



Dear Mid Iowa Employees, Members and Patrons,

I wish you all a very productive and happy 2019! With every new year comes new opportunities some of which we will pursue and others we will pass on. I want to make you aware of an opportunity our cooperative has been approached with and give you my initial thoughts regarding the positives and negatives of this potential transaction. We have been approached to evaluate merging East Central Iowa Cooperative (ECIC) into Mid Iowa Cooperative. ECIC has recently had some challenging financial times and currently finds itself without a general manager to lead its organization.

While this may sound dire from the beginning I would be remiss if I didn't give you a full picture of the company's assets and capabilities. ECIC has some assets which would definitely enhance our company's strengths. As an example ECIC has access to one Class 1 mainline railroad (the Canadian National) via its rail loading grain facility at Cedar Falls. It also has rail access on the Iowa Northern Railroad via its facilities at La Porte City. The La Porte facilities can load rail with grain and unload LP. These are attractive assets to Mid Iowa to open up our grain marketing options as well as enhance our growing energy business. ECIC also has a very successful feed business which represents yet another opportunity for us to add value to the grain we originate from our members. As you will find with most cooperatives' agronomy departments, ECIC's agronomy business has been very challenging as it has significant competition within its trade territory.

In total ECIC has 4 major locations:

Cedar Falls – grain storage on rail

Hudson – in town grain elevator, small agronomy shop outside town

La Porte City – in town grain elevator on rail, LP facility on rail and agronomy chemical warehouse

Jesup – in town grain elevator and feed mill with a newer grain and agronomy facility south of town off Hwy 20

As I review their financials I can summarize their situation as simply lacking the volumes and margins required to be profitable on a sustainable basis. They need more volume through their rail facilities and this perfectly fits a strong need of Mid Iowa – to find more efficient destination markets to sell our grain. We will be evaluating this opportunity thoroughly to ensure we can truly make these facilities profitable over the long haul.

While we are very early in the process of learning more about this opportunity, I want to assure you we will only pursue this merger if it results in our companies becoming stronger and more valuable to all members and employees. We will protect and grow our positive culture and continue to demonstrate our core values of being connected locally to our communities, building lifelong relationships through understanding and trustone day at a time.

Sincerely,

Mike Kinley