

# FIVE STAR COOPERATIVE

*Here to Serve. Here to Stay.*

FALL NEWSLETTER • 2019



Thank you for your business. We continue to grow as a result of your support. As we look at our financial performance this last year, we show many positive signs. We have local net earnings of \$3,144,364 for fiscal year the ended on August 31st, 2019. We have total net saving of \$7,407,710 (includes regional patronage, investment income, and tax implications).

These results have been audited by Gardiner accounting firm and will be available to you at our annual meeting. These results are meaningful and will have an impact as patronage is allocated and returned to you. We have also been in position to retire deferred equity, over 1.7 million dollars this year. We also continue to invest in our future. We will have a combined investment of 11.8 million dollars in two projects. One for a grain build at Lawler and the second a new feed mill in New Hampton. I would like to thank our dedicated employees for serving you and making this a successful year. Our focus on Customer Experience, Employee Experience, and Operational Excellence is yielding results. We are also doing it safely.

While we have had a successful year, we must look for ways to improve. I would like to share with you how we are trying to capture additional value from our assets. One example of this is that we are now manufacturing feed for Farmers Win Cooperative at the New Hampton Feed mill. We are also looking at opportunities with Farmers Win Cooperative in swapping fertilizer tons between our plants. We do this in an effort to reduce transportation costs and enhance customer service. We are also exploring partnerships on purchasing feed ingredients and crop protection products.

We will continue to seek ways to improve member value in our own business as well as partnership opportunities with others. Five Star Cooperative remains deeply committed to finding ways to enhance services, assets, technology, and profitability. These opportunities fit well with our cooperative belief and mission of growing and profiting together.

*Ken Smith*

General Manager



*Be sure to check out page 7 for more information on our*

*Pink at the Pump efforts that will be going on in the month of October!*



As I write this article fall is quickly approaching. The crops are maturing differently because of the wide range of planting dates. It will be interesting to see how yields compare with the amount of variability out there. Mother Nature challenged us all year, but for the most part the work got done in our trade area. Hats off to everyone!

The past fiscal year was very successful at Five Star Coop. The regional coops we do business with paid good dividends and our local earnings were stronger than expected. When we realized that the year was looking very profitable, the board and management team decided to do some things that we have been waiting for a situation like this to do.

In July the board decided to pay back \$1.7 million in deferred equity to coop members. This payment allowed the coop to get paid up to 2004 on both local and regional equity. The board would also like to inform you that a bylaw change was made to allow you to request to receive all of your local and a percentage of your regional deferred equity to be paid out when you are no longer farming. These payments are made at board discretion when financial performance allows, but may put you on a faster track to get paid. Deferred equity payment decisions are usually made near the end of each fiscal year when financial performance is more clearly defined. Please call the coop when you are no longer farming to request that you want to be placed on the list to receive your assigned deferred equity if the board has an opportunity to do so.

At our August board meeting we approved the construction of a new feed mill for \$9.5 million. This decision has been a long time coming, but was necessary as the feed mill in New Hampton is over 50 years old and just can't do what its been doing much longer. It will be a slip form cement mill that will do 50 ton of feed per hour. The board would like to thank John Winter, Jeff Hageman, Steve Glaser, and the entire feed team for all their efforts in making this project a reality. It will take a little over a year to build.

Another decision made at our August meeting was to build more at the site outside of Lawler that was started 4 years ago. Another 310,000 bushel bin, a 100,000 bushel wet holding bin, a 2500 bushel per hour dryer, an office and cold storage space will be added. We had a meeting with some local farmers who indicated if we build it they will come so we felt it was time to fulfill the decision made a few years back to get out of down town. Many thanks to the loyal members in this area for their patience and for their continued support of the coop. The \$2.5 million dollar project will be completed for fall 2020.

We will have to take on some additional long term debt to do these projects, but we have been able to pay off a lot of debt over the last few years and our working capital is in a strong position. We feel these projects are worthy, and hope they show the coop is committed to providing the facilities, equipment, and most importantly the people to be your valued partner in your farming operation.

Our annual meeting will be held November 21 at The Pub at the Pinicon starting at 9 AM. Two board seats in the west and one in the central region are up for election this year. Five Star Board member Casey Schlichting, who is also a director on the Iowa Soybean Association Board, will give a presentation on some recent trips he took to China, Japan, and Seattle, Washington. Incumbents Randy Greiman and Larry Eden from the west, and Terry Thomas from the central region have decided to run again, but if you have any interest in running please call one of the nominating committee members. Those that agreed to serve on this committee are Roger Kadolph (641-425-3672) from the west, Curt Lawson (641-420-1568) from the central, and Don Chambers (641-330-2112) from the east. Many thanks to those members that were willing to serve or run.

With all the work to be done this fall, remember to always keep safety on your mind. Hopefully this fall's weather will be better than the last couple of years and we will bring in a bountiful harvest. As always many thanks for your past, present, and future business.

Tom Shatek  
Board Chairman

WOW! We have been planning, thinking, discussing, and dreaming for the past 10 to 20 years and it finally has happened. The Board has approved a new feed mill to be built in New Hampton. We have looked all over our territory, at other locations, at green field sites, and we have decided the best place to build is right here in New Hampton. Reasons for this are that Green field was just too expensive. We would have had to start from scratch with drive ways, roads, land, as well as a new corn bin. We then started looking at other locations, but with our business today and plans for the future, the location of grain, and easy access, New Hampton was the best fit for Five Star. We have started to build North of the Grain Bins, East of the dry Fertilizer plant, and or just West of the Grain Pile. We have demolished the old liquid fertilizer system that was no longer in use. The basement should be done when you receive this letter as the hole has been dug and framing has started. This mill will be able to do 50 ton per hour of mash feed, we have no intention right now of adding a pellet mill at this location. This will be a slip form (cement mill), which if everything goes as planned, will be started around December 9<sup>th</sup>. Our plan is to have the ability to pour around the clock until finished, which could take up to 7 days. We all need good weather between now and then. There should be very little concern with corn and bean dumping this Fall, but please watch as you enter and leave, we will have up to 40 extra workers on the site. Our plan is to be making feed in this facility by October/November 2020.

Please note my date of October 10<sup>th</sup> is coming up shortly. Historically, this has been my suggestion for you to be booking your soy needs for the year. I am not saying this is the low, but rarely do you get hurt by pricing this time of the year. This year, as any year, could be different with crops being planted a little later. If a deal ever gets made with China, I have my doubts, the markets could take off. I also believe crops in North Iowa might be some of the best in the Midwest this year. Other parts of the country are hurting which is another reason I think the low is near.

We have added another Walinga trailer to our fleet at New Hampton. It is getting its Five Star Logo applied and will be out servicing our customers soon.

We plan on having most Beef Feed delivered on Monday and Thursday of each week. This will help us be more efficient by having full loads leaving the mill, please help us and plan your orders accordingly. With all feed orders, we need to have your orders in by noon the day before you need delivery. Thank you for doing this and THANK YOU for your business. We have been mixing feed for Win Coop for the last month or so. This collaboration helps us both out, they have customers who are in Chickasaw and Bremer counties with no mill in the area and we increase our tons. Anytime we can help and work with our neighbors is always a good idea.

BE SAFE THIS HARVEST!

**John Winter**

*Feed Department Manager*



Work on the basement of the new feed mill at the New Hampton location has begun.



## AGRONOMY DEPARTMENT

We are geared up for fall fertilizer applications. We have published prices for fall applied products. Potash is up a little, MAP is down significantly, and fall NH3 is slightly higher than last fall. The Potash and MAP producers are throttling back production in an attempt to balance supply with reduced demand.

Again this fall we will see large variability in yields of Corn and Soybeans. Wet fields at planting created poor root development, and then no rain for part of July, August, and September reduced plant and grain development. Add to this, later than normal planting dates which lead to later maturing plants is going to make our harvest very unpredictable. In turn, making proper fertilizer recommendations will also be a challenge. I have included the Crop Removal estimates to help you with your discussion with your Five Star Sales Agronomist.

Those of you that attended one of our plot tours this fall heard us talk about the Xtend and Enlist Soybean Traits. Please let your Agronomy Salesperson know which program you plan to use so we can plan accordingly. One thing that is the same for all traits is the need for multiple applications of a residual herbicide and spraying post emerge on small weeds.

Have a safe Harvest, and thank you for your business.

### Olin Amundson

Assistant Manager/Agronomy Manager



### Crop Removal Estimates

Corn			Soybeans		
Yield	# MAP 11-52-0	# Potash 0-0-60	Yield	# MAP 11-52-0	# Potash 0-0-60
150	110	75	30	46	75
160	117	80	35	54	88
170	124	85	40	62	100
180	132	90	45	69	113
190	139	95	50	77	125
200	146	100	55	85	138
210	153	105	60	92	150
220	161	110	65	100	163
230	168	115	70	108	175
240	175	120	75	115	188
250	183	125	80	123	200

If you have any questions or need more information on items discussed at any of our Five Star Coop plot days, please contact one of our Agronomy Sales Team.



## GRAIN DEPARTMENT

Let me start by wishing you all a safe and bountiful harvest. This year has presented many challenges and I know many of you are ready to get the crop out of the field and put this growing season behind us. If we can keep Mother Nature and her rain away, we should start to see some harvest take place soon. Yield estimates are quite variable in our area, but the consensus thought is that we will have a decent corn crop and average to below average soybean crop.

We have some good things happening here at Five Star in our grain department. The approved feed mill in New Hampton will put us in position to buy more corn. We anticipate the feed mill will increase its daily tonnage from 500 tons to 750 tons in time, with the potential to grow even further. This could result in a daily grind increase of 5,000 to 10,000 bushels. With the added demand in New Hampton we will continue to see our New Hampton bid improve versus our other Eastern region locations. Going forward there may be significant bid differences as we must continue to keep corn supply to the mill.

As we look at forward price prospects, we have some critical questions about yield with this crop. How the crop will finish given the overall lateness of both corn and soybeans is one the items we will watch closely. This likely will not be well defined until after harvest and possibly after the January crop report. One thing to consider as we enter harvest is that CME corn prices are 10-20 cents better than the past few years and fall basis is roughly 10 cents better. This translates into a net of 20-30 cents better cash price, so the market has some premium built in for this unknown of how the crop will finish. We see a similar dynamic in beans vs last year and your cash price is better year over year. Keep an eye on your break evens for next year as New Crop 2020 corn prices are roughly \$3.60. We continue to hear chatter that next years United States corn acreage number could be quite large especially considering all the prevent plant acres this year. Please reach out to our grain team with any questions and let us help you try to maximize opportunities in your operation.

**Rylan Zwanziger**  
Grain Originations Manager

## OPERATIONS UPDATE

Fall is here and we've got a lot of great things happening in the Eastern region that will benefit our customers and employees. Last fall we really put the New Hampton Grain dump to the test by running a second shift, we have now replaced two dump pits, installed new belts and cups on all legs, new receiving conveyors and also spouts. These updates should reduce downtime, improve dump times and reduce lines. Our goal is to make it easier and more efficient for our employees to operate both shifts again this year for you.

Another project we have on the grain operations side is the new 300k bu. bean bin, 2700 bph dryer, and a 100k bu. wet holding bin being built at the east end of our Lawler location that are scheduled to be operational for this harvest. We will also be moving the office to the West of the current dump pit and adding on to the length of the dump building so that the current scale can be modified into a dump-through scale. By updating the office and dump scale along with adding the extra storage, our customers should benefit from a much more streamlined operation that will cut down on wait times considerably.

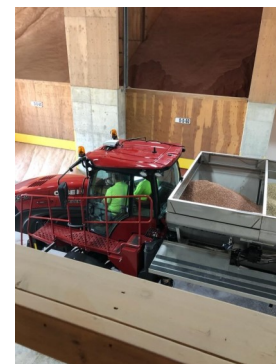
All of our locations, both on the East and West, have been busy getting ready for harvest. Our scales and moisture testers have been inspected and certified, our corn dryers have been serviced and test fired, all grain handling equipment has been served, adjusted, and prepped for the busy season ahead. We have run all of our trucks through the shop and are ready for the marathon ahead for both our grain and agronomy divisions. Our dry fertilizer sheds are full and ready to meet our members needs. Our agronomy tending equipment has been inspected, serviced and 2 new truck body tenders have been added to help tend our taller spreaders as well as to help meet the needs of our strip till customers. The top auger style is a safer way to go so that we do not have to be so close to the strip till equipment in order to unload while still being able to hit both compartments without moving or repositioning the truck. Our agronomy application equipment has been calibrated and pan tested in the field. This process insures our applications are precise and accurate.

We have a great crew lined up, we're ready and willing to serve our customers needs.

**Tony Myers**  
Eastern Region Operations Manager/Safety

Calibrations and pan testing were done to insure your fertilizer is being applied accurately.

*Photos in this issue are courtesy of Alex Kirschbaum, Ben Thomas, Dustin Keninger, Jeff Hageman, and Rich Johnson.*



## ENERGY DEPARTMENT

Hello everyone,

I hope you had a great summer. It is hard to believe that we are already into the fall season. Our petroleum department continues to remain solid with sales and projected profitability throughout the entire department. Quality products, experienced personnel, and increased efficiencies are a few reasons for the solid performance.

The biggest news in the energy market of late was the attack on Saudi Arabia oil fields. In one day we saw crude go up over 8 dollars and then retreat 5 the next. Thankfully the damage was not as bad as they had originally thought. Since June, the markets have increased around a dime which is not a large amount of movement. As fall harvest approaches and demand increases, look for prices to stay firm with limited downside short term. Global and economic news, tensions with other countries, and hurricane chances will also lead the market direction.

We are continuing to make investments within the department. We have just added a new tandem refined fuel truck to our fleet that will be placed in our western region. We plan to retire one of our older models and move the remaining trucks around to make the best use of our equipment company wide. Upgrades such as this, enable to maintain the exceptional customer service you have come to expect.

Propane bookings and prepay contracts for the upcoming season are still available. We are in the process of wrapping up our summer fill program. The propane market looks to be set up the same as others with limited downside moving forward. Mother nature is calling for colder temperatures again this winter so make sure you have your needs covered.

Thank you for your business and be sure to give us a call for any of your petroleum needs.  
May all of you have a safe and successful harvest season.

**Bruce Halvorson**  
*Energy Department Manager*





**Pink**  
**AT THE**  
**PUMP**

**CHOOSE UNLEADED 88**

88

Choose the Pink  
Unleaded 88 Nozzle to

# FIGHT BREAST CANCER



3¢ per gallon donated to National  
Breast Cancer Foundation and  
The Hormel Institute\*\* for every  
gallon of Unleaded 88 purchased  
from October 1-31.\*

**SAVE MONEY, SAVE LIVES**  
**BETTER FOR YOUR ENGINE, HIGHER OCTANE**

\*Vehicles 2001 & newer  
\*\*Equal donation to each charity.

**Five Star Cooperative is proud to be involved with the Breast Cancer Foundation and The Hormel Institute by donating 3 cents per gallon on all E-15 sales in the month of October. You can show your support by filling up with E-15 at one of our 3 blender sites. Look for the pink nozzle covers at our New Hampton, Hanlontown, or Scarville locations. Remember, E-15 is an approved fuel for all vehicles, 2001 or newer, with gasoline engines.**





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New Hampton, IA 50659  
641.394.3052

We need your help locating updated information for the accounts listed here on the right. If you know of these account holders or can steer us in the right direction, please call Laura or Brianna at our office in New Hampton. 641.394.3052

Thank you!

Marvel Dunaway

Dale Laue

Duane or Chris Robbins

Brenda Neuendorf

Randy Ashleson

Tom Kleinschmidt

Richard Galloway

C&L Acres

Larry or Jackie Bean

Charles or June Mcleish



*Calibrations and  
field testing*

