

AGP NEWS

Serving Cooperatives and Agricultural Producers

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DELIVERING VALUE**



A MESSAGE FROM AGP'S CEO

IN THIS ISSUE

3 CEO Retirement

4 Q&A: 2021 Outlook

6 Annual Meeting: Highlights

8 Annual Meeting: Board Election

9 Member News

10 Industry Engagement

11 Policy Updates

On the cover: Soybean delivery to AGP's processing plant in Sergeant Bluff, Iowa.



Thank you to many of our members for participating in AGP's 37th Annual Meeting, held virtually on Friday, January 22. During the meeting, AGP reported strong operational and financial performance in 2020, resulting in patronage and cash returns at historically strong levels. We also honored Brad Davis during the meeting, who retired from AGP's Board of Directors after 27 years, including 19 years as Chairman. Lowell Wilson, who served as our Vice Chairman since 1995, was elected as our new Board Chairman. You can review a summary of the Annual Meeting and business and financial highlights, Brad's words, and the Board election results in this issue.

As many of you know, I recently announced my upcoming retirement scheduled for August 31. Serving at AGP has been a tremendous honor and privilege — I am fortunate and proud to be a part of AGP and the cooperative system dedicated to serving agriculture.

Our feature article for this issue is a Q&A with AGP Senior Vice President of Soy Processing Mark Sandeen. It's been a challenging crop year and we know there are many questions about the market impacts on overall supply of soybeans and soybean meal in the months ahead. Mark offers perspective about some of these challenges — and what they may mean for our member-owners and AGP.

In addition, we're watching very closely what happens at the state level as legislators advance legislation important to supporting demand for biodiesel and its feedstocks. Included in this issue is an update on the efforts in Iowa and Missouri to require biodiesel blends in transportation fuels.

We know the challenges of 2020 aren't behind us as we enter 2021, but at AGP we're continuing to focus on the future for opportunities that bring the most value. We appreciate all the support and wish everyone a safe and successful planting season ahead.

Best Regards,

J. Keith Spackler
Chief Executive Officer

AGP's CEO to Retire in August



Brad Davis, former AGP Board Chairman, and Keith Spackler, AGP CEO, inspecting AGP's soybean processing facility in Aberdeen, South Dakota, ahead of its grand opening in 2019.

On March 1, Keith Spackler, AGP Chief Executive Officer (CEO), announced his intention to retire after the conclusion of the current fiscal year on August 31. Keith's career spans over 40 years in agribusiness, with 36 of those at AGP. He has been serving as CEO since 2012 and will continue in this role until a successor is named and the transition in leadership is complete.

"Working with so many exceptional people in achieving success at AGP has been a tremendous honor and privilege," Spackler said. "The dedication and effectiveness of the AGP Board, management, and employee teams allow us to consistently add value and returns for our cooperative owners. We have great confidence in the strength of our overall team and the continued ability of AGP to capitalize on future opportunities. I am fortunate and proud to be a part of the cooperative system dedicated to serving agriculture."

Lowell Wilson, AGP Board Chairman said, "Throughout his tenure, Keith advanced a work environment and business culture that allowed AGP to generate outstanding financial and operational results, and a strong strategic position. In doing so, the Company successfully achieved its mission to add value for its cooperative members and their producer-owners."



AGP Area Information Meetings are scheduled for July. More information on registration to follow.

Hastings, NE
Tuesday
July 20, 2021

Dike, IA
Tuesday
July 27, 2021

Arnold's Park, IA
Wednesday
July 28, 2021



Photos above from AGP's 2019 Area Information Meetings.

*This crop year provided several challenges to the industry and there are some forecasted challenges ahead. Mark Sandeen, AGP Senior Vice President of Soy Processing, answers a few questions about what we're seeing and a few things you can expect from AGP over the coming year. **Bottom line:** AGP remains focused on adapting to challenges and capitalizing on opportunities that bring the greatest value while serving our member-owners.*



Q: What are some of the recent challenges that have had the greatest impact overall to AGP's crush plants?

A: Three challenges come to mind that we're focused on mitigating at AGP's crush plants:

1. The COVID-19 pandemic is one of the most unique and serious challenges we have ever experienced at AGP. AGP has continually modified the work environment and taken precautions to protect our employees and anyone who accesses our facilities, and, fortunately, we have seen minimal impact to AGP's crush rates. Now, as we're starting to see a slight easing of infections in the communities where we are located, and with an increase in public vaccinations, we're hopeful that a return to what is considered near-normal practices for AGP may be in the foreseeable future.
2. The ability to de-hull the soybean, which can negatively impact crush rates, is another common soybean processing challenge. During de-hulling, the hull is removed from the soybean to increase the protein content of soybean meal and to make the oil extraction process more efficient. This year's soybean quality is very good with the exception of ease of de-hulling. Our plant operators have handled the difficult de-hulling situation well and natural tempering is finally making the process somewhat easier.
3. In mid-February we experienced brutally cold weather across the Central U.S. This creates some stress on the plants themselves but even more so on our employees. AGP takes precautions to protect workers while on the job and we appreciate their efforts to continue working in the less-than-ideal conditions. We all are looking forward to the moderating spring temperatures.

Q: Have these challenges caused any issues or delays with completing ongoing improvement projects?

A: All projects are moving ahead, which includes those that are already in progress and those that are approved. The new meal loadout project at Eagle Grove wrapped up in July 2020. AGP also completed the first phase of an upgrade to the "prep" building at Dawson last fall and the second phase is expected to kickoff once the weather clears this spring. A new project to replace the elevator tripper belt at Sergeant Bluff was approved by the AGP Board of Directors and will be completed by fall 2021.



New conveyor bridges have been installed as part of an upgrade at the AGP soybean processing facility in Dawson, Minnesota.

Of course, AGP completed additional smaller projects throughout the year and more projects are on the drawing board. The AGP management team continually pursues efforts to improve efficiencies, safety, customer service, and the work environment.

Q: What observations can you provide concerning what is forecasted for the balance of this crop year? Could there be more challenges ahead?

A: The March USDA WASDE [U.S. Department of Agriculture World Agricultural Supply and Demand Estimates] report was released on Tuesday, March 9. The March WASDE report usually is, and turned out to be, a non-event as far as reports go. The report still disappointed analysts who were hoping for continued USDA reductions in forecasted corn and soybean ending stocks.

The USDA did drop soybean ending stocks in the February WASDE report to 120 million bushels from 140 million bushels forecast in January. Reducing further this early in the year may have been too much too soon. Many believe the USDA may have just "kicked the can down the road" waiting to make more substantial changes in later reports. The March 1 Quarterly stocks report, scheduled to be released on March 31, 2021, will likely determine the direction the USDA takes ending stocks going forward.

Currently, the stocks-to-use ratio for soybeans is 2.6%, which is historically low. That is the same stocks-to-use-ratio we had during the 2013-14 marketing year which was the last time we experienced extremely tight soybean supplies that ultimately restricted crush rates late that summer.

Q: So, soybean supplies have moved from an abundance just two years ago to one of forecasted tight supplies for the balance of this year. What does this mean?

A: How the market "feels" certainly has changed in a short period of time. This occurred due to a relatively small soybean crop in 2019 and a sudden spike in demand for soybeans from China in late 2020. For our AGP marketing teams, we have to adapt to the changing environment. The large soybean carries we saw in the market have been replaced by sharp inverses. Supplies have not yet felt tight due to heavy soybean movement through the first half of the crop year. We continue to purchase soybeans with the inverse and forecast of tight supplies later in the year in mind. We now have to monitor if the forecast for tight supplies are realized.

Q: Does the forecast for tight soybean supplies impact soybean meal?

A: Yes. Any concerns about soybean supplies certainly impact thoughts on meal values and availability.

We have several months to see how it all plays out, but it would be prudent for end-users to evaluate the forecasts and take any risk management steps they believe necessary that fit their operations.

As always, our AGP merchandisers are available to provide our member-owners with options and thoughts on the markets as they develop.



NAVIGATING CHANGE

On January 22, AGP held its 37th Annual Meeting, which was conducted virtually to comply with health and safety considerations.

“Support continues to be outstanding,” said Brad Davis, AGP Board Chairman, during this year’s event. “Not only did we achieve strong fiscal results with record member business, but AGP once again did so in a manner that reflects the cooperative values that we all believe in and share collectively.”

Kyle Droescher, Group Vice President and Chief Financial Officer, detailed AGP’s 2020 fiscal year results with highlights including:

- Earnings of \$185 million, which represents the third highest in Company history.
- Patronage and cash returns at historically strong levels, with approved patronage refunds of \$146 million, with 50% distributed in cash.
- A return on members’ equity of 17.9%.

Senior Vice Presidents Mark Sandeen, Troy Alberts, and Chris Schaffer shared business operating reports for Soy Processing, Refined Oils and Renewable Fuels, and Ag Products, respectively. Among the accomplishments this year, AGP’s operations achieved record crush volume, refined oil production, and trading volume through AGP’s export terminal, plus strong renewable fuels earnings.

“We are extremely appreciative of the wide variety of AGP partner organizations that help us serve our members and deliver results,” said Keith Spackler, AGP Chief Executive Officer (CEO). “One of the most important aspects of AGP’s Annual Meeting is to maintain and strengthen the relationships we have with our member-owners, partners, and stakeholders.”

Another important part of AGP’s Annual Meeting is the election of Board members. Results of the Board elections from this year’s official mail-in ballots were also announced during the meeting (see page 8 for more details).

“It’s very clear AGP was well-positioned to accomplish great things during these incredibly challenging times,” Davis said. “We are very grateful for everyone’s business and the opportunity to continue to serve AGP’s members. This special community that is the cooperative way of life, including the business and personal connections, is what helps enable our success.”

Chairman Brad Davis Reflects on AGP

Hellos and goodbyes are never easy, but they are even more challenging virtually. After 27 years on AGP’s Board of Directors, including 19 years as Chairman, Brad Davis once again addressed attendees at January’s Annual Meeting.

As Davis reflected on his time on AGP’s Board and as Chairman, he shared some words of wisdom from a famous author: “The two hardest things in life are hello for the first time and goodbye for the last.”

Instead of focusing on the goodbye, Davis reflected on some of the “hellos” in his career, including when he said hello at his first board meeting 27 years ago.

“I remember my first board meeting like it was yesterday,” Davis said. “The big board room. The dark suits and ties. The nervous hellos as “The new guy from Goldfield” was introduced to the founding AGP Board members. These Board members not only started this Company, but persevered despite enormous challenges created by the farm crisis of the 1980s and built a business foundation and culture that continues to define AGP to this day.”

He reflected on many hellos and also proud moments throughout his time on the Board and as Chairman. One of his proudest accomplishments during his time as Chairman was establishing a renewed focus on AGP’s core business and finding ways to grow it by leveraging existing strengths and strategic advantages. Essentially, finding new value within AGP’s core business.

“His contributions to the Board have been invaluable, and his vision and leadership will continue to influence AGP’s mission well beyond his tenure as a Board member,” Spackler said. “We thank Brad for his unwavering support and dedication to this Company.”

In looking back, Davis said, “From my perspective, this is not a goodbye, but is rather, a thank you.”

“Serving as Chairman of AGP has been one of the greatest professional and personal honors of my life. In partnership with my colleagues on the Board, I am very proud of the accomplishments and strategic goals we achieved together. I am leaving here today with a wealth of knowledge, memories, and relationships I will always treasure. There will be more hellos and goodbyes over the next several years, but I firmly believe the values and principles of this Company will keep it going strong for a very long time.”

(continued on next page)



Keith Spackler, AGP CEO (left), and Brad Davis, AGP Board Chairman, answer questions during the virtual Annual Meeting.



Lowell Wilson Elected Chairman Following Meeting

Following the Annual Meeting, the AGP Board elected Lowell Wilson as Chairman of the AGP Board of Directors. Wilson, a producer from Primghar, Iowa, has served on the Board of Directors since 1986 and held the position of Vice Chairman since 1995.



Left photo: Lowell is a regular behind the wheel at his family farm as well as delivering beans to AGP. Center photo: Lowell inspecting an AGP facility in Sergeant Bluff, Iowa.






Lowell farms with his son, Mitchell, on a third-generation family farm. Together, they farm soybeans and corn, custom finish hogs, and operate a trucking business.


New AGP Directors and Officers Named

Three directors were elected to serve three-year terms on the Board during the Annual Meeting. Following the meeting, the Board elected AGP's Chairman, Vice Chairman, and Secretary/Treasurer.

Director Seats

-  Area 1 Manager (new)
Rob Jacobs
Cooperative Farmers Elevator
Rock Valley, IA
-  Area 2 Producer (re-elected)
Bruce Granquist
LaBolt Farmers Grain Company (LaBolt, SD)
Milbank, SD
-  Area 3 Producer (re-elected)
Larry Oltjen
Ag Partners Cooperative, Inc. (Seneca, KS)
Robinson, KS

Chairman, Vice Chairman, and Secretary/Treasurer

-  Chairman | Area 1 Producer
Lowell Wilson
First Cooperative Association (Cherokee, Iowa)
Primghar IA
-  Vice Chairman | Area 2 Manager
Dean Isaacson
Western Consolidated Cooperative (West-Con)
Holloway, MN
-  Secretary/Treasurer | Area 1 Manager
Chuck Schafer
North Iowa Cooperative Elevator
Thornton, IA

Additional AGP Board Members are Dave Leiting, Area 1 Manager (retired), Jay Sunderman, Area 1 Producer, and Dean Thernes, Area 3 Manager.

Member Updates

NEW AGP MEMBERS

- Crossroads Cooperative Association in Sidney, Nebraska.
- Country Grain Cooperative in Eldridge, North Dakota.

NEW APPOINTMENTS

Ag Partners Cooperative, Inc. in Seneca, Kansas, named Wes Spohr as President/CEO effective Feb. 8, 2021. Most recently, Wes served as Market Development Manager for CHS. Prior to that he served as a Lead Relationship Manager for CoBank.

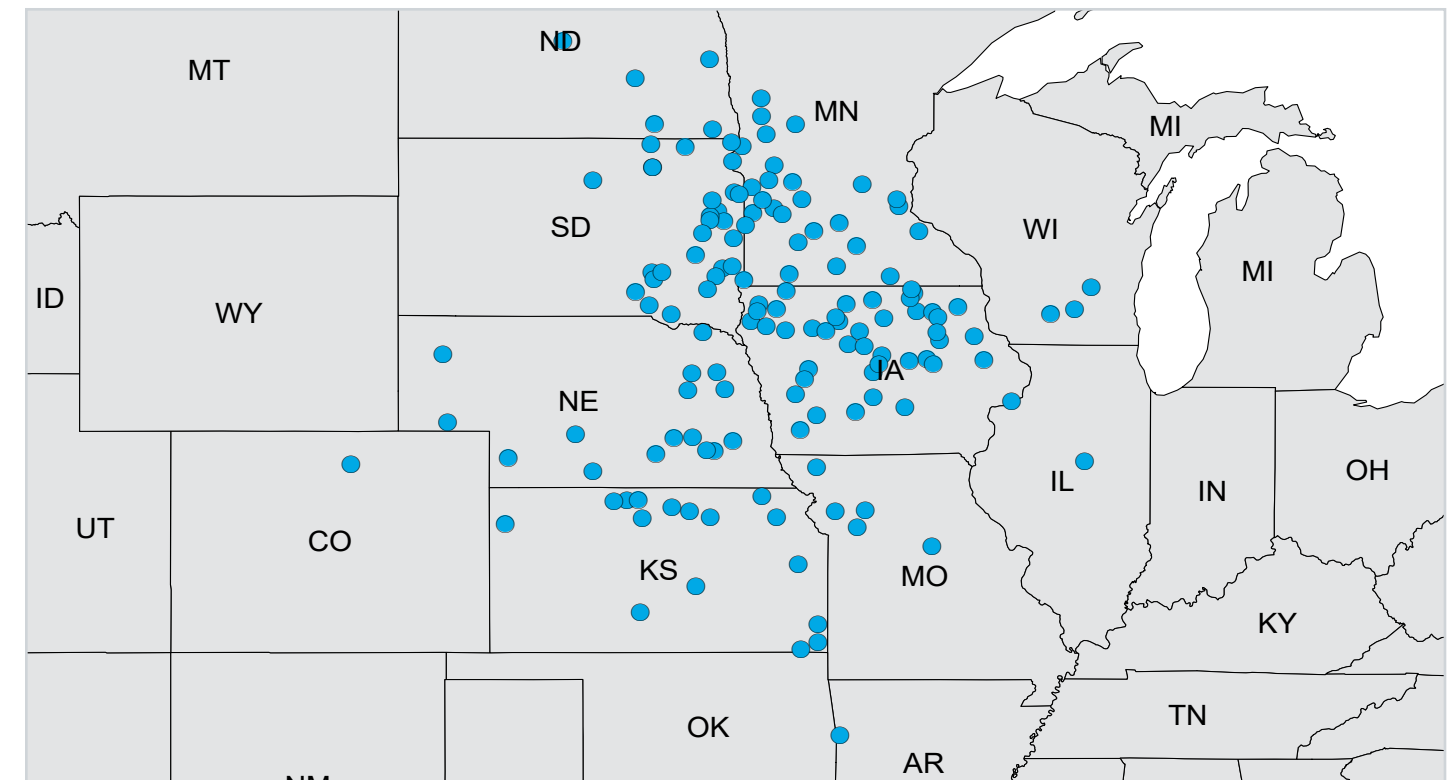


Farmers Cooperative Elevator Company in Arcadia, Iowa, named Darrell Henkenius its next CEO starting March 1, 2021. Darrell has been with FAC since he was 17. Most recently he served as Operations Manager. Darrell succeeds Dave Leiting who retired at the end of February.



Midway Cooperative, Inc. in Osborne, Kansas, named Craig Mans as General Manager Jan. 1, 2021. Craig, who is from Osborne, has been with Midway Cooperative for four years, most recently as office manager. Prior to that, he worked for Triangle Insurance in the Ag Business Division. Craig succeeds Dell Princ who retired in December.

149 LOCAL AND REGIONAL AGP COOPERATIVE MEMBERS



*Additional member cooperatives not displayed above include locations in California, Virginia, and Canada.

AGP Joins Country Partners Cooperative During Strategic Planning

Members of AGP’s management team recently joined the board of directors and leadership team from member-cooperative, Country Partners Cooperative, for their annual strategic planning retreat in Omaha. Country Partners is headquartered in Gothenburg, Nebraska, and has been an AGP member for more than five years. Mark Sandeen, Senior Vice President of Soy Processing (pictured at right) presented updates on AGP’s operations and outlook for 2021.



Tod Clark, General Manager of Country Partners, said that he was appreciative of and found value in AGP’s information, particularly market and operational updates. During the retreat, AGP also shared an outlook on the supply of soybeans and how new climate-related policies could positively and negatively impact agriculture. AGP values opportunities like these to engage and strengthen relationships with our member-cooperatives and to be able to provide valuable insight for long-term planning.

Achieving Positive Policy Outcomes Through Partnerships



Trade associations and stakeholder groups are just one way AGP works to achieve positive policy outcomes for AGP and the agricultural industry. A number of AGP employees serve in leadership roles for various trade associations and organizations across the country. Matt Caswell, AGP Vice President for Member and Corporate Relations, is currently the Chairman of the Board of Directors for the Agribusiness Association of Iowa (AAI).



Matt Caswell, AGP Vice President Member and Corporate Relations, is serving as Chairman for AAI’s Board of Directors.

AAI is the leading trade and advocacy organization for Iowa agribusiness stakeholders. AAI’s membership consists of over 1,100 businesses across the state that supply feed, seed, crop protection chemicals, grain, fertilizer, equipment, and additional products and services that benefit agriculture. AAI also oversees the Agribusiness Association of Iowa Foundation, which provides services and educational opportunities to members as well as eight statewide business associations related to Iowa agriculture.

“What I find most interesting about serving in this role for AAI is its leadership on a number of important agriculture-related policy issues impacting cooperatives,” Caswell said. “AAI brings together an extremely diverse group of like-minded agricultural stakeholders, which allows the organization to have a very effective policy and advocacy voice at the Iowa Statehouse and in Washington, D.C.”

AAI has been a long-term partner of AGP, coordinating with AGP on events such as the AGP Area Information Meetings.

“AAI and AGP enjoy a strong partnership and AGP recognizes the valuable contributions of this organization and others to Iowa agriculture,” Caswell continued. “In total, AGP supports over 40 organizations and stakeholders dedicated to promoting agriculture at the national and state levels.”

STATE POLICIES

AGP announced support for the Iowa Biofuels Standard, a state legislative initiative that would support increased biofuel use in the state of Iowa. The bill has the support of Governor Kim Reynolds and major agricultural associations and organizations.

Troy Alberts, AGP Senior Vice President for Refined Oils and Renewable Fuels, said, “AGP supports and invests in Iowa biodiesel production, and we recognize that increased use of biodiesel translates into higher prices for farmers, economic development in rural communities, and reductions in harmful fuel emissions.”

The biofuels standard establishes a minimum level of biodiesel to be blended in the state’s diesel fuel pool, gradually increasing over time from 11% (B11) to 20% (B20). The legislation also establishes new retail income tax incentives for fuel marketers and provides infrastructure funding for biodiesel projects.

A similar legislative bill which would require a 5% biodiesel blend is also being considered at the Missouri Statehouse in Jefferson City, Missouri. AGP supports that effort as well and has engaged in efforts to assist in helping pass the bill.

FEDERAL POLICIES

In the recent election, the American voter chose to be governed by a closely divided government. Typically, a closely divided political environment promotes a moderate and incremental approach to policy, which has always favored agriculture and provided stability for the long-term planning and investment in the industry. Here are a few of the federal policy issues we’re monitoring over the coming months:

- **SAFETY NET & SUPPLY.** Government payments to farmers to maintain production have soared, which were necessary to offset revenue losses due to trade-related disruptions. This year, nearly 40% of farm revenue was in the form of government payments. If policymakers decide to scale back the payments or attach new restrictions on eligibility, a new approach to the farm safety net may be necessary.
- **BIOFUELS & DEMAND.** The primary policy that drives demand for biofuels is the Renewable Fuel Standard (RFS), which sets annual volumetric use targets for the transportation sector. Since its creation in 2008, the RFS has been relatively stable. However, if certain policymakers push too hard on the electrification of our transportation fleet at the expense of biofuels, this could exacerbate the divide between urban and rural constituents and lead to reduced commodity demand.
- **CLIMATE CHANGE.** One of the primary goals of the Biden Administration will be to address economy-wide carbon reduction. Agriculture does have several ways to participate and be incentivized in this effort. This could be a very positive outcome for agriculture if the programs are structured properly and with a focus on “working lands” conservation practices and away from “land retirement” programs.

Fortunately, on a bipartisan basis, policymakers do understand the enormous economic and social impact of the agricultural industry on the nation. It will be our job to help them understand how agriculture can be a critical component of the solutions needed to address our country’s most important strategic issues.

Each spring, state legislatures meet to discuss and debate important state policies related to agriculture. Here are some of those AGP is monitoring:

- Iowa Biofuels Standard (requirement for biofuels use)
- Central Filing (new transaction requirements for Iowa cooperatives)
- Missouri Biofuels Standard (requirements for biofuels use)
- Build Nebraska Act (transportation infrastructure investment)
- Senate Bill 108 (updating South Dakota’s cooperative laws)
- Expansion of Broadband technology for rural Minnesota areas
- Grain Warehouse Funding (Kansas grain storage fees)



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