

### Summer 2022 Update

#### Rick Vaughan, CEO

#### Greetings everyone.

The crops across our IAS geography look good overall as of early July. My windshield-based inspections favor corn, but we know soybeans can come on strong through the rest of the summer. Over the IAS geography, we have witnessed a small increase in bean acres this spring. The experiences with corn rootworm pressure last year and the cost of corn production this year have contributed to the incremental changes we see. The bean yield bump after multiple years of corn and new crop bean prices also contributed to the final decisions favoring beans. We have had a good agronomic year. We were fortunate to have secured products for the important spring season based on the industry concerns discussed during mid and late winter. Your IAS employees worked hard across our teams to ensure that supply was secured and delivered for your farming operation. The fertilizer markets for fall are trying to get established as of this writing. We will have some displeasure as we deal with a fertilizer market price not wanting to come down to the level most people think it should be. As al-ways, the input and output prices will not work in sync as we would like but I believe will ultimately provide returns to crop production. The market currently may not be reflecting that to the magnitude you would like, but I would remind us all, it does not have to.

It is early for fall harvest policy announcements. We will be working on that subject in early September. We all know that drying costs must reflect the current energy markets and the current drying rate does not. Additionally, all costs are going up much faster than in the last 30 years, so we will have to evaluate our service prices more diligently than in past years. This is true across all our services and margin spread areas. I can assure you that we do not take this task lightly when determining what impacts these cost increases are having on our division budgets and how these increases can impact your cropping and livestock budgets. We are busy moving grain to market in preparations for fall. We will be ready and eager for the fall of 2022 and your large corn and bean crop. Don't forget to take advantage of utilizing offer contracts to capture these fast-moving markets.

IAS closed the sale of our lumber business in Hubbard on May 31, 2022. The cooperative has operated the lumberyard business for many, many years. We were fortunate to be able to sell the business to Harley and Tara Yoder. They own Next Generation Buildings in Hubbard and are a local company in the post-frame building business. The lumberyard will be a very nice compliment to their post frame building business will be a very nice compliment to the lumberyard. The lumber business will be operated as Next Level Building Supply, LLC. The IAS board preferred the lumber business continue if possible and we are happy we were able to provide that option for the area customers. I would like to thank Kevin Babcock, our long-time lumberyard manager, and Susan Smith, in customer service for their years of service and dedication to the area customers. Kevin and Susan have continued their lumber career with Next Level Building Supply, LLC.

This summer, we are working to sell two of our seasonal grain locations, Alta Vista and Austinville. Last year, we sold a grain and agronomy location in Hazel Green, WI to Premier Cooperative and traded a grain location in Packard to Landus, and received the Ackley grain location in return. These decisions can easily seem counter-intuitive to those who view the cooperative service model from a historical perspective, especially if you have used those facilities for a very long time. I appreciate your frustration if you disagree with these changes. These decisions can also seem, "late to the party" to a young cooperative member who is juggling today's challenges in production agriculture and livestock agriculture and is asking the board of directors and I, "why does the cooperative move so slow"? I appreciate your frustration with this pace. The IAS board and management are working to balance the wishes and demands of all our members across the age spectrum as we work to allocate capital in a fashion that will replenish the capital employed. That is not always an easy process when you are making capital asset decisions that can last 30 years and are complicated by market dynamics changing at an increasing rate. With all these decisions, the capital asset decision is weighted heavily in the decision-making process.



The trades to other entities were also based on their capital asset decisions and the challenges for both companies to invest capital wisely in our too tightly overlapping geography. In both instances, all companies are more efficiently deploying member capital. The Alta Vista and Austinville sales to producers was a result of evaluating capital improvement requirements in our existing tightly overlapping geographies. IAS will be reinvesting the sale proceeds of these locations into neighboring facilities. We are seeing more of these types of sales and trades across the retail cooperative industry, and I believe it will continue as the industry will continue to consolidate locations. The speed of that change will not mirror that of the large investor-owned companies doing the same thing in agriculture, but the overall trend will be the same. The costs of being in business today have escalated both in the fixed asset costs, and the operating costs of the enterprise. We have been fortunate to have the facilities we do and a strong company balance sheet that are the results of our current and prior board and management decisions and excellent foresight. We must continue that excellent decisionmaking foresight during our tenures as stewards of the company's assets to support our long-term viability.

The board election process will occur this fall. Vice President Steve Perry from the New Providence/Owasa/ Cleves/Faulkner area, Secretary Loren Manternach from the Cascade/Farley/Monticello/Central City/ Hopkinton area, and Joe Thraenert from Elma/Alta Vista/Oran area are up for re-election. We will want to complete the slate of candidates by October 1<sup>st.</sup> The nominating committee members are Tim Burrack, Ryan Collins, and Adam Hill. The nominating committee will consider members who live in the general geography of the incumbent board members seeking re-election. If you have interest and/or have questions you are welcome to call President Randy Blake, any of the IAS nominating committee members, other board members, or me. Your local IAS location manager can also assist you with the process. I will be happy to coordinate information with your local location manager for any questions you may have. IAS welcomes and encourages members to consider running for the board. If you have interest, please inquire so that we may answer your questions.

I would like to take this time to thank you for your business! I encourage you to thank your local location employees who are working diligently every day to support your farming operation. I believe this "thank you" is an important and necessary part of the positive feedback we must provide our employees. We look forward to assisting you with the challenges of the remaining growing season, utilizing last year's crop through demand creation in our feed and ethanol business units, preparing for the upcoming harvest, and beginning plans for next year's crop. We look forward to our partnership with each of you. Enjoy the rest of our lovely Iowa summer.



# **Feed Update** Mike Bachman, VP of Feed



Summer is here and crops are moving along even with the delayed planting season. However, we continue to have those same challenges with cost increases and supply issues I talked about this spring. These issues do not seem to be subsiding and I think they are here to stay for a while. I believe at this point you are aware of those challenges and how they continue to affect your business as well. Our veteran feed team is working hard to find new ways and alternatives to overcome some of these challenges we are faced with. How we maneuver the business around these challenges determines ours and your profitability.

All eyes are on the growing season and the grain markets. As I mentioned in my last Ag Biz article, we battled through the corn and soybean meal inverse last August, September, and early October and this year looks to be no different. Our team is working diligently with our grain department to plan our grain needs between now and the start of this year's harvest, whenever that may be. Please communicate with our grain department or feed sales team about any options for your needs moving into the summer and fall months.

Uncertainty sums up the swine spectrum. Swine producers are struggling to source pigs as sow units are still feeling the effects of disease. High dollar corn and other inputs are putting pressure on margins. High price wieners and feeders are still an issue. Our packers continue to complicate kills. The main concern of our output and numbers is the continued struggle to put good managers in barns for sustainability.

Our dairy tons and margins are slightly lower than last year. Current milk prices are strong. Futures markets are trending upwards which is positive. Demand for dairy products is good today but, is it sustainable? We are concerned about retail prices of fluid milk over \$5 a gallon in the store and how will it affect sales volume moving forward. The downside is input costs are higher and there is no real reason for that to change moving through the end of the year.

On the beef side of things, bulk liquid and dry feed tons are up as feedlots fill back up. Cow/calf numbers are down affecting lower bagged tons moving through the locations and adding to our lower beef margins. There are positive takeaways from our beef team's perspective moving forward and we feel there are opportunities out there. Unfortunately, the high corn price will have a lot to say about that.

The feed division is tracking a little below budget. Repairs and fuel from an expense perspective and on the revenue side, total feed tons are down with margins slightly lower. We have started putting some strategic planning sessions in place. These sessions will help us focus on growing our business at a location level. We will target specific areas and specific locations that are doing a good job today and lean on that business to help achieve a total team atmosphere. We will also continue to evaluate our suppliers and look for opportunities to grow our business in this everchanging business we are in. So, stay tuned!

Lastly, I am very excited to introduce the newest member to our sales team, Brad Spain. Brad comes to us with several years of experience in beef livestock nutrition as well as sales management responsibilities. Brad started June 1<sup>st</sup> and is excited to be back home in the Goose Lake area and be closer to family. Welcome, Brad!

## **Grain Update** Charlie White, VP of Grain



Independence Day has come and gone, which means a few different things, first off, summer is moving at a fast pace, county fairs are occurring, and the Iowa State Fair is only a month away. History also tells us that marketing grain after the 4<sup>th</sup> of July can be tough. Seasonal tendencies of the corn and soybean markets show that the price trend will usually work towards early harvest time lows during the balance of the summer, with normal weather conditions, of course.

The long-awaited USDA Quarterly Stocks and Acreage Report on June 30th provided very few fireworks as the

USDA stated stocks on hand were close to the average trade guesses. Corn stocks on hand on June 1<sup>st</sup> came in at 4.35 billion bushels which are 235 million bushels more than last year, of which nearly half (49 percent) was held on the farm versus 42 percent last year. Soybean stocks on hand also showed an increase compared to a year earlier at 971 million bushels on hand, up 202 million. Soybeans held on the farm are up from a year ago at 34 percent of the total versus 29 percent a year ago. Diving into where these actual stocks are at is key to understanding what work basis and spreads will have to do the balance of the summer. As we compare our backyard to a year ago, corn stocks in Iowa are down 8 million bushels, while the eastern<sup>1</sup>

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USDA Quarterly Stocks (billion bushels)								
	USDA June	Average	Range of	USDA June	USDA March			
	2022	Estimate	Estimates	2021	2022			
Corn	4.346	4.343	4.095-4.475	4.111	7.85			
Soybeans	0.971	0.965	0.740-1.100	0.769	1.931			
Wheat	0.66	0.655	0.635-0.675	0.845	1.025			
	USI	DA June Acr	eage (million	acres)				
	USDA June	Average	Ranges of	USDA Final	USDA March			
	2022	Estimate	Estimates	2021	2022			
Ċorn	89.921	89.961	88.4-91.0	93.357	89.49			
C	88.325	90.466	88.7-92.4	87.195	90.955			
Soybeans								

corn belt states along with North, and South Dakota are holding more inventory today. Soybeans see all midwestern states holding additional bushels from a year ago, but Iowa saw the highest increase by 71 million bushels.

Switching gears to the new crop balance sheet was the acreage planted numbers from the USDA. The corn acres did come in slightly higher than the March intentions report at 89.9 million. While bean acres slipped to 88.3 million versus 90.9 in the March 31 intentions report. Focusing on just Iowa, we see the smallest corn acres planted going back to 2016 at 12.7 million while seeing the largest soybean acreage at 10.3 million acres across the state. Due to planting delays caused by rain, NASS will resurvey acres in Minnesota, North Dakota, and South Dakota but they won't be reflected until the August WASDE report.

The markets' reaction post report did not turn around, as the money flow in commodities continued to flow out of the market causing additional declines in prices. Recessionary fears renewed in the marketplace as rationing demand talks took a front seat to supply worries and weather forecasts. We still have three months to go until we get in the fields and have a better handle on what our product will be, so until then we will be left with volatile markets debating production potential as well as demand factors. Keep in mind with your marketing plan that each week we step closer to harvest, is one less week of weather to forecast, one less week of export demand to guess, and one less week of unknown end-user margin structures. Have market targets in mind and communicate with your local IAS staff as they look forward to entering offer contracts for you.

Thank you for your patronage and business with Innovative Ag Services. We appreciate your business and want you to have a safe and enjoyable summer!

# **Agronomy Update** Tim Krausman, VP of Agronomy

As I look out the window, I see crops that look slightly behind "normal" but they look like we could have a really good fall harvest. Stands are good in most places, and we have had adequate moisture to feed the crops. Fortunately, we have continued to get good rains through the beginning of July. Although the markets have dropped in the last couple of weeks, I remain very optimistic about the net profit growers will get this year.

I believe with the positive outlook for fall harvest it will be very important that we finish nurturing the crop through the finish line. This may mean adding some additional nutrients where needed and likely mean protecting the crop with fungicides. Tar spot is already present in Iowa which is very early. We have been seeing advantages to fungicide applications in years when the disease isn't present so we believe this year's fungicide applications will have an even bigger return for growers.

As we start to look at next year's crop season there will be several things to keep in mind. Costs have been increasing and uncertainty will be something we have to deal with. As I look at fertilizer, I am not concerned with supply issues. I believe we will have adequate supply in general. As logistics and risk continue to be a larger issue we may likely have more and longer spot outages of products.

As I look at chemicals for this coming year, I believe supply will be better than this year, however, most manufacturers have already announced price increases for next year due to their rising costs. Trait packages and labels will also be something we must keep an eye on to help each grower make the best decision for their operation.

At Innovative Ag, we have been dealing with a tight labor force just like our competitors and other industries. We are continuing to evaluate options to enhance our ability to get talent into our facilities to offer the best possible service. With the planting pace and weather we had this spring, there were areas we needed to improve our service capabilities. We continue to evaluate additional technologies to enhance our ability to service our customers more efficiently and effectively.

Finally, as we continue through the rest of the summer, I would like to thank everyone for their business and hope each of you gets to enjoy the rest of this summer weather.





Hello from your man with gas!

I know that many of you consumers can see the NYMEX trading activity and have probably been wondering why fuel prices have been going down, but you haven't experienced this NYMEX reduction in the retail pump price. It all comes down to supply constraints. We were hoping that supply wasn't going to be an issue going into fall, but it has already reared its ugly head. With the NYMEX prices going down, lack of supply has driven the Midwest basis soaring higher. In the last 10 days, we have witnessed diesel basis increase by \$.50/gallon. The last big basis hike we experienced was when Hurricane Katrina hit the Gulf Coast in 2005. I continue to emphasize to be sure you have your tanks full going into harvest. Price is certainly a concern, but supply should be your priority.

In propane, we don't have the supply issues that refined fuel has, but it appears that we will be having an average to an above-average corn dryer season this fall. We have ensured some gallons are covered by utilizing rail options and cavern storage, but we still may be dealing with transportation issues like the rest of the world. We have added another LP trailer and additional agreements with different commercial haulers. It all comes down to any one company's ability to hire drivers and keep them on their payroll. We will work hard to keep the wheels rolling!

Propane summer fill is in full swing. Don't be afraid to call your location and remind them to fill your tanks this summer. The price discount between summer fill and winter contracting is not as wide this summer as it has been in the past, but there are still savings. You can expect propane contracts to be arriving in your mailboxes any day now. The prices are certainly higher than last year, but propane did not have near the percentage increase that gas and diesel have experienced.

Please take the time and read the propane safety information below:

#### What to do if you smell gas

If you think you smell propane in your home, camper, RV or the area around any gas equipment, or if a gas alarm signals the presence of propane, you should IMMEDIATELY follow these suggestions:

- Extinguish all smoking materials and any other open flames or sources of ignition. Everyone should vacate the building, vehicle or area.
- Move away without using any electric switches, appliances, thermostats, or telephones.
- Close the gas shutoff valve on the propane tank or cylinder.
- Call your propane supplier and/or your local fire department from a cellular telephone or a neighbor's telephone.
- Even if you do not continue to smell propane, do not open or turn on the propane supply valve. Do not reenter the building, vehicle or area. Let a qualified propane service technician and/or emergency personnel check for escaped propane. Please call 800-944-6865 for an emergency.
- Have a properly trained propane service technician repair the leak. The propane service technician or emergency responder needs to determine that the leak situation has been fully resolved. The propane service technician should check all of your gas appliances and re-light any appliance pilots. Return to the building, camper, RV or area only when the service or emergency technician indicates it is safe to do so.

Thank you to all our customers for your business! Have a great Summer!

## Challenging Times Require Incredible People Carla Elliott, VP of HR

Hello, this year I reached my 10 years of service with IAS. It's gone very fast, and I have and continue to meet and work with some amazing people. The past few years have been incredibly challenging as I reached my tenure with the company. Specifically, recruitment was a challenge but nothing like it has been since our environment was hit with Covid-19. Unfortunately, that event continues to linger and will be with us for some time. In the last few years, our company and many other companies have seen an exodus of employees for a variety of reasons. Many answers you get when you ask people why they left their employer are that they have contemplated what is the definition of quality of life to me. Is it all worth it? "Life is too short" comes up more often they ever. Those that were going to retire, retired early. Some took their savings and just quit to go start their own business or find another career path, some took that savings and went traveling around the world. Many who were forced to work from home decided that working from home had more appeal than they would have thought so they no longer want to work onsite. Also, let's not forget the stimulus checks which may have helped some but may have stalled others from getting back to work when we needed them most! As this was all going on, it became an employee market where employees control their destiny now more than ever. The bargaining chips we use to use to recruit have lost some of their value by the market changes in pay and workers' demands for schedule flexibility. The employer with the biggest checkbook wins and the employee is not going to work more than 40 hours per week because their priorities have changed. Employer X if you won't work with me Employer Y down the street will give me the hours I want and the pay I need.

How do we win? I ask myself this often in an industry that requires long hours at certain times of the year and is pressured by market fluctuations. I believe it's as simple as this. You build a culture to which people want to belong to. You recruit and retain people who have like-minded beliefs but bring ideas to help us grow. You treat your employees like family. All of this takes commitment every day from all employees to nurture this culture.

What other characteristics are we looking for? This industry demands people that are working for something bigger than themselves. Yes, at the end of the day we need to make a living, but you must love what you do. You must appreciate agriculture and what it brings to our communities and our world. You must find satisfaction in a hard day's work. A real appreciation and respect for those you work with and delivering a quality customer experience is at the end of the day a goal you strive for. You like to be part of a team and when someone needs help, you're willing to take the call. One of the most important requirements is that you are accountable. I say this because here is my thought process. Each time a new baby is born I tell my team we just added another person to our IAS family. We must be accountable for this thought process for every time any one of us decides to do or not do something in our company it impacts all of us, just not those here at work but also in our home and yours as well.

IAS is looking for people who can embrace this culture every day in every way imaginable so as you are an extension of us, we appreciate any recruitment you can do on our behalf, word of mouth has been our best referral source. You can find us posting on our IAS website, Facebook, Instagram and Twitter so we hope you will share that information with others. Thank you for your commitment to IAS and a Thank you to all the employees who have made my ten years with the company a rewarding and fulfilling experience.

"A Great Employe<mark>e</mark> is Like a Four-Leaf Clover, Hard to Find & Lucky to Have." -Tammy Cohen, Author



We are excited to continue our Customer Appreciation Events this year. We rotate locations having them every couple of years. Below is this years schedule. Please rsvp to your local location when you receive your invite. Thank you to all our customers for your patronage.

Locations Due	Date of Event	Address of Event	
Waukon	8/2/2022	2110 9th St. Waukon, IA 52172	
Alden/Williams	8/3/2022	Alden Legion 506 West St. Alden, IA 50006	
Masonville	8/11/2022	1760 Washburn Avenue Masonville, IA 50654	
Cuba City	8/18/2022	Splinter Park 315 S Clinton St. Cuba City, WI 53807	
Oran	8/23/2022	Fairbank Ballpark 214 Walnut St. Fairbank, IA 50629	
Monticello			
Hopkinton	8/24/2022	Jones County Youth Extension 800 N Maple St Monticello, IA 52310	
Elma	8/25/2022	Elma City Park City Park Rd Elma, IA 50628	
Elkader/Monona	8/30/2022	Johnson's Reception Hall 916 N High St NE Elkader, IA 52043	



Innovative Ag Services is hiring for full-time employment at multiple locations! We will also be opening up applications for part-time seasonal work for the fall harvest season. Please contact (319) 465-2022 ext. 1063 for more information or visit our website below.



### **Summer Safety Update**

#### Bill Vetter, Safety & Compliance Director

We hope everyone is having a great and safe summer. During this busy time of year. Consider the environment you are in, and the potential hazards associated with your activity if you're working outside or participating in a recreational activity. Having a good plan and selecting appropriate personal protective items for the activity is important.

Remember that most heat-related illnesses can be prevented by taking appropriate precautions. Please take some time to reinforce awareness of heat stress, its causes and symptoms, and steps for the prevention of heat-related illnesses. Let's not forget to protect ourselves from sun exposure by:

- Wearing sunscreen that has a high UV protectant, wearing long sleeve shirts and pants along with hats will protect the skin from sunburns and long-term exposure to skin cancer.
- Avoid overexposure to the sun rays, especially between 11 a.m. and 2 p.m., Prevention of heat stress this time of the year is important by drinking plenty of water, taking breaks during rigorous activities, wearing lightweight and light-colored clothing, avoiding alcohol/caffeinated drinks.
- Know the symptoms of heat stress: headache, nausea, dizziness, weakness, irritability, and profuse sweating which can lead to heat exhaustion or heat



stroke if you do not react to what your body is telling you. The body can normally regulate its core temperature through sweat until it has been exposed to more heat than it can regulate. Heat exhaustion and heat stroke can rapidly escalate.

<u>Heat exhaustion</u> is the loss of water and salt in the body and is usually due to heavy sweating. Signs and symptoms include sweating profusely, pale moist skin, muscle cramps, fatigue, headache, nausea or vomiting, and rapid heart rate. Uncontrolled heat exhaustion can evolve into heat stroke rapidly. Best care is given at the onset of symptoms by moving the person to a shaded area or air conditioning if available. Give water and apply wet towels to exposed skin areas. Usually, no medical attention is needed.

<u>Heat Stroke</u> is more severe and requires immediate action and medical attention to care for and monitor recovery. Skin will be dry and hot to the touch; all sweating has stopped at this point. Body temperature will be 103 degrees or higher. Breathing will be rapid, headaches dizziness, and confusion or irrational behavior will be prevalent. A person can have convulsions or become unresponsive. Move the person to a cool place out of the sun, remove unnecessary clothing, apply cool water to the entire body, and place in water with the help of another person up to the neck area, if available. If no water is available to immerse, place cool wet towels on exposed skin areas and/or ice packs on armpits or groin areas to help cool the blood in the body. Do not force water if the person is not responsive but do apply large amounts of water to the exterior of the body as available.

Whether you are working or participating in reactional activities, please look out for each other and prevent any heat-related illness. Enjoy your summer and thank you very much for your business.



## Scholarship Announcement for the 2022-2023

## **Academic School Year**

IAS is honored to award several scholarships to the future ag leaders of our community. We were able to award 6 ag scholarships, 2 employee dependent scholarships and 1 Jack Friedman scholarship. By awarding these scholarships, we are investing in the future of agriculture by supporting ag students. Please join me in congratulating the following students in receiving a scholarship in the amount of \$1,000 from Innovative Ag Services. Announcements about our scholarships for the 2023 academic school year will be available in October 2022.

Scholarship Recipient	Hometown	College Attending Fall 2021	Study	Scholarship
Kennedy Dodd	Ackley, IA	Iowa State University	Agriculture Business	IAS
Paige Evans	Ellsworth, IA	Iowa State University	Animal Science	IAS
Louis Hamlett	Aurora, IA	Iowa State University	Agricultural Engineering	IAS
Callie Lynch	Cascade, IA	St. Ambrose University	Equine Therapy	IAS
Ellie Neil	Fairbank, IA	Iowa State University	Agriculture Business	IAS
Cheyanne Troendle	Waterville, IA	Northeast Iowa Community	Dairy Science Technologies	IAS
Dacia Schoulte	Farmersburg, IA	Iowa State University	Animal Science	Jack Friedman
Lane Kramer	Hopkinton, IA	Hawkeye Community College	Civil Engineering	IAS Dependent
Nolan Ries	Earlville, IA	Buena Vista University	Exercise Science	IAS Dependent

## 2022 Summer Internship Program

Innovative Ag Services offers multiple internships to fit the growing needs of our cooperative as well as the needs of talented agricultural students within the area.

One of the most rewarding outcomes about our internship program is that it helps apply what the interns are already learning in textbooks to real-life scenarios. We have a great group of interns this year and look forward to continuing the internship program as we head into the fall recruitment season.

In a few short weeks, we will be wrapping up our summer 2022 internship program with a celebration at a Cedar Rapids Kernels baseball game! We will be sad to see this group go but know they will do amazing things upon graduation from Iowa State!



Pictured L to R: Machaela Ingalls (Agronomy Intern), Amelia Klostermann (Feed Intern) and Elizabeth Thiesen (Agronomy Intern)

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



#### **Growing Relationships** to Maximize Success!®

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