

HANLEY FALLS ■ COTTONWOOD ■ TAUNTON

GRANITE FALLS



MINNESOTA FALLS

MONTEVIDEO ■ ECHO ■ MINNEOTA ■ GHENT

# FARMERS COOPERATIVE ELEVATOR CO.

1972 510th Street  
Hanley Falls, MN 56245

E-Mail: [fce@mvtvwireless.com](mailto:fce@mvtvwireless.com)  
Website: [www.farmerscoopelevator.com](http://www.farmerscoopelevator.com)

March 2015

**Hanley Falls:**  
507-768-3448  
800-626-2510  
Hanley Falls  
**South Elevator:**  
507-768-3602  
Hanley Falls  
**Uptown Elevator:**  
507-768-3484  
Minnesota  
**Falls East:**  
320-564-3835  
320-765-4100  
Minnesota  
**Falls West:**  
320-564-3834  
Montevideo:  
320-269-6531

**Cottonwood:**  
**Mill Office:**  
507-423-6235  
800-423-6230  
**Cottonwood Elevator:**  
507-423-6489  
**Hardware Store:**  
507-423-6231  
**Echo:**  
507-925-4126  
**Taunton:**  
507-872-6161  
**Minneota:**  
507-872-6134

From the manager...

## FCE had a good year in all departments

Last year I started out my speech by remarking about the miserable 2013-14 Winter. I'm not going to complain about this Winter but will just make a comment: We live here for the awesome people-not the weather. Thanks for making this area such a nice place to live.



By  
Scott Dubbelde

Dale Carlson, our Auditor, reported to you that we had sales of 276 million dollars, local earnings of 2.8 million dollars, and net margin of 4.1 million dollars. All in all a very successful year for FCE.

I should mention a special Thank You to Steve Christensen, the CEO of Granite Falls Energy. Granite Falls Energy in 2014 paid out a dividend (correctly called distribution, in an LLC), of more than our original investment. This cash payment to FCE enhanced your dividend checks nicely.

### Some of the 2014 projects were:

The Ghent facility was sold and removed for Lyon County Farm Service to build a new agronomy facility.

Our Minneota facility had storage and dumping capacity added along with a second full time person hired.

Our Taunton facility had a new dryer, wet corn holding bin, and 30,000 gallon LP tank added. And both Taunton and Minneota had their concrete facilities lined with rebar

and gunnite.

Montevideo had a new wet corn holding tank, new dryer, and another 30,000 gallon LP tank added.

The Cottonwood Feed Mill had a new triple roller mill installed which means that they can control their corn micron size almost perfectly.

We also did several other upgrades and repairs to all of your facilities too numerous to mention. It is important to us that we keep FCE's assets in good shape.

### Now just a brief clip about each FCE Department:

The Hardware Store had a nice increase in sales. We budgeted for 2015 a very small increase in sales. We are not counting on another \$10,000 sales weekend due to the flooding that happened last Summer. Jessica and her crew did a great job trying to obtain sump pumps, etc for all involved.

Seed had a great year in 2015. And the cash dividend was over \$5.50 per bag of seed corn and just under \$1 per bag of soybean seed. That is a nice return for doing your seed business with FCE.

Feed is in a transition year. A large integrator that we hauled feed to was sold to a larger integrator that owns multiple feed mills of their own. But rest assured, we will rationalize our feed assets to increase volume and provide value added service to our customers. The beef feed volumes are growing rapidly and we are helping lock in feedlot profits to more FCE Patron/Owners each month.

The Grain Department had another excellent year in 2015. The corn, soybeans, and wheat dividend were excellent. And when you look at the grain services dividend alone, it cuts our drying rate and storage rates by just under 17%.

Bill mentioned last year that when you do business with your local cooperative, it is the ultimate frequent flyer program, or the ultimate loyalty rewards program. And the checks that you receive, whether a dividend for last year's business or your farming career's equity retirement check, are proof of that this rewards program pays big!

Over the last five years, FCE has paid, in CASH, to you our Patron/Owners, \$9,094,144. These checks did not go to the Twin Cities, Decatur, Illinois, or Wall Street. That's over 9 million dollars that was paid to Customers in our territory just for doing business with FCE.

We have no projects to announce to you at this time. Quite often we work on things for several years and then when the timing is right, we are prepared and ready to move forward. Our Board Meetings usually last from 10 AM to 3-4 PM. We try to spend time at each meeting visiting about the future and how we can embrace it and be innovative. We talk about speed and space quite often. We talk about the value of arbitrage. Which simply put, is the ability to tap into new markets and lever our geography, storage, and rail and truck access. We also talk about the Section 199 deduction (DPAD) that we have as a grain handling cooperative and how the supply coops would love to have access to this. We will keep you informed with the facts as new ventures come up on the horizon. One of the major advantages of a local cooperative is that you have Patron/Owners in the board room that can give immediate feedback from the customer's point of view, and then discuss how things fit into the cooperative model, more specifically FCE. We have a very committed Board and we spend ample time planning for the future of FCE.

### The best way to predict the future---is to create it.

As Patron/Owners and FCE Employees, let's continue to create a bright future for FCE and you our Patron/Owners. On behalf of the Farmers Cooperative Elevator Board and Employee Team, thanks for your business and all that you do for FCE!

# Grain department had a good year

2014 was a good year in the grain department. Corn volumes were up approximately 2 million bushels to 37 million bushels and bean volumes were up about 4 ½ million bushels to just over 9 million. Part of the bean volume increase was because a year ago the bean bunker in Hanley Falls was picked up in January and this year the bunker was picked up in December. This accounts for about one half of the increase.

This year corn margins were about as expected. The bean margins were very good for a couple of reasons. First by late September car freight was \$3000 per car and December freight was much cheaper. Instead of shipping beans during harvest we decided to sell the October freight, buy

December freight, and pile beans in the bunker just as we did a year ago. There were also several opportunities to sell beans in last summer's inverted market. The trick was placing the hedges in the right month.

The freight market was extremely volatile last year. Freight cost got as high as \$7000 per car. I can report that FCE's freight needs are covered until harvest at a reasonable cost.

We are again offering free price later until September 1st at all locations except Granite Falls Energy. For corn delivered to the plant you have until the 15th of the month following delivery before storage would start. Our plan is to pick up the pile at Minnesota Falls in April and then consid-

By  
John Brandts  
*Grain  
Merchandiser*



er free price later at the plant.

We are offering on the farm pick up if anyone is interested just call the office.

We are optimistic about 2015. We expect a large grain movement this year, car needs are covered until harvest, and 2015 is off to a good start. Thank you for your support in 2014 and I look forward to 2015.

# Hardware Hank had a positive year

We had another great year at Cottonwood Hardware Hank. Once again sales are up.

This year the store got a little bit of a facelift. The exterior was painted as was part of the floor on the inside. All of the paint and epoxy kits are the Valspar brand that we sell. The epoxy on the floor has been great to show people an example of a finished product. Our experience doing the projects has also helped us walk our customers through the process.

Our paint room was updated this spring with new racks and color options. Paint sales have continued to be very good to us. We were once again in the top 100 stores in the company for paint sales. It was done just in time for our first annual Ladies' Day.

We added a locally owned pizza to our line-up of products offered. It has done amazingly well. The line just expanded to offer a larger variety. We are hosting a Men's Night Friday March 13th and will be

By  
Jessica Laleman  
*Hardware  
Store Manager*



serving the pizza from 5-6 along with frying saucer demonstrations, great prizes and deals.

We had our third annual Customer Appreciation Days this past year and again it was a huge success. This year it will be held the weekend before Labor Day. We have such a good time celebrating the community that does such a wonderful job of supporting us day in and day out.

Sundays have continued to be a busy day for us and we will continue to be open year round from 11 to 3.

We have a few fun events in our future including the Men's Night Out, a Paint

Open House, Ladies' Night and of course our Customer Appreciation Days celebration. We are also putting our greenhouse order in and beginning to pull out all of our new spring decorations, lawn mowers, grills and patio furniture. Spring planting is just around the corner and we are all very excited.

We have a lot of new faces in the store this year. We welcomed Krista Bethke who has done a wonderful job covering our weekends. We also welcomed Lisa Fratzke and Heidi Burger to our team. They have also been wonderful additions and brighten the store with their friendly attitudes and cheerful smiles. Cheryl has been a consistent asset to the store for 22 years now.

I continue to love working for and with the community. I learn something new every day. Can't ask for more than that.

Thank you all for your continued support and we look forward to serving you.

# New highs for profit in livestock farming

2014 set new highs for profit in livestock farming with hogs, cattle, and dairy having good returns. However, the numbers of animal agriculture producers that own livestock, especially swine, continue to decline. Instead, many farmers participate in animal agriculture by owning livestock buildings and performing custom livestock feeding. In return, custom feeders can utilize the manure generated from livestock for crops in their operation. The animals themselves are actually owned by other producers. Many "producer owners" have

veterinarian and consulting nutritionists on staff along with their own private mills. These mills are geographically near where the animals are finished.

The current trend for beef finishing has shifted from the southern to north central states, Minnesota included, moving closer to the major corn producing areas. As a result, the availability of Beef and Holstein or Holstein/Cross feeder cattle sourced from dairy farms, has created opportunity for interested farmers to own or custom feed cattle, adding value to their farming operations.

By  
Gene  
Goldenstein  
*Feed  
Department  
Manager*



FCE has an excellent team of people to provide the highest quality of information and service to our customers, give us a call at the feed mill.

Thanks for your business.



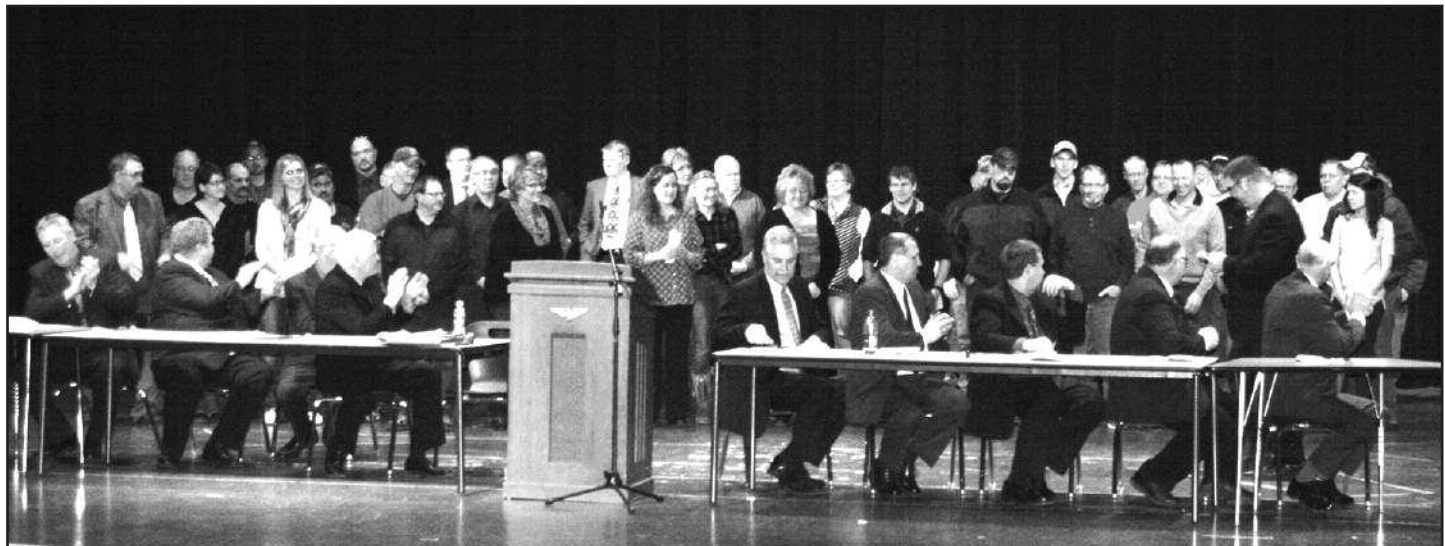
**Board of Directors:**

President Mark Vandelanotte, Todd Lecy, Tim Gossen, Vice Pres. Stan Knutson, Jon Thostenson, Sec/Treasurer Al Enevoldsen, Dan Stevens, Steve Doom, Brad Sunderland,



**Years of Service  
Award Winners:**

30 years Gary Enger  
10 years Russ Hennen and David Roe  
5 years Bruce Bowman and Karen Huso



**FCE employee team**

## Scholarships

The 2015 FCE Employee Memorial Scholarship Awards are presented to:

- David VanRavenswaay from Montevideo. Montevideo High School. David is the son of Carl and Wendy VanRavenswaay
- Garrett Moose from Minneota. Minneota High School. Garrett is the son of Greg and Becky Moose
- Mallory VanKlombenburgh from Montevideo. MACCRAY High School. Mallory is the daughter of Dave and Kelli VanKlombenburgh
- Carli Grannes from Belview. Redwood Valley High School. Carli is the daughter of Clark and Denise Grannes



**Left to right: David VanRavenswaay and Garrett Moose**

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# FCE MISSION STATEMENT

## Vision

• The Farmers Cooperative Elevator Company will be a member-owned and controlled, diversified agricultural service company that anticipates changes in agriculture and the resulting needs of its members. It will be recognized by its members, competitors, employees, and vendors, and by the communities in which it is located as an innovative leader.

## Mission

• To provide a variety of products and services to its members that will improve their profitability and result in the Farmers Cooperative Elevator Company being a profitable, financially sound company.

## Values

- Endorse and promote the basic coop principles.
- Be an effective listener and communicator with our member-owners.
- Acknowledge the contributions made by older patrons by retiring equities and support the efforts of current members with cash patronage refunds, as the financial condition of the company will allow.
- Accept change as a normal business environment.
- Operate competitively and with the utmost form of integrity.
- Be responsive to the needs of our members.
- Be a good company to work for.
- Pursue new business ventures that have a high probability of success and will enhance the profits of our members.
- Encourage training for members, the Board of Directors, and employees.
- Respect and protect the environment.
- Support communities within our market area.

# Cooperatives are...

Let's look at an outside definition of what cooperatives are.

The seven guiding principles of cooperatives are as follows:

- 1 Voluntary and Open Membership
- 2 Democratic Member Control-
- 3 Members' Economic Participation
- 4 Autonomy and Independence
- 5 Education, Training, and Information
- 6 Cooperation among Cooperatives
- 7 Concern for Communities

Membership in FCE means you chose to do business with us. Just as you decide where to buy machinery, vehicles, or do any other business, the choice is yours, not ours.

Democratic control is just that, majority rules. Your directors are elected by that process, and in turn help lead your cooperative by majority vote in the board room.

Economic participation is your equity in FCE. It is our job to utilize the equity each patron has in FCE to make it a strong financial company. Equally important is that we return that equity when we are done using it. The true measure of the system is the rate at which equity can be retired.

True independent cooperatives maintain all control. While it can be advantageous to

join other businesses it is the primary function of the cooperative to maintain control of itself. Wholly Owned Subsidiaries, Joint Ventures, and partnerships can be viable business ventures, but ownership of the cooperative remains in the hands of the patrons. True independent cooperatives seek out other like minded cooperatives for growth and expansion.

One of the great examples of education and training is reflected in our Risk Management Group. At its inception and greatest hour of need, we had 60+ patrons participating. Now we have about 20. Some of that is explained by the recent price history, but some can be attributed to patrons learning and better understanding the market environment we live in and how to manage risk in that marketplace.

FCE does business with other cooperatives. Again, AGP stands out as a true top cooperative. We seek out and find cooperatives that we chose to do business with much like you. See, it works both ways!

FCE maintains modern and safe facilities in 8 local communities. Those facilities employ members of the communities and support local trade. We support schools, churches, civic organizations and the cities,

By  
**Bill Doyscher**  
*Assistant  
Manager*



townships, and counties in which we live and work.

So after examining FCE and its conformity to the requirements of being a cooperative, I believe that FCE is a quality cooperative. Not by my definition, nor by anyone else's, but by the principles developed over 170 years ago. Add to that our mission statement and values that are posted on our board room wall and I believe that FCE is a cooperative of the highest quality.

Your patronage brings us confidence that we are "doing it right" and your directors, management and employees pledge to continue to do so.

# 2014 was another year with success

From a high vantage point rewinding through 2014 we see another year ripe with opportunity and therefore, of course reeking of risk. Either it was in commodities, freight spreads among the Class I carriers, or the weather. I for one can say with great confidence that your local co-op weaved the thread through the haystack of volatility that made up 2014's risks. Threats like weather and what have you were successfully navigated to your benefit.

So that is it, right? We made some money, we have success! Not so says I... Because we are your locally owned co-op, a small fish in a big pond. I believe each year we actually need to work harder than the last and accomplish more than the rest to be successful.

Which brings us to measuring success.

Whether or not we succeeded in 2014 has many different measuring sticks and are likely different for each one of our patron/owners. One might ask; How much money did we make? Or, after the 8.4 million dollars of capital investments in 2014 is our balance sheet still as solid as previous years? Or, what does the future hold for our local co-op? And so on and so forth. Fortunately, regardless of how we individu-

By  
**Ben Hedtke**  
*Grain  
Merchant*



ally measure the success of your local coop there are standards set in stone to measure your local co-ops success. And all to often we forget these standards and why your local co-op is here today.

Simply put, or measured, your local co-op is a member-owned and controlled, diversified agricultural service company that is charged with anticipating change in agriculture and the resulting needs of its members. Your local co-op is to be recognized by its members, competitors, employees, and vendors, and by the local communities in which it is located as an innovative leader.

Your local coop must also providing a variety of products and services to its members that will improve their profitability and result in the Farmers Cooperative Elevator Company, your co-op, being a profitable,

financially sound company.

These are your local co-ops Mission and Vision Statements boldly displayed across the walls of our local board room to remind us and solidify why your local co-op exists today.

From these statements derives the premise in which decisions are made at your local co-op and how we weave the thread in search of success. And probably most importantly these directives instruct and guide us when laying claim to the future of your local co-op.

At the end of the day from way up on this high broad vantage point ultimately you, our patron owner decide and measure the success of your local co-op with your patronage and continued support.

Thank you.

Thanks to all the FCE employees that work harder everyday and serve our patron/owner better than the rest. Thank you our Patron Owner for your support and diligence. I am looking forward to the many successful years to come.

# 2015 planting is just around the corner

As the days grow longer and temperatures begin to rise, we ease closer to planting our next crop. This means it's time to sell our old crop (if we haven't already) to make room for the new crop we intend to grow (Mother Nature allowing of course). If you are still sitting on unpriced old crop and plan to do so past spring planting, I see three ways planting can go to move the market out of this choppy sideways trade. The first is that we will stay dry, plant in the dust, and everything gets planted in a timely fashion. The second outcome is that we get some favorable rains and we get crops in the ground with little to no problems. These would both be bearish outcomes causing the market to trend downwards. Lastly the third foreseeable event would be a wet spring in which case we have delayed plantings and mud some seed in. This may have somewhat of a bullish effect on the market depending on the expanse

By  
Mark Kauffmann  
*Grain  
Originator*



and severity of the event.

If you are betting on planting issues it may seem as though the odds are not in your favor. However March will hold two report days that could lend us some support. March 10th the USDA will once again release crop production and supply/demand numbers. The production numbers will likely come in around the estimate while supply/demand could have a positive

effect on the market. Then on March 31st the USDA will release the grain stocks and perspective planting report. If the perspective planting number comes in below the estimate this could be a good opportunity to sell some old crop before planting.

I would recommend making a marketing plan before the release of these reports. A safe bet has always been to make sales every so often over the year or a period of time. As a way to help FCE has put together old and new crop, bean and corn, simple cash average contracts for this year. If you have any question about putting together a plan that fits your operation or the cash average contracts please call FCE at (507)768-3448. FCE wishes you all a safe and plentiful year.

## Time To Order Your Chicks

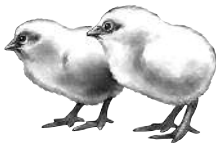
It's time to order your chicks.

We have a large selection.

Regular delivery is every other week on  
Mondays, beginning March 16.

Prices vary by breed.

Call Allison at the  
Feed Mill in  
Cottonwood  
507-423-6235 with  
pricing questions  
or orders.



## Belgian Waffles

Kathy Devereaux is in line to be served a Belgian waffle