

The Farmers Coop of Hanska

E-Newsletter
January 2019

1929-2019
90 Years!



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-Vice President

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-Director

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-Director



I don't think I'm alone in being thankful the year 2018 is over. We have all had our fair share of challenges this year no matter if you are farming or in the Ag Supply business. Farming and Agribusiness have a long history of taking challenges head on and making the best of the hand we are dealt but we are hoping for a much calmer 2019.

Annual Meeting

Thanks to all of you who attended the 90th Annual Meeting of the Farmers Coop of Hanska. By attending the meeting you can learn about the state of your coop from reliable sources like the independent auditor, board of directors and local management. People who know the facts. And, the details behind the numbers are presented. We had a great crowd and delicious meal served by the Turner ladies. I'll give you a short recap of what was discussed.

Financially, your coop was on budget right up until April 2018 then the snows and rains came. This severely affected our agronomy division as it did many of our neighboring coops. Spraying income, fertilizer and chemical sales were especially affected which resulted in a breakeven year for the agronomy division. The bright spot is that we are now fully staffed in the agronomy division with experienced custom applicators and were ready for the fall 2018 application season. The Grain Division had the best year in the last five with significantly improved margins and volumes coupled with a huge corn drying season in the fall of 2017. Energy improved its bottom line by 33% largely due to the big drying season and acquisition of new customers. Finally, the feed division also performed similar to fiscal 2017 which was a great year. Your coop reported a local loss of \$543,711 compared to a loss of \$700,304 in fiscal 2017. Behind the numbers are several expenses that were not part of the operations. We took an additional reserve for doubtful accounts of \$140,000. Prior to this year we only had \$42,000 reserved which is a very small number given the amount of sales we have. There was also another \$250,000 in areas such as chemical rebates, bank fees etc. that were incurred or adjusted that negatively affected 2018 earnings. Agronomy division was unable to contribute to the bottom line this year due to weather conditions. If you add all those numbers up we could have potentially turned in a profitable year. In most years we would see a patronage dividend from our regional coop, CHS, of \$225,000 which was not paid in 2018. When you pull it all together the financial performance of your coop in fiscal 2018 was a significant improvement any of the past three years.

We have talked several years about the high level of depreciation expense that your coop has taken on since the purchase of the Courtland and Mankato feed and grain locations. Nearly \$1.7 million of the operating expenses came from depreciation. Your coop has been cash flowing fine as depreciation is a non-cash expense. The good news is that in fiscal 2019 this number drops by \$425,000. We are not satisfied with breakeven performance, but we still can meet our obligations to pay our lenders, vendors and members (for

grain purchases). I encourage you to contact the board or management of your coop as the best source of answers to questions you may have about the financials presented. Please be skeptical of what you may hear from competitors who are out talking about your coop's business. They don't know the background of how the numbers were put together. My office number is 507-439-6244 if you want to talk to me directly.

Merger Discussions

We also addressed the status of the merger discussions with Farmward Coop at the annual meeting. This is a big decision for both coop's board of directors. Discussions continue and when both boards are comfortable with moving forward you will be notified. Or, if a decision is made to discontinue discussions you'll be notified as well. I have heard continuously in the board room that assuring great customer service and protecting member equity are the primary objectives.

Moving ahead

So far in fiscal 2019 our November financials shows a bottom line that is double last years. Our agronomy warehouses are full of fertilizer and crop protection products that are paid for waiting to be sold. We just paid out \$4 million worth of deferred grain and have taken in producer prepay dollars that are at levels of what we expected given the economics present in the ag sector. We have a very competitive position in soybean seed right now that has been very popular and sales have been excellent. We are loading a corn train this weekend and are planning on a couple more over the next month or so. The feed mills have been setting new monthly volume records for complete feed produced. We have a lot of good things to talk about and I want you to feel comfortable that we are here to serve you. We have a great group of talented employees here to professionally apply your fertilizer, manufacture quality feed, help market your grain and service your energy needs. We also have the capacity to take on more business and can take care of our customers in a timely fashion. More than ever, we need your support and are anxious to earn it. I know we are competitive and have the personnel to service you. If no one from FCH has asked for your business lately, I'm asking for it now.

Thank You

On behalf of the board, management and employees of the Farmers Coop of Hanska we'd like to Thank-You for your support and business over the past couple years. It is our hope that you will have confidence in us to continue to be your first source for ag supplies and grain marketing products and services.



Thank you to all our patrons who made our feed division successful for 2018. With your support we added volume to both our feed mills, made key asset improvements and ended the year with a solid bottom line. Our employee base is a solid mix of seasoned millers and experienced delivery drivers trained to provide you with excellent service and quality feed. Our talented support staff has a great reputation for responding to your needs and caring about your success. Your confidence is greatly appreciated.

Feed ingredient costs have been erratic. Corn and soy bean meal prices are firm as of now, continue to look for opportunities to lock in prices on market dips. Byproduct feeds like ddgs, midds and soy hulls have been strong to wild, but look like they may have hit their highs and are drifting lower.

Biosecurity needs extra attention during winter time. Plan ahead to help feed delivery personel minimize steps in your yard. Early orders help us to plan routes and sequence feed orders. Opening and closing bin lids help keep drivers close to their trucks and ordering full truck loads minimize trips to your farm. Plastic boots and gloves help us prevent disease transmission but can be impractical and dangerous on snow and ice.

We have customers in need of additional quality swine nursery, wean to finish and finishing spaces. Custom contracts are available with new competitive terms for new construction as well as for reputation feedlots.

Again, thank you for your support, we look forward to a successful new year!



Winter is here and the C-store is ready to serve you. We have 20# LP tanks for \$20.95 with your rewards card. We also any size coffee, cappuccino or hot chocolate for only 99 cents! These January specials are in addition to all year round perks such as buy 10 gallons of milk, get 1 free, and 5cents off per gallon of gas (up to 30 gallons). The C-store also has you covered when it comes to winter needs. We sell sidewalk salt, fuel additives, ice scrappers, and anti-freeze. That you for your business and see you soon!



It is early January already. . It looks like the lows are in for both corn and beans. So far, we are seeing a small rally this New Year. We'll see where it goes.

Particularly with New Crop, have you thought about values where you would make a sale? Have you put some orders in? As of tonight, Dec 19 corn is trading at \$4.04 and Nov 19 beans at \$9.60. Or \$3.44 and \$8.65 cash. Maybe not appealing yet, but what is the number that is? Again, I encourage you to set targets and pricing dates. You are in the driver's seat as you have some time to work with.

The bushels you have in the bin are another story. I still encourage you to set targets, but probably less aggressively. I would set targets in the upper values of ranges that are traded. If you break through the top of a range, reset your targets. Unfortunately, bills will probably drive your marketing as much as anything.

Please keep on eye, or maybe even your nose, on your grain stored at home. Now is the time to check it, rake the tops, take out a load or two, and run your fans as needed. Out of condition grain is the last thing you need this year.

Want to hear the latest market info? Come to one of our market meetings on Monday, January 21. Noon at the Hanska Community Center or 6:00 PM at Courtland Community Center. We will also show you some contracts where you can get values over what markets are trading now.

As we begin the New Year, there is no better time to get your financial information in order. The perfect tool is **eAgvantage**, a feature of our accounting system that gives patrons access to their account 24 hours a day. You can look up grain information (proof of yield reports, grain contracts, and detailed load information) as well as your account transactions, statements, or prepaid balances. To set your account up for **eAgvantage**, visit our website at www.hanskaco.com. Click on the icon located in the upper right hand corn of the page and follow the directions for a "First time sign on".

We continue to strive to be more efficient in our billing and collection procedures. A key to becoming more efficient depends on you, the customer. You can help your coop save time, paper, postage, and most importantly money by getting set up by the following paperless options.

1. Statements by e-mail. Monthly statements are also available on **eAgvantage**.
2. ACH Autopay – Eliminate the hassle of writing a check every month.
3. Grain Settlement Direct Deposit – Have your grain settlements deposited directly into your bank account.

If you would like to take advantage of any of these options, please contact us at (507)439-6244. Thank you for your continued business.

-Darren Pierskalla - Controller



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