



UNITED
COOPERATIVE™
R E L Y O N U S

80th Annual Report

2015





David A. Cramer
United Cooperative
President and Chief Executive Officer

From the CEO

To our patron member owners:

In 2015, your United Cooperative took the momentum from recent growth through mergers and acquisitions and increased sales in all major product areas. In addition, the cooperative made significant investments that will benefit your farming operation and your cooperative for years to come.

Revenues for 2015 were \$582 million. United Cooperative's core cooperative businesses of feed, grain, agronomy and energy generated \$27 million in profits, up \$2.1 million from 2014. The investment United Cooperative made in ethanol contributed \$11 million to our net income in 2015, down from the \$33.5 million this investment returned the year before. And patronage from regional cooperatives was virtually unchanged year over year, at \$7 million dollars. All combined, United Cooperative had a total net income before income taxes in 2015 of \$45.5 million dollars. While total net income was down \$20 million from 2014, this was entirely due to the reduction in the earnings of our ethanol investment, which performed extremely well in 2014.

With those profitable numbers, United Cooperative is returning \$28 million in total patronage to members. Forty percent of this patronage, or \$11.3 million, will be distributed in cash to our patron member owners in April, while 60%, or \$16.9 million, will be retained in equity credits. In addition, we plan to continue to revolve stock in October, retire stock at age 77 and pay all estates as requested.

While our businesses performed very well in 2015, we also know that to continue to be a valued partner for our members, we need to continue to provide up-to-date facilities in strategic locations. We acquired AgVentures, LLC and Grain Ventures, LLC in Coleman, Shawano and Oconto Falls, and acquired four locations from Archer Daniels Midland (ADM) in Auroraville (Berlin), Oshkosh, Ripon and Westfield. In 2015 construction began on two state-of-the-art feed mills at Shawano and Wilton. We built a completely new agronomy location in Hillsboro, and reorganized and remodeled the hardware store into a larger space at Hillsboro also. United Cooperative also finalized plans to build a new grain facility at Westfield, and a new fertilizer plant in Auroraville. These facilities are under construction at this time.

After you review the financial numbers for your cooperative, I hope you are as proud as I am to represent United Cooperative. Our 80-year journey does not come without generations of members who value, use and take pride in doing business with their cooperative. Thank you for your continued partnership and for your business. I know all United Cooperative employees are looking forward to serving new and existing patron members in 2016 and beyond.

Cooperatively yours,

A handwritten signature in dark ink that reads "David Cramer".

David Cramer
United Cooperative President and Chief Executive Officer



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Officers and directors

Howard Bohl	Chairman
Gary Nolden	Vice Chairman
Robin Craker	Secretary
David A. Cramer	Treasurer
Duane Hinchley	Director
Anthony Schadt	Director
Brad Krueger	Director
Greg Tauchen	Director
Rod Leiterman	Director
Peter Mlsna	Director



The 2015 United Cooperative Board of Directors: Back row, left to right: Robin Craker, secretary, Reedsburg; David Cramer, president and chief executive officer, Beaver Dam; Duane Hinchley, director, Cambridge; Greg Tauchen, director, Bonduel; Gary Nolden, vice chairman, Prairie du Sac; Peter Mlsna, director, Hillsboro. Front row, left to right: Brad Krueger, director, Shawano; Howard Bohl, chairman, Beaver Dam; Anthony Schadt, director, Watertown; Rod Leiterman, director, Denmark

Personnel

David A. Cramer, President and Chief Executive Officer

Additional information

Date of incorporation	Jan. 27, 1936
Fiscal year end	Dec. 31
Annual meeting date	Set by board of directors
This year's annual meeting date	April 18, 2016

In 2015, your cooperative ...

- Returned over \$25 million in cash to our members in 2015.
- Acquired AgVentures, LLC and Grain Ventures, LLC in Coleman, Shawano and Oconto Falls
- Acquired four locations from Archer Daniels Midland (ADM) in Auroraville (Berlin), Oshkosh, Ripon and Westfield
- Received scholarship applications from 79 graduating high-school seniors. Forty-five students were selected by the Federated Youth Foundation to each receive \$1,000 scholarships.
- United Cooperative once again ranked 29th on the list of the Top 100 Agronomy Companies in the United States by Crop Life Magazine and 57th on the USDA's top 100 list of Agricultural Cooperatives in the United States, by Rural Cooperatives magazine in 2015.
- Donated \$37,000 to 34 different food pantries throughout our trade territory in December and early January.
- Employees completed over 650 online safety classes and over 1,400 man hours of hands-on training in environmental health and safety. United Cooperative also spent over 200 man hours training local fire departments and EMS personnel in grain bin safety and rescue.
- Installed heat recovery system on a dryer in Rock Springs to aid dryer efficiency, expanded pit capacity in Hillsboro to allow semis to dump both hoppers at once and installed several more zero-entry sweeps to improve safety and performance.
- Began planning construction of new grain facility in Westfield, fertilizer plant in Auroraville
- Began construction and neared completion on the following projects:
 - Feed mill at Wilton - Includes 13 load-out bins with a total capacity of 255 tons, liquid feed capacity of 135 tons and 35 inbound ingredient storage bins with a total capacity of 1,450 tons.
 - Feed mill at Shawano - includes 13 load-out bins with a total capacity of 255 tons, liquid feed capacity of 135 tons and 35 inbound ingredient storage bins with a total capacity of 1,790 tons.
 - Agronomy facility at Hillsboro - Increased dry fertilizer storage from 3,500 to 6,000 tons, liquid storage from 200 - 1,800 tons and new, upgraded equipment.
 - Hardware store at Hillsboro - Created new, more open retail space, added retail items

Balance sheet

Current Assets

Cash and cash equivalents	\$21,531,597	\$26,412,932
Receivables, net	31,612,188	22,823,406
Inventories	189,416,589	166,633,215
Margin account	5,922,171	6,970,633
Unrealized gain on forward contracts	268,946	188,256
Prepaid expenses	64,209,164	54,819,427
Other current assets	<u>4,635,998</u>	<u>2,229,292</u>
Total current assets	317,596,653	280,077,161

Investments and other assets

Investments	93,510,967	87,425,308
Other assets	<u>6,647,856</u>	<u>2,982,694</u>
Total investments and other assets	100,158,823	90,408,002

Property and equipment

Less accumulated depreciation	<u>(120,867,634)</u>	<u>(106,508,795)</u>
Net property and equipment	159,099,275	111,983,277

Total assets

\$576,854,751 **\$482,468,440**

Current liabilities

Notes payable	\$2,427,829	\$5,146,239
Current maturities of long-term debt	1,551,367	8,044,400
Accounts payable	18,150,021	13,306,613
Grain payables	25,032,567	23,734,155
Patron credit balances	3,182,091	3,187,226
Unrealized loss of forward contracts	485,215	1,126,520
Accrued expenses	8,095,099	9,135,389
Taxes payable	2,370,472	1,838,809
Patronage refunds payable in cash	11,290,000	14,117,000
Patron prepayments	56,220,142	59,201,953
Remediation payable	516,000	526,000
Income taxes payable	-	3,008,587
Other	<u>11,379,031</u>	<u>10,497,622</u>
Total current liabilities	140,699,834	152,870,513

Long-term liabilities

Long-term debt, less current maturities above	80,410,805	28,970,510
Deferred compensation	306,543	312,798
Remediation payable	186,500	176,500
Deferred income taxes	<u>4,641,000</u>	<u>4,920,000</u>
Total long-term liabilities	85,544,848	34,379,808

Total liabilities

\$226,244,682 **\$187,250,321**

Patron equities

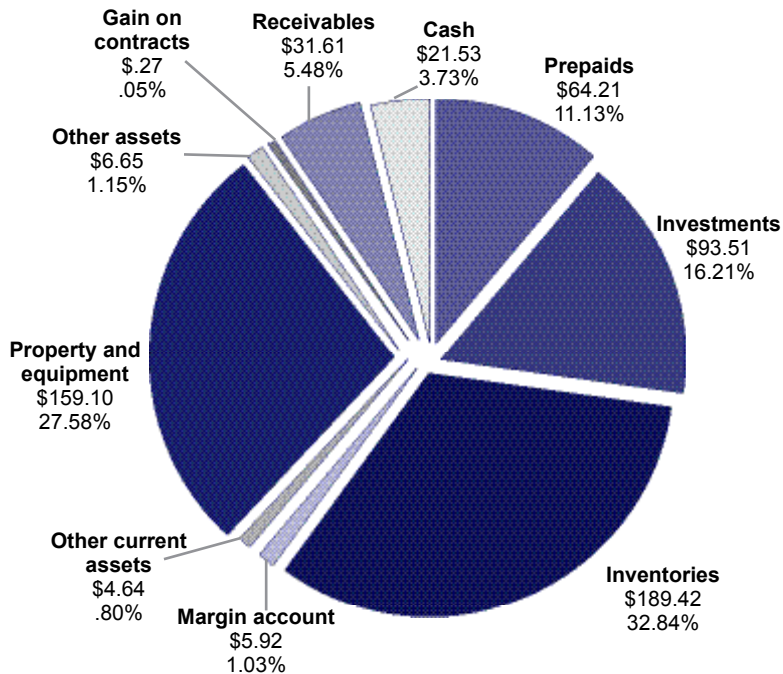
Preferred equities	106,862,366	67,906,439
Equity credits	99,825,028	90,550,482
Patronage refunds payable in equity	16,935,000	21,176,000
General reserve	<u>126,987,675</u>	<u>115,585,198</u>
Total patron equities	350,610,069	295,218,119

Total liabilities and equities

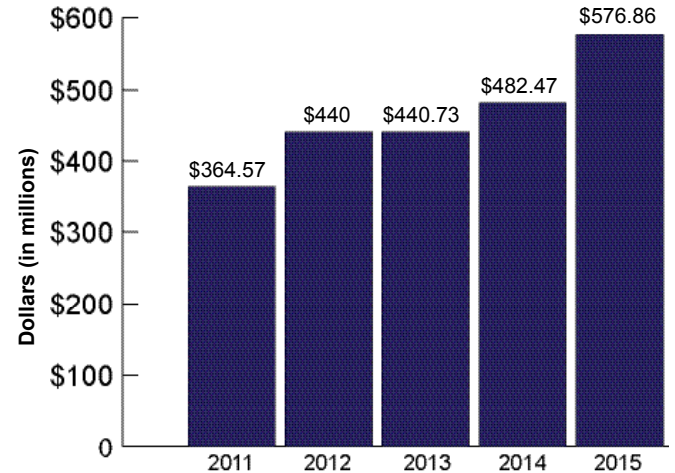
\$576,854,751 **\$482,468,440**

Assets

\$576,854,751
(in millions and percentage)

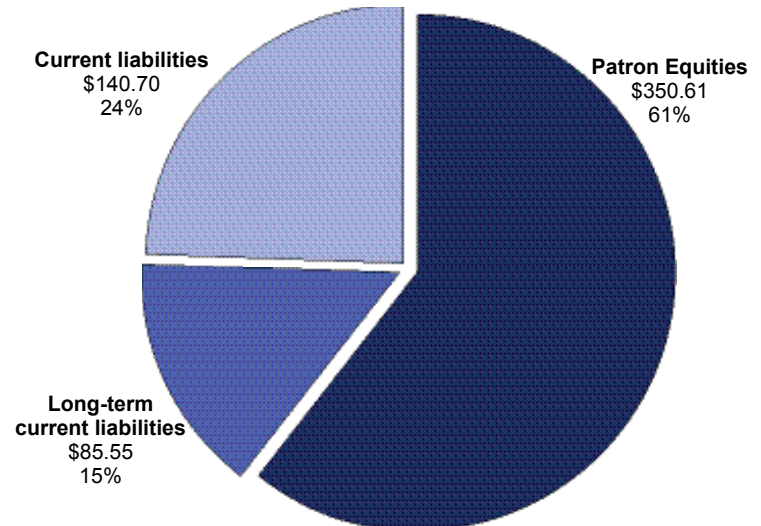
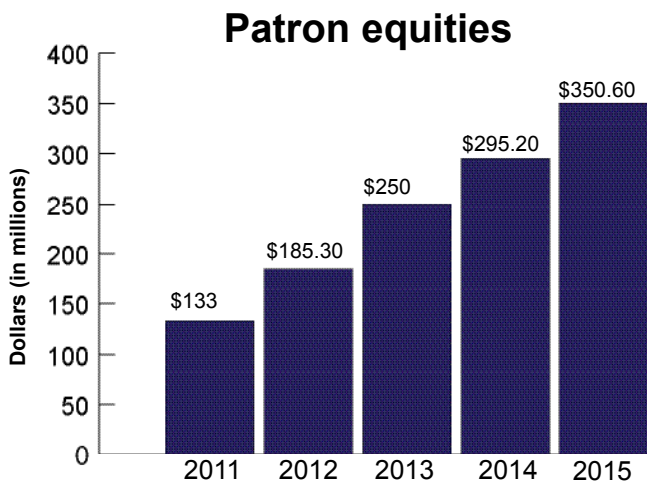


Total Assets



Liabilities and patron equities

(in millions and percentage)



In 2015, United Cooperative completed construction on a new agronomy facility in Hillsboro. These new state-of-the-art facilities are faster and more efficient, which means less waiting and down time for our patrons.

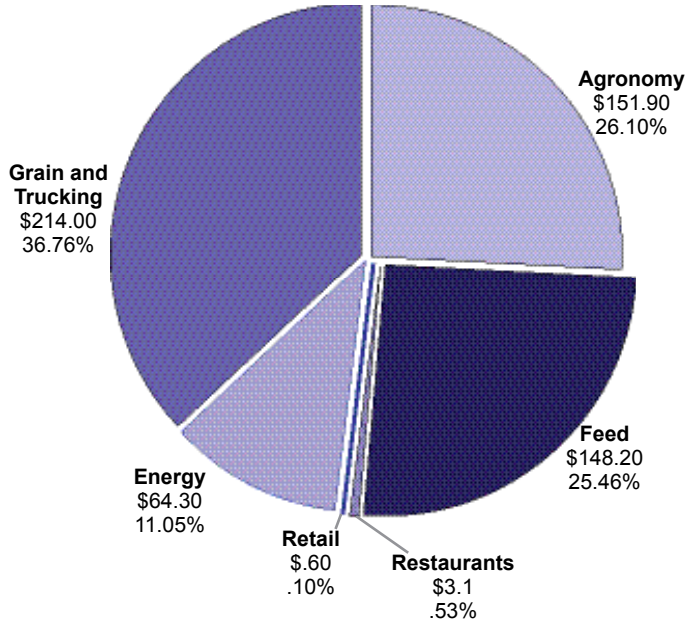
Statement of operations

	2015		2014	
Sales	\$582,053,669	100.00%	\$579,310,499	100.00%
Less discounts	<u>(2,306,250)</u>	<u>(0.40)</u>	<u>(2,078,940)</u>	<u>(0.36)</u>
Net sales	579,747,419	99.60	577,231,559	99.64
Cost of sales	<u>489,007,945</u>	<u>84.01</u>	<u>487,743,156</u>	<u>84.19</u>
Gross margin	90,739,474	15.59	89,488,403	15.45
Operating expenses				
Merchandising expenses				
Salaries and wages	31,899,559		31,422,832	
Less: wages reimbursed	(6,275,493)		(6,193,179)	
Payroll taxes	2,104,174		1,932,795	
Employee insurance	3,476,619		4,318,090	
Pension expense	707,185		626,339	
Vehicle expense	5,290,937		6,036,851	
Supplies and licenses	1,137,486		1,263,378	
Utilities	2,192,726		2,596,208	
Repairs and maintenance	1,878,145		1,650,888	
Advertising	201,835		293,840	
Merchandising fee	124,038		123,522	
Corn dryer expense	1,089,063		1,651,926	
Bean roasting expense	30,193		30,189	
Employee training and travel	103,390		124,289	
Fieldmen	284,766		380,141	
Miscellaneous	<u>(24,757)</u>		<u>120,120</u>	
<i>Total merchandising expense</i>	44,219,866	7.60	46,378,229	8.01
<i>Total administrative expense</i>	1,169,406	0.20	1,227,473	0.21
General				
Depreciation and amortization	16,065,656		14,691,377	
Insurance	1,862,115		2,091,212	
Property taxes	1,726,042		1,633,797	
Education, rent and miscellaneous	<u>613,775</u>		<u>400,022</u>	
<i>Total general expenses</i>	20,267,588	3.48	18,816,408	3.25
Interest and other expenses (income)				
Gain on removal of property and equipment	(467,215)		(1,363,754)	
Finance charges income	(449,323)		(452,996)	
Purchase discounts	(760,666)		(944,536)	
Other revenue	(2,212,067)		(1,865,525)	
Interest expense	642,085		870,707	
Provision for doubtful accounts	-		(13,642)	
Collection and other expense	<u>1,158,387</u>		<u>1,805,486</u>	
<i>Total interest and other expenses (income)</i>	(2,088,799)	(0.36)	(1,964,260)	(0.34)
Net operating expenses	63,568,061	10.92	64,457,850	11.13
Local net margin	27,171,413	4.67	25,030,553	4.32
Income from affiliates	11,329,036	1.94	33,541,805	5.79
Patronage refunds received	<u>7,041,671</u>	<u>1.21</u>	<u>7,367,334</u>	<u>1.27</u>
<i>Net margin before income taxes</i>	45,542,120	7.82	65,939,692	11.38
Income taxes	<u>4,200,000</u>	<u>0.72</u>	<u>8,365,000</u>	<u>1.44</u>
Net margin	\$41,342,120	7.10%	\$57,574,692	9.94%

Total Sales

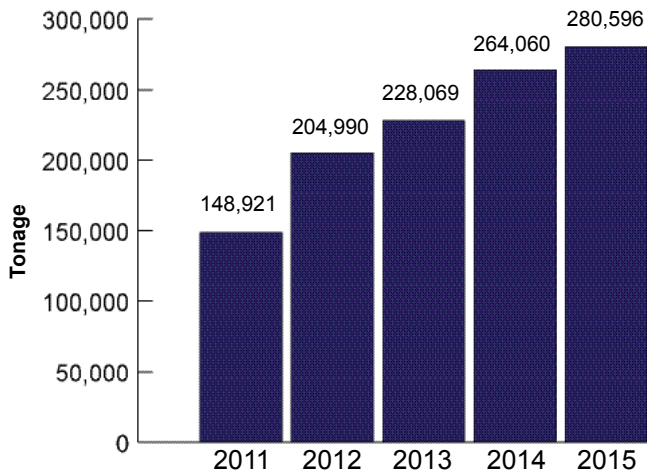
\$582,053,669

(in millions and percentage)

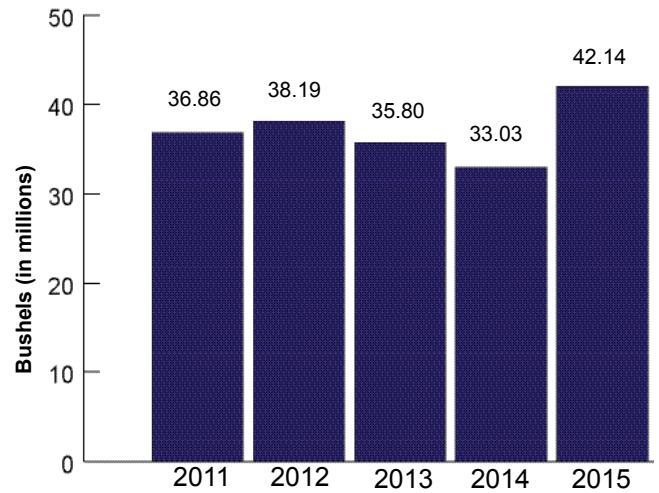


United Cooperative's agronomy division has one of the largest amounts of total liquid and dry fertilizer storage in the Midwest, and cutting-edge equipment greatly enhances the effectiveness of our agronomy services. With quality equipment for spraying, spreading, delivery, soil sampling, grid-soil sampling, test-stand calibration, precision agriculture, etc., United Cooperative is always looking for new ways to maximize your crop-yield potential.

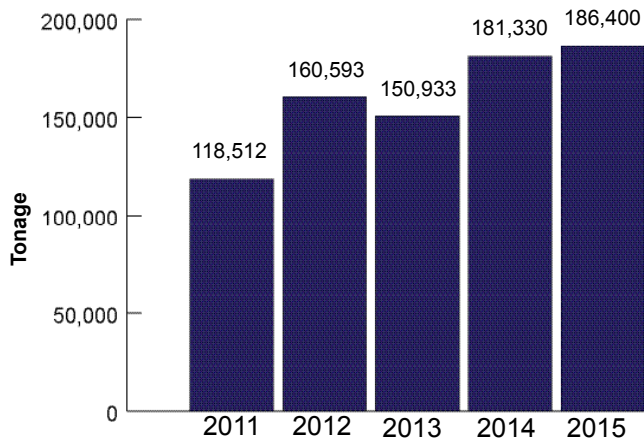
Feed volume



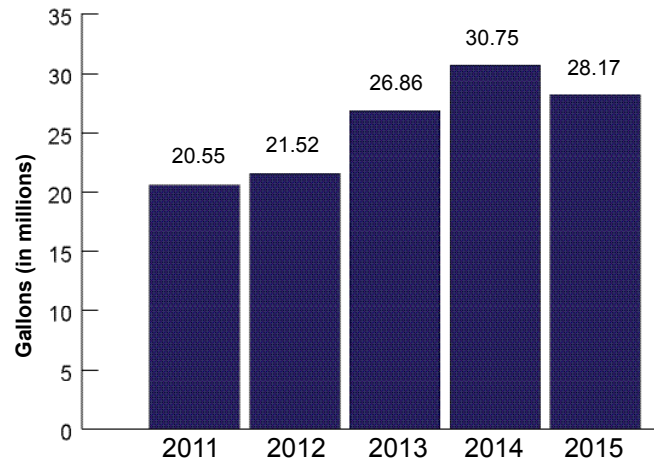
Grain volume



Fertilizer volume

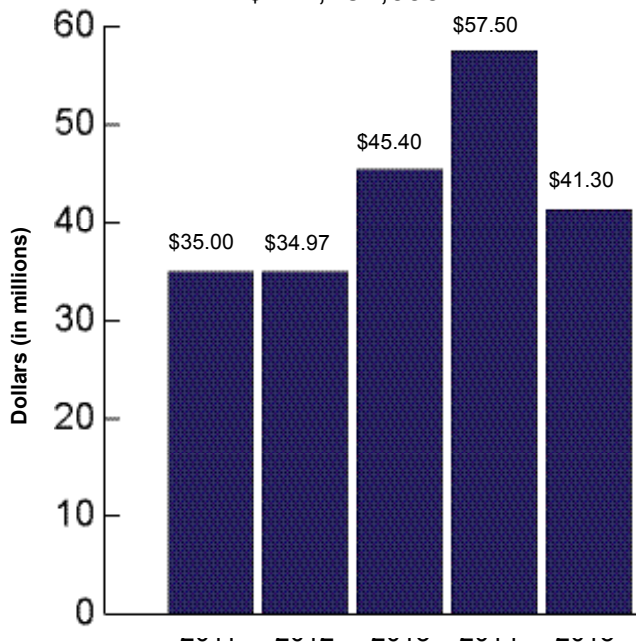


Fuel volume

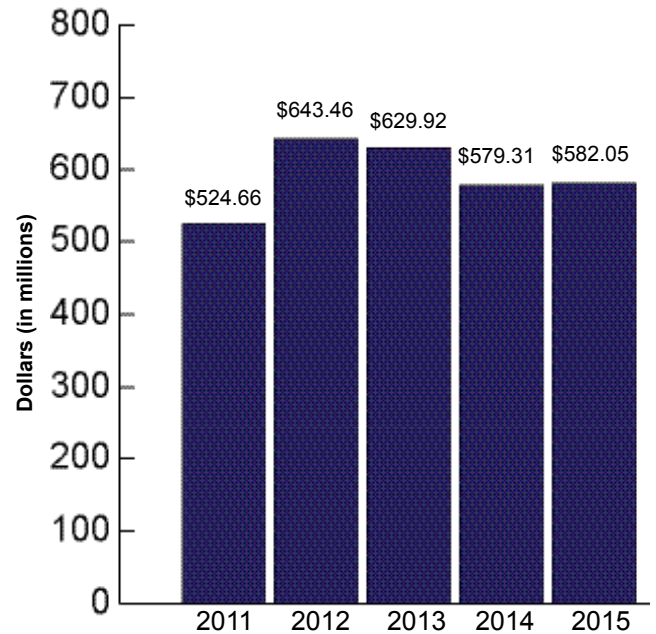


Net income total for five years

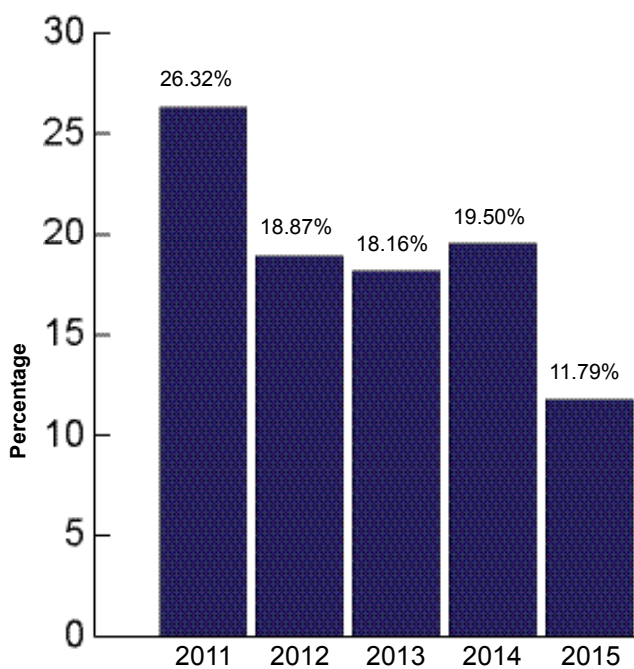
\$214,287,099



Annual sales



Return on Equity



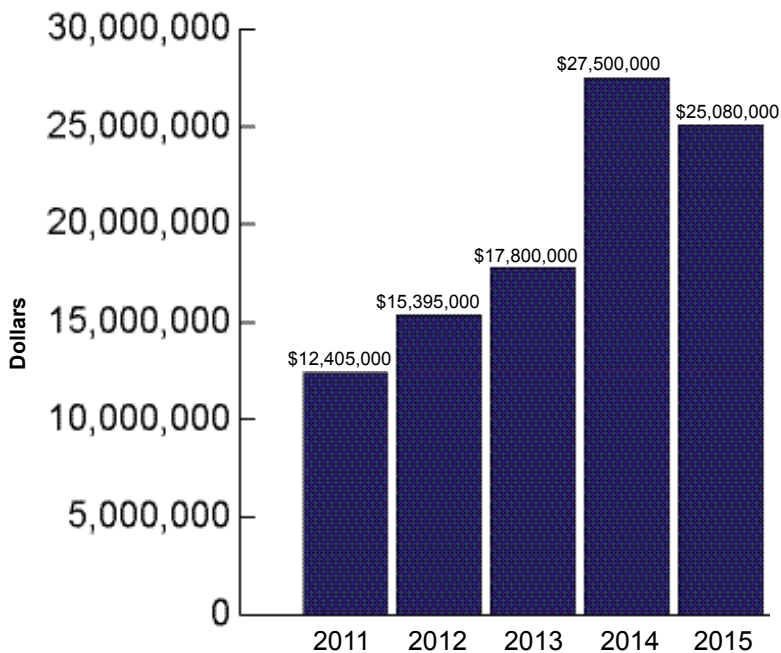
As a Cenex propane partner, United Cooperative provides Cenex propane that's clean, efficient, reliable and affordable; service that's safe; and delivery that's dependable.

Net margin based on an average sale of \$100

	<u>2015</u>	<u>2014</u>
Sales	\$100.00	\$100.00
Less discount	(0.40)	(0.36)
Cost of sales	<u>84.01</u>	<u>84.19</u>
Gross margin	15.59	15.45
Merchandising expense	7.60	8.01
Administrative expense	0.20	0.21
General expense	3.48	3.25
Interest and other expense	<u>(0.36)</u>	<u>(0.34)</u>
<i>Total operating expenses</i>	10.92	11.13
Local net	4.67	4.32
Income from affiliates	1.94	5.79
Patronage refunds received	1.21	1.27
Income taxes	<u>(0.72)</u>	<u>(1.44)</u>
Net margin*	\$7.10	\$9.94

**Net margin used for debt repayment,
capital expenditures, and equity retirements*

Cash returned to members in five years \$98,180,000



*Relying on United Cooperative means relying
on our dedicated, experienced staff. Our
employees are our greatest assets. Whether
you need expert advice on marketing your grain
or fuel delivery, our reliable staff is here to help
your operation succeed.*

[illegible]



Today's animal producers can turn to United Cooperative's personal commitment in feeding their dairy and livestock, including nutrition specialists; customized-feeding programs; excellent customer service; feed blending and mixing; and bagged, barreled, and bulk deliveries.

United Cooperative locations

Corporate Office	.920-887-1756	Pickett Cenex C-Store	.920-589-2311
Auroraville Grain	.920-361-3361	Ponderosa, Beaver Dam	.920-885-2755
Auroraville Grain North	.920-361-4854	Ponderosa, Hartford	.262-673-2248
Baraboo Ash St. Cenex C-Store	.608-356-2703	Poynette Cenex C-Store	.608-635-7002
Baraboo Hwy. 12 Cenex Pump 24, exit 215	.608-356-2703	Prairie du Sac Agronomy	.608-643-2348
Beaver Dam Cenex C-Store	.920-887-1756	Pulaski Ace Hardware	.920-822-6396
Beaver Dam Feed	.920-885-5522	Pulaski Agronomy	.920-822-3341
Coleman Agronomy	.920-897-4010	Pulaski Energy and Office	.920-822-3235
Deerfield Agronomy and Energy	.608-764-5454	Pulaski Feed and Grain	.920-822-3252
Denmark Feed/Grain/Agronomy/Energy	.920-863-2171	Reedsburg Agronomy and Energy	.608-524-2822
Denmark Cenex C-Store	.920-863-2171	Reedsburg Cenex C-Store	.608-524-6115
Gresham Grain (in-season)	.715-853-3118	Ripon Grain North	.920-748-7488
Hartford Feed/Grain/Agron/Energy/C-store	.262-673-8960	Ripon Grain South	.920-748-7999
Hillsboro Office/Energy/Feed/Farm Supply	.608-489-2231	Rock Springs Grain	.608-524-5246
Hillsboro Grain	.608-489-4120	Sauk City Feed and Grain	.608-643-3345
Hillsboro Agronomy	.608-489-3444	Shawano Agronomy	.715-524-8812
Horicon Grain	.920-485-9707	Shawano Energy and Office	.715-526-3197
Hustisford Cenex C-Store	.920-349-3989	Shawano Feed and Grain	.715-526-6115
Johnson Creek Agronomy	.920-699-4990	South Beaver Dam Grain and Agronomy	.920-887-7671
Johnson Creek Grain	.920-699-2771	Watertown Energy	.920-262-6770
Kendall Cenex Fastrip C-Store	.608-463-7872	Westfield Agronomy	.608-296-3237
Mayville Agronomy and Energy	.920-387-2410	Wilton Cenex Fastrip C-Store	.608-435-6977
Oconto Falls	.920-846-4775	Wilton Feed/Energy/Farm Supply	.608-435-6421
Ontario Cenex Fastrip C-Store	.608-337-4525	Wonewoc Cenex Fastrip C-Store	.608-464-7191
Oshkosh Agronomy and Grain	.920-233-2261	Wyocena Cenex C-Store	.608-429-9262
Pickett Agronomy/Energy	.920-589-2311		

Visit our Website

Learn more about our locations, the employees at United Cooperative, the services and manufacturing ability we provide, and our distribution of agricultural and energy products at www.unitedcooperative.com.



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