

# Vantage Point

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## MARKET UPDATE FROM AGVANTAGE LOOKING AHEAD TO 2018—WHAT MAY HAPPEN?

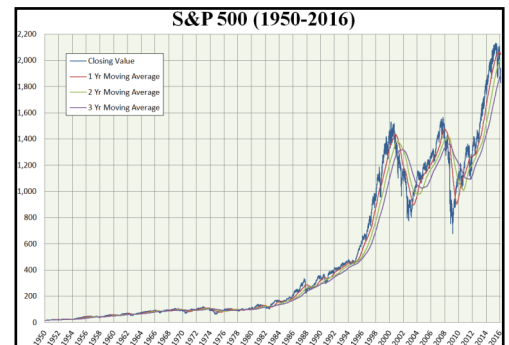


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Michelle asked that I author a newsletter article directed at my perspective of our U.S. economic future. My background is 13 years managing cooperatives and 26 years with a major commodity brokerage firm. I authored commodity comments daily for much of my broker career. This may be the “kiss of death” as we have faced so many unknowns these past years that any forecast is only a guess. Fires, hurricanes and terrorism can change everything. This is my guess as to what 2018 may bring. Perhaps it will bring forward some issues impacting us.

The U.S. economy is running full speed ahead with a stock market often hitting new record highs. Contrarians are already piping up that a correcting sell off is on the horizon. The U.S. equity market continues to run as larger and smaller investors keep investments in the stock market. In fact, the whole world is investing in our stock market as it offers a very liquid, lucrative, and safe investment. Any time we run to new market highs, we are set up for a sell off. The American equity stock remains the best investment for now.

Politics in Washington offer an environment favoring U.S. business growth and development. We don't know from day to day what may happen, but the business environment is positive. Tax reform is the key topic today and it appears positive for business. NAFTA talks may impact exports directly. Overall, the investment cycle is supported in Washington.



Global politics remain volatile. North Korea is not the only volatile country, but North Korea is believed to be one of several possible nuclear threats. The Middle East's governments continue to face many uncertainties with unstable leadership and U.S. allies are nervous with changes in Washington. Many U.S. allies may face more economic hardship as Washington cleans up wasted foreign subsidies. Terrorism can turn us upside down, but it appears the President takes a harder stance to fight terrorism.

Interest rates remain cheap in the U.S. In fact, interest rates remain very cheap compared to my life experiences. The Fed Policy indicates slight increases in interest rates. The Fed hopes for inflation rates to increase, as inflation rates remain very low. Bonds are not favorable investments. Passbook savings and certificates of deposits are not attractive, but remain safe and liquid for cautious U.S. investors. Foreign investors find U.S. bond markets very safe and liquid. Any global economic disruption stimulates a surge in U.S. investments.

Global oil prices remain stagnant from the \$40.00 to \$60.00 based on excessive global oil production on one side, versus supply interruption situations like hurricanes, war, shipping problems and currency disruptions on the other side. The U.S. is now the largest producer of oil in the world so we do not rely on foreign oil production as we have in past decades, therefore global disruptions have a minimal impact. Biofuels, solar and wind continue to lead the charge to supplement fossils fuels.

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Currency markets impact us all. All major global commodity trade is priced in terms of the U.S. dollar. Therefore, a cheap U.S. dollar allows for foreign markets to buy more commodities for lesser value. The opposite is also true. U.S. consumers do not directly feel the impact of a cheap or expensive U.S. dollar since everything we buy is in dollar value, but foreign consumers are impacted daily. The U.S. dollar has rallied significantly the past few years, yet remains cheap compared to the peaks of the early 1980's and 2000 years. Recent rallies have been more about asset protection than policy change. Any relaxation of the U.S. dollar indicates global economies are improving. For example, the EU is not on the verge of bankruptcy compared to the recent crisis for Greece, Spain, Italy, Ireland, and Sicily governments. The dollar is currently sliding lower, and global economies appear to understand policy needs to handle economic crises. There always is an exception such as Venezuela and other OPEC oil producers. This should help the U.S. export more products.



Since so much of our business revolves around agriculture, I need to dedicate comments toward an agriculture outlook in 2018. 2018 should define a new farm bill. Soil health and water quality are on top of the list. Insurance programs are a huge parachute that is a must for farmers' survival with today's economics. Linking land stewardship to farm programs will likely continue. Global crop production continues to be excessive with strong global production. Does the U.S. continue to overproduce, driving foreign crop production out of business? Is the U.S. a lowest cost producer in the world? Or does the 2018 farm program find programs to reduce crop acres, allowing U.S. taxpayers to subsidize global grain production? The CRP was the last major program and it still impacts agronomy departments. If we have fewer crop acres, supplier economic becomes more stressed and survival becomes even more difficult. If crop acres remain the same, I believe product demand will continue to increase as production per acre continues to climb. The farm bill certainly impacts us all.

Continued poor ag economics point toward more consolidation and drive for efficiency. This occurs across all of agriculture. Major seed and chemical companies have consolidated for several years. Other ag supply companies continue to grow or liquidate. Farmers are larger and gaining efficiencies and their cooperatives are also merging or liquidating. Inefficient assets are being liquidated.

Are we at the bottom of the Ag cycle, or are we at the middle? To me, it feels as though we are near the bottom. Land prices are supported as investors look for bargains. The EPA appears to be supporting the biofuels industry. Commodity prices continue to slide lower until we put it away in the grain bin. The large bean crop gives us a lot of soybeans to market. An old grain adage is: "Big crops have long tails". Another grain adage is: "High price cures high prices." So, the opposite is also true. Old grain traders comment that a Republican in the White House helps commodity markets. It will likely be a slow turn for farm economics, and I would anticipate a lot of farm auctions in 2018 again. China and other major U.S. importers of commodities' financial health and demand remain very important to commodity values.

Survival of the small town is not easy. We don't need a grocery store and other supporting stores every 5 miles. Schools, churches, and implement dealerships have been consolidating for a long time. Just think of all the country one room schools that dotted the rural areas in days past. We drive 30 miles and consider it our back yard now. This has been painful as dying communities face loss of economics to live there. This trend will continue for a long time and it impacts us economically in the agricultural businesses. It is important to be a survivor. We are all consolidators whether we want to be or not. Many of us carry dead weight along in our businesses that we don't need. Like the assets of a small town, we need to clean up assets to gain efficiency.

Farmers are hauling their own grain to ethanol plants and terminals with their own semi-trucks. Farmers are building grain handling and storage facilities to handle this own annual production. They drive past the cooperative elevators that they own. Some are returning with their own ag inputs from 50 to 100 miles away. Local



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agronomy centers face a loss of business unless local suppliers can provide top service to producers helping them with supply, applications, and efficiencies. Top notch service is critical as competitors 100 miles away or further are fighting to take your customers. Farmers are telling us they do not need their local cooperative assets unless they provide great value economically.

Farmers complain they see less competition, but I see more competition, since I can say there are fewer farmers to do business with as they grow and consolidate. This is a trend that has occurred for decades.

Weather continues to be the wild card. I continue to wonder when a major drought will hit us or other major crop regions of the world. We have enjoyed many continuous years of adequate moisture to grow great crops. Better seed genetics allow farmers the ability to grow a surprisingly better crop than anticipated in many drought situations. 2017 gave us a wet spring, dry to drought summer, and for some, flooding as the crop was ready for harvest. Long term forecasts continue to bless us with good growing climates.

In review, global wealth remains parked in the U.S. investment as U.S. equities remain the investment of choice for U.S. and global investors. A softer U.S. dollar value should support export markets despite export policy threats. Washington policies impact us all and, specifically, the Farm Bill, NAFTA, and EPA influence future Ag earnings. Interest rates remain low with slight chances to increase. Ag retailers face more of the same with consolidation and pressure on margins. Soft commodity markets only add fuel to the urgency to become more efficient and better operators. Good earnings are needed to grow into the future.



### **AgVantage Software Holiday Schedule:**

We will be closed or have reduced hours on the following dates to allow our employees to enjoy the holidays with their families.

|                        |                 |                |
|------------------------|-----------------|----------------|
| Thanksgiving           | Thursday, 11/23 | Closed         |
| Day after Thanksgiving | Friday, 11/24   | Open 8-3 (CST) |
| Christmas Holiday      | Monday, 12/25   | Closed         |
| New Year's Holiday     | Monday, 1/1     | Closed         |

## **AgVantage Software, Inc. Fall/Winter Trade Show Schedule**

### **Ag Retailers Association Tradeshow**

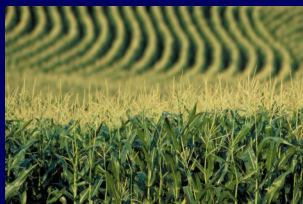
Arizona Biltmore, November 28-30, Booth #212  
Phoenix, Arizona

### **National Grain & Feed Conference & Trade Show**

Marriott, December 3-5, Booth #415  
Louisville, Kentucky

### **MN Grain & Feed 111th Annual Convention & Trade Show**

Mystic Lake Center, March 7-8  
Prior Lake, MN



## Apple Squares

by Valerie Ahlers, Customer Services Rep.

This one is a little extra work but it is a favorite of our staff and apples are so plentiful in the fall. I often use two to four different varieties of apples to blend the flavors. Or you can just use one.

### Mix in bowl and set aside:

10 apples, peeled & sliced  
1 ¼ C. white sugar  
1 tsp. cinnamon

**Crust:** 2 ½ C. flour  
2 Tbs. white sugar  
1 tsp. salt  
1 C. shortening

Cut shortening into the crust ingredients and then mix in: 2 egg yolks & enough milk to make 2/3 C. liquid. Mix with fork until it clumps into a ball. Divide in half. Roll out one to fit a 10 x 15 pan.

Crumble 1 C. corn flakes (I use Honey Bunches of Oats sometimes) over the crust. Spread the apples over the crumbs. And then top with the remainder of the crust rolled out. Beat the 2 egg whites until frothy and spread over the crust. Bake in a 400 degree oven for 30 minutes.

While hot, drizzle with a glaze mix of 1 C. powdered sugar and 2 Tbs. lemon juice.



## Who are the top apple producers?

*Here's a little interesting tidbit on apples from Valerie Ahlers:  
AgVantage Software has customers in 6 of the top 10 states  
(and Minnesota isn't even on the list and we grow lots of apples)*

*The People's Republic of China now produces the largest amount of apples, followed by the United States, Poland, Italy, and France. Apples are grown in almost every state, but since apples cannot set fruit and produce a viable crop unless they get enough total hours of cold each winter, warm winter states like Florida and warm areas of Texas, etc... do not produce commercial crops. That leaves about 32 states growing apples commercially. The top ten apple producing states, in order, are:*

*Washington, New York, Michigan, Pennsylvania, California, Virginia, North Carolina, Oregon, Ohio, and Idaho.*



## Updates on New Releases & Software Releases Coming Soon CDDs Approved for Future Development



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## AgVantage - Version 8 New Releases



### EDGE Agronomy

- Agronomy dispatch window now with grid and map view together (415684)
- Added machine filter to Scheduled Order Screen (416530)
- New ability to set default service location for users (416721)
- New Crop Maintenance ability to add color for crop type (416935)
- New Scheduled order filter blended/Edge Dispatched status (417261)
- Added Order apply process and automatic weather conditions (417773)
- Added start time/in progress tracking to order application (417809)

### EDGE CRM

- New Agronomy tabs in CRM (415578)
- New Grain Tabs in CRM (415594)

### EDGE Grain

- Displaying location name – now uses short name for location (414538)

### EDGE Inventory

- Physical Inventory Batch Entry added to lot number (412045)
- Physical Inventory Adjustment headings added (412063)
- Physical Inventory Browser added (405885)
- When you click on Item Portal it now stays in Inventory (399930)
- Physical Inventory Adjustment Batch added (405885)
- Added menu option Print Physical Inv Batch Edit (407837)
- Physical inventory validates the enter key (408647)
- Physical Inventory added Item Lookup Box (408648)
- Physical Inventory batch removes counting factor (408668)
- Added filter for inventory by lot # (404349)
- Added description to item number/last item count (413890)

### Agronomy

- Added pick numbers to List Blends To Be Billed Report (416726)

### Accounts Receivable

- New Voiding and resetting of a payment already merged (401065)
- New Ability to add a Purchase Order number after an invoice is merged (411046)
- New maintenance screen for AR Customer Override File (U4CSTAXE) (414322)
- Cash Customer in the Customer Master (U4CSTMR) do not allow changes if balanced (415569)
- Uses Spray Application Records (U6FRMXA) for operator and machine when available (416715)

*Please see our  
Message Board  
for many product  
enhancements continuously  
available.*

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### Interface

- CFN – Mileage/Vehicle Report added email & eAgVantage ability (401057)

### Feed

- Customer with COD Level that is informational only, when creating a feed order (417136)
- Pulls actual weights from WEM (417558)

### Grain

- Grain captured files – now schedule date and time to run (410275)

## AgVantage Software Releases Coming Soon:

### eAgVantage

- Farm and Field enhancements, adding mapping to farm and field, add work order details ability to select multiple fine line codes at one time, grain yields, A/R expense table to details (363121)

### Edge Accounts Receivable

- Customer Portal Phase 1 (399920)
- CDD - Adjust lines in a payment (tran code 3) to include in eSales by Department (382945)

### Edge Energy

- Tanks that need to be painted (339535)
- CDD - Add AR contracts button in eAgVantage (369275)

### Edge Grain

- Change Loads (344456)
- Delete Loads (344463)
- CDD - Cash Position Report (eAgVantage) show positional and grouping like Grain DPR (181937)

### Edge Inventory

- Merge Physical Inventory Adjustment (407670)

### Edge Seed

- Edit Seed plans and order to manufacturer (370873)

### Accounts Receivable

- Allow more term selections on Customer Aging Report (409952)

### Energy

- Way to be able to start an A/R Merge at a certain tank (375255)
- Tax codes in PC Energy passed to crossover (406765)



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#### **Grain**

- Report for printing split group per grower (416855)
- Ability to turn on lot tracking by crop (367055)

#### **Interfaces**

- Payment interface to scan in payment amounts (361353)

#### **AgVantagePC Energy**

- Ability to substitute products on the truck and roll up into one inventory (402158)

#### **AgVantagePC Invoicing**

- Process Grain "Live: coming from PC Invoicing (227181)
- Grain Bank Balances on the invoice (339147)

#### **Employee Time and Attendance**

- Lunch button on the Manager screen (408839)

## **CDDs Recently Approved for Future Development**

#### **EAGVANTAGE Commodity DPR**

CDD 17 Allow position to show beyond one year (416599)

#### **EAGVANTAGE ePayments**

CDD 17 ability to have multiple ACH accounts to select from on ePay (403605)

CDD 17 Need users to be able to enter prepay dollars thru web (400378)

#### **EDGE**

CDD 17 Ability to change or release print jobs (416598)

#### **EDGE Accounts Payable**

CDD 17 Ability to key in location instead of selecting (416593)

CDD 17 U2VMSTR vendor assigned to General Ledger (416596)

#### **EDGE Energy**

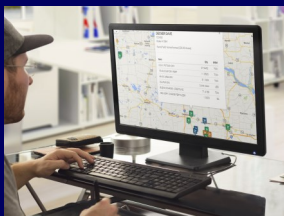
CDD 17 email a customer when the tank gets to a certain percent (407940)

CDD 17 Set up program to pull in scheduled deliveries over night (388295)

#### **EDGE Feed**

CDD 17 Email Order confirmation for feed orders (405328)

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**EDGE Grain**

CDD 17 Grain Balance Statements - wants price adjustment to show (402856)  
CDD 17 Loads Portal - new document - Ticket Disposition (401980)  
CDD 17 Purchase Settlements - settle based on Net Dollars, not Units (386448)

**EDGE Inventory**

CDD 17 Allow multiple vendors/haulers to be set up in freight tax (406006)  
CDD 17 Edge Accounts Receivable Inventory View—Inventory Cost (405737)

**AgVantagePC Energy**

CDD17 Show remaining balance of contract on bottom of delivery ticket (393169)

**AgVantagePC Grain Scale**

CDD 17 Hauler list on scale as well as customer and crop (355946)  
CDD 17 Sort tanks by customer name (300811)

**AgVantagePC Invoicing**

CDD 17 Print credit card authorization info on invoice (407048)  
CDD 17 Require a signature on all returns (377122)  
CDD 17 adding immediate discount to PC Invoicing (336002)  
CDD 17 Discount adjustments on payments in PCINV (326105)  
CDD 17 Print contract terms when creating Prepays/Bookings (320703)  
CDD 17 Allow to enter GL account on a line item (215982)

**AgVantagePC Seed**

CDD 17 Editing a dispatched work order (392906)  
CDD 17 Ability to change a customer on an existing plan (375610)  
CDD 17 Ability to validate lot quantities (355504)

**Patronage**

CDD 17 ACH Patronage checks (386556)

