

PG. **07**

ENERGY

ADVICE TO FUEL CUSTOMERS



PG. **11**

AGRONOMY

CORN ROOTWORM INCREASING



PG. **17**

FARMRX

GRASPING CARBON MARKETS

HOW WILL FISCAL 2022 END?

During the first six months of our current fiscal year, NuWay-K&H Cooperative's financial performance met or exceeded budget. Of course, with the pandemic causing product shortage and logistic issues, combined with rising agronomy and energy prices spurred by the Russia-Ukrainian conflict, it is too soon to know how this current fiscal year will end.

The leadership of your local, farmer-owned cooperative remains confident that, together, we can prosper, even in these turbulent times.

SEE ON PG. **02**

GOOD RESULTS BUT IT ISN'T OVER



BY KEVIN JONES,
PRESIDENT/CEO
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We're halfway through our 2022 Fiscal Year. Since you and your neighbors do 70-80 percent of your business with us in the fall and winter, we have a good idea at this point how the year will end. That is, unless some disaster like war or pandemic befalls us. We've certainly experienced both of those recently.

At the six-month point in our 2022 operations, we have good results to report. NuWay-K&H Cooperative is on target to meet and achieve all the goals we laid out for this fiscal year. See *Tyler Olson's story "Our Mid-year Review" on page 03 for more details on the first half of our current fiscal year.*

Of course, things can always change. We still face many challenges as a cooperative and as a nation. As I write this story, we've entered unprecedented times, with Russia attacking Ukraine. Russia is a major fertilizer and petroleum supplier to the world. Read *Dan Schley's story "Fertilizer Takes the World Stage" on page 15 for more on how Russia affects the global market for plant nutrients.* In addition, we're still dealing with supply issues because of the pandemic. So, things could change.

"We still face many challenges as a cooperative and as a nation"

The dual core of our business is agronomy and energy, and we source the majority of products for both these industries domestically. However, these markets remain extremely volatile. Though the Russia-Ukrainian conflict is a long way off, we must pay close attention to what is going on. It has and will continue to affect our operations.

The pandemic has resulted in supply chain issues that may affect your ability to grow this year's crop. None of us can assume we'll have the products and services we had in previous years—whether in the local grocery stores or in the warehouses at the cooperative.

Make plans early and share them with us, so we know what you'll be needing and when you'll need it. Read *Jeff Crissinger's story "The New Normal" on page 13 to learn what we can do together to smooth the bumpy road in these volatile times.*

You have my promise: we will work diligently to finish 2022 successfully and position your company for long-term prosperity. ■

OUR MID-YEAR REVIEW



BY TYLER OLSON, CFO
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NuWay-K&H Cooperative has completed its six-month financial review. I am pleased to report we are trending ahead of budget and look to finish FY2022 strong. Our performance to date includes increased volumes across NuWay Agronomy and steady, consistent returns within K&H Energy.

AGRONOMY - The 2021 fall season produced increases in volumes of both dry and liquid fertilizer. The market continued to trend up, creating opportunity for additional margin for our fall season prior to leveling off. Our operations team increased its custom application of dry fertilizer by 15,000 acres and increased its NH₃ applied acres due to the season and the favorable pricing of anhydrous ammonia. Our regional partners and vendors also report similar trends, and our rebate income for crop nutrients is ahead of budget.

ENERGY - Through six months, gas and diesel volumes followed the prior year and historical trends. Margins in this category were comparable to the prior year and are slightly below budget. Propane sales are about 650,000 gallons ahead due to a mid-winter cold snap. Sales of dryer gas were light and comparable to the prior year with margins mimicking historical trends.



Custom application of dry fertilizer increased by 15,000 acres this past fall, and NH₃ applied acres increased due to the season and the favorable anhydrous ammonia pricing.

RETAIL – The financial position of our stores has improved as they emerge from the pandemic, changes in technologies, political changes and staffing challenges. Store volumes are on target to meet budget while margins have increased to meet the demands outlined above. Gross margins are up through six months, with most locations reporting positive operations. Our retail division continues to support our communities while improving its commitment to the cooperative’s bottom line.

OVERALL – Our balance sheet remains solid and continually improving. We budget conservatively, knowing things will happen that are out of our control. However, we also have the ability, within our balance sheet and the investments we’ve made, to be aggressive when the time is right, and the return fits our goals and members’ need.

Our core foundation and the primary goal of NuWay-K&H Cooperative is to continue serving you today and for the foreseeable future.

Thank you for the success your support has brought us during the first half of FY2022. We’ll work hard to finish the year as well as it started.

SCHOLARSHIP OPPORTUNITY

NuWay-K&H Cooperative annually awards 20 scholarships in the amount of \$500 each to area students in southern Minnesota and northern Iowa. These scholarships are open to all patrons, customers, employees, and directors of our cooperative and their children.

To be considered for a scholarship, you must be planning to attend an accredited college, university, or technical school. All applicants of any age or year in school may apply, but only one scholarship per individual will be awarded.

We encourage applicants to seek a degree in an area of agriculture, but this is not a requirement. We will evaluate applicants based upon their leadership, scholastic achievements, extracurricular involvement, and community involvement.

You may download a scholarship application at www.nuway-kandh.com. Applications must be completed and submitted by May 1, 2022. Please return your completed applications to Tyler Olson at tyler.olson@nuway-kandh.com or by mail at NuWay-K&H Cooperative – Attn: Tyler Olson – P.O. Box Q, Trimont, MN 56176.

Winners will be announced on May 10, 2022, or at your school’s award day. ■

“Our performance to date includes increased volumes across NuWay Agronomy and steady, consistent returns within K&H Energy”



REWARDING SERVICE



BY EMILY BOELKE
VP OF HUMAN RESOURCES
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AT NUWAY-K&H COOPERATIVE, A HIGH PERCENTAGE OF OUR EMPLOYEES HAVE WORKED FOR THE COOPERATIVE (AND ITS LEGACY COMPANIES) FOR MANY YEARS. THAT'S PRETTY AMAZING, AND WE DEFINITELY WANT TO THANK THOSE PEOPLE FOR THEIR YEARS OF SERVICE.

AT THE BEGINNING OF THE NEW YEAR, WE ACKNOWLEDGE YEAR'S OF SERVICE FOR THE PRIOR YEAR. BELOW IS A FULL LIST OF THIS PAST YEAR'S HONOREES.



Long-time employee Alvin Smidt.

5

YEARS

JESSE COLLINS
TRAVIS SANDBERG
MORGAN RINGNELL

10

YEARS

JANE ANDERSON
RYAN SCHMIDT
JEFF BURNIKEL
BRIAN ROBERG

25

YEARS

RANDALL BOYKEN
JEFF CRISSINGER

30

YEARS

NEIL CHAFFEE

43

YEARS

MIKE KOPPEN

47

YEARS

ALVIN SMIDT

EVEN PAY PROGRAM



BY JUSTIN COYLE,
ENERGY OPERATIONS
DIRECTOR
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At NuWay-K&H Cooperative, we offer our propane customers an “Even Pay” program. This program avoids high price fills by allowing you to pay for your LP at a set monthly price throughout the year.

Enrolling in this program adds you to a list for our K&H Energy drivers to watch the level of your tank and fill as needed.

Even Pay helps you avoid out of gas situations where extra fees are charged for services. If you are a C.O.A (cash on account) customer, this program offers solutions to emergency deliveries after hours or on the weekends.

Want more information about our Even Pay program? Contact Tricia by calling 800-445-4118.

“Avoid high-priced fills by paying monthly for your LP.”

TIMING SERVICE WORK

Spring is approaching, which means requests for service work increase and lead times lengthen. Contact us as soon as you can to be put on the list of service work to be performed in the spring and the summer. Lead times can be several weeks, so if you have service work that has a deadline, letting us know as soon as you can is extremely important. We want to meet your needs.

I’m sure you’ve noticed—at the gas pump or at the grocery store—a change in the cost of everyday life. Your cooperative has been impacted by this change as well. Propane tank costs and availability have taken quite a turn. Thousand-gallon propane tanks have almost doubled in cost over the last three years. K&H Energy has a good inventory of propane storage tanks and more on order. With high costs and low availability, however, we may choose to set a 500-gallon tank instead. Please work with your Energy Account Manager on your tank needs.



K&H Energy has 1,000- and 2,000-gallon double-walled fuel tanks in stock at a lower-than-market price.

UPGRADING FUEL STORAGE

Refined fuel tanks have also decreased in availability and increased in cost. Lead times on certain barrels can stretch into 2023.

We do have a number of 1000-gallon and 2000-gallon double wall barrel packages in stock at a lower price than the current market. These packages have high speed, metered pumps and all other necessary vents and gauges installed.

Having enough storage on your farm or business is extremely important with potential fuel pricing swings and spot outages on the horizon. Please contact your Energy Account Manager to inquire about these barrels! ■



NuWay Agronomy completes all forklift training, applicator certification and other training during the winter.



BY DAVID ANDERSON
AGRONOMY OPERATIONS
DIRECTOR
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BY RYAN SCHMIDT
AGRONOMY OPERATIONS
DIRECTOR
ryan.schmidt@nuway-kandh.com

When they ask what NuWay Agronomy’s operations crew does all winter long, a few customers say, “I suppose you play a lot of cards.”

I’m sure they are joking, but that brings up a serious point. What do we do when we’re not working in your fields? Let’s talk about that.

We’ve got a group of 20 people split between our shops at Sherburn and Welcome, MN, who get all of our equipment ready for the coming spring. They’re working on five TerraGators with dry and liquid boxes, two John Deere dry fertilizer spreaders, three John Deere sprayers, two Hagie sprayers, 21 tender trucks, eight semi tractors, and 26 semi-trailers used for tending liquid and dry fertilizer.

After fall fieldwork winds down and for the month of December, we wash the equipment used in the fall and prepare it to be worked on in our two shops.

In January, February, and March, these 20 people get every piece of equipment in our application fleet ready for the field.

All of the equipment will get fluid changes. We do all the scheduled maintenance the manufacturer calls for. Everything is greased. We adjust all the brakes, and we repair anything that needs repair.

**“Winter is our
preparation time
for the next
production season.”**

Meanwhile, the rest of our operations crew spends all winter receiving product—liquid fertilizer, dry fertilizer, seed, and chemicals, as well as liquid propane on rail into our Welcome facility.

Actually, from the end of October to when we deliver our first bags of seed in the spring, we have the highest inventory we have all year.

On top of that, we do all the forklift training, applicator certifications and other trainings needed for operation during the rest of the year. And we periodically help our energy operations out by hauling propane during the busiest season.

It boils down to this—the guys work really hard spring, summer and fall to service you, our customers. Winter is preparation time for the next run. There really isn’t any downtime anymore. We’re planning ahead and maintaining our equipment to reduce cost for the cooperative and downtime for you. ■

ADVICE TO FUEL CUSTOMERS

BY K&H ENERGY SALES TEAM

We're all living through a world event—the Russian invasion of Ukraine--that we don't know when or how it will end. As K&H Energy Account Managers, we're often asked by our fuel customers, "What should I do? Should I lock in a price and supply in case it's a runaway?"

Here is our thinking: First, lock in at least half of your supply. That way, you can only be half wrong, but you may also be half right. Second, fill your tanks and keep them full. That way, if shortages, allocation and outages do occur, you have as much fuel as possible in your possession. Those kinds of things haven't come into play yet, but they could as we move through 2022. If someone in the world has to pick up the slack, it ends up being the U.S. It will affect our supply.

We know of customers who've had their tanks on hold over the winter, and we're talking with them about taking their tanks off hold and filling them. Not knowing what will happen, it might be good to stay at full capacity.



Top off your storage for engine oils and hydraulic lubricants, too.

LUBRICANTS, TOO

The supply and logistical shortages go back to COVID but are becoming more pronounced with the Russia-Ukraine conflict. We're still hearing stories like the local farmer needing a part for his Case IH tractor and being told there is only one part in the system, and it's being held by an Indiana dealer for a customer who may need it.

One of our staff met recently with Cenex's refined fuels division. They advised us, "If you have storage for engine and hydraulic oils, keep it filled." Additives for lubricants are becoming harder to find and prices for these products are increasing as a result.

Bottom line at the cooperative and on the farm: Keep full and wait until we get back to a new normal. In the meantime, you'll be better if you're covered.

CONTINUED ON NEXT PAGE



Fill your tanks to avoid shortages, allocation and outages if they do occur.

WARRANTY YOUR TRACTORS

With recent increases in the price of grains, farmers have begun purchasing new or used equipment they've needed for years. Cenex's Total Protection Plan warranty is one way, with the costs of inputs rising, to cover yourself from costs of a breakdown.

Consider covering your newly purchased equipment with a TPP extra-manufacturer warranty. Your K&H Energy Account Manager would be glad to explain the costs and benefits of this inexpensive coverage.

AFD TANKS GET NEW MONITORS

Just a heads up to our Automated Fuel Delivery (AFD) customers. This spring, K&H Energy will replace all the fuel monitors on your tanks that operate with 3G cellar technology.

The 3G networks are going away. As a result, you'll see our employees out and about, installing new monitors on your refined fuel barrels.

If you are an AFD customer billed on usage rather than on delivery, those are unowned gallons in your tank. Cenex allows AFD customers to buy out the tank rather than see those gallons increase in price.

This is just one more option AFD gives you to manage the purchases and use of your refined fuels. Talk with your K&H Energy Account Manager about becoming an AFD customer.

"Keep full and wait 'til we return to a new normal."

EVEN PAY TO AVOID BIG BILLS

The most critical part of our job is making recommendations to our customers. Work closely with your K&H Energy Account Manager. They can soften the blow of volatile energy pricing and find a plan that works for you. What's good for one isn't necessarily good for all. For instance, if you are looking for a way to avoid paying for a full fill of propane, consider K&H Energy's Even Pay program.

Read Justin Coyle's story "Even Pay Program" on page 05 on how our Even Pay program works. ■

NUWAY-K&H COOPERATIVE K&H ENERGY ACCOUNT MANAGERS



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POSSESSION OF ENERGY IS KEY



BY MIKE KOPPEN, VP OF ENERGY SALES/MARKETING
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In times past, when I brought up Automatic Fuel Delivery, I've heard a customer or two say, "I don't want to be your fuel storage!" Right now, with the Russia-Ukrainian conflict and the potential of energy shortages, the AFD monitoring system which keeps the customers' tanks full might just be another benefit.

The cooperative and its growers are, today, operating in uncharted waters. We've never been here before, at least not in recent years. The more product we can have in the country at all times, the less problem we should have with ordering and delivering energy products as needed. With AFD, you still have the option of buying the fuel in your tanks: you can pay as you use it, or you can buy the fuel when it reaches the right price for you. But at least you have the fuel you need to plant, grow and harvest your 2022 crop right on your farm.

AFD is a program I strongly urge you to consider. Talk to your K&H Energy Account Manager about signing up today.

Another thing would be to upgrade and increase your farm storage. As Justin Coyle explains in more detail on page 5, K&H Energy has 1,000 and 2,000-gallon double-walled tanks in inventory. We're going to hold prices on the inventory we have, while the cost of replacement tanks rises rapidly. We'll sell and install those inventoried tanks on a first come basis.

This is a great opportunity to increase, update, and protect yourself against shortage of product that could come. In my opinion, we're at a point where having product on hand, whether refined fuels, lubricants or DEF, is critical to your operation. I urge you to fill and keep everything full until the crisis breaks—then refer to what the New Normal will be. *NOTE: The products on your farm and in your tanks, no one is going to come and take back.*

ONE MORE TOOL FOR YOU

NuWay-K&H Cooperative is building and signing up K&H Energy customers for an online portal called AgVend. This portal will allow you to manage your energy account online. You can check the status of your contracts and your account balances. You can pay your account online by setting up your ACHs and credit cards—plus many more features coming down the road. Your K&H Energy Account Managers will keep you updated on these features as they become available.

All K&H Energy customers should have received an invitation to sign-in to AgVend. If you have not received an invite and are interested, please contact your K&H Energy Account Manager. *NOTE: AgVend has already been rolled out to NuWay Agronomy customers.* ■



AgVend

PREMIUM: THE BEST DIESEL

Most agricultural or commercial users report 5% better mileage from Cenex Premium Diesels.



AL SECKINGER, VP OF RETAIL OPERATIONS
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If the public knew more about diesel fuel, they would never burn No. 2. To put it plainly, No. 2 is no good for anything but heating fuel. Maybe that's why we just don't see the black clouds of smoke rising from field tractors or semi-tractors these days.

For years, our company has recommended and delivered Cenex Premium Diesel Fuels, except when No. 2 is specifically ordered. We know the huge investment Cenex has made in Ruby Fieldmaster and RoadMaster XL Diesels.

Now however, with fuel prices rising, it's tempting to try to save a nickel, and we must explain again to growers and over-the-road diesel users why we promote the purchase of these premium fuels in bulk and at the pump.

For starters, most agricultural or commercial users report 5% better mileage from Cenex Premium Diesels. Even with skyrocketing fuel prices, this helps customers save and put more money back in their pockets.

But premium diesel has far more valuable benefits—economic and performance-wise—than No. 2. That's because of the complete balanced additive package that is dropped, at the pipeline, into Ruby Fieldmaster and RoadMaster XL. That additive package contains:

- Detergent
- A Lubricity Improver
- A Cetane Improver
- Corrosion Inhibitors
- A Storage Stabilizer
- A Demulsifier
- An Injection stabilizer

Take the detergent. Cenex Premium Diesel fuels contain aggressive cleaners to keep fuel systems clean and performing at their optimum levels. These cleaners prevent injector fouling due to carbonaceous deposit buildup, they scrub and keep injectors clean, and they improve fuel economy—as much as 5% (noted above). They also maintain ideal injector fuel spray pattern, improve combustion, and improve power by 4.5%

The lubricity improver provides increased lubrication—10 to 15% more than typical #2 fuel. It protects injectors and injector pumps against wear. It also improves the lubricity of ultra-low sulfur diesel.

Read more about the benefits of Cenex Premium Diesel fuels over No. 2 diesel at <https://www.cenex.com/about/cenex-information/cenexperts-blog-page/fuel-efficiency/standard-vs-premium-diesel>. The article is called Q&A: Regular Vs. Premium Diesel.

Why don't we get more complaints? It's because we're delivering the best fuel on the market. Cenex has invested in the quality of this fuel and stands alone in the premium diesel category.

With skyrocketing fuel prices and new technology diesel engines running hotter, you'll want the best: Cenex Premium Diesel. ■



Cenex Premium Diesel at the pump. PREMIUM DIESEL

CORN ROOTWORM INCREASING

BY NUWAY AGRONOMY SALES TEAM

Last year we noticed higher corn rootworm counts than previous years. That would naturally lead to higher corn rootworm egg counts going into the spring of 2022. If you noticed increased beetle counts or clipping this past year, consider using a traited product or soil applied insecticide.

If you haven't looked at your own fields but have heard of increase corn rootworm pressure in your area, be proactive. Ask us to come out and look at your fields with you. Typically you want to start scouting during silking when the corn plant is starting to tassel.

In-season treating is possible, depending on how far into silking you are. If it's early, you can reduce the risk of yield loss by keeping at least half inch of silk. If silking is too far along, you should still walk your fields, with an eye toward preventing a problem the following year.



Adult corn rootworm clipping corn silk.

If you have any questions about corn rootworm, contact your NuWay Agronomy Account Manager. They can help you make the right decision.

CONTINUED ON NEXT PAGE

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TAR SPOT IDENTIFIED IN THE AREA

Tar Spot showed up in U.S. corn fields in 2015 and has been shown to impact yields up to 50 bushels per acre. The disease has moved into Iowa, Wisconsin and now Minnesota. Tar spot has been confirmed in numerous counties in our trade area and something to be scouting for in 2022 corn.

Fungal spores can move through wind dispersion, and the disease increases in years of plentiful moisture.

Disease development is favored by cool, humid conditions with extended periods of leaf wetness. If you are concerned about this disease or think you saw it in your fields, ask us to come out and verify it.

Tar Spot is treatable. You can mitigate loss by a fungicide application in the current season, but proactive timing is critical

Your NuWay Agronomy Account Manager will be out in the fields, looking for it all season long. If you think you see it, call us.



Tar Spot damage on leaf of corn plant.



Corn rootworm larvae.

MAX-IN K WORKS

Potassium (K) is taken into a corn plant through diffusion, and corn grain fill is directly related to the level of potassium in the plant. However, water is needed to move potassium into the plant, so in a drought year like 2021, corn needed extra potassium.

Last year, we put out six trials of Max-IN K, a foliar liquid potassium source with Cornsorb technology. We saw good results from these trials, so we're going to try it again in 2022.

Ask your NuWay Agronomy Account Manager if you'd like to try some Max-IN K on your corn. ■

“Reduce yield loss to CRW by keeping at least half an inch of silk.”

AGRONOMY ACCOUNT MANAGER QUESTION OF THE DAY

WATER IS ESSENTIAL FOR POTASSIUM (K) UPTAKE IN CROPS. WHAT IS THE METHOD BY WHICH ROOTS TAKE K INTO CROPS?

CLICK THE FOLLOWING LINK

<https://portal.nuway-kandh.com/plans#messages> to message your NuWay Agronomy Account Manager through the NuWay-K&H AgVend Portal. We'll submit your answer into a prize drawing and announce the winners in our next newsletter.

THE NEW NORMAL



BY JEFF CRISSINGER
**VP OF AGRONOMY SALES/
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In the last 12-18 months, you and your cooperative have experienced extreme market volatility in agronomy. The list of causes is long: COVID, changing labor demographics, labor shortages, reductions in global fertilizer exports, reductions in U.S. fertilizer imports due to countervailing duties, port bottlenecks and lack of transportation infrastructure, extreme weather events affecting production capabilities, low inventory positions with “just in time” manufacturing, active war or threat of war in foreign nations—and more.

All of these factors, when compounded, create increasing costs of production, tighter product supplies coupled with product shortages or allocations, increasing costs of acquisition, and higher risk positions. We’d like to think that things will eventually return to normal, with supplies and costs stabilizing. But many of the factors above are not quick fixes. It will likely take some time. That said, there are steps that we can take together, in this uncertain environment, to smooth out some of the bumps in the road.

COMMUNICATION AND PLANNING

In order for NuWay Agronomy to effectively identify the products and quantities that you will need for the growing season, you need to talk with your NuWay Agronomy account manager. The sooner we know what you plan on doing on your acres, the sooner we can position ourselves to find, acquire, and ship those products.

Lead time is critical. It takes increased time and effort in this uncertain marketplace to determine the best options.

BOOK AND PAY FOR PRODUCTS

A firm, prepaid order is important for two reasons. First, it gives us the ability to gauge product commitments, which in turn affects how much inventory we bring into our facilities. Once products are booked and paid for, we know you intend to use those products on your farm, and we feel more comfortable going after that inventory.

With today’s extreme price fluctuations, it is no longer feasible for retailers to bring extra inventory into their facilities in the hopes that someone will come in and buy it someday. The market swings are just too big.

Second, if a product is allocated and there is not enough supply to meet demand, whoever made the earliest commitment and paid for that product in a timely manner usually receives the highest consideration.

TAKE DELIVERY AND MANAGE INVENTORY

It will be increasingly important, in a tightly supplied market, for you to take possession of your prepaid products earlier in the crop year. This guarantees you have what you need and provides your cooperative with opportunity and room to secure additional inventory when available. At NuWay Agronomy, we’re working hard to ensure that customers who book and pay for products will receive those products when they call for delivery. We’re creating a live and automated inventory control system in our warehouses to help us accurately identify the amount of product you prepaid. This also helps us more easily identify if there is any excess product available for sale to others. In plain talk, it keeps us from “overselling” our inventory.

To create a more stable environment in volatile times takes high levels of partnership, communication, and coordination between you and your cooperative. If we work together, I believe we can operate and even excel in the current environment.

If you have any questions, do not hesitate to contact me at the email address above. ■



MORE SOYBEAN SEED CHOICES



BY JOHN SANDMEYER, SEED AND CROP PROTECTION PRODUCTS DIRECTOR/ACCOUNT MANAGER
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On February 22nd of this year, Bayer Crop Science entered into a distribution agreement with MS technologies to enter the Enlist E3[®] soybean market.

Bayer will continue to offer Roundup Ready[®] 2 Xtend (dicamba) and XtendFlex soybeans.

I want you to be aware of this because there will be more offerings for 2023. You'll begin to see information on the Bayer line of E3 soybeans soon, perhaps in the June/July time frame. I don't know what that line will be called.

We hope to have more information on what Bayer will have available, as they disclose their plans throughout the year.

REDUCING DRIFT

NuWay Agronomy has invested in a set of Redball Gen II Spray-Hoods for our John Deere Self-Propelled Sprayer to help with the off-target movement of chemicals—both dicamba and enlist.



“Hooded sprayers reduce drift, making sure product goes on target.”

The hoods will help reduce spray drift and help manage resistant weeds by making sure product goes on the target and does not move away. It's ideal for spraying around field borders and buffer zones.

It covers 72 feet, so it reduces our acre capability, but in the end, it helps minimize any off-target movement. ■

NuWay Agronomy has purchased a set of Redball Gen II Spray-Hoods for use in 2022.





FERTILIZER TAKES THE WORLD STAGE

War on the other side of the globe dramatically affects our plant nutrient markets.



**BY DAN SCHLEY, CROP
NUTRIENTS DIRECTOR/
ACCOUNT MANAGER**
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Last newsletter, I talked about Black Swan events, referring to something that happens as a surprise and has a major effect on worldwide fertilizer markets.

Well, the Black Swan events keep happening, and this one is going to have a long tail. I'm talking about the Russian-Ukrainian conflict.

Did you know that Russia normally supplies 14 percent of the world's urea and 31 percent of the world's UAN (32-0-0) solution? It's also the world's third largest petroleum supplier, which is why so much nitrogen (which requires natural gas to make) comes from that part of the world.

Add to this the fact that China is still not in the fertilizer exporting market. They are keeping their supply in country, hoping to raise the yield levels of their own crops. In the past, the world purchased lots of nitrogen and phosphate from China.

Furthermore, Belarus (which accounts for 13% of the world's potash) can't export that plant nutrient. It must travel through Ukraine to the Black Sea, and with the Russian Navy guarding that waterway, commercial ships are not willing to go there.

SO HOW'S THE U.S. DOING?

The net result is that, in North America, we're still at a discount to the world market. Because our dollar is secure, if they ship fertilizer over here, they know they will get paid.

Unfortunately, with spring approaching and the world looking for alternate sources, prices are high, and it doesn't appear they will soften. The manufacturers know the American farmer needs the product, and they see no need to discount it.

Add to that the fact that U.S. manufacturers will produce whatever product will make them the most money. Right now, if they can produce DEF, that will command more margin than fertilizer, so they will manufacture DEF first.

Also, we have a high industrial need for ammonia used in refrigeration, and that industry is willing to pay.

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Other issues include the fact that many of the plants that produce commercial fertilizers did not shut down for maintenance in 2020 because of COVID. So, they shut down in 2021 and took longer to get up and running, reducing supplies.

And, of course, there is the logistical issue with a shortage of railcars and locomotives to pull rail cars, and a shortage of truck drivers. The river is open with normal delays.

HOW ABOUT NUWAY AGRONOMY?

Our growers have been reading and talking about this all winter, so it's really nothing new. As I said, this Black Swan has a long tail. I'm not seeing a price correction going into spring, and I'm not sure if we'll see a price correction going into fall. NuWay Agronomy will offer opportunities to buy fertilizer this spring and next fall, that will be higher than a year ago.

So what should the grower do? We're going into spring having secured plant nutrients to cover all the bookings in place. At some point, this market will correct itself. When it does, it will be a hard downturn.

In the meantime, keep your soil samples current in order to make the best use of your fertilizer dollars. Communicate with your account managers about any changes in your operation. Ask them to help you make the right decisions.

I think ownership of supply is going to be key. That's why we've added a two-million-gallon UAN tank in Welcome, so we can own and have on site much of the UAN that needs to go onto the field.

“I think ownership of supply is going to be key”

In addition, we've used our dry facilities at Ormsby and Dunnell more in the last year than we have in the last 10 years.

Again, we are offering pricing for this fall and for next spring. If you feel comfortable with that pricing, lock it in and buy your fertilizer. That's the only way I know to be sure you have product for your farm when you need it.

NuWay Agronomy is not willing to speculate on fertilizer. In the past, we bought fertilizer and put it in our bins and just expected the growers would come in and buy it. Then, in 2008, the fertilizer market collapsed with some products going down, as much as, \$900 per ton. That is not a risk we are willing to take.

In closing, I don't have a crystal ball. We thought prices would go down, but since the invasion of Ukraine, they actually went the other way. As bad as pricing is right now, it may look really good six months from now, given the issues I've discussed above.

Let's keep in close contact and work together. ■

The two-million-gallon UAN tank under construction at Welcome will supply NuWay Agronomy customers with a majority of liquid fertilizer they'll need for 2022.



GRASPING CARBON MARKETS



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What is a carbon credit, and why now is it being talked about in every farm magazine or electronic ag news service? Let's take a look at both questions.

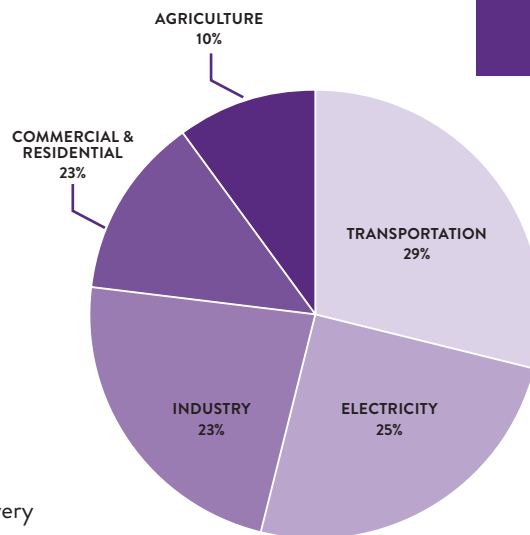
First off, exactly what is a 'carbon credit'. Carbon dioxide or CO₂ is a greenhouse gas emitted from human activity like transportation, electricity generation, industry, agriculture, and commercial or residential sources. In 2019, those sources made up over 80% of the CO₂ emissions in the U.S. Of that +80%, agriculture was responsible for 10% of those total emissions—see attached chart from the EPA.

Companies can buy carbon credits to offset practices they maybe can't change in the short term. Take for instance a company like Delta Airlines, whose main source of CO₂ emissions come from burning jet fuel. Delta Airlines needs to offset 13 million metric tons of its CO₂ emissions to be "carbon neutral". But jet fuel is a major part of making a jet fly, so they can't omit it from their company.

Why then all of the attention on agriculture, and why is it important now, since we are only 10% of the problem?

For many, agriculture appears as the easiest way to create offsets. Corn and soybeans in the U.S. make up over 177 million acres. There is opportunity on every acre to sequester (hold) more CO₂ by adjusting our current farming practices. By implementing practices such as no-till farming or planting a cover crop, we can hold more CO₂ in the soil rather than releasing it back into the atmosphere. Scientists estimate that we can sequester over one ton of CO₂ per acre with these practices.

Not all carbon sequestration is gained by no-till and cover crops, although those practices hold more carbon and build CO₂ levels faster. Other practices may sequester CO₂, like reduced tillage or managing nutrients better or by simply making less trips across a field. These practices will also add credits to your soil and withhold CO₂ from being released to the atmosphere. So, just because you aren't strip-tilling or no-tilling doesn't mean you can't sequester carbon and make a market for your ground. You just might not accumulate it as fast.



FARMRX

TOTAL U.S.
GREENHOUSE
GAS EMISSIONS
BY ECONOMIC
SECTOR 2019

Chart Courtesy EPA

WHY NOW?

We're starting to read and hear about carbon offsets or "credits" in almost every agricultural publication or newscast. Why the sudden influx of carbon-buying brokers and companies wanting to buy carbon offsets? Here's why.

In 2015, nearly 200 countries endorsed the Paris Agreement, which has the goal of limiting the rise in average temperatures to 1.5 degrees Celsius above preindustrial levels. To do this, greenhouse-gas emissions need to be cut by 50% by 2050.

To achieve this, many companies have adopted year 2050 goals to be carbon neutral. These companies also realize that 2050 isn't that far away and are clamoring to "buy" more time. One quick fix is using agriculture to offset these emissions until they can build the infrastructure necessary to reduce emissions themselves.

Remember Delta Airlines and the 13 million tons of CO₂ they need to offset each year? To do this, they must adjust or replace their fuel source in order to make it carbon neutral. I am personally aware of companies that are developing products like "green" jet fuel to help airlines become more sustainable without having to buy offsets. Today, though, there isn't enough of this type of fuel available. While Delta wants to be carbon neutral in the future, it is neither feasible nor economical, so it is cheaper to buy offsets.

In my opinion, what is true of Delta is true of many companies worldwide. The use of agricultural carbon offsets is just buying them time until 2050. I have no doubt that many companies will achieve their carbon neutral goals by 2050, and it is up to you and me to figure out where your operation fits into this scenario.

Want to discuss participating in the carbon market? Contact me at 800-445-4116 or send me an e-mail at the address above. Your cooperative can help. ■