer storage additions in Armstrong. When I started my career some 36 years ago, it was at a small 800-ton capacity dry fertilizer plant nestled between two of the Midwest's premier waterways, the Mississippi and Illinois Rivers.. At that plant we were trying to keep



ahead of 4-, 6-, and the occasional 8-row planters in the spring, with a 50' boom on a 1253 TerraGator. Little did I realize how my world would change over the coming years, and how critical having product storage capacity adequate to run an entire season would become.

It makes me smile to realize that today at StateLine Cooperative's Armstrong facility we can hold around 25 times as much dry fertilizer in our dry facility and 32 times as much UAN Solution as my cooperative could in that first little plant I operated "back in the day." And yet, the one thing that is the same today as it was those years ago is that it still takes a team of talented, hard-working and dedicated employees to make these assets operate productively and efficiently for the benefit of the customer owners we serve. After all these years, it's

still a pretty cool feeling for me to be a small part of a cooperative team like the one at StateLine Cooperative, especially when we factor in the great group of farmers we get to work with, many of whom I have come to consider friends over the past nine years. Pretty cool, indeed.

The point of this storage increase is that, given our considerable distance from the Mississippi River (and its numerous fertilizer supply terminals), we needed these additions to ensure customers are able to obtain the fertilizer inputs they need and desire when they want them. I believe that we will now be able to ensure that supply availability on the dry and liquid fertilizer sides of our business, at least one season at a time.

Expect tighter NH₃ supply

It is the NH₃ side of our fertilizer supply that concerns me most. Our major supply terminals for NH₃ are located at Spencer, Garner and Ft. Dodge. We also on occa-

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Feed future planning high priority

By Cherilyn Krichau, StateLine Cooperative Feed Department Manager

Another fiscal year has begun at StateLine Cooperative and planning for the future of the Feed Department is well under way. We have been working through the transition of the triple net leases on swine facilities and also looking at the feasibility of a new feed mill.

In July we began transitioning swine facilities to Murphy Brown. The feed team has transitioned several of the sites to date, and the plan is to have the majority of the sites out of our system by Dec. 31. This transition has lowered the volume of feed produced at StateLine Cooperative's Lone Rock feed mill. You may see changes in the corn bid to reflect the decreased demand for corn for feed processing. (See Grain article on page 7). We continue to explore opportunities to replace this volume and also operational changes to increase our production efficiencies.

As mentioned in previous newsletters, StateLine Cooperative is also discussing plans for a new feed mill. We have three areas that we are looking at in evaluating a new feed mill.

- 1 We want to provide a market for our co-op member's corn at a competitive price.
- 2 A feed mill needs to be profitable to ensure long term sustainability of the feed department.
- 3 And the last need for planning is risk management.

Initially, StateLine considered this project might be on tap for fiscal year 2011-2012. However, right now it is best for StateLine to continue through the planning process the next 12 months to determine if all these criteria can be met.

I am very excited about the future of the feed department. We operate our feed business in an area that provides livestock producers an abundance of commodities for feeding at competitive prices. We strive to deliver superior quality feed products in an efficient and timely manner. As always, I look forward to new opportunities to serve our members and livestock producers. If we can assist you with your operation in any way please feel free to contact me at StateLine Cooperative, Burt, Iowa, at 888-920-3555 ext. 14.



Seed plot tour successful

Thanks to our StateLine customers who attended our Big Event held in July, and thanks for the excellent turn out at all of StateLine Cooperative's Seed Plot Days.

Big Event Door Prize Winners:

80 Acres Grid Samples:
Randy Beenken &
Verdean Mawdsley

80 Acres VRT Application:
Doug Karels & Warren
Waltman

5 Gal. N-Serve Custom
Applied:
John Stewart, Duane
Spear, Glen Hansen &
Marv Tigges

Seed Corn:

Dekalb 3 bags:
Roger Radig

Croplan Genetics 3 bags:
Jr. Hurlburt

Mycogen 3 bags:
Kim Ruby

NK 3 bags:
Jerald Hertzke

Curry 3 bags:
Duane Seegebarth

Seed Beans:

Croplan Genetucs 12 bags:
Tim McNertney

Stine 12 Bags:
Dan Abels

Latham 12 bags:
Gerald Pedersen

Mycogen 12 bags:
Ryan Boettcher

NK 12 bags:
Lynn Bierstedt

Curry 12 bags:

Gerald Langerman

Asgrow 12 bags:
Randy Giesking

Soybean Seed Treatment:

Warden RTA 40 bags:
Mel Faber

Cruiser Max Plus 40 bags:
Steve Cherland

Cruiser Max Plus/Optimize:
Kendall Mino

Will 2012 corn hybrids supplies be tight?

By Steve Mulligan, Seed Sales Manager



Do we want to access the best agronomic options for our fields at the front of the line or at the back of the line?

Why should we be concerned about booking our seed needs for 2012 already? It seems every year we need to be making our decisions earlier and earlier. For many it's difficult to commit to expenses for 2012 when we have yet to receive any income from 2011!

Even though it may seem early to be making seed decisions, now is the time to begin the process as seed decisions set the foundation for your 2012 planning. There is really no better time than before or during harvest to think through your coming year's seed plan. Some of the strengths and challenges of current hybrids are fresh in your mind, which helps you make better product decisions. Most importantly, working through your seed decisions now with your StateLine Agronomist will ensure receiving the best products from our seed suppliers. Supplies on some key products may be tight as weather has impacted seed production, much the same as it has impacted our commercial fields. If you're willing to commit early, it's more likely our seed partners can meet specific product needs.

This year presents a couple unique challenges for next year. Overall corn acres look to increase, as some estimates indicate we may reach over 94-95 million acres. So the question we face as producers is: do we want to access the best agronomic options for our fields at the front of the line or at the back of the line? Other local concerns regarding supply are disease situations. For example, Goss's Wilt was severe in many areas. With the heavy return to corn-on-corn in localized areas, there will be a high demand for specific products, which have better tolerances to this disease. Having these early conversations with your StateLine Agronomist will help you to lock down the products that best fit your situation.

In talking with our seed partners, most of them confirm that this year has been challenging for seed production. There will be more winter production this year, but on the plus side of this is, most were able to do winter production ahead of schedule because the in-breds used to produce the hybrids were shipped to South America early. Meaning that winter production of these hybrids should be back in the states by the end of March or 1st week in April. We do have a fair amount of the leading hybrids on an early order and early take program through our seed partners, however, it is a good idea to contact your StateLine Cooperative Agronomist to lock in your 2012 seed needs.

SDS in soybeans for 2012?

There was ideal soil and weather conditions for SDS in nearly all parts of Iowa in 2010. Factors such as the pathogen building up in the soil, wet cool conditions at planting, wet conditions during the reproductive growth stage all came together to cause the outbreak. A lot of these acres that were affected in 2010 will be back in soybean rotation for 2012. The best management tool you can use in the fight against SDS is subsoil tillage to improve drainage and break up compaction, and to select SDS resistant soybean varieties. So, when purchasing your soybean needs for the 2010 growing season talk with your StateLine Agronomy sales person, who will be able to help you select the right bean for your soil.

Adding value to StateLine's grain infrastructure

By Dean Kohlmeyer, Grain Department Manager

Each year we review our grain storage and receiving needs. This year we identified nearly 700,000 bushels of storage space that will need to be replaced in the near future because the life of the storage space is coming to an end, i.e., wood-house structures and other space needing repairs that cost more than the value to replace.

Our goal whenever spending the cooperative's money, is to make improvements that will enhance the equity of StateLine Cooperative owners. That means we need to add value to your farming operation by spending money that will enhance markets, reduce operational cost or a combination of both.

You will see another bin being built at Ledyard this fall, however, we don't anticipate being able to utilize the bin during the 2011 harvest. We were able to purchase the bin at a good value because of the timing and the better than anticipated earnings this year. We will be adding a 105-foot Sukup bin with a capacity of 550,000 bushels. The bin will have high air flow of 1-5 cfm. This will allow us to store wet corn at a facility that has no dryer. This will move Ledyard's storage capacity to over 2.3 million bushels.

This increased storage at Ledyard will cut down the internal grain movements during harvest and allow us to dump and move more grain at harvest from all locations. Today Ledyard has dumping capacity of nearly 27,000 bushels per hour. Our next project at Ledyard would upgrade the receiving capacity another 7,500 bushels per hour.

Lone Rock corn market impacted by demand

Our Lone Rock feed business is going through some transitions that lowered our volume of corn needed to grind. Therefore, our demand for corn at Lone Rock will be lower this year than it has been in the last year. Combine that with aggressive farmer selling that has been contracted in the last 18 months and StateLine will not need many additional bushels to be purchased at Lone Rock for the next year. Our bids clearly show you that the demand isn't telling us to price Lone Rock above our other locations this year.

StateLine discount policy changes

The only change in our discount policies this fall was that the drying rate went from \$0.045 to \$0.0475.

One advantage StateLine continues to offer its customers is that no drying charge is deducted for corn testing at 16.0 percent moisture or lower. This policy allows our customers to collect \$0.0475 - \$0.095 per bushel more for corn under 16.1 percent moisture when compared to any of the other grain buyers in the area.

StateLine is trying to encourage farmers to not over dry their corn. You lose weight when over-drying and you need to remember; weight is the main factor you are being paid for.

Only accepting Viptera corn where SLC can isolate

Once again, we had some complications arise with genetically modified seed corn being introduced before all export buyers were open to accepting the grain produced from the genetically modified seed. Sygenta's Viptera trait hasn't been fully approved for export by China. Therefore we only accepted the Viptera corn into locations that could isolate and channel the corn to willing buyers or process the corn into feed.

We continue posting our harvest hours on our website in the upper left hand corner of the home page, just click on **Harvest Hours Per Location** directly under **StateLine's logo**. You can also view the harvest hours at our mobile website by opening menu item #1 Harvest Hours. Call or stop by with any other questions. We look forward to serving you and remind everyone to remember a little safety pays big dividends.

LOOK TO SLC FOR CROP INSURANCE

Call Paul Nerem at 800-373-8509 or 515-320-2973 for all your crop and hail insurance needs.

Paul will be happy to review your current needs and show you the right coverage for your operation.



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StateLine Agronomy Thoughts (cont.)

(Continued from page 5.)

sion source some product from the terminal at Early. Several of these terminals are supplied by two underground pipelines. This summer, the flood on the Missouri River contributed to a leak developing in a natural gas pipeline that lays on top of the Magellan NH₃ pipe which supplies NH₃ to the terminals at Early, Garner, and Vernon Center terminal in Minnesota. For safety reasons, the NH₃ pipe will be closed until the repairs of the gas pipe are completed. This is not expected to be complete until sometime in November. This means that, other than what can be shipped to these terminals by rail or truck, they will only have available to ship the tons that they have on hand to start the season. This also happened to some degree last year, the benefit this year is that at least the terminals are getting to start the season full, not empty or nearly empty like Vernon Center was last year. Hopefully they can keep us supplied in a timely manner, but it will not surprise me to see long transport lines and potential allocations occur at some of these terminals. Should this occur, your SLC Sales Agronomist will be kept up-to-date regarding what is going on, and what impact we see it having on our NH₃ distribution to you.

I have been receiving frequent questions regarding where I see fertilizer prices heading in the coming weeks and months. Several customers have questioned the current price levels of fertilizers, especially as they relate to the cost of the materials used to make those fertilizer products. Right now, fertilizer manufacturers have the price of their end products “coupled” (to use their terminology) to their projection of the prices you as farmers can obtain for your production, particularly corn. They do not move in lock step, but it’s safe to say that as long as crop prices remain strong, fertilizer prices will also remain strong. This is a world-wide scenario, whatever the crops, and whatever the country of origination, approximately 17-20 percent of the value of the crop produced is “captured” by the fertilizer supply chain, with the vast majority of that “captured value” going into the pockets of the fertilizer manufacturers. I find it hard to believe that to be coincidental, but, what do I know..? If you’d like some additional information or thoughts on this, feel free to give me a call.