

Farmers Co-op of Hanska

Proud to be Farmer-Owned

Winter 2016

1929-2016

87 Years



FCH Board Members:

Richard Wellmann
-President

Randy Aschenbrenner
-Vice President

Mark Fischer
-Secretary/Treasurer

Gerald Grathwohl
-Director

Richard Wurtzberger
-Director

Brad Portner
-Director

Matt Suess
-Director



Jerry Svoboda

This is the first newsletter following harvest and the FCH Annual Meeting. It was really great to meet so many of

you in the grain receiving dumps and at the meeting. I heard many compliments about how well our employees performed in all our divisions during the long harvest season. For those who missed the annual meeting I thought I'd recap a few of the major points that were presented.

For all of us, fiscal 2016 was disappointing from an earnings standpoint. The purchase of the New Vision Feed LLC in Mankato and Courtland contributed to swelling the depreciation expenses to \$1.8 million. FCH is still depreciating grain expansions

at the Burdick and Hanska locations. We will be living with this kind of depreciation expense for a couple more years when it drops off fairly rapidly. Depreciation is not a cash cost so from a cash flow perspective we were able to end the year with a similar cash position as fiscal 2015 while paying down our long term debt by nearly \$2.0 million. The feed division is now performing much better than in fiscal 2016 and should be a solid contributor going forward.

The grain business has been tough for all elevators and you will see that as more annual reports are released. Even large grain companies like Cargill and ADM have struggled to

perform as they have in the past. When our members do well your coop tends to do well. FCH has a large stake in the grain business and the absence of a strong rail market has affected us negatively. We have spent some significant dollars to fix up the tracks and locomotives in Burdick so we are ready to take advantage of the export markets when the opportunity arises.

FCH has had an unusually large turnover of people since fiscal 2015 and especially in the management ranks. Many of you had built relationships with those who left that go back many years. I am still a big believer that relationships and trust matter in ag business and it is our job to earn it from you. I am confident you will be happy with the group of managers, site supervisors and employees on staff here at FCH. They are enthusiastic and sincerely want to earn and keep your business. Please give them a chance to prove to you that FCH and a smaller coop can be responsive to your needs!

In our 2016 fiscal year numbers there is a fairly large amount of dollars that can be considered "one time" costs. They include inventory and quality adjustments, personnel turnover costs, unusual repair and maintenance costs and some accounting adjustments. We don't expect these costs to repeat themselves as they equal about half the loss in local net savings.

Fiscal year 2017 has started off much better in terms of volumes. We have seen significant volume increases in corn handle with our "farmer friendly" storage programs, propane and diesel sales have outpaced a year ago. And, we were able to apply a large percentage of the dry fertilizer and anhydrous ammonia that we thought wasn't possible in mid-November plus seed sales have grown tremendously compared to last year. Some more good news is that even with our grain volume exceeding last year we were able to find room under roof and did not have to pile any on the ground.

The members of the Farmers Co-op of Hanska own a small coop who can do big things. It is our intent to serve our membership with products and services that are world class but with a personal touch. Please give us that chance and your co-op will thrive well into the future..

Jerry Svoboda - General Manager

GRAIN



Scott Ziegler

The fall of 2016 has not been a typical harvest. The variability of weather posed problems for both harvest and grain storage. With the above normal temps we saw in November and higher dew points it made it difficult to cool the grain down. It will be important to monitor your grain in storage. Here a few tips:

Make weekly observations of storage facilities. When the weather gets colder you can back this off to every 2 to 3 weeks. Keep an eye on surface conditions, temperatures, grain condition and any different smells. Grain that is crusting, wet, or slimy as well as frost accumulation or ice buildup can be a sign of poor conditions

or spoilage. Run aeration, grain that is cooled in 10-30 degree Fahrenheit increments for winter storage should be less subject to mold and insects.

Farmers Co-op of Hanska is now offering an Average Seasonal Price Contract for 2016 crop and New Crop 2017. This contract can be done in 1000 bushels increments and can be done as a Cash contract or HTA contract. It will price a portion of your grain every Thursday starting January 5th. Must sign up by January 3rd. Please call Scott or Lexi in Mankato (1-800-216-0742) or Karen in Hanska (507-439-6003) for details.

The Grain Department would also like to Thank all of you for your business and confidence in us.
HAPPY HOLIDAYS!!!!

AGRONOMY



Bill Meyer

Fall Wrap-up and Prepay Outlook

What a crazy year we just experienced. I don't recall ever having a year with such consistent and heavy rainfalls. Some of the yearly totals that we have heard are just mind boggling, yields were all over the board and the Fall fertilizer season had so much uncertainty and delays it was tough to get things done. But as I sit here today, we are pleasantly surprised at

what we did get done and feel a lot better about how we will be sitting as we look ahead to the 2017 planting season.

Fertilizer markets had been fairly steady throughout the Summer months into Fall, but we recently saw some spikes in the Urea market. I do think that it will correct itself somewhat, but will not get back to the levels that we saw a few months ago. What was a 2-3 cent gap between NH3 and Urea has suddenly turned into an 8-10 cent gap, which is going to make NH3 a very attractive option for Spring. Although I am not a big fan of Spring NH3, if we can get in the fields in the latter part of March, that is certainly an option to look at.

The biggest factor driving this price increase is that the new production that was to be coming online in the last quarter of this year has seen a myriad of delays, so that pushes back production and available supply, which in turn drives up prices. China has also had production issues, so they are also now importers instead of exporters. So, it is all a domino effect that right now does not have a quick fix for the marketplace.

As we look at prepay season, I would definitely look at locking in your "N" needs fairly quickly. P & K look to be

much more stable markets at the present time, so the urgency to lock in those products is not nearly as important. I do not foresee big increases in the chemical side of things, so that could also be put on the back burner if need be.

One thing that we became aware of earlier this month was that the Xtendimax herbicide system and all of its related competitors has been put on hold in Minnesota. As we all heard, the federal registration came through earlier this Fall, but our understanding now is that each individual state has to also come up with their own set of rules and regulations, and Minnesota has not come out with their rules. What this means is that for the present time, we CANNOT sell the herbicide program in this state. By the time you read this it may be approved. It may be a week, month, year, 5 years, never. We just don't now right now when, if ever, approval will come.

Seed sales have been very good so far. The addition of the Gold Country and Federal lines have been a real boost to our seed lineup. We also offer Latham, Stine and Croplan.

Prepay prices will be out somewhere around Dec 20th – 22nd. Those prices will be good until Jan. 13, 2017 so you can lock in pricing on either side of the new year.

Thank you for your business this past year, and we look forward to working with you going forward.

Bill Meyer – Agronomy Manager
(507) 439-6244 Ext. 4

Mark Bocock - Sales

Andy Miller, Ryan Guldán, Lance Sletta, Devyn Tierney
- Operations

Kailey Seifert - Accounting



John Schmidt

This is an exciting time in animal agriculture and your feed team is proud that so many of you choose the Farmers Coop of Hanska as valued partners in your livestock enterprise. We are looking for new and existing feedlots for several outstanding local pork producers. We have a need for grow to finish, wean to finish and nursery barns as well as a 2500+ sow farrowing site. Inquiries are welcome, no

pressure and confidential. Call John or Brian at (507)345-4103 and we will help you navigate some custom feeding options. We also have the solid support of reputable pig suppliers for sourcing weaned pigs and feeder pigs.

A recent report by an "animal welfare" watchdog slammed KFC for "unacceptable" animal welfare standards. The group supported their accusations by stating the average life of a broiler chicken is 42 days and KFC has not adapted acceptable standards in reducing antibiotic use. The implication is that only the use of antibiotics and "inhumane farming" methods make the impressive growth rates possible. In reality, the combination of improved genetics, superior nutrition and dedicated animal husbandry make it possible to raise a broiler in 42 days. The group tries to connect the accusations to consumer demand by equating superior growth rate with poor animal welfare standards. American Farmers (large and small) produce meat, milk and fiber with far fewer resources than was possible in the past. We are proud to be a part of pork, beef, poultry, dairy and lamb production that leaves

FEED

the world with more natural resources. The use of antibiotics in animal agriculture is a relatively recent technology. We still have livestock producers today that remember the helpless feeling of seeing an animal suffer from diseases that were incurable a short time ago. The judicious use of the modern miracle of antibiotics has improved the quality of life of food producing animals as well as our dogs, cats and other companion animals. Denying an animal treatment with appropriate medicine would be inhumane.

FEED ORDERING POLICY: Thank you to all of our feed patrons for your help in improving our feed scheduling. Our new order policy went into effect December 1st and with your cooperation we have made improvements in receiving and processing feed orders.

Orders need to be in by noon the day before requested delivery time. Earlier ordering will allow us to increase efficiency by scheduling drivers and mill personnel more effectively. Some orders are currently placed for the whole week by early Monday morning, allowing for much greater flexibility in scheduling.

Orders under four tons need to be placed before noon two days before the requested delivery date. The earlier lead time will improve our efficiency of putting loads together to fill the trucks.

A late order fee of \$50/load apply to orders received later than noon the day before requested delivery for 4 ton or more and noon two days before for less than four ton.

Our goal is to improve efficiency, not increase delivery fees! Each truck compartment is 3 ton. A tandem delivery truck is 3x6 or 18 ton and a semi load is 3x8 or 24 ton.

Merry Christmas and have a happy, healthy and prosperous New Year!

ENERGY



Brian Stueber

Happy Holidays from the Energy Department!

Winter has officially started, which means a lot of you will be calling for propane fills. Please call when your tank is down to 30% and no lower than 15%. This allows us to get you worked into our schedule fill routes during the week. If your tank level is at or under 10%, you are considered EMPTY

and we are required to perform a leak check. In order for us to do this check, someone must be at the residence and there is an additional fee of \$50. Our minimum delivery requirement is 200 gallons, anything requested under that will have an extra \$25 charge. Same day delivery charges are \$100, and after hours or holiday calls will be charged \$150. Please keep in mind that customers on our scheduled fill routes will not be charged the above fees. Call Randi in the Energy office with any questions.

Blending your diesel fuel correctly is a common concern this time of year. Adding #1 diesel fuel to #2 diesel helps maintain cold weather flow characteristics, increasing the operability of your fuel. It is also important to know the cloud point of your fuel. The cloud point is when the fuel begins to form cloudy wax crystals that coat the filter element and reduce the fuel flow, starving the engine. Please consult with Brian for more details with regards to blending winter fuel.

Proper tank maintenance will prevent your fuel supply from being contaminated. Removing water, sediment, and other impurities from your supply helps to avoid problems in your engine's performance such as: corrosion, filter plugging, and ice formation. Clean your tanks annually, clean pump screens regularly, install a proper filtration system on bulk tanks, pressurize tanks to keep vapor and air inside, tilt tanks to direct water and debris away from the outlet, and replace fuel filters.

December and January are good months to consider locking in 2017 growing season, fuel prices. Contracts are available for Spring and Fall of 2017. Contact Randi for pricing and paperwork. Cash prices for fuel and propane are posted on our website.

We are proud to remain a local and patron owned co-operative with a focus on personalized customer service. If you have any questions about our services, don't hesitate to call. Thank you for your continued business!

Dallas Larson Bio:

Dallas Larson started at FCH in August 2014, for propane sales and delivery. He grew up in Hanska and currently resides right here in town. He graduated from New Ulm Public and then spent four years in the US Navy. He attended Hennepin Tech College and earned a degree in heating and air conditioning. He was employed at Schwickerts Co. for 17 years followed by 6 years of over the road truck driving for Larry Stoesz Trucking. He is the father of two boys: Adam and Jared. He also has a black lab that is his hunting sidekick – Bones. Next time you see the propane truck at your place, feel free to say hello and get to know Dallas.



Brian Stueber – *Energy Manager*
(507) 439-6244 Ext. 2

Dallas Larson - *Delivery*

Randi Blackstad - *Accounting*
(507) 439-6015

MESSAGE FROM THE BOARD

Thank you for the great turn out at the 2016 Annual Meeting held in November. It was great to see so many members in the audience showing interest in their coop. The main purposes of the annual meeting is to report the fiscal year financial results, report on the operations and elect directors to the board. Dale Carlson from Carlson Highland presented the financial results for 2015. Although the financial results weren't what we have come to expect we feel that we have cleaned up a several issues and are optimistic that there are better times ahead. Although there won't be any patronage dividend allocations this year we will be passing the DPAD tax deduction directly to our members. Look for the 1099 to be sent out in January. Dale Carlson did announce that this will be his last year auditing your co-op. We thank him and his firm for all their help over the years and wish him a happy retirement!

We'd like to welcome Matt Suess as our newest member of the board. Matt farms outside of Hanska and works part time doing tax preparation at Carlson Highland in New Ulm. He is also following the footprints of his Grandfather, Erwin

Suess, who served on the coop board in years past. We'd also like to thank Herman Anderson for his 39 years of service to the board of directors. Herman's dedication and experience will be missed. Herman was recently presented a plaque by Board President, Richard Wellman, in recognition of his service to the members.



The number one goal is for us is to offer the quality products, services and advice that wins your confidence to do business with us. Ultimately, our membership will decide if they want FCH to stay independent by using the coop products and services in their operations. We have received numerous compliments from patrons about the level of service they have been receiving from the current management and staff. We truly appreciate your business and invite you to give our team the opportunity to work with you in your operation.

Farmers Co-op of Hanska
103 E. 1st St.
Hanska, MN 56041

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As we prepare for 2016 to come to a close, I would like to remind our patrons to do their part in keeping us informed of any changes that should be made to their account, especially address changes. This will assure that the tax documents we distribute will get to you in a timely manner.

If you haven't checked out **eAgvantage** yet, a feature of our accounting system, we highly recommend that you do so. **eAgvantage** gives you access to your account 24 hours of the 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 link to "Patron Access – **eAgvantage**" on the left-hand side of the page and follow the directions for a "First time sign on".

Would you like to go paperless? We offer the following options:

1. Statements by e-mail. Monthly statements are also available on **eAgvantage**. If you do not require a statement mailed to you, please let us know. This will help your Co-op save on postage and paper.
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

CONVENIENCE STORE

HAPPY HOLIDAYS from the Hanska C-store! In the middle of your Christmas baking and you run out of some ingredients? We carry quite a selection of baking needs along with all your staples like bread and milk. This month if you are a Diamond Rewards customer all gallons of milk are 2/\$6.00 and it takes only minutes to sign up if you haven't already done so. Make sure and stop by Friday, December 23rd for Customer Appreciation at the store. We have free coffee and cookies til 3:00 p.m. ...We close at 2:00 p.m. Saturday, December 24th and will be closed Christmas Day, reopening at 6:00 a.m. on Monday, December 26th. We will be open regular hours on Saturday, December 31st and will be closed New Years Day, reopening Monday, January 2nd at 6:00 a.m. Have a safe and HAPPY HOLIDAY SEASON from all of us at the C-store!

Career Opportunities:

Due to an increase in sales volume, we are currently accepting applications for a feed delivery truck driver. Please contact Brandon Mohr at 507-439-6244 for more details.

 Like and follow our Facebook page for updates concerning Farmers Co-op of Hanska