

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

Directors' Report



DAN JONES
Board Chairman

Greetings from your board of directors. At Crystal Valley's annual meeting last February, directors Dean Duffey of Lake Crystal and Tom Trahms of Janesville were reelected to three-year terms. Following the annual meeting, the board held a reorganizational meeting for the election of officers. I, Dan Jones, was elected chairman; Bryon Christenson, vice-chairman; and Mark Christenson, board secretary.

I farm four miles northwest of Lake Crystal with my wife, Pat, in a partnership with my brother Dave and his wife, Jackie. My son Aaron also works on the farm where we raise corn and soybeans, as well as contract finish hogs. My

wife and I have three married children and two granddaughters.

I've served on the Board for 17 years. In the past I've served as vice-chairman and board secretary. I enjoy being on the board and look forward to serving as the chairman.

One of my first activities as chairman was visiting Washington, D. C. with general manager Roger Kienholz. The brief trip was associated with Land O' Lakes. We met with our Minnesota congressional delegation and heard from national leaders in the agriculture industry. Please see the article on page three of this newsletter for more details on the trip.

The crops are off to a tremendous start this year, but as recent storms have shown us anything can happen before harvest. The board reminds everyone to be safe in their farm and business operations. Have a great summer!

Madelia Fertilizer Plant Open House

August 17 ~ Public Open House 4:30-7:30
83737 Highway 60 ~ Madelia, MN 56055

Crystal Valley invites you to visit our new fertilizer plant located at our Highway 60 Madelia location. Construction began in 2009 and was completed this spring. Please join us to have a meal, take a look at the inside of the new building and get registered for door prizes.



Manager's Report



ROGER KIENHOLZ
General Manager

Work is nearly complete on the new dry fertilizer plant at Madelia. Electrical wiring is being finished up, automation controls are being installed and tested, and we'll be ready for fall operations. An open house is being planned for Tuesday, August 17th.

Crystal Valley is having a good year financially, even though total sales are down considerably from last year due to the lower grain and commodity input prices. With two months remaining in our fiscal year, we're expecting year-end results to be comparable with last year's.

Board Chairman Dan Jones and I enjoyed a trip to Washington, D.C. this spring with Land O' Lakes and other cooperative leaders. It was my first time on Capitol Hill to visit with lawmakers, and I found the experience very enlightening.

I hope you've all fared well through the recent summer storms. Once again we saw that the weather can make or break a crop in a very short time.

Thank you for all your business and for your support of the coop and our employees. They work very hard for you every day. Have a great rest of the summer!

Credit Report



GARY HULKE
Credit Manager

Budgets

Budgeting your home heating expense is a very popular service we can provide for you. Your monthly payments begin now in summer and finish next spring after the heating season is over. Many of our customers find this a very convenient way to avoid large bills to pay during the winter months. You may also sign up to have your payment deducted directly from your bank account. Anyone interested in our budget program may call our Lake Crystal office for more information.

Finance Charges

In the interest of monitoring the costs that Crystal Valley endures, we recently assessed the minimum monthly finance charge. The cost of printing and mailing statements has risen, and Crystal Valley changed the minimum finance charge from \$0.50 to \$1.00 in order to better cover those costs.

Returned Checks

Most payments come to Crystal Valley in the form of a check. Returned checks will have a \$30 service charge added to the amount owed. Your check and/or service charge may be electronically represented. Additional civil penalties may be imposed on dishonored checks for non-payment after 30 days.

Earn 2.5% on Your Money

In a recent survey conducted by Crystal Valley, many surveyed indicated they were unaware of the Crystal Valley Patron Investment Program.

This program is an unsecured deposit investment program that allows our patrons to earn interest on money placed with the cooperative and used for business operations.

Stated below are a few major points of the program.

1. The deposits are unsecured.
2. The deposits are payable upon demand by the patron.
3. The interest rate is variable and is reviewed periodically by the board of directors. It is currently at 2.5%.
4. Interest is compounded bi-annually on June 30 and December 31.
5. There is no minimum/maximum balance required.
6. Potential investors must be a patron of Crystal Valley Cooperative and have a current account.

If you are interested in learning more about the Patron Investment Program, please contact Todd Wihlm, Controller or Sheri Johnson, Accounts Payable at (800)622-2910 or (507)726-6455.

Washington, D.C. Trip

Crystal Valley Cooperative General Manager Roger Kienholz and Board Chairman Dan Jones Attend Land O'Lakes BDS *growinginsights* Forum in Washington D.C.

Crystal Valley Cooperative General Manager Roger Kienholz and Board Chairman Dan Jones were among the co-op leaders participating in Land O'Lakes Business Development Services first-ever *growinginsights* Forum in Washington D.C., March 23-25, 2010.

Ninety Land O'Lakes member cooperative leaders from around the country joined in the policy forum, which focused on issues of importance to production agriculture, cooperatives and agribusiness. During the three-day forum, participants:

- Received insights and updates on key issues from Congressional members, administration officials and agriculture association executives;
- Took their insights and represented member interests in meetings with their respective members of Congress on Capitol Hill; and
- Exchanged insights on policy issues and best practices with their peers.

Key policy priorities that were addressed include Capper-Volstead and the role of farmer cooperatives in the 21st century, Roundup Ready Alfalfa, climate change and carbon reduction strategies, and the Clean Water Restoration Act.

"The Forum was both an important learning experience and an opportunity for participants to pursue the interests of producers and cooperatives on Capitol Hill," Land O'Lakes President and CEO Chris Policinski said. "Our co-op leaders came away with a good

understanding of the policy arena, and Congressional leaders left these meetings with a much better understanding of our key issues."

Policinski noted that important actions have already resulted from the leaders' meetings with their members of Congress, such as letters sent to EPA to express concerns with the agency's proposed regulations for spray drift pesticide labeling.

Kienholz and Jones were part of a Minnesota delegation that met with the offices of U.S. Senators Amy Klobuchar and Al Franken and Congressmen Timothy Walz, Erik Paulsen, John Kline, and Collin Peterson.

Speakers at the *growinginsights* Forum included U.S. Senator Charles Grassley (R-IA); Congressman John Salazar (D-CO); Congressman Sam Graves (R-MO); Dallas Tonsager, USDA Under Secretary for Rural Development; Chuck Conner, CEO of the National Council of Farmer Cooperatives; Jay Vroom, CEO of CropLife America; Kendell Keith, CEO of National Grain & Feed Association; and Daren Coppock, CEO of Ag Retailers Association.

Kienholz and Jones enjoyed the *growinginsights* Forum in Washington D. C. The forum covered many issues and topics relevant to Crystal Valley Co-op. Kienholz and Jones plan to utilize the insights they gained in their respective roles as General Manager and Board Chairman.



Agronomy Manager



DALE BOTTEN
Agronomy Manager



MIKE SCHEIBEL
Operations Manager

Our agronomy staff would like to invite you to our Madelia fertilizer plant open house on Tuesday, August 17, 2010. Open house invitations will follow at a later date with additional information.

Close to a year ago, Crystal Valley made the decision to build a fertilizer plant at our Madelia grain location. The construction of the plant progressed throughout the winter. The plant was completed on schedule in June. Along with the new plant, we added 18 and 24 ton tenders to insure the service you have grown to expect is maintained. Mike Scheibel is our new operations manager for the Madelia fertilizer plant. He currently is located full-time at Crystal Valley's La Salle location but will be transitioning to Madelia by the end of the summer. We are excited to

have him in this new position as the operations manager for the fertilizer plant. We will be adding a second full-time employee at the plant sometime this summer.

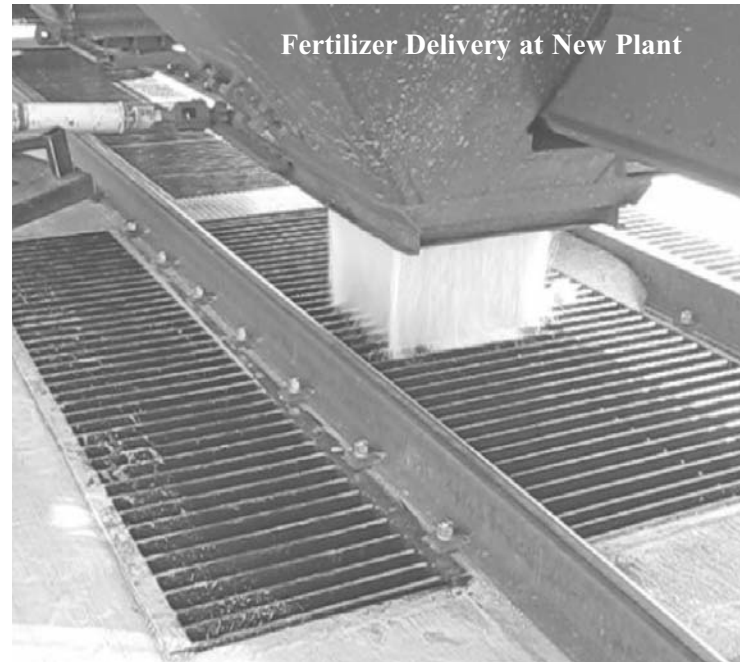
With the opening of the Madelia fertilizer plant on Highway 60, most of the fertilizer needs from the six dry fertilizer plant locations west of Mankato will be served by the new Madelia plant. These locations include: Nicollet, Lake Crystal, Madelia's in-town, Vernon Center, Darfur, and La Salle. Crystal Valley will have two operating plants. Madelia's plant is located in our western trade area, and Janesville's plant is located in our eastern trade area.

All of our current agronomy locations that are staffed year-round will continue to have anhydrous ammonia, liquid fertilizer, seed, seed treatment, bulk herbicides and package herbicides. We will continue to maintain an office at each location with the proper administrative, operational and sales staff to serve your needs. In the future, continue to call your local agronomy locations for all of your agronomic needs, including fertilizer. When you order fertilizer, your local agronomist will then place the order with Mike Scheibel at Madelia or Trent Wadd at Janesville.

As in the past, Crystal Valley still requires a 24 hour notice to have fertilizer custom spread or delivered. Your Crystal Valley agronomist will work with you to help plan your fall fertilizer needs to insure timely service.

In addition to our new fertilizer plant, we have added other new technologies to improve service to our customers. We

have added new computer software to track your fertilizer order from the time the order gets placed until it is custom applied or delivered to your farm. All of our custom applicator units and tenders will be tracked by GPS, so your agronomist will know where the custom applicator units are located at anytime. If you have questions on custom application timing, your agronomist will be even better able to answer those questions for you.



As we progress through the growing season, your Crystal Valley agronomist will be in contact with you to help you maximize the profitability of your current field crop. To get a jump on the busy fall harvest season, consider summer soil sampling. If you have not already done so, please talk to your local Crystal Valley agronomist about grid sampling. Every year our grid sampled acres increase. To meet the demand for VRT spreading, we now have eight VRT dry floaters that can precision spread fertilizer. Most of our custom anhydrous ammonia units can now be precision applied using VRT technology.

Finally, I'd like to introduce and welcome our newest employee to the agronomy staff, Matthew Trcka. Matthew is a custom applicator working out of our Janesville location.

Crystal Valley is changing to better serve you now and in the future. Thank you for your past business. We hope to earn your future business with the best facilities, the best equipment, and the best trained and most dedicated employees in the industry.



RYAN BRANDTS
Grain Marketer



CHRISTIAN EBERHART
Grain Marketer

Grain Merchandiser Report

In order to be successful, we need to continually evaluate our operations. What is it that we do well? What can we improve upon?

And maybe the hardest question to ask (and answer): What don't we do well? In a survey Crystal Valley conducted recently, the question was asked, "What are the greatest challenges you face regarding your farming operation?" Overwhelmingly, farmers responded marketing.

One of the greatest and most consistent differences between successful and unsuccessful marketers is their psychology. Successful marketers are rarely affected by fear or greed. They understand what their operations need and want. They also understand the difference between the two. Although every farmer wants \$4.00 corn, it doesn't mean that every farmer needs it. If your operation doesn't require \$4.00 to make money, use that to your advantage. Some operations have maintained a very lean cost of production, while others have turned \$4.00 from a want into a need. The higher the price level we wait for, the more risk we take. Is this a risk

we need to take?

Another trait successful marketers exhibit is their ability to execute. They create a game plan, and they make it known. Good and poor marketers each have good intentions, with good ideas, however only the successful marketer executes. The poor marketer will try and pick the high and is scared by selling any bushels too early. The good marketer knows he won't lose money selling for profits and understands if the market goes higher, it's an opportunity to sell more grain for better profits. An executed average plan will always outperform a great plan unexecuted.

Lastly, successful marketers understand that the perfect plan doesn't exist. Crystal Valley offers a variety of marketing tools that when utilized properly can add value to your operation. With recent yields, most farmers could try a new marketing method that could potentially make them more money. If we are willing to try a new seed or chemical to improve our operation, why wouldn't we take the same approach to our marketing?

So make that plan, make it known, and ask us how Crystal Valley can help you achieve your goals. It might be much simpler than you think. Questions and offers are free, but missed opportunities can cost a fortune.



JEFF SPENCE
Grain Division

Grain Report

With markets continuing to fall, you would think this year's crop was already in the bin. Though the market looks bleak, there are both negatives and positives to this story.

On the negative side, we could have corn planted acres around 90 million and bean planted acres near 80 million.

We also have both crops planted ahead of normal, but at least in this area the frost moved most corn plantings back to more normal planting times. Also setting another negative on the market is the USDA raising the expected yields on both corn and beans above trend line due to early planting. We have a projected carry-out of corn this year of over 1.7 billion and next year's number could be even larger. Our carry-out on soybeans is tight this year at 190 million, but next year could grow to 360 million or more.

On the positive side, we saw China using 54% of the total soybeans exported in the world this year and buying corn from us for the first time in four years. We have a livestock industry that has, for the most part, been showing profits again and their numbers are starting to rebound. Some scientists are talking about the El Nino turning to La Nina yet this summer in time to cause hot and dry problems for this year's crops. We are still hearing talk about sun spots creating weather

problems for us this summer. In other words, we do not know what the weather or China might do to our grain markets this summer.

I believe that with the outside global issues that have been affecting all commodities, we will continue to have volatile markets not only this summer but for the unforeseeable future. Some trends, I believe, will still be normal. Prices after the 4th of July will be in a sideways to down direction if there are no weather scares and then will drift even lower going into fall due to a big harvest expected. I do not believe that there will be a problem in our area with moving soybeans this summer, but I believe the amount of corn still in farmers' bins could be very large and could make for poor basis and long lines this summer.

On another note, Crystal Valley has started to research the possibility of adding more storage to the Madelia location to make it easier and faster for us to handle your grain. We currently need to have three or four trains timed just right at harvest plus good weather to fill the round pile. With the addition of added permanent storage space, we would no longer be dependent on either of these situations. We could also enhance our margins by picking up the carries and better basis after harvest. We will be sure to keep you informed of any new developments on this project.

P.S. Remember the 11th Commandment: Thou shalt not carry grain past the 4th of July. We would suggest that if you want to hold onto the grain the rest of the summer, please visit with us about buying some calls.

Feed Report



WILL BLOWERS
Feed Division

The start of every new growing season always seems to bring new challenges, and this year has been no different. With an early start to planting this year, we have the makings of an exceptional crop. While this is great, we continue to deal with the quality issues of last year's corn crop. An important thing to remember is grain quality does not improve during storage. It seems that best initial quality can only be maintained. I recently heard a grain producer state he had just checked a grain bin two weeks ago and everything was fine, while today when he checked a crust had formed. We need to remember that as our weather warms up, our bins begin to warm. The top layers of your stored grain can begin to sweat again, causing a crust to form and additional damage to occur. As always please monitor your bins to maintain your grain quality throughout the storage period.

We monitor grain quality very, very closely at Crystal Valley to insure we use only the best grains to produce your livestock feeds. We have stepped up the lab testing of all ingredients that come into our mills. We send weekly samples

to an outside lab to check for molds in the incoming corn and dried distiller's grains used in your feeds. To speed up this process, we plan to begin testing soon with QuickScan Equipment on site. This equipment will let us do our own in-house testing for mycotoxins in both corn and dried distiller's grains. We will implement random sampling procedures to test samples instantly and track results better. The system will allow us to have consistent measurements and eliminate the lag time from sending samples to outside testing labs. We will also begin using our own Ro-Tap test sieve shaker that will enable us to more closely monitor our feed particle size. The Ro-Tap equipment will allow us to make more accurate adjustments to our roller mills and improve the feed efficiency for your livestock operation.

We also have been looking into forming a partnership with an outside marketing firm to offer livestock risk management services. The purpose would be to provide you with a solid risk management program to help you manage an appropriate margin for your livestock business. It will assist us in the development of a "feeding group" strategy for you, our patrons. We will be able to establish marketing plans and hog margin sheets, as well as track your risk management plans.

Thank you for your patronage and have a great summer.



Want a more efficient fleet? Put a better diesel fuel in the tank.

Now is the perfect time to make the switch to Cenex® Premium Diesel Fuels. They've been enhanced to support today's diesel equipment technologies and ensure consistent performance in all engines, both on and off the road. Newer engines operate under high temperatures and pressures that can literally "cook" typical #2 diesel, resulting in fouled fuel that can damage engine parts.

Cenex Premium Diesel Fuels help prevent these problems. Plus, they're formulated to optimize performance with a complete, quality, balanced additive package that:

- Improves fuel economy by as much as 5 percent*
- Increases power by up to 4.5 percent*
- Boosts fuel lubricity 10-15 percent*
- Lowers maintenance costs*
- Extends life of injectors/injector pumps*
- Has a typical cetane number of 48

Contact Crystal Valley today, 507-726-6455.

Agricultural users, be sure to ask us about the Total Protection Plan® Warranty. *Versus typical #2 diesel fuel

Propane Report



GLENN THOMPSON
Propane Division

As I write this article on July 6, crude oil is trading at \$74.00 a barrel. If crude drops below \$70.00, propane contracts should go down. Crude above \$80.00 will see propane contracts rise. Please call for current contract pricing. The Minnesota Propane Association again this year has a water heater and regulator rebate program with limited funds on a first come basis. Water heater rebate for new construction is \$350.00.

Conversion from electric to propane is \$350.00 and propane to propane replacement is \$250.00. The regulator rebate is \$30.00 per regulator, up to two regulators. This is a very important rebate because our insurance company wants us to

have a leak and regulator check on file for every customer's system by the end of this year. So, don't miss out on this regulator rebate. Give Jim Jung a call at 507-726-6455 and set up your system check if you have not had one in the last five years. There is no furnace rebate program offered this year by the Minnesota Propane Association. If you would like to contract propane for September 2010 thru March 2011, please call one of our locations. Reminder: summer fill propane is due for discount by September 30th. Thank you for your business.



Petroleum Report



STEVE SCHOLTZ
Petroleum Division

In the past two months, fuel prices have softened from about \$86 crude oil to mid to upper \$70s. The strength and weakness of the dollar has mostly influenced the price of crude oil and finished products. Supply is above average for this time of year, but we need to keep in mind the gulf oil spill. The spill could impact oil prices long-term due to the possibility of new regulations. Additionally, Minnesota State

Tax on highway gasoline and highway diesel increased from \$0.271 per gallon to \$0.275 per gallon on July 1, 2010.

RFD (Refined Fuels Distribution)

Crystal Valley is excited to offer you a new system of high-quality fuel delivery and technology. RFD, or Refined Fuels Distribution, consists of advanced monitoring of storage tanks, billing for only the fuel consumed, and pricing based on monthly averages. Below I have included some commonly asked questions with answers to help explain RFD.

What is 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 our Fuel Distribution Center. The system consists of a monitor on each tank and a controller hooked to a phone line. The system is provided by Crystal Valley Coop at no cost to you. When your fuel levels hit a pre-determined level it will send us a signal, and we will fill your tanks.

Do I need a monitor on all of my tanks?

In some cases, there is not a need to monitor tanks. These

include tanks with small usages. Tanks that do not have an RFD monitor installed will be on a will call basis (i.e. you must pre-call for delivery).

Where will delivery trucks be located, and where is my fuel coming from?

Fuel tanks will still be located at some Crystal Valley locations. The trucks will load at the Magellan Pipeline in Mankato. Then the trucks will deliver directly to your storage tanks, in most cases.

Is the supply as dependable as the old system?

Yes. If needed Crystal Valley can access any Minnesota or Iowa pipeline terminal to ensure consistent and dependable supply for you. Additionally, bulk plants can be used as back-up storage when necessary.

Tanks and Pumps	
Crystal Valley has many large storage tanks and hi-speed pumps available to better serve your needs. Please contact us to discuss upgrading and purchasing.	
Tanks	Pumps
560's	FR710 with no meter
1000's	FR701 with meter
2000's	FR301 Hi-Speed with meter
4-5000's	6PI Hi-Speed 12 volt



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56062

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Customer Appreciation Days

Please let Crystal Valley say thank you for your business and join us for a meal at your nearest Crystal Valley location!

Serving 4:30-7:30 p.m.

- La SalleSeptember 13**
- NicolletSeptember 14**
- JanesvilleSeptember 15**