

Country Connections

CUSTOMER NEWSLETTER



Predictions Becoming Realities

By Kent Mulder, General Manager



Some efficiencies that come through consolidation are only realized over a period of months or years. Others become evident almost immediately. Conditions this spring enabled us to reap the benefits that our geographic spread provides in terms of equipment utilization.

Efficient use of our machinery was one of our consolidation goals, and that goal became reality this spring as we dealt with a challenging planting season. Some areas were ready to plant sooner than others. As a result, we were able to move machines from Worthing to Colton to Elkton to Magnolia. A different set of machines went from Tracy to Ruthton.

Not only were we more efficient within our business unit, but we were also able to work for the greater good of the CHS organization. We sent machines from Worthing to Onida, and Selby, South Dakota, to assist CHS Midwest Cooperative and CHS Northern Plains.

Energy efficiency

Along the same lines of efficient operation, as Chuck

Springman notes in his article on page 3, we're going through a study with the agency that provides our routing software. Our goal is to determine routes that will allow us to use our delivery trucks most efficiently yet enable us to cover everyone during peak seasons. Excellent customer service is still our primary concern. See Chuck's article for more details.

As a senior management team, we went through a strategic planning session with our producer board just prior to this spring. We put forth five initiatives as points of emphasis for this coming year. One of those initiatives was to communicate more effectively with both customers and employees. This newsletter is one of the platforms we're using to accomplish that. We're also making sure the content on our website stays current, and we're utilizing social media to stay in touch. We don't expect to achieve perfection, but we do want to be both transparent and timely with our communication.

In closing, I would be remiss if I didn't thank our employees for your hard work and our customers for your support through both the unification and a very compressed—and pressurized—spring. We are pleased with our performance through both, but we can never be satisfied. There are always areas in which to improve, and we will continue to identify and address them as we move forward.

Activate Your Data with Agellum

By Brian Meier, Agronomy Sales Manager



Data has become the common language of farming, and now the Agellum™ platform provides a tool to manage the data-based information about your farm. Agellum streams data from different equipment monitors and programs onto a platform. You can upload data from planters,

sprayers and combines, and compare this information with other operational, agronomic or financial records.

For example, if you have a Climate, MyJohnDeere, or Ag Leader account—or all three—you can access their data with a single login through Agellum. You can also provide access to that data for other parties, like your agronomist or banker.

More importantly, Agellum gives you the power to use the data you're already generating more effectively to manage your operation. You can develop a farm plan for each of your fields or create a cash flow and marketing plan. Using

the reporting capabilities of Agellum, you can put together a summary of your farming operation for your banker.

Planning is just one aspect of Agellum. It also provides powerful crop management tools. Available high-resolution satellite imagery enables you to track crop progress and spot nutritional deficiencies, as well as insect or disease issues.

Agellum also connects to a scouting program. If one of our agronomists finds an area of concern in your field, he or she can put a pin on that spot with information about the problem for your review. For those of you enrolled in Conservation Stewardship Program (CSP), Agellum can house these scouting reports, as well as your spray records, to make end-of-season reporting much easier.

This is just an overview of what Agellum can provide to your farming operation. The price for a one-year Agellum subscription is just 75 cents per acre. Talk with one of our agronomy representatives to sign up, or to learn more and see a demonstration of the platform's capabilities.

Two Definitely Better Than One

By Rod Benson, Feed Department Manager



As the feed department manager, my main focus over the past few months has been bringing our two feed divisions together following the consolidation. I'm happy to report that the transition has gone very well, and we're beginning to see some of the

benefits we expected the merger to bring. It feels like we're really hitting our stride now.

For example, our buying power is tremendously improved across the entire system and the bottom line is stronger. That enables us to remain competitive in the trade area and increases our patronage percentage. We've also found unexpected benefits. Because the mills in Tracy and Luverne are no longer operating independently, we cut their

administrative cost per location in half—another contribution to the bottom line.

Operationally, we have strong mill management in place with Derek Fiekema in Luverne and Jacob Portz in Tracy, which allows me to focus on the bigger picture of the entire feed division. That picture is constantly changing, as market forces are driving growth in the swine industry in our part of the world.

Packers building packing houses, and the resulting increase in shackle space, is the primary cause for expansion. With our experienced production and delivery teams, we are well positioned to meet the growing demand for quality swine feed. Whether you are a contract feeder or own everything from the sow to the finishing building, we have solid programs to fit your requirements.



Yes, It's 90, but It's Time to Think Fall

By Chuck Springman, Energy Department Manager



While it's difficult to know what the grain drying season may look like at this point, this is the time to consider contracting propane for your home and livestock facility heating needs. We're buying and contracting propane to take advantage of a recent dip in propane prices.

The same may be said for diesel fuel. Many of you have already contracted, but those who haven't, you might want to consider contracting some gallons to cover the harvest season. All it takes is a hurricane or man-made upheaval to cause a price spike. Contracting at least a portion of your anticipated energy needs helps you lock in input costs and insulates you from some of the market uncertainty.

Even though we still don't know what the growing season will bring, we do offer contracts for dryer gas. Because usage is unpredictable, we do require 20-cent-per-gallon down on dryer gas contracts. We don't require that for ag heat customers, since we have average usage records that gives us a pretty good idea of what you'll consume in a given winter.

Routing adjustments

Recently, one of our propane drivers covering customers in the Tracy area had the opportunity to return home to farm in the Sanborn, Iowa, area. After looking at our propane volumes, drivers and equipment, we made the decision not to fill his position.



We are realigning some of our delivery territories and routes for greater efficiency.

In order to continue to provide excellent customer service with the remaining four drivers, we have proposed new territory boundaries. We are working with the company that produces our routing software to determine if those boundaries will result in the most efficient routes—always a challenge. We also want to account for demand during peak times, like the dryer gas season, so we can have five drivers available, if needed.

As we move through the summer months, we recommend our bulk lubricant customers check their tanks prior to the start of harvest. Just a reminder that our minimum delivery is 100 gallons—which could be the total of several different lube products.



Lessons Only Mother Nature Can Teach

By Tony VanOverschelde, Agronomy Department Manager

Spring—or the lack of one—has been the big agronomy story thus far in 2018. For example, on Memorial Day weekend, the fields around Worthing looked like they usually do at the first of May. We were a month late getting underway in a lot of places, and that meant corn and beans were going in at the same time. That required a lot of hours and flexibility, as we moved equipment and changed fertilizers constantly.

As Kent noted in his article, the size of our consolidated cooperative allowed us to move equipment throughout our system as field conditions allowed. The work got done, and with the seasons moving from spring to summer in about a week's time, the crops seem to be catching up very well.

It's good to have a planting season like this one under our belt as a consolidated operation. We learned a lot, and our agronomy location managers have been working together to analyze our performance and determine what went

well and where we can improve when we must deal with our next compressed spring.

With the shorter season, we've moved right from spreading to spraying and topdressing. Even as we finish our spring workload, we're already filling our fertilizer plant and planning for the fall. Fertilizer prices thus far are staying pretty close to their spring levels.

On the seed side, we managed to get most of our test plots in, including a few plots in new locations.

As your crops progress through the summer, we're ready to help with scouting, fungicide application and any insect problems that appear. Thanks for working through this spring with us, and we look forward with you to a productive 2018.



Expanding the 2018 Plot Trial Program

By Bob Goodroad, Seed Manager

As part of our commitment to provide the best seed choices for our owners' fields, we've expanded our plot trial program once again in 2018. We will have a dozen test plots throughout our territory this summer featuring our Dekalb/Asgrow brands and Allegiant Seed from CHS, as well as trials of our CHS Aventine Complete™ starter, soybean seed treatments and late-season fungicide applications.

Within our southern group, we'll have corn and soybean plots at Corson (also Aventine Complete), just outside of Garretson, our new Colton location, south of Worthing and a new site just west of the Magnolia plant. For our northern group, we have a large plot at Tracy, in Marshall, near Ruthton and a new site in Elkton, South Dakota.

These plots are a great source of information for farmers and a way for us to observe how these hybrids and varieties perform under our growing conditions. We will have a field day at a couple of the plots this summer, but specific dates and locations have not yet been determined.

I'm also overseeing our interns this summer, and they're helping us gather data and evaluate some of the test plots—particularly with our Allegiant Seed brand. As a brand with a short two-year track record, we're interested in the performance of these newer seed lines. The interns are also doing some tissue sampling with corn and beans, identifying nutrient deficiencies that might be addressed with the application of our branded CHS foliar nutrients.

We will keep you posted on the dates and locations for our field days. In the meantime, please contact a member of your location agronomy team if you want to take a look at one of the plots in your area. We will be happy to take you through and discuss the hybrids, varieties and treatments in the specific plot.



Moving Your Grain to Market

By Jacob Bailey, Grain Department Manager

With three unit train loaders on the BNSF railroad at Ruthton, Jasper and Canton, CHS Brandon is well positioned to connect our patrons to world markets. Much of our corn on rail is shipped to the Pacific Northwest (PNW), and we have enjoyed a good year, as overseas demand for U.S. grain has been strong.

The USDA is projecting corn exports for the 2017/18 crop to reach 2.3 billion bushels—the highest level since the 2007/08 export year. Initial projections for 2018/19 are a healthy 2.1 billion bushels. In addition, we do have consistently strong domestic demand for corn, both in our area and nationally.

Outside of trade issues beyond our control, another factor to consider concerning the corn market as a whole is carryout. Carryout for the 2018/19 crop will be the primary topic in the markets for the next six months. This year, we're looking at a roughly 2.1-billion-bushel carryout, but it's possible that we could see carryout drop to 1.4-1.5 billion for 2018/19. That would get the market more engaged, as there is a little bit more at risk. That possibility

probably warrants firmer corn prices after the first of the year.

We've seen crop conditions set an all-time high right out of the gate. Once we determine the topside yield, the actual number will likely go down from there. So, that carryout can really change, creating volatility and opportunity for you in your marketing.

Looking at soybeans

Soybeans continue to offer a robust export market for us, as well. The biggest challenge we're facing in that arena is the current trade tension with China—a story in itself. With China purchasing 25% of the total U.S. soybean crop in a normal year, we need to maintain that market to keep supply and demand in balance. The impact an all-out trade war could have on soybean prices is obvious.

We've seen soybean carryout values shrink again. We have come off some decent highs, with the November '18 futures contract hitting \$10.60. To me, that seems like the right value on beans. Overall, I think we're looking at a good year ahead if we have the yields, and we'll see prices that will provide some marketing opportunities.

We have a variety of marketing tools available to assist you, and would be happy to discuss your marketing plans and how those tools might fit in.



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Don't Tune This Out

By Brock Dexter, Safety Director

Yes, we've heard it before, but the numbers don't lie. Despite a wealth of information on the subject, too many farmers, farm workers and family members are still being injured or killed in confined space incidents. In fact, a Purdue University survey found entrapment numbers were higher in 2016 than in the previous year. In total, there were 29 entrapment incidents resulting in 18 deaths. In addition, there were 42 other grain-related incidents—ranging from entanglement with machinery to asphyxiation and falls—resulting in 22 deaths.

Iowa leads the nation in this unfortunate category, with Minnesota coming in third behind Illinois. We've seen several incidents in our area already this year. The vast majority of all of the confined-space accidents occur on non-OSHA-regulated businesses—family farms, in plain terms.

Why are these incidents increasing? Contributing factors include larger on-farm grain storage facilities; grain being stored longer due to lower commodity prices causing quality issues; and bigger, faster equipment. You can be trapped beyond your ability to extricate yourself in five seconds, and completely engulfed in 11-15 seconds.

Sometimes, all it takes is a reminder at the right time to prevent a tragedy. So, here are just a few of the major confined space dos and don'ts.

Do:

- Have a plan, even if it's only a loose verbal plan, of what to do in the event of an accident. Go over the plan at least once a year.

- Always follow confined space entry procedures.
- De-energize equipment before you enter a confined space. Only enter if no other options exist.
- Have someone else nearby before you enter a confined space.
- Probe or strike the surface before you go in.
- Wear a harness or lifeline.

Don't:

- Go into a bin alone to clear an obstruction or level the tops.
- Enter a bin when there is flowing grain.
- Knock off bridged grain from the inside.
- Walk down grain.
- Enter from the top, if possible.

At CHS, our goal is to make safety a value, not a priority. Priorities can change, but values don't. If safety is a value on your farm—or you want it to be—I want to extend the offer to come to your farm, walk through your operation, and help provide some low-level training. I have also helped farmers acquire some of the basic safety equipment needed in their operation. If you would like us to come out, please call me on my cell at 218-686-4224 or in the office at 605-582-5124.

