



**“Agriculture... It’s more than a part of life. It’s a passion, a lifestyle, a resilient community that works hard to feed the world”-**

**-Ryan Goodman**

## **October 2019 Newsletter**

### Manager Report - Clark Wenger, President

The past 12 months of weather have challenged every aspect of agriculture. The drought in July of 2018 destroyed corn yields and then the rains began! To say the last 12 months have been challenging is an understatement. One of our members told me recently that we had received 73” rain over the past 12 months which is around twice our annual average rainfall.

In preparation for our upcoming annual meeting I like to look back at historical data and make some comparisons. The time frame from July 2018 through November 2018 was an extremely difficult stretch for the Ottawa Coop financially. This 5-month time frame has significantly affected our financial results for both 8/31/2018 and 8/31/2019 year-ends. I’m happy to report that since December 2018 the path has been much better with a lot of work getting done in a short period of time.

I continue to be impressed with our employees and what they are able to get done especially, with the short windows of opportunity that have been presented due to weather constraints. The depressed grain markets have affected all aspects of the agricultural landscape. We are continually looking for new opportunities and more efficient ways of doing business. One of our top priorities is helping our customers determine the necessary revenue per acre and then taking advantage of market rally’s to lock in a percentage of grain sales at this level. The goal is to help manage risk on the farm and utilize the tools available such as crop insurance, ultimately creating a more profitable outcome.

With limited resources available this past year we focused our investment in areas with the greatest needs. Beyond the normal required investment to keep

facilities whole, we added capacity for Dry, Liquid and NH3 fertilizer across our territory. Combining our capacity with our truck fleet paid large dividends this year allowing us the ability to have product and not run out when others did.

Financial stress is driving more rapid needs to change and adapt. New opportunities will be presented and those that have made the necessary adaptations will be able to capitalize.

Thanks for your continued business!

### Fuel Report- Arlie K. Watts Jr, Petroleum Manager

As harvest is underway, fuel supplies are plentiful. Markets are pretty much staying in a sideways pattern. They go up and down very little. The price range for Ruby Fieldmaster Diesel fuel has been about \$2.25 for a low early in 2019 to about \$2.45 per gallon for a high. I would not wait too long to top off your fuel tanks. If global supplies become stressed and demand rises prices could go up considerably.

Those of you who might be harvesting in these colder months due to weather delays might consider winter blending your diesel supply. Our customers who will be feeding livestock and possibly pushing snow would be good candidates to winter blend at least one tank of fuel.

You might have already heard that I will be retiring early next year. I have been in the petroleum department for 45 years with 40 of those years served here at the Ottawa Co-op. It has been a big part of my life. I have taken great pride and considered it an honor and a privilege to serve the Ottawa Co-op patrons. I have also enjoyed working with a lot of great employees past and present.

Judd Perry will be taking the reins upon my departure. He has worked for the Co-op in the propane and refined fuels department as well as crop production, TBA and grain. Judd and his family are very involved in agriculture. I truly believe that he will do a great job in serving our fuel customers.

I thank you for your loyal patronage of the Ottawa Co-op.

Grain Report- Kaleb Rockers, AgMark LLC Marketing Consultant

Markets have been tough to judge this year, from planting delays, unknown crop conditions, diminished exports, and demand challenges. One thing we've learned is the market waits on no one. Making decisions ahead of time helps to mitigate the uncertainty of what to do in the heat of the moment and takes the emotion out of making sound business decisions. The most important part of any operation is having a plan and executing on benchmark goals.

There is still time to set marketing goals on the 2019 crop but it is more effective to hit these goals while not fighting storage costs. Typically, some marketing should be done prior to harvest to have cash flow at hand when you need it and prevent storage fees. Each crop insurance policy allows for forward marketing up to the guaranteed coverage. When storing crops for 6 months or longer it starts to eat away at a farm's net income. When you include elevator storage plus bank loan interest it comes out to roughly .06/bu/month. At 6 months there's already a .36/bu hit to a farm's bottom line. From the 2<sup>nd</sup> Quarter in 2018 to the 2<sup>nd</sup> Quarter in 2019, Kansas ranks second highest in farm bankruptcies in the U.S. just behind Wisconsin. Our goal is to help our members succeed in their operations and avoid that category through sound marketing plans.

2020 crop outlook seems to already be taking form. With a nationwide delay in 2019 harvest it tells me there will already be less Wheat acres in the U.S. to harvest next year. In 3 months from now there will be a USDA Planting Intentions Survey. Corn acres could potentially be north of 96 Million for 2020. With trend-line yields at 176bpa that will put a negative tone in the

Corn market. Start thinking about how many acres of corn you intend to plant next year, know where your breakeven is and set benchmarks for incremental sales for your 2020 corn at profitable levels. Every farm is different and each one's breakeven figure is also different, so profitable cash price levels are not a one size fits all number. December 2020 futures has been trading above \$4.00 and would suggest placing orders between the \$4.10 – \$4.30 range. With the forecast of large corn acres for 2020 that opens up opportunity for Soybean marketing. November 2020 Soybean futures are trading within 10 cents of the contract high and there is value to be captured. I would suggest placing futures orders at \$9.85, \$10.20 & \$10.60 at 10-15% of production at each level. By time planting season rolls around it is good to have 30% of your anticipated production contracted to set a marketing baseline for your Return on Investment. Additional sales can be made as the crop progresses throughout the growing season.

There are many marketing tools available for each farm operation. Cash, HTA, Basis & Options contracts are just a few. Having a plan is the first step to utilizing these tools and moving your operation in a profitable direction. Please contact me or stop in for a meeting to find a marketing plan that best fits your operation.

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Agronomy Report - Bob Nutt, Crop Production Manager

Once again mother nature was not very cooperative this past fall which carried into early spring making it very challenging to say the least. I will tell you that with the short window that was given and the amount of work that was done within that time frame I couldn't be prouder of our team here! I am also very proud of all of you for your efforts as you encountered some very long days as well to get everything planted.

As we roll into 2020 there are some new things we are happy to announce. We have recently completed our expansion here in Ottawa and that alone will double the capacity



here at Crop Production. Along with that we will have a dedicated blender to impregnate pasture herbicides onto fertilizer. We also will have dedicated buggies and will have machines available for Custom Application for this process. This service should help eliminate an additional pass to spray for weeds in grass.

As harvest continues it is time to start to thinking about next years crop. P & K applications have been ongoing for wheat and have started on the corn and bean ground as well. I would encourage everyone as long as the weather holds to take advantage of the time we have available to get a jump start on next years crop, we are here and ready for you! Prepay is also ongoing for next year so make sure and take advantage of the savings.

In closing we thank you for your continued business, but most importantly the relationships we have established from working together. We look forward to seeing you and helping you plan your 2020 crop year! Thank you!

#### Crop Report- Brian Green, Precision Ag Manager

This 2019 season will go down for one in the record books, not necessarily good or bad but very challenging. Plan's seem to change day to day with the huge amount of rainfall we accumulated in our territory.

As far as the 2019 corn crop goes having boots on the ground with our agronomists walking countless number of acres helped to diagnose a large amount of Nitrogen deficiency in this season's



crop. The initial Nitrogen application was largely lost due to the heavy rainfall making in-season Nitrogen applications a huge proponent this year.

Our soybeans will have some good potential this year despite the later planting, the month of August hurt us some with the cool, wet weather but September was key with the warmer temperatures to help finish out filling pods. However, this year also brought quite a bit of SDS (Sudden Death Syndrome) to quite a few acres. Going into 2020 season one way to combat this problem is double checking variety strengths against SDS, using seed treatments, rotation and tillage.

As we wrap up 2019 and start focusing on 2020 the major talking point in the ag industry currently is how to produce more with less. One key resource to increasing your farm's APH is utilizing soil sampling. This can be through composite sampling on a broad level or diving in deeper and using Grid or Management Zone. Soil's vary widely in nutrient availability across a field (even a 1'x1' square will show a lot of variation). This fall is the optimal time to get sampling done so the Field Advantage department can begin creating customized nutrient prescriptions for high yields!

#### Seed Report - Calvin Wenger, Seed Manager

We have seen some exciting things out of the corn plots that we have cut so far. There are some new Dekalb numbers that we are keeping our eyes on. There are two in particular that have looked good so far, DKC51-25 and DKC61-41. DKC51-25 is a new 101 day corn hybrid that looks like a great fit for early planted corn. DKC61-41 is a new 111 day corn hybrid that looks to have a lot of yield potential and disease tolerance in the middle maturity range.

We haven't had any soybean plots cut yet but we are excited to see a couple new Asgrow Soybean numbers as well as the new Enlist E3 beans which we will be carrying through our Mycogen and Stine brands.

We have seed pricing for next year now. We are running our early seed discount pricing until 11/20/19 this year so make sure and take advantage of that. We also have

financing options that you can take advantage of. Give me a call at 620-504-2135 for details.

#### Feed Report - Brian Bartels, Feed Manger

Feeding season is well underway for most of our patrons. We have seen a steady increase in output tonnage since mid-August, even with a long grazing season and a plentiful hay crop. I



I have partnered with our nutrition team to create four new rations for this feeding season to further help our customers maximize their animals feed efficiency and growth. The feedback from our producers on these rations has been very positive.

Just this week the Feed Mill finished up with some repairs to our corn storage bins and roller mill to get us prepared to meet the demands of a full feeding season. Feed commodity prices and availability have been volatile the past 6 months; however, the commodity market outlook is holding steady for the moment.

We are currently running a special on our 20% Range Cubes both by the bag and whole pallet quantities. We are also offering pallet discounts on our whole line of protein tubs. Contact any of our branch locations or myself, Brian Bartels, at 785-893-3932 for pricing and questions.

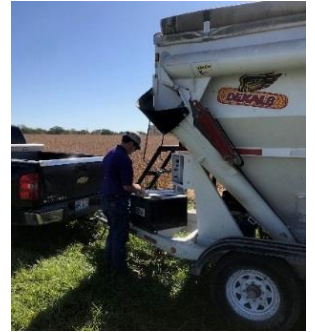
#### Ag Advisor Report - Mike Beying, Ag Advisor

When people seek off the farm work, they generally start with the idea of the salary the job will provide. So, what decides a farmer's salary?

Market volatility, politics, weather, and those darn paper traders make great conversation at morning coffee but they shouldn't be driving our decisions at harvest and ultimately deciding household income for the next year. With the right plan in place farmers should develop a plan for guaranteed and sustainable income year after year.

Beginning in the early months of the year producers can and should lock in prices on inputs and begin the marketing process of the years growing season. Generally, this school of thought meets a lot of resistance because "What if we don't grow a crop" or "How can I sell it if I don't have it in the bin yet." I get it, this past growing season has had us all worried at times and rightfully so. If only we had a safety net that allowed us some sort of protection. Crop insurance is that tool.

Virtually all growers put crop insurance in the tool box but seldom use it, just like a set of pneumatic tin snips I've been debating purchasing for the last six months. How many times have you as a grower used your crop insurance? We write the



check for the protection and forget about it. When you select your level of coverage, you give yourself the best possible scenario for marketing bushels early at a profit and you remove your risk. A percentage of your APH needs to be marketed or you essentially forfeit the hidden value in your CI policy.

What if the market goes higher? If it does, great! There are still some bushels to sell. Don't let the emotion of selling on the highs prevent you from selling when the price is right.

I, Mike Beying, am here to assist you in developing a strong market plan where you have the control to set your reasonable farm income. It is my goal to sit down with our members and address concerns so they can navigate the options in their individualized grain marketing plan. Once I have a feel for your operation and needs as a grower my focus shifts to assisting you in making the right decisions so you never miss an opportunity in the market. Feel free to contact me by calling the Overbrook branch office (785)665-7143 or email [mikeb@ottawacoop.com](mailto:mikeb@ottawacoop.com).