LUDLOW CO-OP

HARVEST EDITION 2021

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LAHOGUE NEW OFFICE & SHOP

There is a new office, shop, truck scale and driveway nearing completion at the LaHogue facility. Once completed, the new traffic pattern will enhance traffic flow around the facility. The old office and scale will be removed upon completion. New dump pit enclosures will keep weather out of the pits and give some protection to workers.

PBL & Iroquois West FFA members attending Ludlow Coop's annual meeting and leading the Pledge of Allegiance.

GENERAL MANAGER'S

COMMENTS

Because of the world events that were happening last year and negatively impacting our financial decisions, we ended up carrying quite a bit of grain ownership forward into this fiscal year. That can be seen when you look at our grain sales bushels which were only 14.3 million bushels in FY2020 and 26.7 million bushels in FY2021. Our 5-year average sales volume is right at 20 million bushels per year. Some of those events and decisions that negatively impacted our FY2020 results, actually helped make FY2021 better. Because we are a volume business, bushels that were carried forward helped contribute to our overall margin this year.

The biggest extraordinary item that helped us out financially this year was our grain inventory. Grain prices have been flat to inverted all year with the end user paying more for bushels now versus in the future. This lack of carry in the futures market enabled Scott, our grain merchandiser, to make grain sales earlier in the year. Scott made the sales, and we were busy shipping grain from right after harvest, all the way through this summer. This has resulted in us getting just about all of our locations empty of grain. By the time harvest rolls around, we will only have grain left in a couple of bins at two locations. The only grain that will be left over will be the bushels that are still owned by farmers. Those are bushels that we are not allowed to ship out. Since we were so low on grain inventory during our June 30 EOY inventory measurement, we were able to write up some extra bushels that we had on hand. These extra bushels have been carried forward from past years. This was the perfect year to be able to add bushels back into our inventory position as the June 30th cash price of corn at $6.70 was $3.48 higher than it was on June 30, 2020 ($3.22) and beans at $14.42 were $5.79 higher than last year ($8.63). These extra bushels got added back into our financials which were a welcome boost to our end of year profitability. Since some of these extra inventory bushels were accumulated from prior years, the income that they provided could be attributed to the past years as well.

Storage income was down substantially from last year and only 38% of our 5-year average. Higher grain prices from harvest and forward created better selling opportunities for farmer bushels, resulting in less bushels being stored. We are currently historically low on the number of old crop farmer bushels that are still unsold.

Drying income was down substantially from last year and down slightly from our 5-year average. Corn received last harvest averaged 17.5% moisture per bushel compared to 2019's 20.7% moisture per bushel. That's down over 3% per bushel of corn on average from LY compared to the year before.

FY2021 was by far our best financial year to date. Our $6.3 million net income was 58% higher than our next best year of FY2009 which was at $3.99 million net income. This profit will help us rebuild some of the working capital that we lost with last year's down year. It will also help speed up the process of getting our next major capital expenditure project moving forward. We are always looking toward the next expansion or improvement that needs done on our facilities. Most of the major projects have multi-million-dollar price tags and take multiple years' worth of savings to pay for. The last major project, the new bins, grain dryer and receiving system at Buckley

GETTING RID OF OLD, WORE OUT STRUCTURES

Delrey-Old, damaged bins being removed

-Ludlow-American Legion building tear down

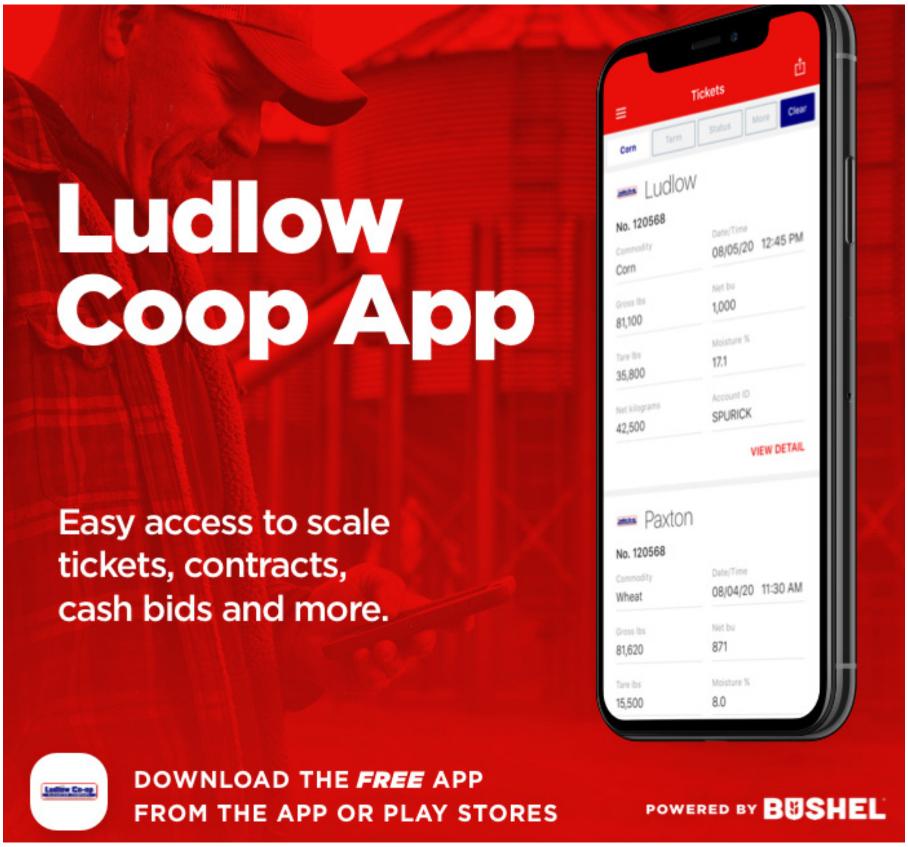
LaHogue-Controlled burn by the Gilman Fire Department

-Buckley-Old south elevator tear down, improving traffic flow that was completed last year came in just short of $7 million. It's very important for Ludlow Coop to remain profitable so that we can continue to build our facilities for the future.

We have several facility projects that we are currently working on. At Danforth, we will be upgrading and speeding up the bean receiving leg. At Paxton, we took down the old bulk rail scale and are in the process of installing a new scale, along with a new load out spouting system and grain sampler. At LH, we are building a new office, shop and truck scale. A new driveway at LH has been built that will give inbound vehicles more staging ahead of the scale, and provide a better route around the facility from the scale to the dump pits and back. We will also be installing building enclosures over the two dump pits at LH. These will keep rain and snow out of the dump pits and give the dump pit operators some protection from the elements when they are dumping trucks. I am not overly confident that all of these projects will be completed prior to harvest. Supply chain delays on certain parts and equipment have pushed back our window of completion. If material doesn't show up pretty soon, some of the projects will have to be done after harvest.

We have two long term employees that are retiring this summer. Keith Carson, who has been with Ludlow Coop for 19 years, and prior to that was with Carson Grain, retired at the end of July. Keith ran the Ludlow elevator facility. Rick Gooden, who currently runs the Buckley facility will be retiring at the end of August. Rick has been with Ludlow Coop for 36 years. I would like to thank both of these individuals for the many years of dedicated service that they provided the patrons of Ludlow Coop. They will be greatly missed and leave a large hole to fill.

As I mentioned earlier, we have been moving a lot of grain this year. Our elevator facilities will be as empty as they have ever been. Getting bins empty means that bin bottoms must be cleaned out and swept. I want to thank all of our employees that have worked hard this year to get all of these bins empty and ready for the upcoming crop. Along with emptying bins at their own facilities, they helped with loading many trains at Paxton, moving grain to the export market and domestic users. It takes a lot of hard labor to get the elevator facilities filled and then empty each year so that we are ready for the upcoming harvest. I want to thank all of our employees who worked hard to make this year a financial success and helped to make Ludlow Coop a better company.



2022 AVERAGE PRICE CONTRACT

CONTRACT BEGINS JANUARY 2022

It's time to start marketing for the 2022 crop. We are offering Ludlow Coop's Average Price Contract or you can choose your own custom pricing period.

► Average Price Contract

Helps you create a base for a marketing plan on your 2022 crop

Price grain when average historical seasonal values are at their highest (January through June)

Still leave a good portion of your grain to market (Recommend to commit no more than 20-35% of an average crop)

Extends the producers marketing window, selling ahead instead of after harvest (19 months vs. 9 months).

► Details

► Weekly pricing will be done at noon each Wednesday from **February 9th through June 22rd** (20 weeks total).

► Your final price will be an average of these 20 weekly pricings.

► Prices will be based on the December (CZ22) corn futures and November (SX22) bean futures. Contracts will be for fall 2022 delivery corn and soybeans. All you will need to do is let us know how many bushels you want to put into the program along with which Ludlow Coop location you will be delivering to and a purchase contract will be written when you sign up (No pricing on contract until the end of program).

► There is no cost to the producer for this program. **Sign up by Tuesday, February 8th, 2022.**

MERCHANDISING COMMENTS SEPTEMBER 2021

A year ago, as we headed into harvest, Covid 19 was still in control of many world events. We were preparing to harvest a so-so US corn and bean crop and prices were very close to lows for the year. USDA Supply/Demand estimates put the projected corn carryout at 2.5 billion bushels and beans at 460 million. World carryout numbers were also comfortable. We already had healthy sales volumes on the books for new crop corn and beans with China and other world buyers. Most market analysts were expecting cash prices to remain near $3 on corn and $9 on beans. Little did we know-history was about to change.

By mid-October 2020 it became apparent to China and other world grain buyers that S. American grain production was in trouble. Late planting of the Brazilian bean crop led to a later than normal second crop corn planting window. This in turn was bound to push their critical pollination window into the hottest part of their growing season. This caused an unprecedented surge in Chinese buying in our markets. This was initiated by the hog herd re-population in their country as well as a high-level decision to begin rebuilding their strategic grain reserves of corn. They had spent the previous 4 years liquidating huge volumes of low-quality corn and were anxious to take advantage of low world prices. These prices began to creep higher as relentless Chinese buying in corn and beans set in.

By late September 2020 China had accumulated enough new purchases from us to put their total corn volume for 2020 at 386 mil bushels and beans at 707 mil bushels. That compared to the previous year's volumes of 89 mil and 625 million for the same date. Remember that these volumes were helping them achieve part of the trade agreement signed by them and the US in early 2019. If we add outstanding sales to unknown destinations to the above numbers, total corn volume added up to nearly 500 million bushels and beans were almost 1.1 billion.

The October 2020 Supply/Demand report began to reflect changes when slightly lower corn and bean production was combined with increased demand. Our corn carryout was reduced to 2.17 billion bushels from 2.5 billion the month before and beans fell to 290 million from 460 million. We had not seen those types of ending stocks since the 2016 growing season. But the best was yet to come.

When the November crop report rolled around increased export projections reduced the corn carryout to 1.7 billion and beans dropped to just under 190 million. We were moving down to carryout levels not seen since the 2014-15 crop year. We were still looking at decent Brazilian crop production with their corn estimate at 110 million metric tons and their beans at 133 million metric tons. By this time prices had moved up to $4.00 on corn and beans to $11.00. US farmers took advantage of this move by converting bushels to cash in a big way. After all, in late July and early August most crop analysts forecast yearly corn prices to hover near $3 and beans to stay around $9.

But China kept buying our grain, funds got on the bandwagon in a big way and S. American weather went south. Argentina and Brazil both started seeing hot, dry forecasts and that was not helping their crop prospects.

December didn't provide much change in S/D numbers but by this time the export sales program to China was in full swing. Basis values went through the roof and caused futures contracts to invert as trains, barges and export facilities were working 24/7 to meet the onslaught of empty Chinese grain vessels arriving at our ports. By early January bean prices had pushed above $14 and corn made it to $5. Argentina suspended new corn sales to protect their domestic consumption. Dry weather was impacting crops in all S. American countries and the double crop corn in Brazil was cooking. Funds were firmly entrenched on the long side of grain futures and were holding position around 2.0 billion bushels in corn and 800 million in beans as well as sizeable longs in meal and soybean oil. Daily export sales announcements were led by new Chinese buying, but other world buyers were reluctantly joining in since they missed the boat on cheaper prices earlier in the year.

The January S/D report gave bulls more ammunition as US ending stocks fell to 1.5 billion on corn and only 140 million on beans. This pushed corn prices to $5.75 while beans hit $14.50 in early February. US farmers were forced to sit and watch and hope the new crop prices would be pulled along for the ride. They had already liquidated nearly 95% of their 2020 crop production.

By April US corn carryout was down to 1.35 billion and beans hit 120 million. We were getting ready to plant the next US grain cycle and farmers were geared up to take advantage of the world-wide grain inventory tightness. As farmers in the Northern US Plains and Canada went to the field the extreme drought that had its grip on most of the Western US expanded east. Rumors spread that spring seeding was taking place, but farmers were setting planter 2-3 inches deeper than normal as they searched for moisture to germinate. But it just didn't happen.

As we headed into the May crop report prices surged one more time. This put corn futures at $7.355 and beans at $16.675 just days before the crop report. This proved to be the peak in market bullishness, and we saw no follow through from the S/D report. Attention began to shift to our new crop potential and despite problems in the Northern Plains traders and end users were hopeful that the balance of the US growing regions would respond to higher prices and produce and adequate crop.

During the next few months old crop corn carryout remained tight, but old beans began to feel the effect of high prices as demand began to fade. China made a point of shifting their purchases to the new crop season. It was an economic decision since new beans were priced nearly $3 less than old beans. After seeing a low carry out estimate of 120 million in April the number grew to 160 million over the next few months. We saw prices plunge to $5.20 on corn and $13 on beans. We had unsuccessful attempts to rebound but could not generate the kind of buying interest seen earlier in the year. Where do we stand going into harvest and what can we expect going into the new year?

2021 corn production is estimated at 15 billion bushels giving us 16.2 billion corn to use in the next year. Current estimates show feed at 5.7 billion, non-ethanol crush at 1.4 billion, ethanol at 5.2 billion and exports around 2.5 billion. This will leave us with a carryout of 1.4 billion, like last year. Corn prices are hovering near $5. It should be noted that China has been absent from our corn market for weeks. S. America is just starting to plant their next cycle of summer crops and it appears there will be acreage increases in Brazil. China will play the same game as last year and wait to see what happens with crop potential until buying much more from us. They would prefer to source most of their needs from these two sellers.

For beans we are currently looking at production of 4.37 billion bushels giving us an available supply of 4.57 billion. Crush is estimated at 2.3 billion, exports at 2.1 billion giving us a potential carryout of 185 million bushels, slightly higher than last year. China continues to purchase Fall and early Winter beans from the US, but sales for January beyond are being done out of S. America.

If the S. American crops look favorable, China will avoid us, and prices will remain defensive. But any hint that weather in Brazil and Argentina is turning dry and we could see China and the funds back on board.

PRESIDENT'S

MESSAGE

by Pat Quinlan

The cooperative has faced many challenges over the past year. When the pandemic started we had a lot of grain in our bins. We were unsure if transportation would be available or if there would be any need for our products. People stayed home and there was no demand for grain. We were called an essential industry and our employees continued to come to work. Our priority was as always to serve our patron's needs.

As the summer progressed export demand picked up. Over the past year our employees have worked very hard to get grain to Paxton and to load trains. As a company we cannot say enough about their hard work. Every patron should be proud of what our employees have accomplished. Many businesses faced hardship, we were able to overcome the challenges and prosper.

As you reflect over the past 100 plus years of the company you realize that it faced many challenges. Can you imagine the effects of world wars, depressions, and even good times on the co-op? Yet over the years we have continued to provide service to our patrons and let them share in the profits of the company. I hope that this commitment continues for years to come. The cooperative thought process came from farmers pooling their grain together to receive a better price. As they worked together they could all benefit in price and economics of scale. Some are larger and some smaller but together they can get a better price for their grain and share facilities for everyone's benefit. If you think of the past, farmers hauled their grain a few miles in wagons. They then combined that grain and shipped by rail. Not much different from today except for the local processors and distance to elevators. The farmers had a real sense of ownership in the company because they had brought it together. As a board we always talk about the present farmers having the same sense of ownership as their predecessors. We strive to bring that sense of ownership to the present patrons through patronage. Cooperative earnings are invested in the company. That money is used to provide a capital base to expand facilities and services. With the co-op system the profits stay in the community, even though some of it is not allocated to patrons. I hope my great grandfathers see it as money well spent.

Past board decisions made sure we have a viable company today. At times the board had to make huge investments in facilities. We take current earnings to help defray some of the cost. As we look into the future our priority will be to service our patrons. We are still a group of farmers working together for each one's benefit. With patronage we are able to compete with our competitors. We are then able to use that resource to expand our services. We have five facilities that reach the economics of scale to prosper. We hope to combine their resources to make them viable for the future.

One can never predict the future with any certainty. Everything is fluid and people must adapt. For the past 117 years our company has worked to provide price advantage and service to our changing farmer patron. We have had an exceptional year. Wouldn't it be great if every year had the same opportunities so we could share with our patrons and build facilities to serve the farmer of the future? I hope this cooperative continues for many years to come.

2021-2022

Board Of Directors

Top (L to R):
Steve Glazik,
Richard Peavler,
John Ark Jr,
Jeff McGehee

Bottom (L to R):
Ryan Vance,
Kenny During,
Pat Quinlan,
Roger Gustafson,
Dan Schumacher (not Pictured)

HARVEST POLICY

2021-2022 CORN Storage & Drying Rates
Effective 9/1/21– Subject to change, due to market conditions, without notice

CORN:

All discounts are on a load by load basis-NO averaging Unless you notify us otherwise, corn will be placed into storage 7 days after the first day of delivery

STORAGE CHARGES:
13 cents day of delivery plus $.001 per bushel per day (3 cents per month) through 8/31/22

DELAYED PRICING RATE:
11 cents day of delivery plus $.001 per bushel per day (3 cents per month) through 8/31/22

SHRINK: *("MO" on Delivery Sheet)*
1.4 Each 1% (applied as 0.14% each 1/10% moisture) over 15.0%
15.0% moisture for Contracts, Delayed Pricing, Spot within 7 days of first day of delivery.
14.0% moisture for Open Storage & Warehouse Receipt

DRYING: *("DR" on Delivery Sheet)*
Assessed on wet bushels
1.5 cents each 1/2% moisture from 15.1% to 25.0%, then 1.25 cents per half above 25.0%.

CORN MOISTURE FROM:		TO:	cents per bushel	CORN MOISTURE FROM:		TO:	cents per bushel
15.10	to	15.50	1.5	20.10	to	20.50	16.5
15.60	to	16.00	3.0	20.60	to	21.00	18.0
16.10	to	16.50	4.5	21.10	to	21.50	19.5
16.60	to	17.00	6.0	21.60	to	22.00	21.0
17.10	to	17.50	7.5	22.10	to	22.50	22.5
17.60	to	18.00	9.0	22.60	to	23.00	24.0
18.10	to	18.50	10.5	23.10	to	23.50	25.5
18.60	to	19.00	12.0	23.60	to	24.00	27.0
19.10	to	19.50	13.5	24.10	to	24.50	28.5
19.60	to	20.00	15.0	24.60	to	25.00	30.0

Drying charges will be deducted from settlements for grain payments through the end of harvest, unless requested otherwise. Approximately, December 10, 2021 drying charges will be invoiced to the patron's account and payment will be due on January 10, 2022.

CORN remaining in Storage as of 9/1/22 will be assessed the new 2022-2023 minimum plus daily storage rate and any applicable carryover charges in effect at that time. Any accumulated and unpaid storage charges as of that date are payable and due by September 25, 2022.

CORN remaining in Delayed Pricing as of 9/1/22 will be assessed the new 2022-2023 minimum plus daily storage rate and any applicable carryover charges in effect at that time. Any accumulated and unpaid storage charges as of that date are payable and due by September 25, 2022.

2021-2022 BEAN Storage Rates
Effective 9/1/21 – Subject to change, due to market conditions, without notice

BEANS:

All discounts are on a load by load basis-NO averaging Unless you notify us otherwise, beans will be placed into storage 7 days after the first day of delivery

STORAGE CHARGES:
13 cents day of delivery plus $.001 per bushel per day (3 cents per month) through 8/31/22

DELAYED PRICING RATE:
11 cents day of delivery plus $.001 per bushel per day (3 cents per month) through 8/31/22

SHRINK: *("MO" on Delivery Sheet)*
Beans are shrunk to 13.0%
1.25% each ½ % moisture 13.1% to 15.0%
2.0% each ½ % moisture over 15.0%

BEANS remaining in Storage as of 9/1/22 will be assessed the new 2022-2023 minimum plus daily storage rate and any applicable carryover charges in effect at that time. Any accumulated and unpaid storage charges as of that date are payable and due by September 25, 2022.

BEANS remaining in Delayed Pricing as of 9/1/22 will be assessed the new 2022-2023 minimum plus daily storage rate and any applicable carryover charges in effect at that time. Any accumulated and unpaid storage charges as of that date are payable and due by September 25, 2022.

Happy Retirement

KEITH CARSON
19 YEARS

RICK GOODEN
36 YEARS

New Employees Working for You!

JOE POCICA
Danforth

MICHAEL PHELPS
Paxton

TOMMY MOVERN
Piper City

GERALD MOSS
Paxton