



Ag Partners Cooperative, Inc.

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Ag Partners Cooperative, Inc. Update February 2020

Notes from the CEO

By Rod Schroeder, Ag Partners Interim CEO

What a difference a year makes! A bountiful harvest filled the bins and an open fall allowed for a large amount of agronomy activity, resulting in a great start to Ag Partners fiscal year, which started September 1. I am happy to report year to date local earnings are \$2.5 million ahead of last year through December 2019. In addition, in December we received a patronage refund of \$7.7 million from AGP, a soybean processing cooperative, which is \$3 million more than we received the previous year. Barring any unforeseen issues, Ag Partners is on track to have positive local earnings and very strong total earnings this year.

Your board of directors continues to invest in the future while maintaining a strong balance sheet. At our January meeting, the board approved the construction of grain storage bins in Tarkio and Padonia. After reviewing the largest need based on grain receipts, consistency of receipts, margin quality, and the amount of grain shipped out during harvest (at low margins) to make room, these two locations showed the greatest need. These projects will move forward as soon as possible, weather permitting. The board will continue to review grain receipt trends each year and work to make the best investment decisions for the cooperative. Ag Partners also is investing in upgrades to its custom application fleet with the purchase of several new, larger machines, in addition to some seed treatment upgrades

Energy Update

By Eric Osterhaus, VP of Energy

We have started seeing a tremendous amount of pullback on fuel prices in the last couple of weeks. Many of you have taken advantage of these prices. If you have not contracted gallons for this year, I would strongly consider taking advantage of these opportunities while you can. We have contracts available for spring, summer and fall periods. Also, with the prices coming down, I would recommend filling your tanks now for spring use.

The "Cenex Gift Cards for Gallons" promotion will end February 29. For every 125 gallons of bulk oil you have taken from November 1, 2019 – February 29, 2020, you will receive a \$50 Visa gift certificate.

Did you know that we also offer bulk DEF, coolant and antifreeze? We have offered bulk DEF for a couple of years, and the sales have grown tremendously. With all the newer vehicles requiring DEF, this market will

and normal replacements of various rolling stock.

The CEO search is progressing nicely, with the search firm reporting they had a good number of strong candidates. Your board of directors will be narrowing the list of candidates and interviewing the finalists over the next few weeks and we appear to be on track to have a new CEO in place in April.

As I reported at the annual meeting, we are continuing the process of improving our management processes, accountability at all levels, how we measure performance, and gaining efficiencies. In short, we are working on the "blocking and tackling" and on a continuous improvement process here at Ag Partners which will result in a more successful company over time. We also are finalizing the reorganization of our workforce into three operating regions and bringing the financial and grain accounting staff together at the Seneca main office location.

It has been a pleasure to work with the customers, board of directors, leadership staff, and employees during my time as the interim CEO at Ag Partners. Feel free to give me a call with any comments, suggestions, or questions.

Rod Schroeder

continue to grow. We have also added bulk coolant and antifreeze to our product line.

Cenex has started a promotion called "Hometown Pride". With this promotion, you can submit information on a certain event, tradition, or any special cause that makes your Hometown special. Ag Partners recently submitted information about the Baileyville Benefit, its tradition, and its generosity in giving back to those in need. On behalf of Ag Partners Cooperative, Cenex is donating their maximum award amount of \$5,000 to the Baileyville Benefit this year, along with other smaller gifts. We are very thankful for these kinds of opportunities that Cenex and other cooperatives can offer.

I would like to end this by saying "Thank You" to all our loyal customers. We are truly grateful for your trust in us. Please contact the energy department with any questions or concerns.

Annual Meeting Recap

By Ben Walker, Chief Financial Officer

The Annual Meeting of Ag Partners Cooperative, Inc. was held on Tuesday, January 7, 2020, at the Knights of Columbus in Seneca, Kansas with a quorum of voting members present.

To begin the meeting, Brady Byrnes of Lindburg Vogel Pierce Faris, presented the annual audit report for the fiscal year ending August 31, 2019. Byrnes stated that the financial statements received an unmodified or “clean” opinion by the firm.

Ag Partners board chairman, Jason Taylor, introduced the board of directors and interim CEO Rod Schroeder. During the meeting, he announced the board hired CHS, Inc. to facilitate the CEO search, with hopes that Ag Partners will have a permanent CEO in place this spring. Jason then provided an overview of the 2018-2019 fiscal year and discussed the perfect storm of below-average crops, one-time merger expenses and the challenging agronomy environment in the industry that led to a local loss. However, our strong regional patronage helped us to make an overall profit and keep us in a strong working capital position. Jason discussed

Agronomy Update

By Todd Grimes, VP of Agronomy

Over the last few months, the agronomy division at Ag Partners has been focused on positioning the business to continue to be on the forefront of technology and innovation to help us guide our growers into the future.

As you make your way around our trade geography you will see improvements to rolling stock and locations. Currently, the Seneca seed treatment facility is undergoing a major renovation that once complete, will allow us to process seed orders more quickly and provide a more robust treatment offering portfolio. At our Summit and Fanning locations, we are adding approximately 1,000 more tons of dry fertilizer storage. Along with the added storage at Fanning, we are increasing our load out capacity along with adding the ability to apply pesticides to the fertilizer for pasture application.

During fall 2019, we performed an assessment of our application fleet and identified areas for improvement not only in utilization but in how best to set up our fleet for success. One major area we identified was the need to enhance our corn top dress fleet. We are updating some field equipment while replacing other smaller equipment with larger capacity units. By doing this we are positioned to efficiently keep up with our acres across the trade geography.

We continue to look at ways to help customers maximize profit and minimize risk. One way we are doing this is in our “Future First Fertilizer” program. Through the program, we are looking at the relationship between grain and fertilizer prices and identifying opportunities for growers to maximize their investment in fertilizer by offsetting the risk with grain.

our recent merger with Wakefield Farmers Coop, planned capital expenditures for the coming year and equity retirements made in the past year. Finally, he thanked patrons and employees for their dedication to Ag Partners.

Interim CEO, Rod Schroeder, addressed the patrons and discussed the differences financially from 2018 to 2019, his observations during his time at Ag Partners, and his focus during his tenure with the cooperative. Rod stated the 2020 budget shows local earnings and mentioned the great partnership we have in Ag Processing Inc. (AGP). He noted that we sit in a very nice trade area with dedicated employees and a great culture of safety. He mentioned the need for strategic investments going forward as we strive to be more efficient while keeping our balance sheet strong.

Kent Heinen (At-large District 1 & 2), Terry Bishop (District 2), Ron Eis (District 3) and Mark Noll (District 3) were all re-elected to 3-year terms on the board of directors.

To conclude the meeting, Mark Knudson and Jim Schultejan were recognized for their years of service on the board of directors.

Currently, we can secure Fall 2020 phosphate, potash, and liquid nitrogen needs and estimate the cost per bushel per acre. As this program evolves, we will be able provide customers with the opportunity to secure fertilizer input purchases up to 12 months in advance.

During the month of February, the agronomy team will be hosting regional grower meetings. Dates, times, and locations will be announced soon.

Grain Update

By Lincoln Hillyer, VP of Grain

The new year has come, and the markets have not provided the fireworks many have been looking forward to. The January USDA report and the US-China Phase 1 signing didn't provide any bullish sentiment. The USDA did not change much in the S&D's, still leaving questions as to whether the crop is there or not. Until China starts hitting the export sales, many are skeptical of how their purchases will affect corn and soybeans.

Ag Partners is again looking at rolling out the averaging contract that was initiated last year. The goal is to choose a three-month period that historically is a good time to lock in new crop sales. The daily close is taken each day of the time period to create an average price. Contact the Seneca or Hiawatha offices for more details.

As Ag Partners consolidates accounting offices, the Hiawatha office will still be utilized for customer needs. Contracting, checks, and sorting out of tickets will still be able to be done in Hiawatha. If you have any questions, please give me a call. Our number one goal is to continue great customer service at all our locations.