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Data Driven
Digital tools connect the supply chain



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Jay Debertin, president and CEO, CHS

Data-Powered, Human-Inspired

The drive to be more efficient is nothing new to agriculture, but the pace of change has never been faster.

Machine learning and artificial intelligence are helping us predict and prepare for the future so we can meet the needs of our owners with greater speed and accuracy than ever before.

At CHS, we're using massive streams of data to build a cloud-based mirror image of our extensive supply chain so we can match buyers with grain to their exact specifications, schedule deliveries with precision, track shipments around the world and trim days from the process.

You may already have a monitor on your fuel tank that signals your energy supplier when diesel is running low and triggers a delivery as part of a computer-generated highly efficient route. The right type and volume of fuel was available for delivery to your tank because data-driven business intelligence systems analyzed weather forecasts, demand models, inventory levels and storage capacities to determine how much diesel would be needed for each season in each location.

Those are just a few examples of the digital supply chain taking shape throughout CHS, inspired by creative people with a passion for testing ideas and pushing boundaries. They are driven to anticipate and meet your needs so you can focus on growing your business.

You may not be able to see this new supply chain, but it's hard at work, making the physical supply chain smarter, faster and more effective for you. Let the future begin.

A handwritten signature in black ink that reads "Jay D. Debertin". The signature is written in a cursive, slightly slanted style.

Have a question or feedback for the CHS management team? Get in touch with us at feedback@chsinc.com.

Digitally

When wheat harvested in Montana makes its way to a grain elevator, it enters a connected, data-driven supply chain to maximize value from end to end.

Driven

An invisible data supply chain links grain from field to customer



It's an everyday scene at cooperatives across America: A producer hauls a truckload of grain to the elevator, gets the necessary paperwork for the delivery and then is on his or her way.

What is extraordinary is what happens to that grain once it enters the cooperative system. Characteristics of the load — whether it's protein level, moisture level or any other variable — are entered into a database that powers digital tools, allowing traders to market the grain more effectively by understanding where it came from, how much grain just like it is available across the system, where it needs to be delivered and what needs to happen to meet customer specifications.

As recently as a few years ago, these steps weren't interconnected. But now, as this complex journey from farm to customer is increasingly powered by digital >

Digital technologies are electronic tools, systems, dev

- > tools and data, there's deep understanding of the supply chain like never before.

Elevator Efficiency

A digitally focused supply chain improves co-op efficiency, providing value to producers like Mike Haynie, a third-generation Montana producer of spring wheat, peas, lentils, corn mustard and hay barley.

Haynie markets his crops through CHS Farmers Elevator in Macon, Mont. The facility recently upped its digital profile by installing card readers so truck drivers can swipe ID cards as they enter and camera probes for grain testing. Computer software also helps track grain type and storage availability instantly. Grain delivery wait times dropped from up to one hour to about five minutes.

Speed is vital to Haynie, whose three trucks make the nearly 60-mile trek to Macon during harvest and winter months as they move 300,000 bushels of grain every year. "By the time the traps open, it's almost time to close them and get off the scale," he says. "We only have so much time to drop our crops and the quicker the process, the better."

That efficiency is thanks to a data-driven system, says Casey Nay, grain originator, CHS

Real-time barge location and origination information help grain and crop nutrients move through the supply chain more efficiently.

WHEN PHYSICAL BECOMES DIGITAL

At every step, the physical CHS supply chain is adding data-driven tools to boost efficiency and add value.



As crops are harvested and delivered to local co-op elevators, crop quality and quantity are tracked and storage use is instantly updated. Digital dashboards allow locations to see grain being received, stored and delivered across the system.



ices and resources that generate, store or process data.



Artificial intelligence uses factors like cost of moving grain along the rail to help traders determine the best market opportunity. Real-time dashboards show the movement of grain along the rail line, including grain type, point of origination and rail capacity.



As barges move along the river to port, terminal operators can see where the crop nutrient or grain shipment originated from, which helps forecast supply.

Farmers Elevator, which will move about 20 million bushels of grain this year. “From the moment customers enter our facility, we’re relying on technology to give them the most efficient experience. By using an integrated system, we can not only unload grain faster, but we know where it is headed in market and can provide a competitive price.”

A Proactive Path

By integrating data with a new approach that follows crops from origination to final delivery, crops like Haynie’s are flowing faster and more efficiently

through the supply chain. “Every minute we can get ahead of the market is important to our owners and those who rely on us to supply grain,” says Kevin Hall, vice president of supply chain and continuous improvement for CHS.

One example is how wheat flows from CHS locations in North Dakota and Montana via rail to domestic markets in the eastern U.S. or to the West Coast for global export through TEMCO, LLC, a joint-venture export terminal in Kalama, Wash.

As facilities across the cooperative system receive wheat, specifications like

protein level and falling number are entered into a dashboard. This allows Brian Brauch, CHS western wheat senior trader, and others to connect global customers with the type and quality of wheat they want.

“By relying on data and digital tools, we’re able to work proactively,” says Brauch. “As we find out what products our global customers need a few months out, we can use digital tools to understand how we can meet those needs.”

Brauch relies on digital systems to tell him what types and volumes of wheat >

“By digitizing our supply chain, we are streamlining the process and proactively connecting producers to markets.”
— *Kevin Hall*

A digital supply chain relies on electronic technologies



At terminals, drones inspect barges and silos for safety and maintenance, keeping workers on the ground and away from confined spaces.

Ships send grain to customers around the world. Location and expected time of arrival are tracked in real time.

> are in storage, including its quality profile, and what is forecasted to be delivered from producers.

“Technology has filled the gaps, allowing us to understand every part of the process. That helps us forecast yields more accurately and proactively find a market for the crop,” he says.

“Because we’re able to work ahead of the market and connect the dots from customer needs back to the point of origination, we can optimize market opportunities to bring the most value back to the producer.”

River terminals rely on digital tools and data to optimize drop-off and delivery.



to integrate and coordinate every aspect of the end-to-end process.



Vessels of crop nutrients are efficiently delivered using digital coordination, and their path to co-ops throughout the country is tracked.



Fueling Innovation

More than grain is benefiting from the opportunities that come with data. Production of Cenex® premium diesel is now able to better meet farmers' cold-weather diesel needs. Timing, volumes and delivery locations used to be a guessing game, but now weather-based modeling and predictive analytics bring clarity to those decisions.

"Using data, we're planning better on the supply side to maximize production and get winter-ready diesel where it needs to be before cool temperatures demand it," says Ron Batey, director of refined fuels pricing and economics, CHS.

For example, in October 2020, the technology predicted earlier than normal cold weather using 10-day forecast models. "The team was able to see the real-time effects on winter fuel demand and prepare supply so farmers could continue harvesting despite the cold weather," says Jason Wittek, director of refined fuels trading and risk.

"Technology has filled the gaps, allowing us to understand every part of the process."
— Brian Brauch

Digital Revolution

"By digitizing our supply chain, we are streamlining the process and proactively connecting producers to markets," says Hall.

Across the CHS supply chain, digital tools are everywhere: streaming video of crops being delivered to elevators and terminals, using data to better coordinate shipments of fertilizer, showing stored grain and connected scale systems via dashboards, viewing origination and transportation information in real time, and using drones to clean and inspect terminals.

"Connecting data across the agricultural landscape benefits the whole supply chain," says Riley Buss, data engineer for CHS. "Our ultimate goal is to understand the whole picture to help producers find the best market opportunities." ■



+84%

Uploads of bird calls
from Cornell Lab of
Ornithology's eBird app
vs. the previous year

Source: AP News

"The number one food birds look for is black oil sunflower seed, which is a smaller seed. It's the first thing that gets picked out of the feeder," says Travis Schmidt, account manager for CHS Sunflower. Quality bird food often includes sunflower seeds or kernels that don't make the grade for human food due to appearance or damage.

SUNFLOWERS SHINE

By Annette Bertelsen

Sharp rise in bird food demand, advanced seed grow production opportunities

Backyard bird-feeding sales have been booming during the COVID-19 pandemic, giving an unexpected boost to sunflower growers and processors.

“Suddenly people of all ages have been drawn to bird-watching as they spend more time at home,” says Travis Schmidt, account manager, CHS Sunflower. “They’re looking for tranquility and a connection to nature that makes them feel good.”

As one of the nation’s top six bird food processors, CHS has participated in the groundswell. CHS markets Feather Friend® and Chirp® wild bird food to cooperatives and farm-supply and garden-supply retailers, produces private-label bird food such as Royal Wing (a former CHS brand, now owned by Tractor Supply Co.) and sells bulk ingredients to other bird food manufacturers.

The CHS sunflower processing facility in Grandin, N.D., has handled near-record volumes and sales this year. One of the company’s largest retail customers reported its bird food sales are up 100 percent over last year, consistent with the national trend.

With downloads of bird identification apps and bird feeder sales soaring, bird food demand may remain elevated for the foreseeable future.

“Birding has been a blessing for many people during quarantine. Once you hang a feeder, you tend to get hooked,” says Schmidt.

Growing Opportunity

Ask Peter Ness why he grows sunflowers and the first thing he’ll tell you is it’s a bottom-line decision.

“Sunflowers are the only thing that pencils out to make money,” he says. “They fit my crop rotation, which includes wheat, barley and soybeans, and sometimes edible beans and corn.”

The Sharon, N.D., grower also admits raising the giant yellow flowers is fun. “I just enjoy them. I like watching them blooming in the summer,” he says. “You don’t see a lot of sunflowers in this area. Some farmers don’t realize the hybrids have gotten much more resistant to disease.”

Ness contracts with CHS to grow sunflowers for the confectionary market, which

includes snacking and baking uses. He plants Royal Hybrid® seed from CHS and delivers his harvest to the processing plant 60 miles from his farm.

Despite major crop losses in 2019 due to an October blizzard and unusually wet, cloudy and humid weather, Ness added 150 more acres of sunflowers this year for a total of about 550 acres.

“My advice is to get sunflowers in the ground as early as you can. It’s tempting to put them in poor soil because they’ll produce on ground where other crops won’t, but my yield went from 1,500 pounds per acre to 2,000 pounds when I started planting them on better ground,” says Ness. “I also recommend using a good crop protection program, including a strong preemergence herbicide plan.” >

+156%
CHS bird food sales
for July, August and
September vs. the
same period in 2019



> Collaborating for Quality

“We normally visit sunflower contract farms two or three times a year to help produce a better crop,” says Devin Gaugler, agronomy and procurement specialist for CHS Sunflower. “We check for quality and yield and provide supplemental advice to local agronomists to help with planting and fertility decisions, as well as timely weed, insect and disease management.”



Ness says he appreciates the extra effort and expertise. “Devin travels throughout North Dakota, South Dakota and Minnesota checking sunflower fields. He’s seen what works and what doesn’t work for insecticides, herbicides, fungicides, seeding rates and everything else.”

helps ensure consistent, damage-free seeds and kernels so growers earn a premium price for their specialty crops,” says Gaugler. “As a leading cooperative, we reach out to customers around the world to position our growers and build a loyal market for their high-quality sunflower seeds.”

More growers are adding sunflowers into their crop rotation for better soil health, weed management and return on investment, adds Gaugler, including growers in states like Montana, Colorado, Nebraska and Texas who have contracted with CHS, expanding the more traditional sunflower growing region of the upper Midwest. CHS also contracts sunflower acres in Manitoba, Canada.

To pave the way, the CHS Sunflower breeding program develops innovative hybrids with seed characteristics buyers want — including shell color and stripe, seed size and hull-to-nut ratio — and the production qualities growers need.

“New Royal Hybrid sunflower varieties, including shorter maturity varieties with tolerance to Express herbicide, are giving more growers the ability to add sunflowers to their crop rotation,” says Gaugler.

\$2.2 BILLION

Estimated annual U.S. sales of wild bird food and feeders in 2021

Source: Packaged Facts

Gaugler visits Logan Boeddeker’s farm in Hillsboro, N.D., during the season to check on his crop of extra-long sunflower seeds destined for the international in-shell market.

“Working closely with growers like Logan and Peter

“As cooperative owners, farmers can earn patronage on the hybrids they purchase from CHS and the sunflower seed they sell to us,” he adds. “We’re adding value and building relationships to help farmers succeed.” ■

SUNFLOWERS BECOME TOURIST ATTRACTIONS

Road-tripping has been a popular COVID-19 pastime, including trips to view sunflower superblooms.

This summer, *Better Homes & Gardens*, *Country Living* and other popular lifestyle magazines featured locations of spectacular sunflower fields to lift people’s spirits and give them ideas for safe, family-friendly outings and outdoor photo opportunities.

With support from the National Sunflower Association, the North Dakota Tourism Division updated its online maps of golden blooming fields weekly. Participating farms displayed mailboxes filled with free sunflower seed snack packs and sunflower information for visitors.



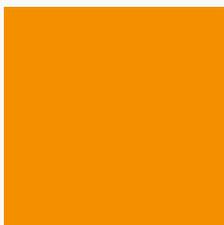
Source: USDA

Peter Ness, right, discusses crop health with Devin Gaugler of CHS. Sunflowers have extensive root systems to pull water and nutrients from deep in the soil.

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RACE AGAINST WINTER

Winter can arrive in a hurry in southeastern Minnesota. A few weeks after several inches of heavy, wet October snow fell and stalled harvest for about a week, growers were taking advantage of a stretch of dry, unusually warm weather to rush soybeans out of fields and into storage.

Growing conditions throughout 2020 were significantly better than the previous year and overall soybean production in the state will likely end up being one of the biggest on record.

— *Cynthia Clanton*



FRUITFUL FIELDS

Minnesota couple returns home to find sweet success in winegrowing

Halfway between Minneapolis, Minn., and Fargo, N.D., seven acres of empty vines decorate the rolling hills of Glenwood, Minn. The harvested grapes have been crushed, pressed and fermented, and the wine is aging in steel tanks and oak barrels at a nearby winery owned by Joe and Melanie Cihlar.

Rolling Forks Vineyards opened its doors on July 2, 2020, almost a decade after the couple planted their first vineyard. Until 2018, the Cihlars sold their cold-hardy grapes to wineries in Minnesota and North Dakota, patiently working to make their vision a reality.

“It’s always been our dream to open a winery of our own,” says Melanie. “All the stars aligned when the property went up for sale in 2009.”

Tucked into the countryside, surrounded by a field of rolling hills and overlooking Lake Minnewaska, the picturesque winery is a Midwestern version of Tuscany, Italy. It isn’t just the view that appealed to the Cihlars. It was

the area’s dry spring and summer climate — grapes don’t like much moisture — the elevation of the property, which provides natural drainage and prevents flooding, and it was Joe’s home area, 3 miles from his uncle’s farm.

“I had my eye on this property for years,” says Joe. “Melanie and I had already made the decision to move back to the area. Then, three months after we were engaged, the property went up for sale.”

Starting a vineyard from scratch takes determination and sweat equity. The Cihlars spent hundreds of hours preparing the soil for planting, installing thousands of posts and about 50 miles of wire to construct the vineyard’s trellis system, planting acres of grass and putting in 8 miles of underground drip irrigation. “Planting a vineyard is the easy part,” says Melanie. “The preparation work is the true labor of love.”

Once the vineyards were established, winery construction began, and in fall 2019, grapes were picked for the first batch of Rolling Forks wine. >



Joe, left, and Melanie Cihlar raise grapes, soybeans and corn near Glenwood, Minn., and are members of CHS Prairie Lakes. They were raised on farms in rural Minnesota, but moved to the Twin Cities to pursue careers. In 2009, they returned to Joe's hometown and their agricultural roots.



◀ **Picturesque Winery**
The winery and vineyard span 2.7 miles overlooking Lake Minnewaska. The name, Rolling Forks Vineyards, was chosen for the area's rolling hills and the four "forks" where water naturally drains along the surrounding hills.

Patio with a View
A patio was not part of the original plan for the winery, but the Cihlars' contractor talked the couple into adding it a few months after the COVID-19 pandemic reached the U.S. "We wouldn't have had such a successful opening if we hadn't had the patio," says Joe.

One acre produces 7,000 pounds of grapes, which yields

Cold-Hardy Grapes ▶

Three varieties of grapes developed to withstand the Minnesota cold are grown in the scenic vineyard: Marquette and Petite Pearl are red varieties and La Crescent is a white variety. Seventy percent of the grapes used in Rolling Forks' wines come from the Cihlars' vineyard; the rest are sourced from northern Iowa and Colorado. Eventually, Joe and Melanie hope to make their wines with 90 percent locally sourced grapes.



▼ Fertile Vineyards

The Cihlars used GPS guidance to plant their vineyards and installed an underground drip irrigation system to reduce water waste and risk of waterborne diseases. They own seven acres of grapes and manage another seven acres a few miles down the road for Joe's uncle, who retired in 2009. "It's a good risk mitigation tactic," says Joe. "Grapes are very sensitive. If bad weather ruins the grapes at one vineyard, we can rely on the other, so we don't lose an entire season's crop."



Helping Hands

Joe and Melanie Cihlar have three little helpers: Henry, Vinny and Oliver (pictured). "The boys love tractor rides with Joe and fight over who gets to ride in the combine," says Melanie. "This year, we let them stay home from school one day during harvest to show them how the grapes are picked. Our hope is to pass the winery to them some day."

540 gallons or 2,700 bottles of wine



Award-Winning Winemaker ▲

Winemaking runs in Joe's blood; his uncle raised grapes. "When there was extra fruit, you either preserved it or fermented it," says Joe, who has won five awards, including two second-place ribbons, in Minnesota State Fair wine competitions. The Cihlars' wine can be enjoyed at the winery and a few local restaurants, and can be purchased at area liquor stores and online.

SEE MORE: Find details at rollingforkvineyards.com.

TOO CLOSE FOR COMFORT



TODAY'S NEAR MISS IS TOMORROW'S ACCIDENT; DON'T IGNORE THE WARNING SIGNS

By Cynthia Clanton

“Whew, that was close! I'm glad no one got hurt.”

If that thought has crossed your mind, but was promptly replaced by more urgent demands, you missed an opportunity to make your farm or ranch a safer workplace.

Maybe you caught yourself before falling on an icy patch, swerved to avoid putting a combine wheel into a culvert or ducked to avoid being whipped by a broken belt — incidents like those are red flags for risks that could be identified and eliminated.

“We need to slow down and do something about close calls and near misses,” says Matt Surdick, manager of health and safety for CHS Country Operations. “Use the learning to make a difference. What can we do to prevent a real

incident that could cause damages or injuries?”

“We walk past things every day that could be safety problems. If an accident doesn't happen, it's easy to get complacent,” says Jason Berkland, associate vice president for risk management with Nationwide, the largest U.S. insurer of farms and ranches. Founded in 1926 by Ohio farmers, Nationwide continues to focus on helping ag professionals manage risk.

“Something as simple as an exposed wire being bumped while moving something in a shop can start a fire,” Berkland explains. “Fire damage is one of the costliest insurance claim causes. When buildings catch

fire, implements and livestock can be lost, too.”

Costs for accidents involving farm vehicles on the road are trending higher, too, he adds, due to rising medical and legal expenses.

Safety Takes Action

“Close calls are lessons,” says Berkland. “Don't keep them to yourself and consider yourself lucky. If it almost happened to you, it could >

Every day,
about
100
agricultural
workers suffer a
lost-work-time
injury

Source: National Institute for Occupational Safety and Health

> mean an injury for the next person.”

The two experts offer these steps for improving safety by heeding close calls:

Communicate. “If you run into an issue, talk about it,” says Surdick. “Saying, ‘This almost happened to me,’ builds awareness and foresight for others on your team.”

Listen to what others have observed or experienced, he adds. “It takes courage to say something, but it’s critical to preventing future problems.”

Take notes. Don’t count on your memory to keep a

near miss top of mind. Write yourself a note so you’re sure to remember what happened and can share it with your team.

Find the cause. Talk about it as a team, says Berkland, and take time to drill down to the root cause and find solutions. “You might say, ‘We just finished harvest and we had three close calls. What did we learn? And how can we prevent those situations from happening again?’”

Provide training on proper procedures. On-site training helps everyone be more aware of potential hazards. “Don’t

assume someone knows about a potential hazard,” says Surdick. “Once you assume knowledge, you take away the chance for learning and that person could walk or drive blindly into a dangerous situation.”

“It’s important to have policies and procedures to follow,” adds Berkland, but what works for you may not work for everyone. “Watch them complete the task, providing coaching where appropriate, and be prepared to adjust the policy or procedure if needed.”

Don’t count on common sense. “Don’t rely on others to

use common sense to guide their actions,” advises Surdick. “They haven’t had the same experiences you’ve had, so what makes sense to them might not help them avoid trouble.”

Get the team involved. “Everyone should help identify and act on close calls,” says Surdick. “The more eyes on the situation, the better. If everyone is looking out for each other and sharing what they see, we can make a difference.” ■

TOP 10 FARM AND RANCH INSURANCE CLAIMS

- 1 Fire
- 2 Weather (wind, hail, lightning)
- 3 Vehicle accidents on the road
- 4 Equipment accidents on- and off-road
- 5 Animal-caused damage
- 6 Building collapse
- 7 Workplace injuries
- 8 On-site injuries (not work-related)
- 9 Theft
- 10 Food safety

Source: Nationwide, 2019

LEARN MORE: For tips on preventing damage and injuries, visit mysightonline.com.



USE PROACTIVE STEPS TO AVOID LOSSES

Jason Berkland of Nationwide offers the following suggestions to help identify and neutralize two common safety hazards.

Fire prevention

- Keep fire extinguishers accessible and in working order.
- Hire a certified electrician to inspect your electrical systems each year.
- Ensure flammables, such as acetylene torches, are properly stored.
- Minimize clutter to reduce fuel sources and to prevent contact with ignition sources, such as outlets.

Vehicle collisions

- Always use signal lights; make sure they are clean and visible to other drivers.
- Use hazard lights while driving on a public road.
- Take extra precautions when turning, since drivers in vehicles behind you may be distracted or not aware of your signal.
- Consider using a pilot car to lead and another vehicle to follow large equipment on the road.



CAPITOL CONNECTIONS

Speaking up for cooperatives and owners

Getting a policymaker's attention takes persistence and a strong message — and that's in a normal year. Add an election year, weather disasters, a global pandemic and a contentious Supreme Court nomination, and the result is background chatter off the charts and minuscule attention spans.

Finding ways to work through that noise in Washington, D.C., and key state capitals, the CHS Government Affairs team continues to advocate for farmers, ranchers and cooperatives.

"We experienced unprecedented disruption to our work and strategies," says John Engelen, who leads the CHS Government Affairs team. "In what was already a difficult legislative environment given heightened partisan acrimony, we found ourselves contending with new challenges in the workplace and the Congressional policy agenda as lawmakers shifted their focus to crafting the rules and regulations that determined how companies like CHS could continue to operate during the pandemic."

Still, speaking up for agriculture has never been more important, Engelen adds. "Few Americans have connections to the farm or ranch now and the situations that affect agriculture are complex. As rural counties continue to lose population, we need to help policymakers understand the needs of the ag businesses that are critical to the U.S. economy and world food supply."

CHS Government Affairs team members Dan Mauer and Will Stafford, based in Washington, D.C., provided the following updates on key issues facing agriculture. >

> Section 199A

On Capitol Hill, the Section 199A (DPAD, or Domestic Production Activities Deduction) debate is known as “the one that just won’t go away.” Long after most thought they’d never have to mention the “grain glitch” again, we’re still fighting to prevent a significant tax increase on U.S. farmer-owned cooperatives.

Leveraging the strength of CHS owners and working with the other cooperatives that make up the National Council of Farmer Cooperatives, we are continuing to engage with members of Congress, senior Capitol Hill staff and key Treasury Department officials on this topic.

The Treasury Department is very close to completing a final rule to implement the so-called grain glitch agreement from 2018. Initial drafts of the Treasury rule would have imposed significant restrictions on the ability of a farmer-owned cooperative to calculate and use Section 199A (DPAD) credits. The CHS Government Affairs team has met extensively with key Congressional tax policymakers and Trump administration

officials to explain cooperative patronage, DPAD and the negative financial burden the proposed rule would have on co-ops and farm businesses.

It’s frustrating that there was confusion when Congress directed the Treasury Department to replicate the previous Section 199A as it was in effect before its repeal. We will continue educating those who need educating, providing facts to overcome distortions and showing how critical it is to our nation’s farmers for both patronage and nonpatronage income to be deductible.

Renewable Fuels

The U.S. Environmental Protection Agency (EPA) issued its final rule in May 2019 to allow E15 to be sold year-round, and the Trump administration has recently pushed policies that will help renewable fuels producers, including CHS. Within a month, the administration announced E15 could be sold in E10 pumps and infrastructure and gave a 90-day extension to the expired tariff rate quota that allowed 198 million gallons of U.S. ethanol to flow into Brazil duty-free. Unfortunately, it also denied 54 small refinery exemptions

(SRE) to the Renewable Fuel Standard (RFS), which will have a detrimental effect on the CHS energy business as the company has previously received SREs for the Laurel, Mont., refinery.

“We will continue to educate those who need educating.”

Those steps represent significant federal assistance to the biofuels industry at the same time our economy is struggling to adapt to a COVID-19 world. Election season may also have had something to do with timing of the announcements, since President Trump wanted to consolidate support in rural America while bolstering vulnerable Republican senators, including Iowa’s Joni Ernst.

In August 2020, USDA completed a round of funding designed to help transportation fueling and biodiesel distribution facilities upgrade their fuel pumps and related equipment to allow for higher biofuels blends.

With more than \$100 million up for grabs via a competitive grant process, the Higher Blends Infrastructure Incentive Program (HBIIIP) will help local fueling stations, convenience stores, fleet facilities and fuel terminal operations share the costs of infrastructure improvements so E15 and E85 can be offered at more locations.

President Trump also tweeted in late September that his administration plans to allow for higher-ethanol gasoline to be distributed using existing filling station pumps. The tweet, which read “Subject only to State approval, our important Ethanol Industry will be allowed to use the 10% Pumps for the 15% BLEND. Thank you!” comes with significant questions, since implementation won’t be as easy as “state approval.” EPA hopes to have regulatory hurdles cleared by December, so E15 distribution can increase as we enter 2021.

EPA still needs to announce 2021 renewable volume obligations under the RFS, so it will be interesting to see if the administration’s feelings toward biofuel producers change now that Americans are done going to the ballot box.

— Dan Mauer

The steps represent significant federal assistance to the biofuels industry

Trade

After completing the Phase One trade agreement with China, a free trade agreement with Japan and the U.S.-Mexico-Canada Agreement (USMCA), the U.S. Trade Representative (USTR) has continued to focus on bilateral trade agreements to expand export markets for U.S. producers.

“The USTR is focused on bilateral trade agreements.”

USTR has been eagerly working with the United Kingdom (UK) to finalize a trade deal that includes significant access for agricultural goods. USTR has also urged the UK for a more transparent, science-based regulatory system that will allow U.S. farmers and ranchers to compete on a more level playing field. The CHS Government Affairs team engaged with members of the U.S. House Ways and Means Committee to encourage USTR to advocate for standards

and rules based on sound science, including those related to products developed through ag biotechnology. It included a request for language in the agreement that would mirror USMCA in recognizing the safety of the U.S. food and agriculture system and guarding against trade-restricting measures implemented under the guise of food safety. While the UK has not historically been a large importer of corn, wheat or soybeans, this trade deal offers the potential to be a template for a future agreement with the European Union.

USTR is also negotiating a free trade agreement with Kenya, which would be the first bilateral free trade agreement between the U.S. and a sub-Saharan African country. The agreement could serve as a blueprint for negotiations with other countries in that region.

CHS Government Affairs continues to have regular updates with USTR to discuss the ongoing Phase One agreement with China. Officials from both countries met in September to discuss progress of the deal, with USTR officials noting record-breaking corn purchases made by Chinese importers over

the summer and expressing optimism for continued growth in exports to China in the new marketing year, which began Sept. 1.

“Senate Bill S.4045 would reauthorize the Grain Standards Act and make modest changes.”

Grain Standards Act

CHS Government Affairs continues to urge Congress to pass a comprehensive and improved reauthorization of the Grain Standards Act. The act, which is reauthorized by Congress every five years, allows the USDA Federal Grain Inspection Service (FGIS) to establish official marketing standards for grains and oilseeds.

The current authorization was set to expire Sept. 30, 2020, but was extended through the Continuing Resolution passed by Congress, which funds the federal government until Dec. 11, 2020. The Continuing Resolution extends FGIS authority to charge fees for supervising state export weighing and inspections programs and authority for the USDA Grain Inspection Advisory Committee to meet. A few other FGIS authority measures are extended until September 2021.

Senate Bill S.4045, which would reauthorize the Grain Standards Act and make modest changes aimed at improving the official inspection and weighing system through more transparency and better data sharing, was introduced by Senate Agriculture Committee chair Pat Roberts (R-Kan.). CHS supports the bill, which was passed by the Senate Agriculture Committee and is awaiting passage by the full Senate and House of Representatives.

— Will Stafford

CHS Government Affairs continues to have regular updates with USTR

CHS REPORTS FISCAL YEAR 2020 NET INCOME OF \$422.4 MILLION

CHS has reported net income of \$422.4 million for the fiscal year that ended Aug. 31, 2020. This compares to fiscal year 2019 net income of \$829.9 million.

Key financial drivers for fiscal year 2020 performance included the following:

- Consolidated revenues were \$28.4 billion for fiscal year 2020 compared to \$31.9 billion for fiscal year 2019.
- Strong supply chain performance in our propane business driven by efficiently sourced propane to customers to meet strong crop drying and home heating demand contributed to improved results, especially during the first half of fiscal year 2020.
- Less advantageous market conditions in our refined fuels business, primarily

driven by the COVID-19 pandemic, resulted in volume and price declines that significantly reduced earnings compared to the prior year.

- Poor weather conditions negatively impacted our Ag segment's operations during the first half of fiscal year 2020, resulting in lower crop yields and poor grain quality following a late harvest and lower crop nutrient sales during fall 2019.
- Improved weather conditions during the 2020 spring planting season drove increased earnings across much of our Ag segment in the second half of fiscal year 2020. "Our focus remains on serving our owners, local cooperatives and our customers around the world,

keeping our employees safe and ensuring the company emerges stronger after the pandemic," says Jay Debertin, president and CEO of CHS.

"Since March, we have been focused on taking care of those who depend on us, maintaining financial strength and planning for the future."

CHS INC. EARNINGS* (in thousand \$)

Years Ended August 31		
	2020	2019
Energy	\$225,317	\$618,188
Ag	53,724	43,016
Nitrogen Production	51,837	72,870
Corporate and Other	56,000	81,527
Income before income taxes	386,878	815,601
Income tax benefit	(36,731)	(12,456)
Net income	423,609	828,057
Net income (loss) attributable to noncontrolling interests	1,170	(1,823)
Net income attributable to CHS Inc.	\$422,439	\$829,880

*Earnings is defined as income before income taxes.

CHS OWNERS TO RECEIVE \$63 MILLION IN CASH PATRONAGE, EQUITY REDEMPTIONS

Based on fiscal year 2020 earnings, the CHS Board of Directors has approved return of an estimated \$30 million in cash patronage and \$33 million in equity redemptions to member cooperatives and individual owners in fiscal year 2021. In addition, CHS will pass through the benefit of its unused IRS Sec. 199/DPAD deduction to eligible owners before the close of calendar 2020.

2021 CONTRACTS FOR PLENISH® HIGH-OLEIC SOYBEANS AVAILABLE

CHS Global Grain & Processing will again offer production contracts for Pioneer brand Plenish® high-oleic soybeans for 2021 production in southern Minnesota and northern Iowa. This is the fifth year CHS is contracting Plenish soybeans to be processed at its Fairmont, Minn., plant, increasing grower access to this value-added market opportunity.

Farmers who contract with CHS to grow soybeans with the Plenish high-oleic soybean trait in the 2021 growing season will be eligible for a grain premium. Traits included in Plenish high-oleic soybean products have

received regulatory approvals in nearly all key U.S. soybean export markets and approvals are pending in remaining export markets.

Contact your CHS Minnesota soybean merchandiser at 800-372-8154 for program details, including delivery information.



CHS BUILDING STATE-OF-THE-ART GRAIN FACILITY IN NORTH DAKOTA

CHS has begun construction on a state-of-the-art grain facility in Drayton, N.D. The new facility, slated to open in early 2022, will increase receiving speed and add one million bushels of storage space.

“CHS continues to invest to expand customer-focused retail solutions for area farmers,” says Rick Dusek, executive vice president of CHS ag retail operations. “Our operational footprint and assets are the strength of our retail platform and this important project delivers on our strategy to have safe, efficient assets in the right places to best serve our farmer-owners.”

When construction is complete, the Drayton location will have four dump pits with a combined 80,000-bushels-per-hour grain-receiving capacity and 6.56 million bushels of storage capacity.

The new facility will provide a safer environment for employees, farmers and community members through

improved traffic patterns, cleaner operating conditions and enhanced safety equipment.



FEED DONATIONS SENT TO AREAS IMPACTED BY OREGON WILDFIRES

CHS Community Giving and CHS Nutrition have partnered with Oregon State University (OSU) Extension to provide 50 tons of CHS Payback® and Equis® feed to farmers and ranchers impacted by recent wildfires that ravaged communities across Oregon.

CHS Community Giving is also working with member cooperatives in the region to help communities rebuild.

“Working together to lend a hand is what the CHS cooperative spirit value is all about,” says Karl Thoene, vice president, CHS Nutrition. “We hope the Payback and Equis feed donations will alleviate some of the recovery costs as these farmers and ranchers restore their livelihoods.”

MINNESOTA GRAIN FACILITY NAMED ELEVATOR OF THE YEAR

CHS Northland Grain’s Hazel, Minn., terminal has been named U.S. Elevator of the Year by Canadian Pacific Railway (CP).

The annual award is given to grain elevators that achieve high volumes from a single loading point while consistently demonstrating efficient railcar loading

and a strong commitment to safety.

CHS Northland Grain is managed out of St. Hilaire, Minn. The facility has the capacity to load up to 110-car trains, which are sent to both domestic and international markets. During the 2019–2020 crop year, the Hazel team shipped 4,255 railcars of grain with CP.



The CHS terminal at Hazel, Minn., has been recognized by the Canadian Pacific Railway for efficient, safe grain handling.

GET MORE: Sign up to receive CHS press releases by email or RSS feed at chsinc.com/news.

Chasing Seconds

As a professional team roper, Sid Sporer and his horses can rope up to 75 steers in a day.

Top professional team ropers can catch a steer in less than five seconds, often with only half a second separating first place from tenth. Sporer's fastest time is 4.0 seconds. He is the heeler, tasked with roping a steer's back legs, while his partner, Dustin Bird, the header, catches the steer's horns.

Sporer is on the road much of the year, competing in 50 to 85 rodeos across the western U.S. and Canada in pursuit of standings and a spot at the National Finals Rodeo. With response to the COVID-19 pandemic cancelling many rodeos this year, Sporer and Bird stayed close to Montana and won the Dillon, Mont., rodeo in September.

Sporer grew up roping with his dad, Marty, who ran a family-owned paint store in Cody, Wyo. Every day during the summer, they would head to the roping arena for practice after work.

"Dad always made sure I was on the best horses for my level," Sporer says. "He took incredible care of our horses and that was instilled in me."

That's why Sporer works with Crystal White, a CHS animal nutrition consultant, to develop complete nutritional plans for his horses that include Equis® feeds, a brand of CHS. He feeds Equis® Element to his three competition horses and practice horses.

"These horses are professional athletes," he says. "The nutrition that goes into your horse is key. What you put in is what you get out."

— Jennifer Chick

LEARN MORE: Find more on nutrition for performance horses at equisfeed.com.







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Preparing Those Who Educate

Every day, educators across the U.S. teach classes in animal science, horticulture, welding and agriscience. Many of them also mentor the next generation of ag leaders by advising 4-H and FFA chapters. These teachers are vital to their communities and now, thanks to the CHS Foundation, are receiving enhanced, specialized training to help transform agriculture education.

A gift to the University of Minnesota from the CHS Foundation, which is funded by charitable gifts from CHS, has been realized with the opening of two classrooms built for active learning. These technology-enhanced spaces help agricultural education and communications majors develop 21st-century skills through experiential learning. An updated curriculum that focuses on integrated science, technology, engineering and math (STEM) learning completes the picture.

“Teaching ag-focused classes is more hands-on than a traditional classroom, and I got to practice that firsthand in college,” says Janelle Hueners, right, a 2020 University of Minnesota ag education graduate who now teaches classes like plant science and welding at Detroit Lakes (Minn.) Senior High School.

“I had amazing tools at my disposal that allowed me to collaborate with my classmates in new ways.”

The new offerings provide better opportunities for students with a passion for agriculture. “Our goal is to better prepare future agriculture leaders and educators while strengthening rural communities,” says Nanci Lilja, president, CHS Foundation.

— Sarah Haugen

