



Spring 2019

## Digging Out from the Winter Blues

» By Don Truhe, General Manager

Despite the late fall, early and prolonged winter, and general market doldrums, your cooperative is off to a good start in 2019. While fall spreading was curtailed by the weather – down about 20-30% from previous years – we still did considerably better than others, some of whom lost 70-80% of their normal fall business.

Naturally, that shortfall will result in a busy and likely tight spring. I've seen quite a number of ice ponds indicating saturated fields. Fall work in wetter conditions also left scars in quite a few area fields, and those will require some attention before we can apply there. In short, there will be a lot going on in a short window. We can't be everywhere at once, so good planning and communication will be extremely important.

The good news is, we're built to handle a spring like this one promises to be. With a great facility, good application equipment and tenders, and well-trained applicators, we're in a great position to cover a lot of ground efficiently.

### Moving your grain

On the grain side, we shipped 2 million more bushels of grain our last fiscal year compared to the year previous. We also received very solid patronage from AGP. We continue to pick up our bunkers and have a number of trains on the books to load from April through July.

Our board and management worked on 3- and 5-year plans at our board retreat March 7 and 8. We evaluated our facilities and considered what we would need to do in the coming years to keep our physical plant in good shape, continue to pay down our debt and reach our long-term goals.

At this point, we do not have any major capital improvement projects slated for this year. We will replace two floaters in time for spreading this fall.

I'll end with a quick note about credit. If you're a new Southeast Farmers customer interested in credit, we'll need to cover some basics on the front end.

In today's economic environment, assuming you'll be able to call a few days in advance and get credit isn't as good an approach as it might have been five years ago.

We want to be able to extend credit to all our members, and to do that we need to stay on solid financial footing. We'll do everything we can to work with you while remaining fiscally responsible.

I hope the groundhog was right and spring is coming soon. Have a safe and productive planting season. «



*Your cooperative shipped 2 million more bushels of grain in fiscal 2018 compared to the year before.*

# Emotions Are Good, But Not When Marketing



» By Nathan LaFerrier, Grain Merchandiser

The goal of any producer is to obtain the highest price for his or her product during a marketing year. As emotions take over, however, achieving that goal may be daunting. The enjoyment of a price rally blurs one's vision, and producers often decide to gamble with

house money as they watch revenues increase.

While board increases do show greater revenue – on paper – those gains are not realized until the grain is sold and prices are locked in. Producers who decide to exit the market during the price run-up feel relieved knowing that the price locked in was higher than where they originally wanted to sell. That feeling can quickly be replaced with discouragement, however, if the market continues to rally.

On the other hand, producers who elect to see what lies ahead of them on this pricing journey become more jittery as revenue continues to accumulate while they try to anticipate when the upward move will end. Trying to predict the top can become the number-one goal, while locking in returns moves to the back of the mind.

Once an indication that the highs are in is confirmed, producers become tight-fisted with sales as they look to see if nearby support will hold and prices will rally back to recent highs. Emotions can take over at this point, and more often than not the end result is bushels priced below the point where the price increase started.

## Remove emotions, improve returns

Southeast Farmers offers many types of contracts that allow you to price storage bushels or new crop bushels and maintain ownership for a predefined time window. Utilizing these contracts, producers can price grain and still participate should the market rally. View these minimum price contracts as an insurance policy to protect against unknowns.

### An example of this would be:

Producer A prices corn for new crop on 2/20/19 at a price of \$3.50. With planting season a couple of months away, Producer A feels there may be some planting delays, so he wants to enter into a Min-Max contract. The contract will be based on \$3.50 cash delivery for new crop. This contract has a minimum price which is the value of a \$4 December call. At this time, that value is 24 cents. For the Max portion of this contract – the ceiling – one would sell a call that is

40-50 cents higher than the minimum call. At this time, a \$4.50 December call has a value of 11 cents.

### PRICE CALCULATION

\$4.00	December 19 corn futures
- .50	Basis
<b>\$3.50</b>	<b>Cash price</b>
- .24	cost of December 19 \$4 call
+ .11	premium for December \$4.50 call
<b>\$3.37</b>	<b>is the minimum price, and Producer A would be in the market until 11.22.19.</b>

If December 19 corn stays below \$4, Producer A's cash price would be \$3.37. In the event prices are at \$4.60 on Oct. 1, 2019, the max value would be reached and add 50 cents to Producer A's cash price, making it \$3.87.

This is one of many contracts you can use to help your marketing plan. Keep in mind that we can offer new crop contracts not only for 2019, but also for the 2020 crop. «



## Note to Propane Customers

As our energy business has grown, we've encountered more situations where our drivers are making deliveries seven days a week. To avoid that, our goal is to move more of our customers over to a regular delivery program. In the future, if you are not on our delivery program, there will be an additional charge for weekend deliveries. «

# An Opportunity to Give Back



Southeast Farmers Cooperative and our employees are actively involved in the communities we serve. Recently, several members of our staff grilled tenderloins, prepared cheesy potatoes and corn, and served the meal at the Friends' Feast at Immanuel Lutheran Church in Elk Point. We were also able to purchase jackets for the Beresford High School FFA chapter. We appreciate the support we enjoy from these communities and love the chance to give a little back. «

## Grain Chart Summary » *By Nathan LaFerrier*

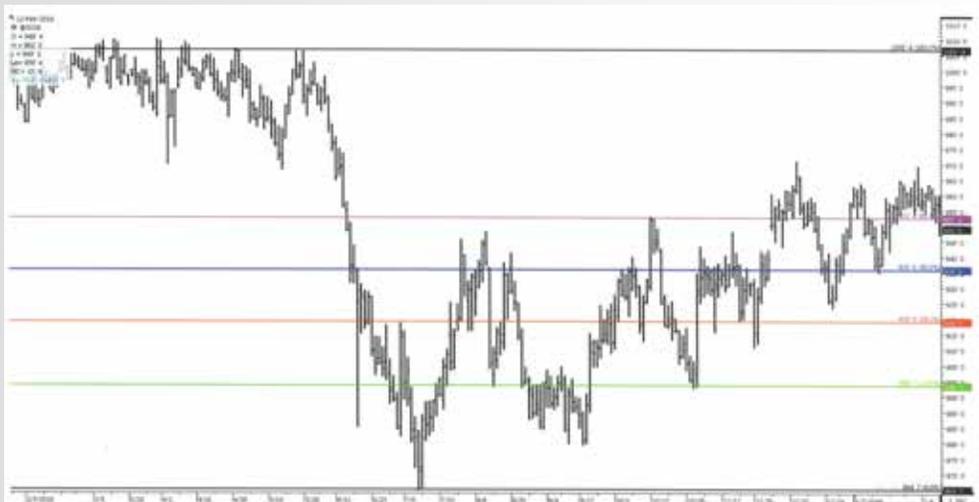
The corn chart shows the sideways movement the market has experienced since the middle of September. Traders are waiting for friendly news on tariffs. Export demand has been strong this fall and winter. Transportation has been a mess on the river system, as well as in the west which is rallying premiums in the export markets. These increases in value have allowed other countries to compete for corn demand throughout the world. With more winter weather on the way, it may be well into spring before the grain transportation market begins to loosen up. Bottom line - waiting on trade talks.

The bean market continues its march higher with what seems to be a mountain of unfriendly news stacked against it. South American production estimates continue to have a somewhat lower basis but do not indicate a crop disaster. The Argentine crop looks to be 625 million bushels larger this year. To fundamental traders, it seems the bean market should be sold in light of this and the fact we're looking at a 900-million-bushel U.S. carryout. Also waiting on trade talks. «

### CORN MARKET - 6/2018 TO 2/2019



### BEAN MARKET - 2/2018 TO 2/2019



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## Ready for Spring...When It Comes

» By Josh Adams, Agronomy Manager

The weather may not show it, but the calendar says spring is coming up fast. I know many of you haven't locked in all your spring inputs yet and may not do that until you can get a better read on the markets. Earlier is better, but know that we've got you covered, even for last-minute – or in-season – seed and crop protection decisions.

If you haven't prepaid yet for those purchases you know you'll be making, we strongly suggest you do. There are still some pretty good discounts available that won't last forever.

This month will tell the tale as to what form of nitrogen we'll be applying this spring. At the moment, anhydrous is

priced out of the game, and if it stays wet, we'll likely see urea and UAN make an upward swing.

The good news about the winter cold is that frozen ground allowed us to apply P and K on fields we couldn't get to in the fall. This will help take some of the pressure off this spring.

If you need help making planting maps or setting up FieldView™, come in and talk to James. He'll get you squared away. We're also going to have three liquid knife bars set up with Y-drops for side-dress application this year. «



## YOUR CONNECTION TO INFORMATION

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