

## Protecting our most valuable assets – employees

New Horizons has an ongoing commitment to insuring that its employees and the facilities they work in are as safe as possible. Across the industry, grain facility incidents are on the rise, and those statistics are a reminder that the cooperative must be constantly vigilant. With that in mind, you will be seeing new safety equipment and procedures in place at New Horizons' locations over the next few months. In the current fiscal year, New Horizons has heavily invested in safety upgrades and equipment in an effort to improve safety at its facilities.

"Safety should be the first thing we think of in the morning, and the last thing we think of when we leave at night, said Jerry Kramer, general manager of New Horizons.

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At the Herman and Fergus Falls shuttle loading facilities, trolley systems have replaced the older cable systems to upgrade fall protection. This trolley system will keep employees safer when on top of 100-car trains, loading them in a variety of weather conditions.



# Year in review

New Horizons achieved record profits for the fifth year in a row for fiscal 2011. Local net profit for the year ended Aug. 31, 2011, was \$8.2 million compared to last year's record \$8.1 million. Driving our success were record grain volumes, volatile markets, a solid agronomy season and continued growth in our refined fuels area.

This year's big crop and continued volatile markets resulted in a record grain volume handled, as well as record profits for the grain department. We were blessed with very good crops across our trade territory, and our grain team did an excellent job of managing logistics. Keeping elevators fluid and managing freight can be a challenge when compared with how fast grain comes to the elevator from the field.

Agronomy had a solid year. Despite a fair amount of prevent-plant acres in our trade territory this past spring, we were still up on tons sold. The wet summer in our southern territory proved challenging. It affected how much corn went into the ground and how well our sprayers performed. The big rain



*Jerry Kramer*  
General Manager

totals we saw all the way through July impacted how many acres we could cover.

Energy had a quiet year compared to the unusually wet falls of 2008 and 2009, which drove high propane demand for drying. In comparison, the 2010 fall was abnormally dry. We had very little propane sales for drying corn, much like we saw this fall. We did have a good home heat season this past winter and our refined fuel sales continue to grow.

Our record year is good for you and

for our cooperative. Within the next 30 days, patronage rates will be out. I expect dividends to be much like last year's, when we paid out more than \$3.5 million in cash to our local patrons and retained more than \$6 million in equity.

At the recent CHS annual meeting, the company reported record net income of \$961.4 million for its 2011 fiscal year, the highest in the company's 80-year history. During fiscal 2011, based on fiscal 2010 results, CHS returned \$227.3 million in cash patronage, equity redemptions and preferred stock dividends. In fiscal 2012, based on 2011 earnings, the company expects to return a record \$421 million to its owners.

During that same meeting, leadership shared many times how CHS is not only focused on helping you grow today, but helping you grow for many tomorrows to come. At New Horizons, we too are committed to your success today and the many tomorrows to come.

We appreciate your business and support, and look forward to serving you throughout 2012.

## Agronomy update

During the winter months, our agronomy department is preparing for the busy spring just a few months away. Our agronomists are learning the latest trends and technology to deliver sound information to you as you begin planning for the 2012 growing season.

We are in the process of building a 80 foot by 180 foot steel-framed seed warehouse at our French location near Fergus Falls. The new seed storage shed will have a drive-through loadout and will be attached to our bulk facility. This new shed will help keep moisture off our seed and provide a much-needed enhancement to our seed division in that area.



*Paul Gerdes*  
Agronomy Division

# Location determined harvest results

It was the best of crops; it was the worst of crops. So much depended on where you were located this year.



Rich Cole  
Grain Division

In some parts of the north end of our territory, the 2011 crop will go down as one of the best ever while those on the southern end of our territory may count it as one of the worst. While not every farmer has the advantage of having land spread out across multiple territories to diversify his weather risk, every farmer who does business with us owns a territorially diversified cooperative. This is one of the greatest strengths of our system and allows the farmer, through the co-op, to spread out risk.

So with that crop (whether large or small) in the bin, now what? The markets have recently turned their attention to other influences outside the immediate realm of supply and demand. Financial woes in the EU and de-risking in general have led us down a path few of us expected.

How does the farmer then de-risk? Go back to the basics and crunch the numbers; make a plan and stick to it based off of profitability and marketing goals rather than trying to catch the top.

- If inputs have been bought for next year, is there new crop sold to offset some risk?
- If all of the crop is unsold and in the bin, is there any level of market protection that should be sought?
- Is the cash market inverted?
- Does it make sense to be looking at setting basis?

With tight balance sheets on most crops, tight farmer retention, and demand hanging in there, this has led to some decent basis values on corn, soybeans, and wheat. Even though futures may have disengaged from immediate supply and demand, basis is the true market reflection of supply and demand. There could still be marketing opportunities presenting themselves; call your New Horizons grain team to discuss your strategy and gain some insight on all of these issues. It is usually a better strategy to be proactive than reactive.

From all of us in the grain department at New Horizons, we wish you a successful and prosperous 2012.

# Cell phone policy changes

New Horizons is changing its cell phone policy to comply with the recent change in federal regulations regarding cell phone use by drivers of commercial motor vehicles. We want to let you know that this new policy may affect your contact with our drivers.

49CFR 392.82 states no driver may use a hand-held mobile device while driving a commercial motor vehicle and no motor carrier shall allow or require its drivers to use a hand-held mobile telephone while driving a CMV.

To stay in compliance with the regulations, our drivers will no longer be using hand-held cell phones while they are driving. If you call a driver and get no answer, please leave a voice mail or send a text and they will get back to you as soon as they are legally able.



# Financing dept. considers the whole picture

**By Don Geiszler and Russ Rapp**

What sets our financing and credit department apart from any other ag lender? We work more closely with the other departments (agronomy, energy, and grain) to enhance the overall picture as we evaluate producers' financial needs and options.

We are extremely competitive in our terms and conditions and more flexible in setting up operating loans and lines of credit in conjunction with producers' marketing strategies. We have a direct line down the hall to New Horizons' employee resources in agronomy, energy, and grain. We are constantly receiving updates on what's going on out in the country from people who work alongside you to make your operation as profitable as it can be.

As you work with our financing, you will notice a new name on our paperwork. In August, Cofina Financial changed its name to CHS Capital to better reflect its alignment with CHS and the cooperative system. We still offer the same services, but you will notice a more streamlined process, such as higher credit limits for a one-page credit loan application/note. In the coming months, CHS Capital will also be expanding its field presence, credit staff and product resources to better serve its customers.

For 2012, we have initiated new finance programs. Producers can establish lines of credit for products and services bought from New

Horizons for 4% interest and 0% on any new products and services through seed, chemical and energy. Through CHS Capital, we can differentiate interest rates within loans.

We also have a new state-of-the-art financial program called Web Equity that can create balance sheets and cash flows for producers. In 2012, we have a term debt product that can cover financing of machinery and real estate.

At CHS Capital, we offer both term products and operating products. We want to focus on the best way for our producers to finance the appropriate amount of inputs through New Horizons. And because CHS Capital is part of the cooperatively owned CHS Inc., any profits are returned back to you, the patrons and owners. CHS Capital is your company, you own it.

Here at New Horizons, we focus on being that one-stop shop for agronomy, financing, grain, and energy. And with New Horizons' recent purchase of Miles Tiling, we can finance tiling projects as well. CHS and New Horizons have an ongoing goal to enhance convenience for the customer through the integration of all services. We are creating multiple relationships under one roof.

Call your location for more information. We have a lot to offer through the finance department, and we are excited to share all those options with you.



*Don Geiszler*



*Russ Rapp*



## Get the most from your energy purchases

Cenex's Hard-Working Bonus is back. For every 100 gallons of Cenex Superlube TMS, Superlube 518, Qwiklift HTB, Maxtron Enviro-EDGE 5W-40, Maxtron DEO and/or Maxtron THF+ you buy between Nov. 1, 2011, and Jan. 31, 2012, you'll earn a \$75 Gift Card. You can combine products to reach the 100 gallon mark. Choose from Sears, Cabela's, Cenex or Applebee's Gift Cards.

Earn an additional \$25 gift card by purchasing at least four 10-packs of Cenex branded grease in addition to qualifying Cenex branded lubricants purchases.

Spill Prevention Containment Countermeasures regulations are still a focus for our department although



*Terry Christians  
Energy Division*

regulations for farms established after Aug. 16, 2002, have been pushed back to May 2013. Producers should still be working to put plans in place for oil spill containment. Farms established before

that 2002 date should continue with their current SPCC plan but implement an amended plan no later than the 2013.

We do not think the EPA will start enforcing the rules until after May 2013 but cannot guarantee that. We recommend that farmers with less than 10,000 gallons start working towards meeting 2013 standards and not worry about the old rules, unless they have an engineered plan already. Then they need to maintain that. If you have more than 10,000 gallons in storage, especially if it was in place before 2002, get an engineered plan as soon as possible.

As we start the new year, we hope you have a safe, productive year.

# Simply Stated

Each month when invoices go out, we get calls from producers. They are trying to decipher what the columns and numbers mean. We try our best to make sure the invoices you receive are clear and easy to read, and because of that, we want to provide you with a key to understanding what those numbers mean for your operation. This sample invoice shows the balance due and how prepays are recorded.



1-172

DATE	PAGE NUMBER	CUSTOMER NUMBER
12/31/11	10F 1	xxxxxx
BALANCE DUE	DUE DATE	AMOUNT REMITTED
4,108.14	01/20/12	

Balance due by the 20<sup>th</sup> of each month

FARMER FRED  
100 AVENUE  
HERMAN MN 56248

**REMIT TO:** NEW HORIZONS AG SERVICES  
P.O. BOX 230 HERMAN, MN  
56248

DETACH UPPER PORTION AND RETURN WITH PAYMENT

PHONE:  
320-677-2251

DATE	INV #	DESCRIPTION	QTY	PRICE	TOTAL	CHARGE	PAID	BALANCE
PROPANE GAS								
12/14/2011	IG3290	BULK						
		PROPANE GAS	244.2	1.979	483.27			
		TANK: HOUSE	0	0	0			
		INVOICE TOTAL				483.27		483.27
12/16/2011 IB1485								
		18.46.0 DAP						
		BULK						
		18.46.0 DAP						
		BULK	3.63	699.00	2537.37			
		CRP GRASS SEED	2200	0.85	1875.60			
		CUSTOM SPREADING	145	7.50	1087.50			
		INVOICE TOTAL				5500.47	1875.60	3624.87

PREPAY: Shows beginning balance, what has been used in the month, and the ending balance. This is for items you specify as prepay purchases.

BEG. PREPAY BAL	14,020.00	FUTURE/DEFER	.00
PREPAY INCREASE			
PREPAY DECREASE	1,875.60	DUE NOW	4,108.14
END PREPAY BAL	12,144.40	01/20/12	

PREPAID	CURRENT	1 MONTH	2 MONTHS	3+ MONTHS
.00	483.27	.00	.00	.00

# Take a look

## NewHorizonsAg.com has a lot to offer

Have you checked out New Horizons' website lately?

NewHorizonsAg.com is a great resource for our producers/owners. Meet our staff and find contact information for locations or agronomists at the click of a button. This newsletter is also posted on the site.

Find timely information from New Horizons' departments on issues facing producers today.

- [Agronomy](#)
- [Energy](#)
- [Finance](#)
- [Grain](#)

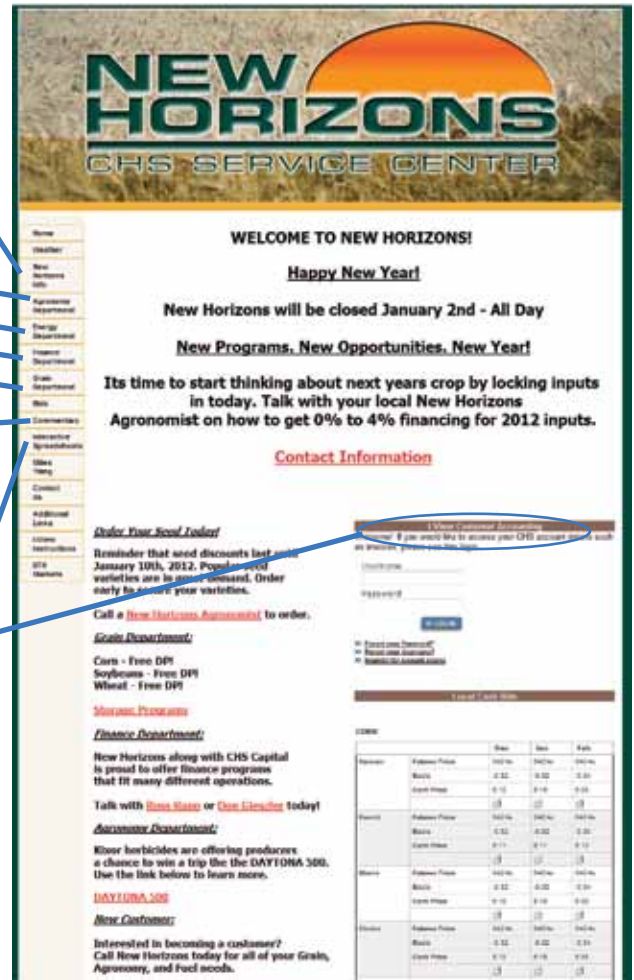
Current promotions and descriptions of the various programs available through New Horizons are cataloged for easy access.

Find up-to-date market commentary from [Jacob Bailey](#), New Horizons' grain procurement merchandiser, along with commentary from our CHS partner, Country Hedging.

You can find current cash bids on the website, and if you are looking to delve into your operation's numbers more closely, a variety of calculators can help you crunch the numbers through [interactive spreadsheets](#).

I-View is another great tool available through the website. [I-View](#) is an online tool for our patrons to view invoices and grain activity from home computers. Now, even when our offices are closed, you can find critical information when it is most convenient for you.

Take a few moments to explore our website. We work hard to keep it updated with timely information to help you with your operation. Our goal is to help our patrons maximize their profitability, and NewHorizonsAg.com is just another tool to make planning easier.



## Agronomists ace technician test

Agronomists from New Horizons competed at the Agronomy Applicator Rodeo in Fargo this summer. The agronomists had the chance to try out a variety of new equipment but also competed in a contest against agronomists from other Country Operations locations. They ran equipment through an obstacle course, were judged on equipment maintenance and other aspects of agronomy. We are proud that one of our agronomy teams took home first place from the competition. Along with the honor, our team earned \$25,000 which will go to local charities. Great job!



New Horizons agronomists won the Country Operations applicator rodeo in Fergus this August. Pictured middle, l. to r., are Don Larson, Harlan Staples, Andy Clauson, James Svensgaard. Right, agronomists prepare for their test, l. to r., Steve Gustafson, Clayton Ritter, Craig Ritter, Tom Leuthardt, and Brian Marty.

# Fresh outlook to risk management

## *Risk management and the tools available*

By taking a closer look at your grain and agronomy marketing strategies, you can maximize profits while being less dependent on commodity and input prices.

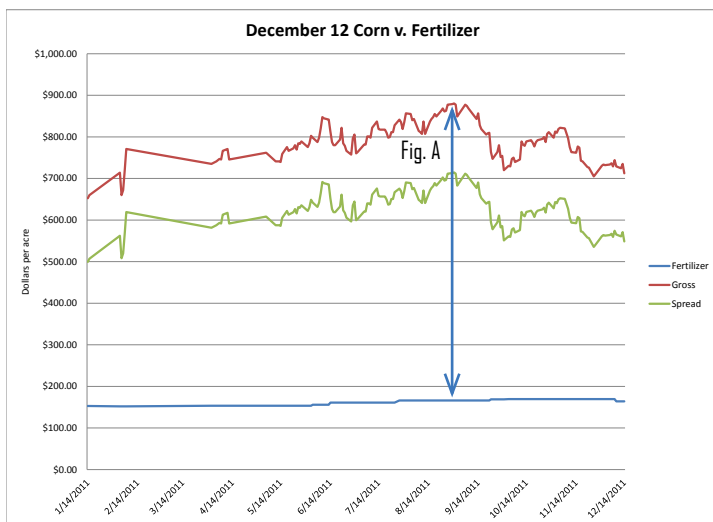
It is easy to become fixated on input costs or commodities prices. By stepping back and looking at the entire operation from a profit per acre standpoint and analyzing your operation's spread, or margin, you can capture a profit with less stress and worry over what individual corn or fertilizer prices will do on any given day.

"Now you can price inputs a year in advance, and you've always been able to sell grain at least a year in advance, so to help with that decision-making process, just do a mini cash flow," said Paul Gerdes, agronomy division manager at New Horizons. "Figure out your dollars per acre as far as profitability, look at your return on investment, and if you are happy with that, capture the spread."

What is the spread? The spread is simply the gross revenue dollars per acre less fertilizer costs per acre. Using simple math an average corn yield of 150 bushels per acre and a cash price for new crop at \$5.50, the gross is \$825 per acre. Let's assume fertilizer is at \$165 per acre for a typical corn blend. The spread between the two is \$660 per acre. With this method, you can manage your risk of buying high-priced fertilizers and selling low-priced corn by using a basic hedge against pricing fertilizer with the selling of corn.

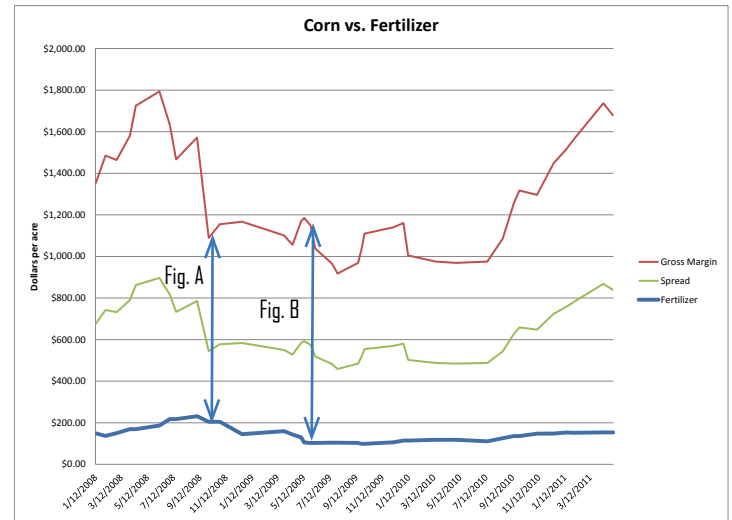
According to Jacob Bailey, grain procurement merchandiser for New Horizons, the reason to focus on the corn and fertilizer relationship is because they make up the biggest revenue and the biggest input expense per acre, respectfully. They are also the two most volatile. For the most part, seed and chemical costs don't fluctuate as much within the same crop year as fertilizer. Also fuel prices per acre are inexpensive versus fertilizer.

There is one more reason to focus on fertilizer. Fertilizer, especially urea, has a tendency to follow corn price to some extent. So when corn goes up faster than fertilizer (Chart 1, Fig. A) or fertilizer falls faster than corn (Chart 2, Fig. A), you have created an opportunity to lock in a greater profit without trying to hit the high on corn and the low on fertilizer, which we all know is extremely difficult. The opposite can also happen: corn can fall faster than fertilizer (Chart 2, Fig. B). It is important to have a baseline, knowing what is a good spread and when to take advantage of it.



**Chart 1**

Fig. A: 8/30/11, Fert \$166; Cash Corn \$5.87, Gross \$880.50; Net \$714.50



**Chart 2**

Fig. A, 11/2/08, Fert. \$205.09, Cash Corn \$3.22, Gross \$483, Net \$277.91

Fig. B, 6/8/09, Fert. \$102.85, Corn \$3.83, Gross \$574.50, Net \$471.65

at

Until five years ago, volatility wasn't there for corn and fertilizer prices so producers did not have to scrutinize the numbers as closely. Now corn prices can move up or down several dollars over the course of a month. Fertilizer prices also fluctuate as political and weather issues across the globe affect supply and prices.

"We can talk supply and demand all day long, but there are too many things out of our control," Gerdes said. "Concentrate on that bottom margin per acre because at the end of the day, that is what matters."

Talk to any of New Horizons' field representatives. They can give you the tools to get started towards capturing the spread.

# Board guides co-op forward

Steve Endreson, 61, who has represented the Wendell area as a member of the New Horizons CHS Service Center board for five years, acknowledges it would have been tough for him to start his farming career more than 30 years ago if not for the help of two brothers, Vernon and Cliff Swift.

In 1974, after college and a few years as a vocal music teacher, he decided to go into farming. The Swift brothers, whom Steve had worked for during the summers, gave him the chance to farm with them and he's never looked back.

"I grew up on a farm," Steve said. "My dad farmed so I always had farming in my blood."

By the 1980s, Steve was farming some of his own ground and when the brothers retired in 1990, they gave Steve first opportunity to take over part of their farm. He bought equipment and also added to his operation over the years. Now his son, Tony, farms with him.

"Farming is big business now, and you have to be on your toes," Steve said. "The lifestyle is good too. You go to work, but it's different every day. There is always more technology to learn, and it's not the same every year."

Steve was originally on the advisory board for CHS at French, and when the locations merged into New Horizons, he then became a member of the New Horizons board.

"Being on the board gives us some leadership in what direction our co-op takes now and in the future," he said. "And of course we are a sounding board for our patrons. It is good to represent your area but also to keep informed about what is going on around the world."

This February, he is up for reelection.

"We're kind of in expansion mode right now," Steve said. "Agronomy has seen many improvements and we now are looking at grain handling. We've got a good board, and I'd just like to see our co-op stay profitable and continue to meet the needs of our patrons."

Steve and his son, Tony, raise corn, soybeans and sugar beets on their farm east of the Red River Valley northwest of Wendell. Tony joined Steve in farming five years ago, and Steve is gradually handing more responsibility to him every year.

Steve and his wife, Kathy, have three sons: Tony, 37, is married to Anne, and they have two boys; Dan, 35, a CHS winter wheat merchandiser, is married to Stacie, and they have a boy and a girl; and Matt, 31, a vocal music teacher in Glyndon, is married to Megan, and they have two girls.



*Steve and Kathy Endreson enjoy time spent with their grandkids. Steve has been a board member at New Horizons CHS Service Center for five years and enjoys participating in shaping the cooperative's future.*

# Protecting

From Front Page

As you visit New Horizons' facilities, you may see things being done a little differently than in the past, locks on switches and swing gates at the top of ladders. At the Herman and Fergus Falls shuttle loading facilities, trolley systems have replaced the older cable systems as we upgraded our fall protection. This trolley system will keep employees even safer when they are on top of 100-car trains, loading them out in a variety of weather conditions.

In addition to fall protection at Herman and Fergus Falls, dust suppression systems were installed at Fergus Falls and Morris grain elevators. The dust suppression system sprays food-grade mineral oil on corn, beans and wheat to attach dust particles to the grain.



The old elevator at Charlesville was torn down since the facility was becoming a safety liability.



Jason Kleindl  
Safety Leader

"Confined spaces and lockout tagout (LOTO) continue to be areas for increased focus for us," said Jason Kleindl, safety leader. "We have had several trainings in those

areas, and we now have employees capable of performing a rescue without entering the area themselves."

New Horizons donated grain bin coffer dam rescue equipment to local fire departments.

"Now that we are capable of getting victims out of the bin, the final step is to get them down," Kleindl said.

The cooperative is working with local fire departments and rescue units to procure high-angle rescue equipment and training capabilities for the area. By working together, these entities can get better training and better equipment as well. Not only will local rescue units and fire departments be trained to handle incidents at New Horizons' elevators, they will be better equipped to handle incidents on the farm too. You might see more of these coordinated training events at facilities this winter and spring.

Safety will continue to be at the forefront of all we do. We ask for your patience as we implement these new procedures and learn how to use the new equipment.



The Charlesville elevator was becoming a safety liability so it was torn down. New Horizons continues to focus on safety to create a safe working environment for its employees.

## Tiling business booms

Miles Tiling, New Horizons' tiling division, has had a successful few months since the cooperative purchased the company June 1. This fall's weather has been excellent for the tiling crews, allowing them to work steadily with no delays from frost, rain or snow. With the purchase of a second tile plow, the crews are getting jobs done quicker and more efficiently.

"Producers are trying to maximize every bit of their land, improving what they have to maximize their acres," said Trever Schiele, who handles sales and design for Miles Tiling. Tiling not only helps alleviate water issues in the spring, Schiele said, it also increases yields, and as producers are looking to squeeze every bushel from each acre, it can be another tool in their production arsenal.

"Miles Tiling is a young company to us," said Jerry Kramer, New Horizons' General Manager. "We continue to assess the tile business and we will continue to explore ideas and options for expanding the tile business."





1000 Pacific Ave.  
PO Box 230  
Herman, MN 56248

**NewHorizonsAg.com**



New Horizons is building a 80 foot by 180 foot steel-framed seed warehouse at the French location near Fergus Falls to provide a much-needed enhancement to the seed division in that area.

## DATES TO REMEMBER

Mark your calendar for our annual meeting Thurs., Feb. 9, noon meal, meeting to follow at Best Western Big Wood Events Center in Fergus Falls.

Miles Tiling will be at several farm shows this winter, including Feb. 1 — Big Wood Ag Show at the Big Wood Events Center in Fergus Falls  
March 14-15: Sugar Beet Show, Grand Forks.