

FALL 2016

## Protecting the Privilege of Credit

As we weather the current down cycle in the ag economy, we are beginning to feel more of the impacts here at your cooperative. One sign of the tighter margins we're all facing is an increase in the number of past-due credit accounts.

We offer 30-day credit as a convenience to our members. This is intended to be a short-term option, designed to carry one month's worth of purchases for our customers. Our business model is not geared toward long-term lending, which is why we charge 16% interest on past-due accounts. If you do need longer-term input financing, we offer programs with our partner, CFA.

In order to follow sound business practices, maintain our ability to offer convenience credit and protect the financial interest of all of our members, we take a fairly aggressive approach towards managing our accounts receivable. We will communicate with our customers about their payment plans and file liens when appropriate.

We ask that you help your cooperative by keeping your account current. If you're finding this difficult, please talk to us. We will work with you to put a plan in place.

### Closing the books

Another year has passed, and our accounting group has been busy preparing materials for our year-end audit. This will be our first audit as the new Country Partners Cooperative.

As I mentioned earlier, we are all aware our industry is going through a rather dramatic downturn in producer profitability due to the severe drop in corn and soybean



**Tod Clark**  
General  
Manager

prices from the levels enjoyed a few years ago. Consequently, local earnings will be lower than what we would like to see. We are not alone, as most other agricultural retailers will be seeing the same trend in earnings.

Specifically, the two primary drivers of our lowered earnings were very low grain margins and lower margins on crop nutrients. On the positive side, we have managed our operating expenses very well this year. Those expenses were down significantly, and this has helped minimize the impact of the margin challenges. We thank our hard-working employees for doing a good job of keeping expenses in line.

One benefit of the merger was to put a company together that would have a balance sheet with the strength to weather the downturns that we all experience due to the cyclical nature of agriculture. We are seeing the wisdom of that decision, as we remain a financially solid company.

Looking back on the past year, it has been a whirlwind of change to say the least. We came together in a newly merged Country Partners Cooperative in February, and on Sept. 1 we welcomed the Anselmo, Arnold, Merna and Stapleton employees and customers to our company. Certainly there have been some minor bumps along the way, but that was to be expected with so much change in such a short window of time.

Over the next few months, we will continue the integration of best practices across our company. Change will be ongoing, because that is what is required to meet the needs of our evolving member/owners. We welcome the challenge, and are always open to your input. We look forward to working with you in the coming year. ■

# Grain Capacity Continues to Grow

By Scott Hillius, Vice President of Grain

With our acquisition of four new locations official, the Country Partners grain department has now added just short of three million bushels of grain capacity, thanks to the facilities at Arnold and Merna. That pushes our total licensed grain capacity company-wide to just more than 21 million bushels. We're looking forward to working with our new customers in Arnold, Merna, Stapleton and Anselmo.

After a long, thorough process to determine the best system to use, we set Oct. 1 as the date to merge our accounting systems to coincide with our fiscal year end. Obviously, this was not the very best timing for the grain department as they were in the midst of handling the soybean harvest. We appreciate the patience our customers showed as we went through a blackout period of several days when we were unable to generate grain reports or settlements.

Now the system is up and running, and everyone will be implementing the accounting best practices that we've established. These will be new to all our personnel, so we again appreciate your patience as everyone learns the new system. It's a challenge, but our staff has been working hard to prepare and we are all up to the task.

## Harvest promising

Regarding the harvest, the Central Belt saw big yields early. Corn in the

Western Belt felt the impact of diplodia. Overall, bean yields were comparable to last year, and we were left wondering how much better they would have been with finishing rains in August. Corn yields overall were down slightly from last year, but still very respectable.

We were prepared to handle a large crop, making October, November and December sales, and leasing land for additional covered ground piles. Nevertheless, a quick, early bean harvest pressured us for space as we received more soybeans at a faster pace than ever before. This was the story in many areas of the country, which left most elevators on rail in desperate need of railcars.

At the same time, railroad car rates were very high for what we call the "gut slot" of harvest—the October/early-November period. These steep rates were due in no small part to a record PNW export program.

We expect producers to put all the corn they can away and wait for better prices. The exception will be areas with a poor quality crop, where farmers use less on-farm storage and pushing more into the pipeline. Some producers will also store some beans on the farm as well, due to long lines or hopes of better bean prices after harvest.

## Demand outlook mixed

Looking at demand for all that corn, ethanol margins have been steady for

the most part. Exports have been strong to Brazil, and we're waiting for China to come in. China has

just decided to release some of their corn reserves, which will not help U.S. corn demand. Neither will the huge wheat crop, as that grain is still competing with corn as a low-cost cattle feed.

Cattle feeders will continue to look for ways to cut costs, as they have faced negative margins for most of the past year. Hog margins have recently followed suit, collapsing from \$30/head returns 13 weeks ago to \$15/head losses currently. On a higher note, milk prices have made a solid recovery and broiler returns remain positive, although the same can't be said for eggs.

With soybeans, processors were quick to weaken their basis as harvest picked up steam. Prior to the combines rolling, many had been taking downtime for scheduled maintenance, especially in areas where cash availability was next to non-existent. There's been an uptick in Chinese buying, and with South America basically out of the market until the March/April timeframe, the U.S. has an open window for exports.

Please give us a call if we can help you market your grain. We have a number of contract options and would love to work with you. ■



# Have Card, Will Travel

By Scott Haller, Vice President of Energy



As everyone who has been through one knows, the conversion to a new software system is always a very mixed blessing. The process is tough, but the end result is usually worth the pain. In our case, the move to one unified system will provide our Cardtrol customers

with a very nice benefit. Your card will now work at all company locations. So as you travel across our trade territory, you can use your existing card to purchase fuel, tires or any of the other goods and services we carry.

Everything has gone smoothly as we've begun to serve our four newest locations. I've enjoyed meeting our new customers and we have received quite a number of positive comments. For me personally, it's familiar territory, because my father was the general manager in Merna for 38 years.

Harvest signals the change of seasons, and it's time to be thinking about tank maintenance and switching to

winter fuels with the proper additives and blending ratio. In preparation, drain the water from your tank and change tank filters to help prevent problems this winter.

We offer propane contracts—either fixed forward or max-price—for a variety of different terms to cover your home and business heating needs this winter. This is also the right time to think about your spring and summer irrigation needs. The basis tends to be favorable in the November/December period, so consider contracting some gallons to lock down that portion of your input picture.

The Cenex® early-fill bulk oil program kicks off Nov. 1 and runs until Feb. 28, 2017. When you purchase 125 gallons of qualifying lubricants—15-40, 10-30 or hydraulic lineups—in any combination, you earn a \$50 Cenex gift card.

Finally, the Tanks of Thanks® campaign ends its three-year run at the end of December. So if you've meant to nominate someone to receive a free tank of gas, act soon. Time is running out to reward those folks who give so much to our communities. ■

## Ready to Serve Our Newest Members



By Ron Rutten, Chief Operations Officer

As Tod points out in his article, we've packed a lot of activity into the first nine months of 2016. Between the merger of our two cooperatives becoming official on Feb. 1 and our fiscal year end Sept. 30, we've rolled through a

typically busy spring and summer and the acquisition of four new locations.

Anselmo, Arnold, Merna and Stapleton fit very well into our trade area. In Arnold for example, we've added grain to our agronomy presence. Additional bulk fuel storage we've added through the acquisition helped us serve our northern locations without having to update existing or build new storage. These four new locations also help us utilize our people and equipment more efficiently.

During the transition period, our staff went to the country and met a lot of great people. We listened to their concerns, and now we're working to address their needs and provide the level of service they desire and deserve. We're repairing some facilities that were in need of attention, and also looking at potential future improvements.

Regarding capital improvements, in light of the current state of the ag economy, we don't have any large projects scheduled. We'll continue to evaluate the best places for

those improvements in the future, while focusing now on maintenance and repair to keep our existing facilities in great working order.

As to the projects we had underway this summer, the Lexington office and chemical warehouse are complete. In Cedar Rapids, the new liquid fertilizer plant is also nearing completion, with only some plumbing yet to be installed.

Thanks for working with us through another production season, and please take time to be safe as you finish up harvest.

### Input Financing Available

Partnering With **CFA** The Cooperative Finance Association, Inc.  
Financial Services for Successful Agriculture

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at 308-537-7141 or your account representative today.



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## Today's Plan Equals Tomorrow's Success

**By Mark Ballmer, Vice President of Agronomy**

With harvest heading into the homestretch, we've seen some solid yields on both dryland and irrigated acres. While we wish we were seeing a much better price, at least we are seeing good yields to help out the bottom line.

One thing many farmers haven't been happy with is weed control. Palmer amaranth and waterhemp have been real problems, particularly in soybean fields. If you haven't been convinced that glyphosate followed by glyphosate isn't the long-term solution, this year should make a believer out of you.

A good pre-plant/pre-emergent product with residual is essential, as is a control program that uses products from different chemical families. We also expect to have the new dicamba-based system for soybeans cleared for use in 2017. That will give us one more weapon in the war against these particularly tough weeds.

If you have acres due to be soil sampled, let us know as soon as those fields are harvested and we'll get in to take the samples. As harvest winds down, we'll also be coming around to talk about seed for 2017. Once again this year, we'll be posting our plot results on our website, [countrypartnerscoop.com](http://countrypartnerscoop.com).



We'll also be talking to you about contracting fertilizer for the next production year. While I realize that thinking about spending money now is painful, the reality is that you will need to fertilize the crop if you plan to plant in 2017. If you're going to purchase fertilizer, let's work together to lock in a price during the off-season when the rates are most favorable. ■

