

# CONNECTIONS

## CHS Marshall

DECEMBER 2015

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Division of CHS Inc.



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### OUR BRAND PROMISE

*Personalized Service,  
Profitable Solutions.*

## LET'S NEVER GROW TIRED OF ASKING "WHAT'S NEXT?"

### MANAGER'S CONNECTIONS

By Kent Mulder, General Manager

My first year at CHS Marshall Regional has been exciting, educational and humbling. I knew coming in that it would be imperative to quickly educate myself about the workings of an already successful cooperative.

I discovered each department has its strengths, but I've also learned dedicated employees are the true center of our success. It's rewarding to be part of a team driven to innovate and streamline while always putting customers first.

Within three weeks of assuming my duties, I was on hand at our annual meeting in Tracy. This year I'll be pleased to appear before you again to report profitability in all four departments. We finished the fiscal year ending Aug. 31, 2015, at \$385,160.15 better than the prior fiscal year. Our year-end earnings totaled \$2,797,087.37.

Those numbers couldn't have happened without the support of our patron-owners. Believe me, we don't take you for granted. Thank you!

While learning the essentials of who we are as a cooperative, I decided to reach further back. As a newcomer it's important I

understand the bloodlines of CHS Marshall as it came to be, thanks to the contributions of each local community. In order to get the full picture, I talked with Laurie Lenertz, Mergers and Acquisitions Manager for CHS Country Operations.

Laurie's been part of many decisions that created this regional and, as a farmer's son from Amiret, he's always had a special interest in our success. He spearheaded many of the mergers and acquisitions that brought us to our current configuration. I decided to share the story he told me. It's on page 2.

Forward movement is one obvious trend apparent in Laurie's overview. In my first year I've learned how much this cooperative's members value a solid financial base, partly because it allows us to ask what else we can accomplish.

At our last annual meeting, I said we need to work hard to develop new markets so you can successfully market your grain. The strength of CHS has already given us a new opportunity. A procurement agreement between CHS Inc. and Highwater Ethanol (in Lamberton) gives you, our customer, a new outlet for your corn. See page 4 for Joel Wiering's description of the benefits of that arrangement.

The Highwater connection is only one of many options we will have in our toolbox to make your operation more successful. In this issue, Mike McCoy, Anna Hieronimus and Brian Meier each describe services that will enable you to say "What's next?" in your own operations. ▮



# BUILDING ON AN OUTSTANDING PEDIGREE

There's no Ancestry.com for cooperatives to trace all the bloodlines that combined to make CHS Marshall Regional. But there is Laurie Lenertz. This CHS Mergers and Acquisitions Manager saw our evolution happen and played a part in building our local connections.

Though he takes a committed professional interest in all CHS Country Operations locations, it's likely Laurie can't help honing in when the topic is CHS Marshall. His own history intertwines with ours.

He grew up on a farm three miles from Amiret, went to high school in Tracy and graduated from college in Marshall. He's been with the successive incarnations of CHS Inc. since 1974.

Laurie worked in the Marshall regional office at one point in his career and has been with CHS Mergers and Acquisitions since 1997. "One of the earliest mergers I worked on was between Marshall and Tracy-Garvin, so I was very involved with all of that," he explains.

Our CHS Marshall timeline starts earlier of course, back to when GTA owned a facility in downtown Marshall, which Laurie remembers well. "It would take some digging to figure out when GTA acquired Marshall, but I'm thinking it was in the 1950s. Ruthton was another GTA elevator.

"GTA (Grain Terminal Association) opened for business in 1938 with a terminal in St. Paul. (Cenex, originally Farmers Union Central Exchange, was founded earlier, in 1931.) In 1983 GTA and North Pacific Grain Growers merged to

form Harvest States Cooperatives. The Cenex and Harvest States unification happened in 1998."

As Laurie sees it, transportation efficiencies drove every merger and acquisition along the way. "Thanks to the railroads, Minnesota's map acquired a town every seven miles. That was the assumed distance you could travel with a horse and wagon and still arrive home before dark. Elevators sprang up in those small towns, and that slice of history is something most of us can picture."

When rail companies instituted unit trains, no small elevator could hope to fill 110-cars. "Surrounding towns became feeder stations to elevators that grew enough to serve the shuttle trains that fed water transportation arteries," Laurie says. "In time, of course, ethanol plants became a local market, creating competition for shuttles, but the identity of smaller elevators had already changed."

Alongside mergers that changed the face of local cooperatives, farmers changed, too, Laurie points out. What today's farm requires, in terms of grain unloading efficiency and the ability to dump bigger rigs, altered the rules of doing business.

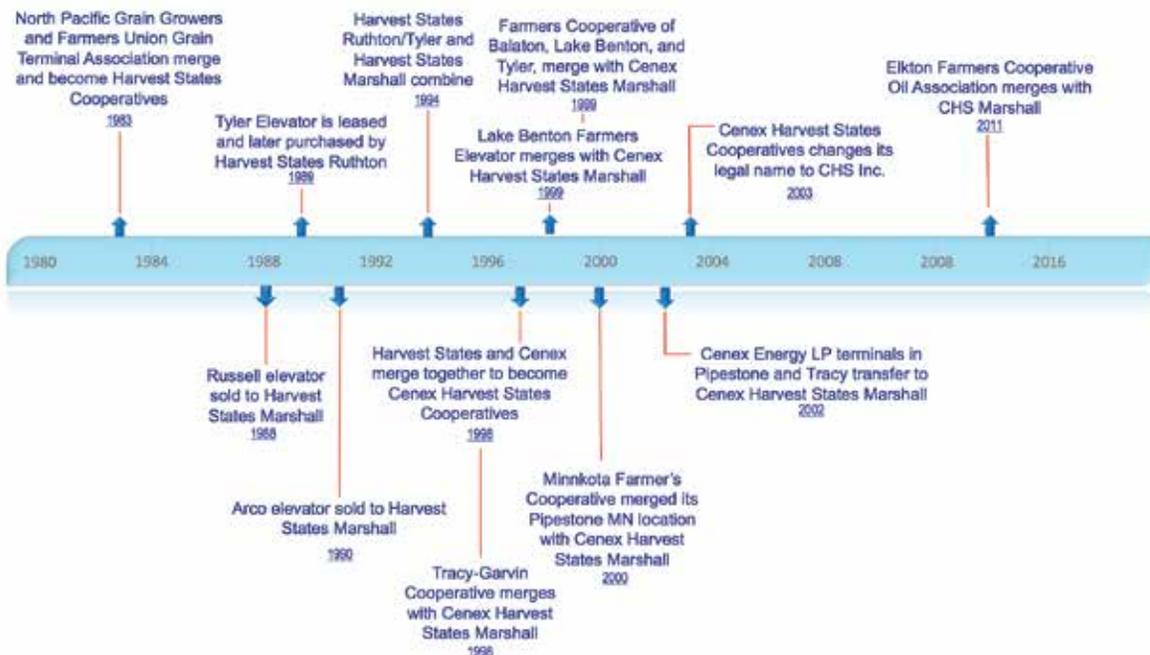
"CHS is a large company geared to the needs of today's farm operations. I think we've kept our local roots intact while creating global connections in grain marketing. On the crop input side, we're part of a huge network that recently linked with CF Industries to put a reliable supply of competitively priced products within the farmer's reach." ▾

## A QUICK SCAN OF THE NEWEST CHS FERTILIZER AGREEMENT

CHS Inc. and CF Industries have agreed to enter into a strategic venture that brings our owners a long-term, dependable fertilizer supply from CF Nitrogen LLC.

- CHS made an equity investment in a wholly owned CF subsidiary.
- The cooperative then entered into a supply agreement that entitles CHS to purchase up to 1.7 million tons of UAN and urea annually.
- Our shareholders who purchase crop inputs from CHS Marshall Regional will also eventually see another benefit of this new relationship in patronage refunds.

### History of CHS Marshall



# LOCATION SPOTLIGHT: CENTRAL FACTS ABOUT MARSHALL

Our management and central office location has operated under a series of names, but with one key concept in mind: providing shareholders value through an array of services.

When D'Ann Paradis first joined the office staff, the sign over the door read GTA. It wasn't the door you enter today, of course. "I started here 25 years ago and we built this office in 1995," D'Ann says, after calculating the birth of one of her children as a benchmark. (Outstanding healthcare and maternity benefits are one factor that cemented D'Ann's relationship with CHS.)

Scott Sinclair, who is now at the CHS Inc. corporate offices, was general manager when she began her career with GTA. Facility improvements and changes create other signposts in her memories. "We even used to have a garden store."



Long-time Marshall employee D'Ann Paradis joined the staff before we built our central office.



Marlin Pieske and the seed plant employees send beans as far east as New York state.

"At first the locations were Marshall, Russell and Arco. Then we merged with Ruth-ton-Tyler and later with Tracy-Garvin." That addition in 1994 led to building the new central office.

Today the Marshall location also serves customers through an agronomy department with 2,400 tons of liquid and dry fertilizer storage as well as propane storage and a fueling center. Customers complete grain transactions in Marshall and deliver soybeans.

Soybeans are the essential point of difference in this location and have been for nearly 50 years. Processing Plant Manager Marlin Pieske says the plant was built in 1968 with certified seed in mind. "That was before private companies started producing soybean seed, back when land-grant colleges were still funding seed research. Farmers paid a royalty for the public seed varieties, something that still happens with small grain seed."

In 1998 the plant changed directions to coincide with the new trend to traited seed. "We cleaned 96,000 bushels in the first year," Marlin says. "Today we clean 825,000 bushels annually. We're nearly at our warehouse capacity of one million units now."

The plant cleans soybeans currently for CROPLAN® seed. Beans range in maturity from 1.0 to 2.4 with the majority between 1.5 and 2.0. "We reach east and west in our maturity belt," Marlin explains. "We've sent beans as far to the east as New York state and as far west as Pierre, S.D. Once we sent beans to Virginia to a seed test site. We touch a lot of points from Marshall." ▶



# FINDING DESTINATIONS WHERE A HUGE CROP CAN LAND



## GRAIN CONNECTIONS

By Joel Wiering, Grain Department Manager, [joel.wiering@chsinc.com](mailto:joel.wiering@chsinc.com)

Throughout CHS Marshall Regional territory, yields for both corn and beans were very good. This was either the best crop ever for this area or something close to it, depending on who you talk to.

There's no argument about this harvest's weather, though. It was amazing. Our locations stayed open 27 straight days for you. Many of you filled on-farm storage and brought the rest here. Yes, that resulted in massive deliveries at all of our elevators—one of our biggest—but we used space efficiently and leveraged sales to manage that space.

Our emergency piles were picked up before Christmas as we moved on to finding room for bushels in the bunkers. We felt good about our situation, coming out of harvest.

Now we have this big crop, and we have to decide what to do with it. We felt producers were undersold heading into harvest and are even more so now. In the marketplace there is a lot of corn and beans—it was a big harvest across the nation. This leaves us with basic Economics 101: a large supply equals a lower price.

When it comes to exports, other countries are currently more competitive sellers than the U.S. with its strong dollar. As we move into winter, the markets where U.S. corn and beans can typically be more competitive could resurface. We need that to happen.

There is good news domestically. New EPA biofuel standards look to be favorable to biodiesel and ethanol, which should help eat up more corn. I'd like to think

biofuel facilities will cover the bushels we'd normally export. At this point we're still seeing good usage from ethanol sector.

Unless there is another market-mover, say weather in either North or South America, prices won't need to go higher to accomplish the market's goals. Your advantage will be achieved in moving all those additional bushels per acre whenever the price changes incrementally. Watch for 10-cent, 20-cent or 30-cent improvements.

### Here's how we'll encourage you to be proactive

We're putting an emphasis on offering more opportunities for farmers to capture whatever potential exists in the market. Our tools are innovative contracts, an in-house brokerage office and new CHS market outlets.

CHS Inc. Grain Marketing entered into a procurement agreement with Highwater Ethanol, LLC in Lambertton. The grain team in the corporate office will buy all the corn for Highwater with a target of 18 million bushels per year.

This arrangement adds another dynamic to help you get a good price. We're geographically convenient to Lambertton, so a lot of our grain should flow there. Sales to Highwater will start at the end of July.

### New approaches include new abilities

This winter, valuable marketing tools for the proactive producer will include the familiar and the new. Have you considered a minimum-price contract? Storage costs at the elevator can accumulate quickly,

especially for corn. And you won't likely gain those costs back if you plan to store until next summer.

A minimum-price contract allows you to lock in a minimum price while you sell stored bushels at today's cash price. We'll buy a call option for you that will leave you upside potential on the bushels you sold. You'll pay for your call using proceeds from your recent sale, and you can get out at any time. The amount you spend on the call will be less than storage costs over time, and it gives you the chance to capture something more on every bushel.

Two of our other newer marketing opportunities reached their closing dates in December. That shouldn't stop you from considering them for next year's crop. CHS Pro Advantage puts a trading expert on your team. You sign up bushels (any portion of your crop) and, for a small fee, the CHS team of professional traders will manage your sales. Monthly emails will tell you what's happening. The settlement price you'll collect after nine months will be based on the performance of futures and options managed by those traders.

CHS Hedging and Russell Consulting brokers see marketing your grain successfully as their professional responsibility, which takes a farmer's emotional attachment to the grain out of the mix. I'd encourage you to consider putting some percentage of your 2016 and 2017 crop into this program to



*We're emphasizing opportunities for you to capture whatever potential exists in this market. Be proactive.*

diversify your marketing position. CHS Marshall customers already committed over 2 million bushels to Pro Advantage for the 2016 marketing year.

There's the Average Price Contract to consider, too. Even though this program is also closed for 2016, it's something I hope more of you will consider for next year. This strategy will help you avoid the dreaded outcome of pricing at the lowest point in the marketing year. Again, the concept separates marketing from a farmer's emotions.

A Average Contract markets a percentage of the committed bushels every day over the life of the contract. The averaging program beats the market over

half the time and historically works best in down markets.

Since no single contract or strategy offers the final answer in a year like this, we believe a diversified marketing portfolio is the way to go. Any member of our grain staff will sit down with you and discuss how these contracts work. Be sure to ask about results from Pro Advantage and Averaging programs as the marketing year moves on.

Here's another factor that diversifies our portfolio and yours. Kyle Leary is now a full-service commodities broker for CHS Hedging! He's based in our Ruthton location, and with his help you can trade through CHS Marshall. ▶



Kyle Leary is now our in-house broker for CHS Hedging.

## YOU CAN'T LOSE

### AGRONOMY CONNECTIONS

By Brian Meier, Agronomy Sales Manager, [brian.meier@chsinc.com](mailto:brian.meier@chsinc.com)

In a year when every crop input must prove its value, AVENTINE™ COMPLETE offers an ironclad performance pledge. Here's your chance to try something new at no financial risk.

Aventine improves nutrient availability with a starter combination and contains a chelating agent that makes other nutrients in the soil more accessible. Thanks to the micronutrient package, you're making fertility improvements all with a single pass. It works on both corn and soybeans providing a yield or, and here's the kicker, you'll get money back.

Sign up for the pledge and then treat 160 acres with Aventine, in-furrow. You're guaranteed two bushels better than results with your previous starter program. Apply three gallons on corn or two gallons on beans and verify your yields. If you don't harvest

two bushels more per acre, you can collect \$7 per acre. Better yet, we're offering a \$1,000 rebate just for testing 3,000 gallons of Aventine.

On page 7 Anna Heronimus describes our Autumn Rewards seed financing program. Here's something else that makes that zero-percent financing offer such a good deal: we've added CHS brand adjuvants, CHS seed treatments for soybeans and Aventine complete to the list of products eligible.

Let's go over that again. You'll save \$1,000 up front and either two bushels better per acre or \$7 per acre back. Plus, you can finance your Aventine purchase with CHS at zero percent. That's what I meant when I said you can't lose! ▶



# YOU KNOW YOU NEED THIS INFORMATION

“Most pork producers realize the financial scale of their operations demands better comparisons, but they don’t have time,” says Mike McCoy, our pork business specialist. He’s determined to make our top-notch record-keeping program the least complicated part of your production cycle.

Mike will gather all the necessary information from you, weekly, and feed it into a system that allows you to measure your strengths and discover where you should improve. “This system proves whether a decision a producer makes achieves what it’s supposed to.”

Once you sign up—contact Mike or Rod Benson for that—you only need to provide a few pieces of essential information. “All we need to start are the purchase price of that group of pigs plus arrival date and weight,” Mike explains. “After that I’ll call every week for your death loss to add to the computations. CHS Marshall provides data on every feed delivery, so you don’t have to take time for that either.”

When a group is ready to sell, a producer will need to sign a release with the packer, which will provide us a digital copy of the kill sheet. At that point, a meaningful comparison can be made.

## Here’s what you get

“What each producer gets is a bound report for that group with a lot of detail. There are several pages of data and then individualized graphs. I think the graphs are easy to follow—the graph of ingredient prices for instance,” Mike continues. “Based on ingredients and other inputs (we also include treatment frequency and cost if you give your vet permission to provide that info) a producer can ask ‘what is the cost I’ll need to cover when I buy more pigs?’”

And most importantly, data will show whether a producer is moving forward or backward. “Once a producer starts to use this program, the data will never go away. Each report includes notes that help the customer recall what was different about a specific group. Did we try something different in the feed, for example?”

There’s also a bigger comparison-set that anonymously measures one producer’s outcomes by group against a national database totaling 4-million head. “We see the customer’s position by percentile in relation to all of those other

farms followed by a graph that says, ‘This is my performance when contrasted to that database.’”

“Not every feed company offers a record-keeping program of this caliber or one this easy to work with,” Mike says, pointing out that there’s no reason to be modest about providing an exceptional service. To encourage testing it, CHS Marshall provides a customer’s first turn for free. “After that the cost is 30 cents per pig sold for nurseries, 30 cents per pig sold for finishers or 50 cents for wean-to-finish. And a producer doesn’t have to think of this as a constant outlay. It’s possible to opt-in or out by group, to test variables. They can go into as much or little depth as they want, testing feed costs or adding veterinary, building costs, electricity and propane. At the end of the turn, all info generated belongs to that producer.”

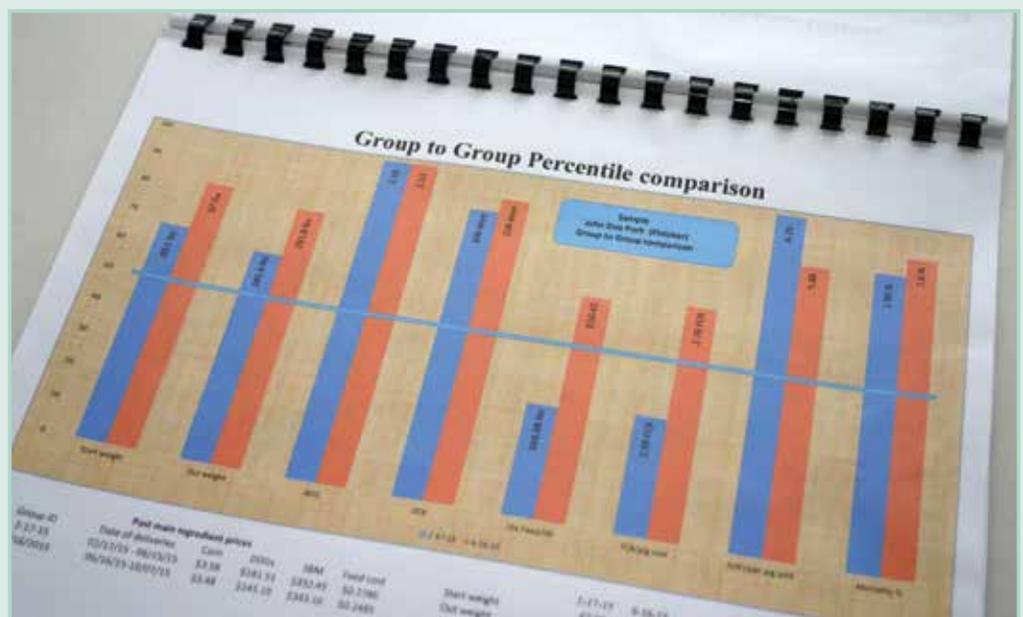
Another tool at Mike’s fingertips hones in on the feed cost aspect of those records. “Ingredient prices change all the time. Producers wonder what they should be feeding based on those shifts. Take the relationship between DDGS and corn or between tryptophan and soybeans. I use a program that helps producers make those choices based on costs and effectiveness.”

Plug in an ingredient and its current price and watch Mike’s program update the cost of every ration. The program then highlights the least-cost ration. Mike can input death loss so you can also view the cost of feeding a pig that fails to thrive. Or ask Mike to show you how feeding a specific ration works out when the to feed to a heavier or lighter weight.

“Taken together with the record-keeping program, we have the ability—with very limited input from the producer—to map out consequences and provide plenty of answers. Producers need this information!” ▶



Most feed companies don’t offer a record-keeping program of this caliber or one this easy to work with.



# HOW LOW CAN FUEL PRICES GO?

## ENERGY CONNECTIONS

By Marla Verlinde, Energy Division Manager, [marla.verlinde@chsinc.com](mailto:marla.verlinde@chsinc.com)

You'll see several stories with an historical flavor elsewhere in this newsletter. A few comments about fuel prices certainly fit in, since many people are speculating about a price drop back to levels from 10 years ago.

How low can prices go? I think there could be more downside on the cash price than on contracts. What is keeping prices down is a lot of concern about record stocks of gasoline and diesel. In November diesel dropped 32 cents and gasoline went down just under 30 cents.

Crude has been hovering around \$40 as the market offers resistance to slipping lower. There's a lot of inventory but not sufficient demand. This is a good time to consider filling your farm tanks or completing a tank buy-out. We can talk about some contracting opportunities, but the real advantage is filling your storage with all it will hold.

On the propane side of the equation, we added two new 5,600-gallon bobtail delivery trucks in 2015. We offset this purchase by selling some

underperforming units in a strong used-truck market. The new trucks will mean more efficient delivery and faster pumping.

Notice the new CHS tagline on this new propane truck the next time it delivers to your farm. "Farmer owned with global connections" definitely applies to the resources made possible by our energy division. ▀



In 2015 we added two new 5,600-gallon bobtail propane delivery trucks. This is the second to come online.

# OUR LOANS EXTEND YOUR REACH

## FINANCIAL CONNECTIONS

By Anna Hieronimus, Credit Manager

This year zero-percent financing looks especially smart. Our seed financing program will make your working capital go further.

Borrowing from more sources puts less pressure on your traditional financing sources. I'm hearing from plenty of our customers who think it's a smart choice. They're impressed with their ability to pay no interest with no need to pay back until January 2017. That due date lets you take the seed expense on either side of the year.

Our 2016 Seed Financing Program covers all the brands CHS Marshall sells—Croplan®, Syngenta®, Mycogen®, Asgrow® and Dekalb®. There's no fee with your application, no loan limit and

no loan fee. (A \$10,000 loan minimum is required, however.)

There's also a convenience credit loan for crop inputs. I'm seeing a lot of interest in that choice, too. You can use it on any crop products purchased from CHS Marshall. As with the seed loan, convenience credit loans don't come due until Jan. 15, 2017. The variable interest rate is 4% to maturity with a \$50 application fee (for loans up to \$50,000) and a \$100 fee for loans over \$50,000. Convenience loans come with a junior lien on livestock, machinery and crops.

Let's talk about ways our financing programs can extend your reach this year. ▀





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THIS YEAR OUR STARTER  
FERTILIZER COMES WITH  
A MONEY-BACK PLEDGE  
**SEE PAGE 2**



## WELCOME TO 2016!

May this be a successful year in your farming operation and may you find us helpful in every way and every day.

Last year's improved numbers couldn't have happened without your support and we're grateful.

We'll unveil more numbers and plans for 2016 at our Annual Meeting.

### CHS MARSHALL REGIONAL ANNUAL MEETING

Friday, February 19, 2016

Social hour begins 6 p.m.

Dinner and meeting follow.

