

Volume 14 | Quarter 3 | 2024
Ag Partners News



Between the Bushels

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CEO UPDATE

Financial Strength and Continued Investment: A Year of Progress

- As we close out this fiscal year, I'm excited to share an overview of Ag Partners' financial performance for this past year, along with a look back at some of our historical financial trends. Despite the challenges we've faced as an industry, this year has been marked by solid growth, strategic investments, and strong returns for our member-owners. Below, I'll break down how we're performing, the investments we've made, and what we can look forward to in the year ahead.

Net Earnings and Forecasted Results

2024 is shaping up to be another strong year for Ag Partners. While we won't match the record-breaking earnings from 2023, we are projecting net earnings of approximately \$13 million for fiscal year-end 2024. Last year's record of \$18.3 million set a high bar, but once our year-end audit is completed in October, we expect 2024 to go down as the second-best year in our cooperative's history from a bottom-line earnings perspective. Impressively, in four out of the past six years, our net earnings have exceeded the combined performance of the pre-merger cooperatives from 2018.

Looking ahead to 2025, we anticipate maintaining this momentum, generating cash flow that will continue to support operations and return value to our members. We have spent a significant amount of time this year preparing the 2025 budget for review and approval by the board of directors. Early forecasts for next year's fiscal results are promising, especially with the positive harvest reports and strong bushel deliveries we're seeing across our facilities.

Cash Flow: The Lifeblood of Our Cooperative

At Ag Partners, financial health is about more than just earnings—it's about the cash flow we generate from our operations. A key financial metric that our lender, CoBank, evaluates is EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization). This past year, we generated nearly \$27 million in EBITDA cash earnings from business operations.

Over the past five years, EBITDA has totaled \$113 million, an increase of over \$50 million compared to the previous five-year period. This strong cash flow has been driven

by depreciation (a non-cash expense) and robust returns from regional partners through cash patronage and equity retirements. Ultimately, this cash flow has empowered us to reinvest in key areas of the business while also returning value to you, our member-owners.

Investments in Infrastructure

Over the past three years, we have made significant infrastructure investments, totaling nearly \$60 million in fixed assets to support the operations and future growth of Ag Partners. This strategic reinvestment plan, initiated in 2021, continues to evolve. For a cooperative of our size, this level of reinvestment is significant and has only been possible due to the strong cash flow performance, the strength of our balance sheet, and our relationship with CoBank.

These investments are not just about meeting today's needs—they're part of a long-term strategy to ensure Ag Partners is positioned to serve you for decades to come.

Returning Value Through Patronage and Equity

One of the cornerstones of our cooperative model is returning value to our members. While the year-end audit is not yet complete, and we don't have final numbers for this year's patronage and equity allocations, I can share that over the past five years, nearly \$12 million has been returned to members in the form of cash patronage and equity retirements.

Your board of directors continues to prioritize returning profits to members, balancing this with the need for future reinvestment into the cooperative.

Managing Expenses in a Challenging Industry

Like many of you, we've seen rising costs affect every aspect of our business. Personnel, insurance, interest, depreciation, and general operating expenses have all increased significantly in recent years. These are industry-wide trends, and while we've been proactive in managing them, we are still navigating rising costs without compromising on service or quality.

Despite increased personnel and fixed expenses, we've managed to reduce other operating expenses by over

CEO UPDATE (CONT.)

\$600,000 compared to the previous year. This reflects our ongoing focus on profitability and sustainability.

Looking Ahead

As we prepare for the new fiscal year, I want to share some key takeaways from the recent Board Planning Session held in August. During this session, management and the board, along with representatives from CoBank, discussed the long-term future of Ag Partners Cooperative.

One key topic was the ongoing focus on local earnings as an industry standard for evaluating performance, largely driven by CoBank as the premier lender for cooperatives nationwide. Ag Partners' financial performance presents a mixed picture: local earnings may show some concerns, but our net earnings tell a different story. We have outperformed historical trends and set records in each of the last two years.

This dynamic is largely due to industry-wide rising costs, increased depreciation from our fixed asset investments, and record patronage from regional partners. CoBank representatives emphasized that their credit risk evaluation has shifted to prioritize cash flow analysis. Despite local losses over the past three years, CoBank's view of Ag

Partners' risk has not increased, thanks to our strong cash flow and business performance.

In summary, Ag Partners has leveraged strong returns from regional cooperative partners to make record investments back into our infrastructure and people, ensuring long-term sustainability.

Conclusion

I'm confident that Ag Partners is well-positioned to continue delivering value to our member-owners. Our strong earnings, prudent investments, and commitment to reinvesting in our facilities and people reflect the strength and resilience of the cooperative.

I look forward to sharing more as we finalize our year-end results, but for now, I extend my deepest thanks for your continued trust and partnership. I also want to wish you a safe and successful harvest season.

As always, please don't hesitate to reach out with any questions or concerns.

Regards,

Wes Spohr President & CEO



RISK MANAGEMENT UPDATE

Things are almost too good to be true as we roll through very bountiful crops this Harvest. Last year's Harvest was pretty decent, and this year will probably be even better. More bushels means more to track so keeping good records is always beneficial. Make sure to keep accurate load records from each farm and mark your bins when you change farms. If you can keep farms separated during harvest it makes life much easier when it's time to report yields for Crop Insurance later on. Plus, the high 2024 yields could really help boost your 10-year averages, so you don't want a mistake penalizing you. More operations are also transitioning to combine monitors and grain cart scales to track bushels, and we are happy to walk you through those options if you are interested.

The weather has even dried out nicely for Harvest with just some small rain delays. This drier weather pattern has also started triggering our Rainfall Insurance policies to hit claim levels this Fall. So, if you are one of the operations with grazing or hay acres insured under Rainfall Insurance, you'll probably be seeing some checks in the mailbox. If your operation has cattle or hay ground and would like to learn more, now is a great time to ask Jim Ward or Darcy Pralle about Rainfall (aka "PRF") Insurance. The annual sign up is every November and we are expecting another great return on investment for these Rainfall policies in 2025.

Wishing everyone a safe and successful finish to 2024!

- **Darcy Pralle, Crop Insurance Specialist**



2025 SCHOLARSHIP PROGRAMS



ROYALS SCHOLARSHIP

In partnership with the Kansas City Royals Foundation and Globally Responsible Production this program will offer scholarships to six students in two categories.

Open from October 1 2024 - March 1 2025

- Applicant must be a high school senior, graduating in Spring 2025 OR a student attending a post-secondary institution in Nebraska, Iowa, Kansas, Missouri, Oklahoma, or Arkansas for the Fall 2025 semester.
- Submit one photo suitable for promotional use upon selection as an awardee.
- Submit required material outlined for relevant category (Agriculture Marketing or Agriculture Education) at <https://www.agpartnerscoop.com/about/royals-scholarship-program>
- Each category will have three winners: First Place will receive \$4,000, Second & Third Place will each receive \$500.

Apply on our website!



AG PARTNERS SCHOLARSHIP

Open from October 1 2024 - March 1 2025

- Applicant must be a child or grandchild of a current Ag Partners member-owner or employee.
- Be a high school senior, graduating in spring 2025.
- Enrolled at a post-secondary institution immediately following high school graduation.
- Demonstrate leadership abilities, academic performance and desire to further their education and career in an agricultural-related field.
- Submit one photo suitable for the newspaper to be used upon selection as an awardee.
- Complete the application on our website at <https://www.agpartnerscoop.com/about/scholarship-program>
- Five winners will be selected to receive \$1,000

NEW EMPLOYEES

Cooper Deters

Operations Technician, Wamego KS

Theron Row

Service Center Technician, Mr. Tire

Tanner Myers

Energy Delivery Driver, St. Mary's KS

Jennifer Edie

Operations Technician, Willis KS

Christopher Reeves

Service Center Technician, Mr. Tire

Kudzai Chigodora

Operations Technician, Corning KS

Welcome Aboard!



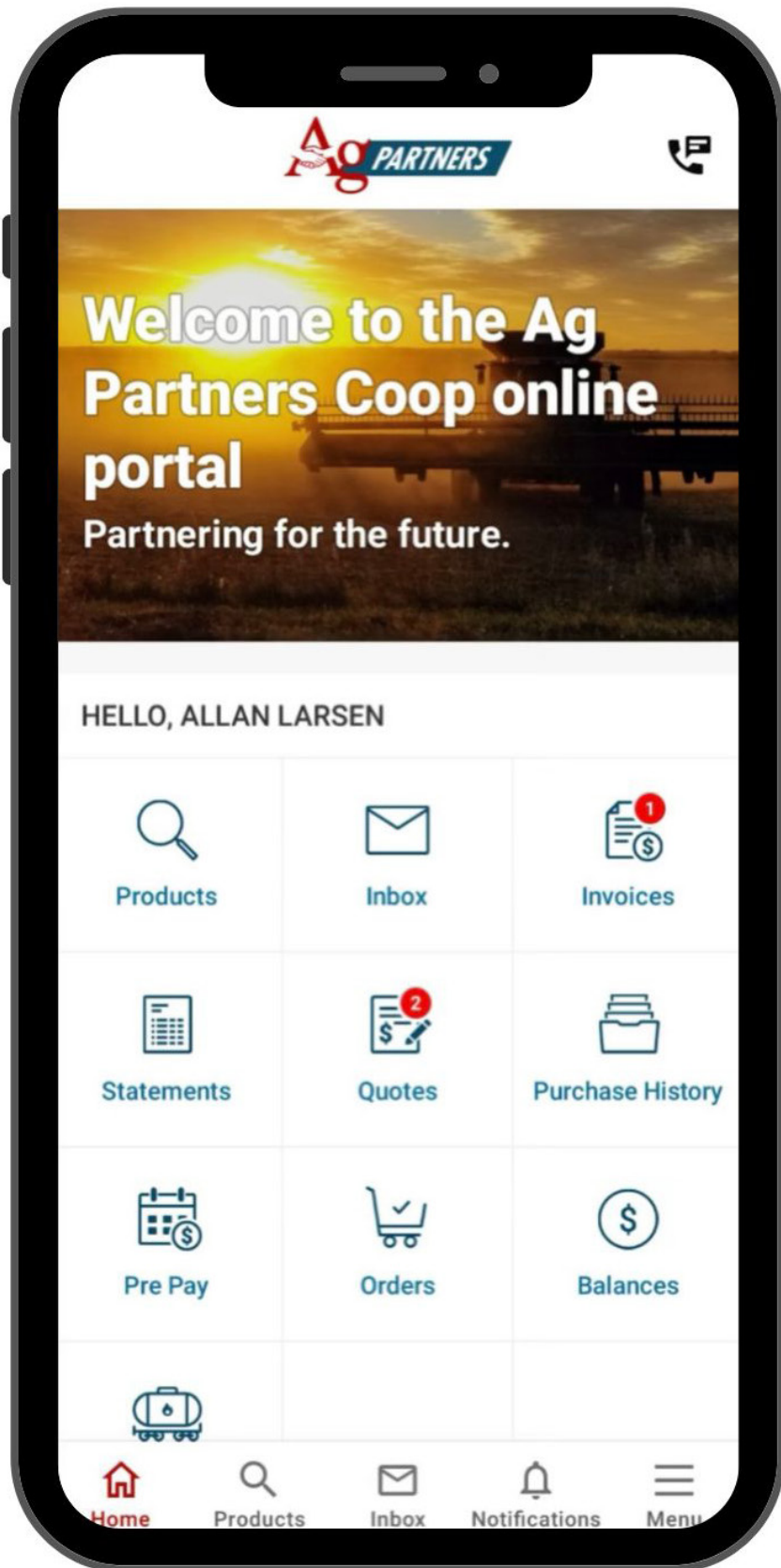
Harvest 2024 Photo Contest

October 1 - October 31, 2024 

*Submit your view of Harvest 2024 via our website,
and vote for your favorites on our Facebook page!*



AG PARTNERS PORTAL



Our app helps you accomplish your every day responsibilities seamlessly, quickly, and easily!

Now, you can pay an invoice, get or check the status of a quote, make an order, and chat with our team.

Download Today on the App Store!

GRAIN UPDATE

Dear Valued Members,

As we begin the new fiscal year and the 2024 harvest season, we want to express our sincere gratitude for your continued trust and partnership. Your business is the foundation of everything we do at Ag Partners Cooperative, and we remain committed to providing the highest level of service and value to you, our member-owners.

This year, we've been fortunate to have excellent growing conditions. We are experiencing above-average corn yields in most areas and are hopeful that soybean yields will also be better than expected. Our team has been proactive in preparing for this season by cleaning out bins, maintaining facilities, and ensuring we are ready to meet all your needs. In the past, we faced a challenging environment with minimal or no carry in the CBOT futures market, which caused grain to move out of commercial hands much sooner than usual. However, this year, the landscape has shifted. We are now seeing a carry in the market, which allows us to retain ownership longer and take advantage of more market opportunities. This change opens new avenues for managing risk and enhancing returns through more strategic marketing approaches. You won't notice any differences in our operations during the harvest and our team stands ready to help with any marketing questions or opportunities that exist.

Our team is actively
exploring

innovative
strategies and new markets
to maximize the value of your grain and
provide more options for our members. While still
in early development, we are working on three
potential opportunities that could benefit our
members. Though not all opportunities may come to
fruition, we're optimistic and hope to share exciting
news in the coming months.

As harvest continues, we must remain vigilant
and proactive in delivering consistent value to our
owners. While we feel more prepared than ever, we
are confident in our ability to navigate any market
changes or challenges that may come our way.
Staying proactive allows us to remain flexible and
responsive in an ever-changing market.

With this in mind, we are beginning to plan our
winter marketing meetings, which will likely take
place in late January or February. We would greatly
appreciate any feedback or suggestions you might
have regarding topics to discuss, meeting venues, or
ideal times.

We are always looking for ways to enhance
your experience with us. This year, we will be
implementing more follow-up calls to ensure that
your experience trading with us is exceptional. Each
week, we will reach out to a few customers who



have completed contracts, received settlements, or are in the process of delivering on a contract. Our goal is to address any potential improvements or correct any errors as quickly as possible. The sooner we can resolve any issues, the better it is for everyone involved. Please do not hesitate to call us if you have any questions, concerns, or misunderstandings. We are here to help and want to hear from you!

We would also like to extend our congratulations to Kassiday Stanton and Haley Steinlage, who are both expecting babies soon! Kassiday, our lead grain accountant, is due in mid-December. She works in our Hiawatha office, managing a team of three other accountants. Haley, a grain merchandiser in our Seneca office, is due in February and covers the southern trade area. Kassiday and her husband, Zach, have a 4-year-old son, and live in Robinson, KS. Haley and her husband, Theo, live near Corning, KS, with their 2-year-old daughter. We are fortunate to have a talented team ready to step in and continue business operations as usual while these ladies take their much-needed maternity leave. We couldn't be happier for both of them as they grow their families, and we hope you will join us in praying for healthy babies and smooth pregnancies.

As always, we encourage open communication and are here to support you in making the best marketing decisions for your operation. Thank you once again for your continued partnership. We look forward to another successful year working together.

- **Brice Elnicki, SVP Grain & Business Development**



AGCEPTIONAL WINNERS Q3

Our employees submit nominations of fellow co-workers who have gone out of their way and done something extraordinary. Each quarter, an anonymous Employee Advisory Group reviews the nominations and selects a group of winners for recognition. Winners are also entered into a drawing for AgCEPTIONAL Employee of the Year, drawn at our annual Christmas party.



Brad Hynek
Location Manager,
Seneca KS



Darcy Pralle
Crop Insurance Specialist,
Hiawatha KS



Jeff Spring
Energy Distribution Manager,
Seneca KS



Rob Arnold
Maintenance/Mechanic,
Seneca KS



Ethan Stewart
Operations Technician,
Axtell KS



Brent Haverkamp
Lead Electrician,
Seneca KS

THE GIFT OF GRAIN

The Gift of Grain gives farmers a unique opportunity to support charitable causes of their choice by leveraging the sale of grain at their local elevator. This enables them to contribute to the greater good and offers a financial advantage. By not including the sale of their grain in their annual farm income, farmers can realize significant benefits, especially given that charitable income tax deductions are often unavailable to them.

Additionally, farmers can deduct the cost of growing their crops, resulting in savings on self-employment tax, federal income tax, and state income tax. Remarkably, these benefits apply even if you don't typically itemize your deductions and opt for the standard deduction



How Does It Work?

Different Gift of Grain recipients may operate slightly differently, so reach out to our Ag Partners Grain Team for specific instructions. In general, you'll need to:



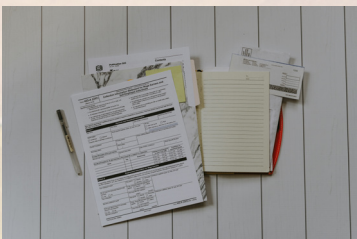
Ask Ag Partners to transfer a certain amount of bushels of grain to the Gift of Grain recipient of your choice.



The recipient will receive a receipt and pay any subsequent ownership costs such as storage, etc.



The recipient authorizes sale of the commodity, collects the proceeds, and deposits the income into their bank account, or specific charitable fund designated by the farmer.



Farmer saves money on taxes by avoiding counting the sale as income and paying the associated self-employment tax, while production costs may still be deductible.

Featured Recipients:

- South Brown County Community Foundation
- Greater Sabetha Community Foundation
- Hiawatha Community Foundation
- Nemaha County STEP Foundation
- Wildcat NIL
- Kansas FFA Foundation
- KSDS Assistance Dogs, Inc.

SAFETY FIRST

In 30-45 days, anhydrous ammonia application will be front of mind. Anhydrous Ammonia is one of those products that everyone must respect, and the equipment must be in great shape or accidents or releases could occur. I wanted to spend some time talking about some items that can be overlooked but are very critical to a successful season.

> Inspect the tongue and steering mechanism to ensure the king pin and front axle don't have damage.

> If there is a telescoping hitch, make sure it stops when pulled all the way out. If not, look for a device that stops the telescoping part. It may require tightening up some bolts or replacement.

> Safety chains and a clip to secure the hitch pin are safety devices for everyone on the road. It is much safer to keep the nurse tank behind the towing vehicle rather than into oncoming traffic.

> Inspect the entire frame on running gears for cracks and other damage around welds and other points of stress.

> Inspect and pack wheel bearings if needed.

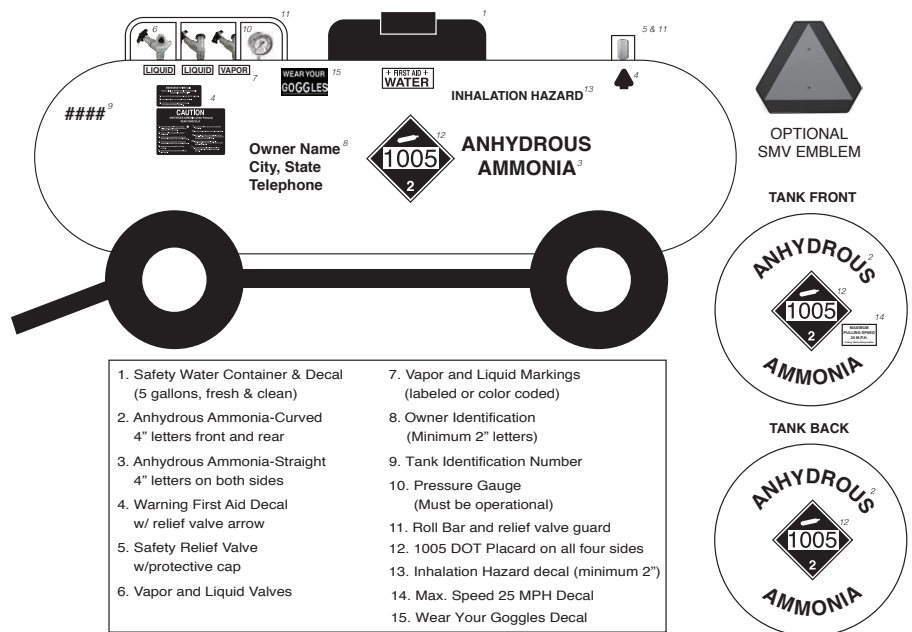
> Inspect all hoses connecting doubles for damage, wear, and bulges. Most hose manufacturers put a replace by date on the hoses. Replace a hose if it is damaged or expired. If you are unsure, ask for help.

> Proper markings on all vessels, even on the inside of doubles. The decal guide gives good information on where the decals go.

- **Curtis Stahel, Safety Director**



AMMONIA NURSE TANK DECAL GUIDE



ENERGY UPDATE

Hopefully, everyone is having a good harvest so far and that it continues to be bountiful and accident-free. Just as all of you are moving at a fast pace, so are we in the energy division. This is a stressful but also rewarding time of year for us.

Summer fill propane routes are getting finished up here right before October. This is the second year that we have been able to utilize our routing software, and we are seeing those dividends pay off well. Usually, we still run those routes for about another two weeks. Everyone who has done propane business in the last year should have received letters with contracts. In that packet were our Policies & Procedures, which we finally got into writing. Please review those to be aware of how we will operate going forward. We would love to get most of our customers on our Auto Fill routes and are still able to put monitors onto tanks if you are interested. Please remember that if you are a call-in customer, we need a minimum of 3 days' notice to get you on a route. Also, for those who have never completed the proper paperwork to set up a charge account with us, we will not be able to deliver propane unless we have payment upfront.

It has been a welcome site to see fuel prices start to come

down towards the end of summer. Most of the rhetoric lately has been centered on lower demand numbers and now OPEC is looking at cranking up production to gain market share back, putting more oil on the market. They are looking to abandon their prediction of \$100/barrel oil. Throw in that we are getting closer to election time, and we have a good recipe for lower prices on the horizon. Of course, things can always turn around very quickly, and it seems that there are constant threats of war conflicts in the news these days.

Starting in November, we will once again have our annual lubricant sale that will last until February. At this time, we should be able to continue the "Gift Cards for Gallons" promotion, as CHS has not said anything to us to the contrary.

As most of you are aware, our fiscal year ended on August 31st. The Energy Division had another very strong year. We exceeded our gallons once again in every product category except propane, which was down due to the very mild winter that we incurred this past year. It truly is amazing that we have been able to grow each year since the merger in terms of gallon growth. I can't say Thank You enough to our customers!

We will soon be heading into cooler weather, so a reminder to all of you that during the cooling-down season, we do



see an increase in fuel-related problems in machines. The main reason for these issues is not necessarily the fuel itself. Typically, what we see is that as machines run, and the sun beats on fuel tanks, the reservoirs holding diesel fuel get warmed up. As nighttime approaches during the fall, it gets a lot cooler, causing condensation to build up on the sides of those reservoirs. The water condensation then flows down the sides of tanks, and because our Ruby and Roadmaster brand diesel fuel has a demulsifier in it, the water gathers at the bottom, potentially causing algae and bacteria problems to occur.

It is always a good time to change out filters, drain the bottom of tanks, and keep your tanks filled as much as you can to eliminate those issues. We also have a somewhat new product available called an Aquafighter Snake. These are cloth tubes filled with a specific agent that absorbs only water, not fuel, and are placed into tanks to lay on the bottom and absorb any water that collects. Please give us a call if you would like to get more information on these.

We have once again had a little bit of change in our energy department. Anita Schmitz joined our office staff a couple of months ago and has been a very valuable addition. I also wanted to again provide some information on our sales guys and the areas they service. Travis Schulte was with us for about two years before being approached by another non-competitor business, thanks to his high skill level, and offered an opportunity too good to pass

up. Perry Smith has been hired to take over the counties of Brown, Nemaha, Jackson, Pottawatomie, Riley, and the southern portion of Nebraska. Wade Smith oversees Shawnee, Jefferson, Douglas, Leavenworth, and the KC area. Brian Wheeler oversees the Kansas counties of Doniphan and Atchison, Southeastern Nebraska, and the western border of Missouri down to northern KC. Weston Smith currently oversees the northern part of our Joplin territory, while Avery Suthers is covering the southern part of the Joplin territory.

Here are their contact numbers:

Perry Smith – 785-548-5017

Wade Smith – 785-294-2091

Brian Wheeler -816-804-1392

Weston Smith –417-850-9976

Avery Suthers – 417-291-0832

I would just like to say Thank You one last time to all our customers. Thank you for helping our Energy Department continue to have successful years and the opportunity to serve you! Without your business we would not be able to do the things that we do. I wish you all a very safe and bountiful harvest!

- **Eric Osterhaus, VP of Energy**



FUEL YOUR COMMUNITY

2024 Quarter 3 Totals

- Seneca, Bern & Corning Fuel Pumps - \$1,014.44 to the Nemaha County Fair Board
- Axtell Fuel Pumps - \$154.56 to the Eagle Booster Club
- Denton, Powhattan, Willis & Robinson Fuel Pumps - \$243.31 to the Hiawatha Elementary School PTO

Ag Partners is proud to donate a portion of all sales at all pumps to area organizations.



GLOBALLY
RESPONSIVE
PRODUCTS

Education

Sustainable Farming

Thursday Thoughts

Intersection Newsletter



Ag Partners is donating a portion of all sales at our fuel pumps to the following groups in 2024:

Axtell Cardtrol Donations

January 1 - December 31: Eagle Booster Club

Bern Cardtrol Donations

January 1 - June 30: Northeast Kansas Arts Foundation

July 1 - December 31: Nemaha County Fair

Corning Cardtrol Donations

January 1 - June 30: Centralia Community Library

July 1 - December 31: Nemaha County Fair

Denton, Powhattan, Robinson & Willis Cardtrol Donations

January 1 - June 30: Horton High School FFA

July 1 - December 31: Hiawatha Elementary School PTO

Seneca Cardtrol Donations

January 1 - June 30: Northeast Kansas Arts Foundation

July 1 - December 31: Nemaha County Fair

FUEL YOUR COMMUNITY



Thursday Thoughts: Bloom Where You're Planted

No matter what stage you're in, bring your best to the table.

GRP UPDATE

Unlocking Future Market Access with the GRP Opportunity Reserve -

At Globally Responsible Production (GRP), we're constantly working behind the scenes to create new opportunities for our growers. Over the past year, we've seen huge demand for the Corn and Wheat Source programs we facilitated—so much so that they've completely "sold out" of capacity. Unfortunately, we can't always predict when the next program will come online, or when our partners may have room to expand. As you know, not every business clock runs on harvest timing, but that doesn't mean we have to sit around and wait for the next opportunity to pass us by.

The Importance of Being Prepared -

Here's the deal: carbon-based sustainability programs live or die by data. Having your data ready to go is the difference between capitalizing on these opportunities or missing out. A recent example with our partners at Nestlé shows just how important this can be. They recently opened up an additional 10,000 acres for a new program aimed at farmers who planted cover crops or switched to no-till for the first time this past year. The pay? \$30 per acre for cover crops, \$10 per acre for no-till, and \$45 if both practices were implemented on the same field. That's \$45 per acre—each year—for three years. Early adopters can still participate, but at lower rates.

The kicker? To jump on these programs, we need the data from those practices that occurred before the crops we're harvesting now were even planted. That's why we've developed a new "in-house" solution to help you seize these opportunities as soon as they arise.

Introducing the GRP Opportunity Reserve -

We're excited to introduce GRP's newest program: the GRP Opportunity Reserve. Here's how it works: Farmers can opt into the program to claim their "spot in line" for future program opportunities. By agreeing to load your crop data into GRP, we'll store it securely until the right opportunity arises. When a new program becomes available, you'll have the first right of refusal to participate—based on your place in line. If the program isn't for you, no worries—your data will remain protected and won't be shared.

This approach not only makes you first in line for future programs, but it also makes GRP farmers the easiest to do

business with for consumer packaged goods (CPG) companies. And when it's easy to do business, more opportunities tend to come your way.

Why This Matters -

I wish the markets for corn and soybeans were higher, too. But the sad reality is that farming doesn't always give you consistently great prices for your products. That's why Ag Partners and GRP are focused on finding ways to add extra market opportunities and boost your farm revenue whenever possible. Programs like the GRP Opportunity Reserve are designed to help you take advantage of those opportunities without missing a beat.

I encourage you to consider joining this (or any) GRP program that can benefit your operation. If you want to learn more about the GRP Opportunity Reserve, or if you're interested in the Nestlé program (space is limited), reach out to Lindsey Whitten or our grain or agronomy sales team. Don't wait to claim your spot in line and let's work together to make sure you're always ready for whatever opportunity comes your way.

- Jed Miller,
Chief Strategy Officer



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agpartnerscoop.com
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