

Summer 2022

REINVESTING IS THE LEGACY COOPERATIVE WAY



Sean Slowinski, CEO

Dividend checks are nice, but they are not the reason you do business with Legacy Cooperative. We know the reason you make Legacy Cooperative your

cooperative is for the goods and services you need in your farming operation. That's why your board of directors continually reinvests in our facilities, our equipment and our staff.

In recent years we have doubled our capacity and vastly improved our efficiency at handling inputs and grain. However, so have you. You have reinvested in bigger and better equipment that makes it possible to get the crop in the ground faster and get it out of the field faster at harvest. In some cases that includes on-farm storage. Others depend on us to have the capacity to handle and store their grain at harvest.

Your board and management know that earning your business is not a one-time thing. We are committed to an ongoing effort, and that includes continual upgrades in facilities and equipment. This year is no different. We are completing some projects and beginning others, from convenience stores to input services to improved efficiency and handling of grain.

We are finishing up the installation of the Cardtrol system at Rock Lake. It was delayed due to state permitting and

again by winter weather.

A project just getting underway is the new convenience store at Rolla. We considered building on the existing site, but instead chose a site across the road. We purchased several lots adjacent to land already owned. The old wooden grain elevator will come down, as will other buildings on site. Plans for the store, automotive shop and tire shop are still being finalized.

We continue to reinvest in our newest location at Wales. Four 10,000-bushel bins will be replaced by a 140,000-bushel bin. The old bins were not really useable with entry doors only at the top. The new bin is sized to utilize the existing grain leg without raising it or making other significant modifications.

Two additional upgrades at Wales resulted from a reallocation of existing equipment. Bisbee is getting a new, faster seed treating system to meet higher demand. The existing system is being moved to Wales. It is more automated than what they have. As a result, member/owners at both locations will get better service.

In another reallocation, four hopper bins



no longer needed at Cando were moved to Wales. Used for bulk seed this past spring, they increased efficient handling of seed for member/owners and staff.

Member/owners and staff will see a major improvement in grain handling with reinvestment at the Cando elevator. In the past, trucks could not dump grain if other trucks were being loaded to shuttle grain out. This bottleneck will be eliminated with the addition of overhead tanks on the rail side of the elevator. We are putting asphalt on the ties, which will allow the tanks to fill trucks as well as rail cars.

Filling the tanks requires raising the grain leg and surrounding structure. Volumetric metering on the tanks ensures more accurate loading of trucks and rail cars. Member/owners will no longer have to wait in line as trucks load-out grain to open up space at harvest.

One of the best investments we have

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made and continue to make on your behalf is in our employees. That paid off many times this past spring. The effort and sacrifices our people made this year when the planting season was so compressed paid dividends on those investments.

Our employees demonstrate a commitment to the co-op and you, the member/owners, that is unmatched. Many, many people in our Agronomy division put in 100+ hour weeks. People from other divisions, whether Grain or Energy, helped as they could. Convenience store staff was running short-handed, but they did all they could to keep shelves stocked and hot food available. Administrative staff grilled hamburgers at several locations. This was on their initiative, just wanting to pitch in to lighten the load for staff and member/owners alike. That willingness

to pitch in was seen again and again.

This past winter more than a dozen employees went through commercial driver's license (CDL) training and testing. Two are grain merchandisers, one is a seed manager and several drive application rigs. They don't need a CDL for their jobs, but they know how badly drivers are needed in the crunch times spring and fall.

We talk about the spring season as if it is all about agronomy, but it takes the whole cooperative team to deliver the products and services you need. I hope you will join me in a heartfelt, enormous thank you to everyone who participated in helping you get your crops in this spring.

Reinvestment in Legacy Cooperative facilities, equipment and employees might be questioned considering current

uncertainties. As this newsletter was being written, we had no idea what the season would bring. While much of the Great Plains struggled under drought conditions, we struggled with excess moisture. None of us knew if we would have Prevent Plan Acres or how many. Would we get crops in, fertilizer spread, inputs applied?

There will always be uncertainties. What is certain is that Legacy Cooperative is in good financial condition. We know that we will be able to weather the challenges thrown at us. We also know that the upgrades and improvements we are investing in today will help ensure we are ready to meet your needs now and in the future. After all, isn't the results of those reinvestments the reason you've chosen to make us your cooperative?

VIEW FROM THE BOARD



Travis Westlind

Reinvesting in our farming operations goes without saying. If you don't reinvest, facilities and equipment wear out.

Reinvesting at the farm means being able to plant more acres in less time and to harvest faster. Everyone is running combines that are three or four times bigger than they were 20 years ago.

At our farm, we've gone from tandem trucks to triple axle trailers and semis. We have on-farm storage for our entire crop and can load out trucks in five to eight minutes. When we look for a market for our grain, we look for one where our guys can get in and unload right away and get back to the farm for another load.

Reinvesting in facilities makes Legacy Cooperative a place to do business. While most of our elevators were originally designed around tandem trucks,

updates mean member/owners can dump in two or three minutes at their elevator, no matter what size truck they are using.

We haul in the middle of the winter, and I remember when we would sit in line at Bisbee. That is no longer the case. With updated facilities, lines at Bisbee have pretty much been eliminated. Similar projects at other Legacy Cooperative facilities have done the same for the member/owners they serve.

Improvements underway at the Cando elevator soon will eliminate a bottleneck there. This will be especially important at harvest when trucks hauling grain in will no longer have to wait for trucks to load out before dumping.

Another project at Cando will speed up fertilizer load-out for area member/owners. For our operation, we haul out five triple axle semi loads of fertilizer a day. Being able to get in and load out fast is important to every farmer doing his own applications. It is important to those having Legacy Cooperative apply as well. No one wants to wait for a tender truck

to arrive while the spreader sits empty.

In the past we have gone to Bisbee, where we could load out in one or two minutes versus half an hour to 45 minutes at Cando. With the new blenders and overhead loaders, Cando again becomes a viable option.

The same holds true for the many updates that have been done at facilities across the Legacy Cooperative trade area. Each one has been important, with a purpose that benefits member/owners directly and makes their cooperative more efficient and effective at delivering products and services.

It is easy to get excited about a project that benefits us directly, but every project is equally important, and our member/owners recognize that. I think we all know reinvesting fits the needs of our communities and strengthens our cooperative.

THE ONE CERTAINTY THIS YEAR IS LEGACY COOPERATIVE AGRONOMY IS HERE FOR YOU

Last year was too dry, and this year is too wet. Added to the challenge of too much rain is unparalleled uncertainty in the crop input industry. Turmoil in the industry, from ingredient suppliers in China to formulators in this country, have made this the year where nothing is guaranteed.

"We have done all we can to match available supply of inputs to member/owner cropping plans," says Joe Kremer, Legacy Cooperative Agronomy Manager. "In the case of Liberty Link Canola, we knew there would be a shortage of Liberty. We made those who bought Liberty Link Canola seed from us a priority."

He is confident canola seed buyers' herbicide needs are covered...as long as allocations from suppliers don't change. Changing allocations

is a new wrinkle in the crop industry world, adds Kremer. Roundup is a good example. Kremer was confident the cooperative had secured enough allocations that member/owners needs would be met. That changed.

"One minute everything was fine, and the next our allocations had been cut by 5,000 gallons," says Kremer. "We are still working through the system and think we have located enough."

Kremer thanks member/owners for stepping up to the plate when they received a letter from the co-op asking about chemical needs for their canola. Within 15 days, 85 percent had responded with the remainder responding soon after reminder calls

were made by staff.

"We got a 100 percent response, which really helped," he says. "A lot of people asked for more than we expected, as much as 20 percent more overall. Without that response, we would have been behind and scrambling to find product. We are still managing through the shortages, but the letter took guessing out of the game."



Legacy Cooperative had the inputs needed to get the crops in this spring and the equipment and manpower to deliver them. Member/owners sharing expected needs was key to getting the job done.

Thanks to member/owner response and expected industry shortages, Legacy Cooperative Agronomy stocked up as never before. "We have probably five times our normal stock pile of chemicals on hand," says Kremer. "With what we have on hand and on order, we believe we have what will be needed. However, we are still waiting on product ordered last August. At this point, ordering more won't be a reality. Distribution is virtually sold out."

One area where the letter really helped was fungicide planning. In a normal year, Legacy Cooperative owner/members apply fungicide on 30 to 40 percent of canola. Responses indicated that 75 to 80 percent of acres will be treated this year.

"A lot of that is due to the price of canola," says Kremer. "Canola growers are looking at fungicide application as a necessity this year."

After seeing results in 2021, canola growers aren't the only ones expected to apply more fungicide. Wheat growers who applied fungicide this past year saw a significant return on yield, even in such a dry year.

"With these grain prices, every dollar spent will return a profit," says Kremer. "No matter the weather we have, fungicides will pay in improved plant health, even with no disease pressure."

He advises member/owners planning to have fungicides custom applied to work closely with their agronomist. "Ground rig application will be tight," he says. "We have eight rigs and

can cover about 8,000 acres a day with the fleet. We also work with two large aerial application companies who can bring in more planes if needed. We can help if we know help is needed."

Kremer suggests giving thought to next year's cropping needs. War in Ukraine, increased shipping prices and supply and demand issues all point to continued high prices for fertilizer in 2023.

"July/August is the time to look ahead," says Kremer. "August is generally the best time to buy. Historically, August prices are the low for the year. We don't see the markets coming down. Luckily, new crop prices for 2023 are still high as well. High grain and fertilizer prices are better than low grain and fertilizer."

MARKETING FLEXIBILITY NEEDED IN CHALLENGING TIMES

Getting crops in the ground has been a huge challenge for Legacy Cooperative member/owners this year. Record grain prices and a war between two of the world's largest grain exporters have added significantly to the difficulty of putting a marketing plan in place. That is as true for Legacy Cooperative as it is for its member/owners, notes Brooks Larson, Legacy Cooperative Grain Merchandiser.

"This year has been a perfect storm in the grain markets," says Larson. "We see one bullish headline after another. Ukraine may only get half their spring crops planted, and we don't expect they will export much this year. Even if the war ends, there is a lot of damage to infrastructure, including rail lines and export terminals."

If that wasn't enough, weather uncertainty in the U.S. is adding to the problem. While excess moisture has plagued much of the northern Great Plains, parts of the southern Great Plains have been hot and dry. Other countries, including France and Brazil, are also struggling with hot, dry weather.

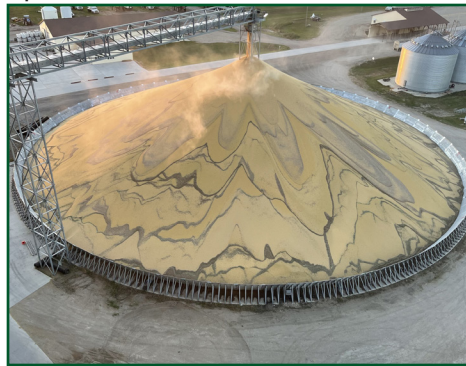
"We continue to see good demand for corn and soybeans, especially from China," says Larson. "Demand for wheat has been harder to find due to our high prices and numerous competitors who are willing to sell their grain at cheaper values. Canada, with wheat about a dollar lower, has taken some of our export business this year."

In recent weeks, India cut off exports as weather threatened domestic supplies. Concern continues to build in countries like Egypt, with that country lowering quality standards to ensure supply from non-traditional sources and avoid buying higher priced grain from the U.S.

Reacting to these fast-changing market conditions requires both flexibility and discipline, notes Larson. "There has been a lot of seller's remorse as commodity

prices have risen," he says. "Selling grain and seeing prices rise afterward can be disheartening. However, a profitable price taken today is still that, no matter what happens tomorrow."

Legacy Cooperative can do nothing about the weather or international market supply and demand, admits Larson. What it can do is be prepared to flex as needed. In recent years, that flexibility has increased many fold as grain storage has expanded and grain handling systems have been updated.



The addition of short term storage at Bisbee is just one way Legacy Cooperative can flex to meet member/owner needs at harvest.

"Increasingly, our patrons want to sell grain off the combine," says Larson. "With prices this lucrative, that is even more likely. Our extra storage lets us take grain we couldn't have stored five years ago. Plus, we can take it faster and keep them rolling at harvest time."

Current projects, like the improved load out at the Cando elevator, are vital to efficient handling and space management, notes Larson. Both are key to keeping handling costs as low as possible, especially in light of increased transportation costs.

"Rail freight is more expensive, with a fuel surcharge that started at 3¢ per bushel in January and reached 11¢ in May," says Larson. "With the price of oil back up, the July/August surcharge is expected to go

even higher."

The railroad is also increasing tariff rates on wheat by \$200 per car starting August 1st and \$300 per car on soybeans starting October 1st. This is in addition to the fuel surcharge. "We book our freight well in advance to avoid the volatility and extra risk associated with the secondary market.

"We are always at risk if we don't get a crop in the ground," says Larson. "However, if we don't book our rail freight well in advance, we are at the mercy of the secondary market and could pay huge premiums to get freight in, especially at harvest time when most elevators need to move grain to keep space and the demand for freight is at its peak."

This past year, local yields were higher than expected. This was positive for Legacy Cooperative and its member/owners this past fall. However, the secondary market for rail freight has been trading high as the railroad struggled to perform due to labor and weather issues this past winter.

Freight costs are why having shuttle capability at Bisbee is so vital. Smaller capacity, such as 24-car trains, that can load at the Cando elevator cost more. While it can be worthwhile to pay the extra to keep space available at harvest, generally it is more economical to truck grain to Bisbee and load it onto 110-car shuttles.

"The improvements being made at Cando will make it easier to load out trucks and rail cars," says Larson. "Flexibility is especially important at Cando, as they can have three different commodities coming in at once. Having the ability to load out grain at a different location than receiving grain makes both move more efficiently and keeps everybody moving faster."

EQUIPMENT UPGRADES SAVE TIME AND MONEY

Over the course of a year, Legacy Cooperative equipment moves a lot of grain. Recent additions to the truck fleet will help move it faster and more efficiently. Upgrades in staff capability will help, as will facility improvements.

"We added two new semi tractors this year and two slightly used trailers last fall," says David Berginski, Legacy Cooperative Operations Manager. "That gives us a total of 12 semis counting quads that are also used for fertilizer."

"Last fall we couldn't stay on top of moving grain," recalls Berginski. "We had to shuttle almost every day. Normally we try to shuttle very little on the weekends. This makes it easier for the farmers with shorter lines and gives some of our staff a break."

Increasing the number of commercial driving license (CDL) holders in the company has been a tremendous help, notes Berginski. "We added seven or eight CDL drivers among our existing

Upgrading staff capabilities and fleet capacity for transport needs at harvest is important for overall efficiency, saving time and money. Facility upgrades in Wales and Cando are time and money savers also, as each of these locations will have faster turnaround times.

"Shaving valuable minutes off of each trip can help drivers make an extra trip a day if needed," says Berginski.

With responsibility for keeping space available in elevators at harvest, Berginski is aware of every minute lost when trucks are standing empty waiting to load. He knows Legacy Cooperative members/owners share that concern.

"The reinvestments being made at Cando will go a long way to making our fleet and our member/owners' rigs more efficient," says Berginski. "Neither our trucks nor theirs will be tying up traffic. Our drivers will be able to load out of the larger bins quickly and be back on the road. Grain will not have to



Maintaining and upgrading the Legacy Cooperative trucking fleet is essential to keeping elevators open at harvest. It is also vital at spring planting to keep fertilizer spreaders supplied and on the go. Equally important is having enough drivers on hand to keep the trucks moving. More than 20 employees are now qualified to get behind the wheel.

"The new semis' primary use will be to shuttle," says Berginski. "They will replace older units that still have value, but need to be retired to lighter duty."

The shuttle schedule can take its toll on trucks, whether hauling canola to market or moving grain from the different elevators to the terminal.



staff last year. Some of them went on and got their hazardous materials endorsement also. That gives us more than 20 CDL drivers in all."

be brought to the main house to load out. Member/owners will be able to pull through and dump without waiting for us."

STOCK UP FOR SUMMER WITH LEGACY COOPERATIVE

Whether you need a new fishing rod, a Milwaukee tool, a grill or paint, Legacy Cooperative has you covered.

"We have a good stock of outdoor summer items like grills, cooking tools and more at Rolette," says John Lovcik, Legacy Cooperative Energy Manager. "Check out our sale prices for Valspar paint, both indoor and outdoor."

The store also carries a full line of Milwaukee tools, both cordless, battery-powered tools and corded tools. Cordless tools come in kits with batteries and battery chargers and as bare tools for those with existing Milwaukee battery systems.

The Cando C-Store is stocked up on fishing supplies, Grab your gear and snacks in one stop. Cando and Rolla have added online ordering for Hunt Brothers food products. The new service is available for take-out or dine-in customers. Order online today.

"We will be adding a Fresh Blend smoothie machine at Cando," says Lovcik. "Soon you will be able to stop in and pick your favorite flavor."

Lovcik acknowledges that fully stocking shelves continues to be a challenge, as does staffing. "Every time we get an order in, it is a bit like Christmas," says

Lovcik. "We open it up to see what we got and what we didn't. We continue to be short staffed in some areas," he adds. "Please be patient, as existing staff is doing the best they can. We apologize for any inconvenience."

When preferred items don't arrive, the staff does their best to find alternatives, adds Lovcik. "We are doing our best to find the products our member/owners want and need," he says.

In the near future, store staff at Rolla will have a lot of shelves to stock. Legacy Cooperative is in the early stage of building a new store there.

"We are still finalizing plans," says Lovcik. "We hope to start the building process this summer."



The Rolette store was well stocked with Valspar paint for the late June sale; however, keeping other shelves stocked can be a challenge.

The long-awaited Cardtrol project at Rock Lake is nearing completion. Contractors are finishing up wiring, and concrete will soon be poured.

"We will close the area off for three weeks to let the concrete cure," says Lovcik. "We hope to be completed in June and be up and running in July."



PROPANE STEADY, DIESEL UP AND DOWN

Propane prices remain strong with a less than normal seasonal shift. Prices went up last fall and stayed high throughout the winter.

"Propane stayed in the \$2.10 range most of the winter," says John Lovcik, Legacy Cooperative Energy Manager. "While it is currently around \$1.72, last year at this time we were in the \$1.59 range, dropping as low as \$1.39."

The cooperative has sent out letters regarding a summer fill program. Lovcik expects the summer price to be the low point for the year. "If prices don't fall now, we are unlikely to see them lower this fall and winter," he says.

Fluctuating, but generally higher prices for crude on the world market has had a local impact. Diesel fuel has moved between a low of \$4.49 and a high of \$5.19. That was the farm delivery price for bulk diesel in late June.

"Diesel prices have been on a roller coaster since the Russian invasion of Ukraine," says Lovcik. "They move around depending on the latest headline."

The good news is that suppliers tell Lovcik they are comfortable with supply through spring and summer. He encourages member/owners to stay in touch on pricing and consider locking in a price on future gallons.

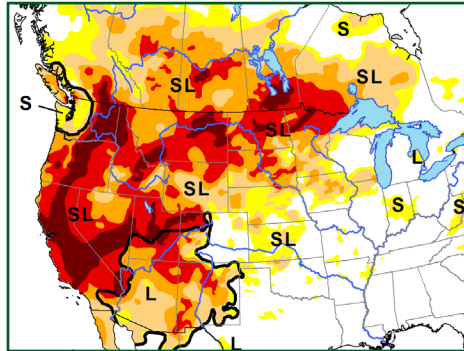
"Try to give us a day or two notice on needed fuel deliveries," says Lovcik. "That helps us be more efficient with deliveries."

SEED SUPPLIES WERE A CHALLENGE, BUT THE CHALLENGE WAS MET

Hot, dry weather in 2021 was problematic for seed production with poor germination and lower yields. That translated into supply chain shortfalls this spring.

"We were still fighting the supply chain battle in early June," says Brandt Lemer, Legacy Cooperative Seed Manager. "By early May, we had most of the seed we could fit in, and we refilled as the season progressed. I feel we covered the needs of most of our member/owners, but there were definitely some restrictions in access to soybeans and canola and a tighter than normal supply of seed wheat."

The drought and high temperatures in



By August of 2021, the widespread drought had done its damage to wheat and canola seed production, creating shortages this past spring.

Canada had a severe impact on seed canola production, even in irrigated areas," explains Lemer. "When canola was at 40¢ a pound, everyone wanted to

seed it," he says. "That combination of factors put seed canola in short supply this spring."

The drought in North Dakota had a similar impact on seed wheat production, he adds. "A lot of seed producers harvested 40 bushels per acre when they are used to getting 60 bushels," says Lemer. "That created a problem for the marketplace."

Lemer is confident Legacy Cooperative member/owners are aware of the shortages, having dealt with drought this past year themselves. "They may not have gotten the variety they wanted, but they got the best alternative we could find," he says.

SOYBEAN PLANT UPGRADE WILL SPEED SOYBEAN SEED DELIVERY AT WALES

Reinvesting in new, more efficient equipment can be a good business decision. It can be even better if the equipment being replaced can be put to good use elsewhere. Such was the case when four underutilized overhead bins from Cando and the repurposed seed treatment system from Bisbee were installed at the agronomy center at Wales. Legacy Cooperative member/owners in the area will receive faster service, and the agronomy center will operate more efficiently.

"We were handling 250 soybean seed totes a year at Wales," says Brandt Lemer, Legacy Cooperative Seed Manager. "That takes a lot of time and effort for staff



Upgrading seed treatment equipment at Bisbee created an opportunity to do the same at Wales, repurposing the replaced system and underutilized bins from Cando.

and the growers they serve. The bins will make it easier for everyone."

Growth in sales at Bisbee made replacing the seed treatment plant with a new and faster one a good investment. "The new system at Bisbee increased seed treatment speed by 20 percent," says Lemer. "This is a real benefit for growers

picking up seed and makes more efficient use of staff at the agronomy center."

The change created the opportunity to move the existing seed treater to Wales, improving service and efficiency there as well. Seed from one of the four 3,000-bushel overheads is fed into an underbin. When the correct weight has been sensed by the load-hopper, the overhead bin is shut down, and the system begins treating the seed.

"Soybean seed sales at Wales have been increasing, and adding bulk bins and a seed treatment system will help us service those sales more effectively," says Lemer. "Reinvesting existing equipment for the upgrade made it an even better business decision."



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WELCOME SUMMER HEAT, BUT DON'T LET IT STRESS YOU

No matter how welcome sun and heat is this summer, it brings risk with it, especially if accompanied with high humidity. "Our bodies need time to adjust to heat and humidity," says Val Christensen, Legacy Cooperative Safety Director.

Heat illness results when the body is overwhelmed by heat. A body temperature increase of only two degrees Fahrenheit can affect mental functioning. A five-degree increase can result in serious illness or death.

"Heat illness may be an underlying cause of heart attacks, falls and equipment accidents," says Christensen. "Symptoms vary as the risk increases. Recognizing and treating them is vital."

Heat rash can show up as red, blotchy skin or clusters of pimples or blisters. Affected areas should be kept dry and treated with cornstarch or powder while the person rests in a cool place.

If experiencing pain in the stomach and/or legs (heat cramps), stop activities, drink water and massage affected muscles.

Heat exhaustion can result in cool, pale, clammy skin, dizziness, headache, cramps, nausea or vomiting, weakness, confusion or unconsciousness. If conscious, administer plenty of cool fluids, remove excess clothing and apply cool compresses. Contact emergency services.

Heat stroke symptoms include hot,

dry skin, body temperature of 105° or higher, confusion, anger, chills, nausea, dizziness, unconsciousness, convulsions and delirium. Emergency medical services should be contacted immediately. Move the victim to a cool place and keep head and shoulders elevated. Remove outer clothing and cool the body with cool water, wet towels, sheets or immersion.

"Even in North Dakota, heat related illness can be dangerous and threatening, but it can be prevented," says Christensen. "When working outside, drink plenty of water before and during, take breaks in the shade, pace yourself and gradually adjust to working in the heat."

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