

Country Connections

CUSTOMER NEWSLETTER

Our Marshall plant will process new Allegiant seed.



Essential Innovations Kick Into High Gear

By Kent Mulder, General Manager

When the markets prune your farm income, you don't want to think your farmer-owned cooperative is busy posting record profits. You'd rather hear we're investing in innovations that support your business.

The most recent CHS investments are kicking in right now and you're about to witness the benefits. The new relationship, which entitles CHS to 1.1 million tons of the production from giant CF Industries plants in Louisiana and Iowa, officially launched in February. The advantages of our assured supply of UAN and granular urea will be apparent in local supplies this fall.

On July 27, CHS finalized the Highwater Ethanol, LLC procurement agreement. The facility in Lambertton will be a grain marketing advantage for the coming crop as the CHS grain team will buy all the corn for Highwater. The target is 18 million bushels per year. Our CHS Marshall locations are geographically convenient to Lambertton, so a lot of our grain should flow there.

Our investment in the bulk weigh loader in Ruthton is now paying us back, with the export market to the Pacific Northwest finally taking off. We've always shipped to that market when we could, but right now the U.S. is a better option for countries on the Asian rim. Our CHS export facility in Tacoma is well positioned to reach those markets, so we're channeling grain there by rail.

When you have so much riding on next year's crop, good quality seed takes on additional importance. CHS recently

launched Allegiant seed because we believe it's vital you have good quality seed. From the standpoint of the financial health of your local co-op, it's especially important because we condition Allegiant seed beans here in Marshall.



Locally, our fiscal year ended Aug. 31, and we are pleased with a very sound year financially. As I said before, you wouldn't want us racking up huge income right now. At the same time, I'm sure you realize how your cooperative's solid financial standing protects you.

Your board of directors has been talking about all of these recent investments, as well as our outlook for the future. Late this summer, the directors toured the CHS Inver Grove Heights main office as part of our annual planning session. It was the right time to garner information about the CHS efforts on your behalf around the globe.

While in Inver Grove Heights we heard from CHS Executive Vice President Lynden Johnson, Senior Vice President of Country Operations Mike Johnston and Vice President of Farm Supply Gary Halvorson. They shared the picture from 30,000 feet, after which we drilled down to the local level in a discussion with our local department managers. We were there to determine this year's focal points and came away certain the long-term prognosis for CHS Marshall is very good.

IN THIS ISSUE: Information on veterinary feed directives. See page 4.

Here Are Some Ways We Have Your Back

By Brian Meier, Agronomy Sales Manager

CHS is launching Allegiant seeds, and I can imagine you're asking yourself, "When there are so many other seed companies to choose from, why would CHS start another?" Short answer: Because it brings more value to you, the customer and owner. Allegiant will give you access to the best genetics and traits available in the market.



Because you're a CHS owner, a portion of the purchase price returns to you in the form of a dividend and competitive pricing. Rest assured you won't be settling for unproven varieties. We can show you multiple-year yield data for all of the Allegiant corn hybrids and soybean varieties. We're growing Allegiant numbers in our local test plots, plus we have many local acres of soybean seed in production.

In 2017, Allegiant seed will offer growers these traits: Roundup Ready 2 Xtend® soybeans, Liberty Link® soybeans, Roundup Ready 2 Yield® soybeans, SmartStax® corn and YieldGard VT2® hybrids. Ask your CHS field rep to help you identify the best Allegiant seed choices for your fields.

Our field marketer staff has been busy all summer scouting for weed, insect and disease issues. They spent many hours in fields diagnosing fertility and agronomy issues. And they devoted time to training events so they can stay current with technology. They also work with Scott Johnson, Kyle Leary and Aaron Coe, our grain marketing specialists, to put together a total farm production plan for any customer.

As you consider your 2017 strategies, we'll likely be encouraging you to put down plant food this fall. Why? This spring we once again realized the value of an extra planting day. Producers who had fertilized in the fall were able to plant right away, while others had to wait until the middle of May to finish corn planting. We recommend including a nitrogen stabilizer in the fall, like N-Serve® or CHS N-Edge®. Both show proven return on investment—even with lower commodity prices. If you are not sure about what crop you are placing on a field next spring, consider applying the P & K now and waiting until spring for your nitrogen application.

Three specialists who are backing your play

Fall is also a great time to put Dan Sprengeler, our YieldPoint™ specialist, to work for you. He can help you customize your variable-rate fertilizer maps, update your grid sampling, compile your combine monitor cards or work through some of the details of the CSP program.

Anna Randall, our CHS Capital specialist, can connect you with our Autumn Rewards program. It's part of the CHS financing safety net to help growers purchase inputs. You can leverage this program to buy seed, chemistry, fertilizer and services. Anna and our agronomy staff can help you organize your early input funding for 2017. Talk to them soon.

Many of our customers already trust their crop insurance needs to Terry Christianson and me. I think it will prove to be an essential tool in your operation again this year. You might also be interested in livestock revenue insurance (LRP). It works in the same way revenue protection (RP) guards your crop production income by guaranteeing a specific return. You can set up LRP on cattle, swine and lambs. Terry and I would be happy to meet with you and share more details.

CHS wants to see you be successful. We have the people ready to help, so take full advantage of all that we can do. Give us a call!



Time for a More Complete Farm Succession Plan?

By Anna Randall, CHS Capital

Recently we held three well-attended local meetings on farm succession planning through our CHS partner Nationwide Insurance. If you weren't able to attend, get in touch with me for a review of what we all learned about this important topic.

Every time a farming operation passes to a new generation, success gets harder to achieve. Here are stark numbers from the Family Business Institute: 30% of family businesses pass to the second generation, but only 12% of family businesses survive to the third generation. A mere 3% reach the fourth generation.

If you and members of your family hope the farm will survive beyond your involvement, transition planning with the Land As Your Legacy® program could be central. We can connect you with a team of experienced professionals including financial advisors, lenders and attorneys to help secure your success.

Not sure whether you need these services?

Ask yourself the following questions.

- Do you have a succession plan? A simple will that divides everything “equally” is not a plan. By choosing that route, you're putting an unfair burden on all of your heirs.
- Are your expectations known to everyone in the family? Involve each of your heirs early and often in the planning process to prevent unwelcome surprises on all sides.
- Will your expectations for passing the farm forward allow for contingencies? Circumstances could change for the person you hope to put in charge—death, disability or a divorce. Just when you thought you had all your ducks in a row.
- Are you willing to let go when the time comes? It's called a succession plan for a reason and, done well, the next generation should be equipped to keep the farm in the family. Hand over the reins as planned.
- Do you really know what your heirs want to do? Farm owners sometimes envision a succession plan without acknowledging who really has the passion (and the skill) to take over the farm and who, unfortunately, does not.
- Have you developed a plan that appreciates everybody's importance? Recognition and acceptance—especially from parents—means a lot. A well-designed succession plan acknowledges what your heirs have contributed and how much each person means to you.
- Will your plan minimize hard feelings? The transition from generation to generation is highly emotional. Toss in feelings of jealousy and entitlement, and there's a good chance a poor succession plan will be misinterpreted. Besides, the next generation will have its own ideas—which should be considered an asset to the family business, not a liability.
- Are you leaving your plan to chance and poor communication? “Be sure to tell your brother...” isn't a sound strategy to insure success and minimize family strife.

If you recognize yourself in any of these common farm transition pitfalls, ask me to put you in touch with a Land As Your Legacy planner.

Been there, survived that

To younger farmers who started out in the past 10 years, today's price concerns might seem like the mouth of a long, dark tunnel. Farmers who've been around longer will tell you they've seen—and survived—the cycle of ups and downs before.

A conversation about your financing alternatives through CHS Capital could also take some of the pressure off. There's the Autumn Rewards program, for one thing, helping you cash in on early-order discounts at low interest rates. Two years into this program, we see it becoming increasingly useful to our customers.

We can also offer 4.5% interest on inputs for 2017. Paperwork required for loans will change this year, though not drastically. The process will still be very streamlined, but we have separated the application from the security note now, so we will need a couple sets of signatures this year. That's only a little more effort for the flexibility and convenience of an input line that makes paying bills at CHS so effortless.



Consider This Your Warning!

By Rod Benson, Feed Division Manager

You wouldn't walk into your local pharmacy and order drugs without a doctor's prescription. There are enforceable rules about that. Starting Jan. 1, 2017, there will be rules about requesting your homegrown drug prescription at your feed mill, too.

The over-the-counter status of a number of familiar drugs will change in January to satisfy consumer concerns about potential drug residue in the food supply. You're going to need a veterinarian's OK to acquire medications from CHS Marshall, either in bag form or in the ration you order. Let me be very clear about this: We won't help you circumvent this rule.

You'll need a veterinary feed directive (VFD) to acquire the drugs listed on this page. To accomplish that, establish a relationship with your veterinarian in advance of purchase.

"Let me be very clear about this: We won't help you circumvent this rule."

A VFD is a written prescription, and acquiring one for the drugs you want to use will require an on going connection with a vet. Your VFD will specify dosage for a specific antibiotic—inclusion rate and the number of animals covered at

that rate. It can be written to cover more than one barn.

Be aware that all parties must retain records of receipt and distribution of feed containing a VFD medication for two years. That includes you, your veterinarian and your CHS feed mill.

Back in October 2015, pharmaceutical companies, veterinarians and your feed mill started warning that this change was coming. The warning period is coming to an end and compliance is about to begin. Take steps now to establish a working relationship with a veterinarian.



What Will We Expect to Learn From Your Veterinary Feed Directive?

Required information for a VFD:

- Your veterinarian's contact information, licensing number and the state issuing that license.
- Your name and contact information.
- Specific information on the number and species of animals to be treated.
- Intended treatment window.
- Drugs prescribed (in the case of approved drug combinations, both must be listed.)
- Inclusion levels, feeding instructions and withdrawal times, if applicable.
- Additional special guidance and precautionary statements.
- Expiration date for the VFD, which cannot exceed six months.
- Number of approval refills.



As of January 1, 2017, These Drugs Will Require a VFD

Established Drug Name

Chlortetracycline (CTC)
Chlortetracycline/sulfamethazine
Chlortetracycline/sulfamethazine/penicillin
Hygromycin B
Lincomycin
Oxytetracycline (OTC)
Oxytetracycline/Neomycin
Penicillin
Sulfadimethoxine/ormetoprim
Tylosin
Tylosin/sulfamethazine
Virginiamycin

Proprietary Drug Name(s)

Aureomycin, CLTC, CTC, Chloratet, Chlorachel, ChlorMax, Chlortetracycline, Deracin, Inchlor, Pennchlor, Pfichlor
Aureo S, Aureomix S, Pennchlor S
Aureomix 500, Chlorachel/Pfichlor SP, Pennchlor SP, ChlorMax SP
Hygromix
Lincomix
TM, OXTC, Oxytetracycline, Pennox, Terramycin
Neo-Oxy, Neo-Terramycin
Penicillin, Penicillin G Procaine
Rofenaide, Romet
Tylan, Tylosin, Tylovet
Tylan Sulfa G, Tylan Plus Sulfa G, Tylosin Plus Sulfamethazine
Stafac, Virginiamycin, V-Max

There Is Some Good News Heading Into Harvest

By Joel Wiering, Grain Department Manager

Corn demand remains strong. Yes, there's very little price excitement in the markets. But knowing we could see one of the biggest crops in history, demand has to be our bright spot.

We know you're planning to use your on-farm storage most effectively to wait out better corn values. Seems the mentality is to sell beans and store corn, so we're preparing accordingly. We're cleaning out our own storage to be ready for what comes into our elevators. As we sit right now, we're comfortable about the space we'll have available for what will be a big crop—though it may not be as large as last year's.

Bean demand remains fairly strong as the USDA continues to show carryout below 400 million bushels. That's the point at which the trade always gets a little nervous. As a result, we'll continue to see choppy trade until harvest provides a better idea of what's out there. For now, it seems bean prices cash flow.

Programs and discount schedules throughout CHS Marshall will likely be the same as last year and storage costs will be similar. We're prepared to ramp our receiving hours to extend past 5 p.m. and into weekends. Our goals are the same as yours. We want a fast, safe and bountiful harvest, too!

A change in our policy

The ADM plant in Marshall is an advantageous market for your grain. For that reason, we offer a program that makes it easy for our farmer-owners to use our marketing programs while delivering direct to ADM. We'll continue to offer this program,

but we're no longer able to provide this service at no cost.

When ADM recently changed its internal accounting practices, the time needed to process and create settlements doubled for our office staff. Because of this, we are assessing a three-cent-per-bushel fee. The change took effect Sept. 1, 2016, and you'll see it as a change in our basis price for ADM.

Contracts created during the no-fee period will be honored, but all new contracts will include the three-cent fee. Our commitment hasn't changed: To offer you marketing programs and traditional co-op advantages, while allowing you flexible access to a variety of market outlets.



Board members toured shipping facilities in the Twin Cities.

Our customer appreciation golf day on July 25 in Tyler included chops grilled by the Lincoln County Pork Producers and time to relax in the shade.





CHS Marshall is donating \$30,000 for a new livestock building at the Pipestone County Fairgrounds.

Supply Complacency Could Be Risky

By Marla Verlinde, Energy Division Manager



Don't get lulled by reasonable diesel prices and memories of last year's smooth diesel supply season. Fill your tanks in preparation for fall. Keep in mind, the Marshall terminal sits at the end of the line for Magellan, so it could be the first to run out.

The predicted exceptional crop nationwide will require more diesel to harvest. Right now there is a shortage of gasoline in the Midwest—and we can't forget it takes gasoline supply to push other fuel grades into the marketing channels.

At CHS Marshall, we're committed to increasing our back-up fuel supply. We're moving three unused diesel tanks from Elkton to Tyler in order to expand our existing storage there. It's our goal to be full going into harvest, and we encourage you to do the same.

Remember, on Oct. 1, Minnesota automatically switches from B10 to B5. But you don't have to let your supply run down in preparation, as you sometimes might. We can switch your supply to winter fuel a little earlier to make sure you'll have what you need.

At the end of July, prices dipped but then bumped back up. Though I don't take that as an indication of prices soon going wild, once hurricane season starts it is good to lock in or be on our average price program.

The propane story takes less time to tell. At this point, we don't predict much of a grain-drying season. But we will make sure tanks are filled up for whatever drying we have.

Propane prices also dipped toward the end of July but gained a back. Contract soon to lock in that good price against every eventuality.

