

Summer 2023

CHANGE REQUIRED TO MEET TODAY'S CHALLENGES



Sean Slowinski, CEO

The one constant in the success of Legacy Cooperative has been change. We have grown in member numbers, acres served, bushels handled, tons of fertilizer spread and services offered. The cooperatives and businesses that have come together to create Legacy Cooperative are stronger and more resilient as one than they ever were as individuals.

This can be seen in many ways, from the patronage paid out this past spring to our ability to respond to unbelievably tight spring seasons and challenging harvests.

Continued success and the ability to respond to member needs requires managing risks inherent to our business. One of those is employee turnover. In some cases, these employees are long-term with many years of experience. People like Mark Fisk, Dan "Coupe" Holien, Randy Hunt and Wes Yoder will be hard to replace. Mark spent nearly 45 years serving farmer needs at Wales Farmers Elevator before joining us when it became part of Legacy Cooperative. He was key to a smooth transition.



Mark Fisk

Coupe was first and foremost a dependable propane truck driver, keeping tanks filled across an ever-larger territory as we grew. However, he was also vital to agronomy in the spring and fall as an extra driver.



Dan "Coupe" Holien

into the manager position at Wales. Sam Wagner is taking over for Randy at Egeland and Chris Klier will be stepping into Coupe's role at Cando.

When possible, we hope to fill positions with existing staff. Giving good people the chance to move up is important for them and us. However, when that happens, we have to fill their spots too.

Managing staffing levels to maintain top quality service is a constant challenge. It is one reason we offer the pay and benefits we do. We are confident we are ahead of the curve in our area and our industry. We go out of our way to ensure our employees are rewarded for the work they do.

While we are always in the market to hire good people, it isn't always possible. That's when we look at existing staff willing to take on more responsibility. We ask staff like Coupe to help other departments when they are spread thin. This spring our elevator staff has been working with agronomy, and this fall the reverse will happen.

At times, even juggling people around isn't enough. Perth is no longer offering seed cleaning on demand in the spring. Bob Swenson had done double duty hauling fertilizer in the spring when not cleaning seed. When a member/owner wanted seed cleaned late in the season, it meant fertilizer was not delivered to a member/owner or a floater.

Idling a truck at Perth when members can still get seed cleaned a few miles



Randy Hunt

Randy retired as Egeland Elevator Manager the end of January. He saw his share of change as well, overseeing needed expansions and updates of those facilities.

Wes dedicated himself to member needs for most of 26 years at the Cando elevator. His multiple roles of agronomy and energy sales, as well as operations specialist there, are a template for managing our human resources.

Replacing departing staff isn't easy with today's tight labor market. Luckily for us, one or more of our retirees have indicated an interest in helping spring and fall. Our part-timers are important members of our crew in the busy times.

We are also fortunate in having good people to pick up the full-time load for the retirees. David Nowatzki has moved



Wes Yoder

Cont. from page 1

away at Rolla and Rolette is inefficient use of our resources. That's why we made the change.

This won't be the last change we make. We are constantly examining what we do to better utilize equipment and personnel to provide the products and services you need.

Some challenges are even harder to respond to than personnel. One example is property insurance. Grain elevator premiums have gone up as much as 250 percent! Deductibles have gone up 1,000 percent.

These increases are based on rising property values and replacement costs. A 200,000-bushel grain bin that cost \$3 per bushel to build 5 years ago is now \$6 per bushel. This increase is partially due to labor shortages, increased materials costs and opportunity costs. Contractors know that if we lose a bin

in June, we have to have a replacement up for harvest.

To make matters worse, there were six companies willing to ensure large ag retailers like us; we now have five. One dropped out of the market.

As a result of these conditions, our premiums have gone from \$600,000 to nearly \$1.1 million, and our deductible has gone from \$25,000 to \$250,000. Paying these bills reflects our dedication to service at all our elevator locations. We feel it is worth it and hope you do too.

Managing risk is as important for us as it is for your farming operation. One of our risks is offering product financing and delayed billing for seed and chemical purchases. It is good business for us and lowers operating lines of credit for our member/owners, but it is unsecured debt. It is why we need a lien on the account.

We understand why member/owners don't like liens, but total delayed billing requests are over \$25 million in 2023. If something catastrophic happens to a member/owner, we need a mechanism in place to protect their fellow member/owners. It may require a change in policy. Unsecured debt is a huge risk to your cooperative and your fellow members. Crop liens are needed to ensure there is a cooperative here for you for many years in the future.

Protecting everyone's investment in Legacy Cooperative, like insurance premiums and investing in employees, is how we manage risk for your benefit. It isn't cheap, and it often entails change, but it is necessary to keep your cooperative financially strong and able to serve your needs.

VIEW FROM THE BOARD



Cordell Beaver

What a spring we have had, with heavy snow to replenish moisture and good weather for planting.

We've done all we can to get crops off to a good start. With a good risk management program of crop insurance and planned crop protection, we should be in a good place come harvest.

As a board member, it has been a great spring as well. We were able to return nearly \$4.5 million in patronage to our member/owners. That was in part due to good prices and a surprisingly good year. Last year, we were able to respond to the need for goods and services in a very short planting window. Yields were better than expected, and Legacy Cooperative was ready for them.

Good years don't just happen for farms or cooperatives. It takes planning, resources and good risk management. As the senior member of the Legacy Cooperative Board, I appreciate all three.

When I joined the board of North Central Grain in 2001, things were different. We were smaller in our geographic and business size. We were much more susceptible to risks of all kinds. As we grew into what is now Legacy Cooperative, we gained a certain amount of natural risk management.

Today, if one area has a bad year, other areas are likely to do better. If a trainload of fertilizer doesn't arrive, our managers can scour the state for a supply, and we have the equipment to haul it. When the spring cropping window is tight, we have the people and the equipment to get the job done.

Growth alone didn't make those things

happen. They also required investing in people, facilities and equipment to give us the resources and the ability to plan that we need for good times and bad.

The challenge is to do that in a way that balances competitive pricing with maintaining and building those resources. It is easy to find lower priced products without service. We endeavor to provide full service with our products, and that is expensive. It means supporting business units that have a low rate of return because they are needed by member/owners.

When patronage checks went out this past spring, it was the result of successful planning, having the resources needed and managing risk. Equity revolvment is a sign of our commitment to our members. It is also a reminder that good, solid business practices over time win the day.

LEGACY COOPERATIVE AGRONOMY STAYS BUSY MAKING YOUR BUSINESS THEIR BUSINESS



From early to late, Legacy Cooperative employees and rigs run and run hard, whether hauling and spreading fertilizer or spraying fast emerging crops. It's a team affair. Without staff at an agronomy center, there is no product. Without a trucker to haul it, the spreaders and sprayers stand empty. Without a well-trained applicator in the cab, everything else has been a waste of time. The season starts when the snow leaves and doesn't truly stop until snow arrives to stop fall application.



When the fertilizer train failed to arrive in time, it was semis and their drivers that saved the day. They crisscrossed the state to bring home the fertilizer Legacy Cooperative agronomy staff had located and member/owners needed. Without their long hours on the road, spreaders would have sat empty and more than a few air drills would have sat quietly in farm yards.



MARKETS REMAIN VOLATILE DUE TO WEATHER AND EXPORT UNKNOWNNS

Wheat was up. Wheat was down. Reports of a poor winter wheat crop in the southern Plains created a short-lived bull market. That bubble quickly burst with news of a two-month extension of the Russia/Ukraine export agreement and ideal conditions for seeding spring wheat. The latter news undercut the wheat market by nearly a dollar. Brooks Larson, Legacy Cooperative Grain Merchandiser, expects more volatility in the coming months.

"It is still hard to say what the winter wheat crop will do to prices," says Larson. "We know it will be shorter than average, but demand remains an important factor as well."

He explains that even with a short crop this past year, there is still more than enough wheat domestically to cover the needs of mills in the U.S. At the same time, other wheat producing countries are cutting into traditional U.S. markets and news lately suggests that the U.S. is even importing some wheat from the European Union.

"Russia, Canada, Australia and the E.U. are all selling wheat cheaper than we are," says Larson. "The market remains high in the U.S., and the strength of our currency tends to make us less competitive in the world market as well."

One of the reasons prices have remained higher in the U.S. than other countries, notes Larson, is producers aren't selling. "Farmers are reluctant sellers in a down market; it is hard to accept less," he says. "However, those who still have some of last year's grain to sell will likely have opportunities this summer as the market keeps a close eye on dry conditions, not only in our area but also parts of the Corn Belt."

Legacy Cooperative has been able to find



The wheat market's reaction to news of a two-month extension of exports of Ukrainian grain (seen here) in May, burst a short lived bull market bubble, adding to market volatility.

markets for summer sales, but with the lower demand, opportunities are less than spectacular. Larson expects the basis to widen as we get closer to harvest.

Soybean markets are reacting to a record crop in Brazil. New-crop sales to China are lagging, raising concerns that China may instead continue buying South American soybeans well into North America's soybean harvest.

The South American corn crop is looking good, and that is making the market for U.S. sales to China look bad, suggests Larson. He notes that China has started cancelling planned purchases.

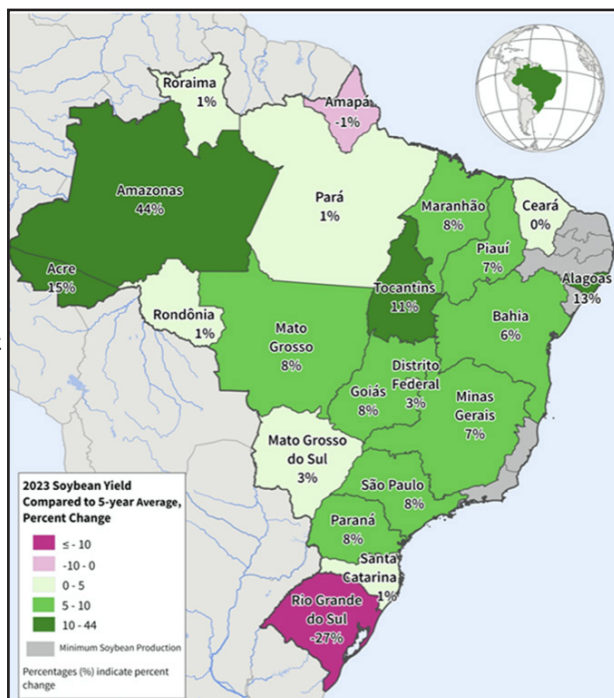
"The market news has given us one bearish headline after another lately," says Larson. "Our best advice is to get orders working at levels that work for your operation. Don't let the possibility of the market going higher make you miss out on a profitable sale."

He points to the recent bubble in wheat. "We saw the futures market go to \$8.85," says Larson. "If you didn't take advantage of the rally, you watched it quickly disappear."

Larson expects wheat to start flowing

as usual, once spring's work is complete. "It sounds like nearly everyone has some wheat still on the farm," he says. "There is a lot of wheat left on Delayed Pricing as well. With the price out date on the most recent DP programs coming on July 20, unsold grain will have to be marketed by then."

When grain starts moving, Legacy Cooperative will be ready. Trains previously booked for May were moved into the summer months. This kept our track clear for fertilizer trains, as well as labor. Larson and other grain division employees with CDLs have been busy hauling fertilizer.



Record yields in Brazil created uncertainty in the soybean market about new-crop sales of U.S. soybeans to China.

"We are working across departments more and more," says Larson. "We all need to do the best we can to meet the needs of our patrons. Hopefully, it all adds up to a big harvest and more grain to handle this coming year."

INVESTING IN PEOPLE IS INVESTING IN LEGACY COOPERATIVE

"If we don't invest in our people, we aren't investing in the cooperative" says David Berginski, Legacy Cooperative Operations Manager. "We have to have the right people in the right positions."

Not just anyone is right for Legacy Cooperative, notes Berginski. While doing an assigned job may be enough elsewhere, working at Legacy Cooperative takes commitment to customer service.

"It comes down to their mindset and a willingness to take care of our members' problems and needs," says Berginski.

Even the most committed people do leave. Such was the case with Everett Lervik, former Legacy Cooperative agronomy/grain location manager in Rolette. Lervik chose full-time farming, and his position will need to be filled.

"It's hard to find a person with experience in agronomy and grain with an interest in doing both," says Berginski. "Finding an entry level employee with the right attitude is easier, but can still be a challenge."

When those "right" job applicants are found, an investment starts with a benefits and salary package superior to other opportunities in the area. It continues as long as they remain with Legacy Cooperative, notes Berginski. Benefits include two retirement packages, one funded entirely by Legacy Cooperative.

"In order to get the right people, we have to be aggressive in the benefits



The latest equipment and the biggest, most modern facilities won't help put in a crop or market grain without people committed to serving the needs of Legacy Cooperative member/owners.

package," says Berginski. "We try our best to take care of them once they are hired and give them credit for going beyond. We want them to feel at home, so they don't want to go elsewhere."

He recalls how important communications with managers were to him as he came up through the organization. It is something he and other Legacy Cooperative managers strive to provide employees. He sees its impact in how employees do their jobs.

"We have a great, very self-sufficient staff," he says. "They can assess problems and issues and often resolve them on their own. However, they don't hesitate to call for help when they need it. I put a lot of trust and faith in our people, and they haven't proven me wrong."

Part of taking care of employees is the ongoing training offered by Legacy Cooperative. That includes everything from management and sales training to safety training for all employees.

Berginski hopes member/owners see the value of the training and the investment it represents, as well as the

wages and benefits offered. He draws a parallel between equipment updates and new hires. Single purpose equipment like floaters that are only used for a few weeks spring or fall can be hard to justify. Trucks and trailers that are on the road year-round hauling grain or fertilizer are easier. He notes that the same is true of employees.

"As we try to do more sharing of

employees between departments, we look for people willing to work long hours spring and fall," says Berginski. "That can pay off for them as well, as they get time and a half for overtime. It can be a great way to set aside extra savings."

He points out that having the equipment and the employees to operate it pays off for member/owners. This past spring, it was particularly true. Fertilizer shipments didn't arrive as ordered.

"We would have been sitting around waiting on a train that was delayed by more than a week," says Berginski. "Instead, thanks to the increased number of staff with CDLs and our equipment updates, we were able to send out trucks and trailers to locations around the state that had extra fertilizer."

FOUNDATION LAID FOR EXCEPTIONAL SERVICE AT ROLLA

Excavation for the new C-Store at Rolla started in early May. Completion of the much-anticipated store is targeted for the end of the year.

"The current store has been pretty well used up and worn out," says John Lovcik, Legacy Cooperative Energy Manager. "Janice Sappington will be stocking some new items, and Sonya Yoder will still be taking food orders and whipping up special requests."

The high-speed diesel pumps at the current site will be moved to the new one. "The gas pumps will be upgraded, and the new fuel pump island layout will be much more user friendly," says Lovcik. "Parking will also be much improved with more space."

Challenges keeping shelves stocked and stores fully staffed continue, notes Lovcik. "We are doing our best to stay stocked up on fast-moving, in-demand and seasonal items," he says. "The Rolette store is well stocked in gardening and grilling items. Stop by to check them out."

The stores are keeping a close eye on slow moving inventory. With increased carrying costs and interest rates, the need to watch inventory costs is greater than ever.

He admits that out-of-inventory items can be frustrating. Lovcik appreciates member/owners' willingness to work with store staff when an item is out of stock. "Most member/owners understand it is almost



The foundation for the new C-Store at Rolla has been poured, but there is a lot of work yet to be done between now and the projected opening the end of the year.

a new normal to take two to three times longer to get things," he says.

"They have been equally understanding if a store has to close early due to being short of staff."

He reports that staff turnover seems to have settled down, and store staffing has improved. A good example is North Central Tire at Rolla. Three of the five-member staff are recent hires.

"They are still in training for on-farm service and in-store tasks," says Lovcik. "We hope member/owners will welcome them in their new jobs and have some patience as they get up to speed. They will soon have the tire shop back to 100 percent efficiency."

A well-functioning tire shop is vital to the

area, adds Lovcik. "It is a service we definitely want to keep in the area," he adds.

Propane customers should keep an eye out for mailings in early June announcing the summer sale. About 20 to 25 percent of member/owners will also receive a request to schedule a system check.

"Each year we need to perform system checks on at least 20 percent of the propane systems we serve," says Lovcik. "Propane systems need to be up to date and safe for our member/owners and our staff is committed to make this happen."

While propane prices have softened a little, diesel supplies remain tight due to refinery turn-arounds for maintenance. "We've been able to jockey to different terminals and keep up on supplying member/owners," says Lovcik. "We hope the midterm inventory will improve."

Futures between now and December are trending down a little, but it is hard to judge what prices will do. "Locking in at least some of what you need for harvest at a price you are comfortable with is always good risk management," advises Lovcik.



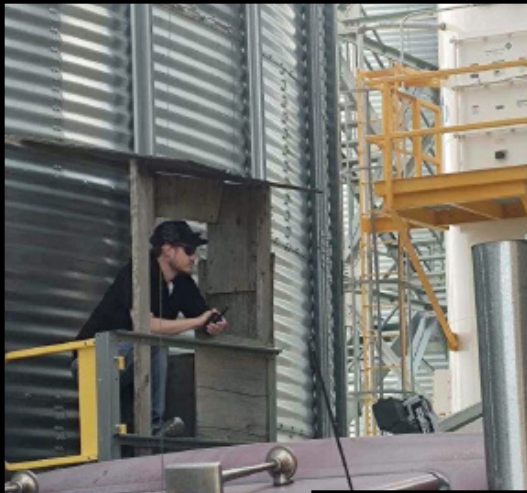
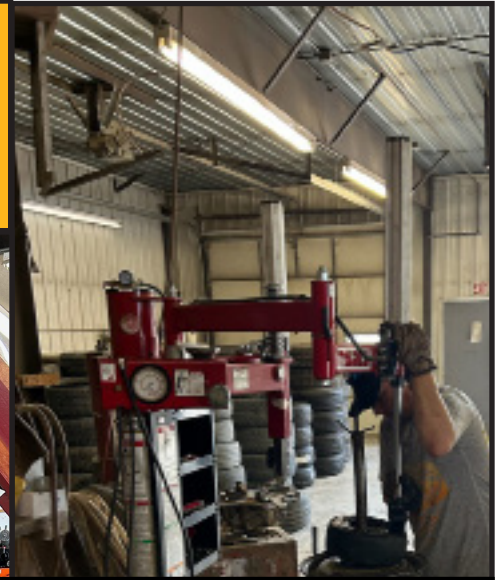
Legacy Cooperative has your seasonal needs covered with everything from lawn mowers to grills and more.



WELCOME NEW HIRES AND CONGRATULATE PROMOTED LEGACY COOPERATIVE EMPLOYEES



North Central Tire has filled openings with new employees from the area. Darren Demery (left) is from Dunseith and previously worked in construction. Bryce DeCoteau (right) is from Belcourt and previously worked at the casino there. Dominik Johnson (below) is from Bisbee.



Chris Klier (right) stepping into the role at Cando vacated by Dan "Coupe" Holien.



Sam Wagoner (above) is the new elevator manager at Egeland. He is taking over for Randy Hunt.

Dave Nowatzki (right) is the new manager at the Wales location.



Ryan Hoffman (above) is a new applicator at the Cando location, having just joined Legacy Cooperative.



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MANAGING RISK BEFORE A PROBLEM OCCURS

Risky conditions create uncertainty and, if not addressed, can potentially impact Legacy Cooperative employees' and member/owners' health. It can also impact the cost of insurance and even insurability. Legacy Cooperative's Safety and Compliance Team has a goal of identifying and managing risks before serious incidents occur. It is a multi-faceted approach that also involves Legacy Cooperative's Safety Committee.

"We use outside safety consultants to help identify hazards at our grain locations, as well as other locations," says Val Christensen, Legacy Cooperative Safety Director. "Our Safety Committee reviews those inspections to help ensure corrections are made."



In an effort to improve community safety, Legacy Cooperative's Safety Committee hosts facility tours with local fire departments and rescue squads to inform them of potential hazards.

The Safety and Compliance Team conducts regularly scheduled training and

compliance walk throughs that focus on hazard control at each location. They also investigate both injury and non-injury incidents to determine the cause and corrections needed to prevent repeat occurrences.

The Safety Initiative Program encourages all employees to help identify additional risks. Each quarter suggestions are reviewed by the Safety and Compliance Team. The suggestion having the most potential impact on Legacy Cooperative is recognized, and the employee receives a gift card award.

"These are just some of the ways we are working to reduce risks to our employees, member/owners and Legacy Cooperative," says Christensen.

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