

Spring 2017

Primeland Perspective

CUSTOMER NEWSLETTER



Staying Relevant Through the Tough Times

I know you understand the market factors in play right now. Ours is a cyclical industry, and we've got low commodity prices, a strong dollar and no lack of supply in every commodity everywhere around the world. It means a trio of tension at the farm gate.

As our customers see their balance sheets weaken, we strengthen our commitment to make sure our balance sheet continues to support bringing you value-added services and quality products at competitive prices. And while you might see others cutting prices, we know that's not sustainable—ultimately those prices creep back up. That doesn't serve you well at all.

What we are doing is regularly evaluating our programs and processes to make sure they are still bringing value to both our customers and the co-op. As we focus on how to bring you more size, speed and scale,

there may be tough choices to make. In the end, it's about staying relevant for you—offering what you need, when you need it, now and into the future.

We have the tools to help you through

Financial conditions that hit you affect our financials also. While our profitability has been stressed compared to a couple years ago, we still completed significant, planned investments—the Port of Wilma agronomy hub, for one—that we believe will deliver for you today and tomorrow. Inside this issue on page 2, Lee Holtom and Austin Bull describe how that new facility is doing, including saving money all around. You'll be interested in their update as we head into spring.

In the short term, expect us to pursue a more conservative approach to capital spending and prudent



*By Ken Blakeman
General Manager, CHS Primeland*

budgets. The last several years saw new construction, upgrades and enhancements to our co-op. It's now time to help you make the most of those investments and the efficiencies they bring.

More than just brick and mortar, timing and communication will be everything as we ride out the next 18 to 24 months. Tighter production economics put the spotlight on financing and credit. We have the financial tools we

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2 Fall fine-tuning puts our Port of Wilma facility on track for spring.

3 Get in touch with our new credit manager.

Port of Wilma Agronomy Hub Ready for You

Economies of scale: Nothing is more relevant in tight economic times. At our Port of Wilma facility, operators Austin Bull and Lee Holtom are seeing how fertilizer volume trims costs daily for CHS Primeland and its customers.

Austin points to “the ease of access that helps us reach out to more growers in different locations and has allowed us to grow our coverage area. And, closing the distance between customers and supply saves money. That’s something customers are looking for us to do.”

“Before the centralized Port of Wilma plant, whenever one of our other locations needed fertilizer, somebody had to drive to pick up more product,” Lee explains. “When they drive to Port of Wilma, we’ve cut the travel time in half. Plus, dispensing fertilizer from Port of Wilma is quick and accurate—we can load in 10 minutes with accuracy.”

The two operators came to Port of Wilma in June 2016. “We were here for the break-in period,” Lee says. “We got everything to run right. That took a lot of computer, as well as mechanical, work. Naturally, there is a learning curve and we had a couple of computer bugs right away. By the middle of fall, though, everything was running smoothly.”

Austin says, “Another way we save at this plant is by having the ability to manufacture our own products.”

Lee and Austin believe fine-tuning the melting process has been their biggest achievement thus far. They had to determine the right ratio of dry product to hot water within half a percent accuracy in order to create a good blend. Lee recalls incremental adjustments. “We’re still learning, of course. We currently manufacture four different products by melting dry fertilizer.”

They’re more than ready for spring. Austin points out the agronomy team at the Port of Wilma isn’t starting

from scratch. “Having everybody here through the fall season allowed us to improve the process of getting trucks around the lot and figure out communication with the office.”

Lee concludes, “As we’ve upgraded the accuracy of our system, we’re providing something relevant to what today’s producer wants. Precision-sampling means they need our fertilizer formulas to be perfect. I’d say we’re the next step in precision ag.”



Austin Bull, at left, and Lee Holtom.

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know you want, but we’re also your partner in being vigilant in protecting your financial health. New credit manager Derek Schneidmiller comes from within our cooperative system, having spent the last seven years in grain origination. We have confidence he understands your business. Get to

know him on page 3.

Above all, as we go through tougher times, stay in touch with Derek, Russ Braun and the rest of our team. They are your local experts, committed to helping you manage risk no matter where we are in a market cycle. (See Russ’s advice on page 3.) We’re all in

this together, but we don’t know what you need unless you tell us.

You know CHS is here for the long run. We intend to keep making prudent decisions that serve our partners, our employees and our communities.

Advice for This Market: Keep in Touch

“Communicate with me,” Derek Schneidmiller, our new credit division manager, explains. “That’s the biggest thing I’ve learned in the first few weeks of my new job. When customers aren’t communicating, we worry about what’s happening in their operations. They’re worried, too. One thing I bring from my previous position within the cooperative system is an ability to build those communication channels.”

Derek grew up on a farm near Post Falls, Idaho, and earned an ag economics degree from Washington State University. He came to CHS Primeland in 2010 as a grain buyer out of Rockford, and was ready to learn a new aspect of our business when Dave Arthur accepted another job.

“Dave did a great job of introducing our customers to CHS loan programs,” Derek says. “My job is to build something sustainable with an internal process they’ll appreciate. For one thing, there will be additional points of contact in our system where customers can get information as a starting point.

“In the next 18 to 24 months, producers will be challenged



Derek Schneidmiller

financially, and we want to make our useful financial tools accessible. Obviously we’ll want to manage our own risk as well, so my work will be demanding. But, a new challenge is what I was after!”

Efficient marketers will survive

Grain division manager Russ Braun realizes our essential goal is helping our customers survive in an era

of nearly historic corn and wheat carryover. “We’re uniquely equipped to work with customers to make good planting and marketing decisions because we deal with the same people day in and day out. We know their operations better than anyone else.”

And, Russ emphasizes, “One major component of pricing in the grain business is freight, which depends on volume available for shipping. All of our producer-owners matter individually and as a whole.”

Going forward, Russ recommends being prepared to sell into small rallies. “The U.S. wheat crop is just starting to break dormancy, but we’ll soon get a sense of the direction the market will take. With even an average crop, we’ll maintain carryover. If there is a bright spot, it’s that producers have responded with the least number of planted acres since 1909.”

It will take a drought to use up the surplus and revive the markets, Russ says, adding that he hates to wish for that. Meanwhile, “I stress watching for slight rallies and staying in touch with our grain marketers as your best strategy in trying times.”





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PO Box 467-468
Lewiston, ID 83501-0467

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The Everyday Face of CHS

“There’s nothing seasonal about our stores or our Massey Ferguson dealership. Customers in St. John, Craigmont, Grangeville, Lewiston and Walla Walla see us all the time—not just in the height of spring work or harvest.” That’s how Guy Bernier understands the essential role our CHS Primeland retail division plays in your life.



We meet customers 140,000 times a year.

In some towns, our farm stores are the only retail business. In other towns, we’re there to provide customers with a choice. And, of course, coffee!



Producers learn a thing or two during our events.

With a hay school and a tractor night, we show how much we appreciate customers. Steve Bughi goes through every part of the tractor, providing operation and maintenance tips. Baler reps answer customers’ troubleshooting questions.



Our loyal employees prove time will tell.

Experienced store managers and the highly qualified team at the Massey Ferguson store are fundamental to providing value.



Future farmers find encouragement here.

Our substantial support of 4-H and FFA programs reinforces a positive first experience with cooperatives and students.