

LUDLOW CO-OP

WINTER EDITION 2023

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MANAGER'S NOTES

Harvest 2022

Prior to harvest, most people in our area were estimating average yields this year. Everyone was pleasantly surprised with what they found once the combines started rolling. Both corn and bean yields were higher than anyone thought. They were higher than what we had planned for to handle the crop. Consequently, once storage was filled and trains were not coming as soon as we had hoped, Ludlow Coop had to resort to filling old, slow storage and ground piles. We ended up putting about 1.3 million bushels of corn on the ground at Paxton.

Our total harvest receipts were twelve percent larger than what we handled in the fall of 2021. Our 2022 harvest volume is the largest corn and bean crops that we have handled to date. The Buckley, LaHogue and Paxton facilities had record corn and bean receipts this year. With nice harvest weather, we also handled the large crop in a shorter period of time than we have in any other big crop year. In a big crop year, locations that have adequate leg, storage and drying capacity have a better time keeping the doors open. We are trying to build multiple locations that are better equipped to handle a large, fast harvest like we

had this year. Because of recent improvements that were made at Buckley, they handled almost twice their pre-improvement average harvest volume this year.

Harvest is a long process of working seven days a week. Ludlow Coop has a good group of employees willing to put in the hours to get the harvest completed. They did an excellent job of getting the large 2022 harvest completed in a timely manner.

Upcoming Projects

As our grain elevators continue to age, we must be more persistent in our quest to upgrade and build facilities that will stand up to the speed and volume of grain that today's patrons can deliver. Some of our facilities are struggling to keep up during busy harvest days as we are operating equipment that is 50-60 years old and not designed to adequately handle large semis hauling in one after another. With this in mind, the board of directors have approved some grain handling upgrades for this year. At our Paxton facility, we are going to replace three dump pit receiving conveyors along with the fill conveyors that feed our wet storage bins. These five grain handling conveyors are original equipment and are in need of replacement. These conveyors



MANAGER'S NOTES continued

had some untimely breakdowns during harvest which slowed down the dump pits on occasion, creating longer lines than we would like. The plan is to have all of them replaced prior to harvest of 2023. Another Paxton upgrade that will be done is all the electrical controls are being switched over to a PLC system. This new computer control system will enable everything at the terminal to be accessed and controlled from two separate locations. The system will incorporate new equipment safety monitors that can alert and shut down equipment if the proper conditions are not maintained. This will help create better working conditions and monitor most of the moving parts for potential breakdowns. The board also approved bin maintenance projects at Piper City, leg work at Danforth and installing a solar array at LaHogue.

Loda Facility

Since the Loda facility has been demolished and hauled away, the board of directors are going to proceed to sell that property. The plan will be to take sealed offers for the property, either partial or the whole lot, and then have an auction in early March where bid-

ders will have the ability to raise their original offer until a highest bid is established. More information about this property sale will be coming out soon. Interested parties can contact the Ludlow office with additional questions.

New Employees

Both the Ludlow and Paxton facilities had new operations employees that started prior to harvest.

Chad Northway is the new operations manager for the Ludlow location. Chad has prior grain handling experience and did a fine job as he learned on the fly how to run the Ludlow elevator and manage incoming grain logistics.

Branden Kruse is the new location manager at the Paxton facility. Branden comes to Ludlow Coop with grain handling experience at multiple locations. Branden's first day on the job was after harvest had already begun. He faced a major learning curve as he had no time to learn the facility beforehand. Considering the fact that Paxton took in a record amount of grain in a relatively short harvest period, he has stepped up and performed well.



Chad Northway – Ludlow



Branden Kruse - Paxton

We had quite a few employees that went through their first harvest with Ludlow Coop this fall. Many of them stepped up and did what was needed to get your crops handled in a timely manner.

I want to thank all our hard working employees who helped make harvest 2022 the largest ever for Ludlow Coop.





Annual Merchandising

REPORT by Scott Jones

When you've been watching markets for as long as I have, you can fool yourself into thinking you have seen it all already. But 2022 proved to be one of those years where things we could not imagine became reality before our eyes.

If we just make a list of major world events that had significant impacts on grain production, usage, and prices it would look like this:

- Most countries finally see Covid under control
- Russia invades Ukraine in late February
- We went into spring with a lot of uncertainty about potential spring planting in Ukraine
- US farmers entered spring with huge fertilizer cost increases and uncertain availability
- Spring weather saw dry weather expand from the S.
- Plains east and north into the heart of the corn belt
- Parts of E. Central Illinois went from OK to major drought very quickly
- Summer dryness spread into the fall and US river systems began to falter as low water levels interrupted barge traffic and pushed barge freight rates to historically high levels.
- China cut a deal with Brazil to allow imports of Brazilian corn for the first time in history
- Covid became an ongoing problem for the Chinese economy leading to an overall slow-down in their entire system
- Brazil geared up for a huge expansion of planted acreage for corn, bean, and wheat crops
- The US corn and bean harvests became one of the biggest surprises in years as many parts of the country saw corn and bean yields far
- above anticipated estimates
- The US grain handling system faced one of its most difficult years on record and exposed deficiencies across the board as farmers abilities to harvest and transport grain reached a point where it has overcome the unload, conditioning, and transportation potential of commercial grain handlers across the Midwest

If we look at price action of Chicago Board of Trade, corn weekly charts show us ending 2021 with a value of \$5.9325. Excitement from the Russian invasion and spring planting concerns pushed us to a high of \$8.245 near the end of April. (This high was within 20 cents of the previous all-time high in corn made in August of 2012 at \$8.4375.) By late July there was talk of a possible deal by the UN and Turkey to help facilitate a re-opening of grain exports out of the Black Sea region. This pushed

Annual Merchandising continued

prices all the way back down to \$5.615. Today we are trading near \$6.60.

A look at Chicago Board of Trade wheat shows us ending 2021 at \$7.7075, peaking at \$13.645 in early March on Russian war activity. (This price blasted through the previous all-time high for wheat set in July of 2012 at \$9.47.) There was a correction all the way back down to \$9.72 the first week of April before a second rally took us up to \$12.84 around May 20th. Since then, the resumption of Russian and Ukrainian exports has softened the panic buying from early in the year with prices retreating to \$7.2575 by mid-August. We are currently trading near \$7.40.

Beans were not immune to these wild speculative influences. We ended 2021 at \$13.3925. War buying and spring weather concerns pushed us to within 5 cents of all time highs in beans when we hit \$17.84 in early June. (The previous all time high in beans occurred in late September of 2012 when beans hit \$17.89.) By late July of this year, we had reversed course and beans fell all the way back to \$13.275. We have managed to gain some of the early year strength back and are now trading near \$14.72.

A big part of the wild price action this year had to do with participation by money managers from around the world. We began the year with very low interest rates, making investments in commodities a very lucrative hedge against raging inflation. But as the year wore on, Central Banks around the world began to take action to

try to control inflation by slowly raising interest rates. This created a dramatic change in investment decisions for money managers. By mid-summer, currency investments and interest rate investments became "safer" places to hold cash versus highly speculative commodities. The attached charts showing net futures positions for money managers show big changes occurring during the past 40 weeks in corn and wheat with a lot slower change in bean positions.

At many times during October of 2020 through March of 2022 funds were long 375,000 to 400,000 contracts of corn. That is the equivalent of nearly 2 billion bushels for most of that time. But the liquidation that took place during the next 9 months now shows them only long about a quarter of what they held for the previous 2 years. The bean positions show even wilder swings from long to close to even and back to long again. Going into the harvest of 2020 funds were long over 1.2 billion beans. By the end of the next crop year, they had liquidated nearly all that position. The spring and summer of 2022 brought them back to long positions around 800 million bushels, but they have reduced that to around 500 million going into the end of the year.

The wheat position report indicates that funds trade more often from the short side than the long side. You can see a significant reversal to a modest long position early this year as a result of the Russian invasion, but they have returned to the short side during the past 5 months.

What is the significance of these money manager positions? If you correlate their trading activity with important peaks and valleys in price action, you will find that when they are aggressively buying, we tend to move to higher values. When they are liquidating long positions or going short, we tend to head into downtrends on the price charts. Long story short, without their participation as aggressive buyers we will have a tough time sustaining a rally. The current investment set up with high interest rates will most likely keep them away from heavy involvement in grain markets.

I want to point out one other significant event that took place this year and that is the low water levels on the river system. Since floating barges down the river is the most economical way to move grain from where it is produced to where it is exported, it should be noted that in normal crop years, 85% of the grain volume loaded out of the Port of New Orleans arrives by barge. Rail shipments account for about 7-10% of the export volume and the balance arrives by truck from local production in Louisiana, Mississippi, and Alabama.

Normally it costs about 84 cents a bushel to ship a barge of corn from St. Louis to New Orleans during harvest. It would be about 90 cents for beans. From Peoria this cost increases to \$1.20 for corn and \$1.29 for beans. The higher rate is due to longer distance but also because barges can load to higher capacities at St. Louis since they do not have to go through locks and dams.

But this harvest, low water caused two things to happen. First, barges could not be loaded to full capacity for fear they would run aground at low water spots on the river. Secondly, tows or barges had to be reduced in size since the channels of navigable water were very narrow in many places. Instead of taking 20 to 30 barges at a time, tow boats could only take 8 to 10.

Both items pushed the cost to move grain to historically high levels. During most of early October it cost almost \$3 a bushel to move corn from St. Louis and nearly \$4.50 a bushel to move corn from Peoria.

This dropped bids for grain at inland barge loading facilities and it raised export offering prices for corn and beans at New Orleans. This is part of the reason why our export sales for corn are so far behind normal. We basically priced ourselves out of the market for world corn buyers for about 2 months. We will have a difficult time making up for these lost sales since we are now approaching harvest activity in the Southern Hemisphere, and they are undercutting us on price at this time.

Where do we go from here?

Price volatility will continue well into the future. Stocks to use ratios for corn and beans remain at historically low levels and until the world production stabilizes and begins to gain on demand those ratios will argue for prices to remain stronger than normal.

Trading activity from money managers will be watched closely to see if they find reasons to get back into our markets.

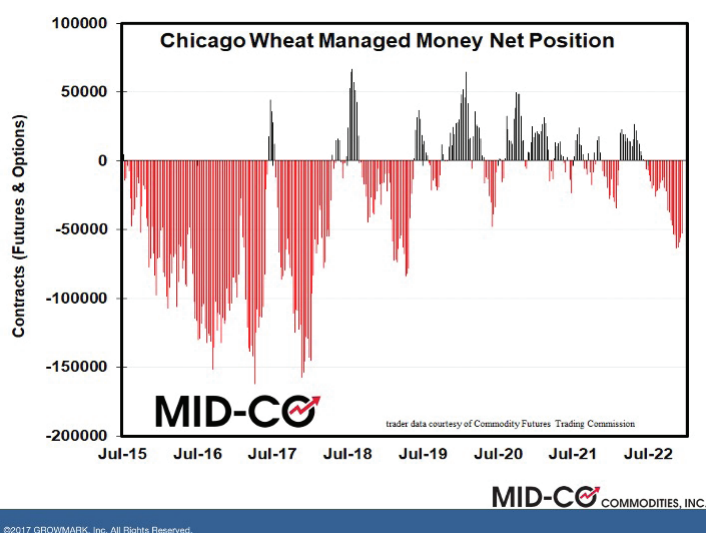
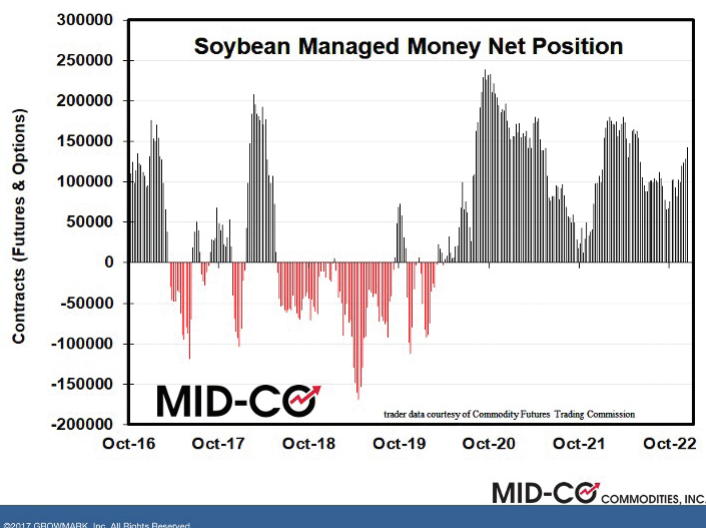
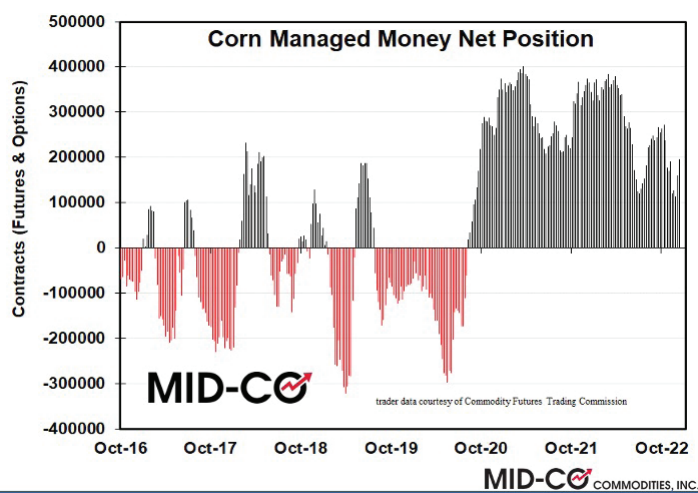
Water levels on the US river system are slowly improving but they have a long way to go to return to normal.

We still have a good portion of US grain production areas under major drought conditions.

Russia and Ukraine have not shown any signs of nearing a resolution to their conflict.

China is still fighting major outbreaks of Covid that is keeping their economy underperforming.

Unknowns, Black Swan events?





PRESIDENT'S

MESSAGE

by Pat Quinlan

As we look back on the role that Elevators have played in the farm community over the years, we see many changes. In the beginning they would have received only the surplus from farms. Most of the production was consumed at home with livestock. Income was made by handling small grains, feed, and supplies. They would have been the main information source of farm news and markets. There were many farm families and viable small towns. The elevators were a gathering spot for farmers as they came to town. They could catch up with their neighbors and friends. Elevators today receive most of the production from the farms. Much of it is delivered in a short period of time in the fall. Information is at your fingertips with news and markets changing by the minute. There are fewer farm families and dying small towns. I'm not sure which way is better, but we are living in the present time. And we need to change, grow, and move forward.

Much of the area was settled 150 years ago. There were many farms per square mile. Work was done with horses and small equipment. Crops were harvested by hand and threshed later. My uncle told me that one of his best days was seeing a corn picker sitting in the driveway. He would no longer have to spend all winter gathering the crop. It was hard for the farms to support the large families. There was a section of ground south of me that had thirty kids growing up on it, today it has none. They found opportunity for work off the farm. Today there are many sections of land without a farmer living on it. Farms have grown larger with bigger machinery and the ability to cover more acres.

There have been many game changers over the years. The Sears catalog allowed people to shop outside the local community. Electricity allowed for lights and motors to be used. Cars and trucks allowed for travel on your own schedule. People today travel many miles to buy groceries, shop, and attend church. They are no longer stuck on the farm throughout the week. The use of fertilizer and chemical allowed for fewer crop rotations and more production. Computers, cell phones, and GPS have a substantial influence on how things are done. If something breaks you can usually find the part and get directions before you leave the field. Next day delivery to your door, repair information,

and exchange of ideas are at your fingertips. The farm is no longer a remote oasis.

Years ago, when I was helping a neighbor shell corn, we talked about the many changes agriculture had over his lifetime. He went from horses to tractors and lanterns to electricity. He thought that agriculture would continue to evolve. I questioned if that would be possible. He was right. The basic concept is the same. You plant a seed, and a miracle transforms it into many. But changes in planters, combines, and chemical use changed the way we farm. Here again we are living in the present time, changing, growing, and moving forward.

So as the farms changed over the years so have the elevators. As livestock left the farms so did the feed mills. People purchased outside their small communities and there was no longer a need for local supplies. The elevator concentrated on storing and conditioning grain. And just like farms they grew in size. Some communities saw a name change but the facility and service are still there. Some saw facilities close because it could no longer compete. We have seen processors open in areas, providing new markets. We have seen the rail bid change as they want to handle larger trains. These changes provide the elevators with challenges and

opportunities. Today the majority of our volume arrives in an eight-week window. Every year grain seems to be delivered faster and in a shorter period of time. So, we must be able to handle that, or the farmer will go elsewhere.

So, what does the future hold for your Co-operative? It would be nice to have a crystal ball so we could prepare. It seems as if things will continue to grow and change. Just like farms there are advantages of spreading your fixed cost. This gives management the ability to specialize in certain areas instead of trying to do everything. The amount of money required to operate continues to increase. Some of our facilities were built years ago. So, we must be able to finance the grain plus provide for replacement of aging equipment. We need to build our facilities to a viable size to meet the needs of our farmers and try to obtain multiple markets to get the best bid. We must continue to strive to meet the needs of our buyers, in quantity, quality, and in a timely manner. So, we have to plan for the future but stay flexible for change. The Board tries to position us to grow and prosper. Most people don't like change. But today I am convinced that the next fifty years will change as much as the past.

Thank you.

The 118th Annual meeting of Ludlow Cooperative Elevator Company was held August 31, 2022. We had a nice crowd at the Pueblo Lindo Event Center in Paxton. The Board had placed a Shareholder resolution on the agenda. This By-Law resolution would allow for a change of Board size between nine (9) to eleven (11) directors without an Annual or Special Meeting vote.

The majority of the quorum present approved this resolution. Article V, section 1 now reads;

ARTICLE V Board of Directors

Section 1. NUMBER The corporate powers, business and property of the association shall be exercised, conducted, and controlled by a Board of nine (9) **to eleven (11)** Directors chosen from the members of the association at the annual meeting of shareholders and members as herein provided. **The number of Directors shall be nine (9) until changed by the shareholders at an annual meeting, or by the Directors as provided herein. The number of Directors may be increased or decreased within such limitations at any time by the Directors without shareholder approval, and may be filled in the same manner as vacancies may be filled pursuant to these Bylaws.** Directors shall hold offices for a term of one year and until their successors are duly elected and qualified. Insofar as practicable the membership of the Board of Directors shall be distributed uniformly over the territory being served by the association and among the various interests represented in the association.

The Board of Directors would like to thank the shareholders for their support in this resolution.



Loda Property for Sale



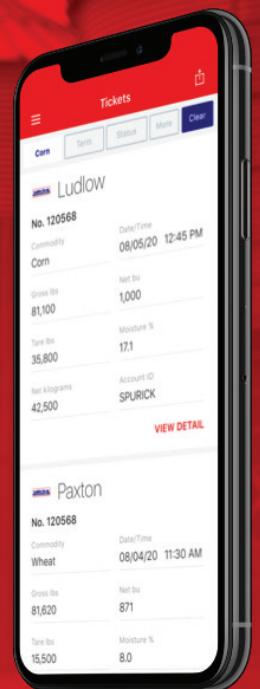
Demo work continues



The old grain elevator being torn down.

Ludlow Coop App

Easy access to scale tickets, contracts, cash bids and more.



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