

The Farmers Coop of Hanska

E-Newsletter

June 2019

1929-2019

90 Years!



FCH Board Members:

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-President

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-Vice President

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Gerald Grathwohl
-Director

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It is really difficult to start this summer newsletter without talking about the weather! The weather can be the most crucial determinant of how your year as a farmer will turn out and by association how our year as a full service coop ends. The weather during the 2018 crop year set the stage for the amount of grain your cooperative will handle, dry, store, purchase and sell. Due to the weakness in especially corn yields, our grain volumes are down significantly as are the service income that go along with it. The early freeze in the fall of 2018 along with wet fields affected the amount of fertilizer and NH₃ applied which put us behind for the spring 2019 rush. All in all, our agronomy team did really well keeping ahead of our customers and getting fields spread when they were dry enough to plant. So far, this year is stacking up to look something like last. We are looking forward to a better spray season than last year which will hopefully end our year with better results than last. Please consider giving your coop the opportunity to provide the spraying services you need this spring.

We recently sent out a letter to our members announcing that the feasibility study and discussions concerning a merger of the two coops has been completed and the boards decided not to pursue a vote of the members at this time. I can say that the feasibility study process helped both coops learn more about each other and where synergies could be acquired. This doesn't mean that the doors are closed forever and the board is open to looking at any opportunities that would bring benefits to our members.

Your board of directors have been looking at various alternatives to acquiring a long term financing relationship for your cooperative. The process has taken longer than expected but we are happy to report that we have a commitment letter signed by a lender who will provide financing for the long term assets of the coop. It has been very busy here in the office as we deal with appraisers, environmental assessments and documentation needed to complete the process. We will hopefully have the entire process finished up by sometime in August.

Simply refinancing is not going to be the answer to long term viability of your cooperative. I have been emphasizing to our management and sales team the importance of earning your business and providing you with real value. At today's margin structure it takes a large amount of sales dollars to cover the expenses incurred in operating a coop of our size. In order to achieve the sales volumes needed we will need our member's help. Our products and services are competitive and from what I observed our agronomy team put in the effort needed to get our customer's fields spread and ready for planting while there were long waits from other companies. Our feed division has been very busy this year as the livestock economics have turned

for the better. Even if you don't have livestock our feed division was the catalyst to enable your coop to offer very competitive corn bids delivered to our feed mill locations. Having a strong feed department that would provide another market for our member's corn was one of the reasons the board of directors chose to purchase the Mankato and Courtland feed mills. Please consider checking with Jim and Karen before marketing your grain to learn what options we have for you.

The Energy division continues to show good volume and we are gaining new customers. If you'd like to switch your energy and propane business to FCH we try to make it very easy to do. Give Brian, Jen or Dallas a call if you'd like to learn the details. Your local coop can provide most of the services you can get at larger companies but Farmers Co-op of Hanska can add a more personal experience and people you can count on.

On behalf of the board and management we'd like to thank our loyal customers for the trust you place in us and we truly appreciate your business. The Farmers Coop of Hanska absolutely depends on the support of our local farmers and we know you have choices. We would also like to express our thanks to a great employee group here at your coop who step up when needed. We have agronomy and energy employees loading trains and grain and energy employees hauling fertilizer and feed. At a smaller coop like ours we cannot be "departmentalized" in such a way that we have to staff for our peak season in every department. So it is important that our employee group be willing and able to fill in where needed. In this past year they truly stepped up so if you see them please pat them on the back!



Commodity markets are as volatile as we have seen in recent memory. Weather, world trade, African Swine Fever (ASF) and supply/demand are intertwined and a change in any one factor is enough to swing commodity markets up or down. As the ink dries on this writing, planting in our trade area has improved dramatically, albeit late. Large areas of the corn belt are not so fortunate. Corn carryout is likely to be reduced because of late or prevented planting. Disruptions in origination could challenge corn marketers to be creative in both buying and selling corn. The last half May saw the July soy bean meal close move \$40/ton and July corn rally \$.84/bu. July market hogs moved \$18/carcass hundred and August live cattle moved \$17/cwt over 6-8 weeks. The obvious result is a huge impact on cash flow, but where do we go from here? The same market movers that dominated the headlines over the last 60 days are still present today and our risks are the same. Will trade relations improve? Will we ship more pork to ASF positive countries? We can calculate our production costs and mitigate our market risks by using marketing tools at our disposal.

A heartfelt thank you to our feed patrons! Your confidence in our feed team is greatly appreciated. From feed delivery, ration quality and ingredient pricing we work hard to earn your business. Every ton of feed we make for you contributes to our viability and helps build the feed company that will be here to work for you in the future. Our success depends on your success.



Hello from the C-store, Thank you to all of our customers and Diamond Rewards members! I have seen a lot of customers reap the benefits of those Diamond Rewards cards recently redeeming their points for free merchandise! After a wet spring it is finally camping season and we have you covered. We have everything you might need for camping including ice, charcoal, sun screen, disposable coolers, and even live bait! We also have 91 octane gas, perfect for those small engines and classic cars. June specials include \$20.95 LP tank exchange and \$1.99 slices of pizza, July specials include \$2 off and order of wings, and 99cent coffees. Take advantage of these specials and more with your Diamond Rewards loyalty card. Thanks for visiting the Hanska C-Store!



Another challenging spring, to say the least. Lots of questions about potential yield and quality.... if you got planted. Our eastern territory, Mankato and Courtland, are further along than right around Hanska. However, we are now in the first full week of June and it sounds like most of the corn will get in followed by a big push with soybeans. A lot of corn is coming up along with the beans that got in. We are a long way until harvest, but fields look reasonably good today.

With the crop issues nationwide, the corn market has finally reacted. We have seen Dec 19 corn trade over \$4.50 and Nov 19 soybeans over \$9.10. For corn, these are values we have rarely seen the last 5 years. Have you captured any of this yet?

1993 was wetter than this year. 1987 was the driest of my career. (Although I had an "old timer" that year tell me '87 wasn't so dry, 30's was dry!) But in both '87 and '93, most of our customers had at least half of a crop. I think it is safe to assume you will have at least that too. We'll see what the new varieties can do too. If I would have to guess today I think you will have similar crops as last year as we have had a similar spring. You also have insurances today that you did not have in either '87 and '93. One of the primary purposes of the current insurance program was to give producers the "courage" or "comfort" to forward contract grain and know they will be monetarily covered, whether this be because of a crop issue or a price issue. The government was trying to encourage producers to be more proactive marketing and rely less on government programs. And by using insurance the government could get coverage more specific rather than use a "shotgun" approach.

I submit that you should not "sit and do nothing". I recommend selling into an up market if possible. Especially if you are at profitable levels. I encourage you to sell in increments, 5% or 10%. As many of you already do, look at estimated fall expenses and let those numbers help you set your selling percentages. If this market does keep moving up, which is what you want, at some point you start pricing 2020 production. Unlike '87 and '93, there is way more world production capacity today. I guarantee you that southern hemisphere countries are ramping up corn planting plans for this fall as this market moves up. They are locking in March 20, May 20, and July 20 CBOT values. Similarly, northern hemisphere countries are watching Dec 20 and looking real hard at their planting intentions for next year.

We have contracts to price "above the market", but they have some "bells and whistles" that we can explain. We have about 35 customers participating in these today, and that number has been growing. Their biggest complaint so far has been being knocked out of contracts.

The only way to make a sale and still be in the market, is to buy a call separately or as a Minimum Price Contract. We can do these contracts. We either deduct the premium from the contract or you pay it up front, depending on the contract.

Contact Jim or Karen to explain what we have to offer.



As I write this article, Mother Nature thinks we need a rain again. The Energy Department has been dodging frost boils and trying to make deliveries on Township roads and driveways the best we can.

Gasoline and diesel products have soften some in the markets. Contact Jen at the office for contract prices. Reminder that Ruby Fieldmaster and Roadmaster have B20 in until the end of September and October 1st B5 is back until March. April 1st B20 is required in the diesel again. Set the blend chart below:

#1	#2	Cloud Point of Fuel Temperatures
0%	100%	14 Degrees F
30%	70%	5 Degrees F
50%	50%	-1 Degrees F
70%	30%	-7 Degrees F
100%	0%	-45 Degrees F

Dallas started Summerfill on June 1st. FCH has sent out “Duty to Warn” that requires a signature and must be returned back to us in order to get LP delivered. If you haven’t received this letter or misplaced it, please contact Jen. If you are interested in budget billing, Jen will explain the rules and have you sign the proper paperwork. This program allows you to make smaller payments for 12 months versus larger payments when the propane is delivered. It will also put you on a schedule fill so you won’t have to worry about running out in the middle of winter. Propane has also softened in price so stop in or call for contract prices.

Last, we do have Cenex oils available. We offer package sizes in quarts, 2.5 gallon, 30 and 50 gallon drums, and bulk. Let us know what fits your needs!

The Energy Department wants to thank you for your continued business and appreciates it.

Thank you from:

Brian Stueber – 507.276.1007

Dallas Larson – 507.240.2300

Office – 507.439.6015



As I write this, we are busy trying to beat the June 20 deadline for dicamba spraying on soybeans. At least we have had an opportunity this year to get a fair amount of acres sprayed, unlike last year where the weather just didn’t cooperate. With this being the 2nd year in a row that we have had issues getting this product applied, we have to start asking the question how much longer are we going to support this technology? Don’t get me wrong, I like this product and what it has to offer us, but having to fight this hard to get it applied every year is not a good sign moving forward.

I have started to purchase product for Fall. Pricing on most products look to be down somewhat from last Fall, which is good. I was somewhat surprised to see this, especially with the rally that we have seen in the markets recently, as that generally means that we see price increases. If you have interest in purchasing Fall inputs, give us a call, as we will offer a cash discount as we move ahead through the Summer months. We will also probably offer booking pricing that will be due in early January 2020.

This Spring season was certainly a major test of everyone’s patience. We thought that after all the issues last year that it couldn’t get worse. I truly believe that this year was much worse. I have not seen corn and peas planted this late in the year from my recollections. We had product bought for river open, but as of today we have seen a minimal amount of barges arriving in the Cities. The latest projections are for a late June open. With the river issues, we had to find product (Urea) elsewhere. Fortunately, we were able to find product in Sioux City, Iowa, and they kept us well supplied and we never ran out of product.

We had a good 1st year start with Renk seed. Sales were good overall, and we are very optimistic about our future opportunities with them. Our rep, Jeff Berndt, did a great job of helping us along. Our Federal Hybrids soybean sales also were very good this year. Their lineup compares very well with all the “big boys” out there. Keep us in mind for next year.

I would like to thank everyone for your business this Spring and look forward to serving you in the future. Have a great Summer!!!!