

## ECI Scholarship Program

On an annual basis, East Central Iowa Cooperative makes available a maximum of two \$750.00 scholarships to benefit the post graduation aspirations of graduating high school seniors. The mission of these awards is to support the academic endeavors of individuals who plan to pursue advanced studies in agriculture and desire to participate in agriculture as his or her vocational choice. Prior scholarship recipients have exhibited career intentions not only in production agriculture but also within a number of fields associated with ag-business.

Eligibility for ECI's scholarship program is confined to applicants whose parents, guardians or grandparents hold cooperative membership status as either Class "A" or "B" members. Academic achievement, extracurricular participation, and community contributions are all aspects comprising the determination process in addition to personal attributes such as leadership and character.

Application forms are available at all ECI offices or by contacting the Hudson administrative office (319) 988-3257 or (800) 400-3247. Applications may also be obtained from guidance counselors or vocational ag instructors at Jesup High School, Union Community High School, Hudson High School, Don Bosco High School or Janesville Consolidated School. Applicants must complete and return the application form no later than April 9, 2018 in order to be considered for this year's program. In addition to obtaining scholarship application forms, additional information can be secured by contacting the location manager at your nearest ECI location or the general manager at the Hudson numbers listed above.

ECI salutes each member of the areas graduating class and wishes untold success upon each. As a member of the communities it serves, it is pleased to contribute in this fashion to the promise held by our youth.

## Business Hours

During the busy service seasons (both Spring and Fall), ECI will also extend hours to accommodate member service needs during the planting and harvest phases.

These extended hours are designed to meet patron need and may only affect specific divisions and locations of the Cooperative. During the Fall season, hours of operations will be posted at each elevator location.

Please see hours listed at individual locations.

## ECI TELEPHONE DIRECTORY

HUDSON ..... (319) 988-3257  
Hudson TOLL FREE .. (800) 400-3247  
JESUP Feed Mill ..... (319) 827-6226  
Jesup TOLL FREE .... (800) 859-8061  
Jesup AG CENTER ... (319) 827-3531  
Ag Center TOLL FREE (866) 599-7666  
LA PORTE CITY ..... (319) 342-3013  
La Porte City TOLL FREE (800) 877-3810  
La Porte City ENERGY (319) 342-3057  
CEDAR FALLS GRAIN (319) 266-0775

## WEBSITE:

[www.ecicoop.com](http://www.ecicoop.com)

## YOUR BOARD OF DIRECTORS:

Mike Reiter, President  
Ben Bader, Vice President  
Shane Clark, Secretary  
Ron Hager  
Randy Lichty  
Dennis Rottinghaus  
Jim Fitkin  
Jason Wellman  
Ben Thoma, Associate  
Tom Sadler, Associate

## General Manager Randy Carlholm



As 2018 begins, it is a time to reflect on the past year and the changes that have transpired. It is also a time to reflect on last year's performance and prepare for new challenges.

First and foremost I'd like to thank you for your business over the past year. We know that you have other choices and sincerely appreciate that you made the choice to do business with our cooperative. I would also like to thank the employee group for their efforts this past year. They handled the extra challenges of new people, changing markets and a large crop with professionalism.

Looking back, this past year has brought a number of changes to your cooperative: Julie Kemi is ECI's Energy Division Manager; Kent Thompson is ECI's Agronomy Division Manager. Roger Ohrt has been promoted to the newly created position of ECI's Safety Manager, Rod Berry assumed responsibility for all Grain activities at La Porte City, Jack Brandt is responsible for all Energy Operations functions, Patrick Tajaran was promoted to Energy Sales, Jordan Hagedon is Hudson's Location Manager, Ellen Westhoff is Hudson's Customer Service Representative, Ben Drake is Hudson's Agronomy Sales Specialist, and John Stoakes is La Porte City's Agronomy Sales Specialist.

All indications point to our business facing a challenging financial environment. I have found that in challenging environments, opportunities exist. The goal is to have your cooperative positioned to take advantage of the upcoming opportunities. Your cooperative will be focusing on two primary areas. First and foremost, continue to build and retain relationships with our farmer/owners. Your cooperative will only be successful if our owners are successful. Secondly, focus on the safety and wellbeing of the employee group and our customers.

Grain prices are projected to remain around current levels, putting pressure on each of your

operations break-even and cash flows. These grain prices are expected to have an impact on fertilizer, chemical and fuel purchasing decisions by each of our famer/owners.

Part of the review of this past year included an in-depth analysis of the financial performance, by division, of the company over previous years. There's an old saying, "The definition of Insanity is doing the same thing over and over again, and expecting different results."

We, at ECI, must continue to change the way we "do things" if we want to move forward and improve the end result. Every year we review and evaluate all aspects of our business. This year is no different, but it may be more important because of the current business environment. But, any changes made must be in line with the purpose for which our cooperative was founded.

"ECI's sole purpose for existing is the mutual betterment of our member/owners and ECI Cooperative."

All of the decisions or changes we make must pass this litmus test. In other words, are we doing the "right thing" by our owners and employees? Are we delivering Value with Integrity and exercising prudent Stewardship of our Owner's Equity?

The review process will continue with the Annual Strategic Planning Meetings with the Board of Directors and the Senior Staff. In addition to discussing our organizational structure, operations, capital expenditures, and customer service, we will review and update our long-term plan for the cooperative.

As part of increasing our Customer Service and keeping current with the times, ECI now offers all of our customers the option of paying their statement online. If you are interested in the online bill pay option, please contact the Hudson office.

I would like to thank Bill Hesse for his 27 years of service on the Board of Directors. Bill provided valuable institutional knowledge and leadership. His input will be missed.

Please join me in welcoming Jason Wellman to his position on the Board of Directors. Jason served several terms as an Associate Board Member. Ben Thoma and Tom Sadler have joined the Board of Directors as Associate Members. I look forward to receiving their input and opinions.

From everyone at ECI, I want to wish you and your families a safe, profitable and happy 2018. Thank you for your business, friendship and for giving us the opportunity to work with you and your operation.





## CONTROLLER *Joe Murphy*

The hottest topic of the last couple of months has been the much overdue tax overhaul the Trump Administration pushed through Congress this last year. With the new law coming we knew they were eliminating the Section 199 Domestic Production Activities Deduction (DPAD) provision which was implemented in 2004 as a job creating measure which served its purpose but created some loop holes that needed to be closed.

Our legislators went to work and replaced Section 199 (DPAD) provision with 199A and created the storm of conversation which centered around giving farmers an extra 20% tax deduction on gross income sales and dividends from farmer cooperatives where they had membership. Wow, the cooperatives jumped for joy as this sounded like a major win for the Cooperative system which has stiff competition from our friends in the private sector.

Obviously, when the details surfaced the private sector has stepped up and pointed out the new law created unfair competition and they want the new 199A law modified to make it an even playing field. The private sector (Corporations) were given a nice tax reduction in regards to lowering the tax brackets, which will go directly to their bottom line. The section 199A was added to compensate the producers for their share of the tax benefit they lost from the original Section 199. We will have to wait on this one. A decision will have to be made by late March by Congress or this will become the tax law. Please consult your tax advisor to discuss your individual situation.

With that in mind we did mail your 2017 DPAD pass through deductions on our 1099 PATR forms where we did pass back tax deductions totaling over 1.1 million to all members who did grain business with ECIC. I hope this will take some of the sting away from this DPAD deduction going away next year.

Have a safe winter season.



## FEED DIVISION *Dennis Francik*

The feed Division is off to a roaring start this fiscal year as we have secured some new business and are seeing existing customers expand their swine business enterprises. Last year we manufactured 75,000 tons of feed, very comparable to the previous year but down from 2015 when we were pushing hard on 90,000 annual tons. Barring a loss of a customer or a major disease outbreak, we are on pace to increase our annual tonnage to the mid 80,000 levels.

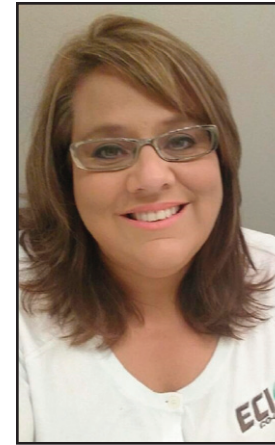
There is very good interest in swine production. With grain prices at current levels, many producers are looking for alternate incomes to help support the grain farming operations. A contract swine production facility can assure the producer of a reasonable constant income as well as lower the row crop production costs by utilization of the manure the barn generates in place of buying commercial fertilizers. Also, current producers are expanding as two new large pork processing plants have come on line or are nearing completion, in Iowa alone.

One is in the Sioux City area and the second is near Webster City. Both plants are similar in size to Tyson at Waterloo. The completion of these plants and other new ones in the Midwest has packers aggressively bidding for hogs to keep their plants at optimum production levels. Coupled with reasonable feed costs, the outlook for swine production is very positive.

Since our last newsletter, we have also had some new faces working at the mill and grain operations here in Jesup. We have hired Mitch Sauerbrei and Roger Fleming to drive feed truck. Both have prior experience in feed delivery and are doing a good job. We also hired Mitch Donahue for our grain operations. Mitch is from Dunkerton, has had some previous ag experience, has learned quickly, and is doing an exceptional job managing these old grain facilities in Jesup.

Our other new hire was for a new position that we created in the feed mill. As we have progressed with our feed safety journey and to meet new FSMA regulations, we decided to create a new position of Feed Mill Manager, a position that is outside with our manufacturing and delivery staff full time and coordinates managing the feed operations staff with the directives from upper management, and is directly responsible for enacting all safe feed manufacturing practices and the safe daily operations of the feed production staff and facility. It is a big job. We hired Cole Crider, a young man that served our country as a sergeant in the Marine Corps, learned that discipline, lead Marines, and has brought many of those skills to his job here. Cole grew up on a ranch in eastern Colorado, is familiar with the ag business, and is off to a great start here at ECI. With Cole's help and leadership, as well as a united effort from all of our feed team, we just completed our third annual FSC-34 Medicated Feed Manufacturing audit. This year was an un-announced audit and again we earned an excellent rating scoring 97% compliant. I am extremely proud of our feed team here. This accomplishment happened because we have dedicated and caring employees who work very hard every day to serve our customer needs and provide them with safe, high-quality feed for their livestock enterprises. Congratulations on a job well done!

Stay safe!



## ENERGY *Julie Kemi*

As I round the first quarter of my tenure with ECI, I can't help but be excited about the potential opportunities I see within the company. After 25 years in the industry, I have found an organization that feels like home, and is just that; closer to my home in Minnesota. My energy experience has taken me on many paths around the country, where I have built strategic plans, sales, logistics, supply, and transportation for over 40 energy companies in my tenure, starting with my own. ECI brings me back to the roots of where energy became a passion for me, and I am honored to be the Energy Division Manager for the East Central Iowa Cooperative.

First, the ECI Energy Team would like to thank everyone for their business and continued support this past year. As you know, the start of our busy period came during drying season. It wasn't long after the corn was done drying that the winter season slammed our area with the below-freezing temperatures that started winter. This quick turn to winter presented many challenges for our energy team.

The Enterprise Pipeline was experiencing delays in bringing propane into the Iowa market and; therefore, decided to allocate supply at the area terminals. Magellan did not have many suppliers shipping #1 Diesel into the Iowa markets which made blending scarce, and due to long wait times

at the products terminals, our carriers were running in to "hours of service" issues. These things, topped by your typical cold weather problems - trucks were not starting, maintenance issues due to the cold, etc., challenged our energy drivers daily. However, I am proud of our team. We pulled together as a cooperative and brought in an additional workforce from the grain and agronomy divisions to assist our energy team during this challenging period. Together these employees worked seven days a week, and long hours to take care of our customer's needs.

Our new railcar system came in handy this season to support the scarce propane pipeline supply. We were able to add propane supply to our bulk facility by bringing in pure Canadian propane to assist our supply needs. This additional amount put us in a leading position in the market and allowed us to prevent assigning any gallon allocations to our propane customers.

Coming this spring, we will be making improvements to our ECI energy "refined fuels operations"! We will be re-branding our Cardtrol stations to our ECI Brand. These upgrades will allow us to purchase top diesel products from the pipeline system and sell those products into our local market. Our Cardtrol pricing will be more competitive with Casey's stores in each of the markets.

Sign up for our ECI Card today, and receive a .02 cent per gallon discount when you use your ECI Card at any of our three Cardtrol locations!

Finally, Pre-buy season is right around the corner. I am holding off setting any pre-buy prices until late February. The energy markets are still responding to winter demand and refinery turnarounds (maintenance). These two areas have a profound effect and increase prices on the NYMEX or petroleum spot markets. I think we will have a good indication of where our pre-buy will sit this spring after the futures markets roll around February 25th. After the 25th of February, the market will respond by eliminating those factors from the spot prices.

In closing, thank you again for your business! If you have any questions on spring pre-buys, please contact myself or one of our energy staff members!!! I can also be reached at (319) 242-1529.



## AGRONOMY *Kent Thompson*

Greetings from the agronomy world!! I hope this finds you all gearing up for the spring season. Here at the Co-op we have been planning and preparing for many of the tasks that come with warmer weather and are looking forward to serving you in whatever way we can. The guys have been especially busy in the shops getting equipment ready. Whether it be NH3 or custom chemical application, we will be ready to serve you!

If you haven't purchased your inputs for this spring season please give us a call - we still have attractive pricing on chemicals, fertilizer, and seed. If you aren't sure what programs to use get ahold of Ben in the Hudson location, John at La Porte, or Kent in Jesup. Any one of us will be glad to run a variety of chemical programs to meet your specific needs and budget.

Many of you may be wondering what the fertilizer market has been doing. NH3 pricing remains flat to slightly increasing. Some areas of Kansas are starting to apply NH3, which will cause the market to move upwards as the demand increases. When it comes to dry fertilizer, potash remains flat with plenty of tons in the market to be had. Phosphates, on the other hand, remain strong, as there is not enough product to be had at this time. In this part of the world, we are waiting for the river to open in early April to receive product. The Co-op, however, has a good supply of both to cover your needs. UAN and Urea markets both remain quiet as most suppliers took some type of fill program and haven't sold their current purchases out yet.

Do you need to get some inputs locked down? Give us a call at the office or on my cell phone at (319) 269-1430! We offer financing through several different companies and are available to help you sort out options.

