

# LUDLOW CO-OP

SUMMER EDITION 2022

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## LODA FACILITY DEMOLITION



The Loda grain elevator will be coming down this summer. The last harvest that farmer grain was received there was 2017. Since that time, we have used the facility sporadically to store carryover bushels. This facility is beyond its useful life and most of the equipment is in need of upgrades, so it needs to go. Once all the utilities have been removed, demolition will occur. The current plan is to leave the office, truck scale and two flat storage buildings. Once everything is cleaned up from the demolition, we will be putting the property up for sale.



## ADDITIONAL DEMOLITION AT DELREY

This winter, we tore down a grain leg, dump pit, and four grain bins at our Delrey facility. All this storage and equipment was well past its useful life and needed to go. With the closing of the Delrey facility after the 2020 harvest, we have been getting the final small amount of soybeans stored there cleaned out. The storage bins and equipment that were torn down were old, slow, and not in particularly good shape. The remaining grain storage that is left at Delrey will be used for overrun bushels in the event that we have a large crop and run out of storage space at other locations.

## PAXTON GRAIN DRYER ADDITION

The two grain dryers at Paxton are over 40 years old and have had a lot of corn ran through them. They still work, but there becomes a time when you need to look at replacing outdated equipment, hopefully avoiding a costly breakdown in the middle of harvest when you cannot afford to be down. We are adding a new grain dryer at Paxton to speed up our drying process while not having to rely solely on 40+ year old equipment. The new dryer being added is rated at 12,000 bushels per hour. That is 33% more drying capacity than the two original dryers have. This increase in drying will help reduce the occasional shutdowns we have when Paxton runs out of wet holding capacity. We are going to leave the original dryers in place for now and use them as backups. The new grain dryer construction was started in late winter and will be done in time for harvest.







GENERAL MANAGER'S

# COMMENTS

by Paul Seaman

Corn receipts for harvest of 2021 saw Ludlow Coop receive the most bushels of the last five years. The Buckley and Paxton locations received the most corn at harvest that they ever have. On the soybean side, the 2021 harvest receipts were the most that we have ever received. Three locations, Buckley, La Hogue and Paxton, each had their number one bean receipts this past harvest. Overall receipts for harvest of 2021 were the third largest on record.

We continue to look at ways to improve the elevator facilities so that they can handle bushels at the rate patrons can deliver. The additions that we made at Buckley are starting to attract additional bushels to that facility. The new, larger pit can dump a semi in one stop and the remote outbound scale eliminates the need to drive back to the office to get your outbound ticket. We have been adding storage capacity at short space locations, which helps eliminate the need for us to transfer bushels from one location to another, saving us transfer costs. Since 2016, we have added 4.5 million bushels of new grain storage at multiple locations. The new grain dryer at Buckley and the one under construction at Paxton are much needed additions that are replacing old equipment with larger, more efficient models. We always

have a list of the next large upgrades that will need to be done to help us continue to grow the facilities. When we talk about the need to upgrade and improve facilities, we also must look at our financial strength. One item that has stressed our capacity to spend more on capital expenditures is the extremely high cost of grain we have seen over the past two years. We have seen grain prices more than double from just prior to harvest 2020 through today. We are paying the price of two bushels for every one we buy today. Higher grain prices require us to borrow even larger amounts of money in order to finance our position. These larger borrowing amounts require us to maintain larger working capital limits with the bank. This working capital that must be held back for the bank is working capital that we cannot spend on additional capital expenditures. It is the cost of doing business in a higher cost environment. We are fortunate to have a balance sheet that enables us to withstand these soaring prices. We are also fortunate to have a bank that will continue to lend us larger sums of money to finance our inventory.

During the last two years, we have seen eight employees retire or resign for health reasons. These employees had many valuable years

of experience. Given the current state of the work force, it has been a struggle to find qualified people to fill all our open positions. We are slowly making headway on getting enough people hired, but it is taking longer each time as there seems to be a lack of people applying for jobs. Hopefully, something changes with the job market because if we have this much trouble finding employees now, finding enough labor to get us through harvest will be a challenge.

We are feeling the labor pinch on the trucking side of our business as well. Semi drivers are getting harder to source and we are having to get additional trucking companies involved to get enough trucks to keep our daily grain shipments hauled in a timely fashion. We are currently looking at sourcing additional full-time truckers so that we can have an adequate number of trucks available to haul grain out of the field at harvest. If anyone knows of a hopper truck that is looking for permanent work, send them our way.



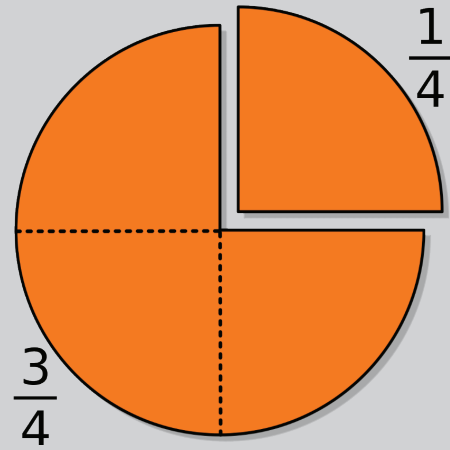
## DO YOU HAVE FARM GRAIN SPLITS THAT WILL CHANGE OR BE ADDED FOR THE 2022 CROP YEAR?

Be sure to let us know prior to harvest.

New accounts to be setup?

Grain percentages change?

Additional fields to keep separate?



Call or email the facility you haul your grain to with changes or to get new account forms.

### DANFORTH

815-269-2390

Email Crystal at [crunyon@ludlowcoop.com](mailto:crunyon@ludlowcoop.com)

### PAXTON

217-379-4366

Email Tara at [tkottke@ludlowcoop.com](mailto:tkottke@ludlowcoop.com)

### BUCKLEY

217-394-2331

Email Lisa at [lschriefer@ludlowcoop.com](mailto:lschriefer@ludlowcoop.com)

### LUDLOW

217-396-4111

Email Twila at [tjohnson@ludlowcoop.com](mailto:tjohnson@ludlowcoop.com)

### PIPER CITY

815-707-3347

Email Pam at [phoogstraat@ludlowcoop.com](mailto:phoogstraat@ludlowcoop.com)



## HERE COMES THE SUN

We have added almost five acres of solar panels at the Paxton facility. The Paxton location was fortunate enough to have acreage that was out of the way of future expansion and not blocked by the shade of the tall grain bins. There are 2,582 panels and they will produce about 65% of the annual electricity that the facility uses. We were looking at going with a larger solar field, but the utility company could not handle the additional capacity at the local substation. This renewable energy will greatly reduce our electric utility bill for many years to come. The short timeline to pay back the initial investment made this project a hard one to pass up and the monthly savings on our utility expense will benefit the coop regardless of our financial condition.





MAY 2022

# MERCHANDISING COMMENTS

by Scott Jones

**It appears we have entered a new time and space. In May of 2019 wheat and bean prices had pushed to dirt cheap levels of 4.185 on wheat futures and 7.91 on beans. Corn lagged and saw its recent low made at 3.075 in August of 2020. All these cheap prices were a result of 3-4 years of record yields from most major grain producing countries around the world. And even though demand was healthy, ending stocks were piling up to the point where we wondered how we would ever be able to use it all up.**

As if that were not enough, Covid came along and caused one of the largest retractions of economic activity seen in modern day history. The world grain consumption process became bogged down in lockdowns, shutdowns, and closings as day-to-day life as we know it was suddenly put on hold. No more eating out, no more family gatherings, no more office parties, weddings, funerals, no sports, no travel.

It took nearly two years for the world to crawl out of its protective shell and begin to experience life once again. Grain markets reacted with caution as we rallied from the lows made in 2019 and 2020 and they were nudged higher by regional droughts cutting production in S. America, Canada, and the Plains states of the US.

The first surge in corn prices lasted 9 months when prices peaked at 7.3525 in May of 2021. By September of that year, we were back down to 4.975 and things looked bleak again. Beans went nowhere for about a year after the 2019 low and stood at 8.185 in April of 2020. But S. American crop losses and aggressive Chinese buying doubled the price of beans

in the next 6 months as we went up to 16.675 in late May of 2021. Wheat was even slower coming out of the hole as it took 23 months to go from the 2019 low to the first peak at 7.54 in February of 2022. That long, slow rally in wheat was just the calm before the storm. The next month brought all the stars into alignment and corn, beans and wheat all managed to accelerate their advances. By April of 2022 corn had moved to 8.225 which is 21 cents below the all-time high in corn printed in August of 2021 at 8.4375. On February 25th beans challenged their all-time high of 17.89 made in 2012 when we saw prices hit 17.5925. And March 11 of this year saw Chicago wheat print a new all-time high of 13.635 exceeding the previous high of 13.495 set in February of 2008.

The volatile rally over the past 15 months was a combination of more weather woes in US and Canadian wheat country, lower production in China, world grain consumption re-bounding from Covid lockdowns and of course Russia invading Ukraine. Ukraine has always been considered the "Breadbasket of Europe" and they have become a major exporter of corn, wheat, barley, and sunflower oil. Combine their grain export volume with Russia and you have 25-30% of key agriculture production embroiled in what looks to be a prolonged military stalemate. On top of this we find grain production around the world at risk of lower yields due to the large amount of dry fertilizer which originates and ships from this area.

None of these items even address the supply chain disruptions, ongoing Covid fears, labor shortages, chemical and rare earth material shortages, and micro-chip backlogs we are witnessing every day. And we can't forget the impact rising fuel costs, inflation and rising interest rates are adding to the picture. It's no wonder we see many countries going into self-preservation mode restricting ex-

ports, limiting access to their market, and raising export taxes.

We are now living in a world of unprecedented market volatility spurred on by ever changing uncertainty. Daily, weekly, and monthly price ranges are huge. Even speculators have cooled their participation in some markets because they can't stand the rapid changes. Many farmers have the "deer in the headlight syndrome," unsure what to do, when, and how much. It's easier to "wait and see what tomorrow brings."

But we must keep this in mind, there is no roadmap to the ride we are on. We are in uncharted territory with all kinds of wild guesses and gurus claiming the sky's the limit. But just like the last big rally we had and the previous one before that, all good things can and will come to an end. There will be no advance notice. There will be no warning the end has come. There will be no white flag waved to announce the last lap. Something that we can't see now will be the turning point. We will only be able to identify it days, weeks maybe months after it happens.

So, the best plan is to have a plan and stick to it. Reward the markets when they rally. Scale up your sales. Improve your average selling price. And don't be afraid to look to the future. Prices for 2023, 2024 and 2025 are being pulled higher by events taking place today. From a long-term perspective, prices for those years are at or higher than traditional average prices paid for corn and beans. Take advantage of it. It has been said many times before, "a rally in grain prices only really benefits one group of people, those who produce it."





## PRESIDENT'S

# MESSAGE

by Pat Quinlan

Every year the Board of Directors has a planning meeting. We usually review past performance and compare ourselves with other grain companies in the area. We try to look ahead at projects that will improve the company. This year we looked at employee satisfaction and retention. Financing the company is always a topic and the increased grain values require more working capital to purchase and hedge our grain positions. We also look at our neighbors to see what is working for them. We talk about advantages of working together. It is always hard to balance all the moving parts of a multiple location company.

The company has been faced with the challenge of finding good employees. Many people seek opportunities to work from home or a more flexible schedule. Most of our employees need to be on the job and cannot work from home. We need to work some week-ends throughout the year. During the fall just like farmers the hours are long and demanding. It has been hard to

find and keep employees. Management has tried hard to make sure we have enough people. Like any business today sometimes we cannot provide the service we would like. Hopefully this doesn't happen often. In reviewing the past financials a couple of things really stood out to me. One is the amount of income tax paid by the company over the past five years. We have made over eleven million dollars during that time frame. We have paid very little income tax over this period. There are many factors that influence that number. DPAD, tax loss carry forward, and patronage are some of the factors. Most companies would pay somewhere around 25% to 35% in state and federal tax. What this means to the company is that we are able to invest the difference to provide service and improve the facilities. This is a huge advantage to our type of company. We do pay some of our income to current patrons in the form of patronage. We have paid around 13% of our income in patronage over the five year window. So we paid less to our patrons in patronage than what most companies would

pay in income tax. This keeps the money with current users and we are able to use the allocated portion for a period of time. It is kind of a win for both the company and patron owners. The other thing that stood out was the amount of real estate tax we pay. Over the past five years we have paid over 1.74 million dollars in property taxes. The majority of this money stays in the local communities. It supports schools, fire departments, towns, and road districts. So the communities may have to put up with extra traffic at times, some dust and dirt, in exchange for receiving support for their local taxing bodies. I'm sure most of them feel that it is a good trade.

Looking ahead a lot of the challenges we face will be slow to change. Every company is trying to find good workers. We will try to ensure our patron's needs are met. Taxes are sure to increase because of the government stimulus. We know that we need to provide service to the farmer to maintain and grow the company.

I hope everyone has a safe and prosperous year.

## WHO IS NEW



**Eric Pollmann**  
Ludlow Coop Controller

**Heidi Brown**, our controller, retired and **Eric Pollmann** was hired as the new Ludlow Coop controller in November 2021. Eric has a degree in business/accounting and has work experience in the internal auditing field. He has been learning our financial and HR processes and has been doing an outstanding job.



**Matt Stephens**  
Operations Manager

Operations Manager **Allen Stow** has retired. **Matt Stephens** has been hired as the new operations manager. Matt has millwright experience and will be working to keep the Ludlow Coop facilities maintained and operational.



**Chris Gipson**  
LA Hogue Operations

**Chris Gipson** has been hired to work in operations at the LaHogue facility.

# welcome



## Perdue House Burn



Local fire departments performed a controlled burn of the house at Perdueville. The house foundation has been cleaned up and leveled.

## LaHogue Office Demo



The old office & scale at LaHogue being torn down.

## Save The DATE

ANNUAL STOCKHOLDERS MEETING

Wednesday

**8/31/22**

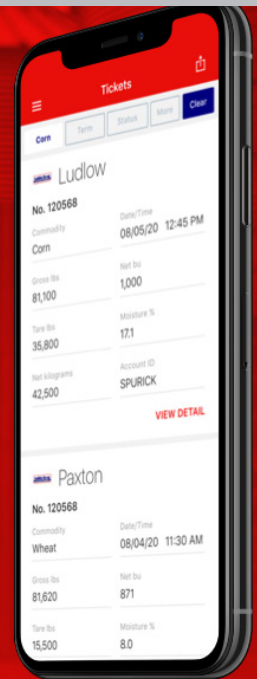
Pueblo Lindo Event Center  
615 North Railroad Ave  
Paxton, IL 60957

**Doors open at 6 PM**

For registration and dinner.  
Meeting will begin at 7 PM.

## Ludlow Coop App

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



DOWNLOAD THE **FREE** APP  
FROM THE APP OR PLAY STORES

POWERED BY **BUSHEL**



## WILL BE MISSED

We were saddened by the passing of a long time Paxton employee. **Scott Benninger** passed away this spring. Scottie had worked at the Paxton facility for 22 years. He will be missed.