

CUSTOMER NEWSLETTER

SMART INNOVATION, EFFECTIVE SOLUTIONS

SPRING 2018

WWW.AGPARTNERS.NET

NEWS N' NOTES

BY GREG SCHWANBECK,
GENERAL MANAGER

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April 1 is very eventful in 2018! It's not only Easter Sunday and April Fools

Day combined, it also marks the 22nd Anniversary of Ag Partners and the effective date for our unification with Genesis Coop. We're extremely excited about the opportunities this new business entity provides for our members, customers and employees.

Ag Partners will now have facilities in Belle Plaine, Le Sueur, Le Center and Morristown that join our existing Ag Partners and LLC locations. All of the Genesis business locations will remain open for patrons to transact business. You can call the people you're used to calling at their number and work with them for uninterrupted service with the unified cooperative.

The merger will allow Ag Partners and Genesis to capitalize on many existing strengths. We have outstanding employees, excellent rolling service equipment, the most current

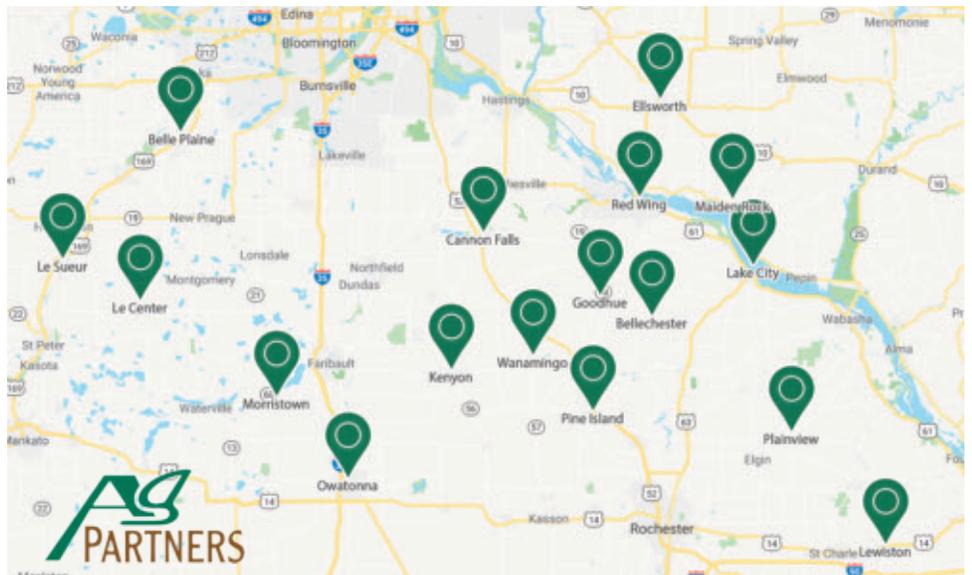
technology along with up-to-date facilities to gain efficiencies in our Agronomy, Energy, Grain and Feed businesses. We'll use this portfolio to meet the needs of more than 6,000 customers, work hard against growing competition and provide outstanding equity to our local members.

Moving forward, our goal is to continue building a strong customer relationship with our patron members. We'll maintain open communications with members, customers and employees to alleviate the impact of changes that may occur. Feel free to reach out to us with any of your questions or concerns. Ultimately, we just want to be

better than we've been in the past, and to serve all of you better.

The first half of our current fiscal year has just ended and I'm happy to report that we're doing very well at this point. We have good cash flow, a strong balance sheet and plan to continue with dividends in the future. The merger with Genesis only adds to this optimism.

Thanks to all of you for doing business with Ag Partners. We look forward to a continuing relationship, helping you improve your crop and livestock operations and adding value to your farming operation.



Ag Partners and its LLC's location map as of April 1, 2018, effective date of merger with Genesis Coop.

2018 SPRING ALFALFA UPDATE

BY BROCK SKOV,
AG PARTNERS/BENSON FARM SERVICE

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There are many factors that we can influence to attain the highest quality and most productive alfalfa crop in 2018:



Evaluate the stands. Determine the stand density and crown health at green up. Assess the stand for any potential winter injury symptoms and management decisions needed.

- Determining the stand density is one of the most crucial decisions to achieve a high yielding alfalfa crop in 2018. Are there at least 5 healthy plants/ft², depending on the age of the stand?



- Dig plants and split the crowns to determine the health of the tap root. Tap roots should be firm and white, if they are healthy looking and/or have a corky texture, but slow to green up, revisit the field in a week to reassess. If taproots have a watery, soft texture and a tan-yellow-grey look, there may have been winter injury and management decisions will have to be made.

New Seeding plans for Spring 2018

- Decide on which fields will be seeded, keep in mind previous crop and the herbicide program that was used on it. Does it have the correct pH and



MAXIMIZE SEED CORN INVESTMENTS WITH VARIABLE RATE PLANTING

BY CASEY CARLSON,
AYS SPECIALIST

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There is no hiding the fact that seed corn is one of the most expensive inputs farmers will purchase for the growing year. Many top producing hybrids cost over \$300/bag and



on a per acre basis are near \$130-\$140 per acre in total seed cost. We also know as fact, via our precision ag platform, AYS, that some areas of the field respond to higher planting rates per acre while others are more profitable with a lower planting rate per acre. Does it make sense to plant 36,000 plants per acre on a sandy spot within a field? Does it make sense to plant a yield-limiting low rate of 32,000 plants per acre in the best spot within a field?

A, B, C's of Variable Rate Planting

The basic principles of variable

fertility?

- Determine the variety with the proper technology that is best suited for the farm and your operation.
- Use the correct seeding methods for optimal seed placement and proper seed bed preparation to attain the proper seed-to-soil contact.

In-Season Management: there are many management practices that we can control to give us the best opportunity for multiple high quality, high yielding alfalfa cuttings in a growing season.

- Fertility drives yield. pH of 6.6 or above, P levels of 25 ppm and K levels of 200 ppm.
- Apply potash, AMS and boron after first crop.
- Apply potash in August to give the alfalfa optimal conditions for overwintering.
- In-season scouting for weeds, nutrient deficiencies, insects, diseases, and applying the proper corrective measures for any of them.
- Foliar micronutrients and PGR's for increased tonnage and quality on highly managed alfalfa acres.
- Manage your harvest, cut the alfalfa in the early bud stage for optimal quality and set the cutter at a minimum of 3" to aid in rapid regrowth. Also make sure merging and harvest equipment are set properly to minimize the ash content.



Please consult with your agronomist to aid in any of the decision making needed for a successful alfalfa crop in 2018 and for years to come.

rate corn planting are increasing populations in higher production zones and decreasing populations in low yielding zones. To create these zones, we are using past yield variability via yield maps, yield history, soil type, soil fertility levels, aerial imagery and most importantly farmer insights on a specific field. We call this the A, B, C's of zone management.

A Zones Are Top Producers

The A zones are areas of the field with the highest production capability. They are often the deepest, well drained soils.

"Variable Rate Planting" continued on page 3

Sometimes they are higher fertility. A zones respond well to extra management, such as higher plant populations and higher fertilizer applications. For example, increasing planting rates from 35,000 plants per acre to 37,000 plants per acre in A zones can increase yield by 10 bushels per acre, which provides an extra \$34 return on yield and an extra \$7.50 in seed expense. This is an exceptional return on investment.

B Zones Are Mid-Range

The B zones are the "average" areas of a field. They can produce excellent yields but not to the extent of the A zones. The B zones would be at the average rate of 35,000 plants per acre and often see no return on higher planting rates.

C Zones Are Least Productive

The C zones are the "poor" areas of a field. These can vary from eroded knolls, poor drainage areas, sandy soils, rocky soils, or steep slopes along tree lines. The one thing they all have in common is that they are least productive areas within a field, so there is no cost advantage to invest in extra seed dollars when you will not see an increased production. C zones often respond better to a lower planting rate. Therefore, a reduction to 33,000 plants per acre not only saves seed cost but will often increase yields of 5 to 10 bushels per acre, because a normal seeding rate would over populate the area, which led to yield reductions.

The overall yield increases we see with variable rate planting are about 3-5 bushels per acre on fields with low variability and 5-15 bushels per acre on fields with high variability. If you aren't variable rate planting and are interested in learning more about it, please contact your Ag Partners agronomist or AYS specialist.

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Last year, Round-up Ready Xtend® soybeans were introduced as a new tool to combat tough-to-control broadleaves. This year, there are some changes to the label to ensure proper and safe application of XtendiMax®. Below are 9 "new rules" as seen on the XtendiMax® label.

New Rule	What it means
All products labeled for Round-up Ready 2 Xtend® soybeans are now classified as a restricted use pesticide (RUP)	The applicator applying the Xtend® soybeans will need a Private Pesticide Applicator license to spray or purchase.
June 20th cutoff	Cannot spray after June 20th
All applicators are required to be dicamba trained	The applicator must attend a two-hour dicamba specific training to further explain the label.
Record within 14 days of application.	A specific record must be maintained for 2 years regarding the application and use of XtendiMax®.
Wind speed 3-10 MPH	Last year, the 3 labels differed. Now, all labels require a minimum of 3 MPH wind speed to help reduce inversions and a maximum of 10 MPH wind speed to minimize particle drift.
85°F or above – cannot apply	Cannot apply if the temperature is above 85°F or forecasted to exceed 85°F at the nearest National Weather Service location.
No nighttime application	There cannot be any application between sunset and sunrise.
Spray at a minimum of 15 gallons per acre	Must spray a minimum of 15 GPA to help increase coverage which provides a more consistent control. However, I personally recommend 20 GPA.
24 (c) Label	Each user must have the 24 (c) label in their possession while spraying.

In addition to the 'new rules,' it's important to keep these other factors in mind: You must always maintain a 110-ft. buffer when the wind direction is toward a sensitive area, and you can't spray when the wind is blowing toward a sensitive crop; 'Rain fast' is still 4 hours, and the label still requires a 24-hr. rain-free period; Remember there can be NO AMS in the tank, and that includes leftover from the previous herbicide you were spraying; Use only the approved nozzles; Check the website for approved tank mix partners.

For approved nozzles and tank mix partners and application record keeping form go to the XtendiMax® website: <http://www.xtendimaxapplicationrequirements.com>



CONTINUOUSLY IMPROVING OUR FEED DEPARTMENT FOR TOMORROW

BY BOB McNAMARA,
AG PARTNERS FEED DEPARTMENT MANAGER

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At Ag Partners, the goal of our feed department is to be your trusted partner and assist your operation as you navigate the challenges of the animal production business. This requires that we continually evolve with the changing landscape and adapt new technologies to meet your needs.

The construction of the Goodhue feed mill paved the way for market expansion. This was made possible through gains in efficiency and better control of manufacturing costs which allows for continued reinvestment in both facilities and fleet. These gains are now more important than ever as they are passed on to you in the form of high quality feed, competitive pricing, and very strong cash patronage.

Experienced Staff To Serve You

We have assembled an experienced and progressive staff of dairy, calf, beef and swine nutritionists that are passionate in their mission to help you to produce some of the highest quality milk, beef, and pork products in the world. Our nutritionists and agronomists have joined forces to assist producers improve nutritional quality and production of their forages. Interest in robotic milkers is growing and we now have a dairy nutritionist specializing in planning and ration work for these herds.

As your partner in production, we strive to help you satisfy consumer demand for safe, nutritious food. Our animal food production team has made great efforts to meet the requirements of the Food Safety Modernization Act. We are required to follow the FDA's

guidelines for Current Good Manufacturing Practices, identify potential hazards, establish any correlating preventive controls, maintain a supplier verification program and document and maintain more records than ever before. To meet these requirements, a Feed Safety Plan has been created and is maintained by the Feed Safety Team. Personnel involved in feed production, from the office to manufacturing, also trucking, are trained annually on all Standard Operating Procedures that pertain to their responsibilities. This is done so you can market your products with confidence knowing as much care went into producing the food as did caring for the animals themselves.



Looking to the future, the feed department as well as the rest of the company will be focused on utilizing the latest technologies to improve efficiency and control costs all while helping you make changes on your farm to improve efficiency and profitability. In our mills that may include things like implementing robotic bagging and stacking, in addition to improving feed sequencing and scheduling to keep our delivery costs low.

We don't always know what the future holds, but by working together with our customers, we know that we are both up to the challenge!



Goodhue, MN Feed Plant



Pine Island, MN Feed Plant



CHANGES TO YOUR DIESEL FUEL

BY MATT HART, ENERGY TEAM

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Starting on May 1st, all diesel fuel sold in Minnesota will have to contain at least twenty percent bio-diesel. Currently, all diesel must be ten percent bio-diesel from April through September, and five percent the rest of the year. Minnesota implemented its B10 mandate in 2014 with no major issues reported.



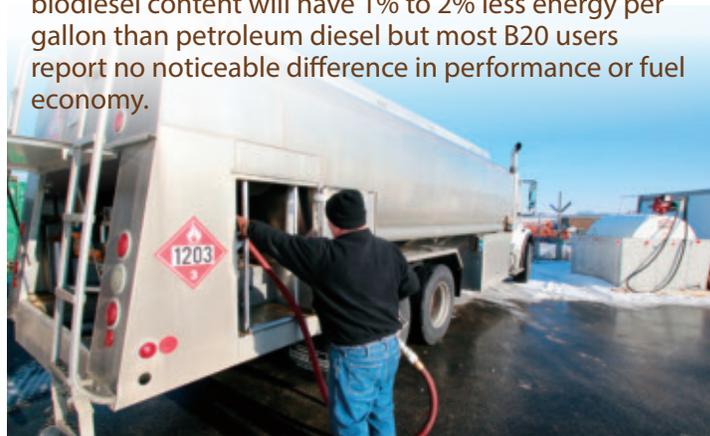
Among other things, biodiesel adds lubricity to required ultra-low sulfur diesel, which is a requirement, but also strengthens the market for soybeans. The change from B5 to B10 added value to the price of soybeans and to the Minnesota economy and the change to B20 will create even more demand and value for soybean producers.

A large portion of Minnesota's biodiesel is made from homegrown soybeans, which are one of the state's leading cash crops. The Minnesota biodiesel industry annually contributes more than \$1.7 billion to the economy. The state currently has three biodiesel plants located in Albert Lea, Brewster and Isanti, which combined, produce about 74 million gallons of

biodiesel annually.

Biodiesel sometimes is touted as a climate-friendly substitute for fossil fuels. Since the plants used to produce it, consume from the atmosphere, some of the carbon dioxide is released when it is burned. It burns cleaner than petroleum diesel too, emitting fewer airborne particulates that can damage the human lung.

Using B20 and lower-level blends does not require engine modifications. Engines operating on B20 have similar fuel consumption, horsepower, and torque to engines running on petroleum diesel. B20 with 20% biodiesel content will have 1% to 2% less energy per gallon than petroleum diesel but most B20 users report no noticeable difference in performance or fuel economy.



IMPROVEMENTS AT RED WING GRAIN

BY JIM LARSON, RED WING GRAIN MANAGER

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Scale and conveyor construction this winter at Red Wing Grain will improve truck unloading and barge loading efficiency when the elevator re-opens this spring. Manager Jim Larson says crews started work in December and expect to have it completed by March.



"We're replacing the open belt conveyor system under elevators A & B that was originally installed in 1955 and under tank 80 in 1961," Larson said. "The system has served us well, but the new enclosed



conveyor will be 50% faster and allow us to increase load out at our barge stations."

Grain receiving will also be improved when a new 80-ft. long scale replaces the existing 70-ft. model. Larson says the original that was installed in 1955 and updated in 1993 worked fine, but the foundation needed to be replaced and the new scale will also accommodate longer trucks.

The old scale and its footings were completely removed with excavation revealing pit walls made of coarse concrete. Fourteen helical pilings were driven 65-ft. deep to support the new scale. New beams over the pilings support the grade level concrete, which complete the longer scale platform.



ROBOTIC MILKING FUTURE LOOKS GOOD

BY CHAD KIEFFER,
AG PARTNERS ROBOTIC NUTRITION SPECIALIST

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If you'd have asked me about the future of robotic milking as it was being introduced 7 years ago I would've answered "not sure, because there are many unknowns and substantial risk." At our family farm, Kiefland Holsteins, we installed 5 robotic milkers in 2011 and I often told others at the time somewhat jokingly, "it's like we're playing Texas Hold-Em and we just went all in." Yes, at that time there were unknowns and higher risks. However, we are still here today and dairying with robots is very beneficial to our operation.

Over the years robotic milking has changed dramatically. Farmers purchase robots mainly because of labor issues and the cost of labor. More than half of all workers on dairy farms today are immigrants and the current political climate is signaling that finding labor could become even tougher. If a robotic farm can cut their labor costs in half or more, their labor/cwt is dramatically reduced.

The rule of thumb is to be greater than 100 cows per FTE (full time equivalent). Some larger robotic farms are pushing this number above 150 cows per FTE and reducing labor cost per cwt by \$1-2. Another advantage is IOFC (income over feed cost) improvement due to feeding the herd different rations per cow based on production and stage of lactation. With robotic operations, more time is spent managing the herd and employees and less time is spent doing as much physical work. Other added benefits are a more consistent milking routine and more frequent milking.

Early lactation and high producing cows generally visit the milker more often resulting in more milk per cow. I like to tell producers, "a parlor milks all the cows 3X and the robot averages 3X." This can be an advantage to get fresh cows off to a great start and maximize peak milk.



In the US there are now more than 1,300 farms milking with robots using 3,300+ installations. That equates to about 2-3 robots per farm on average, and that's the farm size that's been the most attracted to robots. In the last year there's been a lot of interest from large farms (10-20+ robots) because of labor, consumer image, technology advancements and cow comfort.

Although robotic milking provides more flexibility and for the most part an improved quality of life, there are some concerns:

- 1) Initial debt per cow and how it affects debt/asset on cash flows
- 2) Need for more qualified employee(s)
- 3) Dealing and taking care of random robot alarms
- 4) Training new animals
- 5) Udder prep and teat cleaning
- 6) Post dipping
- 7) Leakers
- 8) Cap on the # of cows milked per robot
- 9) Maintenance costs

It's also very important to have a great working relationship with your financial advisor and/or banker to make sure they understand robotic milking. With robotic milking you're essentially prepaying your labor for an extended period, so

debt per cow will look much different compared to a non-robotic operation.

Most dairy cows enjoy the robotic way of life and more farmers are feeling the same. Who knows what the future will look like, but right now it appears that robotic milking is here to stay. If it's a robotic milker or a robotic rotary parlor, the technology is here and producers want it. It all comes down to the details of how you use the recent technology to make it the most efficient. In the end, we all want to be profitable and provide the best product possible that consumers want.



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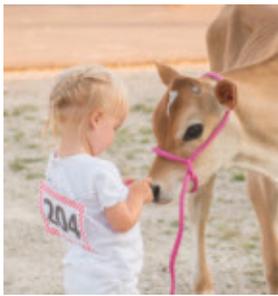
Nutrition strategies to optimize milk production in robotic systems

Expert insight on automated management technology

Individualized consulting to help meet your farm's goals

DIGITAL PHOTOS NEEDED FOR 2019 AG PARTNERS CALENDAR

Each year in late November Ag Partners distributes a colorful calendar as a “thank you” to our customers for your loyal business and support. Many of the photos we use are submitted by Ag Partners customers and employees.



Photos range from 4-Hers with their projects to corn fields, to sunsets and sunrises. And of course, kids and grandkids and animals are always welcome! Anything that showcases the uniqueness, diversity, and pride of our customers’ livelihood is a welcome submission. Through the year these pictures showcase how all of us are stewards of the land and livestock in our cooperative servicing area.

Save your photos to a flash drive, CD, or email them to cindyb@agpartners.net by October 1, 2018. Please identify who the photographer was, where the photo was taken, and list the people (if applicable) in your photos. Your name and contact information should also be included. The photo selection committee likes to see pictures that represent our entire service area.



For more questions, or to submit your photos, please contact Cindy Boehlke at 800-772-2990 or email: cindyb@agpartners.net.



Photo tips:

1. For better quality photos, change your camera’s image quality setting to the highest level. When producing the calendar, we use many photos in 8 x 10 format and need the best quality possible, so the picture doesn’t lose definition and appear grainy.
2. Lighting is a very important aspect of a good photo. If you’re taking photos in bright sunlight, make sure the light source is at your back or to one side. Avoid photos of people wearing caps or hats in bright sunlight because the faces will have shadows. To eliminate shadows altogether, shoot photos on a bright, cloudy day or in the shade of a tree or building.
3. If you are editing photos on your computer prior to sending them in, be careful not to change the brightness, increase the size or to significantly crop them. These changes can often result in grainy and distorted images and cannot be used.





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