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QUARTER 1- JANUARY 2018

## COOPERATIVE UPDATE!

I hope everyone had a Merry Christmas and a Happy New Year. Pearl City Elevator is in the process of increasing our efficiency to better serve our patrons. Our team has been working behind the scenes to roll out our new software to better serve our customers. You will be seeing these changes in February. We are looking forward to updating our accounting systems to bring better invoices, better statements, and increase our customer satisfaction. As we prepare for spring, the PCE employees are doing preventive maintenance on equipment and locations to prepare for the long hours ahead. The employees and myself would like to thank the directors and our valued patrons for the opportunity to help with the growth and values of Pearl City Elevator.



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### Alliance Nutrition & Commodities Update...

While corn and soybeans continue the search for their low, by-product prices of those industries continue to rise relative to corn and soybean. Corn gluten feed never came down this past fall as is usually the case due to export demand. Distillers grain prices rose in December as the glut of ethanol in the market is causing many ethanol plants to reduce production thereby limiting the supply of distillers. Hominy prices increased as corn millers took their annual holiday shutdown but those prices should come back down as production increases. The biggest cause of the increased in manufactured feed prices is the vitamin situation as outlined below.



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Vitamin A, Vitamin D and Vitamin E prices have skyrocketed in recent months. Reasons for this happening are due to a fire in late October at a BASF plant in Germany which forced BASF to declare force majeure. Force majeure is a legal term that describes those uncontrollable events (such as war, labor stoppage, extreme weather, acts of God) that make it difficult or impossible for a company to fulfill a contract or to carry out business. BASF produces 26% of feed grade Vitamin A globally as well as supplying Adisseo with the precursor Adisseo uses to make Vitamin A. Adisseo has 15% of the global Vitamin A market share. The BASF plant in Germany that burned manufactures all of BASF's Vitamin A and the precursors used to manufacture Vitamin A and Vitamin E. The precursors are sold to other vitamin manufacturers. DSM, who is the world's largest Vitamin A producer, announced they would undergo extended maintenance shutdowns for the remainder of 2017 and into 2018, further tightening supplies. Vitamin A and Vitamin E production in China has been disrupted due to environmental issues and new regulations. Lastly, a Vitamin D plant in India blew up in December, further affecting supply.

What does this mean for us? Any products containing Vitamins A, D or E will see an increase in price. Vitamin A supply is extremely limited and suppliers will struggle to fulfill orders. The BASF plant in Germany is expected to resume operations by the end of March but it will be the end of June before pipelines are back to normal capacities. Typically, vitamins are fed at a level higher than NRC recommendations and these levels are being evaluated and reduced to conserve vitamin supply and to keep cost down. Pearl City Elevator is working closely with its suppliers to ensure a supply of vitamins and going over formulations to make sure the correct vitamin amounts are being supplied and to be as cost effective as possible. Feel free to contact the feed department with any questions or concerns.

### 2018 The Year of Resiliency...

"We don't know how our story will end, but nowhere in the text will it ever read...we gave up" – this simple statement is so important for all of us to hold fast to in 2018. Our agricultural industry is faced with many challenges including market production and profitability, political environment and world economics. We see first-hand the economical challenges and are fully committed to doing our best as your local agricultural cooperative. It is our goal to provide sound information, quality products and to be the full-service cooperative you believe in. 100 years ago, our founding members believed in the importance of working together and thus succeeding together. I am a firm believer that when our six local farmers applied for the original incorporation papers and sold those initial shares, they told themselves the very quote I shared earlier "we don't know how our story will end, but nowhere in the text will it ever read...we gave up". Your cooperative is successful in part to the great employees we have had over the past 100 years and equally as important, our farmer members that we have been fortunate to work with the past 100 years. 2018 is the year to learn, to be adaptable, and to be resilient. In an effort to provide our members with timely information, PCE will be assisting in sponsoring the informative 2018 Agriculture Business Conference held at HCC on Jan. 31<sup>st</sup>, 2018. Featured speakers of the event include Kevin Van Trump, Eric Snodgrass and Parry Dixon. Kevin will be providing timely information on 'using risk management to stay in the game' and Parry will be speaking on 'global trends in agriculture.' Both timely topics for 2018 and we encourage you to sign up for the conference by calling any of our servicing locations or the local bank sponsors. Thank you for your resiliency and the opportunity to work together.



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### Agronomy Division Update...

I hope all had a happy holiday season and a prosperous 2017. Although January 1<sup>st</sup> is the start of the calendar year, for most local farmers the 2018 cropping year preparation started during the 2017 harvest. Phosphate and Potassium recommendation and application decisions were made for the 2018 crop. Local farmers were talking with our Agronomy Seed Specialists recommending and placing the best hybrids available to fit on their specific soil types. All of Pearl City Elevator Agronomy Sales Representatives know that correct seed placement creates the highest maximum economic yields and returns for our customers. Correct seed placement is the most important part of the sale.

Pearl City Elevator spring fertilizer and pesticide pricing has been established. The Pearl City Elevator Agronomy Sales Team is all warmed up after fall N-P-K applications and a majority of seed recommendations completed. They are ready to partner with you to assist with your final crop input plan for the 2018 growing season. As I always state: Your Agronomy Sales Representative's services are not complete when the order is signed. The Agronomy Sales Team will continue to service your needs from the beginning to the end of the 2018 crop year.

#### Market Update:

**Ammonia (NH3):** Price is firm. Fall applied NH3 turned out to be to buy for 2018. The price softened about \$.06 #N from spring of 2017 and has gained it all back for spring of 2018. Producers continue to hold firm at their posted values and would like to push the market higher, if they can.

**UAN (28/32%):** Flat/Firm. Replacement costs have risen \$.078 #N since initial fall fill offers. With the ability to hold your 2018 needs, we took advantage of the initial fill offers and priced and pulled a majority of the tons needed to service PCE's 2018 needs.

**UREA:** Flat/Firm. UREA, being the most price volatile source of N the past few months, has made pricing opportunities difficult to decide. Today China is the premium market in the world, so any spot cargos will most likely be heading for China, instead of the US in the near future. UREA will be sensitive to changes in the next few weeks.

**Phosphate:** Flat with supplies remaining tight. Phosphates have been an unpredictable market for the past few months and with limited supply currently available it could be the product most affected by shipping delays this winter. Until significant import tons are available at warehouses this winter look for phosphate values to remain firm.

**Potash:** Slightly firm domestically thru Q1 2018. Prices have firmed \$10-15/ton since fall fill. With no spring fill discounts offered, looks like present price will be fill price offered presently. Pricing beyond today will be determined by how well producers balance supply with demand.

Any information, materials and opinions presented by Pearl City Elevator, Inc. to Producer, is for general information purposes only and does not constitute legal or other professional advice and should not be relied on or treated as a substitute for specific advise relevant to particular circumstances. Contact any PCE Agronomy Sales Representative to discuss 2018 crop production plans specific to your needs.

### Grain Marketing Update...

As we move into the New Year, remember communication is key to any relationship. We encourage customers to have orders in and working with our merchandising team. If the markets this year behave anything like the last couple years, rallies have been few and far between. Communicate with us the basis levels, cash or futures price you'd like to target and let us work for you to achieve those goals. Sign up for our text and/or email bids and updates to receive market information delivered right to your phone. Also, keep an eye on our website and social media pages for upcoming daily video updates. We have some pretty big things coming in 2018.

Mark your calendars, join us January 30th at Barnacopia in Polo, IL for better beans, a new event put on by the Illinois Soybean Association (ISA). Pearl City Elevator is happy to partner with ISA and provide a local event dedicated to helping our customers maximize yield and reach full profitability potential. Contact the grain department for details.



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### New Year-New Goals-New Insights...

A new year has begun and we are in full force planning for a prosperous 2018 growing season. During this season of preparation, it's important to take a moment to review last year's harvest and set goals for the coming year. Is the goal for 2018 to increase yield? Is your goal to increase ROI? Is your goal to have better insights to market grain during the growing season? Are you considering adding new equipment to your operation? Do you have under used technology on your farm?

If your goal is to increase yield some of the first steps are to determine what the limiting factor for yield is. We have several tools to help gain some insights into this. FieldAlyics offers the opportunity to analyze planting, application and harvest data on your fields and total operations. We can review your inputs to determine if variable rate applications by zones and/or grid samples to see not only the requirements, but also the economics of applications. The use of an API with John Deere Operations Center or Climate could even further help with the ease of data collection. The R7 tool takes that process another step further and allows us to review in season imagery to determine if issues were showing up long before the combine hit the field. We can also review your placement of last year's hybrids and determine placement for 2018 in the R7 tool.

A goal to increase ROI (return on investment) will probably be the most common for 2018. With our tools, we can review applications and yield and see where it makes the most economic sense to "cut the fat". Using variable rate application for fertilizer and seed can help significantly in making sure that resources are properly allocated throughout the growing season. We can also analyze your crops progress through directed scouting and tissues sampling via Nutrisolutions 360. Finally, planning for application of pesticides at the proper timing can help reduce the need for costlier late season "rescue" applications.

Last year we have more in-season images available than ever before. To help gain more value from images a lot of research has been done to compare images to actual harvest data. It's been found that images in Late August/ Early September combined with in field counts may be within 5-20% for total yield. With insights at this time you can have better information on your total crop for the year and market accordingly.

Are you still in a process of thinking about updating your planter or adding liquid fertilizer to your planter for 2018? Our tools could help in determining the costs of operating your current equipment vs the proposed new equipment. Swath control and electric drives can have paybacks that are achieved in less than one year. We also have insights on the ROI for in furrow and 2x2 applications at planting and how they protect yield at the most critical point during the season.

Do you have a general feeling that you are under using all that is available from your technology investments? Now is a great time to get together with me and your agronomist to review your equipment, data and plans to get the most out of 2018. Call or e-mail me to discuss how we can make technology work for you in 2018.



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If you want to maximize yield and reach your full profitability potential, you need localized tips and information demonstrating what works in your region to meet your specific needs. Join us January 30 at Barnacopia in Polo, IL for Better Beans, the new event series where we bring expert advice about growing soybeans in your town, to your town.

REGISTER FOR FREE TODAY AT [ILSOY.ORG/BETTERBEANS](http://ILSOY.ORG/BETTERBEANS).  
Questions? Contact us at 888-826-4011 or [events@ilsoy.org](mailto:events@ilsoy.org).

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