

# Ag Biz

## Spring 2023

Growing Relationships to Maximize Success!®

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Greetings everyone.

Spring has arrived as I drafted this article. I hope everyone had a great Easter weekend. We were fortunate this year to get started with ammonia and dry fertilizer a week to ten days ahead of the crop insurance dates. This schedule spreads out our workload and provides an opportunity to improve service to our customers.

In the last edition of Ag Bus, I was unable to report our director elections and executive committee elections. Steve Perry from the New Providence/Owasa/Cleves/Faulkner area, Loren Manternach from the Cascade/Farley/Monticello/Central City/Hopkinton area, and Joe Thraenert from Elma/Alta Vista/Oran were all three re-elected. The board officers were elected at our December meeting and remained the same with Randy Blake as Chairman, Steve Perry as First Vice Chairman, Adam Hill as Second Vice Chairman, and Loren Manternach as Secretary/Treasurer. I would like to recognize and thank all the IAS and PLCP directors for their time and efforts. There are many important organizations requiring people's time in agriculture and in our rural communities. It is extremely important to have a well-engaged and well-informed board.

The board election process is several months away yet, but I would like to inform you of this year's details. There will be three board elections this fall. Randy Blake, Paul Cook, and Stan Norman will be up for election. We will need to complete the slate of candidates by October. The nominating committee members are Steve Perry, Loren Manternach, and Joe Thraenert. The nominating committee will consider members who live in the general geography of the incumbent board members. If you have interest and/or have questions you are welcome to call Chairman Randy Blake, any of the IAS nominating committee members, other board members, or myself. Your local IAS location manager can also assist you with the process. IAS welcomes and encourages members to consider running for the board.

Dennis Barr began his career with IAS in January as our CFO. Dennis has been busy learning about our systems and all our people. Tyler Farnham began his career with IAS on March 30<sup>th</sup> as VP of Business Operations. Both Dennis and Tyler are profiled in this publication. I look forward to working with each of them as they learn about our employees, our customers, our systems, and our priorities.

Over the last several months, IAS has had changes to our middle management ranks. Dustin Haberkorn began his employment with IAS in November of 2013 as an agronomy salesman in Elma. Since then, he has progressed through the ranks of Elma location manager, region manager for the northeast region, and now is the agronomy business development manager for the east region. While we know the Elma customers would prefer to see Dustin in Elma every day, we are fortunate that IAS has been able to grow along with Dustin's career and retain his services. Adam Rollinger began his career with IAS in June of 2018. Adam has worked in Monticello as location manager, then region manager in feed for the Hopkinton and Cuba City locations and is now region manager for our east central region. Like Dustin, we are fortunate that IAS has been able to grow along with Adam in his career and retain his services. Al Meister began his duties as a regional manager in the west region in February. Matt Kinley began his duties as region manager for our northeast region in March. Anita LaVelle began her duties as agronomy business development manager and procurement in March. Al, Matt, and Anita all three come to IAS with proven successful career backgrounds. Al and Matt have not worked in ag retail but have excellent experience managing people and processes. Anita is very experienced in the agriculture world, primarily at the wholesale level in nutrients and sales management. I look forward to the capabilities and new energy of this crew. We need decisiveness and economic improvement in the day-to-day management of our business, especially in the grain and agronomy areas. These two divisions are where the most day-to-day fluctuations occur, primarily because of the seasonality of those businesses.

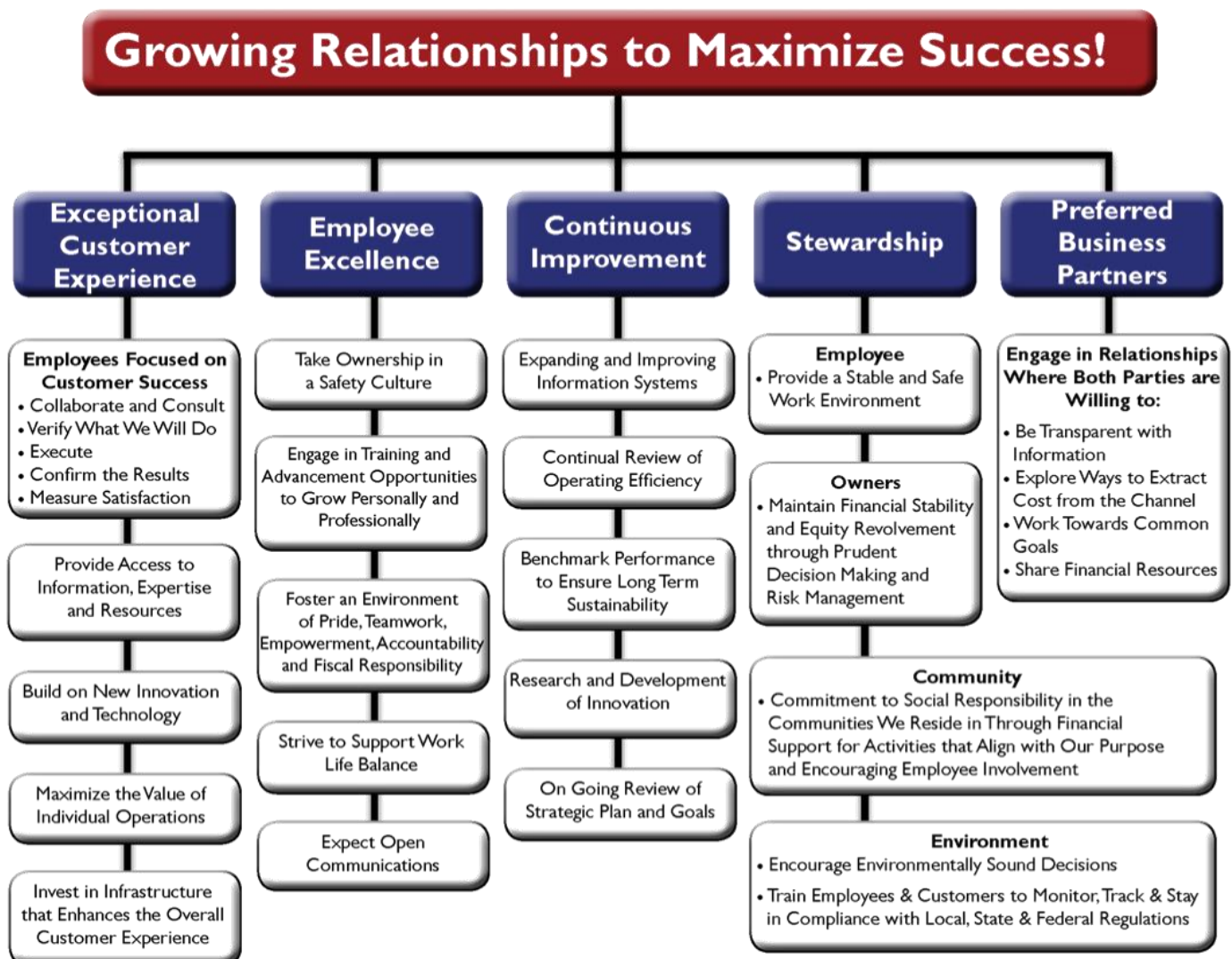
We are working to improve our day-to-day employee availability pool. We have been approved for the H2A program and will have 10 individuals here by May 1<sup>st</sup>. This is a 10-month program utilized by foreign workers and will require some different day-to-day processes than our traditional full-time employee base. We will expand that program over the next two years. I don't feel I need to tell our customers that all businesses are running short of the level of help they desire. I know each of you has experienced it at your farms and with



other vendors. I do appreciate and thank you for your patience. I have worked in this business for over forty-two years. I have never in any of those forty-two years spent the amount of time and effort I have in each of the past three years on the people input side of our business. This would include searching for, hiring, training, following up, checking in, trusting, verifying, and additional communication. We have some excellent new people. We are just unable to find enough of them to fill the current spots we have open for both full-time and seasonal positions. I don't see that changing for our rural communities and businesses. I believe the full cost of this challenge, along with increased interest rates and inflation is yet to be realized. When it is, things will be different in total, but the same at the core. We will still be working every day to serve our customers and provide value to their farming operations where we can. Some of our day-to-day processes of how, what, where, when, and why will see adjustments and differences. This will occur across the spectrum of all rural businesses.

The March 31st crop report and April WASDE report are behind us. Now we are on to spring planting weather and outside influences. I think there will be good opportunities to lock in good profits, but the timing of that specific price target may be short-lived. I know the use of offer contracts is a good way to lay off some of your production cost risks during market spikes. We are ready to help you place some corn and bean offers for the spring season.

We look forward to assisting your farming operation every day in all areas of our organization. We appreciate your business. Have a safe spring!!



## Agronomy Update - Tim Krausman, VP of Agronomy

We are in the first week after Easter with 80-degree temperatures and the sun shining in full force. We have NH<sub>3</sub>, UAN, dry fertilizer, corn pre-emergence, and soybean pre-emergence chemical applications all happening today. It is the time of the year that the agronomy division lives for.

Let's take a quick look at the fertilizer markets. As I'm sure most of you know we have seen a decline in fertilizer prices throughout the winter. Supply/demand and natural gas prices are two of the major drivers of this decline. As many of you can remember, at one time Europe was over \$100/MMBTU. Currently, it is running under \$20/MMBTU and historically it has been in the single digits. The number of corn acres planted will help decide what happens to the price to finish the growing season and affect 2024. Some things that we are watching closely are the number of acres that get planted in the Dakota's and northern Minnesota, and if and how the drought in Kansas and surrounding states continue.

Chemicals have not seen a price decline like fertilizer other than glyphosate. Currently, we have plenty of supply of glyphosate in the market which has forced the decline in price. Most other products are stable to up, compared to last year. There have been some supply challenges in the granular insecticide market with Aztec being the primary challenge. Supplies are very tight, which has forced us to cut our current sales, however, we have been able to cover those shorts with other insecticides.

The seed business continues to be the seed business when looking at substitutions for hybrids and grade sizes. We work through it every year and try to find the best possible alternative to what everyone wants for their first-choice products. Unfortunately, with seed, we are working with living plants, and we can't control how much seed is produced nor what grade sizes the plant will produce. Our partners have been helpful while working through these challenges.

We have added staff to help in our sustainable ag initiatives to maximize opportunities for growers in water quality, carbon, and end-use food resources. We believe this is an important area of our business and we will continue to add resources in this area to find solutions that can bring more profit and sustainability to your operations.

While working through spring like every season, there are not enough employees to go around when everything is happening at once. Each year feels like it is becoming more challenging to find people to service our customers in the manner we expect. We continue to look at all options to fill our positions and believe we have found some areas that we will approve of here in the next month or two. We will be using some labor from outside the US to be able to help fill gaps. We appreciate your patience as we know there have been and will be times that we can't get to your acres in the timeframe we would like and expect.

Finally, a sincere Thank You for your business. We do not take it for granted and continue to work every day to earn it. Please stay safe this spring as you do those activities to get the crop in the ground.



Spring has sprung, and planters have started to roll across the state as we work to put our crops in the ground. Just like every spring planting season is different, so are the fundamental and technical grain market conditions from year to year. Recognizing the market structure and implications between the dichotomy of old crop and new crop supply and demand is important when considering marketing objectives.

Our Winter Grain Marketing meetings are now a couple of months in the rearview mirror. Thank you to all who took the time to attend to hear the grain market outlooks, as well as additional risk management tools we are offering in the JSA Select and Average Price contracts. The goal of the IAS grain division is to continue to enhance our grain marketing solutions that maximize returns for profitability on your farm by minimizing risk while offering flexibility for your operation. Thinking about all the springtime demands on the farm and realizing that spring market seasonality provides good hedging opportunities for the year, the time spent this winter developing a plan and having contracts/orders working allows more time to be focused on getting the next crop planted and growing.

Marketing decisions on the remaining old crop bushels in the bin and new crop bushels being planted will be challenging as we look at the differences between the two crops' balance sheets. A year ago, we were contemplating what lay ahead for the grain markets in the wake of the Russian invasion of Ukraine. Today, the unrest continues, although more grain has been able to move out of Ukraine than most expected a year ago. On corn, the April WASDE report provided no updates to the expected carry-out from the March report that this year's carry-out is expected at 1.342 billion bushels. This is down 35 million bushels from a year ago. However, due to a slower export pace this year, the Stocks to Use ratio is 9.7%, up from 9.2% a year ago versus 8.3% in the 20/21 marketing year. On beans, the April WASDE also provided no updates to ending stocks, leaving them unchanged at 210 million bushels, or a 4.8% Stocks to Usage ratio. For old crop beans, this is the extremely tight and the tightest this ratio has been in the last three years.

Planting intentions for the 23/24 crop marketing year in the March USDA report showed corn at 92.0 million acres and soybeans at 87.5 million acres. Weather models continue to look at a return of El Nino conditions versus the La Nina pattern we have been in. Western hemisphere crop production and yields generally improve under an El Nino pattern. We'll see our first new crop 23/24 balance sheet from the USDA in May, but today, estimating what those look like, could we see carry-outs for new crop corn at 1.800-2.100 billion bushels, and on beans 240-250 million bushels? If we get the projected acres planted, grow trendline or above yields, and continue to see rationed demand, how much pricing risk do you have on your new crop bushels?

Thank you, again, for your grain business with Innovative Ag Services!





At the time I'm writing this article, we are all anxiously waiting for warm weather and a start to the 2023 planting season. Every year we look forward with anticipation of favorable growing conditions and a bountiful harvest as the outcome. The livestock and feed business are also very much influenced by the outcome of the growing season in both hemispheres of the world. Growing season and weather concerns are a large part of establishing prices for feed inputs for our livestock customers. All eyes are on the planting season, even more, this year as we are once again going to battle through an inverse in the grain markets this summer and into the fall. Making it ever so important, we produce a healthy and bountiful harvest. Our team is working to plan our grain needs between now and the start of harvest. Please communicate with our feed salespeople and grain department team any options for your needs moving into the summer and fall months. With that said, the feed division is tracking a little below budget. Increase repairs, labor, and high fuel costs continue to be the driving force in the first 6 months from an expense and on the revenue side, total feed tons are down with margins slightly lower. We continue to work on business goals with a sales focus on gaining new business and using technology and business management tools to help our producers.

Today swine producers are challenged to source healthy pigs as sow units still feeling the effects of the disease. High-dollar corn and other inputs are putting pressure on margins. They continue to struggle to put good managers in barns for sustainability. These are just a few of the challenges our swine producers face today. These are also reasons why our tons are

trending down at our Elkader, Hopkinton, and Hubbard mills. Our swine team continues to work very hard to create and grow relationships with potential customers.

Our dairy tons and margins are slightly lower than last year. Current milk prices are steady but weaker than a year ago. Future markets are trending downward. This is due to increased production without increasing distribution. Input costs remain higher and there is no real reason for that to change moving through the winter months. Our dairy team will be working with the Purina group in the upcoming months to make sure we have the appropriate focus and support with current clients, prospects, training, and development to grow our dairy business.

On the beef side of things, feedlots are full, and our bulk liquid tons continue to grow. Cow/calf numbers are down affecting lower bagged tons moving through the locations and adding to our slightly lower beef margins. There are positive takeaways from our beef team's perspective moving forward and we feel there are opportunities out there. The team continues to play a role in our local as well as our national beef associations.

John Hammel has worked together with Purina to formulate and manufacture an IAS 18% and a 22% calf starter. Our trials have been very successful, and we are excited to launch these products. John has also been working with Devenish, a key partner, to put together an IAS mineral program that we just launched as part of our spring mineral program. This is part of our intention to bring more overall oversight

of our business and concentrate on our relationships with our partners. Emphasizing what they can provide us to help us grow our business and streamline our product lines to provide our customers with a valued product.

Thanks again for all you do to make the IAS feed business successful.



Hello from your man with gas!

For the last few years, we have been dealing with Covid issues and world turmoil. After dealing with food production issues, supply chain problems, slow economic recovery from the pandemic, and the effects of an overseas conflict, it seems rather clear that shortages, disruptions, and price hikes are here to stay. One day we will all look back on these times and wonder how we were able to keep our sanity.

Petroleum prices are determined by market forces of supply and demand, not individual companies, and the price of crude oil is the primary driver of the price we pay at the pump. Oil prices are at a seven-year high amid a persistent global supply crunch, workforce constraints, increasing geopolitical instability, the economic rebound following the initial stages of the pandemic, and policy uncertainty from Washington. American producers are working to meet rising energy demand as supply continues to lag, but policy and legal uncertainty is complicating market challenges. My opinion is, that lawmakers should focus on policies that increase U.S. supply to help the current situation rather than political grandstanding that does nothing to encourage petroleum investment at a time when it's needed the most.

All this volatility has created issues of supply security that should be our top priority. Right now, product supply, storage capacity, pipeline capacity, and transportation capacity are on our radar. There have been some changes in all aspects of getting the supply from the refinery to the end user and all those changes cost money. Obviously, the consumer is extremely tired of footing the bill for all these increases in cost, but the alternative is what? It all falls into my earlier statement that our lives have changed. The ag industry is a resilient group, and we will continue to fight through these challenges.

Locally, farmers/producers should keep in mind that it is a good idea to keep their fuel tanks full, as these volatile markets could create tight supply and logistics. Price is one thing to try and capture, but supply is more vital. We continue to replace loads in our bulk plant when fuel is delivered, so I don't look for any big disruptions near term.

Later, we will be coming out with our propane summer fill price and that should give everyone an idea of where these prices will settle out at for fall/winter contracts.

Thank you to all our customers for your business! Have a great Spring!



Pictured above: LP Refined Fuel Delivery Driver Russ Ellingson, Ackley, IA

## Welcome New Leadership!!!

### **Tyler Farnham, VP of Business Operations**

I would like to introduce myself to you all. I am Tyler Farnham, the new VP of Business Operations.

I am extremely excited to join the IAS team! I have a long history with the cooperative system. I started my career at Farmers Cooperative in Farnhamville after college. I spent several years there in many roles operationally and working with sales also. I was there through the merger with West Central Cooperative to form the new Co-op known today as Landus. Then I transitioned into a role with Five Star Cooperative overseeing operations with them as well as working very closely with the sales team. From there I spent the next 5 years up in South Dakota as a Regional Business Manager for Agtegra Cooperative. My last stop was in Sioux Center, Iowa as the Senior Director of Grain for Farmers Co-op Society.

A little about me personally I grew up on a family farm south of Fort Dodge, Iowa in a small town called Gowrie. I was very involved in agriculture at a young age. I was naturally pulled to agriculture wanting to help America's Farmers be more successful. I have 2 children Bretton (16) and Ella (14). In my spare time, I enjoy spending time with family and enjoying college and professional sporting events with my son as well as following my children around and going to their activities.

I look forward to working with all the employees and patrons in the future! I am proud to be at Innovative Ag Services and look forward to making us the chosen supplier and partner to the farmer in the future.

### **Dennis Barr, Chief Financial Officer**

My name is Dennis Barr, and I am the new Chief Financial Officer at IAS. In this role, I will be managing all financial activities and technology resources for the company. Prior to joining the IAS executive team, I worked primarily in the manufacturing and utility industries where I held roles of increasing responsibility in both finance and transformation. My educational background includes a Master of Accounting Science from Northern Illinois University and a Bachelor of Arts in accounting from Monmouth College. I am also a licensed CPA.

I've only been with IAS for a short period of time, but I can confidently say we have a great team here dedicated to providing you, our customers, with quality services and products to support many of your agricultural needs. We are also always thinking about new ways to improve the customer experience, which is why I'm excited to announce our plans to roll out the Control Central App. With this app, you will have the ability to login and manage your account, digitally sign documents, and access up-to-date information from your phone or computer. Be on the look out for future updates and communications on how this app can be used to maximize the value IAS can provide you!

On the finance side of the house, we've been working hard to navigate this challenging interest rate environment with interest rates up 3X year-over-year. To dig a little deeper on this subject, the amount of interest you will pay is really a function of 1) the rate, 2) the amount borrowed, and 3) the fees you pay for having funds available to you. All have been managed through our strong Balance Sheet and consistent increases in working capital which signal to lenders a high likelihood of repaying, allowing us to borrow money at very competitive interest rates. We also have a great working relationship with CoBank, a cooperative, which had another strong year in 2022 resulting in patronage being distributed to IAS in 2023 lowering our effective borrowing rate.

Finally, a little about me personally, I currently reside with my wife, Sarah, in Anamosa, IA. We both grew up in the Midwest and are proud to call Iowa home. We are expecting twin girls this summer, so most of our free time these days is spent preparing our house for children.

I appreciate the opportunity to serve our IAS customers, work with a great team, and look forward to what we can accomplish together to ensure continued strength in Midwest agriculture.



We welcome the warmer weather now that spring is here and the provides the opportunity to work outside again. Safety must always be a priority and must be considered in any task or operation we are involved with. Innovative Ag Services is committed to employee safety and is everyone's desire to send employees home safely along with meeting regulatory requirements in the workplace. We ask our employees and customers during this busy time of year to be safe. Consider the environment you are working in and the equipment hazards associated with the equipment and then select appropriate personal protective equipment.

The weather and season change brings an increase in farm equipment and more vehicle traffic on rural roads. Learn to safely share the road with the large equipment. Be mindful and look for the Slow-Moving Vehicle (SMV) sign. This is your warning to slow down and an indication the vehicle is traveling at or below 35 MPH. It takes just 5 seconds for a car traveling 55 to close 300 feet or a football length. Don't get impatient when following slow-moving vehicles and follow the same rules when passing other vehicles. Do not pass in a no-passing zone, on a curve, on bridges, or near intersections. Be aware of wide or large equipment that may be hanging over on the shoulder that might have to swerve into the center to clear a mailbox or sign. At nighttime be on the lookout for a steady or flashing single light that may be on the back of equipment or nurse tanks between the hours of sunset and sunrise as an indication of equipment traveling at or below 35 MPH. State code 321.383 has more information on the SMV signs use and requirements if needed.

With spring fieldwork comes the application of chemicals and Anhydrous Ammonia to support the demand of our customers. Safely handling these types of products is paramount. Improper handling or not following PPE requirements can have severe long-lasting effects. Always read manufacturer labels and safety data sheets for requirements and recommendations.

Anhydrous Ammonia will always seek a source of moisture. Your face and lung areas are the most vulnerable and must be protected. Wearing ventless goggles and neoprene gloves with a liner is the first line of defense when working with chemicals or Anhydrous Ammonia. A face shield and wearing long-sleeve clothing are highly recommended as part of your PPE when working around these items to

prevent splashing onto your skin or entering your airway.

Water is your friend when working around these items as water has a neutral PH base for chemicals and water is a must around Anhydrous Ammonia. Anhydrous Ammonia will chemically burn the skin upon contact and continue for up to 15 minutes. Water for 15 minutes on exposed areas is a must, never apply ointments. All nurse tanks have 5 gallons of emergency water tanks on them and is a good idea/recommendation for customers to carry a personal supply of water in vehicles and tractor cabs or on their person for immediate accessibility.

Most farmworker injuries are caused by tractor incidents: overturns, being run over, equipment attachment mishaps, and power take-off systems. Please be safely aware of your surroundings and potential hazards to exercise extra caution this time of year. Conduct pre-operational checks and road-worthy safety equipment checks of safety chains, drawbar pins/safety pins, proper lighting, and SMV signs. Take that extra moment and inspect the equipment; an ounce of prevention is worth a pound of cure as the old saying goes and still applies today. If possible avoid peak travel times and during times of poor visibility, at night, or during foggy/inclement weather periods.

Innovative Ag Services recognizes that our customers and employees are our most valuable assets. Our customers are important end users to our continued growth and success as a company. We are firmly committed to customer service and employee safety and will do everything possible to prevent accidents.



## 2024 IAS Photo Contest! Start Taking Pictures Now!

### **Get Out Your Cameras and Show Off Your Creative Side with Innovative Ag Services Annual Calendar Photo Contest!**

Want your photo showcased in our 2024 calendar? Send in your photos that evoke the heart of cooperative lifestyle. Share with us, and your fellow coop members the quiet scenes and breathtaking vistas that define our cooperative world, as seen through your eyes.

Whether it's a scenic landscape, a snapshot of everyday life, or an action photo, we invite you to share your images. Winning entries will be featured in the 2024 calendar.

Photos must be submitted by **August 31st , 2023**.

Photo contest rules and forms can be found at <https://www.innovativeag.com> on the home page under News & Press. All photo submissions can be emailed to **hr.dept@ias.coop**.



## Innovative Ag Services Board of Directors



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**Stan Norman**  
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**Joe Thraenert**  
**Elma**



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