



MILTON GROUP

SPRING 2016



Our new seed plant in Langdon speeds into its second year. Page 16.

**TOM LEHAR EMBARKS
ON A NEW PATH
PAGE 4**

**PRECISION AG SERVICES
ARE EXPANDING
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**RIGHT NOW: OUR
AGRONOMISTS' BEST ADVICE
PAGE 14**

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Chance Sveen knows the Adams warehouse started spring filled and ready. Read more on page 17.

Ready to Take the Next Step

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It All Happens Sept. 1...

and there's every reason to celebrate!

Given the evolving needs of the North Dakota producers in our regions, and our desire to best serve everyone well into the future, CHS Milton Group and CHS Lake Region will soon combine operations to become CHS Country Operations.

Financially strong as individual business units, joining forces will result in a greater scope and scale of operations, as well as more benefits for YOU:

- Greater operational efficiencies and growth opportunity

- Enhanced leverage with chemical manufacturers
- Increased buying power and earning potential
- Strengthening of risk management market positions
- Same talented experts you've come to know and trust

Our solid principles will remain, and we'll be even stronger and better together. So, let's celebrate this future-focused decision that becomes a reality on Sept. 1.

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READY TO TAKE THE NEXT STEP

I suspect some of you have done the same thing. You've watched a piece of ground you knew would fit well with your operation and wondered whether you'd be ready if it was eventually available to buy. That was me and the job I recently accepted. I'd watched from a distance and hoped someday to have my shot as vice president of the CHS Northland Region.



When Carl Younce retires this June, I'll happily assume those responsibilities. I won't be leaving without a backward look though. In fact, my new job will definitely bring me back from time to time. Carl has been a welcome and valuable presence in the life of your local cooperative, and I want to be an equally active and useful participant.

By Tom Lehar
General Manager

To fulfill my new obligations, I'll be based in Grand Forks overseeing 10 CHS co-ops similar to CHS Milton throughout North Dakota and northern Minnesota. Since CHS Milton Group is one of those units, I'll be able to stay involved with you. After 22 years (almost to the day), I didn't want to leave this area completely because I value all the connections I've made. Don't tell the folks in southern Minnesota, which is where I grew up, but I like it here!

My new job will take me to local owner-board meetings. Every month I'll be part of the discussion of overall strategy and direction for CHS Milton. As I see it, my role as regional vice president will be a blend of responsibilities to CHS headquarters and our owners in the country. Picture me as your liaison, carrying your concerns and interests up the ladder. I'm excited about the challenge!

Thank you. Thank you customers, employees, industry partners and members of the Milton community. Thank you for giving me a chance to serve you all these years. I want the best for all of you and so, obviously, does JoDee. She's been with the cooperative here in Milton longer than I have. As office manager she accepted great responsibility, which means leaving will be difficult for both of us. Again, thank you for preparing us for the next step.

Looking at last year's totals

As you process views on the outlook of agriculture this year, please note that your cooperative remains strong. As of the end of August 2015, we showed a record year. Though margins were down slightly, volumes were high enough to log a historic \$7,867,134 in net savings.

Halfway through our current fiscal year, business is still going well despite the softer ag economy. Though the evolving situation will present difficulties for all of us, there is some good news to report.

New CHS individual producer equity redemption policies



should work in your favor. Owners were previously eligible for equity payouts when they applied at age 70 or older. Now it will be your equity's age, rather than yours, that will guide returns.

This new policy will apply identical guidelines to equity redeemed by member cooperatives and individual producer-owners. Currently, the standard is up to date going back no more than 10 years.

For example, 10 years ago we regionalized here and you started to earn bigger patronage returns. Let's say you're an individual owner who was credited with \$10,000 patronage income in 2006. The \$6,000 you paid tax on back then, but didn't collect in cash, will come back to you now.

Changing the equity payout policy is meant to help you capture more of the value of working with the co-op before you retire. (This is all subject to Corporate Board approval on an annual basis, but the equity program will be changing.) You'll hear more about this soon.

RESULTS FROM OUR RECORD-BREAKING FISCAL YEAR 2015

CROP PROTECTION SALES	\$13,504,269
COMMERCIAL SEED SALES	\$12,437,709
ENERGY SALES	\$5,727,658
MISC. MERCHANDISE SALES	\$903,214
FERTILIZER SOLD	61,101 TONS
FEED SOLD	1,400 TONS
GRAIN VOLUME	28,212,686
NET SAVINGS	\$7,867,134

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HONE IN ON THE SMARTEST WAYS TO REDUCE EXPENSES

WE CAN HELP



By Travis Peterson
Agronomy Division
Manager

If I had one message for you today, it would be this: We've been here before and we will survive. That applies to our operations and yours.

There are cost-effective things you can do to manage costs without jeopardizing yields. To help you pinpoint those choices, we added three new agronomists. Maybe I do have a second core message for you, after all: Put our agronomists to work for you!

If you hope to save on crop inputs, start by asking our knowledgeable team to help you develop a streamlined crop protection program. Instead of a one-pass fix-all, manage fields one by one. Go after your target pests with products developed for individual purposes.

And, while you're dealing with each field on its own, remember to plan for harvest data collection that will enable in-depth analysis with YieldPoint™. (There's more

about our current YieldPoint resources on page 8.)

On the fertilizer front, urea offers the best news. Most of you made your spring commitments early, and that was wise. Now, as you think about application for the 2017 crop, pay attention to the cost of urea in the low \$300s for July. I have no reason to believe it will go higher.

Watch for a coming attraction at our Calvin location. Bruce Cahill is happy to deliver the news that construction on a new fertilizer plant is set to start this fall. The new plant will feature a tower loading system, and will be significantly larger and faster than our existing plant at Calvin. We HOPE to get it started this fall.

I know many of you see diversifying your crops as crucial. I agree. Just be sure to limit your risk by spreading your input purchase timing.

You can diversify your financing, too. Financing

YieldPoint™ Services Expanding, Thanks to Luke and Nick

Data doesn't manage itself, no matter what some of us might hope. Luckily, there's Nick Wild. "I enjoy working with the yield data," he says. "I'm liking this job and I'm excited to work with more of our customers who see the value in precision ag."

At the end of his first year in our Precision Ag department, Nick's already looking forward to the culmination of the 2016

crop season. "When I see the next round of data, I'll be able to track individual customers' progress. That will be exciting."

Luke Lundeby, formerly a summer intern, recently joined our precision ag team. He's a December 2015 graduate of the University of Minnesota in Crookston with a degree in ag systems management with an emphasis in precision agriculture and an ag business minor. You'll find him in



through CHS Capital gets more attractive all the time. The choices available aren't one-size-fits-all. We can work with you on seed financing and lines of credit for other inputs or help secure your entire operating loan. Talk to any of our agronomists. They know what's necessary to start the process.

Speaking of processes, we've redesigned our invoicing program. Maybe you already noticed when you made a seed or crop-protection pickup from one of our locations. From now on, you'll be invoiced before you leave the premises. It's going to be more efficient this way.

What's known as point-of-sale invoicing assures your transaction enters our accounting system automatically and accurately. Systemwide, there'll be no more handwritten invoices.

Because this new process will also keep our inventories

accurate 100% of the time, you can trust the products you want will be stocked in warehouses when you need them.

For our agronomy division, spring is the busiest. In spite of that, we encourage our team to work safely because we value them and their hard work. We hope our advance preparation will allow us to finish every night before we need the headlights. That's our hope for you, too. Consider taking Tom Lehar's risk control safety challenge (see page 15) and take the potential danger out of one small aspect of your operation. We appreciate your business and loyalty.

Congratulations to Tom as he caps a 22-year career here in Milton. I've worked with him for nine years and always found him to be a great leader and friend. I'm happy we'll have the opportunity to keep working with him in his new role.

Milton, ready to help you set up your monitors or answer any other precision ag questions.

The Osnabrock native is glad to be home, helping out on the family farm. In his off-duty time, he likes to work on classic vehicles—right now it's a 1957 International pickup—and ride motorcycles.

*Luke Lundby,
Nick Wild
and Ben
Crockett,
precision ag
specialists in
Milton.*





*“Now we’re a
100%
precision ag
department,
which shows
how interest in
these services
has grown
throughout
our area.”*

What’s your best reason for not choosing to implement YieldPoint™ Precision Ag Services? We hope you’re not assuming the process is too complex for you. Jim Crockett wants to remove that concern today. “You don’t have to know all of this stuff, because we know it. And we’re here to help. You don’t have to go all-in right away. Apply any combination of the services we offer or start small to get your bearings.”

Whatever elements of the program you add to your program, Jim, Ben Crockett, Nick Wild and Luke Lundebly are ready to help with an expanding array of services. Start with questions, knowing they specialize in answers backed by data.

Ben says, “When we started this program, I was the only in-house mapper. There was a plan to add more specialists at some point...now we’re already there! Now we’re a 100% precision ag department, which shows how interest in these services has grown throughout our area.”

Though Ben, Nick and Luke are headquartered in Milton and Jim is based in Langdon, Ben reminds all customers, “We’re available throughout the CHS Milton Group. We have the ability to map every variable-rate acre.”

YieldPoint is useful all season long

Start the conversation with your local agronomist, who will connect you with the YieldPoint team. Ben continues, “More staff allows us more freedom to get out and work with customers. Before long, we intend to set up for a day in each CHS local office and be available to everyone who can meet with us.”

These specialists will look at your current soil samples and the yield monitor data you already collected. They’ll help you see where precision ag might bring you the best return. Then, they’ll be available to follow up as recommendations are applied.

Quality data is key, Ben says. “If you’re interested



Jim Crockett

PRECISION AG SERVICES

in getting good yield data, we can help. It takes commitment to understand how your monitor works, read the user manuals and calibrate. Unless you do those things, you can't call what you're doing precision farming."

Last year, Nick Wild helped producers calibrate and used a weigh wagon to verify the accuracy of yield data. He's ready to do those things for you this year. Taking the initial steps now will save you time later and make your harvest recording more accurate, he points out. "If you didn't get around to asking us to help you set up fields in your monitor this winter, it can still be done. That's particularly important if you changed seed this year."

Jim Crockett adds this: "Setting up accurately in the spring improves the information we'll use to create your yield maps after harvest. Many of you run multiple combines. When you set them all up with the same starting info, you prevent confusion. Assign each field one name everyone agrees on—is it the north 40 or Grandpa's 40?"

Why create yield maps?

We talk about your field data as both a report card and a planning tool. Jim asks, "If 65-bushel wheat is what you fertilized for in zone 4, did you achieve your goal? A good yield map makes variable-rate applications happen and then captures the results."

Our YieldPoint team can provide useful advice on more than fertilizer. Jim says, "Precision ag is a wide spectrum of practices from auto-steer to variable-rate fungicide. In these economic times, our mapping abilities can help you concentrate your dollars on your highest-yielding zones."

For example, picture a five-zone field map where your highest-yielding ground is in zones 3, 4 and 5. It makes economic sense to protect those acres. Say you have wheat on that field, and we set up a map to put fungicide on zones 3, 4 and 5, where you have the most yield potential. The map will automatically respond to less-promising zones 1 and 2 by either shutting off the sprayer or calling for application at a lower rate. A blanket application that included zones 1 and 2 wouldn't be as cost-effective.

- You can apply variable-rate fertilizer through our TerraGators® or request our prescriptions for your own sprayer. "Now we're able to work with customers who want to do VRT starter fertilizer through their drills. We've seen more interest in that lately, which is fantastic. If a producer adds a starter without wasting money on less productive zones, that's important," Jim asserts.
- As top-dressing wheat becomes more popular, the CHS team can help you set up for accurate split-fertilizer application. After you do primary VRT fertilizer, we're here to help you VRT again, emphasizing your most productive zones—3, 4 and 5.

Ben expands on that thought. "If you have any doubts, if you don't believe your fields are variable, we can help you see it in your yield maps."

Yield Data Ties Your Precision Practices Together

Whether your objective is variable-rate application or accurately siting new drainage tile, your YieldPoint™ maps will guide you. As CHS Milton customers show more interest in putting yield data to solid use, we're expanding our services.

- It starts with zone soil sampling or conventional soil sampling. Customers typically introduce precision ag to their farms as a way to manage fertilizer expenses. "We've also done some tissue sampling," Ben Crockett notes. "I expect to perform more of all of our tests as we see more farmer interest in yield data."
- Ben understands you might want to test drive a particular service before committing more acres. "You should look around and learn how it all works. You can always add or subtract services."
- Once we create your maps, their uses expand. You have the ability to request elevation mapping and surface-drainage maps which, correlated with your yield data, tell us how wet areas in your fields are impacting your yields. We have satellite imagery at our command.
- Take the first step and you'll discover it's convenient. Work with our experts and decrease your tech anxiety.

New this year

- Our CHS Milton Group YieldPoint demonstration plot in Langdon will help you visualize the possibilities. Watch it grow near the airport runway. (The previous site of the Answer Plot®.) Now that the plot belongs to us, we're changing over to half wheat and half soybeans for 2016.
- Once our demo plot is up and running, you'll see a total precision ag program in practice. Jim Crockett plans for VRT fertilizer and seeding. "Expect the whole YieldPoint ball of wax. This will be an intensely managed field!"
- There's a field day in the works. Jim's overall plan includes a plot west of the new Langdon seed plant. Ultimately, he intends to establish a soybean-canola-wheat rotation there.

STRATEGIZE TO PROTECT YOURSELF

As spring work took off, our agronomy guru Ron Benada was able to point out a couple of positive factors. “Fields are in beautiful condition. Farmers’ ability to work through late fall gave everybody time to get everything done. Anytime seed-ing gets an early start, I call that a good year.”

Big yields to cover expenses would be the best outcome this year. “Low prices set low crop insurance levels. Revenue protection is the lowest in years.”

As Ron sees it, every dollar spent this year has to count for something. “More than at any time in the past 30 years, you are selecting wheat seed for good-quality protein to avoid discounts. It’s a smart strategy, knowing that way you won’t have to apply excess nitrogen to raise protein levels. Just make sure you don’t short your crop. Rely on your soil tests; don’t guess.”

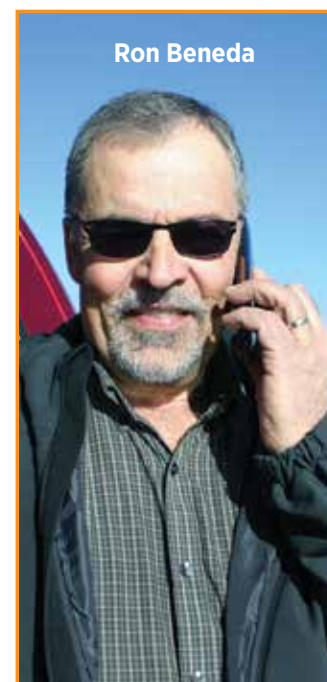
For canola growers the bright spot is AMS, now at the lowest price in many years. Ron says canola really needs that form of nitrogen. He recommends sulfur applications as well. “Sulfur will always give a return at 10 to 15 pounds in the sulfate form. Maybe that exceeds your

soil test results, but we have to realize the test doesn’t tell you how much sulfur in your soil exists in a form that’s available to your crop.”

Corn could be sulfur deficient in some soils (eroded knolls, sandy soil or low-organic matter soil). Add sulfur and see yields increase, Ron predicts.

“Customers have shown a lot of interest in specialty crops including field peas, edible beans, yellow mustard, garbanzos and lentils. I’d only recommend trying a new crop on limited acres to start. Your local CHS agronomist can connect you with plenty of agronomic information for growing each of those crops.”

Ron concludes, “Self-protection mode is the best for you right now. Low interest rates and fuel costs should help you manage costs effectively.”



CHEW ON THIS!

There is nothing better than watching a newborn calf take its first few steps! We had great calving weather this year with mild temperatures at night and warm, sunny days.



By Paul Klose
Lankin Location

Payback creep feed provides high protein content for proper muscle growth and performance. It’s an advanced high-fiber formulation with excellent palatability for improved consumption rates and rate of gain.

In fact, creep-fed calves generally wean 70-100 pounds heavier. They’re going to be healthier, too, since Payback

Give those prized animals the right start toward productive lives. Creep feeding now can get them over hurdles later on, whether it’s scours, coccidiosis and/or pneumonia. CHS Lankin carries the Payback® brand with several medication options available.

Feed Payback free-choice as a supplement to pasture or range grasses.

creep feed is highly fortified with chelated minerals and vitamins along with BOVATEC®, if you choose to add it. By offering your calves five to six pounds of creep feed, you can stretch your pasture resources.

With creep feed available, calves eat up to 40% less grass—enough grass for one more cow. This translates to a higher body condition score for that cow, a benefit that will mean a lot to a first- or second-calf heifer and the older cow in your herd. With a higher body condition score, going into fall and winter, you should see improved reproductive performance from those animals. At weaning time we could see them start faster on a weaning diet and stay healthier through the weaning and feedlot phase of life. And all because you ordered Payback creep feed for this year’s calves!

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LISTEN IN AS OUR AGRONOMISTS PROPOSE

Cale Borho in Milton starts the conversation with seed. “When you use seed treatments to protect the seed, you’re protecting what is a major investment. You want an even emergence, even stands. That’s where seed treatment comes into play.”

The new seed plant in Langdon will allow producers to take their own seed in and watch it be treated and returned to their trucks in under 30 minutes. If you want to treat on your own, you can use a seed treater from any of our locations. “If you didn’t treat seed this year, evaluate your stands or request a visit from your agronomist to help you make a better plan for next year’s crop.”

Cale interned in Milton last spring. He’s a spring 2016 North Dakota State University graduate who finished his ag economics degree online while already filling a full-time agronomist role since January. “I’d rather not be cooped up, so feel free to call on me to find out what’s happening in your fields. Travis Peterson brought me on to scout, so request my help in making choices that will allow your fields to reach full potential. I’ll be providing my cell phone number.”

Matt Holdvogt in Edmore foresees real danger in cutting the wrong corners to reduce expenses. He’s recommending you think hard about herbicide modes of action, fulfilling fertilizer recommendations and essential safety equipment.

“Your crop rotation plan should influence your herbicide program. Tackle weeds with a mixed modes-of-action strategy. There’s a specific way each herbicide kills weeds,” Matt explains. “Attempting to save money by using a single mode for every field this year could give you headaches next year. There are some resistant weeds in our area already. Switching modes of action in wheat every other year will keep weeds off balance.”

When it comes to fertilizer, Matt knows you might be tempted to shave costs. But he emphasizes, “If you don’t put enough down, you won’t get the crop. And you won’t get the money from the extra bushels you could sell.”

And while it might seem like a small matter, Matt hopes you’ll refuse to compromise on minor expenses that protect you and anyone

who operates your equipment. “You still need your chemical gloves, eye protection and safety chains. Those little items won’t break your budget and doing without could end up threatening your future in bigger ways.”

Wayne Aune says Fairdale prepared for the spring rush with expanded seed offerings, new equipment purchases and a new employee. Then, he moved a traditional winter meeting in order to provide customers timely information in June.

“New equipment purchases in Fairdale were much needed. We acquired two new fertilizer tender boxes to keep up with our growing business throughout our territory. CHS also bought us a 4440 Case IH® sprayer equipped with AIM Command Pro for individual nozzle control at a wide range of speeds. This is probably the best sprayer on the market.”

Seed choices improved this year in Fairdale to include certified Rollag seed and a variety from ADAMS Seed. “We also brought in extra canola in case producers decided to make a mid-planting-season swap.”

On the manpower front, Wayne welcomed new Fairdale employee Jason Schweikert, who came to Park River from Ketchikan, Alaska. He’s married to Sierra and they have a 20-month-old daughter, Kyli. On the information column of the equation, Wayne hopes to clear up some confusion. “We got a lot of calls about our spring plant protection meeting. If you’re wondering why we didn’t hold it, we decided to set up a pre-fungicide meeting for June instead. Watch for your invitation!”

Agronomist Josh Martin, a five-year CHS employee in Calvin, added responsibilities this year. “I worked with Craig Leas for a year and learned a lot from him. Now he’s moved on to a job with WinField®.”

“Our second VRT machine in Calvin arrived in time for spring and summer applications. I hope to convince more customers to take advantage of the equipment and the



Cale Borho



Matt Holdvogt



Wayne Aune



Josh Martin



Milt Clover

THEIR BEST IDEAS FOR 2016

information available from our YieldPoint team. There's a savings in that. (See page 8 for more precision ag info.)

If you've been accustomed to Josh's attention to detail as an application rig driver, don't worry. He'll still be in the spreader throughout the spring season. "I want to keep providing service to customers whose fields I've gotten to know."

Josh grew up on the farm near Rock Lake and still farms on the side. He attended Northland College to study farm operations. He's married to Cindy, a fourth grade Title I teacher, and their family includes Bryce, 3, and Lexi, 2.

Milt Clover in Langdon reminds customers to expect good service throughout the initial agronomy season and never assume CHS Milton employees are too busy for you. "When the rush season hits, we spread out to help

whichever location is currently busiest. I go to Calvin for the two busiest weeks there. Yes, CHS is constantly attracting more acres to treat, but we know how to handle that. Other CHS locations—particularly one in Idaho—have established a pattern of calling on our employees when they need in-season help and sending their people to us when our season hits."

Because of his relationship with Calvin operations, Milt is looking forward to construction of the new fertilizer plant there. (Read more from Bruce Cahill on page 19.) "They'll be able to speed up by 10 times or more."

Milt thanks you for your agronomy business, and each of our agronomists agrees. They hope you'll strive for a safe spring.

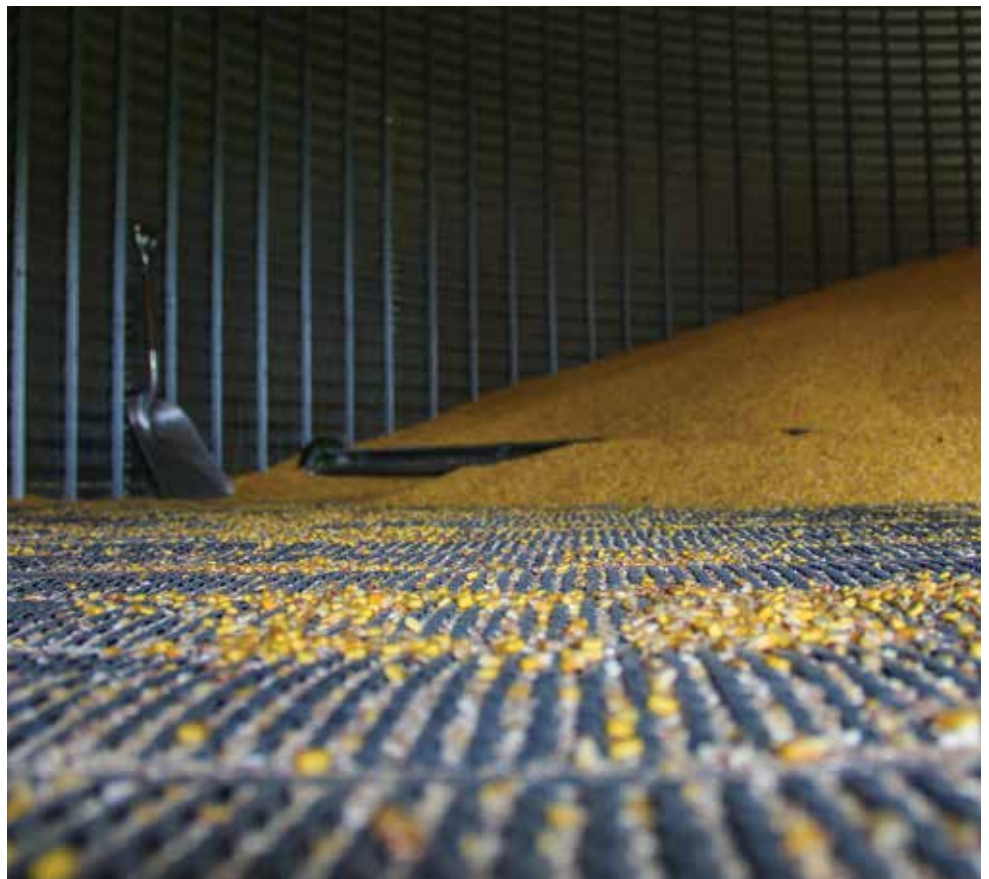
WILL YOU TAKE OUR SAFETY CHALLENGE?

A recent victory for CHS Milton says a lot about our commitment to safety...and a little about our competitive spirit. The challenge went out to all CHS operations to find proactive ways to make our facilities safer. One hundred small improvements were the goal. Employees at our 12 locations logged 200 improvements, which earned first place.

This safety initiative—called Risk Control Improvements—encouraged us to notice potential dangers to employees and customers. But more than that, to win the contest, our employees had to independently remove those risks. They took the time to fix the little things at every location.

Not taking that extra time is the biggest risk for everyone in agriculture. That's why we invite you to accept our challenge to control risk on your farm.

- Fix one thing this spring. Whether it's a rickety ladder or an unguarded pulley or belt, stop for one hazard you've been telling yourself you'd get around to.
- Ask family members and employees to do the same. Give everyone in your operation permission to make your farm safer.
- Recognize that no one is invincible.



NEED FOR SEED MEETS NEED FOR SPEED

For Tom Crockett, our Langdon seed-treating process of 18 months ago was a relic of a different time. “Compared with the old way, our new plant does it all so fast. It used to take three or four people; now either Alison or I can fill a semi in 25 minutes!”

If you want to spend those few minutes on site, you can. “If you have something else to do in town, drop off your truck. Before you get back we’ll apply fungicide and/or insecticide, whatever you request, and load your truck. The business of seed is now more service-directed. This is one way we provide that.”

Your goal—protecting your crop in our cold climate—meets our dedication to speed in this modern plant east of town. “Now the bulk system is the faster choice than totes. Weigh, treat and out the door. It all happens at the push of a button,” Alison adds.

More about Alison DuBois

After Alison spent a summer at the North Dakota State University Langdon Research Center, she realized she’d cultivated a professional calling. “I assisted the agronomist there and discovered I really liked working outside. The constant changes throughout the crop year really appealed to me.”

While studying at the University of Minnesota in Crookston, she returned to intern with CHS Milton. The December 2015 graduate with a bachelor’s degree in crop production and a minor in ag business returned home—she grew up in Dresden—and signed on full time.

In addition to operating the seed plant in-season, she’ll scout fields, make plant protection recommendations and deliver plant protection products.



Alison DuBois demonstrates the plant’s hands-free operation.



Capacity is 2,200 pounds of seed per minute. Tom says, “As fast as we can bring it in, we can treat it and send it back out.” The old Langdon facility turned out 3,200 pounds on its best day.



2016 is the second spring season for soybeans at the new plant but the first year for wheat. Tom’s calculations tell him 25,000 units went through here last year. Before planting started, bookings already exceeded that total.

Treatment possibilities controlled by these blue pumps include fungicide for wheat, inoculant and fungicide for soybeans.



WE'RE RUNNING OUR OWN TIME TRIALS



By Steve Sunderland
Agronomy Operations
Manager

Every year we prepare for spring knowing your expectations include speed as well as service. I hope we're meeting your expectations.

Over the winter, CHS Milton Group added new fertilizer tender trucks to facilitate product movement because we know rolling stock is what helps us get it all done. Hats off to our custom applicators and drivers! They know their jobs and understand their part in keeping your spring goals moving toward completion.

Updated application equipment reflects the increased number of acres committed to variable-rate applications. We're up to 13 TerraGator® rigs systemwide and of those, seven are variable-rate equipped.

We're grateful for the way CHS locations and regions work together in the spring. Before the start of the growing season here, we sent an employee to Idaho to help launch their planting season. When our soil warmed up, they returned the favor with extra manpower we knew we could use.

We started the season with full warehouses; we had plenty of seed, fertilizer and crop-protection products on hand and ready for the push. Our ability to stock an extensive inventory positions us for changes in your plan. If you need or want to plant a crop you hadn't planned for, you expect us to be ready. And so do we.

Looking ahead, I encourage you to help us predict our schedule. Take split fertilizer application. Timing is very critical in those cases, taking into account weather, field conditions and plant stages. If you're looking to split-apply, request a visit from one of our agronomists first. They can stage your crop to make sure the timing is right.

You can also help us provide on-time herbicide application if you get on our lists now. We own two sprayers and contract with outside applicators. We can access aerial application through more than one company. Just make sure, if you want aerial spraying, to get us the maps that



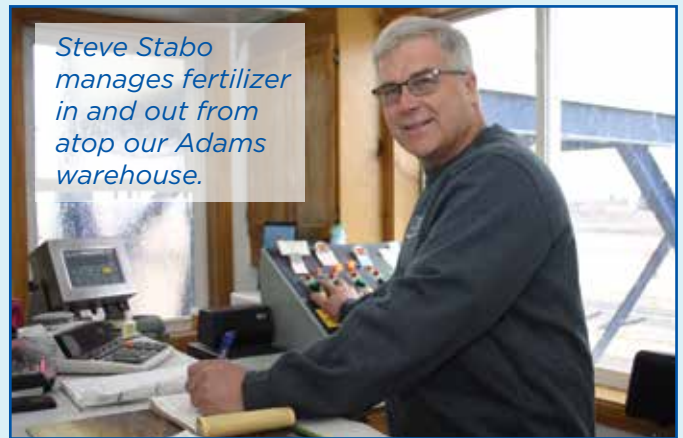
pilots will need. Let us know how many acres you expect to treat, too, so we're well prepared to supply pilots with enough product.

Balance challenging prices with more bushels

The right nutrients based on up-to-date soil tests make the best starting point. Our soil-test crews are ready to move once you give us a heads-up. And these days, test results come back from the lab quickly.

Don't get the idea I think timing represents the whole story of success. I'll give you the same advice I give our employees. Work smarter, not harder and make safe choices. Tom Lehar is leaving us with a safety challenge—you'll find it on page 15. I really hope you'll take him up on it!

For the past 22 years, I came to my job knowing Tom would be here. That meant work would be fun. Like so many others, I thank him for the time and direction he's given—and will continue to give—this cooperative.



Steve Stabo manages fertilizer in and out from atop our Adams warehouse.

He Favors Bulking-Up in the Off Season

"We filled up over the winter and we're ready for customers to head to the fields. It's good to know we already have most of what we'll need on hand," Steve Stabo said as he viewed his domain back in April. Steve runs our big bulk fertilizer warehouse in Adams.

Preparedness is his primary objective. Starting the crop year with the warehouse full is what matters most to Steve and to the entire CHS Milton Group. Between the Adams and Milton facilities, he figures there's enough to supply our entire system.

New retaining walls—recent warehouse improvements—are making it more feasible to keep a full complement of products on hand.



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WE PREDICT A BUSY SUMMER FOR GRAIN DELIVERIES

“There’s so much old-crop wheat out there. Our wheat producers have a lot of competition, so I hope they respond to the market whenever it gives them a slight rally.” That’s what grain merchandiser Lori Stein in Langdon is thinking as she looks at the current tension between lower prices and crop expenses that haven’t followed prices down.

As Tony Gratton illustrates on page 22, stocks-to-use numbers are cumbersome, yet Lori sees a couple of market conditions trimming away at stocks. “Get some market orders in so you’ll be prepared anytime the market rallies,” she urges. “Use your first market order to establish your strategy, helping you get some sort of price objective in your mind for your next selling level.

In wheat, Lori suggests focusing on Minneapolis March 2017 futures. She also notes that canola values have recently been influenced by conditions for Malaysian palm oil.

Dan Holdvogt at our Milton grain location used the slow winter for grain deliveries to cross off items on his maintenance checklist. “A lot of dry grain has been coming, which requires fewer man hours for our employees. Still, they find plenty to do. Since we expect a massive grain movement this summer, we want to be completely ready,” he explains.

If the weather is right for fieldwork when you need to deliver, Dan suggests you call for on-farm pickup by our fleet. “To line up transportation, contact me or your nearest CHS Milton location.

I’ve already seen some musty grain, so I’d encourage you to turn on the fans anytime we have a warm day.”

Ron Borgen in Langdon also saw a lot of canola move through the west facility there. “Farmers used it to generate cash flow but

hung onto their wheat. All that wheat still on farms will have to move this summer.” He predicts more forward contracting for the 2017 crop and advises customers to stay in touch with Lori Stein.

Intense wheat deliveries will be no problem for the Langdon east facility. “Speed of dumping keeps improving and grain moves out of there faster all the time. Loading 110-car trains now takes only five-and-a-half hours,” Ron reports.

Ron adds his congratulations to Tom Lehar with thanks for all he has done for Langdon farmers. “He deserves this new opportunity!”

Bruce Cahill in Calvin plans to be ready for the summer rush to deliver wheat with more grain employees.

As trains continue to move out of Calvin, Bruce and his team realize their operations change local traffic patterns. “Our unit-train loading process requires us to block roads. We send emails to those neighbors who are most affected. If you want an email advance notice, be sure to contact our office and add your address to our list.”

New signs will alert traffic when trains are filled and roads are blocked. Bruce says, “We’re trying to keep the road a mile south of town accessible even when we’re loading. And bear in mind, we don’t block roads for the entire nine hours.”

Josh Roppel knows CHS can’t offer a better outcome for every facet of your grain marketing, but he’s happy to offer a roof over your head when you deliver to Langdon East. “We now have covered scales. Those additions were completed in February and are proving very convenient, keeping snow off the scales and making it easier for drivers to untarp their trucks out of the wind.

“Grain movement has been steady throughout the winter and we’re prepared for a busy summer. Train traffic has been consistent, giving us room for the wheat we know is headed our way.”



Lori Stein



Dan Holdvogt



Ron Borgen



Bruce Cahill



Josh Roppel



WILL YOUR EXPENSE BRIGHT SPOT KEEP SHINING ALL YEAR?



I'm happy to deliver some good news. Significant savings in energy costs—the prices you appreciated all winter—will likely hang on through spring. And CHS upgrades in production and supply facilities are set to ensure your supply for this year's crop.

Thanks to oversupply, the crude oil price fell 70% since June of 2014. Though the OPEC nations contemplate a production freeze, Iran and Russia apparently plan to increase output. So indicators point to low crude oil values into the summer months. A tanker load of diesel probably bottomed out at 92 cents per gallon in January. The price has since rebounded to \$1.20.

Jon Forsgren tells me these are the best prices he's seen in 12 or 15 years. He says, "I encourage you to fill your tanks in June or July—which will likely be the best time for prices—instead of waiting. Fill early and you'll be covered for an early harvest."

Though I know many of you have fuel covered for spring, don't ignore our forward contracts that will help you capture tanker-load savings throughout the summer, fall and winter. You can lock in diesel for spring of 2017. Even if that cost is slightly higher than the current price, a contract is still a good way to protect your inputs into spring, especially if we



By Chris Dubois
Adams Location
Manager

see a production freeze that reduces the oil glut.

Again, I asked Jon for his thoughts. "We see a reasonable price for contracting in December/January. Assuming we can't expect low prices forever, some protection probably makes sense. Call for an update in June or July and we'll talk about where the market is headed at that point."

What is a coker and why should it matter to you?

In combination, CHS improvements in both production and supply should give us a reliable fuel source in northern North Dakota. We remember times when fall supplies were tight, but a couple of big changes should lessen the chance of that.

CHS recently took 100% ownership of the McPherson,



Kansas, refinery. A new coker unit at McPherson went operational in February of this year, replacing the previous coker built in 1952! Since the new unit allows the refinery to process a greater variety of crude oils, CHS can access whatever is currently the most cost-effective supply.

The new coker is state of the art and similar to one installed at the Laurel, Montana, refinery. Upgrades at both plants will increase efficiency and bump combined production to 160,000 barrels per day by 2019. A new 5.9-million-gallon storage tank at the CHS Petroleum Terminal in Glendive, Montana, will hold Fieldmaster® dyed diesel, increasing our ability to purchase larger quantities of this fuel when it's cheaper.

The NuStar pipeline out of McPherson and the Cenex pipeline near Prosper, North Dakota, are coming attractions that will enable CHS Milton to draw supply out of either the Laurel or McPherson refinery. That linkage could be complete in 2017.

My theory of low prices until June doesn't exactly work for propane. Propane followed crude down...but it won't necessarily follow crude back up. Right now you can look forward to cheap propane. That said, you might see some advantage in contracting dryer gas now for the 2016-2017 year.

Investigating the Value of Tank Monitoring

Jay Jelinek came to CHS Milton as a management trainee in November 2014. Trainees typically sample the work of all departments and choose what interests them most. With Tom Lehar's help, Jay opted for energy. "Now I'm a fuel guy in Adams, ordering fuel and propane," he explains. "I'm helping Jon Forsgren watch the markets. I have my CDL and hazmat certification, so I can also drive the truck as needed."

Beyond that, Jay's been researching AFD (automated fuel delivery from CHS). "We're not ready to implement the program yet, but I'm looking at possible delivery patterns.



Jay Jelinek

Knowing we've been attracting energy customers further from Adams, I'm investigating possible ways to expand our effectiveness."

AFD employs a small monitor attached to your diesel fuel tank. Based on your usage history or according to your pre-set preferences, the monitor sends a cell phone message when your tank level requires a fill. That message triggers a delivery. Automated delivery could be a good fit, but before recommending it Jay wants to calculate the logistics within the Milton Group.



Jon Forsgren

"We know it works in other places," Jay says. "Customers would have all the same pricing options they have now along with a few more options. The AFD truck will fill at the bulk plant in Grand Forks. There is more to be decided. For now I'd suggest a customer who might be interested in this program talk to us and learn more."

IT WILL TAKE TIME FOR STOCKS TO DEplete

I know it's probably not what you want to hear, but a big crop nationwide and throughout the world won't dwindle down soon. We've seen you holding on and waiting for something good to happen in wheat. Much of our local canola and soybeans already moved into the market.



By Tony Gratton
Grain Department
Manager

Basis-wise, the wheat market will turn on weather. Watch the Corn Belt because that will determine how this goes. I hope you'll take advantage of our delayed pricing program to bring your wheat to town. It's available until July 15, 2016. At that point we'll need to price wheat in our elevators so we can get it moved before we need the space for harvest.

Knowing 65% to 70% of the wheat crop will have to move at harvest, I'm concerned we could come into fall with some of the worst basis we've seen in a long time.

South American weather concerns and a weaker U.S. dollar started making a difference in the market. Then, the Federal Reserve Board chose not to increase interest rates. In late April, those three factors caused the fundamentals to cover short positions, creating a nice run-up. I hope you made those factors work in your favor.

Going forward, watch March 2017 and December 2017 wheat levels. Those times haven't historically been attractive, but we can now sell further out.

Get aggressive about placing sell orders. We're equipped with systems that keep watch overnight when 85% of orders fill. The next morning we come into work and complete those contracts.

Currently, everything points to a busy, early harvest. Take that into account, too. Around here, we're accustomed to selling for December right off the combine with Sept. 1 delivery. If combines start in early August, realize you're not locking in a date for after harvest. It could change how you handle the crop.

The most recent crop report tells the story

When we talk about your upcoming choices in the market, we can't ignore these massive numbers. USDA projects corn acres at 93.6 million, much higher than expected. Consider that potential in conjunction with March 1 corn stocks of 7.808 billion bushels.

Soybean acres are predicted at 82.2 million, slightly

smaller than predicted. March 1 stocks are at 1.531 billion bushels, in line with previous estimates. Potential wheat acres at 49.6 million are smaller than expectations. Spring wheat acres at 11.3 million are fewer acres than expected. March 1 stocks, calculated at 1.372 billion bushels, are slightly more than expected.

The March 31 crop report led to a rough day for corn values. Everybody knows there ultimately will be more acres. Spring wheat estimates were down a million acres—a shock to the markets—but, honestly, surprisingly higher than I'd suspected. An early spring will translate to more acres in the ground and another reshuffling.

Thank you to our operations staff and truckers for their efforts throughout the year. I believe we have the best employees. And a bigger thank you to all of our customers, who stick with us through good prices and bad prices.



FROM EVERYONE IN THE GRAIN DEPARTMENT: Congratulations to Tom Lehar on his promotion. We're grateful for his leadership over the years. He'll be missed.

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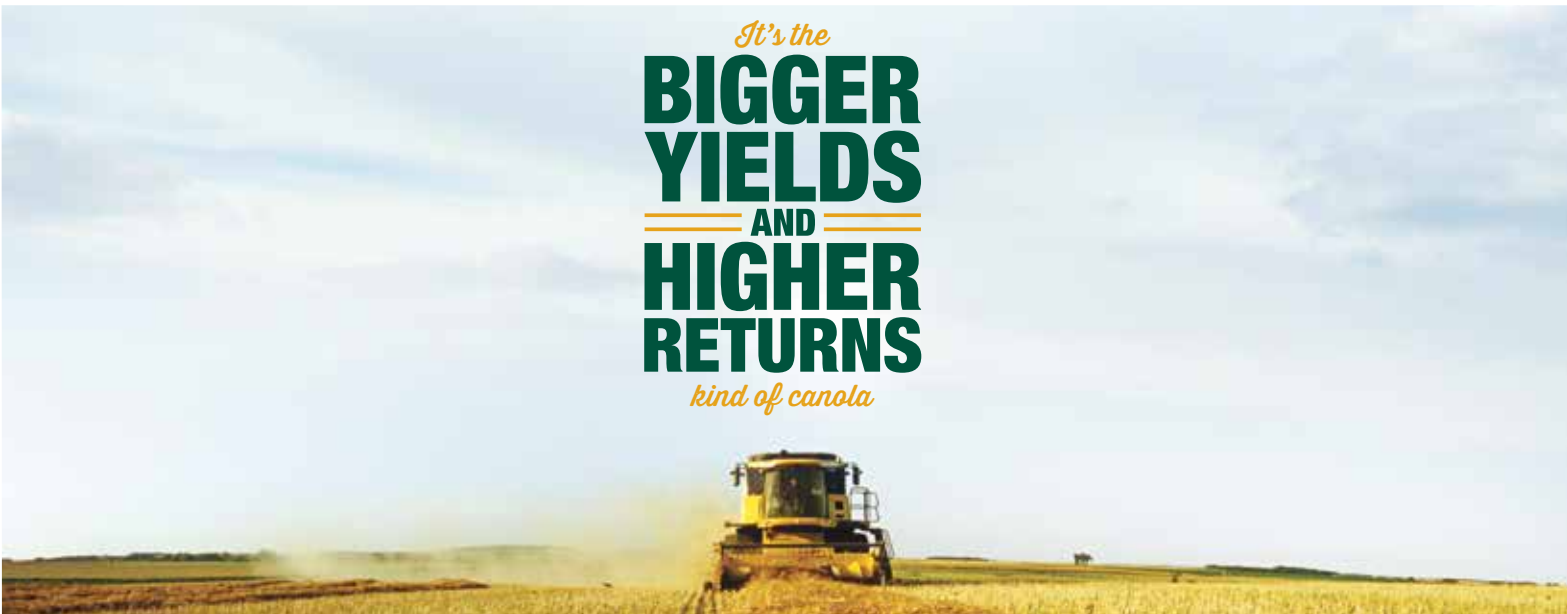
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Pages 8-15

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