



Ag Biz Briefs

Summer 2021

Growing Relationships to Maximize Success!®



Summer Update

Rick Vaughan, CEO

Greetings everyone.

The summer milestone of July 4th is over as I draft this edition of Ag Biz. The crops across our IAS geography look very good in total, but all areas would like and will need additional moisture. The marketing challenges associated with the growing crops this time of year are exacerbated by the current supply and demand fundamentals. It is difficult to sell into uncertain production. In contrast, we own 190% more corn and 352% more beans going into new crop this year versus last year at this date in early July. That said, this time a year ago, we were expecting sub \$3.00/bushel corn going into fall. As of this writing, new crop corn is near \$5.00/bushel. Wow, what a year of difference. I do think with the latest USDA June production acres and the currently expected yields, next year sets itself up for similar price model variability. The unknown is always demanding destruction at these levels, especially the export markets. It is my understanding every expense associated with crop production is up. Therefore, excellent marketing of your outputs is equally important at twice the price of the inputs. We are here to help you with your marketing needs and work every day to provide as good of markets and contract tools as possible.

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 positions up for election this fall; Tim Burrack from the Manchester/Winthrop/Independence area, Ryan Collins from the Waukon/Monona/Elkader area, and Adam Hill from the Ellsworth/Williams/Alden area are up for election. The nominating committee members are President Randy Blake from the Andrew area, Paul Cook from the Hubbard area, and Stan Norman from the Union area. If you have interest and/or have questions about becoming an IAS Director, please

call President Randy Blake, the nominating committee members, other board members, myself, or reach out to your local location manager.

We are preparing for fiscal year-end and preparing budgets for next year. This time of the year arrives too quickly as I look backward and forward. As we prepare all the numbers for both processes, I think about the most important elements that are necessary for a successful year. It begins with our people. We have many new people across our geography that have elected to join our organization and invest their valuable time. We have many, many more experienced, and tenured people who have elected to invest their valuable time with our organization throughout their careers. Without these long-term valued employees, we would not have the institutional knowledge needed about our customers, and their operations, nor the mentoring capacity necessary for us to be successful. Our success is also dependent on our customers' commitment and patience with our people, especially through transitions. Thank you to all employees and customers for your commitments. We all read about the challenges today and looking forward of every employer finding employees in all industries and communities to meet the needs of all customers. We must recognize and appreciate the importance of each other in our quests to continue to service our customers and help them grow their businesses.

I would like to take this time again to thank you for your business. We look forward to assisting you with the challenges of the remaining growing season, preparing for the upcoming harvest, and beginning plans for next year's crop. We look forward to our partnership with each of you and the opportunities that are provided every day. Have a safe and healthy balance of the summer season.

Growing Relationships to Maximize Success!



Customer Appreciation Events Are Back!

Carla Elliott, VP of HR

IAS looks forward to hosting another successful summer of customer appreciation events! We have missed seeing everyone. Its going to be great to get out and meet our customers in person once again. We have appreciated everyone's patience at all our locations as we managed our way through the pandemic and all the restrictions we put in place to protect our customers and employees. It is typical for us to alternate years in which we hold these events due to the number of locations we have. If your location is not on our list for this year, look for us to see you next year.

The following locations are holding customer appreciation events in August. Invites have started to be mailed, make sure to RSVP when you get your invite. We look forward to seeing and working with you every day.

A BIG  Thank
YOU

Locations Represented	Event Date
Central City	Wednesday, August 4, 2021
Cascade, Farley	Thursday, August 5, 2021
Ackley, Austinville, Cleves, Faulkner	Tuesday, August 10, 2021
Ellsworth, Garden City, Hubbard	Tuesday, August 24, 2021
Andrew	Thursday, August 26, 2021



Protecting Our Investment—Servicing Our Customer

Brenda Hoefler, CFO

It is hard to believe the year is half over already, that old adage of time waits for no one sure rings true. One of the areas we continuously work on improving is the overall security of our computer systems. It seems like it is rare these days when the headlines don't include the news of a ransomware attack. It hits too close to home when we read about attacks within our industry and geography.

To help in that area, we continue to add and update layers of security. It is a never-ending process as we try to stay ahead of any bad actors. We have put a lot of emphasis on employee training on phishing attacks since more than 90% of data breaches start with a phishing attack. In addition, we regularly send out company sponsored phishing simulations to reinforce the training and keep employees up to date and vigilant in current phishing tactics. We are also in the final stages of implementing a multi-factor authentication system that requires employees to provide at least two or more verification factors to gain access to our computer systems. This helps ensure that only authorized individuals have access to our computer systems.

Another area of focus that we've been working on is the launch of our IAS App. We will be launching a new customer app that will help each of you do business with us when it is convenient for you with

the electronic device of your choice.

The application will have many great features including:

- App Inbox – Where we can send you notifications on items that interest you, notifications of important happenings at your location, as well as send you contracts for your review and signature.
- Grain Bids – You will be able to access grain bids for the locations you do business with at any time (10-minute delay).
- Grain Position – See your live delivered, open storage, grain bank, warehouse receipts bushels.
- Grain Scale Tickets and Settlements – See your scale tickets and settlements.
- Contracts – See your open and historical contracts and sign them electronically.
- Account Information – See your current and past statements and deferred equity balance.

And so much more

We will be reaching out in the near future to help get you signed up with the new app. Thanks for your business and have a fun, safe and healthy summer.



**New IAS App
Coming
Soon!**

Maneuvering Through the Uncertainty

Mike Duncomb, VP of Feed

It is already mid-summer with outdoor activities, summer gatherings, county fairs all in high gear. I am sure most are looking forward to many of these activities that may have been missed when everything was on hold last year!

The livestock and feed businesses have been no less challenging and uncertain in 2021 vs. 2020. Swine and beef demand and prices have been good, but increased input costs have pushed profitability back to breakeven or less. High-priced corn and concerns about corn supply have added significant uncertainty to these markets. We are seeing a significant number of swine barns and cattle feed yards empty until the 2021 harvest and price expectations are better known. Dairy markets have also been challenging as we have moved into the summer months with milk supplies continuing to weigh on the markets.

On the feed input side of the equation, volatility and uncertainty abound. Just-in-time rains have kept crops looking pretty good in most of our trade area, but dry areas in the corn belt continue to grow. Hopefully, we have seen some widespread rains before you get this update. Soybean prices have continued to be strong. High demand for soy oil has been driving increased supply of soybean meal, keeping prices in check. Soybean meal demand being down along with declining livestock and poultry numbers has also helped moderate soybean meal pricing. It appears supply should be good between now and harvest. Corn pricing has been a concern for all of our livestock producers over the past few months with some improvement over the past couple weeks. Corn demand with uncertain supply has

challenged us with a significant inverse in the market. Price indicators have been very much telling corn producers to sell now vs. later. This has created a significant challenge in making sure we have corn to provide feed to our livestock producers between now and harvest. We have been working closely with our livestock producers to plan their corn needs over the next few months. Please communicate immediately about any changes in your corn needs with your respective IAS salesperson and grain merchandiser.

In my last Ag Biz article, I shared some of our concerns in the mineral, vitamin, and amino acid markets with supply shortages and logistics as a major challenge. Since then, most of the manufacturing issues have improved but logistics have not. We are working closely with our suppliers to make sure we manage order lead times and inventory to have the supply when it is needed. It appears the logistics problems will continue for some time.

Finally, a quick update on your IAS Feed Division. Through the first nine months of our fiscal year, our tons are down slightly compared to last year. Swine tons are down from the previous year, beef tons are up, and dairy tons are about even. We are tracking ahead of budget. The feed team is keeping focused on managing production, nutrition, feed budgeting, and tracking performance and financials. We very much appreciate your business and look forward to working with you through the volatile markets and the uncertainty that it brings.

FEED ORDERING REMINDER

Over the past few months we have seen an increase in same-day feed orders. Our ordering policy is to have orders received by 12:00 PM (noon) for delivery the following day. This helps us plan and schedule manufacturing and make sure your orders are delivered promptly. Orders received after 12:00 PM (noon) will be a late order and may be charged a late order feed.

Thank you for placing your feed orders on time.



Agronomy Update

Tim Krausman, VP of Agronomy

As we continue through the summer months, for most of the area rain is at a premium. We continue to hope for timely rains to finish our crop. If rain isn't the topic of choice, conversations about commodity prices are usually the other topic that gets brought up quickly with a grower. Grain prices have continued to be strong through the summer. Fields are just starting to tassel and for the most part, they look clean in terms of weed control. I am pleasantly surprised how well the chemicals worked this season with the amount of time that some of the chemicals laid on top of the ground without rain to activate them. While fields are hitting the reproductive stage, stress mitigation applications must be strongly considered at this time. Fungicides have proven to be beneficial to combat late-season disease pressure and the yield drag that comes with it.

This year I believe they will be beneficial to help with added stress due to the heat and lack of moisture. We consistently see an eight to ten bushel per acre increase in corn and a three to four bushel per acre increase in soybeans year in and year out with timely fungicide applications. With added stress, or disease we typically see even greater results with the new products on the market. The impact of this benefit increases with the price of grain, and the probability of getting a financial return is much larger due to it taking fewer bushels to break even.

One thing to watch as we go through the growing season with the dry weather is the burden from insects that are out there. In soybeans, spider mites can be a problem. Keep your eyes open as they can do a lot of damage in a short time. The other thing

that comes to mind for corn is rootworm pressure. It is a little early to tell what that looks like in the fields this year, but I hope the traits and insecticide continue to keep the infestations under control.

As we look at the next growing season, fertilizer and chemical prices will become top of mind. With chemicals, we will see an increase due to an increased active ingredient cost, along with increased transportation costs. In fertilizer, we will see an increase in price due to tight supply and high demand, along with import tariffs on a couple of our main products due to recent countervailing duty orders put in place on fertilizer imports.

We are continuing to increase our sustainability footprint utilizing the Truterra platform from Land O' Lakes to find additional opportunities to put dollars in growers' pockets that are driving for increased sustainability. We have several projects for water quality, food quality, and carbon sequestration going on at this time. We will continue to look for other programs that can incentivize growers to utilize practices that help increase sustainability such as no-till, cover crops, stabilizers, grid sampling, tissue sampling, and others.

As we look to fall we are still optimistic for a good crop, favorable weather, and a safe harvest. Thank you all for your business this growing season and we look forward to working with you to maximize each input dollar for the best return on profitability.



Energy Update

Randy Swenson, VP of Energy

Hello from your man with gas!

As of this writing, crude is trading down to \$73.60 per barrel, due to the inability of the Organization of the Petroleum Exporting Countries (OPEC) to make an agreement. This price is the highest trade since November 2014 after OPEC members and Russian-led producers called off their scheduled meeting until further notice, amid a deepening rift between Saudi Arabia and the United Arab Emirates. This means the group will maintain its current production quotas into August. Time will tell what all this means to consumer fuel prices.

Propane has been a hard animal to tame. Prices continue to rise at rates we haven't seen during this time of the year for quite some time. Propane continues to hold its own around concerns of low

hub inventories, flat production, high exports, and high domestic demand. Propane days of supply currently sit at 66.5 days vs 79.9 last year and overall U.S. supplies remain -17.1 million barrels or 21% behind last year. This is a concern with supply, but we will see how production and exports progress throughout the summer.

Locally, propane summer fill has begun, so expect your tanks to be filled this summer. Next season's propane contracts will be sent out this month, so please don't set them aside. It certainly appears that prices will not get any cheaper.

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

WHAT TO DO IF YOU SMELL PROPANE:

If you think you smell propane in your home, camper, RV, or the area around any gas equipment, or if a gas alarm signals the presence of propane, you should IMMEDIATELY follow these suggestions:

- Extinguish all smoking materials and any other open flames or sources of ignition. Everyone should vacate the building, vehicle, or area.
- Move away without using any electric switches, appliances, thermostats, or telephones.
- Close the gas shutoff valve on the propane tank or cylinder.
- Call your propane supplier and/or your local fire department from a cellular telephone or a neighbor's telephone.
- Even if you do not continue to smell propane, do not open or turn on the propane supply valve. Do not re-enter the building, vehicle, or area. Let a qualified propane service technician and/or emergency personnel check for escaped propane.
- Have a properly trained propane service technician repair the leak. The propane service technician or emergency responder needs to determine that the leak situation has been fully resolved. The propane service technician should check all of your gas appliances and re-light any appliance pilots.
- Return to the building, camper, RV, or area only when the service or emergency technician indicates it is safe to do so.

In an emergency, please call one of our LP service technicians:

Jon Keninger, Ackley – (515) 290-2421

Heath Mitchell, Owasa – (641) 849-0607

Chris Hewitt, Hubbard – (515) 310-0050

Grain Update

Robin Sampson, VP of Grain

No one could have predicted the spring weather patterns of 2021. What started as an opportunity to get the crop planted early with an early harvest possibility turned into a cold snap in May, a hot spell in June, and drought across Central and North West Iowa. Last week I traveled to our local county fair on a sunny afternoon in 60-degree temperatures, observing corn tasseling along the way. No one remembers such cool weather for the county fair; a welcomed break in the heat for fair exhibitors, as well as the corn and bean crop. Soon we will see ears and pods filling. Maybe only then will we come to understand the effects of weather on this year's corn and soybean crop. Given the spotty rainfall year-to-date, it may need to be a field by field analysis for many farmers.

The futures markets seem uncertain as to crop development and supply. Uncertainty in futures markets means volatility. Recently revised daily price trading limits in commodities has led to the opportunity for increased volatility. Recently, we have seen multiple limit up and limit down days in the corn market (which are now 40 cents /bushel) as well as soybean revised trading limits to \$1.00 per bushel, which led to the largest one day move in soybean prices in history. Traders watch multiple hourly weather forecasts trying to determine temperature and rain not only in Iowa but across the country and around the world. Brazil has had challenges to its safrinha corn crop due to weather just like in North America. Late planting due to

extreme wetness turned into dry conditions for their growing season. Throw in a little frost as the crop reaches maturity, and they have similar uncertainty on crop size. This adds to market volatility. The latest World Agricultural Supply Demand Estimate (WASDE) report reduced Brazil's corn production estimate in the last month from 98.5 million metric tons to 93.0 million metric tons, which is a reduction from last year's production of 102 million metric tons.

The long-awaited June 30th planted acres and stocks report added to the surprises of this year. While the market expected 92-93 million corn acres planted in the United States, the USDA shocked us with 91.14 million acres planted report. That means we need a trendline or better yield to maintain a carry out over 1.3 billion bushels, which is historically a very tight carry-out. This acreage number was revised in the latest WASDE reports to 92.7 million acres, but demand also increased making projections tight at 1.432 billion bushels carry-out using a 179.50 national bushel per acre average. Soybean acres were reported at 87.6 million acres. Like corn, this was below the trade expectation. Once again, trendline yields are needed to maintain enough bushels to meet demand, let alone build any stocks. In Iowa, the USDA reported 100 thousand acres were switched from corn to soybeans. Not exactly surprising given acres affected by the derecho, though early planting years historically tends to add corn acres.



Here are some other important grain-related items to remember going forward.

2. To continue to encourage the use of cash and futures offer contracts to execute sales. Given the global markets and electronic trading, we continue to see some of the largest market rallies in the overnight session. Having an offer in the market is an opportunity to possibly execute or enhance price objectives.
3. Hedge To Arrive contracts – For those that utilize this contract option, note that there are currently carries in the corn futures from December to March and May. That may or may not continue depending on the supply-demand factors that affect the marketplace. Over the last year, carries in the market turned into inverses. Inverses were detrimental to those utilizing hedge to arrive contracts over multiple trading months. If choosing this type of marketing contract, have a plan on delivery and manage the position accordingly. Reach out to the grain department with any questions.

NOW HIRING! Innovative Ag Services is hiring for full-time employment at multiple locations.

Coming Soon—IAS will be accepting applications for part-time seasonal work for the fall harvest.

Visit www.innovativeag.com/careers for more information!



Safety Update

Bill Vetter, Director of Safety and Compliance

We ask all our customers, employees, and family members to be safe during this time of year. Consider the environment you are in and the potential hazards associated with your activity. No matter if you're working outside or participating in a recreational activity. Having a good plan and selecting appropriate personal protective items for the activity your participating in is important.

The simplest of tasks around the home/farm: climbing ladders, working on roofs, mowing/weed eating, baling hay Or recreational activities with boats, pools, swimming, fishing, campfires, ATVs/UTVs all come with risks. Age-appropriate usage of equipment needs to be considered, and ensure proper supervision is present to protect children from mishaps.

Remember that most heat-related illnesses can be prevented by taking appropriate precautions. Please take time to reinforce awareness of heat stress, its causes, symptoms, and steps for the prevention of heat-related illnesses. Let's not forget to protect ourselves from sun exposure by:

- Wearing sunscreen that has a high UV protectant, wearing long-sleeve shirts and pants along with hats will protect the skin from burns and long-time exposure to skin cancer.
- Avoid overexposure from sun rays especially between 11 a.m. and 2 p.m., Prevention of heat stress this time of the year is important by drinking plenty of water, taking breaks during rigorous activities, wearing lightweight and light-colored clothing, and avoiding alcohol/cafeinated drinks.
- Know the symptoms of heat stress: headache, nausea, dizziness, weakness, irritability, profuse sweating which can lead to heat exhaustion or heat stroke if you do not react to what your body is telling you. The body can normally regulate its core temperature through sweat until it has been exposed to more heat than it can regulate. Heat exhaustion and heat stroke can rapidly escalate.

Heat exhaustion is the loss of water and salt in the body, and is usually due to heavy sweating. Signs and symptoms include sweating profusely, pale moist skin, muscle cramps, fatigue, headache, nausea or vomiting, and rapid heart rate. Uncontrolled heat exhaustion can evolve into heat stroke rapidly. Best care is given at the onset of symptoms by moving the person to a shaded area or a place with air conditioning if available. Give water and apply wet towels to exposed skin areas. Usually, no medical attention is needed.

Heat Stroke however is more severe and requires immediate action and medical attention to care and monitor recovery. Skin will be dry and hot to the touch. Body temperature will be 103 degrees or higher. Breathing will be rapid, headaches dizziness, and confusion or irrational behavior will be prevalent. The person can have convulsions or become unresponsive. Move the person to a cool place out of the sun, remove unnecessary clothing, apply cool water to the entire body, and place in water with the help of another person up to the neck area if available. If no water is available to immerse, place cool wet towels on exposed skin areas and/or ice packs to armpits or groin areas to help cool the blood in the body. Be prepared to provide CPR in severe heat stroke cases. Do not force water if the person is not responsive; apply large amounts of water to the exterior of the body as much as available. Seek medical attention immediately if body temperature is over 103 degrees or fainting/ passing out occurs as heat stroke or exhaustion has occurred. Move person to the shade and have them drink small amounts of water. Whether you're at work, home, or recreational activities, please look out for each other and know/look for the symptoms of any heat-related illnesses.

Outside eating during the summer will increase the potential for foodborne illnesses as bacteria grows faster in warmer temperatures and higher humidity. On top of that, more people are eating and preparing food outdoors, at picnics and barbecues, where refrigeration and places to wash hands are not readily available. Ensure you have hand sanitizer or cleaning wipes readily available.

If you have a swimming pool, or if your child will be near one, it is crucial to put multiple safety measures in place to keep kids safe. Each year, more than 830 children, ages 14 and under, die because of accidental drowning.

Use caution when doing yard work. Never allow children to ride on lawnmowers or to play near motorized lawn equipment. Children under age 12 should not operate push mowers. In addition to lawnmowers, children should be supervised around, and on an ATV/UTV. UTVs/ATVs are responsible for approximately 74 deaths and 37,000 injuries in the U.S. each year.

Whether you are working or participating in recreational activities, please look out for each other and prevent any heat-related illness. Enjoy your summer and thank you very much for your business.

IAS Annual Photo Contest

Deadline:

August 31st, 2021

Want your photo showcased in our 2022 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 2022 calendar.

Photos must be submitted by **August 31st, 2021**.

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.

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