

Volume 5 | Quarter 2 | 2022
Ag Partners News

Between the Rows



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CEO UPDATE

SUPPLY CHAIN DISRUPTORS

A disruption is a disturbance or problem that interrupts an event, activity, or process. It seems that not a single system on earth has been immune to disruption in the past year.

Each of us has individually felt the impact of the supply chain disruption, as there have been many breakdowns in production, sales, and distribution processes around our country. You may have felt the impact at the grocery store, at a medical office, in your retirement accounts or at the fuel pump or on your farm. Certainly your cooperative is no different.

Market disruptors can be broken down into four broad categories: economic, environmental, political and ethical. For the better part of the last two and a half years, we have witnessed a continuous string of such issues impacting the supply chain: starting with the COVID-19 pandemic beginning in the spring of 2020. The nation's political divide and the heightened unrest stemming from the November 2020 Presidential election have also played a critical factor. The Russia-Ukrainian war has wreaked havoc on the global supply chain, and a resolution to the conflict does not seem hopeful anytime soon. Rising interest rates, the high price of fuel, the declining labor market, and the likelihood of an economic recession round out the current largest disruptors to the market.

Former heavyweight boxing champion Mike Tyson once said, "Everybody has a plan until they get punched in the mouth." Well, if that's the case, we have seen our share of haymakers recently. The inverted grain markets have presented risks in carrying grain and managing our position as we execute sales and make space for this fall's harvest.

Inventory risk, specifically related to fertilizer, poses a significant challenge in how we procure inventory and manage price risk. Increased freight costs and rising interest rates have also negatively impacted gross margins since last fall.

As we look ahead, it beckons the question: How do we address these challenges? First, we are fortunate to have key strategic partnerships with our regional cooperative partners. While not perfect, we are in a far better position managing inventory and price risk than we would have been without such relationships. We continually meet with our regional cooperative partners to plan for the ever-changing environment and how to best address the supply chain issues. We have also changed how we manage logistics to alleviate "empty miles" and to be more efficient with our freight costs. As we approach our fiscal year-end on August 31st, we have also started the process of forecasting for next year's budget. In doing so, we must account for the increased costs to our business model to ensure your cooperative remains in a strong financial position.

Despite all these challenges, we must continue to move forward in reinvesting in your cooperative for the long-term future. The dry fertilizer hub facility in Hiawatha is near completion and will be ready for the fall fill season. The grain projects in Tarkio and Wamego will also be operational and ready for fall harvest. Plans for a central distribution center and warehouse in our western trade territory are moving forward, and we hope to begin construction soon. As part of our upcoming strategic board planning session with management this August, a key initiative will be identifying other high priority needs for reinvestment in key assets.

All of this is vital to better serve you, our member owners, with improved assets that add improved services to your farming operation, make your cooperative more efficient, and return more value to our bottom line.

Although many situations are not ideal for the time being, it is important to stay thankful for what we do have. We still live in the best country in the world, where we are able to celebrate our freedom each July. That is something to be thankful for. Locally, we have been fortunate thus far to miss any widespread destructive weather to the growing crop in the field and have received some pretty timely rains across our trade territory. Both are tremendous things to be thankful for. Let's continue to pray we receive adequate moisture to finish out the crop and for another abundant harvest as we look forward to this fall.

I wish you all the best, and as always, please don't hesitate to reach out with any questions or concerns.

Wes Spohr
President & CEO



MISSION

Committed to serve our patrons to achieve value and growth.

VISION

Strategically planning to enhance profit and innovation.

CORE VALUES

Honesty
Integrity
Teamwork



agpartnerscoop.com

ENERGY UPDATE

A lot has been happening in the Energy world here at Ag Partners. We have many projects underway that will help both us and our customer's experience in the future. A year ago, we started putting the wheels in motion for having our own Central Lubricant Terminal (CLT). Operating our own CLT now allows us to deliver our own bulk and packaged oil products as well as DEF, washer fluid, antifreeze and a few other ancillary products directly to the doorsteps of our own customers, as well as for about 13 other cooperatives in the Kansas/Nebraska/Missouri area. In addition, our CLT will be working with our agronomy department to help deliver agronomy needs when the ability is there to do so.

Another project we have been working on is upgrading our eastern territory cardtrol sites. The sites in Powhattan, Willis, Denton and Robinson will all be getting new fuel dispensers with the capability to utilize our in-house proprietary cards as well as debit and credit cards. Our goal is to have these projects done by the middle of August, with the first site upgrades starting around July 20th.

The last project we are working on is upgrading our technology for a fuel delivery and routing program. This will give our drivers direct customer information in their trucks to help with billing, routing and other tracking information necessary in today's world. The biggest key with this upgrade will be efficiency through helping route our propane customers.

I've been getting a lot of the same questions over the last few months, so I'll do a little Q&A here now:

Q: What do you think fuel prices will do?

A: I really have no clue..HAHA! Here is what I can tell you. Crude oil keeps coming back to that \$105-\$110 range. While we consider that high, if you go back 12 years or so ago, crude oil was up to the \$140-\$150 range. At that time, we did not see anywhere near the prices we are seeing now on the refined products. Our crude supplies are unusually lower than what we usually see; however, the refining process is not keeping up with where we need it to be. Also, demand has really started to peak once again following the pandemic. We are shipping very large amounts of crude oil to other countries. This is what is keeping prices high. There is a backwardation in the markets as we look to future months. However, once those markets roll to the next month, we have seen prices come together rather than getting the lower prices the boards are showing. There will be a correction at some time, we just don't know when. I think we can expect that when it does, it is going to happen relatively quickly. Many analysts are

predicting high prices through the middle of next year.

Q: Is there going to be a shortage of oil and DEF?

A: At this time, CHS/Cenex has promised that they are not having any type of supply issues in regards to Diesel Engine Oils, Hydraulic Oils, and Passenger Car Motor Oils. While many other national brands have had serious supply issues, CHS/Cenex has not. We continue to get our supplies as we order them. With that being said, there are starting to be some supply issues with Gear Lubes and Greases. CHS/Cenex halted their "Grease Gift Cards for Gallons" program this summer because they are having a hard time getting the supplies needed for packaging grease. Processing grease is not a problem, but getting the packaging is. We are being told that there is a three to six month lead time on greases when we order them. We have had lots of grease on order for quite some time now.

With DEF, from talking with one of our suppliers, at this time they don't feel there will be any type of product shortage. They feel that urea prices have come down, and to them that means there is a good supply. They have ensured me that they have three different plants to pull from, and none of those plants have relayed any information to them about a shortfall. We have not had any issues in getting DEF when we order it.

Of course, all of this is subject to change at any time. I will get word out as I receive it from our suppliers. Propane contracts are being mailed around July 1st. Propane has been just like other refined fuel products in that prices are high and refusing to come down. We continue to see our weekly nationwide propane supply numbers be less than the five-year average, which is due to shipping large amounts overseas. I would expect prices to be even higher this winter, like we normally see.

Please be sure to reach out to us if you feel we may have missed sending you a propane contract. Once again, I'd like to say Thank You to all of our customers for your business. It is truly and greatly appreciated!

Eric Osterhaus
VP of Energy



FUEL YOUR VEHICLE & YOUR COMMUNITY

Ag Partners is proud to support local communities in 2022 through our "Fuel Your Vehicle & Your Community" donations. Six organizations will benefit from fueling your vehicle at any of our cardtrol locations. For 2022, we will be donating a portion of sales from every gallon sold at our cardtrols to different community organizations in the area!

For the first two quarters of 2022, the Seneca Community Fund, Jason Adams Memorial Trap Shoot, Axtell PRIDE, and HOPE Brown County will receive donations. For the second two quarters of 2022, the Seneca Community Fund, the Corning Community Fund, Axtell Economic Development Corporation, and HOPE Brown County will receive donations. Fuel up at your local Ag Partners pump and give back to our local communities!

CARDTROL DONATIONS

2ND QUARTER DONATIONS

Seneca Cardtrol

\$634.16

Seneca Community Fund

Corning Cardtrol

\$243.59

Jason Adams Memorial Trap Shoot

Axtell Cardtrol

\$140.47

Axtell PRIDE

Denton, Robinson, Willis & Powhattan Cardtrols

\$235.18

HOPE Brown County



Above are pictures from Quarter #1 Donations.

NOW HIRING



SCAN HERE

Or visit

agpartnerscoop.com/careers

for complete job descriptions and an application.

BENEFITS INCLUDE

Health Insurance

Lifetime Income Retirement Plan

Matching 401(k)

Paid Time Off

Paid Holidays

Life Insurance

Yearly Uniform Allowance

HR DIRECTOR

Lacey Dalinghaus

Email: laceyd@agpartnerscoop.com

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WELCOME TO THE AG PARTNERS TEAM

Cody McCormick

Elevator Operator
Belvue, KS

Kevin McMichael

Logistics Manager

Brent Haverkamp

Electrician
Seneca, KS

Jed Miller

VP of Sales & Strategy
Seneca, KS

David Thrailkill

Operations Technician
Axtell/Summitt, KS

Kevin D'Aloia

Operations Technician
Belvue, KS

Nicholas Honeyman

Operations Technician
Seneca, KS

William Noble

Custom Applicator
Belvue, KS

SPRING PHOTO CONTEST WINNERS

Congratulations to the winners of our Spring 2022 Photo Contest!

The Ag Partners Photo Contest is designed to showcase all sectors of the agriculture industry. Our Spring Photo Contest was open April 15 through May 15 to anyone in our service territory. Photos were submitted through our website and then placed in an album on Facebook. People were then able to like, comment, and share photos to select winners based on "People's Choice". The top three photos with the most combined points were recognized. Winners received Visa gift cards for their winning submission; First place received \$100, second place \$75, and third place \$50.

Thank you to everyone who submitted photos and participated. We always enjoy seeing the beauty of agriculture through every picture, and we look forward to our Fall 2022 Photo Contest!



First Place

Second Place

Second Place

Third Place



MANAGING YOUR RISK

In my opinion, two of the most crucial items we should all be discussing right now are risk management and return on investment. Higher grain, input, and energy prices impact opportunity and risk today at a greater scale than any time in the recent past. Before I get into explaining my thoughts on these topics, and since I'm the new guy, I'd like to give you a little history about me.

Jed Miller
VP of Sales & Strategy

I started with Ag Partners on May 1st of this year as the Vice President of Sales and Strategy. You might say I took the road less traveled in getting to this point. I began my career after Cowley College working for a man in Colorado who owned over 100 restaurants, hotels, apartments, and casinos in a 5-state area. My job was to ensure performance. Sometimes that meant aligning a new acquisition to company standards and values. Other times it meant helping to solve labor, food cost, or facility issues. My travels took me to South Dakota for some properties he acquired, and I was there for nearly a year. During that year, I met my wife (of now nearly 17 years). Since traveling constantly didn't work very well with starting a family, I decided to leave the company and purchase my first restaurant in Sterling, KS. We started our second two years later and the third three years after that. We also had a small construction business that flipped houses. We owned and operated these businesses for 10 years and we were very blessed by them. Unfortunately, in the restaurant world, you need to work when everyone else is off, which meant missing children's events. That caused me to sell those businesses and join CHS as a Certified Energy Specialist in 2014. I spent two years in that role before being promoted to District Manager of Lubricants over Kansas, Oklahoma, and parts of Missouri and Nebraska. I continued in that role for five years before being promoted into a role in Cooperative Resources. That role is assigned to being a resource for talent development, strategic thinking, and planning for boards and leadership of cooperatives in Kansas, Oklahoma, and Texas. This road less traveled has provided me with a diverse view and an appreciation for what it takes to operate a profitable business when your own money is on the line. That leads me back to today's topics.

Let's start with return on investment. It's easy to look at today's input pricing and justify in your mind taking the least expensive route. That's where I would encourage you to measure those purchases against return possibilities. For this exercise, let's assume \$14 bu. soybeans and \$7 bu. corn and two scenarios. The first scenario is the lowest cost option (skip fungicide, minimal fertilizer, and lower impact chemical), and the second scenario is the opposite.

SOYBEANS

- Scenario 1: 40-bushel yield generates \$560 per acre
 - Scenario 2: 65-bushel yield generates \$910 per acre
- DIFFERENCE of \$350 per acre**

CORN

- Scenario 1: 150-bushel yield generates \$1,050 per acre
 - Scenario 2: 180-bushel yield generates \$1,260 per acre
- DIFFERENCE of \$210 per acre**

I won't pretend that every situation is the same, but I will stand by the fact that it is worth doing the math for your operation's return on investment. I urge you to work with your account manager to play out these scenarios to maximize your retained earnings per acre.

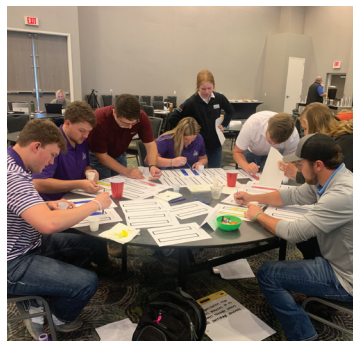
Since the inputs are higher than the norm, I think we should also be talking about risk management and building a plan around it. We've been told these commodity prices will remain elevated for two to three years, but that isn't guaranteed. My question for you is what happens if it's the middle of the season when it changes (and you know that's what will happen)? In 2008, corn values fell by 30% in the last half of the year. In 2014 they fell by 35% in that same 6-month period. Those are brutal lessons we should be learning from. **I urge you to engage the entire Ag Partners team to help you build a plan for risk management, ensuring that you have the right insurance, finance, purchasing, and off-setting sales positions in place to ensure your operation and your family are protected from whatever these crazy markets throw at you.**

Thank you for the work you do, for being a part of Ag Partners, and for the continued opportunity to serve you. Please don't hesitate to reach out to your account manager or directly to me if you'd like to discuss any of this further.

2022 Meet The Interns



Ag Partners welcomed seven interns to our team this summer. They have had a busy summer so far scouting fields, attending trainings, shadowing different employees, and having fun in between. Following their first day, interns and mentors participated in a DiSC Workplace Training that helped them learn more about each other and how to interact in the workplace. Agronomy interns then attended a Crop Scout Training in Grand Island, Nebraska, learning techniques to take to the field this summer. All interns were also invited to Kansas Cooperative Council's Coop 101 for Interns, where they met fellow cooperative interns and learned about the coop business model. In June, interns took a tour of Bartlett Grain Company in Atchison, KS and Ag Processing Inc. in St. Joseph, MO. Other activities interns have been involved in this summer are attending the Kansas State FFA Convention, Ag Partners Lunch & Learn Opportunities, and Customer Appreciation Golf Tournaments. Each intern will wrap up their internship with a final presentation of projects they have worked on over the summer to fellow interns, mentors, and the Ag Partners Leadership Team. Read more about each of our awesome interns below. We look forward to many more valuable and fun experiences with our 2022 interns this summer.



Kylee Rasmussen

Agronomy Intern



Hometown: Albion, NE

Year in School: Graduated December 2021

College Major: Diversified Ag

University Attended: Southeast Community College

Mentor/Supervisor: Levi Lehmkuhl

If you were to create a slogan for your life, what would it be?

"Grab the bull by the horns"

About Kylee: Kylee has grown up in ag and found her love for the agriculture industry by tagging along with her agronomist father. Kylee enjoys horseback riding, being around cattle, and spending time with her family and friends. She is looking forward to expanding her knowledge in ag this summer.

Jordan Gatz

Accounting Intern



Hometown: Sabetha, KS

Year in School: Junior

College Major: Accounting

University Attending: Kansas State University

Mentor/Supervisor: Ben Walker

What is one thing you would put on your bucket list?

"I would like to go to the Super Bowl"

About Jordan: Jordan enjoys golfing and watersports in his free time. He chose accounting as his major because he enjoys the audit side of accounting. Jordan is looking forward to gaining real-world accounting experience this summer from his internship.

Stephanie Boyd

Digital Ag Intern



Hometown: Elk Grove, CA

Year in School: Junior

College Major: Agriculture Science

University Attending: Northwest Missouri State

Mentor/Supervisor: Ethan Noll

If you were to create a slogan for your life, what would it be?

"It is never too late to start something new"

About Stephanie: In her spare time, Stephanie enjoys traveling, swimming, reading, rodeos, and tractor pulls. She has enjoyed her major because it has allowed her to take courses in precision ag, agronomy, and ag business. Stephanie hopes to gain more technology and agronomy experience through out her internship.

Hometown: Falls City, NE

Year in School: Junior

College Major: Ag Business

University Attending: Northwest Missouri State

Mentor/Supervisor: Josh Hinkle

What is one thing you would put on your bucket list?

"Skydiving"

About Cade: Cade grew up on a farm where he gained his interest in agriculture. He enjoys golfing, hunting, and fishing. Cade hopes to obtain knowledge about agronomy and how he can incorporate it into the farming side of his family's operation.

Cade Schawang

Agronomy Intern



Ellie Braun

Agronomy/Digital Ag Intern



Hometown: Tonganoxie, KS

Year in School: Junior

College Major: Agronomy

University Attending: Kansas State University

Mentor/Supervisor: Tyler Di Giacomo & Ethan Noll

What is one thing you would put on your bucket list?

"Visit all the National Parks"

About Ellie: Ellie loves agriculture and hopes to contribute to helping feed the world. She enjoys walking on the Konza Trail and spending time with family and friends. Ellie looks forward to learning what it takes to raise a successful crop outside the classroom and networking with new people this summer.

Carson Ukele

Agronomy Intern



Hometown: Sabetha, KS

Year in School: Junior

College Major: Agriculture Tech Management - Precision Option

University Attending: Kansas State University

Mentor/Supervisor: Preston Thomas

If you were to create a slogan for your life, what would it be?

"Take time to enjoy the little things in life"

About Carson: Carson is returning for his second year as an Ag Partners agronomy intern. He enjoys farming, being outdoors, and playing sports. He hopes to start farming after college and that this internship will help him gain knowledge before tackling that feat.

Spencer Macke

Grain Intern



Hometown: Prairie Village, KS

Year in School: Junior

College Major: Ag Business with a minor in Agronomy

University Attending: Kansas State University

Mentor/Supervisor: Haley Steinlage

If you were to create a slogan for your life, what would it be?

"Live life to the fullest, you only get one"

About Spencer: Spencer enjoys trapshooting, working on his family farm, bowling, and working out. He looks forward to combining his interests for agriculture and business in his future career. Spencer hopes to gain experience with grain markets as well as gain connections in the ag industry through his internship.

RISK MANAGEMENT UPDATE

PREPARING FOR 2023

The insurance calendar is ready to flip to 2023, and we wanted to start with some updates. Livestock Risk Protection (LRP) insurance will begin its 2023 policy year starting July 1st. This Federally subsidized insurance lets cattle producers set a floor price on their cattle and protect profit margins. With the volatility in our markets today, the ability to protect downside risk will be key. The good news is that the 2023 LRP pricing structure is not changing, so it will still be priced very competitively versus Put Options. There are a few other changes worth mentioning for 2023, including a weight increase to allow insurance of 1,000lb feeder cattle and 1,600lb fed cattle. The annual limit of 12,000 head per year has also been increased to 25,000 head to allow more head per policy.

One of the most important changes for the 2023

policy year comes in the form of deadlines. In past years RMA would allow a producer to sign up for LRP and transfer their policy at any point of the year. For 2023, and going forward, there will be no transfers of previous policies after June 30th, so you will be locked in for 12 months, similar to how MPCCI policies function. There has never been a better time than now to consider LRP insurance for your operation. We are happy to answer any of your LRP questions at Ag Partners, so please don't hesitate to reach out with the deadline approaching.

Most crops appeared off to a good start as planting wrapped up, which means it's time to complete Acreage Reporting on your MPCCI policy. The deadline for turning in planting information is coming up in July so remember to put it on the To-Do list. This is also the time of year we hope for



steady rainfall. Unfortunately, strong storms are usually required to produce it. If you have questions around hail and wind insurance, there is still time to sign up this summer or even increase your current coverage. Let us know if we can help answer questions around these insurance products.

USDA released the Emergency Relief Program (ERP) this year and sent information to producers. While we don't expect many ERP payments within our local counties, the insurance team at Ag Partners has some resources to help clear up questions producers might have about this program. As with most USDA programs, your local FSA office will administer the ERP program and have final say on ERP information and rules.

Another hot subject as we head through Summer is the outlook for 2023 crops. We expect some areas of northeast Kansas to take a more serious look at planting winter wheat this fall, followed by double-crop soybeans in the summer of 2023. The Federal Government has mentioned the expansion

of counties where double-crop soybeans will be fully insurable, but we will have to wait and see where the line is drawn. Currently most counties north of Interstate 70 are not insurable and must have a written agreement for double crop soybeans. We probably won't know until later in 2022 which new counties might be eligible, but we will be sure to send an update once we know more. To prepare for wheat/double-crop soybeans, we do suggest producers review their current MPCCI insurance policy to confirm they have wheat coverage in place. Especially if an operation hasn't planted wheat in several years: the coverage could have been removed. The deadline to add or adjust your wheat coverage is September 30th, so don't hesitate to call Jim Ward or Darcy Pralle at Ag Partners if you would like to talk through double cropping procedures and coverages.

Darcy Pralle
Crop Insurance Specialist

KNOW WHEN AND WHERE FUNGICIDE APPLICATION DECISIONS CAN BE MADE



TARANIS

Our Digital Ag Team is here to help make your application decisions easier. Our Multi-Field View allows you to look for a specific threat in your crop for the most ideal timing of applications. Prioritize your fields by spotting the most affected areas with our drone scouting technology to ensure the right timing of foliar for your crop.

The Ag Partners Digital Ag Team is Ethan Noll, Digital Ag Team Lead, Brice Koch, Digital Ag & Services Specialist, and Trevor Kuhlmann and Justin Wenger, Digital Ag Technicians. Contact them today!



PROUDLY GIVING BACK

MATCHING DONATIONS

Ag Partners donated \$30,000 to local organizations through our industry match programs with CoBank and Land O'Lakes between April and June.

- \$5,000 Nemaha County STEP Foundation Match Day
- \$5,000 Highland Foundation Precision Ag & Diesel Technology Program
- \$5,000 Greater Sabetha Community Foundation Match Day
- \$15,000 Nemaha Valley Health Care Foundation
- \$5,000 Nemaha County Fair Board PA System
- \$5,000 Hiawatha Community Foundation Match Day



As a cooperative, Ag Partners is all about giving back and fulfilling Cooperative Principle #7: "Concern for the Community". Each year, we commit to finding ways to contribute to the organizations that make our rural communities what they are. Ag Partners gives to countless organizations and programs, some of which during April, May, June and early July, included the following.

If you are seeking a donation or sponsorship, check out our website and submit the "Donations & Sponsorships" request form to be considered. We are so thankful and proud to support our local communities!

COMMUNITY INVOLVEMENT

You can usually spot Ag Partners in local communities giving back and supporting numerous events!

- Celebrated National Beef Month during May by donating water to area sale barns and doing a coloring activity with Hiawatha elementary school.
- Nemaha County hosted an Ag Safety Day in which our Safety Director, Curtis Stahel, and Regional Director, Kevin Bergman, did a PTO Safety Training.
- Donated and served lunch to the Hiawatha Summer School students.



- Tarkio Rodeo
- Memorial Day golf & softball tournaments
- Fourth of July firework shows, parades, and other festivities

- Community Easter Egg Hunts
- Fire Prevention Programs
- Axtell Days

ADDITIONAL INVOLVEMENT

GRAIN UPDATE

GROWING SEASON IS HERE

Happy growing season! I hope you all have a good feeling about this year's crop. Past rains and more rain chances in the forecast have been great to see. Your cooperative is always hard at work expanding efficiencies at all locations. Grain bins are getting emptied, grain accounting processes are becoming more streamlined, and we are ready to serve you. The new grain storage buildings in Wamego and Tarkio are well underway and are on schedule for completion by this year's fall harvest. Communication about upcoming grain accounting and storage projects will be shared when the projects are finalized.

The USDA June Acreage/Stocks report came out at 11 am on June 30th. Corn acres increased by 431,000, and soybean acres dropped by a surprising 2,630,000, which was below the lowest estimate. Corn and wheat traded to new lows for the day trade, and beans struggled to hold a positive level, most likely due to the news of a resurvey. The USDA is going to resurvey the Dakotas and Minnesota in July due to delayed planting in those states. That may help turn up more soybean acres.

Contact your grain merchandiser or originator today to discuss your grain marketing options. We offer many different contracting opportunities that will help protect your operation with various levels of price risk and reward. Forward contracting your grain as you continue to gain confidence watching it grow can help you limit your price risk before harvest season hits. Best of luck to you all from the Ag Partners grain team.

Lucy Heinen
VP of Grain



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Partnering For The Future

Visit our website at agpartnerscoop.com
Call Toll Free 1-877-336-6153