Southeast Farmers Coop

Winter 2020

Capacity Additions Pay Off

» By Don Truhe, General Manager

Though yields did vary throughout our trade area, the harvest of 2020 was certainly an improvement from last year. We expected a large crop and added storage capacity in anticipation but still wound up moving some grain between locations in order to keep taking grain.

With our expansion, we improved and extended one of the terminal bunkers from 450 feet to 1,050 feet — basically rebuilding a bunker that was originally more of a temporary setup. In Beresford, we removed a bunker we'd been using for beans and put up a new 150 by 500-foot bunker that will hold 1.2 million bushels of grain.

We're still working on our final numbers, but we're likely to see a record bean handle and we're getting really close to the best corn handle we've ever had. It will be a busy winter, as we will finish by picking up 6-7 million bushels from bunkers. We're purchasing a payloader with a bigger bucket to help with that task.

Strong export demand

The basis has narrowed and done both the producers and the cooperative a favor. We're seeing the impact of the Iowa derecho as eastern demand is coming west to get corn. It's a slow trickle as they pull first from northwest Iowa, where yields weren't phenomenal either. On the other hand, a narrow basis means ethanol producers are paying more for corn, cutting into their margins. If plants are forced to reduce production, the basis in our area could widen.

The export market has been phenomenal, and consequently we have 20 trains sold and started filling our first bean train in November. This looks to be the first time in quite some time that we will be starting a new year with good margins.

Our new liquid fertilizer tank will hold 1 million gallons.

Extended application

Moving to agronomy operations, once the snow hit in October, we thought we might be done applying fertilizer. However, between that snow event and the end of November, we had applied another 2,000 tons.

We're filling our new 1-million-gallon UAN tank, which is going to be a great asset for us and our producers. It's tied into our current system, so we can load in two places — on the new load pad at the tank and at the existing loadout in our building.

The addition of the tank also frees up another 750 tons of existing storage, allowing us the option of having more products, such as starters, on hand.

I want to once again commend our employees for the unbelievable job they did dumping grain and applying fertilizer this fall. These folks stood in dust and wind 12 to 14 hours a day, seven days a week for a solid month at the peak of harvest and got the work done.

Annual meeting update

We are not going to hold an annual meeting this year, and we've mailed official notice of that fact to our stockholders. Financials will be available, so call and let us know if you would like to receive a copy and we will send it to you.

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Lessons Learned

» By the Southeast Farmers Grain Team

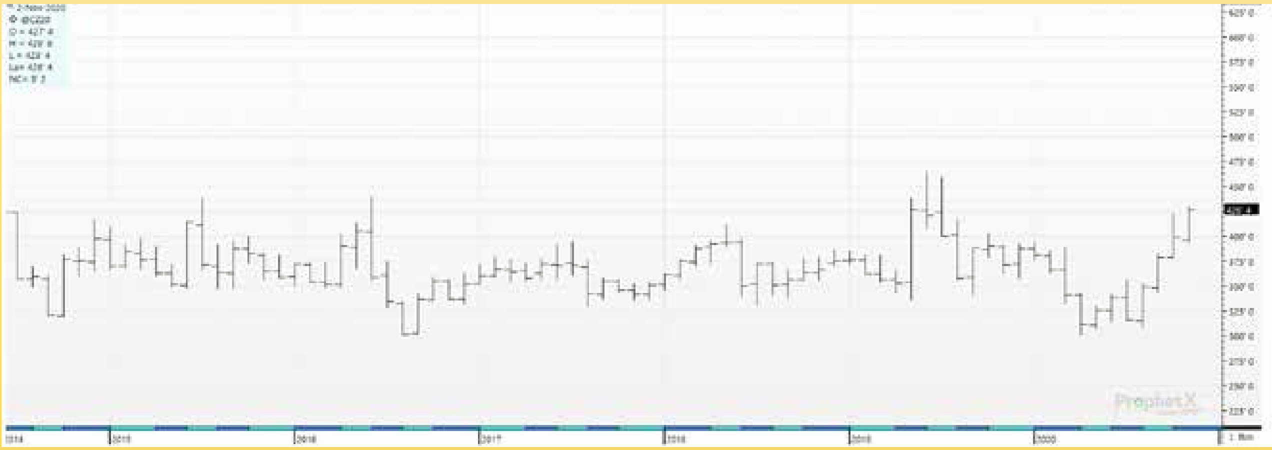
This year has brought challenges we would all like to forget. Without getting into how our daily lives have been impacted, we can take some of these lessons and apply them to how we look at the grain markets. Much like most of 2020, the corn and soybean markets have been stressful and challenging. At the beginning of July, we were looking at fall corn and bean prices that were barely hanging on to $3 and $8, respectively. Having a futures rally and firming basis levels through harvest has happened but is rare. While it's fine to hope for a market rally during harvest, hope is not a reliable marketing plan.

With harvest wrapped up, the question is, "What do we do now?" That can be answered to some extent by looking at what the market is offering. One thing 2020 has taught us is to take nothing for granted. The soybean market has been showing an inverse and corn has seen a nice rally that has lifted prices to much friendlier levels than we were seeing before harvest. No one wants to miss out on future market rallies but, at the same time, no one wants to carry unpriced grain into a down market either. Risk is more than just missing out on selling at contract highs.

A couple more lessons we have had to learn this year are to adapt and adjust. Using minimum price or min-max contracts might not be a common marketing tool used by the majority but could be beneficial in a year with so much uncertainty. These contracts lock in a floor price while still giving the producer upside potential.

I also can't stress enough looking forward and not missing out on marketing opportunities to sell 2021 new crop. December corn futures over $4 and November soybean futures over $10 have consistently proven difficult to stay above. Using hedge-to-arrive (HTA) contracts to lock in these futures levels now can be the beginning of a successful fall marketing plan.

Corn Chart



Above is a continuous corn chart dating back to 2013. This chart shows a trading range from $3 futures to $5 futures. In the beginning of November, the USDA lowered corn production, increased demand and came up with a corn carryout of 1.7 billion bushels. They also decreased exports out of the Ukraine area. This got the market fired up and nearby corn finished the day up 15. With the rally in corn we saw during

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Soybean Chart

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Continued from I

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Thanks for workin
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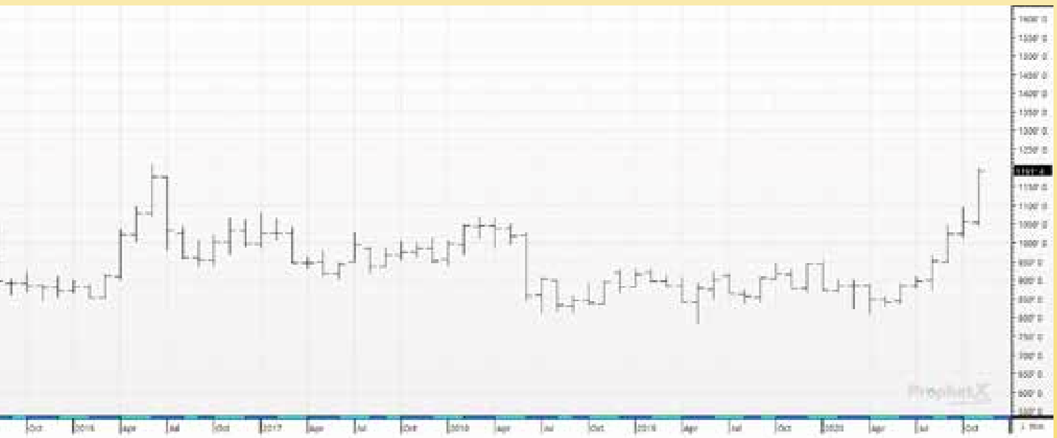
remained firm throughout harvest. This led to a slight increase in producer pricing but pace the demand the market was expecting.

l to get more corn moving into the marketplace was the firming of the spreads between uraged commercials throughout to reduce their corn inventories and within a couple spreads started to weaken, bringing more carry back into the market. What does this lucers and price action?

and firm basis tells producers that the market wants the product in the pipeline. y informs producers that corn demand is more pronounced than available supply. ds start to weaken, producers are informed that corn is moving at a higher rate than aking it. Futures prices turn lower.

minimum price (less risk than extended price contracts) and min-max contracts allow hat the market is telling them to do while also enabling them to stay in the market for a ined by the producer while limiting the risk of loss.



ove shows price action from 2014 until today. On November 10, the market got a shot e USDA cutting production and increasing exports. This led to posting a carryout of market was expecting something closer to 220 mbu. As bean harvest progressed the rted to rally with the daily announcements of Chinese bean purchases. This price producer movement but not to the extent the market was looking for, and the bean o an inverted state which forced commercial beans onto the market in a big way. Now les announcements the nearby spreads have relaxed.

s has many tools to aid in your marketing plan. Pleased give us a call see which tools will «

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l meetings this winter and will continue to discuss increasing capacity, speed and the past few years, we've added 5 million bushels of capacity to keep grain contained and and the results can be seen when we have a harvest and a handle like we saw this fall.

g with us in 2020. We're looking forward to serving you in 2021, and I hope you have an axing holiday season. «

NEED A PROPANE SUPPLIER?

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Southeast Farmers Coop
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Burbank, SD 57010

Strong Fall Tightens Fertilizer Supplies

» By Josh Adams, Agronomy Manager

This has been a huge fall for fertilizer application not just here at Southeast Farmers, but throughout much of the Corn Belt. With an extended and big application season, good crops pulling nutrients from area fields and many farmers unable to apply as much MAP or potash last year due to wet conditions, demand for those two fertilizers has been high.

Complicating the fertilizer picture is an anti-dumping lawsuit brought by Mosaic against two of the United States' biggest supplier nations. If Mosaic receives a favorable ruling, expect higher MAP pricing with tight inventories a definite possibility.

With corn prices more favorable, we're also likely to see some upward price movement in the nitrogen market in the next few weeks. With this in mind, it's a good idea to come in and line up your spring fertilizer needs.

The same holds true for 2021 seed. You know the new numbers tend to sell out, so if you have something you really want, the earlier you order the better the selection.

Of course, the big new addition in the agronomy department is our liquid nitrogen tank. That will be a big help in maintaining a strong nitrogen inventory and meeting demand. We also have a new John Deere spinner coming in the spring.

We're looking forward to 2021 and are ready to help you lock down your key inputs for the next production season. Stop in and visit with us soon. «