

# LUDLOW CO-OP

SPRING EDITION 2024

04

MERCHANTISER'S  
NOTES

06

PRESIDENT'S  
MESSAGE

08

PERDUEVILLE  
FACILITY

## MANAGER'S NOTES by Paul Seaman



Paxton facility

### Projects

We have quite a slate of projects that we are working on this year. As we have mentioned before, some of our facilities and equipment are showing their age and need repairs or replacement. The board has committed a large amount of capital this year to upgrade or replace worn-out equipment and add new storage.

**Paxton** – We will be replacing the three remaining original reclaim conveyors under the tanks. This will greatly improve housekeeping in the tunnels and upgrade the safety monitoring on equipment.

- we are relining or replacing spouting that is getting thin.
- the receiving legs will be getting the boot and head sections rebuilt along with new buckets and belts on two of them.
- the remaining two white tanks will get repainted (two were repainted last year).
- the truck scales at Paxton are going to be automated with an RFID card reader. This will help increase accuracy and streamline the weighing process. There will be more information on this once the system is installed as we will need to issue cards for each vehicle that hauls into Paxton.



Piper City bins

**Piper City** – we are replacing the bottom bin sheets and inspecting stiffeners on multiple tanks. This will give the bins a new base as years of moisture have started to show signs of wear.

- three bins will be primed, painted and have the base sealed so that rust can be prevented.

**Bryce** – we have torn down a flat storage building to make way for a new grain bin. We will be building a new 105' bin which will hold 790,000 bushels of corn. This storage will enable grain to be stored in a bin versus having to rely on slow filling/unloading, labor intensive flat buildings and a ground pile. This will also greatly reduce the number of bushels that must be transferred out during harvest to keep the doors open.

**Ludlow** – the grain dryer that was installed in 1971(53 years ago) has been demolished and a new tower dryer is being built in its place. The new dryer will handle 6,000 bushels per hour compared to the 4,000 bushel one it replaces. New wet/dry legs and conveyors are being installed as well.

**New hire.**

Ludlow Coop has hired Doug Jones for a millwright position. Doug comes with 25+ years of millwright experience in the grain industry. He will be working with Matt Stephens and our location personnel to do more maintenance and repair jobs in house. If we can do more of our own repair jobs throughout the year, we can knock more items off the list that we would normally hire out due to time constraints.

**Assistant manager**

Mark Dietz, who was the operations manager at our LaHogue facility, moved to the Ludlow



Ludlow dryer

office to fill the assistant manager role. Mark has taken over the truck dispatch duties and has been working with Scott Jones, helping with sales settlements and grain logistics along with assisting in the grain accounting area. In the coming months, he will start to help with the controller duties. Mainly becoming familiar with all of our back-office processes so that we have some redundancies in all our positions.

### Annual Meeting Location

With the merger of Goodwine Cooperative into Ludlow Coop, we have outgrown the previous locations for our annual meeting. We will be moving the meeting location to The Cadillac, which is a warehouse style event space in downtown Paxton. There will be additional information coming about the new location as we get closer to the August meeting.

### Merger with Goodwine Coop

The merger with Goodwine Coop went into effect on August 1, 2023. We want to welcome all the new patrons to Ludlow Coop and hope that we can continue to earn your patronage. As with any merger, there were many details that had to be sorted through as we brought the Goodwine patrons and employees into Ludlow Coop. All the Goodwine patron information had to be transferred into the Ludlow Coop computer system. This was not without its challenges, but everyone worked through this to get everything set up. All Goodwine Coop employees were retained, and everything is operating as it was prior to the merger. Goodwine Coop board members Brent Neukomm and Robert Schmid are serving on the Ludlow Coop board along with Steven Schmid and Jordan Hurliman



Merger with Goodwine



who are currently serving as associate board members, so the Goodwine patrons are well represented. Goodwine Coop owned seven semi's that we now are utilizing for all of our locations. With the addition of the four Goodwine Coop locations, Ludlow Coop operates 11 grain elevator facilities with a combined permanent capacity of 22.5 million bushels and 30 million bushels of sales.

### Harvest & Financial Review

The yields of harvest 2023 pleasantly surprised many people, similar to what we saw with harvest 2022. The weather in both growing seasons was not ideal with hot dry stretches stressing the crops. But as we all found out, the yields were surprisingly good. Both 2022 and 2023 harvests saw us receiving record amounts of corn and soybeans. Harvest 2023

receipts were slightly less than what we saw in 2022. Most of our locations have seen record harvest receipts during the past two harvests. We have had to use our corn piles in order to keep ahead of harvest bushels, especially at the speed they are delivered. This makes it much more important that we keep our elevator facilities operating in top form. Speed and space are two items that we try and concentrate on to handle the harvest efficiently. The past two years have tested our capacities at multiple locations.

Since we are a low margin business, higher volumes usually generate better financial results. Our 2023 fiscal year end saw the coop have its second-best year ever. The improved financial results we have been experiencing recently have enabled us to spend a larger portion of our income on capital expenditures and repairs. Improving the speed and space of our facilities will enable us to handle your crop more efficiently at harvest.

Along with the capital improvements that have been approved, the board authorized patronage and dividends be paid out as well. This past year, we returned \$860,000 in cash to our patrons between patronage, dividends and equity revolvment. There is a great need for working capital at the elevator level. Balancing the needs of the elevator facilities along with the needs of the patrons is one of the major decisions the board is trusted with. We must continue to maintain our profitability so that we can continue to spend working capital dollars on facility improvements along with income distribution back to patrons.

# REPORT

by Scott Jones

I have used the term “transition year” more than once during the past 6 months. When I say that I am referring to the change that has taken place between the markets we experienced from August of 2020 to June of 2023 and today. We all recall the dramatic change that took place during that 34-month window. Prior to August of 2020 we had been stuck in a narrow sideways pattern of prices since June of 2014. During that six-year stretch, corn futures moved back and forth in a range near \$3 on the lows and \$4.50 on the highs. Likewise, beans spent most of their time trading between \$8 on the lows to only \$11 on the highs. But a series of worldwide fundamental factors began to change in the late part of 2020 and we eventually saw corn trade as high as \$8.245 in April of 2022, beans hit \$17.84 in June of the same year, and wheat move up to \$13.635 during March of 2022. But, as history has shown us repeatedly, these types of markets do not last forever. As usual, the forces of Supply/Demand eventually do what they are designed to do.

There is a saying in the grain market that describes this cy-

cle well. “The best cure for high prices is high prices.” And I am sure the opposite is also true, “The best cure for low prices is low prices.” In this case we saw farmers all around the world react to the historically high values by increasing planted acres and maximizing the use of fertilizer, fungicides, and other yield enhancing products. Weather also had a part in the action as crops in various countries managed to find just enough rainfall and sunshine to do what scientists have been working toward for decades, good yields without perfect weather.

And we cannot forget the demand side of the price equation. Even though the world continues its trend of ever-increasing population growth, the number 1 market for food consumption in the world, China, saw the first hint of population stagnation. This was due to a couple of factors. First, the aftermath of Covid in that country has had a lingering affect on food consumption and therefore grain and oilseed demand. Many Chinese citizens depleted much of their savings to survive during Covid. The Chinese government instituted Covid payments late in the out-

break. The hope was this influx of money would stimulate the economy. But most households chose instead to rebuild their savings rather than spend these funds. That is why their economic rebound has been muted and drawn out longer than they hoped.

The second important item to keep in mind involves the Chinese governments “One-Child Policy” that took place from 1979 to 2015. As with many well-intended government programs, it has backfired on them. Today, young Chinese couples are not responding to a request to reverse this trend. In fact, many young Chinese are not getting married and having children at all. This has led to a rapidly aging population that impacts not only the workforce, but also is leading to the point where the aged are disappearing faster than new children are born. It is projected that China will lose its place as the largest world country in terms of population during the next decade. India will soon surpass them.

So, if we combine the rebound in grain production around the world (Supply) with slowing consumption (Demand,) it is not too difficult to see why

## Annual Merchandising continued

prices have reversed themselves from the great markets we saw during the previous two crop years.

The amazing thing about this transformation, it is not something new. We have seen it happen over and over during the past 50 years. Another saying I use quite often during my marketing seminars describes this concept very well. "History Repeats Itself!" I have included some monthly price charts to illustrate this idea. As recently as 2010 we saw an identical price rally in corn and beans that we witnessed beginning in 2020. Not only did prices rally in a similar fashion, but we peaked at the same price levels as we saw this last time. What is even more prophetic is the type of retreat that occurred once both bull markets ended. Both corn and beans followed these patterns down from the highs.

So, is there anything to help us prepare for what comes next? How should we manage marketing decisions going forward? Even though there is never any guarantee, we need to respect history and keep it in mind. I began this paper by talking about the "transition" we are seeing. It is complete in corn, but beans are still at an elevated price compared to 2014 to 2020. If there are no surprises to production and demand, we will most likely see beans ease back into the \$8.50 to \$11.00 area on futures (corn is already resting just above its previous range of \$3 to \$4.5.) From there more time will be needed to see if we settle into another narrow sideways pattern or not. We may very well see normal marketing patterns develop where harvest lows are followed by spring and summer rallies the following year. If forward contracting does not give you favorable sales opportunity, storage and D/P may become the best way to improve your marketing returns. Again, looking at the monthly charts, you can see seasonal rallies that took place every year. Most of those occurred after harvest in the June or July period of the crop year.

### Monthly Corn



### Monthly Soybeans



### Monthly Wheat



Graphs courtesy of MID-CO COMMODITIES



BOARD PRESIDENT'S

# MESSAGE

by Pat Quinlan

Can you imagine leaving your home and family, getting on a ship, going to America with the possibility of never seeing your homeland again. Or perhaps loading all of your belongings into a wagon and traveling to a new part of the country. Our forefathers were trying to improve their lifestyle. Today people leave home and move for work. But they are still able to connect to their home and families. There is always a dream for better opportunity, cheaper land, and an easier lifestyle. Back then nothing would have been easy. Rivers or rail were important to connect to the rest of the world. So that is where people gathered. As areas of central Illinois were settled, towns were formed. And from the towns, people moved into the countryside. If someone moved into an area, I'm sure they encouraged family and friends to join them. As they improved their lifestyle, homes and barns were built. Churches probably came next. I am yet amazed at some of the churches that were built over one hundred years ago and are still in use today. Families worked hard to survive and prosper. As the countryside grew, business developed to serve the people. Stores, banks, and elevators were built to serve the growing population.

As always, someone is looking to fulfill a need. Some people need to borrow money and others have money to lend, so a bank is formed to be in between them. The same thing happens for groceries, supplies, and grain. A middleman is usually between the producer and end user. We have all seen this over our lifetime. If there is surplus, someone finds a need and tries to fulfill it. Or if there is a need, someone tries to find a solution. Often they look at what worked well in the past or other areas and try to replicate. I'm sure the early farmers had a market for their surplus. Maybe they would have to take it a long distance or be discounted if it was purchased closer to home. I feel that is why farmers went together

to form Cooperatives. They weren't able to get a fair price or didn't have a market close to home. The rail, rivers, population, and volume were important factors in price. It is actually not much different today. If you have access to rail, river, or processors and have a certain volume you can get a better price for your grain.

If you look at our company, the farmers of Ludlow, Perdueville, Buckley, Danforth, and Piper City each formed cooperatives to provide a market and facilities to serve their needs. Today we are one company. As we joined together, the farmers felt that was the best decision for everyone. Working together and

trying to improve the markets and facilities of the farmer patrons. Along the way we have purchased Paxton, Del Rey, and Clarence to help develop the company.

This past year your board of directors decided to reach out to some neighbors about going together. As you spread your territory you get rid of some production risk. With more volume you should be able to increase your selling price. Volume will also allow you to better utilize existing facilities. On August 1st, Goodwine Cooperative merged into Ludlow. I feel that this is a win, win for both companies. Goodwine was one of the oldest operating cooper-



atives in the state of Illinois. Today our company has the cooperative spirit going back to 1889, one hundred thirty-four years. They have a strong farmer base and have good facilities. They are at Goodwine, Fountain Creek, Alonzo, and Bryce. They have been a 5.5 million bushel company. I commend their board for looking ahead while they are still a strong company. Together we should be able to improve service and price for all our patrons. Today we should be a twenty-five to thirty million bushel company. We have rail markets and processors nearby. We should have the market share, facilities, and territory needed to provide our patrons for many years. I look forward to working with the patrons

and employees from Goodwine Cooperative.

This past year our company faced many challenges. We had key employees retire. We didn't timely predict crop size or storage needs. We have tried to improve facilities over the years, but have not kept up to the farmer's harvesting capacity at most locations. We had a short harvest window last fall. Paxton is a great facility but cannot handle our needs if we want to service all our existing patrons. We need other facilities to take some of the pressure from Paxton in the fall. They can then transfer at other times to utilize the rail potential year round. It seems if other facilities are unable to dump grain timely

then it flows to Paxton and farmers start to get backed up. Even with the challenges, this past year proved to be a good year financially for the company, one of our best. We had good income and are able to pay patronage, redeem older allocations, and keep some reserves to improve operations. We have made improvements in Paxton this past year that should help eliminate some of the problems from last fall. The Board continues to plan to have everything flow smoothly in the fall. But like farming, it can be a changing plan. We will continue to try and improve our locations to meet the current farmer needs.

*Thank you.*



The board of directors of Ludlow Coop has made the difficult decision to close the Perdueville facility. We will not be accepting farmer bushels for fall of 2024 and beyond. This was not an easy decision and the discussions had been ongoing for quite some time.

The Perdue facility has seen its grain volume drop over the years. Volume is key for our low margin business and Perdue doesn't handle enough bushels to make this facility economically viable to remain open. In addition, the grain dryer quit running late last harvest and there are numerous spouts that need replaced.

As all our facilities age, we have had to spend an increasing amount of money repairing equipment or replacing with new. With the age, limited storage capacity and slower dump speed of the Perdue facility, it's hard to justify the amount of money needed to make it a facility that can handle grain volume at the speed today's farmers can deliver. With limited resources to spend, the board has to decide where to invest capital expenditure dollars. Spending those dollars at Perdue versus other higher volume facilities does not make the best sense for all patrons of the coop.

We would like to thank all of the patrons who have supported the Perdue facility over the years. It is your continued patronage that has made it possible for Ludlow Coop to survive and grow. As both the patron and commercial grain business continues to evolve, we will work to remain viable in this ever-changing landscape.

If you have any questions, please feel free to contact me.

Paul Seaman  
217-396-4111

