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Carol Hamilton via Getty images



# CONNECTIONS

*A publication dedicated to informing and connecting members.*



## Key Perspectives

Another year with  
successes and  
challenges

By Boyd Brodie, General Manager,  
[Boyd.Brodie@keycoop.com](mailto:Boyd.Brodie@keycoop.com)

**2022 WAS ANOTHER** successful year financially and operationally for Key Cooperative. We were able to profitably serve our members' input supply and market needs. It was also

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## New Year, New Leadership!

Key welcomes Grain Division Manager Jarod Lemper

By Sara Clausen, Director of Communications, [Sara.Clausen@keycoop.com](mailto:Sara.Clausen@keycoop.com)

**JANUARY OFTEN BRINGS** New Year's resolutions. There's a new year displayed on the calendar and an overall sense of "out with the old." Overall, these all result in change. This January, the Key Cooperative team is looking forward to one particular change, which is delivering a great feeling of excitement.

Harvest 2022 looked a little different for Key Cooperative. It was led by a team effort as we initiated the search for our next Grain Division Manager. During harvest is an unlikely time to fill this role, and as expected, our search was not completed until after harvest. Now that it's 2023, we're thrilled to introduce you to your new Grain Division Manager ... and he's probably quite familiar!

Formerly our Grain Merchandiser, Jarod Lemper has been part of the Key

*continued on page 3*



# The Solution to High Prices Is High Prices

The market will find equilibrium at some point

By Zack Gardner, Grain Marketing and Origination Specialist, [Zack.Gardner@keycoop.com](mailto:Zack.Gardner@keycoop.com)

**THE ENTIRE THEME** of this article comes from one of our brokers: “Our team in Brazil is reporting that at least two cargoes of Brazilian corn have traded into Mexico.” Yes, this report is shocking, even more so because it came in just days after the U.S. rail strike was shut down by Congress. That means we can’t even justify this development by saying Mexico was buying from different origins as a hedge against a potential U.S. rail strike. The solution to high prices is high prices. We (the U.S.) are geographically the closest and logistically the most efficient when it comes to getting grains to Mexico—and they aren’t buying every single bushel from us!

This development is just one example of how the U.S. export market is reaching equilibrium. At some point, the whole market will. We have the big final USDA report coming the second week of January. I’m nervous that it will reflect the equilibrium this market has been trying to find. Here are some signs of that approaching equilibrium:

- Corn basis out west (in the Beef Belt) has recently been backing off, which tells me there was panic buying ahead of a potential rail strike as opposed to incredibly poor yields in Kansas and Nebraska. (Yields were still probably poor, just not *that* poor.)
- Weekly ethanol production seems to slow every time basis gets to +25-ish (at least in our area).
- Corn exports have been one-fourth to one-third of what they really need to be to send corn to the U.S. feed yards instead.
- Brazil is getting weekly rains. So far, they are growing a solid-looking soybean crop. It appears China is just buying enough soybeans from the U.S. to get by until Brazil’s record crop is ready.
- Ukraine’s corn production is down, but their exports are up significantly. These exports are priced cheaper than U.S. corn, and the Asian market is buying from the Black Sea as they can, week-by-week, since it is an available and cheap source of grain.

Nearly the only sector that is positive right now is soybean crush, but it can only take us so far if everything else



is bearish. My biggest fear is that we just locked in expensive ammonia/inputs and will watch demand destruction slide the market lower like in 2013. That chart is not pretty.

I’m not saying this will be our fate this year, but it is a huge risk. I don’t think I can emphasize that enough. All this being said, the market has been hanging around the \$7.00 cash corn and \$15.00 cash bean price for two months for a reason. That is our current equilibrium. That is what it takes for end users to buy grain. If the market was totally bearish, we would already be priced around \$4.50. There is still a significant amount of risk premium in the market. Russia might shut off Black Sea exports again, and Argentina’s dryness might expand over into Brazil. Most importantly, we haven’t seen significant relief on the U.S. drought monitor yet!

So what do we do to protect ourselves? First, take advantage of those base-hit sales as they appear and as they are profitable. A common strategy I’ve been seeing is to at least lock in some new crop bushels to offset input costs. If the market goes down, our inputs are covered. As for the January report, why not look at some shorter-dated options, like March, to cover our risk through most of the spring crop insurance pricing period? If you want to make a cash sale at these levels, why not tie a cheap call option to it to retain your upside potential? If you don’t want to make a cash sale but want to protect your downside risk, why not buy a put option?

If your concern is the drought monitor rather than the January report, let’s take a look at a May option. You would have risk protection through most of April, when you’d



## Key welcomes Grain Division Manager Jarod Lemper

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*Jarod Lemper has been part of the Key Cooperative team for more than 20 years. Key welcomed Jarod to the role of Grain Division Manager this month.*

Cooperative team for more than 20 years. The Waterloo, Iowa, native was introduced to farm operations at the young age of nine when he began visiting his family's farm in Illinois.

"I visited my aunt and uncle's farm one summer while my parents took a vacation," said Jarod. "The following summer, I was invited to come back, then it became something I looked forward to doing every

summer break until I was a junior in college." Today, Jarod still transitions into the role of farmer each planting and harvest season to help on the family farm.

From the moment Jarod started his career, he was linked to the cooperative model. Decades later, he's still advocating for farmers to lean on the cooperative to remain connected. After graduating from ISU with a degree in ag business, he decided to remain in Illinois. He got his start at Advance Trading as a Farmer Marketing Advisor, which placed their advisors in cooperatives. "Out of college, you either

went the cooperative or the corporate route," said Jarod. "I enjoyed the country side, not corporate."

Following this role, he furthered his ag experience with Asgrow® Seed Company (now Bayer Crop Science) and then began merchandising grain for another Iowa cooperative.

Jarod reflected back on when he was recruited to Key (Heart of Iowa Co-op at the time) by General Manager Jim Penney and Grain Manager Ron Gates. "We officed out of Roland, then transitioned the grain team to Nevada when we began loading a lot of trains," said Jarod. "Soon after, the Lincolnway Energy ethanol plant was built, and that area became a prime location for grain."

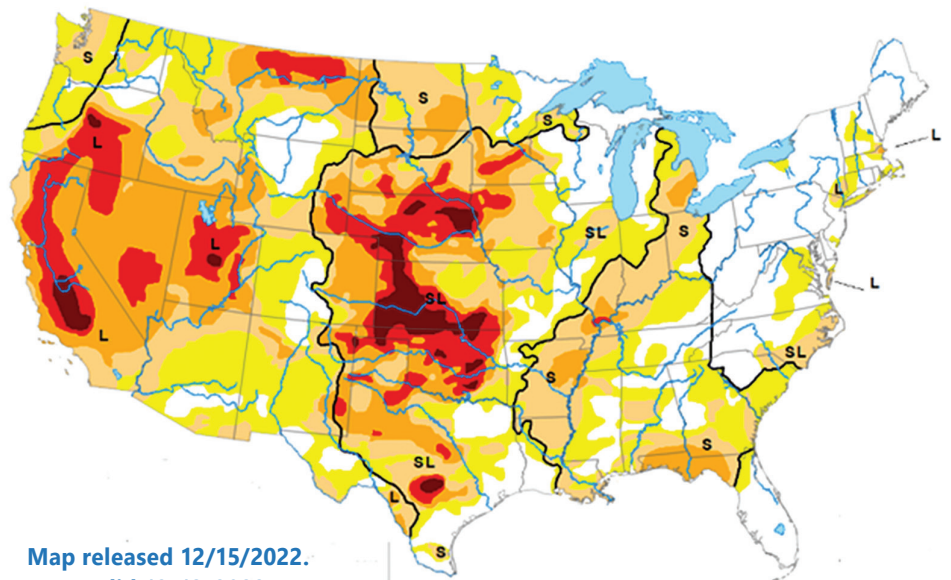
Now, 20 years later, Jarod is leading the Key Cooperative Grain Team as they shift back to this familiar time with markets once again favorable to train shipments. "The focus has come back to loading trains because now, we get to choose: train or truck," said Jarod. "The derecho rebuild allowed us to put in new equipment as well as a second load-out, which can pull from more places within the elevator."

January does bring change, and change can also be seen as opportunity! "I've seen our cooperative go through so many changes, and I've been a part of that," said Jarod. "Now I get to ensure that our success continues and be involved in the future growth of Key Cooperative." ■

## The market will find equilibrium at some point *continued from previous page*

have a better idea of current moisture levels and a better look at the late-spring weather outlook.

Option pricing has cheapened a bit as markets have come off their highs. Granted, they are still what I would consider expensive, but when we're looking at profitable prices potentially turning into unprofitable ones, it's hard to justify not looking at these risk protection options. ■



Map released 12/15/2022.  
Data valid 12/13/2022.

# Year-End Tax Notes

## Items to take to your tax preparer:

1. 1099-PATR, which will be mailed to you in January. (See below.)
2. Form K-1 for any memberships in grain storage partnerships through Key Cooperative, which will be mailed to you in early 2023.
3. Letter from December 9, 2022, regarding DPAD.
4. Check stubs from any estate payments received during the year.

*You may have received all or none of the above items, depending on business done.*

## The following information will be found on the 1099-PATR you receive from Key Cooperative:

- **Box 1 - Patronage Dividends** - Any estate that had nonqualified patronage paid out will be included.
- **Box 3 – Per Unit Retain Allocations (PURPIMS)** - Your gross grain sales to Key Cooperative, before any deductions were taken from your check (storage, drying, checkoff, etc.). Based on calendar year.
- **Box 5 – Redemption of Nonqualified Notices** - Any estate that had nonqualified patronage paid out will be included here.
- **Box 6 – Domestic Production Activity Deduction (DPAD) or Section 199A(g)** - The amount that was passed through to members from Key Cooperative. Members may be able to deduct this from their income taxes. Based on member grain sales to Key Cooperative during the fiscal year.
- **Box 7 – Qualified Payments – Sum of Boxes 1, 3 and 5**
- **Box 8 – Section 199A(a) Qualified Items** - Qualified items include patronage dividends and PURPIMS (Boxes 1, 3 and 5).
- **Box 13 – Specified Cooperatives** - Check this box if you are an agricultural or horticultural cooperative engaged in the manufacturing, production, growth, extraction or marketing of agricultural products.

**If you have any additional questions regarding your 1099-PATR, contact Danielle Kleve at 515-388-8037 or Stacey Webster at 515-388-8020.**

*Please refer any specific tax-related questions to your tax advisor. ●*

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## DON'T MISS OUT, HIGH SCHOOL SENIORS!

### Key Cooperative Community Scholarships

**Applications due by March 27, 2023**

Key Cooperative will award twelve \$1,000 non-renewable scholarships this spring. To view the scholarship criteria or get the application, visit [www.keycoop.com](http://www.keycoop.com) or contact your local Key Cooperative office.

Applicants' major course of study should be in an agricultural or ag-business field. Other acceptable majors include animal science, communications, information systems, accounting, human resources, carpentry and masonry construction. Students must have a parent or guardian who is a Class A or Class B member of Key Cooperative in good standing. ●





# A Helpful Guide to Carbon Credits

By Landon Van Dyke, Sales Agronomist, [Landon.VanDyke@keycoop.com](mailto:Landon.VanDyke@keycoop.com)

**NAVIGATING THE CARBON MARKET** is challenging. There are many companies that want to buy your credits, but which one is best for your operation? How do you know which is best when they're all so different?

First, it's important to understand what a carbon credit is and how it is made. Simply put, a carbon credit is when you keep more carbon in the soil than you put into the air. You accomplish this by reducing the amount or severity of your operation's tillage and/or by planting cover crops. Why are carbon credits becoming popular? People and companies want to reduce their carbon footprint, so they either make lifestyle changes or purchase carbon credits from a seller (a farmer).

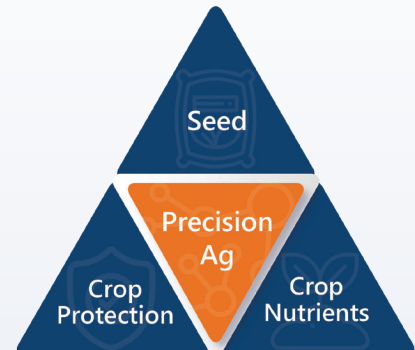
Second, you must establish the

relationship between the buyer and seller. Is the buyer a reseller, a middleman or a marketplace? The differences between these types of buyers will show up in how the contract is written and the requirements for the farmer. Other important aspects to understand include:

- Selling a carbon credit vs. selling carbon credit rights
- Tail commitments
- Clawback rules
- Verification costs

You must also get answers to these two questions: What is the potential market upside? How often will you get paid?

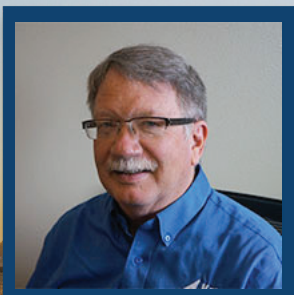
All these factors relate to each other in unique ways based on the individual program. As an example, let's look at



the difference between selling a carbon credit and carbon credit rights. Carbon credits apply to a specific period of time, while carbon credit rights apply for a period of time into the future (like mineral rights for land).

These terms and questions—as well as other factors not listed—need to be considered when evaluating which carbon program is best for your operation. But don't sweat the complexity! Key Cooperative is at your side and will navigate carbon credits with you. As the new year begins, start the conversation with your Key Agronomist to prepare for your operation's future. ●

*Thank You  
for your leadership*



*Perry Ritland*



*Dave Hassebrock*

## Retiring Directors

Perry and Dave have both served your cooperative for over 12 years and have now reached their term limits. These directors have been instrumental in the progressive growth and positive direction of Key Cooperative for decades.

Join us in thanking them for their years of service to Key Cooperative!

**JOIN US!**

**Key Cooperative  
Annual Business  
Meeting**

**Friday, January 13, 2023**

**Grinnell Agronomy  
Center**

**10:00 A.M.**

**RSVP to your  
Key location**

another extremely challenging year, with unprecedented changes affecting our industry domestically and globally. Drought conditions continue to plague the southern and western portions of the nation. Parts of the Grain Belt have struggled to transport crops and inputs due to low river levels and labor shortages in truck and rail. International demand remains erratic due to military conflicts, currency volatility, COVID-19 policies and global recessions.

I can't adequately express how thankful we are that our grain and livestock markets continue to provide profitable opportunities for our membership. I'm also thankful for a very hardworking and committed team of employees who take pride in providing our members and customers with outstanding service throughout the year. We are excited to inform you that Jarod Lemper will be leading the Key Grain Division starting in January. Please refer to his spotlight article in this newsletter.

This year, Perry Ritland and Dave Hassebrock have reached their term limits and will be stepping down from their positions on the Key Cooperative Board of Directors. Our members, employees and communities have benefited greatly from their service and commitment for over 12 years. All the directors I've had the privilege to work with have been strong advocates for our membership and employees. They consistently put the needs of the entire cooperative ahead of their individual needs. Perry and Dave have unquestionably helped usher Key Cooperative through the most tumultuous period in our history.

Financially, Key Cooperative achieved earnings of \$2.75 million in 2022. In 2021, we experienced a large gain from an involuntary conversion of assets from insurance proceeds related to the derecho, which created savings of over \$20 million before income and taxes. The insurance proceeds were fully utilized in the rebuilding effort and were a non-taxable form of income that couldn't be revolved as patronage to members.

In 2022, we finished the rebuilding efforts, which had a significant and lingering impact on this year's financial results. One recently completed project improved our shuttle loading capacity in Nevada by 40 percent, providing members with invaluable access to external markets. Considering the ongoing financial needs related to rebuilding, the Board of Directors has decided to allocate \$1.5

million in nonqualified patronage distributions to members for 2022, as well as a Section 199 pass-through of 6.7 cents per bushel.

We wish all our members a safe and prosperous 2023! Working together as essential business partners, we remain committed to providing our members with improved and secure market access, enhanced marketing tools and services, emerging technologies and innovative practices by employing environmentally sound and socially acceptable methods to be successful. ●

### FIND US AT THE IOWA BEEF EXPO

taking place at the Iowa State Fairgrounds February 11-19



**WEDNESDAY, FEB. 15 - SATURDAY, FEB. 18**

**Stop by our booth to visit with the feed team  
and enter to win free Purina feed!**

The Key Cooperative and Purina exhibitor booth is located in the cattle barn foyer where sales are held. Purina products will be available for purchase. Key is also proud to partner with Purina as a sponsor of this year's judging contest.

For more information, contact Lifestyle Feed Sales Specialist Ceara Smothers at 641-260-6179 or Purina Sales Specialist Joel Edge at 319-331-3667.



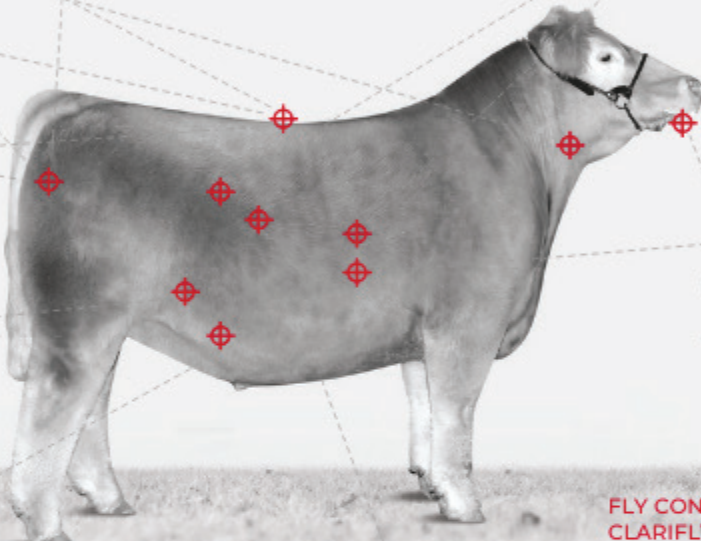
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- Adds bloom and promotes muscle shape
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## CHAMPION DRIVE™

- Builds muscle without trimming fat
- 30 days before target date

## ULTRA FULL®

- Add lower body fill, especially in flank area
- Start 40 days before target date

## POWER FUEL®

- High energy supplement for the finishing stages to increase feed intake
- Works in 10-14 days when transitioning or pushing cattle

## FITTER® 35 (Slow Burn)

- Burns off fat at a controlled rate
- 20-30 days before target date

## FITTER® 52 (Aggressive)

- Burns off fat quickly
- 8-10 days before target date

## DEPTH CHARGE®

- Fills in the upper body and works quickly
- 20 days before target date, can see a difference if fed on show day

## HEAVY WEIGHT®

- Supports healthy hair and palatability
- Works in 10-14 days

## FLY CONTROL WITH CLARIFLY®

- Helps control fly population as a feed through supplement
- Roughly 21 days before consistently above 60 degrees (April/May) - feed throughout entire summer

## ALLEVIATE®

- Supports proper gut health and limits stress
- During periods of high stress or when switching a ration

## A winning combination.

No matter what your goal, Purina has a feed and supplement to help you get the show look you need.

## Contact:

Ceara Smothers | Lifestyle Feeds Sales Specialist | 641-260-6179  
Joel Edge | Purina Sales Specialist | 319-331-3667

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## PHOTO CONTEST WINNER: FIELD WORK

By Jared Hanson, Ellsworth



*Jared Hanson of Ellsworth  
snapped this picture during fall  
field work. Can you spot the  
Key Cooperative logo?*

Would you like to see one of your photos featured on this page? Enter the Connections photo contest, which is open to any member or customer who receives our newsletter. One winning photo will be selected and placed in the newsletter. Winning photographers will receive a \$20 GAS GIFT CARD! Photos must feature agriculture or rural settings; Iowa-based scenes are preferred. Photos must be submitted by the 10th of each month in order to qualify for the following month's newsletter. Please include your name, address, phone number and email address with your submitted photo(s).

Submissions may be emailed to [Sara.Clausen@keycoop.com](mailto:Sara.Clausen@keycoop.com).

## OUR BOARD OF DIRECTORS

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send comments or suggestions to  
Sara Clausen at 515-388-8030 or at  
[Sara.Clausen@keycoop.com](mailto:Sara.Clausen@keycoop.com).