



Between the Loads

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CEO UPDATE

CELEBRATING WINS - With 2023 already in the books and the new year upon us, I wanted to share some reflections from the past year with you all.

Recently, we have been discussing the importance of “celebrating wins”. I think we all have a natural tendency to move on quickly when things are going well and instead spend more time focusing on the negatives. Which isn’t all bad. For Ag Partners, we are continuously looking for where we can improve and know that there are areas where we need to do so. There have also been some significant “wins” over the past year that we should take a moment to celebrate and reflect on.

This past fall harvest, we surpassed last year’s grain receipts on bushels delivered into Ag Partners facilities. First, this is most important because it is indicative of a successful harvest for you, our member-owners. Secondly, as I have mentioned in the past, our cooperative business model is dependent on our grain volumes to produce successful business results. Fall harvest 2023 has Ag Partners positioned well as we look forward towards fiscal year-end 2024 to report another successful year and the ability to return value to membership.

We are extremely grateful for the favorable growing season of 2023. If we look across a broader geography in the state of Kansas, we were certainly blessed to have the weather conditions that we did. Most of the rest of the state continued to experience drought conditions, which significantly impacted harvest results for farmers as well as other cooperatives. In many cases, grain bushel volumes were 40%-50% of historical averages.

Another key milestone was the successful launch of our sustainability platform, Globally Responsible Production or GRP. In short, GRP is a critically important initiative developed for our member-owners to ensure you have access to emerging markets. In the last quarter of 2023, GRP was able to announce its first premium program for eligible and certified producers into this platform. We plan to build on the successful launch of GRP and are continuously working towards bringing new value-added opportunities back to where they should be, to you, the producer.

Prior to fall harvest, we were able to make enhancements at the scale at several of our locations that involved the installation of ticket kiosks and updated software inside the office that allows for greater efficiencies and unload times across the scale. Other automated technology has been implemented into some of our agronomy facilities to increase capabilities, reduce errors and improve the customer experience overall.

We have also begun internal and customer testing of the new Ag Partners “portal”. This will be available via the Ag Partners mobile app or on your desktop and will provide customers with a new and improved digital experience in accessing purchase history information, executing purchase contracts, and overall provide a holistic overview of your relationship with our cooperative’s products and services.

Lastly, we were proud to announce record financial results of \$18.3 million in net income as of our most recent fiscal year-ending August 31st, 2023. This is due in large part to patronage received from key regional cooperative partners, improved performance in our grain division, and strong results from agronomy and energy operations. Most importantly, and as a result of reporting strong bottom-line earnings, we were able to allocate \$7 million in patronage back to membership, with \$2.8 million being paid back in cash to patrons.

As a member-owned cooperative, an important part of our mission is to return value back to our owners. Our goal is to continue focusing on making improvements, to reinvest for the future, and to ensure a sustainable future for our stakeholders.

I hope you all had a blessed Christmas, a Happy New Year and that you take some time to celebrate “the wins” along the way.

As always, please don’t hesitate to reach out with questions or concerns.

Regards,

- **Wes Spohr, President & CEO**

NEW EMPLOYEES

Tim Davis

Energy Delivery Driver
(St. Marys, KS)

David Pace

Operations Technician
(Belvue, KS)

Blake Porting

Operations Technician
(Wamego, KS)

Matthew Woodward

Wholesale Account Manager
(Joplin, MO)

Willie Small

Energy Delivery Driver
(Hiawatha, KS)

Cindy Jones

Location Manager
(Mr. Tire Service Center)



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ENERGY UPDATE

Happy New Year and welcome to 2024! I hope that everyone had a very Merry Christmas as well!

A little update on fuel markets: We saw our low prices for spot loads and for contracting for 2024 on or around December 11th. Fuel prices have softened quite a bit over the last couple of months. There are some sentiments that we may see some lower prices here in January, but that is anybody's guess. Here are some factors that could push these prices both ways.

First, we continue to see worldwide conflicts arising. There is rhetoric that the Russia – Ukraine war may be coming to a close sooner rather than later, but tensions are still high, and anything is possible concerning those two countries. We are also seeing some conflicts in the Middle East again, and finally, there is a lot of concern and posturing by China that very well could lead to some very interesting things worldwide.

Second, OPEC has continued to make their productions cuts to help balance the supply/demand structure. Over the last 3-4 months, there was much talk about worldwide demand for 2024 not being as high as what was initially thought. That sentiment has since changed. Therefore, if demand does pick up and crude oil supplies continue to go lower, we will see higher prices.

Finally, we are in an election year, in which historically, we've seen some lower prices on fuels. It will be interesting to see how this year shapes up regarding fuel markets and pricing.

We have had a fair amount of contracting from customers for this next year. My recommendation is to strongly consider looking at locking in up to 50% of your needs to protect yourself. If prices come down, lock in another layer to help average your price down.

A friendly reminder on tank maintenance as winter hits. If you have emptied your barrels at this time, please take a little time to undo the outlet on the bottom of your tank and empty out that remaining fuel in your barrel. We see some problems pop up during this time because of water condensation occurring during the fall that collects at the

bottom of your barrels. This, in turn, can lead to algae and bacteria issues. Also, change out your filters on your tanks during this time as well.

Propane season is in full swing now. We have been blessed with very mild temps over the last couple of months, but January and February are sure to get cold. Please remember to help keep eyes on your tank levels during the cold blasts. Our guys have been working very hard over the last two plus years to get close to 2000 monitors installed on our customer tanks, which send readings into our new routing software that we have started to use. Tanks that have monitors on them will start to route once they hit the 20-30% full range.

Propane prices have continued to be pretty steady at this time. The mild temps have helped that. I do not expect us to see a high price spike this year, but we will probably see a little bit of a spike as we get into those colder temps.

One thing I would like to talk about is in regards to some "changes" we are being more strict on. We have been very lax on enforcing proper paperwork for account and charging privileges for customers to receive propane. We are putting an emphasis on requiring payment up front if you have not completed this proper paperwork. We have incurred a lot of time and energy into working past-due accounts in the past, and we must cut down on this issue.

Another thing with our propane service that seems to be catching some customers off guard is our additional fees. These have not changed, and have been in place for a number of years now, but again, I believe we have been very lax on them. Please take note that if you are "Keep Full/Auto Fill" customer, these potential charges do not apply to you. If you have informed us that you want to be a "Call In" customer, which is tracked on your account, then these are the charges that you can expect to POTENTIALLY incur.

\$100 for Out of Gas/Leak Check

\$40 for a Less Than 3-Day Delivery Notice

\$40 for Less Than 250 minimum gallon delivery

\$200 for After Hours Call

\$50 Leak Check Fee for Customers who shop around to

other companies and then come back.

I also would like to remind our customers that our Annual Oil Sale is currently going on and will run through the end of February. Currently all bulk oil products are \$0.50/gallon off our normal price, plus we have the Cenex Gift Card for Gallons promotion as well, which is for every 100 gallons of qualifying oil taken between November 1, 2023 and February 28, 2024, you qualify for a \$50 Visa Gift Card.

I would like to once again Thank You for your business over the past year! Your continued loyalty and support is greatly appreciated!

- **Eric Osterhaus, VP Energy**

FUEL YOUR SCHOOL

2023 Quarter 4 Totals

- Seneca Fuel Pumps - Nemaha Central FFA \$624.77
- Corning Fuel Pumps -Centralia FFA \$257.69
- Axtell Fuel Pumps - Axtell FFA \$159.07
- Powhattan, Willis & Robinson Fuel Pumps - Hiawatha FFA \$175.80
- Denton Fuel Pumps - Doniphan West FFA \$142.40
- Bern Fuel Pumps - Bern School Activities Complex \$105.61

2023 Total Donations: \$5,406.49

FUEL YOUR COMMUNITY

2024 Recipients

January 1 - June 30, 2024

- Seneca & Bern Fuel Pumps: Northeast Kansas Arts Foundation
- Corning Fuel Pumps: Centralia Community Library
- Axtell Fuel Pumps: Axtell Booster Club
- Powhattan, Robinson, Willis & Denton Fuel Pumps: Horton High School FFA

July 1 - December 31, 2024

- Seneca, Bern & Corning Fuel Pumps: Nemaha County Fair
- Axtell Fuel Pumps: Axtell Booster Club
- Powhattan, Robinson, Willis & Denton Fuel Pumps: Hiawatha Elementary School PTO

RISK MANAGEMENT UPDATE

Winds of Change - With every New Year comes some change, and 2024 is no different. It pains me to say, but the days of \$5 cash Corn are probably gone, and most Corn prices are going to start with \$4 in 2024. I'm sure Mother Nature or World conflicts could prove me wrong, but I think lower prices are here to stay for a few years. Unfortunately, the price tag on a bag of seed, jug of chemical, or box of Corn Flakes won't be coming down anytime soon. Which means operations could be facing much tighter margins than we've seen the past few years. Plus, if Corn keeps falling and is below \$4 by Harvest, that's an even dire scenario.

Enough doom and gloom though, where is the upside? During the month of February, we will use the December Corn and November Soybean Futures price to set your grain prices for Revenue Protection Insurance policies. Let's say February treats us well, and we are looking at Futures prices of around \$4.90 Corn and \$11.90 Soybeans. This sounds decent for the time being, but you do have to factor in your coverage level on your Revenue Protection Policy. For quick numbers, let's say you select 75% coverage on Corn and Soybeans: $\$4.90 \times 75\% = \3.68 Corn and $\$11.90 \times 75\% = \8.93 Soybeans. These are the prices that would trigger a loss with average yields. I can't speak for every operation, but it's tough to pay the bills with \$3.68 Corn.

To solve this price issue, we suggest looking into Supplemental Coverage Option at 86% coverage or Enhanced Coverage Option at 95% coverage to give those prices a bump. These are both subsidized Federal Crop Insurance Products, but they require some diligent research with a knowledgeable Insurance Agent. I'd be remiss if I didn't mention that insurance premiums overall will be cheaper in 2024 (because of the lower grain prices), so increasing your coverage levels might be more affordable than you think. Unlike that box of Corn Flakes I mentioned earlier.

Speaking of inflation, we have noticed Hail & Wind premium rates creep up with certain Insurance Companies. Since Hail & Wind policies are a private product (with no subsidy), it pays to shop around for competitive rates. To find the best value for our Producers, we always compare multiple companies each year, and the differences can be surprising. If you feel like your old Insurance policy doesn't fit the New Year, you have until March 15th to discuss some fresh ideas for your operation. Don't hesitate to reach out to Insurance Specialists, Jim Ward or Darcy Pralle at Ag Partners for more information and some of the best support in the industry. We wish you a Happy New Year and much success in 2024!

- **Darcy Pralle, Crop Insurance Specialist**

Cenex Winter Deals With Ag Partners

November 1, 2023 - February 29, 2024

-\$50 Visa gift card for every 100 gallons of qualifying lubricant products you buy.

-\$100 off 120-gallon or larger oil tote systems.

-50 cents off all direct bulk oil.



Call our Energy Team for more information:

Travis: 785-741-5252

Brian: 816-804-1392

Wade: 785-294-2091

Avery: 417-291-0832

Weston: 417-850-9976



SAFETY UPDATE



Harvest & Winter Maintenance -

Ag Partners had a very safe and successful harvest season and Anhydrous Ammonia run this fall. I thought I would take some time and break it down, demonstrating the dedication our employee group has toward safe working conditions. Fall 2023 grain receipts were 29.6 million bushels of corn and soybeans combined. Converting everything to an 850-bushel semi load, this equates to 34,823 trucks that came to our facilities! Breaking it down a little further, that is 69,647 hoppers the employee group opened and closed safely, a harvest related workplace injury! This is in addition to working in and around the grain facilities performing maintenance, climbing ladders, checking inventory, etc.

The fall ammonia run was just as impressive as ammonia season, lasting approximately 45 days and resulting in 25,000 tons transferred, with employees making 39,246 connections all without a workplace injury. Our employees recognize the importance of hazard awareness, understand the training they have received, helping everyone know that "Someone expects you home tonight".

The winter months give everyone an opportunity to perform maintenance and repairs on equipment, and I thought it would be a great time to focus some time on shop safety. Many tools and equipment are used in repairs, but a jack safety is something that can be easily overlooked. Here are some tips to use a jack safely:

- Set brakes on the equipment or place in gear and chock the wheels.
- Understand the capacity of the jack and do not overload.
- If load shifting is suspected, stop lifting and re-situate.
- Use jack stands or blocks under equipment when lifting is complete.
- If a hydraulic jack, check oil level and inspect for leaks and cracks before use.



Source: Iowa State University; Environmental Health & Safety.

- **Curtis Stahel, Safety Director**



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GRAIN UPDATE

Harvest 2023 was successful for Ag Partners. The grain team, along with operations, developed a pre-harvest plan that was effectively executed, creating a solid start to the marketing year. Corn receipts were over 22 million bushels, beans over 8 million bushels. These are both significant increases from last year's harvest. And the best part of this story: we were able to handle these bushels without a single safety incident. Thank you to all our members and employees for making this happen.

As we transition into a new calendar year and take stock of the changes and events that unfolded over the past year, there are numerous aspects to contemplate. The dynamics of grain markets undoubtedly fall within this sphere. The days of short supplies have subsided, and markets have adjusted to incentivize producers and elevators to carry bushels forward. South America is the biggest contributor to this. Although domestic demand remains strong for both corn and soybeans, Brazil's ability to produce a monster crop last year has put a cap on what the United States can move through export channels. Low river levels have also contributed to our lack of global competitiveness.

Consequently, grain prices are currently trading lower than the levels observed in recent years, prompting a shift in perspectives on grain marketing. The previous trend of market inverses, signaling an urgency to move bushels upon arrival, has given way to a carry market. This is essentially the market saying, *"I do not need your grain today, so I will pay you to deliver at a deferred time."* As a result, you will see Ag Partners carry grain longer than last year.

Carry markets tend to result in less volatile price moves, creating a more stable environment. Daily moves are limited, and price rallies should be rewarded quickly as the rallies, most likely, will be short-lived. Moreover, this market structure encourages a forward-looking approach to deferred bids, as they often provide more favorable values for selling. For example, selling corn for new crop delivery today is better than what you can sell out of storage/delayed price. This will also help your on-farm storage provide additional value holding grain.

When dealing with carry markets, more times than not, having grain sold ahead pays. Ag Partners is ready to quote deferred bids, whether it is to one of our locations or direct to one of the many end-users/terminals we utilize. Reach out to one of the originators and they will provide bids that work for your operation.

We also understand you have many irons in the fire, and moving grain can be burdensome. Ag Partners is pleased to quote bids that will free you from lining up freight yourself and load bushels directly from your farm. Our extensive network of trusted carriers can handle your grain when and where possible.

As always, the grain team at Ag Partners is positioned to assist with your operational needs. Thank you for your current and future patronage.

- Lincoln Hillyer, Eastern Grain Division Manager



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AGRONOMY UPDATE

Sulfur fertilizer has been a big topic internally at Ag Partners. There are many choices when it comes to sulfur fertilizer. There's elemental sulfur, which has the highest concentration of sulfur in the fertilizer prill at 90% and allows for a lower rate of. There's also pelletized gypsum, which provides sulfur and can help with high salt problems like sodium and magnesium. We also have ammonium sulfate, which can provide nitrogen in the same fertilizer prill and is more readily available, which makes this product a great option in top dressing fertilizer. Finally, we have Microessentials, which combines nitrogen, phosphorus, sulfur, and zinc into the same prill, giving you a more even distribution of your sulfur and zinc fertilizer. er. Microessentials also has two types of sulfur, allowing for more even release throughout the year.

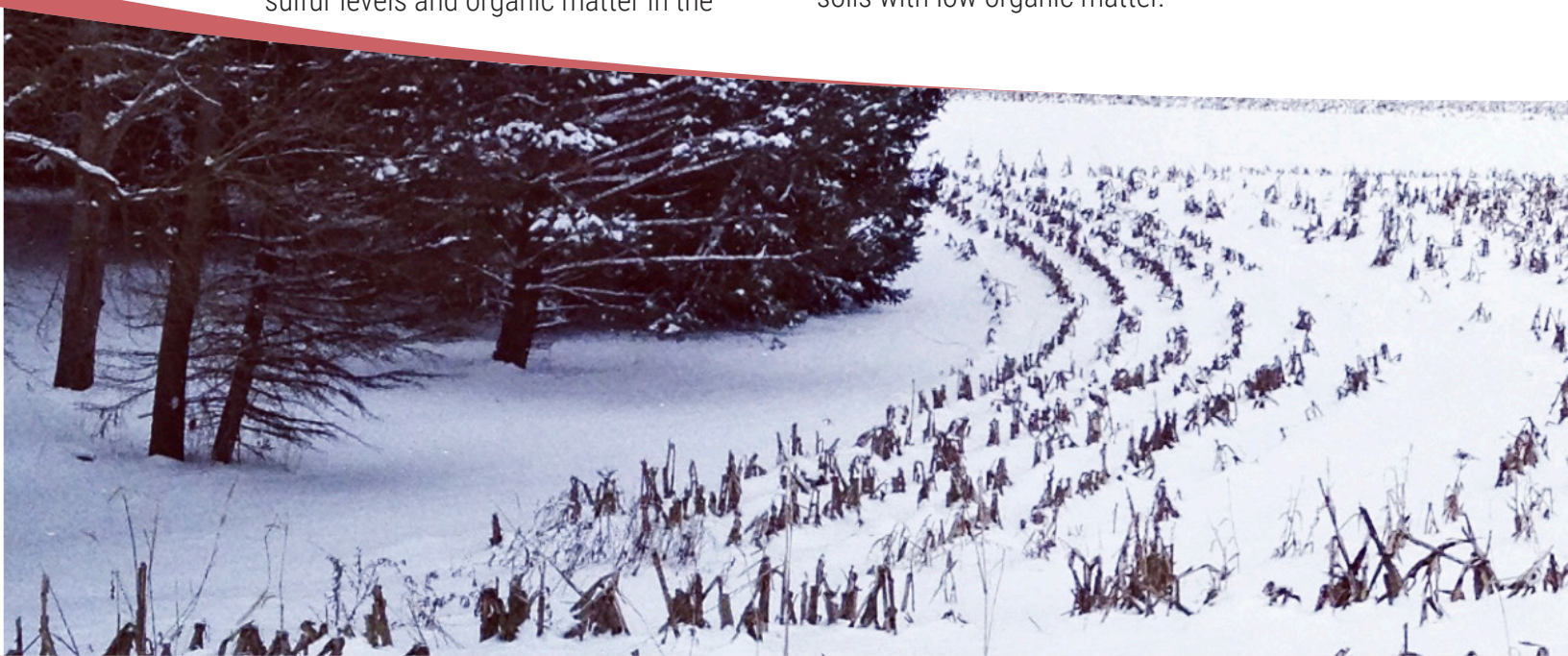
This broad range of products can cause logistical problems in making sure we have all the products where we need them while not carrying too much at the end of fertilizer season. How these affect your crop production, and ultimately what products agronomists recommend, is more important to you as the grower.

We took some time to look more closely at our fertilizers in the field. Taranis crop scouting and our digital tracking of operations made this simple. We could look at what products were applied for each grower, look at previous sulfur levels and organic matter in the

soil from soil sampling, and then look at what fields showed sulfur deficiencies and to what extent. We didn't find a conclusive trend across the entire company, but we did find clear trends within each individual grower's operation.

As I'm sure most of you know, sulfur didn't used to be as much of a problem because it was provided through acid rain, a by-product of sulfur released from air pollution. I think we can all agree that acid rain isn't a good thing. Through the Clean Air Act, sulfur now gets removed and is usually combined with calcium to make gypsum, which leaves us with a sulfur deficit in our soils. Soil typically stores sulfur within its organic matter, but if it's not in the organic matter, it's usually in the sulfate form. Sulfate has a negative charge and can be held on a soil's anionic exchange sites, but those are limited, and the bonds are weak. This results in sulfate leaching, much like nitrate does, so we primarily rely on the organic matter to mineralize and release the sulfur for the next growing season.

What we find is organic matter doesn't break down fast enough in the Spring to provide the sulfur we need early in the season. Sulfur was by far the most found nutrient deficiency from Taranis Scouting in our corn crop across our company. If we found sulfur deficiencies, they were typically in late May and in June. By the time July hits, the organic matter has mineralized enough to provide most of what the crop needs. The exceptions to this rule are sandy soils with low organic matter.



With all of this in mind, our goal as agronomists is to provide the sulfur needed for the crop in May and June, and later in the season for high yield situations. The fertilizer you choose depends on your own management practices, so we weren't able to see a common trend across all growers (other than sulfur being deficient early in the season). What we were able to see was that some growers saw a significant decrease in their sulfur deficiencies when they switched from elemental sulfur to Microessentials. They had multiple fields with each product, and those fields with the Microessentials fertilizer had significantly less sulfur deficiencies. Elemental sulfur breaks down slowly and won't be very even across a given square foot, given its low usage rate, so it's understandable to see this result.

We also saw that if your focus with Microessentials is to get your phosphorus needs met, make sure to get adequate sulfur out there by adding an additional source if necessary. Where Microessentials had a rate of 150 pounds or lower, it provided 15 pounds of sulfur or less, which resulted in a fair amount of sulfur deficiencies. In cases where growers added more sulfur to the blend, it resulted in significantly less sulfur deficiencies.

Pelletized gypsum (calcium sulfate) works excellently in bottom ground prone to high moisture problems from a high water table or from flooding. It can help build soil structure and flush out negative salts like magnesium and sodium. However, because of the high moisture, you can flush out the sulfate faster too. We saw through Taranis that bottom ground can benefit from having a fertilizer source that is less prone to leaching. I still recommend gypsum in these situations, but I think having a product like Microessentials in the blend will help

provide sulfur that will stay longer in the soil.

Some producers like putting on liquid sulfur in the form of ATS in-season. We still saw significant early-season sulfur deficiencies in those fields, but those quickly went away after the sulfur was applied. Unfortunately, kernels are determined early in the season, and I believe these deficiencies hurt the final yield. We learned it's still important to have a good base for the season before the crop is ever put out, even if you're putting on sulfur through top dressing or with your herbicide pass.

Ultimately, what you decide for your farm is going to depend on your own management practices. We didn't even discuss how tillage or manure can affect sulfur in the soil. All these variables can be overwhelming even to the best of agronomists. This is why it's so important to have good quantifiable scouting on your farm to make the best decisions based on your own management practices.

From my own experience of scouting fields in person and looking through the drone scouting from Taranis, this can only be achieved through the mapping abilities of Taranis. If you are already using this technology, make sure to have a discussion with your agronomist about sulfur in your fields. If you aren't using Taranis, please look at how it can help with our decision-making process.

- Ethan Noll, Digital Ag Team Lead



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Ag Partners News

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