

June 2016

Primeland Perspective

CUSTOMER NEWSLETTER



Service That Keeps You Earning

Throughout this issue, you'll discover how we're working to deliver best-of-class service to our patrons. With support from our owner-board, we've set out these past few years to address needed changes in our facilities—aspects of our operations that made efficiency challenging as farming started to move faster. We've adapted to the pace by focusing on recapitalizing our facilities and refining our speed and scale for tomorrow's customers.

In the past decade, you've had some of the best years in your careers. As you've taken advantage of positive markets, you've invested in the newest equipment—additions that increased your operational speed dramatically. We're keeping up by investing (within our capital constraints) in projects that improve logistics, speed and the scale of our operations. We refine the scale of operations we manage for the most efficient outcome: your ability to get

back to work as soon as possible.

We've had to make tough decisions towards that end: The cost to bring some locations up to par would have been greater than we could ever expect in return. At certain facilities, we weren't ever going to bring structures into regulatory compliance. It was tough for management and your board to decide that some locations must close or be sold—but we made those decisions with our goal of serving you efficiently and cost-effectively in mind.

We're moving in a manner that allows us to think ahead five to ten years to invest appropriately so we can serve you better. Consider our new elevator at Nezerce, which will provide good service for the next 20 years. CHS Primeland also invested in a new fertilizer distribution hub at Port of Wilma. That construction is all about better service.



*By Ken Blakeman
General Manager, CHS Primeland*

Ken Mingo describes specific Port of Wilma capabilities on page 3. As I see it, the new hub will allow us to better manage supply logistics even as your planting season window continues to shrink. We used to rely on our transportation system to deliver needed products when you were ready. The Port of Wilma hub will allow us to have products on-hand long before you need them—a definite improvement.

Our energy services are improving alongside our distribution capabilities;

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New services for vineyards.

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Control your costs.

Tim Eichner Knows Good Service Impacts Everyone

Tim Eichner remembers a time when he and his neighbors didn't have access to a full range of valuable products and services. That experience, combined with "... really good opportunities to collect patronage" are the bedrock of CHS Primeland Producer and Board Member Tim Eichner's loyalty.

The Kendrick farmer from American Ridge clearly sees how he and other owner-patrons will benefit when the Port of Wilma facility goes fully operational. "Having been on the board these 13 years, I realized our access to fertilizer supplies was growing more tenuous. Having products on-hand gives farmers the

ability to price throughout the year, which will make a big difference," Tim explains.

Tim started farming in 1978. Today, his operation produces wheat, spring wheat, spring barley, alfalfa hay, garbanzos, green peas and multiple varieties of grass seed. Tim farms with his son-in-law, Kendrick Webb, married to Tim's daughter Megan, a homemaker. Daughter Mercedes is also a homemaker. Sons Nathan and Jon are a CPA and a doctor of physical therapy. Tim is married to Mellissa, business manager for their local school district. The Eichners have 12 grandchildren.



Helping Local Growers Ferment a New Enterprise

By Guy Bernier, Retail Division Manager



The newest recognized wine-growing region in the U.S. is the Lewis-Clark Valley AVA (American Viticultural Area) in Idaho and Washington. Ahead of the April 20 announcement designating the region, our Lewiston store anticipated the trend in order to

provide the supplies and services growers will require: certified grape plants, trellising supplies and wine-making materials.

We made contact with companies that specialize in wine-growing and wine-making necessities to secure supply lines. There's vineyard growth potential in our service area, since there are currently only 11 vineyards and 5 wineries in the Lewis-Clark AVA. What's more, only 20% of the grapes those

wineries require are currently grown in the area. Wineries must out-source from other locales.

Local grape growers

Agronomist Zach Zacharison has experience with grapes in the Treasure Valley. He's excited to become a resource for grape growers. He and Dave O'Donnell, our farm store manager in Lewiston, were both on-hand for the AVA launch at Lindsay Creek Winery.

The new designation is big news in the wine industry, enhancing marketability for local wines. Some of our CHS Primeland owner-patrons are already involved; we plan to be just as valuable in their vineyards as we are in their wheat fields.

Service That Keeps You Earning

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Jeff Hagemann gives the specifics on page 4, but one significant energy improvement is our upgrade to more delivery capacity per truck.

This improvement will require a new emphasis on advance scheduling and keep-full practices to drive efficiency while keeping costs down.

As we fine-tune our services, we're assuring your stake in this cooperative keeps you earning again and again. Our financial performance over the past six years offers evidence that our

best times have been yours, too. Our last fiscal year was the best in CHS Primeland history.

As markets slipped off this year, you've had to make difficult decisions which also impact our bottom line significantly and cut into patronage refunds. Still, the sky is not falling! Your cooperative remains profitable and our investments in improving our services remain good decisions made for the right reasons.

Yes, this will be a challenging year.

We showed a \$3 million bottom line through the first eight months as opposed to \$6 million last year. But agriculture has always been cyclical and you can be confident we will continue to be fiscally responsible. We're committed to choices that ensure the long-term viability of the co-op.

Long-term, the future of ag is extremely bright. There'll soon be 9 billion people in the world and we're in a good position to feed them. Let's stay the course.

Which of Our Services Can Help You Most Right Now?

Our investments in facilities, equipment and quality employees share a common denominator: We measure everything CHS Primeland builds in terms of potential value to our customers. With us, it's service—plain and simple.

Grain Division Manager Russ Braun says, "First, I'd emphasize the service value of speed. In our market area, CHS Primeland is the industry leader in improving grain elevators so customers can unload quicker and get back to their fields faster."

Working inside our grain locations is fast, too. "We pride ourselves on supplying weights and grades quickly and converting grain sales to cash sales right away, if that's what you want. All of our local offices have the ability to issue checks, so you can walk in and walk out with your money."

Aside from the speed we offer, Russ wants you to know about the service value of our marketing tools. "None come close to the number of pricing platforms we offer. If a producer wants to be a price maker and not a price taker, we can help with up to seven different ways to price."

Those choices include cash and cash-forward pricing and our hedge-to-arrive hybrid contracts—known as Compass Contracts through CHS Hedging. You can choose Cash Plus, Price Builder Bonus and Daily Price Plus contracts.

The talents of our four grain merchandisers comprise the third essential service Russ suggests you put to good use: "We're available to sit down and help customers develop a disciplined marketing plan. That



should matter more in this price climate than ever. We work to help you get your best price knowing when you're a success, so is CHS Primeland."

Better fertilizer service in-season

Ken Mingo reminds you that an agronomy team of 20 CCA agronomists and an extensive support team wake up every day, ready to put their boots on and give you their best. "With our new Port of Wilma facility coming on line in time for fall, we can promise better service than ever. Because we'll now keep a season's worth of supply on hand, we'll show customers our ability to provide more products with quicker turn-around." And that allows more time for strategic service in-season.

The vast new storage facility was designed to offer a wider range of services and products.

"Our fertilizer orders always arrived just in time for the season. Knowing we're supplied ahead of time to, in turn, supply our customers, will be a major improvement."

The Port of Wilma plant's capacity will be 24,000 tons of dry fertilizer delivered by rail or truck, along with a little over 2.5 million gallons of liquid delivered by rail or barge. "We'll offer a full range of plant food products, essentially anything a producer wants. There'll be a full array of crop protection products, both packaged and in bulk. It's going

to be a lot more convenient," Ken concludes. "I expect our new ability to be fully stocked will impact growers' timelines and improve their efficiency, too."

Though the nearby beneficiaries of the new facility will be member-owners in Nez Perce, Garfield, Asotin, Whitman and Latah counties, Ken predicts that our 10 other agronomy locations will see a speed gain from our own local warehouse.

Financial services supply a critical element for your success

"Uncertainty about crop prices doesn't have to limit a grower's available capital," Dave Arthur, regional credit manager for CHS Primeland, explains. "The services we offer and our reasonable interest rates can be a critical element this year."

Dave points to CHS full operating loans—the traditional package for crop inputs, land rental, equipment purchases and living expenses—which usually have a maturity of Feb. 10. "You can put next year's line of credit in place. With our operating loans, you create a revolving line of credit or two-year lines (multi-revolving) or a dedicated line of credit which must reach zero by the time your loan reaches maturity date."

Our financial services also offer you leverage for specific purchases. Crop input lines of credit are increasingly used by many producers to facilitate cash flow and relieve pressure on their standard operating loans. Dave says, "It's an 18-month line, typically set to start Sept. 1 and to mature on Feb. 10 of the following year. A crop-input line offers competitive interest rates and gives you access to all the products and services CHS Primeland offers: chemicals, fertilizer, fuel and any purchases at our farm stores. We do automatic and rapid transfers from your credit account to cover those purchases, assuring you capture all available early-pay discounts."

Ask Dave and his team members about other tools for stretching your cash flow and buying power, even in spite of less-favorable grain markets. They can tell you more about equipment and real estate loans, also with reasonable rates and a strong emphasis on service.





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Join us for the *Grand Opening* of the Port of Wilma Agronomy Hub Plant on June 23, 10 a.m. to 3 p.m.
There will be a lunch provided, vendor displays and jet boat rides!

Two Smart Ways to Control Your Costs

By Jeff Hagemann, Energy Division Manager



Although fuel expenses may be a small portion of your overall expense structure, with the lower commodity prices we see today, every penny helps. To help control your energy costs, the CHS Primeland Energy Division provides a couple of risk management tools.

First off, we email our Petroleum Market Update weekly, or as market conditions warrant. Backed by charts and quotes from respected energy economists, this information is more than a gut feeling. Fifteen years ago, prices moved maybe a nickel a month; today it's 10 cents or more in a day. Sign up for our email updates to tap into an industry perspective other fuel suppliers don't provide.

Another valuable tool is forward fuel contracting, something we've been offering for about 17 years now. Contracting offers you the opportunity to fix the price of a portion of your fuel expenses—months in advance of actual purchase. While contracting fuel isn't necessarily about getting the lowest price, it allows you to better predict your expenses. It can even help you manage the unforeseen:

hurricanes, geo-politics or refinery maintenance, to name a few.

Granted, recently contracts haven't been in the money. Yet, customers who contract still come out ahead, year after year. We expect global crude oil supply and demand to start coming into balance in late 2016 and into 2017. Without advance contracts, you could potentially leave a lot of money on the table.

A farm couple in the Genesee area put it this way: "We've learned running our own business means a lot more than making sure seed is in the ground and the combine will be in the cut during harvest. It means making sound decisions that will help ensure our longevity and success, especially when commodity prices don't look so great."



The couple adds, "Fuel is a significant part of our budget. When the tank farm is empty and the slip tank needs to be filled in August, the price at the pump makes us cringe! . . . Utilizing contracting and working with someone who knows fuel markets well have proven to be tools that help us plan for the future and take advantage of opportunities to save our operation money in the short- and long-terms. Thank you, CHS Primeland, for being an active partner in our success."