THERE WAS QUITE a bit going on in the United States in 1918. WWI was winding down, and President Woodrow Wilson had outlined his Fourteen Points for peace. The first U.S. airmail stamps were issued. Congress authorized time zones and approved daylight saving time. The Boston Red Sox beat the Chicago Cubs in the fifteenth World Series.

In Iowa, a new business—known today as Key Cooperative—was founded. Farmers gathered at the Roland schoolhouse on April 4, 1918, for the purpose of organizing a farmers’ elevator. With 289 shares already pledged, the men moved on to selecting the first seven-member Board of Directors. Minutes indicate the Cooperative’s first Articles of Incorporation were adopted at a later meeting on April 27, 1918.

Like many cooperatives of that period, it took the leadership and determination of a few resilient farmers to get things off the ground.
They scraped for all they could to purchase shares of a business where everyone would work together to overcome challenges and better their farming operations.

Today, cooperative principles are very much the same as they were 100 years ago. Membership is still open to all. Cooperatives are still owned and controlled by their members, and money earned by the business is given back to the members in the form of savings (earnings). Finally, the number-one priority of a cooperative is still to provide economic benefits to members, which come in the form of equity.

As we look to 2018, we pause to reflect—more now than ever—on the history of our member-owners. Your leadership, vision and guidance were deliberate. Your determination, endurance and focus on the common good were intentional. It is for these reasons we have the opportunity to mark this great celebration.

Thank you, Key Cooperative member-owners, for a century of farming and entrusting your operations to our staff. Here’s to another 100 years!
The members of Heart of Iowa Cooperative (Roland, IA) and Sully Cooperative Exchange (Sully, IA) approved a proposal to merge operations on January 31, 2009. Both HOIC and SCE had long, successful histories of financial performance and high-quality service. The merger of these two strong cooperatives has provided the resources and strengths needed to meet the expectations of member-owners and customers today—and will continue to do so in the future.

Coming soon!
Keep an eye out for the special 100-year commemoration video, which is set to launch this January.
A NEW YEAR and new hope for improved prices. Why? There’s some talk of a La Niña forming, proving that we need some areas of the world to have a crop problem to get prices to move out of the range we’ve been stuck in for weeks.

The easy way to illustrate the price doldrums is by taking a look at the December 12 USDA Crop Production Report and the stock-to-use percentages. The corn stock-to-use in 2015/16 was 12.7 percent and 2016/17 was 15.7. These explain the corn price at the end of November in each of those years—the 2015 corn price was $3.38; 2016 was $3.02 percent. The December 12 number was 16.8 percent with the carryout at 2.437 billion bushels. The November corn price in 2017 was—as we know—$3.04. With these types of stock-to-use numbers, prices will remain stuck in the low $3 range without some help.

The soybean stocks are not much different. Stock-to-use in 2015/16 was 5.0 percent, 2016/17 was 7.1 percent, and the December 12 number was 10.3 percent. Although the prices are as easy to explain as the corn price in those years, soybeans seem to be more reflective of world numbers. The soybean price at the end of November in 2015 was $8.23, 2016 was $9.52, and in 2017 it was $9.07, with the carryout bushels this year at 455 million.

It all comes back to the continuous record yields and crops in the U.S. and Brazil for both corn and beans the last couple years. If you look back at the 2012/13 carryout in corn and beans, you can see how it compared to the December report. The bean carryout in 2012/13 was 30 percent of this year’s, and the corn carryout in 2012/13 was 33 percent of this year’s, which would explain the prices back in 2012.

That said, it looks like for the beans, it would be easier to get to a more manageable carryout level for price improvement. The corn market, however, needs to have a big change in yields or acres here or around the world. We’d need a significant crop problem or some type of new demand to eat through 1.5 billion bushels of corn. But if you want a little perspective, take a look at the wheat stock-to-use numbers. You can be glad we don’t raise any wheat around here. Wheat stock-to-use is at 45.5 percent this year and was 53.2 percent last year. This would explain why some wheat acres switched to corn or beans this year.

Nearby, we’re going to be dependent on the Funds to fuel any kind of a rally. There is a chance for a weather-driven rally this spring or summer and the possibility that Brazil would see some major issue ahead of spring, but that sure looks to be a fleeting hope right now.

We would like to caution everyone that we’ve seen and heard of some corn going out of condition. Some corn was put in the bins a little wet and the warmer-than-usual weather has not helped, causing some in-bin condensation. So be safe and check your bins!

From your Key Cooperative grain team, thank you for your patronage.

“Don’t learn literature from a history teacher.”
– Vijay Redia
The Buzzword for agriculture continues to be “sustainability.” Are we doing the right things to not only produce food for the world, but also preserve the land and water for future generations?

While there’s no silver bullet to sustainability, at Key Cooperative we advise our growers on sustainable practices as part of our SUSTAIN program. These practices help reduce soil and nutrient loss, while improving yields. Below are three practices from the Iowa Nutrient Reduction Strategy that we recognize as the core of any sustainable farming program.

**Nitrogen Stabilization**

Protecting your nitrogen investment from volatilization, denitrification and leaching is very important to protecting water quality, as well as your bottom line. Much of the nitrogen we use is applied months before the corn crop needs it. Nitrogen that is not stabilized is more subject to loss before the crop needs to take it in.

**Proof point:** 9 percent nitrate-N reduction and 6 percent corn yield increase

**Nitrogen Split Application**

As mentioned in the previous section, much of our nitrogen is applied months in advance, before the corn crop needs it. Delaying application of a portion of that nitrogen reduces some of the risk of nitrogen loss. As part of the SUSTAIN program, we recommend only applying 75 percent of your total nitrogen needs as a pre-plant or pre-emerge application and saving the remaining 25 percent as a side-dress application. We also recommend using late spring nitrate testing or a nitrogen modeling tool—such as Climate Fieldview Pro—to determine your in-season nitrogen needs.

**Proof point:** 4-6 percent nitrate-N reduction and 0-13 percent corn yield increase

**Cover Crops**

The largest portion of nitrogen loss to rivers and streams does not occur when the crop is utilizing nitrogen; it occurs when nitrogen is not being used or when there’s no crop in the field. A means of capturing this lost nitrogen is planting cover crops. Cover crops can take in excess nitrogen from the previous crop, as well as naturally mineralized nitrogen from the soil. They also provide a means of holding soil while a crop is not in place, thereby reducing the phosphorus load in our waters. While planting cover crops is one of the most effective means of reducing nitrate-N loss, it can lead to some yield loss in corn if not managed correctly. On the other hand, planting a cover crop ahead of soybeans reduces nitrate-N losses and does not usually have a negative effect on yield.

**Proof point:** 28-31 percent nitrate-N reduction and 5-6 percent corn yield loss

As you can see, these sustainable solutions are not new. They are practices we have been implementing for some time. When strategically used as part of the SUSTAIN program, they become environmentally beneficial practices noticed by our non-farm end users. This is good for our bottom line and the sustainability of Agriculture as we know it.

For more information on the Iowa Nutrient Reduction Strategy, visit [www.nutrientstrategy.iastate.edu](http://www.nutrientstrategy.iastate.edu). For more information on how you can incorporate these and other sustainable solutions on your farm, please contact your local Key Cooperative Sales Agronomist.
## 2018 MARKET OUTLOOK MEETINGS

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
<th>Time</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAN 10</td>
<td>Gates Hall, Nevada</td>
<td>Noon - Lunch Provided</td>
<td>Speaker: Rich Morrison Diversified Services</td>
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<tr>
<td>JAN 15</td>
<td>Key Cooperative S14 Office</td>
<td>3:00 pm</td>
<td>Speaker: John Stewart and Associates</td>
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<tr>
<td>JAN 16</td>
<td>Sully Community Center</td>
<td>8:00 am - Breakfast Provided</td>
<td>Speaker: John Stewart and Associates</td>
</tr>
<tr>
<td>JAN 17</td>
<td>Key Cooperative Newton Office</td>
<td>8:00 am - Breakfast Provided</td>
<td>Speaker: Dr. Lee Schulz - ISU</td>
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<tr>
<td>JAN 17</td>
<td>Open Flame, Gilbert</td>
<td>Noon - Lunch Provided</td>
<td>Speaker: Dr. Lee Schulz - ISU</td>
</tr>
<tr>
<td>JAN 17</td>
<td>Story City Bowling Alley</td>
<td>3:00 pm</td>
<td>Speaker: Ryan Moe, FC Stone</td>
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<tr>
<td>JAN 18</td>
<td>Dakins Center, Zearing</td>
<td>8:00 am - Breakfast Provided</td>
<td>Speaker: Ryan Moe, FC Stone</td>
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<tr>
<td>JAN 19</td>
<td>Williamsburg Rec Center, Williamsburg</td>
<td>9:00 am - Breakfast Provided</td>
<td>Speaker: Trent Sauder, Advance Trading</td>
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<tr>
<td>JAN 20</td>
<td>Monet Center, LeGrand</td>
<td>11:00 am - Lunch Provided</td>
<td>Speaker: Ryan Moe, FC Stone</td>
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<tr>
<td>JAN 21</td>
<td>American Legion, Barnes City</td>
<td>8:00 am - Breakfast Provided</td>
<td>Speaker: Trent Sauder, Advance Trading</td>
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<tr>
<td>JAN 22</td>
<td>Pizza Ranch, Sigourney</td>
<td>Noon - Lunch Provided</td>
<td>Speaker: Trent Sauder, Advance Trading</td>
</tr>
<tr>
<td>JAN 23</td>
<td>Dakins Center, Zearing</td>
<td>8:00 am - Breakfast Provided</td>
<td>Speaker: Ryan Moe, FC Stone</td>
</tr>
<tr>
<td>JAN 24</td>
<td>Williamsburg Rec Center, Williamsburg</td>
<td>9:00 am - Breakfast Provided</td>
<td>Speaker: Trent Sauder, Advance Trading</td>
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</tbody>
</table>

**CONTACT A MEMBER OF OUR GRAIN TEAM TO LEARN MORE:**
- Greg Artz: 515-215-0062
- Rick Weigel: 641-990-1713
- Jason Dubberke: 515-450-6684

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**YOU ARE INVITED,**

**2018 CENTROL TECH CONFERENCE**

*featuring, Jason Webster CCA Commercial Agronomist, Precision Planting*
*also hear from CENTROL on 2017 Precision Ag Equipment Trials*
*and from Winfield United about their 2017 Regional Agronomic Trials*

January 9, 2018
8:00 a.m. - Registration - Noon Lunch
Huxley Learning Center, 1551 Highway 210, Huxley, IA 50124
RSVP at www.keycoop.com/RSVP by January 2, 2018

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**Key Cooperative community scholarship**

**Applications due by March 31, 2018**

Don’t miss out, high school seniors! Key Cooperative will award twelve (12) $1,000 non-renewable scholarships this spring. To view the scholarship criteria or download the application, visit www.keycoop.com, or contact your local Key Cooperative office by email or telephone.
First, a special thank you goes out to all our retirees, including General Manager Jim Magnuson. On April 1, 2017, Jim retired after serving Key members for nearly 20 years. Key Cooperative members’ assets more than doubled during Jim’s tenure, reaching over $100,000,000. Jim also oversaw the merger of SCE and HOIC in 2008; construction of the Newton rail center and the Grinnell agronomy center; and acquisition of the Le Grand, Keswick, North English, Webster, Sigourney and St. Anthony locations.

Other retirees in 2017 include Kevin Quinn (36 years of service), Dale Schnell (7 years of service), Bill Zimmerman (10 years of service), Dave Tisdale (23 years of service), Ted Hammes (10 years of service) and Art Beck (35 years of service). This year also marks the retirement of Dave Vander Pol from the Board of Directors. Thank you, Dave, for your 18 years of service and commitment to the members and employees of Key Cooperative.

We completed our fiscal year on September 30. Your Cooperative’s financial position remains strong in spite of a $1.5 million decline in local savings from 2016. We are well positioned for 2018; at this time, our working capital is more than adequate to support our operations without increasing long-term debt. We will, however, implement a number of changes in the coming year to improve our financial performance to a sustainable level.

We are positioned to increase revenues in 2018 after record harvest receipts from a surprisingly good crop and an extended fall agronomy season. Because we had access to twice as many bunkers and aerated and tarped ground piles than we did one year ago, we were able to securely store an additional 3.5 million bushels. This outstanding effort from your employees will bring substantial additional value to the membership. We have also received a record number of new membership applications due to our new programs and pricing designed to directly and immediately benefit members in the Energy and Grain divisions. We are also implementing measures to reduce fixed, variable and personnel expenses in the near term and beyond.

Our industry is currently weathering substantial challenges in market supplies and valuations because productivity has outpaced demand. Fortunately, demand remains strong and is growing, but we will have to persevere until it catches up. The difficulty in making a positive net income at the farmgate is no different for your Cooperative. We are just a ripple away and a reflection of those same challenges. We cannot, however, use those marketplace realities to excuse us from making difficult but necessary adjustments to reduce costs, increase efficiencies and improve owner benefits.

I am grateful for your business and support, as well as for our dedicated group of employees who will lead your Cooperative forward. We are fully committed to your success and to being your essential business partner—providing you with exceptional solutions, empowering healthy and adaptive employees and achieving sustainable results, both operationally and financially.
PHOTO CONTEST WINNER: FAWN MEMORIES
By Joann Scoville – Williamsburg, IA

Last summer, Joann Scoville observed a lone doe day after day in her hayfield. She knew there had to be a reason she was sticking around. Then one day, Joann caught sight of the doe sharing a meal with her fawn!

The Connections photo contest is open to any member or customer that receives our newsletter. One winning photo will be selected and placed in the newsletter. Winning photographers will receive a $20 gas gift card! Photos must feature agriculture or rural settings; Iowa-based scenes are preferred. Photos must be submitted by the 10th of each month in order to qualify for the following month’s newsletter. Please include your name, address, phone number and email address with your submitted photo(s).

Submissions may be emailed to Sara.Clausen@keycoop.com.