

DIRECTORY Main Office

507-726-6455
800-622-2910

Darfur

507-877-5011
800-658-2475

Elysian

507-267-4305
866-317-3136

Janesville

Agronomy
507-234-5155
507-835-1720
866-458-9886
Grain/Feed/Petro
507-234-5610
507-835-3646
800-201-3646

Lake Crystal

Grain
507-726-2051
800-451-3984
Agronomy
507-726-2057
Petro-Propane
507-726-6455

LaSalle

507-375-3468
507-642-3300
507-439-6385
888-544-7687

Madelia

Agronomy/Petro
507-642-3276
800-245-5857
Elevator/Hwy 60
507-642-8896

Nicollet

507-232-3453
800-720-3453

Vernon Center

Agronomy
507-549-3056
Grain/Feed
507-549-3722
888-501-5947

Waldorf

507-239-2172
800-569-1321

Manager's and Directors' Report



DAN JONES
Board Chairman

Harvest Greetings! The crops are looking very good across our trade area in southern Minnesota. The soybeans especially show promise of record yields.

FISCAL YEAR END

August 31st marked the end of another fiscal year for Crystal Valley. Sales topped out around \$200 million compared to last year's sales of \$239 million. Lower commodity prices for corn and soybeans, along with reduced input costs—particularly on fertilizer products—were key factors in the reduced overall sales. The agronomy division showed increased sales of fertilizer, seed, and custom application services. Due to the extensive corn drying last fall, propane deliveries were up by a million gallons over the previous year. Feed and refined fuels were down slightly from 2009 levels, while grain was essentially even.

The auditors will be in to verify our financial statements in October while preliminary internal reports indicate that we should have a similar to slightly better year in terms of profitability than last year. Full financial results will be reported in our next newsletter and at the annual meeting in February.

EQUITY REVOLVEMENT

During the last week of August, Crystal Valley distributed nearly 12,000 equity revolvment checks to our patrons. These tax free returns covered deferred local and regional equities from 1995 and a portion of 1996 for Crystal Coop, LaSalle Farmers Grain, Southern Valley Coop, and Tri-County Coop. In addition, we returned old regional equities for the years 1974 to 1979 held by former Southern Valley patrons. We also returned approximately half of the old regional equities held by patrons of the Janesville-Waseca Ag Coop from 1991.

The board's plan for next year is to revolve regional equities for Southern Valley for the years 1980 to 1985 and all of the remaining equities of the Janesville-Waseca Ag Coop. There will also be an across the board equity revolvment for

1996 and 1997 deferred equity.

MAJOR PROJECTS

This summer, we completed construction of our new 48,000 ton dry fertilizer storage plant and blending facility at Madelia. The open house held on August 17th was a great success with near perfect weather. Patrons enjoyed tours of the new facility, visits with manufacturer's representatives, and delicious pork dinners served by Crystal Valley employees. The new plant is ready to go for fall.

The next major fixed asset addition for this coming year is a new grain storage facility at our Highway 60 Grain Terminal in Madelia. Dirt work began in August for the 150,000 square foot building, with completion expected early next summer. You can read more details about this project in Jeff Spence's grain report on page four. With the looks of the corn and soybean crops, we wish we could have had the new storage space for this fall.

NEW STAFF MEMBER

A key new addition to the staff at Crystal Valley is Megan Roberts of rural Madelia. Megan began her new role as Communications Coordinator on June 21st after recently graduating from the University of Minnesota

where she studied agriculture. She will be taking care of advertising, patron meetings and events, newsletters, the website and other related tasks. She has already been a tremendous help to the coop management and staff since her arrival.



MEGAN ROBERTS
Communications

All of us at Crystal Valley thank you for your business and wish you a safe and bountiful harvest!



ROGER KIENHOLZ
General Manager

Credit Report



GARY HULKE
Credit Manager

The Five C's of Credit. You may wonder what information we use when we establish new accounts or when updated information is needed from existing accounts. The basics of credit revolve around what is known as the "5 C's of Credit." These five C's are character, capacity, capital, collateral, and conditions. Some of these terms are self-explanatory, but further explanation will help to clarify them.

Character. Character refers to the overall integrity of the applicant. Moral and/or ethical strength and truthfulness are examples of desired characteristics.

Capacity. Capacity directs us to the ability to pay. In other words, there needs to be enough cash flow to service the obligation.

Capital. Capital refers to net worth of the customer. The underlying question would be, is there sufficient net worth to service the obligation even under severe economic conditions?

Collateral. Collateral is the asset or assets needed to secure the debt. Crystal Valley is usually an unsecured creditor, but we may refer you to a collateralized loan through a lender such as AgQuest.

Condition. Conditions address the current situation involving the economy of our industry and the individual circumstances applicable to the customer.

When the "5 C's of Credit" are favorable, the customer receives the products and services desired to help make profitable decisions, and Crystal Valley receives payment for those products and services. The customer and the company benefit from a mutually strong relationship involving the "5 C's of Credit."

Energy Assistance. The heating season is sneaking up on us quite soon. Preparations are underway for the energy assistance program to help individuals and families who qualify for energy assistance grants. Funding may not be available until the heating season has already started. The accompanying information shows the income guidelines and contact information for the program.



Minnesota Valley Action Council



Opportunities
for people and communities

2010-2011 ENERGY ASSISTANCE PROGRAM

- **What is energy assistance?**
 - Funds to help low income households pay heating/energy bills
- **Who is energy assistance for?**
 - Wage earners
 - Seniors
 - Self-employed people
 - Other low-income households
- **Who can apply for energy assistance?**
 - Homeowners
 - Rents who pay heating costs
 - Renters with heat included in rent, but pay electricity
- **What are the eligibility requirements?**
 - You must be income eligible

Household size	Gross income for previous 3 months
1	\$5,655 (1885 / per month)
2	\$7,395 (2465 / per month)
3	\$9,135 (3045 / per month)
4	\$10,875 (3625 / per month)
5	\$12,615 (4205 / per month)
6	\$14,355 (4785 / per month)

For more information or to receive an application call
507-345-6822
1-800-767-7139

Or visit our website @ www.mnvac.org

**Application
deadline is
May 31st, 2011**



JIM JUNG
LP Service Manager

Propane Report

Regulator Rebate\$ Available. Has your propane system had a safety inspection? The most common thing we find during a safety inspection is an outdated regulator. The propane code requires that regulators are updated following manufacturers recommendations. Regulators should be updated every 15 to 25 years depending on the manufacturer. There are still \$30

rebates available from the Minnesota Propane Association, but they are going fast. Our service department has been going door to door doing system inspections and, if no one is home, leaving letters asking you to contact us. If you have received one of these letters, please contact us at your earliest convenience, and we will schedule a time to do the inspection. Crystal Valley performs these inspections at no charge to our customers. However, if we need to make repairs, we will charge for labor during the repair and necessary parts. We feel these inspections are important to insure your and your family's safety. If you have not had your system checked, please contact the propane service department at the main office: 507-726-6455.

Water Heater Rebate\$ Available. The Minnesota Propane Association is offering rebates for the installation of new propane water heaters. These rebates are issued on a first come basis. The current funding should last well into next year. If you are switching from electricity or installing in a new home, the rebate is \$350. If you are replacing a propane water heater, the rebate is \$250. We do sell and install water heaters; however, these rebates are available wherever you get your water heater. Please contact the propane service department for the program details.

Is your garage or shop cold? Crystal Valley is an authorized dealer for Modine Hot Dawg garage heaters. We also have larger Modine Unit Heaters and Roberts Gordan Tube Heaters available for bigger shops. We also stock a complete line of LB White Heaters and Genuine LB White Parts. Call us for a bid on any of your space heating needs.



Call us today and ask how to save time and money with our RFD program: 507-726-6455.



STEVE SCHOLTZ
Petroleum Manager

Petroleum Report

RFD. RFD is a monitoring system for your fuel storage tanks. It utilizes wireless technology and your existing phone lines to send a signal of your tank's fuel levels to us. Some patrons have already begun the process of switching to RFD. Progress is going very well installing monitors in the country. We continue to make contacts

with you, our customers. If we have not yet contacted you about RFD, we will. However, if you wish to call us feel free to do that. We would like to get the majority of the monitors installed before the winter months are here.

Fuel Oil Home Heat. Home heat fuel customers, we ask

that the fill and vent pipes for the tank be on the outside of the house. Fuel oil will not be delivered if we have to enter the house to fill the tank.

Non-monitored tanks. Non-monitored tanks (will call deliveries), will require up to a 96 hour notice for delivery.

COD payments. Once the payment is received, allow five working days for delivery.

After hours deliveries. We will have after hours phone numbers, so any orders can be placed 7 days a week by leaving a message or contacting us personally, in case of an emergency.

Thanks for your business! Any questions feel free to call Darin Wilmes at 507-995-2892 or Steve Scholtz at 507-726-6455 (office) or 507-317-1642 (cell).



JEFF SPENCE
Grain Manager

Grain Report

It is hard to believe that summer is almost gone, and harvest will be starting soon. With the warm and somewhat wet summer, we have many patrons in the area expecting yields above last year. I am hopeful that will be the case for most of our trade territory.

We have included a copy of our fall grain policies in this newsletter. We may make some changes to these policies as needed. Changes would be dependent on several things, including varying grade factors from processors and our own storage room availability.

On another note, we have started the dirt work for our new grain storage building at the Hwy 60 Madelia location. We will be building a 300 ft. x 500 ft. Behlen steel building with a capacity of 4.5 million bushels. This facility will have a receiving pit where corn can be dumped at 20,000 bushels per hour. Plus, we will have the ability to transfer corn from the elevator to the building at 20,000 bph. We will also be able to empty the building at a speed of 20,000 bph. Around half of the capacity will be removable at the flip of a switch, and the other half will be removable by pushing the grain into convenient gates in the floor every 25 ft. We are hoping to get enough dirt work done by October to be able to pour cement for the footings and tunnel before freeze up. If we have a mild winter, construction will continue until completion. However, if the

weather gets too severe, construction will hold off until spring and finish by mid-summer.

This added storage will allow us much more flexibility, not only at harvest time, but at times of the year when corn comes in more quickly than we receive trains. We will also add another scale next spring providing both in-and-out weighing, thus speeding up the scale process. The new receiving pit at the building will also double our receiving speed for dry corn at Madelia to 40,000/BPH. We are in the process of installing a probe at the Madelia location and will start probing trucks in September. If the wind is extreme and you are uncomfortable untarping your truck, you may request a pelican sample in the elevator.

Lastly, we have had a few employee changes. We have decided to separate grain and feed management in Janesville. Dave Carlson has assumed responsibility of Janesville grain department management, and Brian Storm has assumed responsibility of Janesville feed department management. We feel this move will allow for better management of each department. Additionally, there are changes in Madelia. Jim Bauer, grain superintendent, has decided to leave Crystal Valley. Andy Knutson will be assuming the duties of grain superintendent on an interim basis in Madelia. We wish these individuals all the best during these transitions and in the future.

Please remember to be careful during the long hours of harvest.

From Everyone at Crystal Valley Coop: Please Have a Safe and Successful Harvest Season. Happy Harvesting!



2010 Fall Grain Policies

We are in the process of trying to clean out the elevators as much as possible before harvest to make sure we can accommodate as much of your grain storage needs as we can. Unfortunately, we have not been able to blend off all the damaged corn and will be unable to handle any more until we start receiving new crop corn. The following Grain Policies are in effect as of today; but remember, this can change at any time and we will try to provide advance notice of any changes.

There is a 10-day grace period for delivered grain. If you know how you want your bushels applied at time of delivery, please give instructions to your driver so he/she can let us know. If you are undecided on what you would like to do at that time, the grain will be put into open storage until we are notified. If the grain is not priced within 10 days of being delivered, storage will revert to the date of delivery.

Storage charges on both corn and soybeans will be \$.0013 per bushel per day or \$.04 per month with no minimum at this time. *With the size of the crop still an unknown, we may be forced to reconsider putting on a minimum storage fee to protect your coop in the event that we are forced to ship*

unpriced grain. We will post a notice to inform you of any minimum storage rate to be charged.

Grain Bank corn delivered at harvest time will have no storage charges the first two months and a maximum of four months of usage.

Corn drying charges will be \$.025 per bushel per .5 point of moisture over 14% for open storage, delayed price, grain bank and warehouse receipt, and \$.025 per each .5 point of moisture over 15% for cash and contracted; plus shrink of 0.7% per .5 point of moisture.

Soybean moisture discounts will be 1% per .5 point of moisture over 13%; 2% per .5 point 14.1% and over; with anything over 15% subject to rejection.

Checks will be issued only on request. Please contact any of our grain offices if you would like us to settle bushels that have been delivered.

Any grain applied to storage this fall that is not priced by August 31, 2011, will have the storage billed to your account. Storage will start accumulating again on September 1, 2011.

Grain Dumping Hours: We will try to operate as many hours per day as possible to accommodate your needs. We will be open extended hours Monday through Saturday, as well as Sunday afternoons when harvesting requires.



RYAN BRANDTS
Grain Marketer

Grain Marketing Report

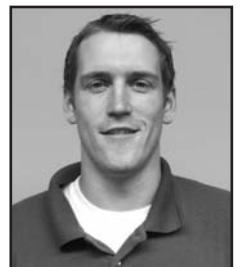
Who would have guessed that as we are writing this fall newsletter article we'd be threatening to push through \$4.70 December 2010 corn futures? Corn was up \$.32 cents for the month of August and up \$.66 cents since the beginning of July. Until the Russian drought hit, more people thought we

would be at \$3.00 corn before we'd ever see \$4.50 again. That is the beauty of global markets; about the time we think we are heading lower on a big crop and more than adequate carry outs, something catastrophic happens in another part of the world that changes everything.

World demand continues to grow. China's current consumption rate is approximately 200 bushels of corn every second or 525 million bushels a month. With the yield technology we have today, will we produce ourselves into more than adequate carry outs in the future? With our worldwide demand we think there will be two guarantees: market volatility and opportunity. There is great profitability in selling anything with a \$4 in front. A wise man once said, "you can't go broke taking a profit." It is rare this time of the year to see high prices like these when the USDA is predicting

a record crop. Setting price objectives in your marketing plan is one thing, executing those objectives is another. Remember the difference between a good and poor marketer is their ability to execute. We watched an overall bearish market turn bullish overnight due to the Russian drought and could see it turn bearish again with any unexpected bearish news. What goes up must come down. As we continue to approach new highs, we encourage farmers to not quit selling. We see too many producers get scared to sell at these better prices because they fear the market will continue to go higher. There is always the ability to sell more if it does continue to climb or re-own with an option. We have great prices and profitability facing us as we move in to fall, and we hope that people continue to be proactive and take advantage of these opportunities.

Good luck this fall! We hope the crops are as big as forecasted. Please let us know if you have any marketing questions or interest in learning about any of the marketing options Crystal Valley has to offer. We look forward to sitting down and helping you create or refine your marketing plans.



CHRISTIAN EBERHART
Grain Marketer



DALE BOTTEN
Agronomy Manager

Agronomy Report

Our agronomy staff would like to thank everyone that attended the Madelia fertilizer plant open house in August. The fertilizer plant is ready for the fall fertilizer season. The last of the dry fertilizer tonnage projected to be needed for fall will arrive by the middle of September.

Fall fertilizer customers should continue to call their Crystal Valley agronomy locations to place dry fertilizer and/or anhydrous ammonia orders. Your Crystal Valley agronomist, operations manager, or administrative assistant at your location will take your fertilizer order and get it scheduled. As in the past, Crystal Valley request 24 hour notice to have fertilizer custom applied or delivered. Your Crystal Valley

agronomist will work with you to help plan your fall fertilizer needs to insure timely service.

On September 7th, Brad Schwarz started serving in his new position at the Madelia fertilizer plant as plant operator. Brad has been with Crystal Valley for 19 years serving as plant operator/custom applicator at our Vernon Center agronomy location. Brad will report to Mike Scheibel who is the Madelia fertilizer plant operations manager.

Crystal Valley had a very successful summer season of post emergence spraying. It was a season that never seemed to end. The month of June proved to be a challenge for everyone due to the wet field conditions. Application of side-dressed liquid nitrogen on corn with our GreenSeeker technology increased in popularity this year. We also had a record number of acres custom applied with fungicides. *(cont. on next page)*



WILL BLOWERS
Feed Manger

Feed Report

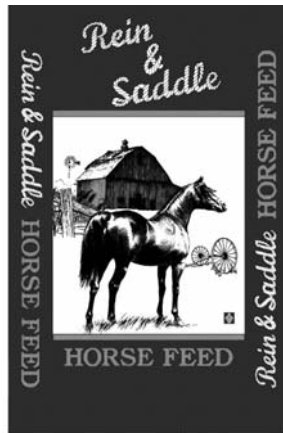
Rein & Saddle from Big Gain. We would like to introduce our new line of horse feeds from Big Gain. Rein & Saddle, Big Gain's horse program, offers a full array of horse nutrition in the form of pelleted and texturized feeds. Products include

performance feeds and senior horse solutions, as well as an offering of maintenance and vitamin/mineral formulas for the easy keepers in your barn. This line is made right here in Mankato, which allows us to keep our supply fresh and our prices very competitive. We are also offering free delivery on horse feed orders of 500 lbs or more, making us your most convenient shopping option.

A unique characteristic of the Rein & Saddle program is the utilization of gap expander technology. This process cooks the feed to 270 degrees Fahrenheit with pressure and steam. Expanding transforms the protein and starches making them much easier for a horse to digest and allowing greater absorption of nutrients. Expanding feed ingredients also makes the products safer and much more shelf-stable.

Big Gain offers a full system of support staff for their

products. This includes Jacqui Westbrook-Shaw, our Big Gain equine consultant. Jacqui graduated from Ohio State University with a B.S. in Animal Science, focusing on Equine Science. She grew up with horses, and she and her husband currently compete professionally with draft horses. Jacqui is available to make on-farm consultations or simply answer any questions our customers have regarding equine nutrition.



Professional Ag Marketing Inc. We are excited to introduce a new development in our continued effort to add value and bring tools to the table necessary to be competitive long term in the hog industry. Crystal Valley has teamed up with Professional Ag Marketing Inc. to bring a risk management product to Crystal Valley's members. This relationship provides the unique opportunity to combine Professional Ag Marketing's proven risk management approach with Crystal Valley's expertise in serving the pork industry.

Professional Ag Marketing has been providing risk management solutions to producers since 2004. Pat VonTersch has 19 years of experience in risk management working for Cargill Inc and Advance Trading prior to creating Professional Ag Marketing. Jeff Hoogendoorn joined Professional Ag Marketing in November of 2009 after 7 years with Cargill.

Ask the Feed Department about their new livestock risk management partners: Professional Ag Marketing Inc.

Agronomy Report, cont.

Throughout Crystal Valley's trade area, we have a number of field trials. These field trials look at fungicide applications, side-dressed liquid nitrogen, and a variety of other comparisons. Crystal Valley would be happy to provide a weigh wagon for these trials and your corn/soybean variety yield results.

In August, Crystal Valley sponsored an excess fertilizer equipment auction at our Janesville location. On occasion, Crystal Valley will sponsor an auction to dispose of equipment that is no longer needed in the company. Having this auction allowed other dealerships and farmers to sell their excess equipment, too.

I would like to thank all customers that had Crystal Valley do your summer soil sampling. Summer soil sampling allows for more timely custom application during the fall season.

When it comes to the fall fertilizer season, soil samples are already processed, fertility recommendations have already been made and truck applicator files are in place.

Even with the large number of acres sampled this summer, we still have a record number of acres to sample yet this fall after the crop is harvested. Contact your Crystal Valley location as soon as the crop is harvested, so we can soil sample your field. This will ensure the most timely fertilizer application.

I would like to thank the agronomy department staff for doing a great job this summer custom applying herbicides, insecticides, fungicides, and side-dressed liquid nitrogen. It was a long summer.

As we move into fall, I would like to thank the customers for their past and future support of Crystal Valley. Customer satisfaction is our number one goal. Have a great harvest.

MESZ: The Biggest Breakthrough in Crop Nutrition



SCOTT SCHOPER
Agronomist

Odds are you have seen its logo on field signs in the road ditches, our green semi-trailer trucking down the highway, an open house postcard in your mailbox or the bright green rug at your local Crystal Valley agronomy office. It's MicroEssentials SZ, and everyone is talking about this new breakthrough in crop nutrition. What is it you ask?

MicroEssentials SZ is a phosphorus fertilizer with the analysis of 12-40-0-10 Sulfur-1 Zinc. MicroEssentials SZ (MESZ) is a groundbreaking formulation of fertilizer brought to us by Mosaic. Each granule contains uniform parts of nitrogen, phosphorus, sulfur and zinc, ensuring that your crop will have the right amount of each valuable nutrient close to its roots for maximum uptake. The patented manufacturing process ensures a more uniform distribution than a traditional blended fertilizer can provide.

Everyone always takes care of the big three: nitrogen, phosphorus and potassium, but critical micronutrients can make all the difference. The micronutrients sulfur and zinc are important. These nutrients play a vital part in crop production. The zinc in MESZ is essential for normal healthy plant growth and reproduction of crops such as corn and wheat. Plants showing zinc deficiency do not develop normally. Key nutrient interactions help make this MESZ fertilizer more available to the plant, and the zinc can help increase phosphorus uptake.

MESZ also includes two forms of sulfur—sulfate and elemental—to ensure season long availability. The sulfate is available immediately to developing roots. Elemental sulfur takes time to break down in the soil and is therefore available

later in the growing season.

In addition to a unique blend of micronutrients, MESZ also provides your field with the essential nitrogen it needs. MESZ will help your plants get out of the ground faster in the spring because it delivers early season nitrogen in the ammonium form. Research has proven young plants need nitrogen in the ammonium form for strong early season growth. This makes them less susceptible to the harsh weather conditions we see here in southern Minnesota.

Corn roots need to come in contact with nutrients to be able to take them into the plant. When trying to apply one pound of zinc in a traditional blend, there will only be approximately one granule per square foot. When applying 10 pounds of sulfur, there will only be approximately six granules per square foot. When using MESZ, in which every granule has uniform amounts of N, P, S, and Zn, you have 48 granules per square foot! This makes it easier for a young plant to find all the nutrients it needs.

Are you interested in seeing these benefits in your field? For more information call and talk to your local Crystal Valley agronomist about MESZ. As harvest approaches, we are excited to take a look at our own side-by-side field comparisons. These comparisons will show first-hand the difference MESZ can make in southern Minnesota fields. You can also learn more online at www.microessentials.com. Let Crystal Valley help you get the "Most Bang for the Buck" with MicroEssentials SZ!





P.O. Box 210
Lake Crystal, MN 56055
www.crystalvalley.coop

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56062



Take a look inside at Crystal Valley's Fall Newsletter:

- Page 3Rebates up to \$350!
- Page 52010 Fall Grain Policies
- Page 6Feed Department Offers Risk Management
- Page 7MESZ: The Biggest Breakthrough