



HULL COOP CHRONICLE

HULLCOOP.COM
WINTER 2020



FOCUSED FORWARD

By Ed Westra, General Manager

The end of the year is always a time for reflection, a time to assess where we are and where we hope to go. Every year has its challenges and opportunities, and 2020 was no different. As we complete 2020 and look forward to 2021, the board, staff and I appreciate all the business you've done with your co-op this past year.

I meet with our department heads on a regular basis. At our November meeting, I reviewed the goals set for Hull Coop at a board planning retreat in 2014. We were pleased to see how many of those goals had been achieved. That begs the question — where will things be in 2025?

For our producer members and for the co-op, I believe there are many opportunities to invest and grow in the years ahead for our co-op members. As we look forward to 2021, the board and staff see opportunities for grain and livestock producers and also for the community as new people move to town and housing continues to grow.

It is imperative that your cooperative continues to anticipate the needs of our producers and our community, and that we make the investments necessary to meet those needs. At the same time, we need to maintain a solid financial foundation and make wise use of your deferred equity — your investment in the cooperative you own — to provide a good return to our members.

Unlike other businesses, as a cooperative, our primary goal isn't growth. We are rather evaluated on how well we've served our members and positioned ourselves to continue providing that high level of service. To that end, we will continue to anticipate and plan for change and quickly adapt to unpredictable world events and their impact on producers and their markets.

Looking ahead to 2021, we have a great team of employees here who truly want to serve our customers. Rest assured Hull Coop will stay true to its Mission Statement: "To provide environmentally safe, quality goods and services to our patrons in a manner which enhances the profitability and quality of life for our patrons, our employees, our cooperative and our community." ●



INCREMENTED DEFERRED PAYMENT CONTRACTS: A USEFUL TOOL FOR TAX PLANNING



By Mitch Nettinga,
Office Manager, CPA

We are starting to see more and more of our customers utilize multiple deferred payment contracts as a means to manage their tax situation. Many are choosing to defer all of their grain income to the following year on multiple deferred payment contracts with the intention of picking and choosing which contract(s) to elect for earlier income recognition at tax time. The goal for the farmer is to hit their desired income figure more precisely. The IRS views these contracts as installment sales and allows the income to be reported when received (in this case, typically in January) while still carrying the option to opt out of this treatment and recognize the income when the sale was originally made if desired (current tax year). Flexibility is the key.

This harvest, we've had multiple requests for deferred payment contracts to be written in increments so that this strategy can be employed. In some cases, the paperwork involved has become burdensome with separate contracts and settlement sheets for each individual contract.

I'd like to suggest a strategy for our farmers that will accomplish your goal of taxable income flexibility while also significantly reducing paperwork.

We'll use "Farmer Brown" for our example. Farmer Brown delivered and sold 31,750 bushels of grain this fall. He is unsure how much income he would like to report in this tax year so he is going to defer all of it to January, but wants to split up his contracts. Farmer Brown could request that we write his deferred payment contracts in 1,000-bushel increments so he has flexibility. This would lead to 32 contracts with accompanying settlement sheets. Half a ream of paper later, Farmer Brown is thinking "there has to be a better way." Fortunately, there most definitely is.

If we write Farmer Brown's deferred payment contracts using what I call increasing increments, we could hit his desired taxable income more precisely with fewer than a quarter of the 32 contracts used above. Here's how it works. Farmer Brown decides how precise he wants to be on his taxable income. Let's say 250 bushels worth of income is close enough for Farmer Brown's tax situation. Farmer Brown would then have us write up deferred payment contracts for the following bushel amounts: 250, 500, 1,000, 2,000, 4,000, 8,000, and 16,000. With this increasing increment combination of just seven contracts, Farmer Brown will be able to pick and choose which contracts to elect out of deferral in order to end up with any income figure between 0 and 31,750 bushels in increments of 250 bushels.

For example, if Farmer Brown finds at tax time that he would like to take 8,750 bushels worth of income, he could elect the 8,000-bu, 500-bu and 250-bu contracts for early recognition. If he instead wanted to take 9,000 bushels worth of income, he could elect the 8,000-bu and 1,000-bu contracts. This strategy works for hitting any bushel figure between 0 and the total, in increments of 250 bushels. Farmer Brown now has taxable income flexibility without drowning in paperwork.

Two items to note with this strategy. While we're talking in bushels, taxable income is obviously figured in dollars. I am operating on the assumption that if the price varies (maybe due to forward contracting), the variance is not material compared to the overall price of the commodity itself. Also, I would like to note that I am not a tax advisor, and this should not be construed in any way as tax advice. Each customer should have a discussion on taxable income strategy as it pertains to deferred payment contracts with their individual tax advisor before employing these methods in their specific situation.

If you have any questions about these strategies or deferred payment contracts in general, feel free to give us a call. We'd be happy to visit with you. ●



SOUP'S ON!

There's no better way to satisfy your hunger and fight winter's chill than with a great bowl of soup. Our soup kettle is on, and we'll be rotating between favorites like vegetable, Wisconsin cheese, chili, broccoli cheese and more. ●



FIXING, BUILDING AND MONITORING



By Mark Hoekstra, Outside Foreman

With the rush of harvest behind us, we're doing some repair work before winter sets in. We've taken out the bump in the approach to Dump 1 and repoured the concrete. It will make it a lot easier for you to pull two-wagon loads in now.

At the new fertilizer hub, the fabric building is going up, the UAN tank is complete except for the piping and work on the wood structure is now underway.

We had a good grain handle this fall, and we're focused on keeping the old-crop corn in condition. Bins with our new cable system allow us to take bin temperatures every day, and we'll be upgrading our older storage to do the same in the future. Those older bins are monitored each week with a handheld device to make sure the grain is staying in condition. ●



YOUR WINTER PROJECT HEADQUARTERS



By Brian Sipma,
Building Center Assistant Manager

If you've been staring at a wall and thinking, "I'd really like to do something different with that," we have some great options. From low-budget options to premium products, we have wall treatments from shiplap to a faux pallet-wall approach. Some are pre-finished and easy to apply. If you are a craftsman and are willing to put in some sweat equity, we also have options for you

Take a look at our Timberwall collection, a premium peel-and-stick wood product that can transform your accent wall and your entire home. Check out their website at timberwall.co/us. Stop in and talk to us about your ideas, not only for an accent wall but for any of your winter projects. If you know you want a change but don't know exactly what you want to do, we can help with everything from idea to final execution.

Of course, one of the easiest ways to transform a room or an entire home is to paint. We carry one of the best lines of paint available — the Diamond Vogel brand.

Thanks for your patronage this past year. We truly appreciate the opportunity to work with you. ●



STRONG PARTNERSHIPS MAKE BETTER FEED



By Cory De Wit,
Feed Department Manager

It's been a successful year for the feed department of your cooperative and we appreciate the business you've done with us in 2020.

One of the reasons for our continued success is our focus on producing high-quality feed formulated to match the specific needs of each customer. Our strong, long-term partnership with Purina® is a great asset in this area. We draw on their nutritional expertise and quality ingredients in our feed formulation and production.

No matter what you're feeding — dairy, beef, poultry, swine, horses, goats or pets — we can formulate a ration to accomplish your nutritional goals. ●

TURN GREASE INTO GIFT CARDS



By Brad Nielsen, Energy Manager

Just in time for the holidays, you can earn a \$50 Visa® gift card for every 100 gallons of high-quality Cenex® oils, hydraulic fluids, gear lubes and greases you buy between Nov. 1, 2020 and Feb. 20, 2021. For details on qualifying products, give me a call at 712-470-3548. Then stop in and order to earn your gift cards.

While we're visiting, ask me about the Cenex Total Protection Plan® — arguably the best equipment warranty in the business. It provides up to 10 years or 10,000 hours of coverage. ●





THE POWER OF PLANNING

By Evan Wielenga, Agronomy Department Manager

*"Failure to plan is a plan to fail."
-Benjamin Franklin*

The winter months are an excellent time to examine last year's results and assemble a plan for next year's crops. Here are three good reasons why putting together a plan with your Hull Coop agronomist makes a lot of sense.

Individualized Planning – Hull Coop agronomists sit down with you and help you address the specific challenges on your farm. Our team of experienced agronomists knows crop production top to bottom and can develop an all-encompassing plan, from which seeds to plant all the way to harvest timing.

Sharing Opportunities – Our team works together to research new products through our small plot-research

program and on-farm strip trials. We also share ideas that have been tested on local farms in the area. Our trusted advice doesn't come from a book or a website — it is the right information about what works here in northwest Iowa.

Team Approach – Our agronomists have discussions related to crop production issues on a daily basis and leverage all individual experiences to ensure we are making the best recommendations for the customer. We are also backed by Winfield United, our regional cooperative partner, providing access to products and knowledge that extends beyond what we experience locally.

Get in touch with your Hull Coop agronomist this week and set up a time to put the planning process in motion for your 2021 crops. ●



NEW TO THE SHOP

Though it's his first time in a vehicle maintenance role, Ron Bonestroo brings decades of service work to his new position as a service writer in the Hull Coop shop.

"I worked for Pepsi in Sioux Falls as a supervisor on the fountain install team," Ron says. "Prior to that, I worked at Sioux Automation and Overhead Door in the service and installation areas."

As a service writer, Ron handles scheduling and invoicing, orders parts, and makes sure those parts get on the right work order and the work gets billed. And, of course, there are other duties as assigned. "I help the tire guys out when we're really busy," he says.

Ron notes that while the work is a little different than what he's handled before, he's happy to learn something new. "My philosophy is, never say never and never stop learning." ●

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DON'T LET YOUR GUARD DOWN



*By Karen Luinstra,
Human Resources and Safety Manager*

As weary as we all are of the concerns and lifestyle changes related to COVID-19, the current spike in new cases tells us that now is not the time to relax. This second surge has been predicted since the early days of the virus and, unfortunately, that prediction has proven to be accurate.

For many of us, holiday celebrations are a highlight of the year — and all the more so as our interaction with others has been cut back due to the pandemic. However, these gatherings can also be prime opportunities to spread the virus. We do need to consider the threat of COVID-19 as we decide how we will celebrate this holiday season.

The CDC has compiled a list of items to consider when planning holiday gatherings. Their considerations below should not supersede any state or local safety laws related to COVID-19, found at www.cdc.gov/coronavirus/2019-ncov/daily-life-coping/holidays.html.

- **Community levels of COVID-19** – Higher levels of COVID-19 cases and community spread in the gathering location, as well as where attendees are coming from, increase the risk of infection and spread among attendees. Family and friends should consider the number and rate of COVID-19 cases in their community and in the community where they plan to celebrate when considering whether to host or attend a holiday celebration. Information on the number of cases in an area can be found on the area's health department website.
- **Location** – Indoor gatherings generally pose more risk than outdoor gatherings. Indoor gatherings with poor ventilation pose more risk than those with good ventilation, such as those with open windows or doors.

- **Duration** – Longer gatherings pose more risk than shorter ones.
- **Number of people** – Gatherings with more people pose more risk. The CDC does not have a limit or recommend a specific number of attendees for gatherings. The size of a gathering should be determined based on the ability to reduce or limit contact between attendees, the risk of spread between attendees, and state, local, territorial, or tribal health and safety laws, rules and regulations.
- **Locations attendees are traveling from** – Gatherings with attendees who are traveling from different places pose a higher risk than gatherings with attendees who live in the same area. Higher levels of COVID-19 cases and community spread in the gathering location, or where attendees are coming from, increase the risk of infection and spread among attendees.
- **Behaviors of attendees prior to the gathering** – Gatherings with attendees who are not adhering to social distancing (staying at least six feet apart), mask wearing, hand washing and other prevention behaviors pose more risk than gatherings with attendees who are engaging in these preventative behaviors.
- **Behaviors of attendees during the gathering** – Gatherings with more preventive measures in place, such as mask wearing, social distancing and hand washing, pose less risk than gatherings where fewer or no preventive measures are being implemented.

Keep in mind this list is only to assist you in considering a holiday group gathering during the COVID-19 outbreak. The reality may be that people are uncomfortable in group settings for fear of infection. In that instance, make alternative plans such as virtual gatherings or simply canceling the gathering altogether this year.