

Fall 2021

LITTLE CHANGES MATTER WHEN SERVING YOUR NEEDS



Sean Slowinski, CEO

We've seen a lot of big changes at Legacy Cooperative in recent years. Bigger bins, expanded fertilizer and seed storage, faster dumping and

faster load outs have made serving your needs more efficient and effective.

Size matters in much of what we do, like negotiating to secure the inputs you need at the best price we can. However, little changes in what we do and how we do it are important too. We have been working on a number of them in recent months, and we hope you'll appreciate them as we move forward.

We are developing a new website that we hope to launch in October. Our goal is to be more user friendly, so you can access information easier and faster. Another intent is to provide real-time information. If you use the MyGrower app, you can access your account data. With the changes, this information will be updated even faster.

Changes in how we handled deferred payments (DP) will impact many of you. Due to changes in state law that took effect August 1st, you no longer have 45 days to decide pricing on delivered grain. That has been cut back to 30 days, and you are responsible for converting your DP to cash payment or some type of contract. We will continue to send out

reminders of the need to make timely decisions, but it will be up to you to act... and sooner than in the past.

What we can do and are working on is making it easier for you to sign off on contracts. An electronic signature on any kind of grain document is now recognized as valid. We are hoping to have this service in place by January 1, 2022.

Another change in the new state law regards protecting the value of your grain when utilizing a DP. The new law requires that we offer you the opportunity to purchase a bond. You are not required to buy one, just as we are not required to provide one. It is simply an option. As a result, you may see an "opt in" or "opt out" clause on scale tickets with future DPs.

Some changes in how you do business with us are out of our hands. One of these is how we interact at point of sales (POS), when you stop for gas or other goods at our C-Stores or other retail outlets. The payment card industry has recently made changes to protect data privacy that make our current POS no longer compliant. This will require a major upgrade at all POS sites and anywhere we sell fuel.

Your data privacy is as important to us as it is to you. However, the industry's changes mean we can no longer use information from commercial credit card transactions when recording purchases

for patronage purposes. However, if you use the Legacy Cooperative local card, we will be able to credit you for patronage.

Using the Legacy Cooperative local card benefits all members in another way. The 1.5 to 2 percent processing fee is considerably lower than American Express (2.5 to 3 percent) or Rider Express (5.5 percent). These fees represent a cost to the cooperative. When you help your cooperative save money, it has a direct impact on patronage earned.

When it comes to reducing costs, our employees are one of our most vital resources. They are the ones who see firsthand what works and what doesn't and where changes can be made. One recent example was when the manager position at the Rolette elevator became available, Everett Lervik, the Rolette Agronomy Location Manager applied to take on the additional responsibility.

Every business today faces strong headwinds of tight margins and competitive pressure. If we are going to continue doing what we do for our members and their communities, we need to seek out ways like this to be more efficient.

Sharing the load between elevator and agronomy staff at locations offering both services is nothing new. They have learned to flex and pitch in as needed. Sharing the load at the manager level

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is new. As it proves out, there may be similar opportunities elsewhere over time. We know we have great people on staff ready to give it a shot, taking on more responsibility and making changes to better the cooperative.

Speaking of change and employees, changing weather patterns have put agronomy staff under the gun to meet member needs. When heavy rains hit over a recent weekend, members responded. We sold a record 4,000 tons of ammonia the following Monday. That was followed by several thousand tons of urea the following day.

These kinds of sales would have been an even bigger challenge a few years ago. Going into the market to secure supplies before these rains fell gave our staff a lot of trepidations, given the dry

conditions this past summer. They did it, and those early purchases have provided a bargain for members who placed their orders.

The value of a strong fertilizer program continues to be proven, even in a dry year. Equally important is a solid fungicide program. While traditional thinking was to cut back on both in a drought, yields have challenged that thinking. We are seeing yield boosts of 25 bushels in fields where fungicides were applied. The investments paid dividends this year, especially with wheat at \$9 per bushel.

Higher than expected yields are good news for everyone. High prices for wheat have moved more bushels to Legacy Cooperative elevators than in past years. Once again, our employees have been on top of things, clearing out

bins ahead of harvest and making room for new crop.

Whether delivering fuel, working the counter at our retail sites or prepping bins for harvest, our employees continue to come through. It has been a challenging year with COVID-19, and it appears to be raising its head again. Regardless, our employees come to work every day and do their jobs. They are proof positive that we have the right people in place. Combined with a good mix of facilities and assets, we are ready to take care of member needs efficiently and effectively.

VIEW FROM THE BOARD



Mark Heinz has seen a lot of changes at Legacy Cooperative with expansion, mergers, acquisitions

and growth. One of the biggest benefits of these changes is the ability of the cooperative to maintain and improve services. Getting the crop protection chemicals and fertilizer he needs when he needs it is vital. However, so is being able to get his tires changed or being able to pick up needed parts.

"We may not make a lot of money on services, but if we didn't have them around, what would our members do?" asks Heinz. "Where would we have to go for parts, repair service or getting tires fixed?"

He adds that growth-related change has also made it possible for Legacy Cooperative to assemble an exceptional

array of physical assets. They include storage and handling facilities for grain and agronomy at multiple locations, as well as application equipment. It has also ensured the products he needs. As he approached harvest, he knew the herbicides he needed were available.

Heinz notes that it is the cooperative's growth that makes it possible to secure inputs at a competitive price for Legacy Cooperative members and in the quantity needed. "Having trainload capacity gives us and our suppliers more options," he says. "The same holds true for other inputs. We have a better relationship with our suppliers because of the volume we do."

Like other members, Heinz heard reports of other co-ops running out of fertilizer this spring. Not only did Legacy Cooperative not run out, but with fields south of Rolette and others close to Rolla, he was able to pick up fertilizer close to the fields that needed it. Improved handling sped pick up even

more.

"Pull in and leave five minutes later with 30 tons of fertilizer," says Heinz. "Time saved is very important when you need to get back to the field."

Time can be just as important at harvest. Heinz delivers to both Rolla and Rolette, although most of his grain goes to Bisbee. "It depends on which elevator is the closest," he says. "

Having multiple options is a big plus, as is having more space available at each, explains Heinz. He knows Legacy Cooperative members who have not added storage on the farm because of increased confidence in the co-op's ability to take grain. It is a confidence that he shares. "Before the facility expansions, there were times when they didn't have room at Rolette, and we had to haul grain from fields south of there to Bisbee," he says. "That seldom happens anymore."

STRONG FALL APPLICATION SEASON IN PLACE

If fertilizer orders already placed are a good indicator, Legacy Cooperative members will be taking advantage of late summer rains, suggests Joe Kremer, Legacy Cooperative Agronomy Manager.

"Recent rains have set the stage for the 2022 crop," says Kremer. "With the moisture we have now, we are set up for a good spring and getting crops started earlier. Fall application will help."

Kremer notes that members have responded to the rains by placing record orders in a single day, and business hasn't let up since. Demand has challenged agronomy staff to keep up, not only with the paperwork, but also ensuring incoming supplies.

"We are working hard to keep up with supply contracts on our end," says Kremer. "We will see a lot of urea and anhydrous go on this fall in areas that have been too dry in recent years."

He adds that better-than-expected yields with better-than-expected prices are making it possible to invest in next year's crop. Unfortunately, fertilizer prices are climbing fast. While that may change, some factors point to continued strong pricing.

Kremer points to the industry adage that 'fertilizer prices follow corn.' Yet when corn prices dropped recently, fertilizer prices continued to climb. Availability was strained when Hurricane Ida hit the Gulf Coast in early September. Grain stopped moving out, and fertilizer stopped moving in. Urea went up \$25 per ton the

following week.

He adds that anhydrous will be in tight supply this fall. "It is hard to find, and the prices change every day, depending on what is happening elsewhere," he adds.

Herbicide supplies for 2022 are also expected to be in short supply, as they were this past spring. "There were shortages in many areas," says Kremer. "We stocked up heavily through the winter, so we never had to turn a member away."

Stocking up for the coming year is now underway, but member input is needed to ensure the right products and quantities are in place, stresses Kremer.



Legacy Cooperative anhydrous ammonia storage tanks are extra valuable this year due to tight supplies and high demand.

"We highly recommend that members buying Liberty Link canola or other trait-linked seed order their herbicide at the same time," he says. "There is no alternative once the seed is in the ground. This past spring, we ran close on Liberty and Roundup."

Adding to uncertain supplies are supplier allocations. "We are fighting for all we can get," says Kremer. "Everything will be in allocation this year, including Liberty and likely Roundup."

Allocations are largely based on what a retailer like Legacy Cooperative sold the previous year. "There is also a factor for growth and what we can negotiate," explains Kremer. "Our size and scale help ensure that we will get our share."

Kremer credits the managers and staff at

Ask About Storage Before You Order Your Herbicides

Before ordering lower cost herbicides elsewhere, check out how they are stored over winter.

"Be sure the herbicides you buy have been taken care of," says Legacy Cooperative Agronomy Manager Joe Kremer. "Our overwintering chemical warehouses are all heated, so members know their herbicides have never been frozen. They know they will work as promised."

the 9 agronomy locations for getting and keeping that business. He cites the team at Wales, staff and members alike, for huge anhydrous sales that continued after being acquired by Legacy Cooperative in 2020. "We've tried to do all we can to make them feel welcome," says Kremer. "They have been very supportive, and we appreciate it. Members and staff are great to work with."

One product segment that was not in short supply this crop year was fungicides. Kremer understands member hesitation to apply fungicides in a drought year. However, he notes that those who did were happy at harvest.



Erica Peters and Jenny Janz greeted members waiting in line at Bisbee in late September with hamburgers and hot dogs.

YIELDS BETTER THAN EXPECTED, BUT PRICES REMAIN STEADY

Grain marketing is complicated. Wheat stocks-to-use is estimated around 30 percent, which should put pressure on the markets. Winter wheat yields were high, which should have added pressure. However, reduced yields in Russia and Canada, as well as the U.S. Northern Plains, are keeping prices high. Locally, spring wheat yields are higher than expected after a summer with little rain, but not as high as years past.

"The spring wheat tour through North Dakota projected an average yield of 29 bushels per acre towards the end of July," says Brooks Larson, Legacy Cooperative Grain Merchandiser. "So far, the worst we've heard this harvest is a 35 bushels per acre yield, while the best has been close to 65 bushels per acre throughout our trade area."

Larson admits that other areas throughout North Dakota ended up with a substantially lower yield than the local area. "Overall, we still have 40% less spring wheat production compared to last year, which is keeping the Minneapolis wheat market supported," he says.

The high prices in spring wheat do come at a cost however. Mills are starting to blend more winter wheat into their flour to cut down on costs. Exporters are losing a certain amount of business due to the high prices of wheat in the U.S. compared to other countries like Canada, Russia and Australia. If the extra demand going to other countries drives their prices closer to U.S. prices, the export business will return. The alternative scenario is that U.S. prices go down to match competing exporters due to the decrease in demand.

In the case of soybeans and corn, demand from China and domestic use are running high. Even with the record yields projected in the corn and soybean belt, stocks are still projected to be tight for the 2021-2022 crop year.

"Soybeans stocks for 2022 are projected at only a 4.2 percent stocks-to-use ratio, which is very low," says Larson. "We will need all the beans we can produce in order to meet the USDA's projected domestic and export demand. Corn is in a similar pattern with stocks-to-use projected at only 9.5 percent for the 2021-2022 crop year."

Larson notes that South America continues to increase its soybean acres by converting land that was once pasture or used for other purposes to farmland. However, China still needs the majority of US soybean production to feed their growing hog herd and human population.

"Information we get from our agronomists and our producers is vital for knowing how much freight we need to book to get through harvest with adequate space,"

"They need our exports, and our infrastructure can supply them," says Larson. "We still grow a significant amount of the world's total soybean production, and our rail system and export facilities get product from the field to a boat in the Pacific Northwest faster than any other country. The recent trade war was an eyeopener in demonstrating how much we rely on them and they rely on us."

The downside to the high demand is the increasing cost of freight. Storage upgrades at Legacy Cooperative elevators are proving their value once again. Without the upgrades, more grain would have to be shipped during harvest at what is typically the lowest values of the year with the highest priced freight. Freight costs can significantly eat into margins if they aren't booked well in advance.

"Information we get from our agronomists and our producers is vital for knowing how much freight we need to book to get through harvest with adequate space," says Larson. "As it is, three wheat trains were scheduled in both August and September, and two soybean trains are scheduled for October. We are hoping that can get us through the harvest months with more freight booked later."

Ironically, after such a dry summer, prayers for rain were finally answered. However, that has made wheat marketing more challenging. Quality was high as the spring wheat harvest began, with yields coming in higher than expected. A two-inch rain throughout most of the Legacy Cooperative trade area caused some quality issues with the second half of the wheat crop.

"As the rain continued, falling numbers on much of the wheat went from above 350 to around 250," says Larson. "Most of our sales, regardless of the destination, require guaranteed color and falling numbers above 300. It is a challenge to make specifications on what we are selling."

As the rains fell, it was obvious grain was going to come in wet and potentially have some quality issues. "With our enhanced storage, our operations staff did a great job consolidating our better wheat in our larger bins," says Larson. "This allowed us to segregate the wet, lower quality wheat in some of our 70,000-bushel bins."

Larson admits that even with the wheat quality issues, the rain is welcome, not only for the next crop year, but also for soybeans in the field that are on the tail end of their life cycle.

"The soil moisture should set us up well for next spring, and we should see some benefits to pod filling in the soybeans," he says. "We hope our members will make a decent soybean crop for the season they've had."

LEGACY COOPERATIVE HAS GRAIN 'ON THE GO'

Legacy Cooperative has kept grain on the go this summer, emptying out bins at local elevators and trucking it to the terminal at Bisbee. It doesn't sit there long either, as three shuttle trains a month have moved it west to Pacific ports.

"It is a system that is increasingly unique, but benefits Legacy Cooperative members in multiple ways," says David Berginski, Legacy Cooperative

Operations Manager. "It offers members greater convenience and flexibility than a single location would. It also allows the co-op to flex with changing conditions and unexpected grain movement."

Closing local elevators in favor of a single, centralized hub has long been an industry trend. Legacy Cooperative board and management have followed a different path, investing in local elevators, upgrading and expanding their facilities. As a result, members can deliver grain faster at nearby locations without trucking it 30 to 50 miles or more.

"Local elevators save members time and fuel," notes Berginski. "This summer, it also helped us take in more grain more quickly than possible with any single location."

In a normal year, elevator managers expect members to fill their bins with wheat before delivering excess wheat and later crops direct to the elevator. High wheat prices turned the tables. As harvest started, wheat quickly moved off the farm to the elevators.

"We always try to clean out our elevators prior to harvest, and this year it proved vital," says Berginski. "Our members had expected yields as low as 20 bushels per acre, and some ended up with 50 to 60. As a result, we handled much more than we expected."

Years of investing in storage and handling paid off. "If one location is filling up, but the combines are still running, we can move grain

effective at handling wheat as it comes in. Berginski notes that it got close to being full of wheat only once during the busiest part of the season. Three trains in September ensured there would be room when soybean harvest kicks in gear.

"We haven't had to pile any wheat on the ground, which is preferable," says Berginski. "The trains are moving it out to make room for soybeans. With the concrete pad, we can pile them outside if needed."

Legacy Cooperative Grain continues to adapt to



Legacy Cooperative grain flows smoothly from local elevators like the one at Rock Lake to the terminal at Bisbee. From there, shuttle trains carry the grain west to Pacific ports. While each is important, without the trucks and drivers, elevator managers and employees, the flow of grain would quickly grind to a halt.



to another location where harvest has wrapped up," he says. "It is a matter of being able to adapt, and with the bigger wheat crop and delivery from the field, we did."

In some cases, that meant filling a bin with wheat that had been set aside for soybeans. Such flexibility was invaluable for the co-op as harvest continued.

"With our network of local elevators, we have days where we take in more than half a million bushels of grain," says Berginski. "With a single location, we would be capped at less than half that."

Expanded local storage capacity makes it possible for the terminal to be more

changing conditions. Late summer rains affected remaining standing wheat. Problems with falling numbers began to appear. Once again, extensive storage and the ability to move grain around came into play.

"We didn't expect numbers to fall as quickly as they did," says Berginski. "We made changes to the plan and moved grain around to free up bins for the lower quality wheat."

MAKING THE MOST OF REQUIRED CHANGE

When the payment card industry changed how point of sales (POS) are handled to protect privacy, Legacy Cooperative had to invest in a new POS system for all retail outlets. However, that wasn't all bad, according to John Lovcik, Legacy Cooperative Energy Manager.

"We have been operating with multiple POS systems due to past mergers and acquisitions," says Lovcik. "Upgrading each of these systems would have had their own costs in software and equipment. Instead, we chose to install a single, new system at all locations."

The new POS system creates opportunities for more efficient operations. "All employees will now be trained on the same system, making it easier to move people around when needed," says Lovcik. "With multiple POS systems, each location had different codes in the different systems, complicating data transfers. Now each location will have a single code for simpler, more efficient accounting."

Lovcik notes that members will notice a few differences with the new system. In the past, the customer lookup feature was set up to type in a few letters of the customer's name and it would jump down a patron list. With the new system, the clerk will have to start at the top of the customer list and scroll through all the accounts to get to the correct account. This will take a little longer to complete the transaction.

"A simple solution is to carry your local Legacy Cooperative card when you are charging a purchase to your Legacy Cooperative account," says Lovcik. "Just swipe the card at the till, eliminate scrolling, save time and reduce the chance of error."

Another positive change for the Rolla and Dunseith store patrons is an additional till. This will speed up service to get you

back on the road sooner. The credit card processor in Dunseith will be integrated into the new system, so the cashiers at that location will no longer have to type the information into a standalone machine, which will also increase efficiency.

A big change at Rock Lake is coming as a new Cardtrol system is put in place. The need to replace the underground tanks at the station has been resolved by installing new above ground tanks and dispensers to a site near the elevator.

"The old tanks and pumps were grandfathered in," says Lovcik. "Due to traffic patterns and current regulations, we were unable to simply replace them. It would have been too costly to redo what we had. It made better sense to move them."

The Rock Lake station, with its hardware and shop, will remain, and all existing services will continue. All fuel purchases will be by credit card or with a Legacy

Cooperative charge card.

"We hope to have it operational by the end of October," explains Lovcik.

Members who took advantage of the \$1.19 summer propane sale made a good buy, notes Lovcik. By early September the price had risen 20¢ and is continuing to rise.

One area where no changes are planned is food items. Lovcik reminds members to take advantage of ready-to-go items as harvest pressures increase. "All your favorites are in place," he says.

A big challenge facing retailers across the country is impacting Legacy Cooperative retail locations as well. "Finding reliable help is a big problem," says Lovcik. "We are short of help, and at times we have had to cut hours. Please have patience with employees who may be working extra hours. We're doing our best to meet your needs."

DON'T WONDER, JUST ASK

If you have questions about selecting the right fuel or lubricants, don't wonder, just ask. Give John Lovcik a call. One of the advantages of working with Cenex products is you are never on your own. If he doesn't have an answer, he can get it.

"We have a dedicated team of professionals we can call on," says Lovcik. "They have in-depth knowledge of Cenex products, where they fit and how to get the greatest benefit with them."

That knowledge goes beyond the products themselves to understanding the

environment in which they are used. High temperatures, high pressures and difficult working conditions are par for the course. Your equipment needs fuels and lubricants that can help carry the load.



Even picking the right Cenex grease for a particular component or piece of equipment can be challenging. Let your lubrication team help pick the product that best fits.

"Considering the investment made in modern farming equipment, can you afford to cut costs with less than the best fuels and lubricants?" asks Lovcik. "Give us a call and let us help identify the inputs necessary to keep your equipment operating at maximum efficiency with minimal down time and maintenance."

SEED PLOT DAYS MAY BE HELD EVERY OTHER WEEK IN 2022

After rained out plot days two of the past three years, Brandt Lemer, Legacy Cooperative Seed Manager, is considering bi-monthly plot days.

"After a summer of drought, we had three inches of rain around plot day," says Lemer. "I think we need to plan a plot day every few weeks to make sure the crops get enough moisture."

He adds that a plot day wasn't needed this year to show how seed genetics have improved. Better than expected yields are proof.

"One long-time member pointed out how much less rain today's crops need and how much less susceptible they are to drought," says Lemer.

One huge change for us over the years has been the change in genetic packages of seed. Roundup Ready soybeans were

followed by Roundup Ready 2 Yield soybeans, then Roundup Ready to Xtend soybeans and now coming for 2022 Roundup Ready Xtendflex soybeans. Canola hybrids have been no different, We used to have Roundup Ready and Liberty. Now we have them stacked together. We also have pod shatter traits that allow you to leave your canola stand and harvest it versus swathing it. All these changes in seed genetics have come in a relatively short amount of time.

Varieties aren't the only thing that has changed for Legacy Cooperative members, adds Lemer. "We've really expanded our seed sales force and seed warehousing," he says. "We can have what members need, when and where they need it. They no longer have to drive 25 miles to get their seed. It means we can flex better as well. If a variety is low

at one outlet, we can bring in more from other sites as needed."

Another big change is the investment in bulk seed tenders. "They have been really handy for us, as well as for our members," says Lemer.

Improved facilities, expanded sales force and top-quality genetics all played a role this past year in one of the best seed sales seasons ever for Legacy Cooperative. However, Lemer gives members a lot of credit.

"Our members really deserve a pat on the back for their loyalty and support," says Lemer. "They see the benefits in their yields and in the patronage they earn. As we begin getting our seed programming for 2022, we will be doing our best to maintain their support."

DON'T SLIP, TRIP, STUMBLE OR FALL

Whether climbing into a tractor cab, over an auger dump or across crop stubble, watch your steps. Trip, stumble and fall is more than just the title of a 1960s era hit song. It is a fact of life around farms, especially in the rush of harvest.

"Add moisture to the mix, whether rain or snow later in the season, and slipping becomes a concern as well," says Val Christensen, Legacy Cooperative Safety Director. "This only gets worse when wet conditions turn to ice. Approximately one third of compensable injuries in the Midwest are related to slips on ice and snow."

Christensen offers tips for reducing the number of falls in all conditions with special attention to ice and snow.

A good place to start is to look at drainage patterns around bins, buildings and work areas. Consider ways to redirect excess water away from equipment, as well as pedestrian and traffic areas.

"Identify areas where snow and ice accumulate," says Christensen. "As they melt and runoff or refreeze, what problems do they create? Prioritize clearing them."

A key point regardless of the time of the year is proper footwear. Good grips make all the difference when climbing a ladder, whether icy or dry.

Use railings. "They are not decorative," notes Christensen. "If railings are in place, they are there for a reason. If

railings are absent, consider adding them if they could prevent a fall. If less than sturdy, replace them. Relying on a loose or corroded railing may be worse than none at all."

Carrying objects that restrict forward view or affect stability increases the risk of falling. For maximum stability when mounting or dismounting equipment or ladders, maintain three points of control.

"When it gets icy, walk like a penguin," says Christensen. "Take short steps. Walk slowly. Extend your arms and bend your legs slightly. Walk flat footed and point feet slightly outward. It may look silly, but it can prevent a nasty fall!"



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ON FARM TIRE SERVICE REDUCES HARVEST STRESS

Adam Bryant does a lot of business with the Legacy Cooperative Rolla elevator. He really appreciates the recent upgrades.

"They really speed up deliveries," says Bryant.

Bryant also appreciates other services provided by the co-op. When he took his combine on the road this fall, he did so with confidence. He had utilized Legacy Cooperative's on-farm tire service to replace several worn tires on the combine.

"We were able to start with good tires," says Bryant. "That is important, given the



Rollie Svihl stays busy keeping Legacy Cooperative members' equipment rolling. The tire repair specialist handles most on-farm calls. If you have tire repair or replacement needs, give the tire store a call, and Rollie will be on his way.

miles we put on our equipment."

Bryant travels 40 miles between his most distant fields. "We farm from St. John through Metigoshe," he says. "We go through a lot of tires."

Bryant is far from alone in his use of the on-farm service truck, notes John Lovcik, Legacy Cooperative Energy Manager. "The tire service truck has been busy with members taking care of things before harvest started," he says.

Of course, tire service doesn't begin or end with harvest. Bryant relies on Legacy Cooperative year-round.

"We feed cattle through the winter, and when you have tire problems, you are dead in the water," says Bryant. "The tire service is really good. When I call, they come out and get the job done."