

WINTER 2018



Midwest

Farmers Cooperative



PATHWAY Newsletter

January 2018



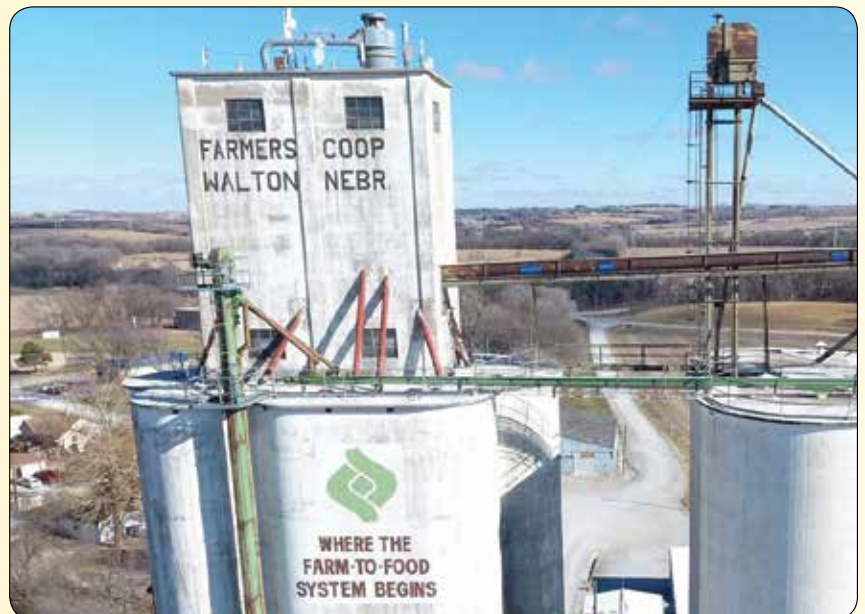
Jeremy Wilhelm
CEO

As I visited our Walton location, the sign on top of the elevator that said **Where The Farm To Food System Begins** really rang home to me as we had just wrapped up a successful harvest and quickly moved into the fall fertilizer season. It reminded me that our members are a part of feeding the world. In 1957, our farmers' productivity fed 25 people. Today our farmers' productivity feeds 155 people. The sign also reminded me of the value of the cooperative system. Not only the value in which we bring to our members, but to the value we bring to our communities, in some cases being the largest employer in the town. Cooperatives were formed in the early 20th century to provide farmers with services they were unable to obtain and to provide a competitive aggregated platform on which to sell commodities and to purchase inputs. Now we are in the early 21st century and the purpose of the cooperative model remains the same. However, just as farming has changed dramatically over the past 100 years, we have had to adapt and change as well. In the day and age of rapid technology adoption, we will need to continue to evolve and change to meet the needs of the 21st century farmer.

As we enter a time where the economics of production agriculture are facing some difficult times, our farmers are needing to make some changes. Controlling costs and maximizing production is key to being successful and knowing where to trim costs and where to invest money back into the operation to maximize yield is something our agronomists can help you with. Placing the right seed on the right ground with the right chemical and fertilizer program is crucial in today's production agriculture world. This isn't easy to do, but fortunately we have the tools that can help.

Just as today's farmers are needing to make some changes, we will need to change as well. We are not immune to the difficult economic climate in production agriculture. In fact, it is a direct correlation. As they say, necessity is the mother of innovation. We will continue to invest in new technology and education to ensure our staff is able to help you make the right decisions. And we need to invest back into our operations to drive the efficiencies and ultimately bring costs down. Just as we have done in the past, we will get through this storm and come out better and stronger than before.

I want to thank you for your business this past fall.






Being a cooperative means working together for the common good of all and Midwest Farmers Cooperative recently had the opportunity to combine efforts with CoBank and the Land O' Lakes Foundation to provide funds for local nonprofit organizations. We appreciate our cooperative partners helping us improve the communities where we live and work.



FOOD BANK


The Food Bank of Lincoln received a \$2,000 donation from Midwest Farmers which was matched with \$2,000 from the Land O' Lakes Foundation to support the Rural Southeast Nebraska Backpack programs. This donation will provide more than 500 backpacks of food for this school year.

Pictured are Mike Carroll (Human Resources Manager), Neil Stedman (Board Chairman), John Mabry (Development Director for the Food Bank of Lincoln), and Jeremy Wilhelm (CEO).



FFA

Nebraska FFA will receive \$5,000 from Midwest Farmers, matched with \$2,500 from CoBank and an additional \$5,000 from the Land O'Lakes Foundation for a total of \$12,500.



4H

4H will receive a \$2,500 donation from Midwest Farmers which is matched by both CoBank and Land O'Lakes for a total of \$7,500.



CAN YOU SPARE A PAIR?

During the holiday season, employees of Midwest Farmers Coop challenged each other with a sock, glove and mitten drive to collect new items for local charities. Can you Spare a Pair was the theme and 1,921 items were collected and distributed throughout the area. The Manley location won the award for most fingers and toes covered per employee.





Gayln Boesiger
Grain Division
Manager

Harvest Review

Another good harvest is in the bin. What started out looking like a long, wet start to harvest quickly turned into a dry, quick finish. Once the warm, gusty winds came about in the middle of October, corn moisture levels dropped rapidly, falling all the way down to 12 to 14%. Unfortunately, the strong winds also caused some major field losses in a large part of the Midwest. Estimates in our trade territory ranged quite often in the 15 to 40 bushel range for guesstimates of corn on the ground. Yields were still quite good in our trade area, although probably not quite as good as some had anticipated.

Here are some harvest facts & figures that may be of interest to you:

- Midwest Coop dumped approximately 24.3 million bushels of corn and 8.3 million bushel of soybeans in our facilities during the fall harvest (mid-September through November).
- We filled & covered bunkers in Murdock, Otoe & Syracuse.
- We also had uncovered ground piles in Burr, Mynard, Palmyra, Tec North, Syracuse & Waverly.
- Rail: For the months September through November we loaded seven corn trains (763 cars) at our Syracuse facility totaling over 3 million bushels. We also loaded 56 cars at Manley totaling 200,000 bushels.
- Truck: September through November we trucked out nearly 2.3 million bushels of soybeans and 4.6 million corn to processors, terminals & ethanol plants.

All in all, harvest went relatively smoothly this year given the size of the crop and the speed that it can get harvested. It required some long hours from our employees and semi-truck drivers to be able to keep our doors open each day, and we thank them for their efforts.

Unfortunately, the grain markets haven't been too exciting or cooperative this fall. We continue to have cash corn prices around the \$3 mark and soybeans around \$9. With the U.S. crop in the bin and pretty much being a known quantity, traders now will focus much of their attention on South America's weather and the perceived crop size there. Hopefully, as we head towards spring, we can get some type of a bounce in the market that gives us more of an opportunity to make some sales. We are now offering free Price Later contracts for off farm bushels delivered into Midwest Coop elevators. This program is strictly for grain coming off farm. You will need to have a free Price Later contract in place with us before you deliver the grain in order to qualify. This program is free until August 31, and may be suspended or shut off at any time depending on grain movement and market conditions. Call us for details.

If we can help with your marketing plans please feel free to give us a call.

Message from our Board of Directors

Dear Shareholders,

We take seriously the trust you place in us to serve on the board of directors of your cooperative. We are also honored to be stewards of your cooperative. Just as the farming economy has changed in the past 5-7 years, your cooperative has had to change as well. The increased grain capacity and rail access we have invested in recently will ensure we have a strong future. However, we also have to make tough decisions that are in the best interest of your cooperative, just like farmers are having to make some tough decisions. These are not decisions we take lightly. Nor do we think they will all be popular decisions. But we agree that they are necessary to continue to provide you with competitive prices, superior service and sound advice. In the spirit of transparency, the following changes will become effective in the first quarter of 2018:

- We will be closing our Greenwood Service Station for repair and service work on January 31st. We will continue to sell gas and diesel at our pumps with the cardtroll system indefinitely. Over the years, the service business has fallen to a level that it makes financial sense to close and reduce some costs. Utilization of services by our members has been low in recent years. We will work with the local members to find alternative solutions when their needs arise.
- We will make our Eagle location seasonal effective January 31st. The location will be staffed for grain harvest and chemical application, but will not have personnel at the site in the off-season. Last year, we did less than \$5,000 of business in the off-season in Eagle. We will be able to utilize the staff at Eagle in the off-season in a much more efficient manner.
- We will also make our Cook location seasonal effective January 31st. The location will be staffed for grain harvest and chemical/fertilizer application, but will not have a full time staff at the site in the off-season. With the newer facilities in Tecumseh and Syracuse, we have seen grain and agronomy numbers fall over the past few years in Cook. We do have a bagged feed presence in Cook and we will be working with those customers on alternative places to pick up the feed in Tecumseh or Syracuse.

This is the best direction for your cooperative as we believe we are at a critical time to be the architects of the future. We need to have the courage to do what needs to be done, not simply what we like to do. We ask for your cooperation as we transition the above assets and we will work to make the transition as smooth as possible.



Craig Schultz
COO

Building for the Future

Over the last few years we have been busy improving the fixed assets of your cooperative. The Syracuse Ag Service Terminal facility which includes the 2,750,000 bushel shuttle train loader and the 16,045 ton dry shed (front cover) is operational now and we have already realized many of the benefits of a centralized hub facility. We have also invested capital in a new 100,000 gallon fuel storage depot east of Elk Creek, a new seed shed and seed treating facility at our Tecumseh North facility, as well as numerous rolling stock upgrades to compliment these new facilities. Our goal is to improve operations and facilities through research with our customers, our employees, and our management team. We are continuing that trend of improving assets by adding more grain storage and anhydrous ammonia

storage this next fiscal year. The Board of Directors of Midwest Farmers Coop has approved adding grain storage and leg capacity at our Waverly location. We will be adding a 788,433 bushel GSI steel bin with the related GSI 20,000 bushel elevator leg and receiving drag, 1,100 bushel dump pit, long enough to dump a grain trailer over, as well as 10,000 bushel per hour reclaim equipment. We will be utilizing the 4,000 bushel overhead as well as tying in our new grain leg to the existing 500,000 bushel steel bin onsite. This new bin and leg capacity will give us the ability to dump 4 trucks at one time at that site and get our customers back to their fields quickly. This site also gives us the ability to add more storage in the future if needed.

Starting at our Otoe location this winter and finishing in the spring of 2018, we will be adding two 30,000 gallon anhydrous storage tanks and piping to the existing 60,000 gallons of storage totaling 120,000 gallons. We will also be adding a second three inch pump and a third loading riser giving us the ability to load six nurse tanks at once. This will be similar to our existing larger anhydrous plant at Nehawka. As a continued part of our planning, we have also started researching a parcel of ground in the Elmwood, Murdock, and Manley areas to combine these three anhydrous plants into a larger facility capable of 120,000 gallons of storage capacity as well as the same three loadout risers able to fill six tanks at once. This will create efficiencies in labor savings, and reduce the amount of time needed to fill tanks at all three of the current plants. We will also add a truck scale and small scale house for weighing nurse tanks.

We recently added a new blender pump and larger split storage tank at our Adams Station. This gives us the ability to blend E10 and E98 together so we can offer Unleaded plus (E15), E30, and E85. We teamed up with Access Ethanol Nebraska (AEN), Nebraska Energy Office, and Renewable Fuels Nebraska to bring this project to the customers of Midwest Farmers Coop. We are excited to be able to offer multiple blends of fuel at this station.

Along with the fixed assets we have discussed, we will also be upgrading some rolling stock at the locations. We upgraded four new John Deere 4038R Sprayers last spring and will be adding four more sprayers that are set to arrive before the spring spraying season. The new sprayers will add new technology to our fleet and give us the ability to produce the data that our customers are asking for to use in their operations. Dry and liquid tender equipment, trucks, refined fuel trucks, and other equipment requirements will be filled this year as we constantly analyze our rolling stock.

Planning and constructing these new facilities is never a quick process, but once they are completed, it is great to see them in operation. I am confident the facilities we have built over the last ten years have helped your cooperative grow. Speed, space, and providing great customer service is what we strive to achieve. We hope the facilities that we have built have created efficiencies for your operation and will continue to be a benefit long into the future.





Tax Reform and Farmer Owned Cooperatives

The impact of tax reform on an agricultural cooperative and its members has been a favorite top of conversation for the directors and officers of your cooperative. State and National Cooperative Associations, as well as universities and auditing firms have all been pouring through the new tax rules, trying to determine how the changes in the tax code will impact taxes in rural America.

The new tax reform could have significant implications for how cooperatives distribute patronage back to members. Very preliminary analysis indicates that Section 199A could provide more benefits to producers than were available before. However, the IRS has at the time of this writing, not issued any regulations or other guidance clarification. The information we expect to receive in the future

Marsha Whetham
CFO

could change the current assessment of Section 199A.

We have seen some information which has been sent to producers with inaccuracies and outright errors. Given the complexity of the new laws, we urge you to discuss your specific tax questions with your tax advisor who is knowledgeable about your tax situation.

Scholarship Opportunities

Midwest Farmers Cooperative is again offering multiple scholarships up to \$5,000 for students entering a college or technical school to further his or her education by majoring in agricultural studies. Eligibility requirements and the application can be found on the website at www.midwestfarmers.coop or by contacting your high school counselor. Completed applications must be received no later than March 1, 2018 for consideration. The MFC Board of Directors will make the selections and announce the recipients in April.

The Nebraska Coop Council will provide eight scholarships for the 2018/2019 academic year to students at the University of Nebraska-Lincoln College of Agricultural Sciences and Natural Resources and the Nebraska College of Technical Agriculture at Curtis. Seven scholarships of \$2,500 and one scholarship of \$1,500 will be awarded. Applications and other criteria can be found at the Council's website at www.nebr.coop/foundation/scholarships. Applications must be submitted electronically by April 15, 2018.

Chicken Enchilada Soup

Submitted by Marsha Whetham, CFO

This soup has been a hit every time I have served it. The ingredients can be combined, heated and served immediately or can be warmed for hours in a crock pot. We recommend you serve it with tortilla chips.

- 1 ¼ lbs. of fully cooked boneless chicken
- 2-10 oz. cans of canned chicken
- 2-cans of Cream of Chicken Soup
- 2-cans of Chicken Broth
- 1-can of mild Ro-tel Tomatoes
- ¼ cup-diced onion
- 1-10 oz. package of frozen corn
- 16 oz. Velveeta Cheese
- 8 oz. Sour Cream

The ingredients can be increased or decreased based upon your preferences. Milk can be used for a thinner soup if desired.



Feed the Farmer

Members of the Waverly FFA teamed up with employees of Midwest Farmers for the FEED THE FARMER project during fall harvest. Hot dogs, chips, cookies and drinks were provided to drivers as they brought grain into the elevators and more were sent back to the fields for those running the combines and grain carts. Midwest Farmers served over 1,200 meals this fall.



Keith Volker

**Energy Division
Manager**

Fuel Tank Program

As we go down the road of low grain prices, the farmer and his coop continue to look for places to lower production costs whether that is fertilizer, chemicals, or any other expense. In our fuel delivery business there are places we can improve and lower the cost of fuel. We cannot influence the cost of refining and transporting fuel from the refinery to the terminals and out to our bulk plants. However, there is an opportunity to lower the cost of fuel delivering it from our bulk tanks to your farm.

If we can reduce the miles driven per gallon delivered, our cost will decrease and we can lower our price. There are a couple ways to improve our deliveries; one way is making multiple deliveries in the same area from the same load. When our customers do a nice job of giving us lead time to get fuel delivered, we can put multiple deliveries on the same load going to the same community. This lowers our cost; thank you!

Second, if we can increase the number of gallons delivered per stop, our delivery cost will also decrease and the price of fuel can be reduced. Increasing tank storage capacity is a way to do this. As with anything else there are pros and cons to changes but the positives are greater than the negatives. In this case the customer will have more fuel on hand than previously so there will be a slightly higher carry cost but the primary advantage will be the reduction in price per gallon.

We have developed a "Fuel Tank Program" to make it easy to increase tank capacity. We are purchasing high quality tanks that look nice and are a good value. We are selling tanks and pumps at our cost; no markup. We offer 520, 1000, and 2000 gl. tanks. We will help you set them up and if you have a trade in tank we will try to work with you on that. Please give us a call and we can work out details.

Another way to possibly save on fuel costs is by contracting fuel. Often between January 1st and Valentine's Day the market will give us a good opportunity for purchasing diesel fuel for the upcoming growing season. Give us a call to check on contract pricing.

For those of you who heat your homes with propane and use propane appliances, this winter truly is different. It's different in the fact that today prices are significantly higher than we've seen the past few winters. They are higher because we are in a global market. The U.S. has the capability to export large volumes of propane so as the buyer we compete with the rest of the world. Until recently that was not the case, domestic production by and large stayed in the country and we were fortunate with very low prices.

Going forward this does not mean prices will be higher, it will depend upon production by U.S. producers and global demand. For example when we sent out contracts in May for this heating season the prices were very good. For those of you who contracted, you will save a tidy sum of money. My recommendation is to contract each year. History tells us we will win more often by locking in contract prices early.

Propane inventories in the Midwest are different too; lower than the five year average for the same reason as pricing is higher; more exports. This is not cause for alarm but it does mean we will keep our bulk plants full of inventory and my recommendation is to have your tank on our route instead of being a "call in" customer. Please watch your tank gauge so you don't run out. Our computer program does a very nice job of estimating when your tank needs a refill but it's not perfect. If you have unusually high usage we will not know it and that's when the tank is in greatest risk of running out.





Dave Reese
Agronomy
Division Manager

Plan for Success

As winter sets in, it is a great time to start thinking about next year's crop. With current grain prices below \$3 for corn and \$9 for beans it becomes very important to grow as many bushels as possible in order to be profitable. It has been proven that it is almost impossible to save your way to prosperity. So what do we do? The answer is to invest in the things that give you the best return.

It all starts with a plan. No one wants to spend any more than we have to but whenever we can spend \$5.00 and make \$10.00, we should do it. Below are six key points to think about as we start to plan for the upcoming crop.

Know your fertility. Take soil tests to see where your levels are on key nutrients. If a crop does not have the nutrients it needs to produce expected yields then most likely it won't.

Seed. Select the hybrids or varieties for your fields that perform the most consistently. Sometimes free seed is the most expensive seed you can plant. Go with proven products that have shown consistent value over the years.

Seed Treatments. Seed treatments have proven time and time again to have a great return on investment. Protecting the young seedlings against diseases and insects enhance yield potential.

Weed Management. Have a solid weed management program that includes utilizing residual herbicides. The best weed is one you never have to see. By utilizing residuals it will cut down on the competition the crop may have to deal with, and then utilize a post application to clean up any escapes. This is a sound management program.

Fungicides. Consider a fungicide treatment on your corn and soybeans. This year we saw a great return on the investment of fungicide treatments; sometimes up to 30 bushels per acre. The hybrid or variety you plant should have a response to fungicide rating and can help predict how well it may respond to a treatment.

Scout your Fields. Evaluate your fields often throughout the growing season. The sooner we identify issues the quicker we can get them addressed and save yield.

These are just a few of the key points to keep in mind as we start to plan for success this upcoming year. Your local Midwest Farmers Coop Agronomist is available to help you talk through these topics and design a cropping plan which meets your individual needs.



Lee Paulsen
Safety & Compliance
Manager

Safety Tidbits

This time of year is a good time to think about slip, trip, and fall prevention. Each year these types of accidents result in many injuries both at work and at home. With a little extra effort these types of accidents are very preventable.

Slip Prevention – Icy and wet surfaces are the culprit of many slip accidents. To help minimize these accidents try and keep floors dry and areas of traffic free of ice.

Trip Prevention – Cluttered areas, poor lighting, and uneven surfaces can result in tripping hazards. To help prevent these accidents practice good housekeeping. Adding a light to a work area will help aid in seeing where to walk and prevent people from tripping.

Fall Prevention – Falls typically occur with improper use of equipment. Always make sure to maintain three points of contact when using ladders. Make sure to never skip a rung or step and always step down to the lowest step before getting off equipment.

It's quite often easy to overlook these preventive measures. However taking the time to think and address the small things will greatly impact preventing accidents to yourself, a coworker, or a loved one.



Bill Hotchkiss



**CERTIFIED
CROP ADVISER**

Certified Crop Advisors

While in the combine you have had the opportunity to evaluate your seed, herbicide and fertilizer decisions from the previous year. Now we have turned our focus on our plans for the coming year.

I am sure many of you are asking these questions: What seed variety worked well? Where did this variety let you down? Was your herbicide effective all season long? Do you continue to fight the same Marehail and Waterhemp species each year with no reduction in the population? Is your fertility program able to keep up with the high yields we have experienced in the last few years? Did disease come into your field late in the season to hurt the stalk quality causing ears to drop on the ground and have the corn go down? Did you have a late season stalk borer come into your soybeans field and snap the soybeans off at the ground?

There are a lot of questions that need to be asked, and answered, so you can increase your return on investment for this next year. There are products which you might not be aware of that have helped your neighbors increase overall plant health, provided superior weed control in their fields, and helped hold their applied fertilizer in the root zone for plant uptake. While scouting, many of our agronomists found troublesome insects that damaged blooms in soybeans or reduced the amount of harvestable plants while combining.

In the new age of technology, many customers are relying on the internet to help answer questions on seed, resistant weeds, herbicides, diseases, and insect pressures. Do we really know if there is a bias with this information? Is it fake news? Is it really information that can be relied on?

To help you with your questions for the upcoming year we have an excellent agronomy team that continues to attend training meetings, manufacturer seminars and university field days that deal with many of these topics. We also have six members of our agronomy team who are Certified Crop Advisors. You might ask: What does it take to be a have this certification?

The American Society of Agronomy instituted the Certified Crop Adviser program (CCA) twenty years ago to help train and raise the standards for agronomists across the nation. The purpose of the CCA program is to set and maintain the highest standards that benefit you and your farm business. You can be assured that we will provide true results, insights and recommendations for your farm. In order to obtain a CCA certification, an agronomist needs to pass two, four hour comprehensive exams covering nutrient management, soil and water management, integrated pest management, and crop management. After passing these exams he must sign and adhere to a CCA code of ethics (focus on grower profitability while protecting natural resources). After these requirements are met, additional training of at least forty hours every two years is required to keep up with cutting edge technology and become knowledgeable on current trends and issues facing our producers today and into the future. This training is not influenced by any outside manufactures promoting their product lineup.

The bottom line is our agronomy team is highly trained and will help you navigate the issues that come up when developing a farm plan for the upcoming year. Many of our agronomists are CCA certified and four more will be taking the exam this summer.

Thank you for allowing our agronomy team to be your partner in developing farm plans that will help reach your goals.





James Bauman

Feed Division
Manager

Getting the Most from Your Feed Stuffs

As we enter the winter cattle feeding months we need consider several things which will impact our bottom lines. Feeding cattle in winter is the single largest cost to producers as 60% to 80% of annual feed costs for a cow/calve herd is winter feed.

Now is a good time to consider if you want to keep or cull open cows or ones that didn't produce a good calf. A cull cow should be evaluated and if she is thin: You might be able to add some weight to her over the winter and pick up some extra dollars at the sale barn. Do you have corn stalks without too much corn on the ground where you can graze your heard and save hay? Grazing can save both hay and the labor involved with feeding it.

If you have to feed hay, it might be necessary to feed corn or another energy source such as distiller grains and a mineral supplement in order the meet the body condition score you want your cows to maintain. Are you wasting hay with poor quality bale feeders? If you are grinding hay, are you mixing it well so all the cows get a uniform mix of ingredients?

Midwest Farmers Coop has sales people available to help evaluate your herd to see if their body condition scores are where you want them. We can also help develop nutritionally balanced diets to accommodate your available feed stuffs and rations to make it as economical as possible to help your cows produce a strong and healthy calf.



Trent Bohling

Grain Merchandiser

Don't Focus your Marketing Around a Black Swan

A few months ago I came across a discussion about trend line yields and how producer sales often get paralyzed through the spring and summer months as weather scares come and go. As we begin a new year, it's imperative to remember that three of the last seventeen years we have seen below trend yields. On the longer term, seven of the last thirty-four years have been below trend. That is 18% and 21%, respectively. In other, more blunt words, we make a lot of marketing decisions (or lack thereof) based on about a 20% chance of some sort of production scare. The odds are against these decisions. If your marketing plan focuses around a bullish black swan event, it discredits the notion that it was once a black swan.

We are here to help so don't hesitate to let us know your questions or concerns. We offer direct ship or picked up bushels, full service brokerage services through our branch offices in Syracuse and Elmwood, or cash forward contracting. One phone call or farm visit can address most of your grain marketing concerns. Margins appear to be tight for 2018, so I encourage you to be proactive when opportunities present themselves. We can help with determining some target levels, and putting those offers in as firm offers. This is one way to take some emotion out of marketing and doesn't require daily management. Marketing isn't always fun but I think any time spent on marketing is well worth it to your bottom line. Diversity, consistency, and discipline have fared well for producer sales the past few years and we look forward to helping you access your options in 2018!

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**Please contact any of our 28 locations for your various
Grain, Agronomy, Feed, and Energy needs.**

ADAMS
402-988-2815

ADAMS WEST
402-988-2665

AUBURN
402-274-4417

AVOCA
402-275-3725

BENNET
402-782-2295

BROCK
402-856-3845

BURR
402-848-2381

COOK
402-864-4151

DUNBAR
402-259-2605

EAGLE
402-781-2305

ELK CREEK
402-877-2475

ELMWOOD
402-994-2585

GREENWOOD
402-789-2155

MANLEY
402-234-2515

MARTELL
402-794-5465

MURDOCK
402-867-3486

MYNARD
402-298-8265

NEBRASKA CITY
402-873-3391

NEHAWKA
402-227-2715

OTOE
402-269-3311

PALMYRA
402-780-5820

PRAIRIE HOME
402-786-2467

ST. MARY
402-866-4141

SYRACUSE
402-269-2313

SYRACUSE SHUTTLE
402-269-3536

TECUMSEH
402-335-3351

WALTON
402-489-6242

WAVERLY
402-786-2665

