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OHIO SOYBEAN COUNCIL

2012 Investor Report

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Investing in the Future



Letter From the Chairman

Our mission is to maximize profit opportunities for Ohio soybean farmers, and as you read this annual investor report you will see that in 2012 the Ohio Soybean Council (OSC) made advancements in several important areas and developed new initiatives that will help us achieve that goal.

Building demand for soybeans is a primary focus for OSC and it is exciting that for the sixth straight year, more than half of U.S. soybeans were exported.

Domestically, demand for biodiesel, America’s only commercially available advanced biofuel, continues to grow, with production exceeding a billion gallons. Additionally, the EPA announced this year that it will raise the RFS2 advanced biofuel requirement to 1.28 billion gallons for 2013.

OSC has also been working to build on its new priority area Freedom to Operate. Our leadership strongly believes the long-term future of agriculture and the soybean industry depends on our ability to communicate and be transparent with our customers and others outside of agriculture. This initiative is about proactively building connections between farmers and consumers.

As public concern about phosphorus in Ohio waterways grows, farmers willingly engaged in being part of the water quality solution by supporting a three-year edge-of-field research project conducted by The Ohio State University that will review and revise the Ohio Phosphorus Risk Index.

Ohio soybean farmers’ commitment to producing a safe, healthy food supply is unwavering – as is the OSC Board of Trustees’ commitment to ensure the long-term viability of the Ohio soybean industry.

John Motter



JOHN MOTTER
Chairman

2012 Financial Overview

Ohio Soybean Council Statement of Changes in Cash and Investments

Year ended September 30, 2012 Assessment receipts from first purchasers: **\$15,391,854**

LESS:
Assessment receipts remitted to the United Soybean Board: **\$6,868,945**
Assessment receipts remitted to other states: **\$1,281,148**
Net Assessment receipts: **\$7,241,761**

Investment income: **\$8,756**
Grants: **\$74,507**
Total additions to fund balance: **\$7,325,024**

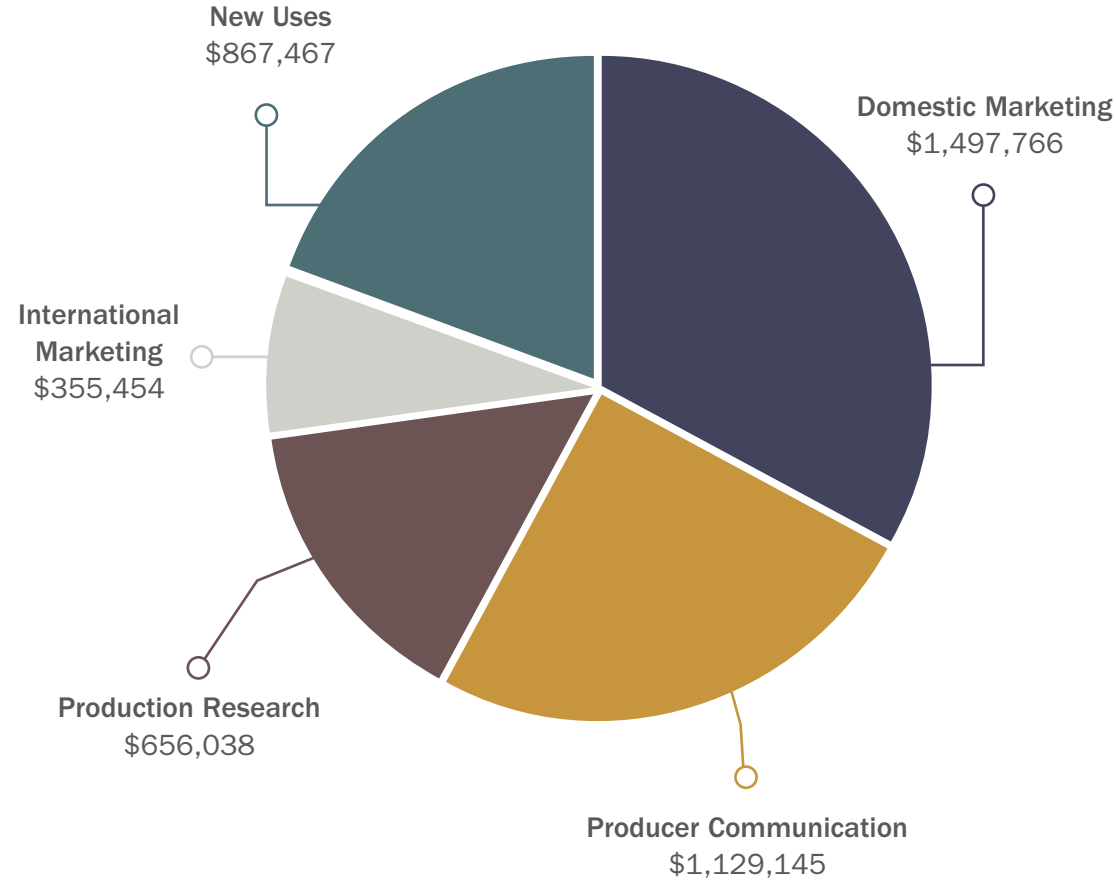
Administrative disbursements: **\$743,992**
Total deductions from fund balance: **\$5,249,862**

Net increase in cash and investments: **\$2,075,162**
Beginning cash and investments: **\$5,715,530**
Ending cash and investments: **\$7,790,692**

Portions of these funds are committed to future and multiyear projects.

Program Disbursements

Total program disbursements: \$4,505,870



RESEARCH TODAY FOR TOMORROW'S PRODUCTION CHALLENGES

Soybean Research

OSC and the soybean checkoff support research that increases profitability, improves soybean characteristics, addresses soybean disease and pest threats, and identifies best management practices. OSC is working closely with OSU, the Ohio Agricultural Research and Development Center, and the North Central Soybean Research Program. Among OSC's many research investments, combating stink bugs and soybean cyst nematode are priorities.

OSU Phosphorus Project

For a second year, OSC funded a project by The Ohio State University (OSU) to evaluate and refine the Ohio Phosphorus Risk Index using field-scale monitoring at surface and subsurface levels. As the lead partner, OSC committed a total of \$450,000 to the research and helped build a consortium of 11 funding partners that have committed more than \$950,000 to support the \$2.6 million, multi-year project. In addition, OSC was instrumental in the grant-writing process that resulted in OSU being awarded a \$999,987 Conservation Innovation Grant from the USDA.

Key Accomplishments:

- Supporting research in the area of phosphorus management to help ensure farmers' freedom to operate and optimize nutrient utilization
- Gaining nearly \$2 million in financial support for the Ohio Phosphorus Risk Index project and building a consortium of supporting agricultural groups
- Ongoing research and development of soybean varieties to address current and future soybean diseases, pests and viruses



INCREASING SOY DEMAND THROUGH NEW INDUSTRIAL USES

Soy-based Products and Technologies

The development of new soy-based products and technologies plays a big role in the mission to make soybean farmers in Ohio more profitable. OSC collaborates with research organizations to commercialize new soy bioproducts that hold significant potential to increase soybean demand.

High Oleic Soybean Oil

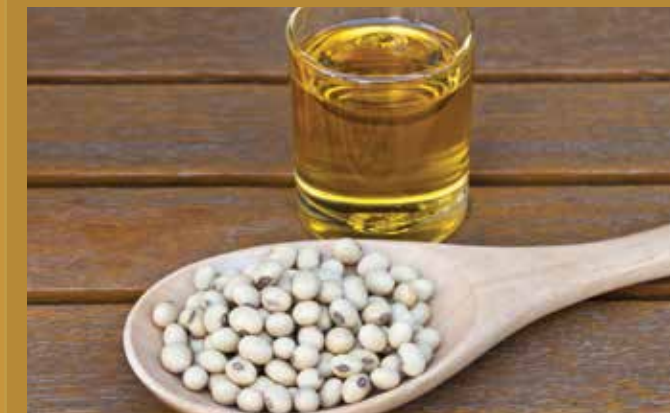
OSC is the leader of a multi-partner, multi-state project with Battelle, a research institute based in Columbus, to find industrial uses for high oleic soybean oil. Partners include soybean associations and promotion boards in Illinois, Iowa, Kansas, Minnesota and Wisconsin and the United Soybean Board (USB). This past year, extensive research and laboratory tests were conducted for three most promising technologies in preparation for testing by companies in 2013.

Soy-based Hydrogels

Hydrogel materials absorb many times their weight in water. OSC has partnered with Battelle to develop high-performance, soy-based hydrogels that could be used in consumer products, health care products, environmental remediation and more. Several companies are exploring licensing this technology.

Key Accomplishments:

- Building a full portfolio of new soy products and technologies by continually investing in the research pipeline
- In 2012, OSC collected \$119,000 in royalties and licensing income from five commercial soy-based technologies: toners, powder coatings, polyols, renewable plasticizers, and polymers



AMERICA'S ADVANCED BIOFUEL GOES PEDAL TO THE METAL

Biodiesel

Biodiesel provides a growing market for soybean oil and is America's first advanced biofuel, reducing lifecycle carbon emissions by 57 to 86 percent compared to baseline petroleum. With production of more than 1 billion gallons in both 2011 and 2012 (projected), biodiesel represents one of the biggest success stories for the soybean checkoff.

National Biodiesel Promotion

OSC supported the National Biodiesel Board's national advertising campaign showcasing "Biodiesel. America's Advanced Biofuel." The ads showed that biodiesel is the fast track to American jobs and a big part of the road to energy independence. The promotion features the 182 mph land speed record, set with B20 in a Ford Super Duty truck. This increased awareness was important in a year when several groups were challenging the Renewable Fuels Standard.

Key Accomplishments:

- Increased awareness of biodiesel both nationally and locally
- RFS2 increased to 1.28 billion gallons in 2013



PARTNERING TO SUPPORT OUR TOP SOYBEAN CUSTOMER



Animal Agriculture

The health and success of Ohio's livestock and poultry industries directly affects Ohio soybean farmers' profitability. Animal agriculture is the number one customer for soybean meal. Building demand for meat and poultry ultimately builds demand for soybeans.

Promoting Meat and Poultry

From the Ohio State Fair Pork Rib-Off to the Columbus Clippers' Striking Out Hunger with Lean Beef campaign, OSC supports and partners with Ohio livestock and poultry groups to promote their products.

Key Accomplishments:

- Partnering with pork, poultry and cattle groups to promote their products



SOYBEAN EXPORTS EXCEED ONE BILLION BUSHELS FOR SIXTH YEAR

Global Utilization

After five consecutive years of growth, U.S. soybean exports for the 2011-2012 marketing year were still sizeable at 1.3 billion bushels, down from a record 1.5 billion bushels the previous year. More than half of the U.S. soybean crop is exported, and Ohio soybeans account for 11 percent of U.S. exports. OSC invests in enhancing the image and marketability of Ohio soybeans in international markets.

Asian Marketing Trip

A trip to China and Japan in February by three OSC leaders strengthened relationships between Ohio soybean farmers and Asian customers. The group met with Japanese customers to show appreciation for their business and to enhance relationships. In China the team learned more about the Chinese market and showed our commitment to meeting China's growing demand.

Enhancing Meat and Poultry Exports

This year OSC has partnered with several organizations to increase international demand for meat and poultry, thus increasing demand for soybean meal while also supporting animal agriculture. Partner organizations include the U.S. Meat Export Federation, USA Poultry & Egg Export Council and U.S. Soybean Export Council.

Key Accomplishments:

- Strengthened customer relationships in Japan
- Gained insights to China's market
- 30 years of soybean trade relations with China



TRANSPORTATION INFRASTRUCTURE KEY TO GLOBAL COMPETITIVENESS

Transportation/Logistics

Timely and efficient transport of soybeans is critical to Ohio soybean farmers. A checkoff-funded study by the Soy Transportation Coalition found that U.S. farmers' competitive advantage in the global market is now threatened by the deterioration of U.S. transportation systems.

Ag Transportation Coalition

Transportation affects everyone in the value chain, and OSC board leaders leveraged that common interest by forming the Ohio Ag Transportation Coalition. The group meets quarterly and includes farmers, grain elevators, transportation organizations, cooperatives and processors.

Ohio River Tour and Forum

Nearly 100 people from agriculture, government and other industries attended the Ohio Soy 2020 Locks and Dams Forum hosted by the Ohio Ag Transportation Coalition, OSC, Cargill, and the Central Ohio River Business Association. Attendees took a boat tour on the Ohio River and learned about the condition and importance of transportation infrastructure to Ohio's economy.

Key Accomplishments:

- Envisioned and created the Ohio Ag Transportation Coalition
- Increased awareness of the economic impact of the Ohio River

CONNECTING FARMERS WITH CONSUMERS FOR THOUGHTFUL CONVERSATION

Freedom to Operate

This year, OSC launched its Sustaining Life, Respecting Nature campaign to communicate with consumers about soybeans, Ohio agriculture and how farmers are working to provide safe, healthy food for everyone. OSC's Freedom to Operate priority area encompasses efforts in research, farmer education and communications. With the gap between farmers and consumers growing, it is important to provide opportunities for farmers and non-farmers to discuss food production in order to increase trust and understanding.

New Consumer Website

As the first stage of the Sustaining Life, Respecting Nature campaign, OSC created a new website (www.ohiosoybeanfarmers.org), which features seven Ohio farmers talking about their family farms, farming practices and the food they produce.

2012 Ohio State Fair Presenting Sponsor

As a presenting sponsor of the Ohio State Fair, OSC had an elevated presence at this year's fair, which attracted 840,000 visitors. More than 100,000 people attended the first-ever Soybean Day on August 4, where they had the opportunity to talk with farmers about soybean production, uses and economic impact as they entered the fairgrounds.

OSC also had a soybean display in the Nationwide Ag and Hort Building and sponsored the Junior Livestock Show, the O'Neill Swine Building, the Rabbit and Poultry Pavilion, and the Voinovich Livestock Center.

Key Accomplishments:

- First Ohio State Fair Soybean Day was held and more than 3,000 fair attendees signed up to learn more about Ohio agriculture
- Launched new website featuring Ohio farmers talking about their farms and the food they produce





FOUNDATION ACTIVITIES ADVANCE STUDENTS' INTEREST IN AG CAREERS

Ohio Soybean Council Foundation

Ohio Soybean Council Foundation (OSCF) programs are aimed at getting students interested in agriculture and nurturing that interest through educational opportunities.

Scholarships and Science Fairs

OSCF awarded \$30,000 in college scholarships to undergraduate and graduate students pursuing degrees in science or other agriculture-related fields. OSCF continued its support of awards for the best soy-related science projects at district and state science fairs.

Ag Biotech and Bioenergy Education

Science and agriculture teachers from around the state participated in a two-day Ag Biotech Academy. This joint project of OSC, OSCF and DuPont Pioneer provided teachers with curriculum ideas, educational materials and lab supplies. Through a 2011 grant, OSCF and its partners launched a bioenergy education and workforce initiative in Ohio. The newly established bioenergy program at OSU's Agricultural Technical Institute (ATI) had 15 students enrolled this year.

Key Accomplishments:

- Awarded \$30,000 in college scholarships
- New bioenergy program at ATI enrolls 15 students



OSA PROVIDES LEADERSHIP ON POLICY ISSUES

OSA Provides Leadership on Policy Issues

For more than 40 years, the Ohio Soybean Association (OSA) and its volunteer farmer board leaders have worked to provide leadership and help Ohio's soybean farmers have a voice in the legislative process that affects their industry. OSA membership is vital as soybean checkoff dollars cannot be used for legislative activities.

Farm Bill Reform

Our leaders spent a lot of time in Washington, D.C., working on a new farm bill. Many of the measures supported by OSA were included in both the House and the Senate versions of the farm bill. OSA will continue to work with Congress to pass a comprehensive five-year farm bill.

State Policy Issues

At the state level, OSA worked to raise awareness among decision-makers about all of the benefits of biodiesel, both environmental and economical. OSA also participated in discussions on water quality issues. In early 2012, Governor Kasich charged Ohio's Directors of Natural Resources, Agriculture, and the Ohio Environmental Protection Agency with developing recommendations for improving Ohio's waterways. OSA was actively involved in developing policy recommendations to the Directors' Agricultural Nutrients and Water Quality Working Group.

Key Accomplishments:

- Better communication with Ohio farmers on priority issues
- Active involvement in water quality and agriculture nutrient policy recommendations

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OUR MISSION

at Ohio Soybean Council is to invest soybean checkoff funds to maximize the profit opportunities for Ohio soybean farmers.

CONTACT US

Ohio Soybean Council

918 Proprietors Rd., Suite A, Worthington, OH 43085

Phone: (614) 476-3100 | Fax: (614) 476-9576

Website: www.soyohio.org
www.ohiosoybeanfarmers.org