

# Ag Biz

Winter 2023



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*We Appreciate Your Trust In Us!*

*Thank You for Your Business!*

**Growing Relationships to Maximize Success!®**



## Winter Update

Rick Vaughan, Retiring CEO

Happy Holidays Everyone.



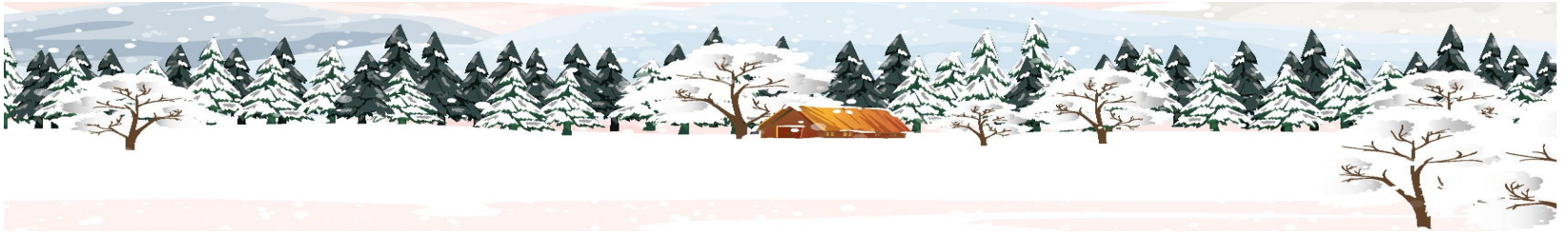
The Fall of 2023 has had mixed results for our various operating divisions. This can be typical of the nature of our business units, their dependency on mother nature, and their inverse impacts affected by our customers' decision-making processes. Our agronomy business will have a record fall thanks to our customers, our employees, and mother nature. You have heard me say in the past that an excellent fall agronomy season is always preferred. Feed is off to an excellent start this fall with improved volumes. Grain and energy have suffered the challenges of mother nature's decisions on rainfall and temperatures throughout the summer growing season. Our IAS geography had some very good yields in certain areas and very challenging yields in others. This affected our fall receiving, drying, and propane sales. We will still have good results in these business units for the full fiscal 2024 year, but there has been some impact from this fall season. Our trucking and maintenance business units are off to a good start, but they are impacted by some of the same factors. Our ethanol business unit is off to a great start this fiscal year. Production and internal efficiencies have been excellent. The

market forces of corn and ethanol have provided excellent financial results thus far. We anticipate a very good year for IAS in total across all these combined business units. The diversity and success of these business units have provided IAS with a solid economic foundation to work from and to build upon and will continue to do so. Please see the division reports in this newsletter for additional information.

Our IAS board meeting and annual meeting were held on December 11, 2023. Randy Blake, Paul Cook, and Stan Norman were all re-elected to the IAS Board of Directors. Thank you to Randy, Stan, and Paul for your continued commitment and service to Innovative Ag Services. Thank you to Allen Jaspers for your interest and commitment to run for the board. The board officers were elected at this December meeting and remained the same. Randy Blake will serve as Chairman, Steve Perry as First Vice Chairman, Adam Hill as Second Vice Chairman, and Loren Manternach as Secretary/Treasurer. I would like to recognize and thank all the IAS and PLCP directors for their time and effort. There are many important organizations requiring people's time in agriculture and in our rural communities. It is extremely important to have a well-engaged and well-informed board of directors.

Ken Smith has been selected as my successor. Please see his article in this publication. Ken has been on board since October 1<sup>st</sup> and has worked hard to travel to all our locations several times throughout the fall season. This has provided Ken with the opportunity to meet our employees, some of our customers, and learn about our locations and geography. Ken and I will work through various transition subjects throughout the winter. I wish Ken, the employee team, and the IAS board all the best in their quest to continue to position IAS as your preferred supplier. There is much opportunity across all the IAS business units for continued growth and prosperity. Retail agriculture will continue to be a dynamic and exciting place to be. I appreciate the time you have afforded me to serve. Thank you to all customers, board of directors, employees, and vendor partners for your support. The cooperative system will continue to be a very important cog in the agricultural production wheel.

Take care everyone. Thank you for your business. Happy Holidays and Safe Travels!!



## Service First

Ken Smith, CEO

As I look forward, I am humbled to serve as CEO.



This is one of the most productive agricultural spots in the entire world and our Cooperative is blessed with strong assets and fantastic people. The work of this team, paired with you, contributes to feeding and fueling a hungry world. For me there are few causes more important.

I am here to serve you and our employees. I believe the cooperative structure is the best model for mutual long-term success. I am excited about getting to know you and the challenges and opportunities you see. Thank you for your business and association with Innovative Ag Services.

I would like to thank Rick Vaughan for his leadership, execution, and tenacity in advancing IAS. He has gone out of his way to help me with this transition. Thank you Rick for your tireless execution to move IAS forward, we are in a strong position as a result of your efforts.

## About Me

- Like most of you, I have strong agricultural roots. I grew up on a row crop grain farm in North Central Indiana. This experience had a profound impact on who I am today.
- I have worked in agriculture my entire career, with a strong desire to serve.
- I have been married for 27 years to Sarah.
- I have two daughters, Morgan (14), and Sophie (13).
- I am passionate about helping others improve.

## Expectations of myself and our team

- Our Safety - We must look out for one another. Zero harm is attainable. We will go home in the same condition as we came to work.
- Our Assets - We must execute well. We must find ways to improve. We must budget and plan well. We will all be held accountable.
- Our Patrons - We serve by executing well. We will deliver value. We will do this with honesty and integrity.
- Our Communities and Families - We must seek ways to make them better. We must find a balance between our work and family.

I am a collaborative leader - which means I seek input from many viewpoints - please don't hesitate to approach me with ideas and thoughts. You have many choices and options in where you do business, thanks again for working with us. I am excited about moving forward.

Good days are ahead!



## Grain Update

Charlie White, VP of Grain

The fall weather made for a nice window to get the crop out and allowed for good corn dry down early in this season. A huge thank you goes out to both our IAS patrons for your grain deliveries this fall and to our IAS employee group for servicing our patrons during extended harvest hours. On average, across our territory, we saw an average moisture of 16.3% delivered which compares to 17.1% a year ago. Overall crop handle was lighter than a year ago with a few pockets of extremely dry conditions, as well as a declining market environment with less grain pre-sold.

The USDA report on November 9<sup>th</sup> showed an increase in corn yield to 174.9 bushels per acre versus 173.4 a year ago. NASS expects Iowa to raise a 200 bpa corn crop, which is equivalent to last year while Iowa soybean average yield was estimated at 58.0 bushel, down .9 bushel from a year ago. With the increase in production, the USDA also anticipates feed, ethanol, and export demand to all increase from previous reports and last year's demand levels, which forecasts our corn balance sheet to end with 2.156 billion bushels carry-out up from 1.361 billion last year.

The WASDE report on December 8<sup>th</sup> showed very little in the way of material changes to our US carry-out. Corn exports were raised by 25 million bushels to 2.100 billion bushels based on the previous few weeks of strong weekly export sales of corn. South American corn production estimates were left unchanged, which if Argentine corn production holds around 55 MMT, we're looking at a potential record crop, and close to 700-million-bushel additional production versus last year. On the bean front, the US balance sheet was unchanged in all categories of demand. Brazil bean production was lowered to 161 MMT from 163, but still larger production than last year's record crop size of 160 MMT. Futures will continue to get direction from forecast model runs.

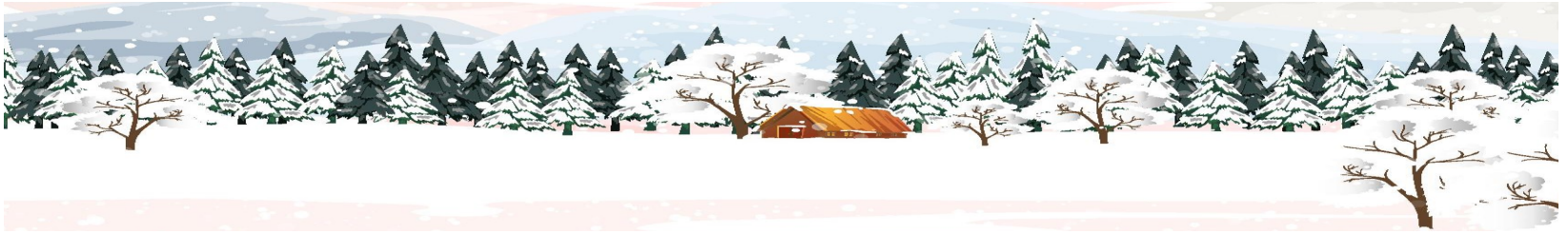
With the stocks to use relaxing from 9.8% a year ago to 14.9% projected, the futures market has taken note, and we continue to see a setback in prices from the recent highs set in the middle of June. Even with the strong state of Iowa yield of 200 bpa, the corn crop found plenty of space and demand this fall in most places. The crop all but put away, coupled with the declining market environment has allowed basis to firm quicker coming out of harvest than is typical on both corn and soybeans.



On top of the end user not having the traditional bushels bought from the producer, the CBOT carries are offering a carry instead of an inverse that we've seen the previous 3 years which forces bushels to market. With higher interest rates, the traditional ranges of "good carries" need to be re-evaluated. Historically 15 cent carries from Dec/March have been close to 80% of full carry costs, today that is less than 50%. This difference is coming from higher interest rates and also the fact that CME raised monthly storage charges a few years ago which the market is finally testing. Reminder, to capture the carry, the grain needs to be sold ahead of delivery. At \$4.70 corn and 8% interest, the cost of carrying that bushel of corn is 0.031 cents/month. With \$13.70 soybeans, the same 8% interest, the cost of carrying those soybeans amounts to 0.091 cents/month. These costs are helping make some marketing decisions for both commercial and farm bushels.

Absent this year is the large western US corn rail pull that we felt last year. The Eastern Corn Belt also has a big crop this year that will stop any Iowa bushels from flowing east. There has been some recent Mexico corn rail business down that is supportive of Iowa rail loading basis values to keep ethanol plant bids strong.

Thank you, again, for your grain business with Innovative Ag Services. The IAS team looks forward to meeting many of you in 2024 as we host our Winter Grain Marketing Outlook meetings, be sure to watch for the invites coming out soon. Happy Holidays!



## Feed Update

Mike Bachman, VP of Feed

We continue to work through supply chain issues, labor shortfalls, high fuel, and elevated repair costs. Livestock markets continue to be unsettled. Demand and strong exports have been very supportive, but we have so many variables in our business today that sway our markets in an unhistorical fashion. Most of those variables are unforeseen and out of our control. This has made it even more of a challenge and puts added emphasis on communication. With all the challenges we face, it is increasingly important that we spend time reviewing our businesses to optimize outcomes and profitability. A few things to consider:

- 1) Fine tune your cost of production to the current replacement costs of inputs regularly with the current market volatility.
- 2) Understand your risks. What is your risk tolerance? How much risk can I afford?
- 3) Develop and implement a marketing plan that is consistent with your production goals and risk objectives.
- 4) Review best practices. What can/should I change to better meet my goals?
- 5) Monitor feed inventories closely considering future ingredients needed, market volatility, and logistical challenges.
- 6) Keep your resource and advisor team in the loop and take advantage of the information and resources that you bring to the table.

A quick update on the feed division is our mills are off to a good start to this fiscal year and the outlook remains positive. Our direct ship beef business is up with dairy about even with last year. This is a true testament to our seasoned sales team and their ongoing dedicated efforts to our IAS Feed Division. I'm certain the environment we currently are in is here to stay so we need to make sure we are staying focused on what we can control and continue to be strong advocates for our industry.

Finally, winter is upon us, so we must work with our suppliers as well as our mills to provide plenty of notice to do a good job of planning manufacturing and deliveries. It is a good idea to keep an eye on the next few days' weather forecast as well to help plan around any potential weather events that may affect feed deliveries. Your help is greatly appreciated.

### Winter Weather and Feed Orders

Winter is upon us with colder weather, shorter days, and at times, adverse driving conditions – it takes more time to get feed delivered. It is very much the IAS Team's goal to get feed delivered promptly meeting your expectations. We ask that you work with your local mill teams to provide plenty of notice for us to do our job planning manufacturing and deliveries. It is a good idea to keep an eye on the next few days' weather forecast as well to help plan around any potential weather events that may affect feed deliveries. Also, please have a designated location to leave delivery tickets and labeling. Your help is greatly appreciated.

**IAS's order policy is to have orders called in by noon for deliveries the following day. Additional notice is very much appreciated, especially this time of year. Orders received after noon will be subject to same-day order charges.**





## Energy Update

Randy Swenson, VP of Energy

Hello, from your man with gas!

On November 30, OPEC and cooperating producer nations, known as OPEC+, decided to take more crude off the market to support crude's price. If they follow through with the plan, they will be producing around 6.2 million bpd below their benchmark production rates. That was the crude production rate established before any production quotas were put in place.

At that meeting, the quotas remained the same, and Saudi Arabia extended its voluntary cut through March 2024. Russia raised its voluntary cut to 500,000 bpd, and other OPEC+ members pledged to voluntarily cut an additional 700,000 bpd from production. Therefore, the total reduction in output is made up of around 4 million bpd from quotas and 2.2 million bpd from voluntary cuts.

OPEC is making these cuts because it is concerned that the world is going to need less crude, and if they don't reduce production the price of crude is going to tank. Data shows that the global economy is slowly reducing energy demand. There are concerns that the weakening economic activity will continue throughout 2024. OPEC and the pandemic have already put extreme pressure on the higher-cost shale formations of the U.S., thus hurting inventories even more. It aggravates me and I'm sure you as well, how we are manipulated by that organization!

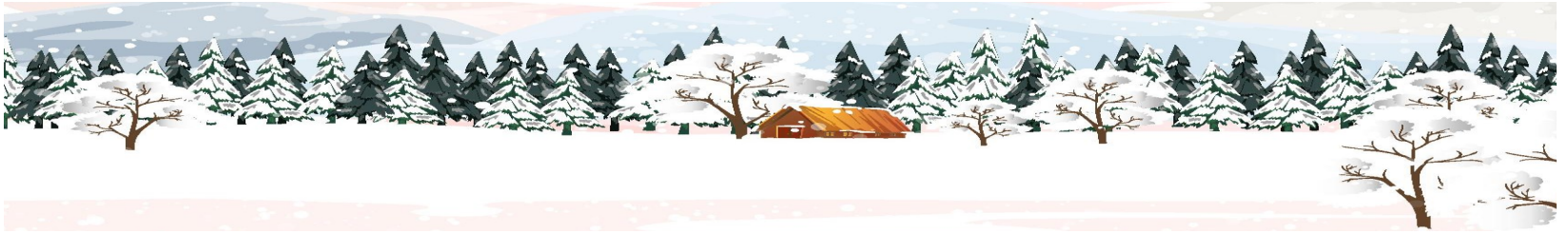
Diesel demand has been running below trend all year, as well. Demand was well below last year for the first half of the year but is beating last year now. Still, the overall demand for diesel has not been strong this year. Strong export demand for diesel has caused the price to be very high in the U.S., hurting demand.

Recently, we have seen a decent drop in diesel prices (mostly basis cost) with the hopes we will have a cheaper spring season. Fear of supply will always be in the back of our mind, as we experienced that in the middle of harvest, with an increase of \$1.15/gallon basis. That is a problem that cannot be fixed overnight, so in-season we will always encourage you to have full tanks.

Propane prices have stayed consistently the same throughout harvest and post-harvest, as demand and smaller export sales are the main drivers. Exports have slowed down due to the lack of water in the Panama Canal. Ship traffic was down 40% for November and expected to be down 54% for December. Propane cargos are called Very Large Gas Carriers (VLGC) and carry more than 20 million gallons of propane, which will bottom out with the lack of water in the Canal. With that said, propane is staying in our country and adding to our current inventory, putting potential pressure on prices.

Have a great winter!!





## Agronomy Update

Tim Krausman, VP of Agronomy

I hope this writing finds you all well, and you are getting prepared for a wonderful holiday season. We are still applying dry fertilizer on a few acres which shows how great of weather we have had this fall for harvest and agronomy applications. The great fall that we have had, will allow us to have added emphasis with labor and equipment on liquid applications in the spring.

Fertilizer markets are unsettled currently due to large fall volumes in Urea's big moves in the last couple of months, CVD decisions due soon for phosphates, and European natural gas. In the next few weeks, we will have a clearer picture of fertilizer values moving forward.

Chemicals will be the big conversation as we move through the winter months due to some of the fields that had a lack of rainfall and consequently less than adequate control of weeds. When we have these years, it helps make resistance more prevalent. This will require higher rates and increased modes of action to get the control we desire moving forward. Rootworms will likely be a larger challenge moving through this next growing season due to higher pressure this past growing season and the dry soils.

We are increasing our spending on our locations and assets to improve our ability to service the customer. We are also increasing our Agronomy sales force to improve our ability to help find solutions for current and prospective clients. We have also increased our sustainability presence this past year and have started working with the new programs for 2024.

We have launched the Truterra crop year 2024 financial assistance program! Being offered this year is a USDA-supported program for growers who are implementing a practice change on that acre for the first time this fall or next spring. The eligible practice changes are strip-till or no-till, which pays \$25/acre, and/or cover crops, which pays \$55/acre. Our customers have access to this funding for one field that is up to 160 acres. Enrollment is now open and runs through February 2, 2024.

The other program being offered is a carbon sequestration-based program that pays \$30/ton. The eligible practice changes are strip-till, no-till, other reduced tillage that falls into the seedbed prep tillage category, and cover crops. The eligibility for this program is open to anyone who uses any of these practices, no matter when you originally adopted the practice. Enrollment is now open and runs through June 30, 2024.

If either or both of these programs interest you, go to [truterraag.com/enroll](https://truterraag.com/enroll) and fill out your contact information, and select Innovative Ag Services-Iowa as your retailer and we will take your enrollment from there! Please reach out to Kayla Bergman, our Sustainability Lead, at (641) 858-7614, with any questions.

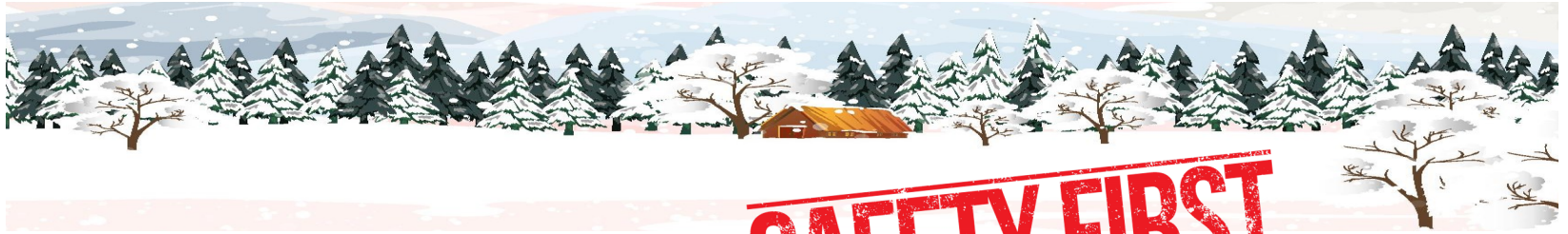
I would like to thank everyone for their business, and we look forward to servicing you moving forward.

Enjoy the holidays and we look forward to serving you in the New Year!









## Safety Update

Bill Vetter, Safety & Compliance Director

With a genuinely nice Fall behind us, it is time to prepare and think about Mother Nature's plan for Old Man Winters's return. Winter will bring cold and wet conditions that can often be unpredictable and extreme, causing unforeseen situations. Farmers know work and chores do not stop for the weather; they must conduct outdoor tasks regardless of the weather conditions. Livestock owners care for and feed their animals and the grain farmers check and load stored grain in all types of weather conditions. The most we can do is to prepare for the challenging weather conditions and be mindful of the task at hand. Preparations will aid in a more positive, less stressful situation and hopefully prevent injuries.

Ensure in advance of wintry weather that you have available clothing and footwear to protect the extremities (head, hands, feet, neck) and our core temperature with layers of clothing. Layer up clothing especially if working so as you warm up a layer can be removed and prevent sweating. When in a freezing weather environment for an extended period watch for cold-related warning signs of hypothermia; uncontrollable shivering, memory loss, being disorientated, slurred speech, drowsiness, and exhaustion. Medical attention is needed for hypothermia. Frostbite can happen quickly if you experience a loss of feeling and white or pale skin appearance in your extremities it is time to leave the cold and move into a warm area and avoid rubbing off cold skin-warm up slowly.

In cold, wet conditions, the most common injury includes slips, trips, and falls. Slips can happen anywhere but occur more often in areas where metal or concrete and snow/ice meet in locations when entering and exiting a building, tractor, or vehicle, so be cautious and do not get in a hurry. Walk slowly and carefully, wear appropriate footwear, and have available ice traction devices for your boots when it is particularly icy. Remember it is twice as slippery, around 30 to 35 degrees as snow or ice begins to melt on top of frozen concrete or ground. Have available salt or salt/sand mix to put outside of doorways and walkways once the snow has been removed. Snow removal is necessary but has its own set of risks: with muscle strains, frostbite, and heart attacks, do not overexert yourself, take breaks to lessen the risk of potential injuries. Caution must be taken when using a snow blower either walking behind or on a tractor. Every year there are reports of hand/fingers/body parts being caught or even amputations-never use your hands to unplug an auger or discharge spout. Ensure all energy sources are off and PTO brake applied, only use a wood or plastic pole to unplug equipment.

Of course, there are winter driving hazards. We must retrain our habits regarding speed and distance, slowing down earlier and allowing more distance between vehicles. Remember roads and sidewalks are more slippery between 30 and 34 degrees around the freezing temperature than at colder temperatures. Prepare your car for the weather, ensure you have a good ice scraper, check the tires for tread and proper air inflation, and ensure the windshield washer is full and the wiper blades are in good shape. Have an extra coat or a blanket in the car for emergencies. Leave a few minutes earlier than the normal routine. Turn on your headlights if it is snowing-automatic lights will not always come on automatically. If you are in an accident stay in your vehicle until help can arrive. The use of additional heaters-fire places can be dangerous and costly if not used properly. Keep anything that can burn at least three feet away and have a kid's free zone from playing or having blankets in close proximity. Always turn off or put out fires when unattended and do not leave it on when sleeping. Heating by alternate means other than the home furnace is the second leading cause of home fires during the winter months. Ensure you have a working smoke alarm and carbon monoxide detector in the same room. If plugging in a heater do not use extension cords or power strips as they can overheat the cord and cause an electrical fire.

Taking simple precautions and being prepared to prevent injuries and accidents. Have a safe injury-free winter.



# 2024 Calendar Photo Contest

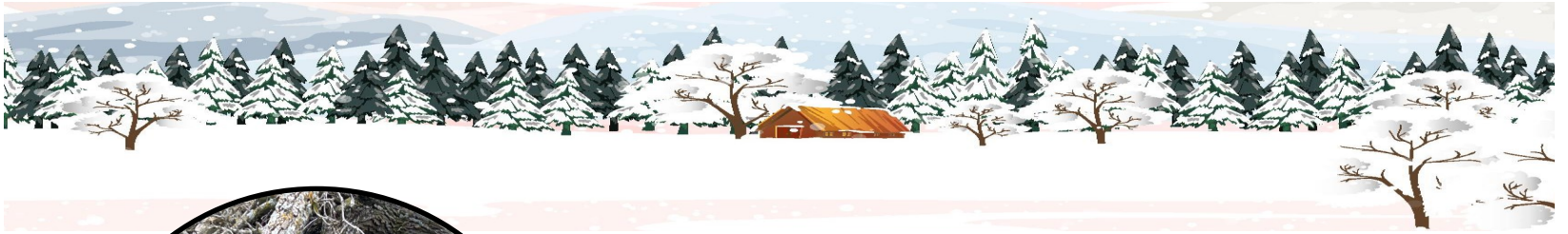
We are proud to announce Craig Manternach of Cascade, IA, as this year's Calendar Contest winner. Craig submitted "Pasture Playdate" which will be Innovative Ag Services 2024 Calendar cover.

We would like to thank all contestants for submitting their entries. Many wonderful and unique photos were submitted this year, making the selection process very difficult for the committee. Numerous photographers are represented in this year's Innovative Ag Services Calendar.

Remember to keep taking pictures this year and have them ready to submit for the 2025 Calendar Photo Contest. It's never too early to start!

## 2024 Calendar Contest Winners

Page	Title	Photographer	Hometown
Cover	Pasture Playdate	Craig Manternach	Cascade, IA
January	Farmers Little Helper	Amber Selman	Maquoketa, IA
February	Donald with Calf	Mary Wendling	Manchester, IA
March	Sunrise on the River	Jamie Lier	Waukon, IA
April	Spring Planting	Amber Selman	Maquoketa, IA
May	Deere	Chris Castek	Monticello, IA
June	Checking the Hay	Angie Steiber	Lansing, IA
July	Summer Fun with Grandpa & Grandma	Jon Keninger	Ackley, IA
August	Summer Swim	Angie Steiber	Lansing, IA
September	Calves in the Pasture	Ashley Rochleau	Monona, IA
October	Morning Sunrise	Detrick Steiber	Lansing, IA
November	Teamwork	Brenda Schmitt	Waukon, IA
December	Frosty Day School Bus	Clinton Brannon	Hampton, IA



*Thank You!*



**Innovative Ag Services**  
**2010 S. Main St.**  
**Monticello, IA 52310**

## **2024 IAS Scholarship NOW AVAILABLE!**

Innovative Ag Services, Co. (IAS) is proud to announce we will be awarding six scholarships in 2024. Each scholarship is an award of \$1,000 to a student who wishes to pursue a degree in the agriculture industry.

All applications submitted will also be entered into the Friedman Scholarship as well as now available the Vaughan Scholarship. These \$1000 scholarships are sponsored by Innovative Ag Services' retired CEO,'s Jack Friedman, and retiring CEO Rick Vaughan and will be awarded to an individual that shows exceptional leadership qualities as well as a desire to make a difference in his or her respective field. There will be a total of 8 scholarships given.

IAS understands the increasing costs of post-secondary education and is happy to extend a helping hand to the future of the industry. For questions concerning the scholarship program, please call (319) 465-2022 ext. 1060 or email [hr.dept@ias.coop](mailto:hr.dept@ias.coop).

**Applications and information on eligibility is available on our website at [www.innovativeag.com](http://www.innovativeag.com)**

**Deadline: March 1, 2024**

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