

# AGP<sup>®</sup> NEWS

***Serving Cooperatives and Agricultural Producers***

A PUBLICATION OF *Ag Processing Inc* a cooperative  
Issue #3, 2020

## MOVING FORWARD...

A touchless experience is just one of the many advancements at AGP processing delivery locations.

**AGP**  
A Cooperative  
Omaha, NE

Electronic  
Driver Logs

# A MESSAGE FROM THE CEO

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**On the cover:** A driver swipes his personal radio-frequency identification (RFID) card entering the AGP soybean processing plant in Hastings, Nebraska. This summer, soybean delivery became touchless at all AGP processing plants. Read about this project and more on page 4.



AGP chartered vessels waiting for berth at the AGP export terminal at the Port of Grays Harbor in Aberdeen, Washington.



Like each of you, AGP continues to face unique challenges as we run our business, address the market environment, and reinvest in our facilities.

We begin by acknowledging upcoming retirements in AGP's leadership team, and announcing succession. We congratulate and thank Scott Simmelink and Ernie Kiley who are retiring after several years of leadership and service to AGP and the cooperative system. They will be succeeded by Kyle Droescher and Lou Rickers, respectively, and we look forward to their contributions to continued success ahead.

Many communities have been adversely impacted by the consequences of the COVID-19 pandemic. To assist, AGP approved \$100,000 in funding for several organizations in support of efforts to respond to coronavirus impacts. In addition, we remain committed to ensuring our workplace practices and customer interactions reflect our goal to achieve safe and reliable business conditions.

Importantly, AGP continues to move forward and reinvest in our business. This edition of *AGP News* features several important projects, which will achieve increased customer service and operational efficiencies, including the meal loadout project at Eagle Grove, Iowa, and the soybean oil refinery expansion in Hastings, Nebraska. Additionally, we have invested in new remote working technology. In July, our virtual Area Meeting provided important business and financial updates for many of our members. We appreciate the strong participation as we continue to emphasize open communications with our owners.

In agriculture, we understand that change is often driven by factors outside of our control. AGP continues to move forward despite these challenges to reinvest in our business, our communities, and our members. Thank you for your support in these efforts.

Best regards and stay safe,

A handwritten signature in black ink that reads "J. Keith Spackler".

J. Keith Spackler  
Chief Executive Officer



# AGP Announces 2 Retirements, 2 Promotions

## CFO Simmelink to Retire, Droescher Selected as Successor



**Scott Simmelink**  
AGP Group Vice  
President and Chief  
Financial Officer

**Scott Simmelink**, Group Vice President and Chief Financial Officer (CFO) since January 2013, is retiring at the end of this calendar year. Scott oversees AGP's accounting, finance, tax, internal audit, and information technology functions. Throughout his tenure, Scott's hard work, positive outlook, and leadership helped AGP achieve excellent financial results while also contributing to ongoing process improvements. Prior to joining AGP, Scott served over 30 years of progressive and successful leadership in accounting and financial management at companies including Consolidated Container, Inacom, and Coleman. Please join us in congratulating Scott on his well-deserved retirement, while also recognizing and thanking him for his many contributions to AGP.



**Kyle Droescher**  
AGP Vice President  
Finance

**Kyle Droescher**, current Vice President of Finance at AGP, is succeeding Scott Simmelink as the Group Vice President and Chief Financial Officer, beginning in January 2021. Kyle joined AGP as the Director of Finance in 2012 and has worked closely with Simmelink since. Kyle has more than 28 years of work and leadership experience in accounting, audit, business management, and finance. Prior to AGP, he was Chief Financial Officer at Independent Printers Worldwide, Director of Strategic Planning at UPS Freight, and Manager of Investor Relations at Union Pacific Railroad.

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## Kiley Announces Retirement, Rickers Promoted to Vice President



**Ernie Kiley**  
AGP Senior Vice  
President Operations

**Ernie Kiley**, who has been with AGP since the early 1980s, has announced his retirement for the end of this year. Ernie has been the Senior Vice President of Operations at AGP since May of 2018. He started his career in 1980 working for Boone Valley Cooperative in Eagle Grove, Iowa. He held roles in AGP Operations at Mason City, Iowa, and St. Joseph, Missouri. He then returned to Eagle Grove as the Plant Operations Manager until 2012, when he relocated to Omaha as the Director of Soy Operations. He became the Vice President of Operations in 2017. Congratulations to Ernie on a successful 40 years!



**Lou Rickers**  
AGP Vice President  
Operations

**Lou Rickers** has been promoted to Vice President of Operations and will take on Ernie Kiley's full responsibilities in January 2021. Lou has had many successful years in numerous positions at AGP. Most recently, he was the Senior Director of Operations, a position he's held since 2018. He started in 1994 as a Lab Technician in Manning, Iowa. Lou then worked within AGP Operations and management in Sergeant Bluff, Iowa, and in Algona, Iowa. He has been in the Omaha corporate office since he relocated in 2014 as the Director of Biodiesel (Methyl Ester) Operations.





The truck loadout project recently completed in Eagle Grove, Iowa, will help meet the soybean meal needs of customers in the area's fast-growing livestock industry.

## Moving Forward... On Valuable Projects

AGP is committed to continuous improvement and reinvestment at all facilities.



**Mark Sandeen**  
AGP Senior Vice  
President Soybean  
Processing



**Ernie Kiley**  
AGP Senior  
Vice President  
Operations

Despite the unique challenges of 2020 and rapidly changing and dynamic market conditions, planned upgrades and efficiency projects continue at all major AGP operational facilities. AGP remains committed to a strong, long-term reinvestment program — essential to keeping AGP operating and delivering value for members and customers.

“Often, AGP projects and upgrades are ones that you can’t physically see while driving by our facilities,” said Mark Sandeen, AGP Senior Vice President of Soybean Processing. “However, these are some of the most crucial projects we do. They’re important for the long-term viability of the facility and ensuring we remain a reliable partner. Just like ensuring your vehicle out on the road keeps running well, we’re maintaining and upgrading all facilities.”

Making large-scale upgrades and improvements at operating facilities are no small task, but AGP has a long history of successful project completion and is dedicated to continue to deliver these important advancements.

“It’s exciting,” said Ernie Kiley, AGP Senior Vice President of Operations. “We’ve got a lot going on. During these times, we’re fortunate to be able to keep things moving, make improvements, and push ahead with our objectives. This is a big testament to our employees who take today’s events and challenges seriously. They continue to work safely with new procedures in place. They’ve embraced changes and are committed to continuing to work to producing a great product every day while keeping processes moving forward. Unfortunately that is not the case for a lot of businesses right now.”



## PROJECT UPDATES

Here is a look at some of the changes happening across AGP operations — some completed and some in progress — from Sandeen and Kiley.

### Touch-free Soybean Delivery Experience At Every Processing Plant

Soybean delivery is now touch-free at 10 AGP processing plants. This recently updated touchless process is designed to help provide increased safety and sanitation for drivers during COVID-19 and beyond.

“The touch-free process varies at each plant, but we’re eliminating the exchange of paperwork and handsets and encouraging the use of unique RFID [radio-frequency identification] cards,” Sandeen said. “You’ll either be able to use a unique RFID card throughout the plant or communicate via your cellphone. The AGP Driver App also is an option, which we strongly encourage, to not only eliminate contact, but also to improve the speed of driver exchange and reduce chance for error.”

### Faster Meal Loadout in Eagle Grove, Iowa

“An upgraded truck meal loadout facility at the AGP processing plant in Eagle Grove is something you can see driving by,” Sandeen said. “And you’ll also be able to see the benefits.”

This project enables soybean meal to be loaded approximately 50% faster than before, he said.

“The upgrade is a benefit not only for our meal customers, but also the trucking firms and drivers as time becomes more and more valuable,” Sandeen said. “We want to do everything we possibly can to reduce wait times across our plants. This project is improving the speed and volume at which we can load meal at

the Eagle Grove facility. It is helping traffic flow for trucks in the plant. The whole process is improved.”

The new truck meal loadout in Eagle Grove became fully operational in mid-August.

Another improvement you’ll notice at Eagle Grove is an expanded driveway for truck traffic.

“The driveway to the dump pits was replaced with new concrete,” Kiley said. “This provides a better driving surface for our member-owners and enhances sanitation and snow removal efforts for our employees.”

### Expanded Track Capacity in Dawson, Minnesota, and Aberdeen, South Dakota

Significant expansion of railcar space is being added at both Dawson and Aberdeen.

“In Dawson, 36 additional railcar spaces will better position the plant to handle uncertain rail service,” Sandeen said. “This facility is located on a line that doesn’t always receive priority rail service. It can be severely impacted by winter weather conditions. And since the crush rate has increased over the past several years, this project facilitates improved operations.”

In Aberdeen, 34 railcar spaces are being added for additional storage, plus a lead and switch that will give the plant access to another rail line — the Dakota Missouri Valley and Western Railroad (DMVW).

“This project grants access for member-owners to ship rail soybeans on the DMVW to the Aberdeen plant. AGP will have the ability to ship outbound products on the DMVW if the market dictates,” Sandeen said.

*(continued on next page)*



In Hastings, Nebraska, drivers use a unique radio-frequency identification (RFID) card to identify themselves at delivery and throughout the entire plant.



A crew works on interior upgrades to the truck loadout in Eagle Grove, Iowa, enabling soybean meal to be loaded at a much faster rate.



Switches from track 1 to track 2 are being installed in Dawson, Minnesota. Pending any weather delays, the track project will be completed in 2020.



Dirt work began on a new rail project in Aberdeen, South Dakota, in mid-July. This is a view just east of the plant, looking west. At the bottom of the photo is the DMVW track being accessed.

## PROJECT UPDATES

*(continued from page 5)*

### Prep Room Upgrades in Dawson, Minnesota

A portion of the “prep” building — where soybeans are prepared for extraction — is being upgraded at the soybean processing plant in Dawson. This includes some needed equipment upgrades required for preparation, specifically a new conditioner, new flakers, and overhead conveyance.

“Some of the equipment has been in use for many years,” Kiley said. “This project is replacing much of the front-end equipment in the current prep building, while adding square footage that will improve safety and allow operators to work more efficiently.”

Phase one of this project has already begun and will span the next few years. This project follows many others that have already been completed in Dawson that position the plant for continued success.

### More Soybean Oil Storage in Hastings, Nebraska

An expansion project is nearly complete at the AGP soybean oil refinery in Hastings. This will add needed onsite storage for more soybean oil.

“At all facilities, it’s not just employee safety we need to consider with updates, but also food safety,” Kiley said.

The Hastings refinery, like other AGP refineries, continues to achieve the

highest standards in food safety from the Global Food Safety Initiative.

### Always Improving

The safety and security of employees and stakeholders are always first and foremost for decisions and actions.

“Everything AGP does incorporates safety, speed, space, efficiency, and cost-effectiveness,” Kiley said. “This year’s projects included installing non-slip epoxy flooring at the biodiesel production plant in Algona, Iowa, to improve work surfaces and protect concrete from deteriorations. We’re installing new conveyors at our grain facility in Hastings, Nebraska, for increased efficiencies. We also completed some extensive upgrades to roadways at the soybean processing plant in Emmetsburg, Iowa, and made concrete improvements to the meal truck loadout staging area and the bean receiving exit in Sheldon, Iowa, with other locations to follow.”

With all projects, AGP is committed to the success of our owners and customers. This means keeping everything updated, making improvements, investing in technology, and more.

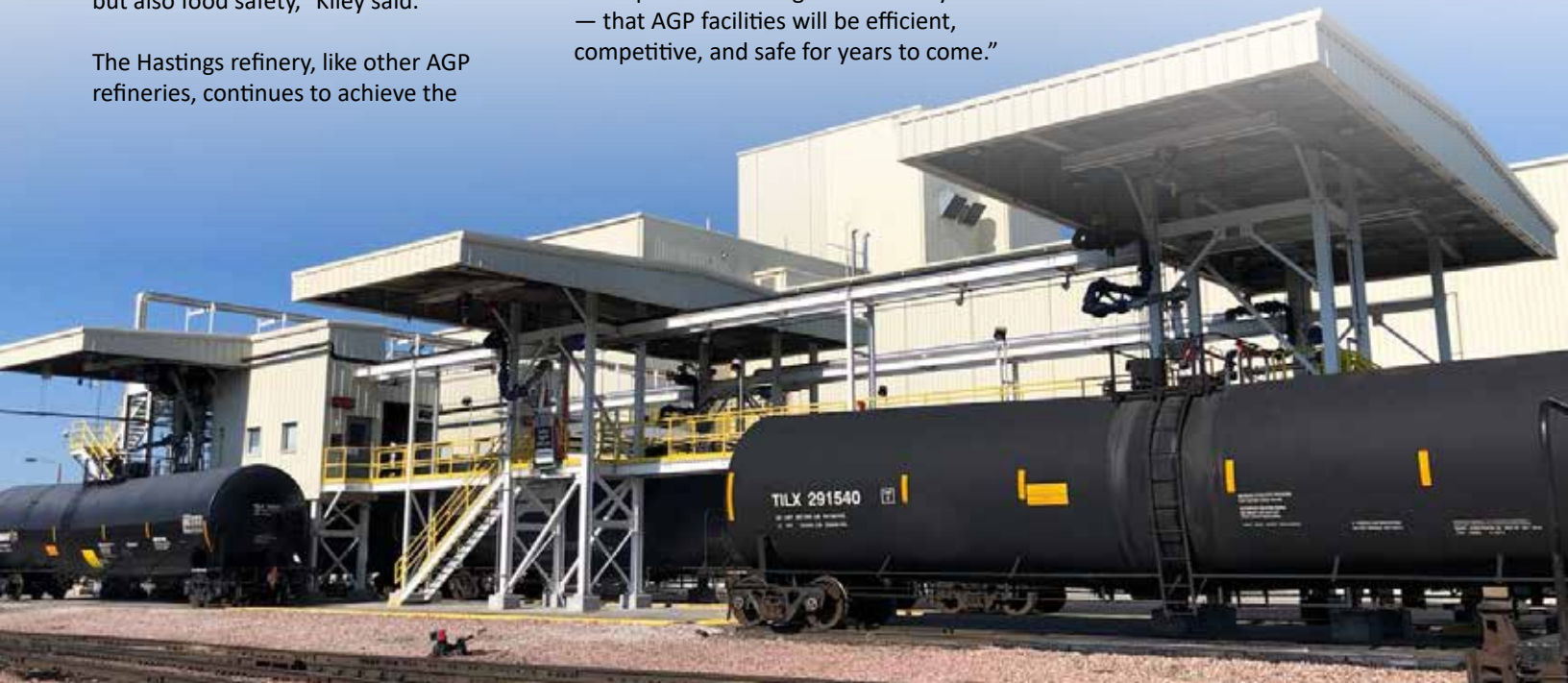
“We’re making investments for the future,” Sandeen said. “These investments all help to ensure long-term viability — that AGP facilities will be efficient, competitive, and safe for years to come.”



Some of the structural pieces, specifically bridges for lifts, have already been set for the first phase of the prep building upgrades in Dawson, Minnesota.



An expansion project underway at the AGP soybean oil refinery in Hastings, Nebraska, will greatly expand the amount of soybean oil storage.







## 2020 Outlook Shared at Virtual AGP Area Meeting

The annual Area Information Meetings are an integral part of the communication and engagement program for AGP with its cooperative member-owners. Although presented in a different format this year (virtually), topics were familiar. During these meetings, members of the AGP senior leadership team provide member-owners the opportunity to learn more about current business operations and some of the year’s unique challenges, business strategy and direction, and preliminary projections on financial results for the fiscal year.

“Certainly, no one could predict the kind of environment we’re facing as a society during 2020,” said AGP Chief Executive Officer (CEO) Keith Spackler in his opening remarks. “Nonetheless our team is doing an excellent job of optimizing results given the available market opportunities. I can assure you that the leadership of this organization, including the board of directors and management, continuously review, reaffirm, and if necessary, reset the strategies of the Company with a vision for success.”

Overall, there are favorable results this year thanks to member-owner support, generally solid market conditions, and the focus and dedication of the entire AGP team.

### Soybean Processing

Margins were favorable for the first few months of the year, but then a variety of issues created many uncertainties for the Soybean Processing Group.

“Fortunately, our operations team is navigating through uncertainty and operating AGP soybean processing plants with little or no loss of crush,” said Mark Sandeen, AGP Senior Vice President of Soybean Processing. “Also, progress continues on several of the projects that position the Company’s plants for continued success.”



AGP CFO Scott Simmelink shares preliminary projections on financial results for the fiscal year at the 2020 AGP Virtual Area Meeting.

### Refined Oils and Renewable Fuels

Despite the slow start to the year, Troy Alberts, AGP Senior Vice President of Refined Oils and Renewable Fuels, shared that AGP should once again set a new record for refined oil production. He noted that renewable fuels will provide record earnings, driven largely by government policy. Additionally, important upgrades are continuing at AGP oil refineries and biodiesel facilities this year.

Alberts described this year’s markets and business environment in two words — roller coaster.

“At times it’s been a slow, methodical climb, then, just when you reach the top and it seems like we’re back to a sense of normalcy again, the markets quickly plunge back down and the climb starts again,” Alberts said. “While 2020 has been filled with challenges and uncertainty, AGP has been able to capitalize on the opportunities the market has presented.”

### Ag Products

For Ag Products at AGP, which comprises exports, centralized rail, grain assets, and trading groups, Chris Schaffer, AGP Senior Vice President of Ag Products, shared his perspective on the challenges the year has brought, and offered a bit of optimism.

“We’ve seen slowdowns at ethanol plants, causing delayed shipments of DDGS [dried distillers grain],” Schaffer said. “We’ve struggled

to get foreign crews into our export terminal to load vessels. However, looking forward we are positive about the remainder of the calendar year. Shipments through the Port of Grays Harbor will set new records this year, and AGP represents a significant percentage of the total U.S. exports.”

### Financial Results

Complete financial information for the 2020 fiscal year will be shared with cooperative members at the next Annual Meeting, but AGP Chief Financial Officer (CFO) Scott Simmelink shared preliminary projections on financial results for the fiscal year. He also shared three things member-owners should take away from this year’s virtual Area Meeting:

- Earnings during 2020 reflect an outstanding year for AGP, with a solid performance from all AGP business groups.
- AGP’s financial position remains strong.
- The financial position allows the Company to continue to pay patronage to member-owners for the 34th consecutive year.

# AGP Soybean Processing Plant in Aberdeen Completes Year One

On July 17, 2019, AGP held the Grand Opening for the soybean processing facility in Aberdeen, South Dakota — the tenth AGP soybean processing location.



AGP Board of Directors and senior management at the ribbon cutting ceremony in Aberdeen.

The AGP Board of Directors approved moving forward on this large project as a result of an in-depth feasibility study and analysis conducted nearly four years ago.

The facility became fully operational by the end of July 2019 — buying soybeans in the area and supplying soybean meal to regional feed customers and for export markets in the Pacific Rim. During the 2019 grand opening event, Chairman of the AGP Board of Directors Brad Davis said, “The City of Aberdeen, Brown County, and the State of South Dakota have all been excellent to work with and have been instrumental in helping AGP get to where we are today.”

This statement still rings true one year later.

“The Aberdeen area is a great community,” said Matt Smith, AGP Merchandising Manager in Aberdeen. “People have been excited about what the plant brings to the community — being able to process locally, bringing in jobs, and adding value to soybeans.”

The facility provides jobs with good wages and benefits to more than 60 families in the Aberdeen community.

“I’ve been so impressed with the quality of our workforce in this community,” said Lance Stoeber, AGP Operations Manager in Aberdeen. “That makes a big difference. Many of our employees didn’t have soybean processing experience. It’s been a learning curve for all, but we’re really starting to click now.

We’re getting closer to where everything needs to be.”

In addition to well-trained and engaged employees, AGP has been evaluating metrics for continuous improvements since day one.

“There is an old adage: what gets measured gets managed,” Stoeber said. “We’ve been able to identify and make many improvements here in a very short amount of time. Often, it’s the small changes that really make a large impact.”

Monitoring processes include looking at electrical, gas, steam, and water on a daily basis to ensure everything is running efficiently. This resulted in some automation upgrades for steam processing control and a reduction in the amount of processed water used. The rate at which the plant takes in soybeans continues to be optimized. Bean receiving has improved tremendously from where it was even a few months ago.

“Everyone here wants to succeed,” Smith said. “We’re all doing everything we possibly can to make sure that happens.”

Stoeber said, “We’re going to be even better this coming year.”





## Updates on Cooperative Members

### NEW APPOINTMENTS

- Lake Andes Farmers Cooperative in Lake Andes, South Dakota, named Joel Berens General Manager. He succeeds Dan Svatos who retired.
- Producers Cooperative Association in Girard, Kansas, named Brice Elnicki General Manager following the retirement of Monte Hicks. Brice previously was with the Scoular Company who purchased his family-owned grain elevator in Pittsburg, Kansas.
- Osage Cooperative Elevator in Osage, Iowa, named Tom Herres General Manager. Most recently, Tom was with Seibert Equity Coop in Seibert, Colorado, and prior to that with CHS. He succeeds Gayle Melcher who retired.
- Elbow Lake Co-op Grain in Elbow Lake, Minnesota, named Kevin Stein General Manager. He was appointed to this position following Allen Mashek's retirement.

- Farmers Cooperative Elevator in Bellingham, Minnesota, named Josh Ludvigson General Manager. Josh has been with Farmers Cooperative Elevator for 13 years, previously as Grain Manager. He was appointed General Manager when Curt Pederson retired after 44 years of service.

### UPDATES

- Frontier Ag, Inc. in Oakley, Kansas, moved their main office to Goodland, Kansas. The Oakley location has been closed.
- Crystal Valley Cooperative moved their main office from Lake Crystal, Minnesota, to Mankato, Minnesota.
- The members of Watertown Cooperative Elevator Association in Watertown, South Dakota, approved a resolution to change their legal name to AgwrX Cooperative.

## 10 Communities Receive COVID-19 Relief Funds

Relief organizations in 10 communities where AGP operates soybean processing and refining facilities recently received financial support from AGP to help with ongoing COVID-19 relief efforts.

“The COVID-19 pandemic negatively impacted families and communities across America this year and we want to support and encourage the many different volunteer organizations who are responding to local needs and providing relief in the communities in which we operate,” said AGP Chief Executive Officer Keith Spackler. “AGP’s contributions to these community-based organizations support their important efforts.”

AGP directed support totaling \$100,000 to the United Way, Red Cross, food pantries, medical facilities, and local chamber programs and activities in the following 10 communities:

- Eagle Grove, Emmetsburg, Manning, Mason City, Sergeant Bluff, and Sheldon, Iowa
- Dawson, Minnesota
- St. Joseph, Missouri
- Hastings, Nebraska
- Aberdeen, South Dakota



Top: The United Way of South Central Nebraska was one of many local organizations who received support from AGP to help with COVID-19 relief efforts. Jodie Johnson, AGP Merchandising Manager in Hastings, Nebraska (right), presented United Way representatives with a donation.

Bottom: AGP presents a donation to the Aberdeen Chamber of Commerce. Pictured from left to right are: Gail Ochs, Aberdeen Chamber of Commerce; Matt Smith, AGP Merchandising Manager; Dave Lien, AGP Accounting Manager, and Lance Stoeber, AGP Operations Manager.



### AGP Leaders Hold Key Positions in Industry Organizations



**Greg Twist**  
AGP Senior Vice  
President Transportation  
and President of NAFCA

**Greg Twist**, AGP Senior Vice President Transportation, has been involved in the North American Freight Car Association (NAFCA) for nearly 10 years. Currently, he's president of the association, a position he's held for the last four years.

NAFCA is an organization made up of private (non-railroad owned) railcar manufacturers owner/lessors, lessees, rail shippers, and other entities that support the rail car industry. Approximately 70% of the North American freight car fleet is owned by leasing companies and shippers, and most of the private fleet cars are owned by NAFCA members. Thus, the continued investment in freight cars by these non-railroad entities is critical to the well-being of the North American economy. NAFCA is dedicated to ensuring safe, efficient, and economical use of private railcars.



**Nara Narayanan**  
AGP Director of Refined  
Oils Operations and  
Governing Board  
member of AOCS

**Ramanathan "Nara" Narayanan**, AGP Director of Refined Oils Operations, has been elected to the Governing Board of American Oil Chemists' Society (AOCS) for 2020-2021. AOCS is the distinguished scientific organization serving the field of fats, oils, and lipids.

Nara and 13 Governing Board representatives lead several strategic working groups, all helping to advance the science and technology of oils, fats, proteins, surfactants, and related materials.



### International Trade Shows with USSEC

In June, AGP exhibited and "attended" two virtual U.S. Soybean Export Council (USSEC) international trade shows — the Pan-Asia Soy Food Summit and Asia Trade Exchange. AGP joined over 75 different company exhibitors at these two virtual events.

Through a unique online platform, exhibitors could navigate to various halls, interact with each other via a chat feature, and hear many live presentations throughout the event. Fitting to the times, speakers during these events talked about how COVID-19 is changing the way companies operate — and engage with each other.



Through online events AGP is able to use technology to connect with new customers and other stakeholders.





# Q & A

## Iowa Biodiesel Retail Tax Credit Extension



**Courtney Lawrenson**  
AGP Senior Director  
Renewable Fuels and  
Treasurer of IBB



*The biodiesel retail tax credit has been extended in Iowa. What does this mean and what are the benefits? Courtney Lawrenson, Senior Director of Renewable Fuels for AGP and Treasurer for the Iowa Biodiesel Board (IBB), weighs in about this and more.*

### **Q: What is the biodiesel retail tax credit?**

**A:** Senate File 2403 is a tax differential incentive to get retailers to blend higher amounts of biodiesel. The tax differential will allow retailers to receive three cents or more per gallon off their fuel taxes, depending on how much the retailer blends, because they are using renewable fuels.

The Iowa Biodiesel Board has worked on this tax credit specifically for the state's biodiesel producers and a majority of that feedstock is sourced from soybeans from the state of Iowa.

### **Q: And now this tax credit is being extended?**

**A:** Yes, the biodiesel retail tax credit was set to expire on June 30, 2020. On that same day, Iowa Governor Kim Reynolds signed Senate File 2403, which extended the tax differential for biodiesel until June 30, 2026.

### **Q: Why is this extension important to the industry?**

**A:** The state incentives have become more important as the federal Renewable Fuels Standard [RFS] has been threatened. With each change of Administration, there are different views and different people, which creates uncertainty at the federal level, particularly at the EPA [Environmental Protection Agency]. State incentive programs provide an important level of support when there is change or lack of action at the federal level.

### **Q: What kind of impact is COVID-19 having on the biodiesel industry?**

**A:** Diesel usage has decreased slightly, but nothing like gasoline. With stay-at-home orders people are working from home, so you have less gasoline being used, and that has really impacted the ethanol industry. It has definitely impacted biodiesel as well, but at a much lower percentage. AGP is blending into the diesel market, and we really didn't see a slowdown in the road truck market this year. There are still goods needing to be delivered across the United States.

### **Q: That is good news for the soy biodiesel industry. Are things getting back to normal?**

**A:** With states slowing down reopening, we are not quite back to normal. However, while we've had all this uncertainty on a national level, local markets have been strong because of the state tax differential.



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