



Fall 2019

Staying Strong Through the Storm

» *By Don Truhe, General Manager*

While I know I'm stating the obvious, I'll say it anyway. This has been a uniquely challenging year for you and for your cooperative. With South Dakota the runaway national leader in prevented planting acres, and with plenty of those acres in our trade territory, we're experiencing pressure from both ends of the growing season. Our agronomy work was significantly reduced in the spring, and those unplanted acres will mean less grain this fall.

Those factors, combined with trade issues, have also impacted our local markets. With NuGen, Merrill and Sioux Center shutting down and POET in Chancellor and Hudson cutting back, that is lost demand for corn. On the other hand, when those plants are running at peak capacity they take in 80-100 million bushels between them. It is unlikely we have that many bushels anywhere in this area.

There is some good news, however. Your cooperative was able to turn a small net profit for the past fiscal year. We were also able to pay off roughly \$2.5 million in term notes and interest while increasing our working capital from \$7 million to \$8.6 million. We've accomplished this by executing intelligent trades and operating in a conservative, fiscally responsible way in all aspects of our operation.

What this means for you is this – when you bring your grain to our elevator or purchase your inputs from our agronomy

department, you don't have to worry about your transaction. We've been able to improve our balance sheet year over year, and when you can do that, you're going to be ok. Others have not been so fortunate.



Going forward, we will continue to keep a close eye on our finances. Because we are not a bank, this may mean some restrictions on convenience credit. We are also holding the line on capital expenditures. If an investment won't generate a quick payback, we're putting that on the back burner until the ag economy improves.

These are the times when we look very closely at the usefulness and profitability of all of our systems and assets to determine if it makes sense to continue with them.

Going forward, this will be a challenging fall. We're hoping for a good fall spreading season, and we'll work hard to fill our facilities as full of grain as possible and see what next year brings.

Our annual meeting will be held on Monday, Nov. 25 in Elk Point, so please make plans to join us. «

Like you, we're feeling the impact of too many prevented planting acres.



Markets Struggle to Gain Ground

» By Todd Nelson, Grain Procurement

For corn and soybeans, September brings a new beginning. It marks the start of the new grain year when all the numbers we have talked about – yield, demand, carryout and others from our beloved USDA – all get reset. It may mark the start of a new year, but it doesn't change the fact that this past year felt like a never-ending monsoon season coupled with, for the most part, lower markets. Complaining about the weather will always be one of our favorite pastimes but rainfall records from the past 100+ years prove our complaints were justified this year. This was the toughest year to get into wet fields many farmers have ever experienced.

Corn outlook

This will not be a year of record yield and production. However, there will be a corn crop produced in the United States. A carryover of 2.4 billion bushels and struggling export demand will make it difficult for market rallies to gain much steam. However, a change in current forecasts of an early frost or some actual trade deals would be possible game changers.

In the September supply and demand report, corn yield was lowered slightly to 168.2 bu/A. Only a few slight changes were made on the overall corn balance sheet. Planning for next year needs to be top-of-mind with a big planted-corn-acre number increasingly likely. With all the fields sitting idle this year and the unhealthy state the soybean market is in, we will see a serious jump in corn acres for next spring.

Currently, December 2020 corn futures are hanging in there just above the \$4 level and 2021 around \$4.15. These are levels that the market can't stay above in recent years. If 95+ million acres of corn get planted next year, we'll fall below that \$4 level again. At Southeast Farmers, we offer contracts that can lock this price in now. We also offer minimum price contracts that lock in a floor price with the chance to capture upside market movements. If you want to utilize your production estimates to get something above where the market is currently trading, we have those too. Give us a call to discuss marketing strategies.

Now, about beans

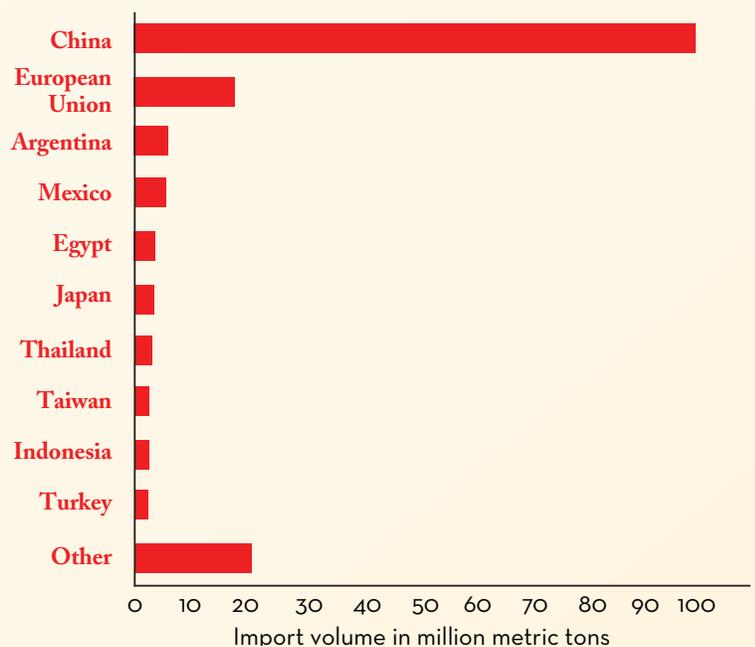
In the September supply and demand report, bean yield was lowered slightly to 47.9 bu/A. Projected yield figures for corn and beans are debatable but the biggest factor challenging prices is the trade war with China that has dragged on for more than a year now.

Sometimes you need to translate the numbers into a visual to really understand the magnitude of a situation. The below is a perfect example. China isn't the only buyer of soybeans, but they are by far the biggest. China not buying our soybeans, creates a major bottleneck and a supply-laden domestic market. Last year, China alone accounted for almost 60% of worldwide soybean imports.

Like corn, there will be a soybean crop produced by the U.S. that will not set any records. South America is soon to begin planting their next crop even though there are some dryness concerns. This may delay the start of planting slightly, but it won't stop it from happening. Looking at this chart it is easy to see where the beans from a lot of those acres will be headed.

In summary

It's difficult to get excited about much in the current markets. A certain family member who's roof I lived under rent free during my childhood has told me, "Just when you think there is no hope for prices to rally is just when they will." I believe there is some truth to that. However, Price Risk Management is a term that needs to be in everyone's marketing plan this upcoming year – and every year for that matter. Taking the information we have now and what is possible next year, it makes a lot of sense to lock something in to take some downside risk out. December 2020 corn futures at \$4 or 2021 at \$4.15 are not bad starting points. «



Growing with Propane Demand

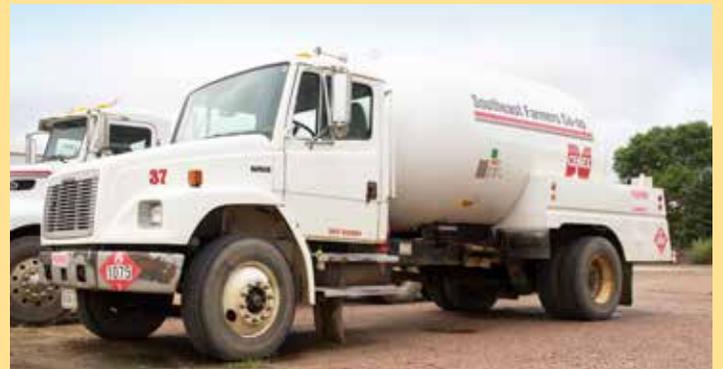
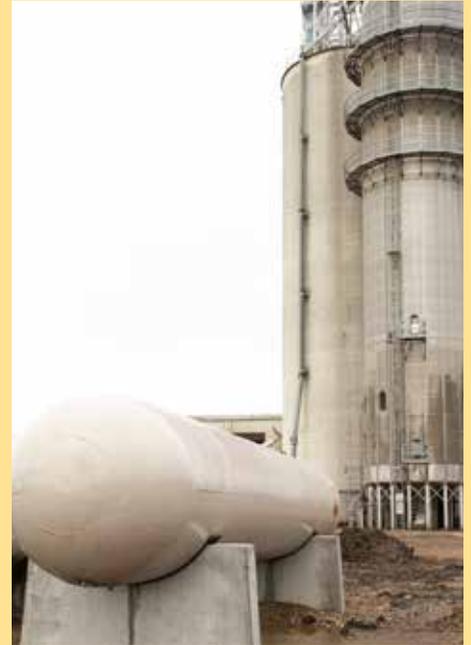
» By Brady Rosenbaum, Propane Dept. Manager

Our home heating market continues to grow, thanks to new construction and new customers. Southeast Farmers is expanding our capacity to meet that demand. We've added two new-to-us propane storage tanks – a 30,000-gallon tank at the Burbank facility and a 12,000-gallon tank at the terminal.

The Burbank tank will increase our ability to supply our route trucks, while the terminal tank will serve a dual purpose. In the past, we've had to slow our dryer down at times due to our propane capacity. The new tank will improve our drying efficiency and will also be used to top off the delivery truck serving our southern customers.

We've also added a second, single-axle propane truck to help serve customers on our southern routes. As a smaller truck, it's also better able to maneuver through the residential areas.

If you're new to the area, have added a new building or are just looking for a better energy supplier, give us a call at 605-253-6150. «



Ready to Turn the Page?



» By Josh Adams, Agronomy Manager

While most of us are still waiting to see what harvest will bring after a hard-fought battle with weather this spring and summer, it is time to start preparing for another chapter. If you have prevented planting acres, now is a good time to get those samples so you'll know what you need to apply for next year. We have a good

start on covering some of those acres as we've been spreading since August.

Another thought on prevented planting: Consider a more in-depth chemical program for those fields, particularly if the weather made weed control difficult or impossible. The weed seed bank will have received more deposits than usual, and that means early and residual control will be critical.

Here's a little good news. Seed prices are out, and they look to be flat to lower. Take advantage of the earliest discount deadlines to get the best per-acre price.



Another positive is fertilizer prices are down close to \$10 per acre from last year at this time. We upgraded our VRT machine with a new G5 box this fall, which has many new features for greater application accuracy.

Have a SAFE harvest, and we look forward to seeing you out in the fields. «

SAVE-THE-DATE

Southeast Farmers Coop
Annual Meeting
Monday, Nov. 25, 2019
6:00 Dinner - Meeting Following
The Pointe (Elk Point Golf Course)
Elk Point, SD



With Strong Basis Levels, Is Storage your Best Option?

» By John Limoges, Centerville Location Manager

Late planting has harvest starting later than normal and grain moisture contents are running higher. With wet grain, it is important to know how grain temperature and moisture content dictate the “allowable storage time” of the grain, or how long grain can be kept before it spoils.

You can calculate allowable storage time of corn using the chart below. Assume you harvest 26 percent moisture corn with a grain temperature of 60 degrees. Corn at that moisture and temperature level must be dried within eight days.

Grain condition

Considering grain is not getting the opportunity to dry in the field, the probability of the kernel not maturing properly is high. Kernels that don’t have the proper natural drying time can be much harder to store. Fines are also a huge factor in keeping the corn in

condition, and areas in the bin where fines accumulate are usually the places where you will get hot spots.

Corn pricing options

To avoid the risk of storing wet corn on the farm, we have some alternative options available. Corn can be dumped at our elevator out of the field and enrolled in our Harvest Storage Program. Another option, considering the strong basis levels, could be to enroll the grain in a basis contract and price the futures later. A third option would be to do a cash sale and re-own the corn by purchasing a call option. «

Allowable Storage Time for Shelled Corn								
CORN STORAGE TEMPERATURE (F)	Corn Moisture Content							
	15%	18%	20%	22%	24%	26%	28%	30%
	Days Storage Time Allowed							
70 degrees F	125	31	16	9	6	5	4	3
60 degrees F	225	56	28	17	11	8	7	5
50 degrees F	384	128	63	37	25	18	14	12
40 degrees F	864	288	142	84	56	41	32	27
35 degrees F	1140	432	214	126	85	62	49	40

Low Temperature & Solar Grain Drying Handbook, MWPS-22 1st Edition, 1980© Midwest Plan Service, Ames, IA 50011

MEET OUR NEW EMPLOYEES



KYLE LIMOGES



DAN SCHMITZ

