

# Viafield<sup>TM</sup>

*Growing Opportunity.*

## Building on the Legacy

2011 Viafield Annual Report



[www.viafield.com](http://www.viafield.com)

# Board of Directors



The Viafield Board of Directors, From Top Left: Karl Benjegerdes, Brad Brownell, Rick Matt, Ron Balek, Steve Fullerton, Jim Jorgensen

From Bottom Left: Dennis Meyer, Jerry Jellings, Rodney Shaffer, Mike Staudt, Jim Trainer, Rick Willert (not pictured)

The Senior Leadership Team From Left: Mike Harden (agronomy), Brad Foster (grain), Mike Kuboushek (energy), Bill Hayes (feed), Steve Bodensteiner (CFO), Warren Fisk (COO), Kent Appler (CEO)



We operate according to the **seven** cooperative principles:

- Voluntary and open membership
- Democratic member control
- Members' economic participation
- Autonomy and independence
- Education, training and information
- Cooperation among cooperatives
- Concern for community

## Photos and Quotes

The photos throughout this report are of past and present Viafield employees and members. Photos by the Fayette County Union, David Lundquist and Tom Murray.

## 2011 at a Glance

Full-time team members.....	153
Numbers of customers served....	6,100
Patronage dividends cash....	\$500,000
Viafield locations.....	18
Counties in trade territory.....	16
Gallons of fuel sold.....	12,985,195
Tons of feed sold.....	152,200
Acres customer applied.....	410,364
Bushels of grain sales.....	43,600,000





# Building on the Legacy



"It just keeps getting better." That is how we recently answered a question from a member who was wondering how things are going with Viafield. Now that we have our first year in the books, we think that describes the past twelve months pretty well.

The rich history of your cooperative dates back to over a 100 years ago, and this annual report, appropriately titled "Building on the Legacy," provides you with a summary of what we've done this year to "keep getting better" at providing you with the products and services you need from your cooperative.

Combining three companies was bound to present challenges. One of the biggest was determining where to best spend our time and resources, with service to members as the number one goal.

Much progress has been made to upgrade facilities and improve how we serve you. At this time a major expansion is ongoing at the Elgin feed mill, we have upgraded rail lines at our Rudd and Marble Rock facilities, and added a new UAN (Urea-Ammonium Nitrate) facility in Marble Rock. More details on these improvements can be read in each business report (pages 4-7). Although these improvements will aid in customer service, it's our employee team that delivers on our promise.

Our team of 153 employees has become more specialized since our unification in September of 2010. As a cooperative we understand our customers have specialized needs for their businesses. To better meet these needs our team members within each business division can provide expert advice on products, services and trends within agronomy, energy, feed and grain. Providing specialists for your business' needs is one of

the many ways we are growing with you.

A new era in agriculture has begun and, like our customers, your cooperative has seen new developments in technology and strategies for success. While these advances have presented unique challenges for Viafield, we are confident we can meet those challenges.

The following pages will show you the highlights of your cooperative in 2010-2011. Behind the numbers lie an inspiring story that began over 100 years ago when dedicated, hard working people invested their meager earnings and their precious time into building a dream. They embraced the cooperative spirit and forged a path for their successors to follow. Today, we celebrate that dynamic history and look forward to building on the legacy.

## Rick Matt

Board Chair



## Kent Appler

Chief Executive Officer



## Promise

"We promise to provide innovative products and dependable service to help our customers exceed their potential"

# Building Community

Community involvement dates back to the cooperative's beginnings in the late 1800s. Viafield is continuing that long history of giving back with scholarship, youth and community programs. Over \$20,000 was contributed to local programs that feed the hungry, make us safer, help our neighbors, educate our children, and celebrate our communities.



Three events that personified our cooperative heritage of giving back took place this past harvest season when Viafield was able to help neighbors helping neighbors. When long-time Viafield members Jim Massman and Myron Wulff passed away and Steve Sanders, farmer and community leader, was diagnosed with multiple myeloma cancer, area farmers joined together to bring in their harvests. Viafield contributed fuel, equipment, and waived fees to assist our neighbors in need and help the volunteer efforts.

2011 Supported 15 youth organizations; 1,000 pounds and \$1,000 to Northeast Iowa Food Bank

## 2011 Community Giving Highlights

- During June Dairy Month, Viafield's Cheese for Kids program contributed 1,000 pounds of cheese and \$1,000 to the Northeast Iowa Food Bank
- Five fire departments and two ambulance rescue organizations received over \$2,600
- Neighbors helped neighbors in need bring in their harvest, and Viafield contributed fuel, equipment, and waived fees
- 15 FFA, 4-H, and Iowa State Extension organizations that help area youth learn and develop leadership abilities were given \$4,500 to continue their work
- 12 high school athletic booster clubs received funds for their programs to develop team work and character qualities
- Scholarships of \$1,000 each will be given to six high school seniors who will be pursuing an agricultural-related major at a two- or four-year college



# Building Agronomy Technology and Facilities

Since last September the agronomy team has been introduced to new equipment, technology and facilities that will allow us to serve our customers and members more efficiently. In Marble Rock we built a new state-of-the-art UAN liquid fertilizer facility. This facility allows for storage of one million gallons of 10/34/00, half million gallons of thiosulfate and two million gallons of 32 percent. The facility also features three load out bays, one of which will be available 24 hours a day and seven days a week. In addition to our liquid facility, Viafield is a leader in wholesale and retail dry fertilizer, which is processed at our terminal in Marble Rock.

Investments in equipment have also been an important highlight in 2011. Viafield purchased two combo units (fertilizer application/liquid application) and expanded to eight new liquid semis tankers to service our liquid units in busy seasons. Expansions in facilities and equipment help our team become more efficient, but we also value education for our team and customers.

2011  
Custom applied 410,364 acres  
and 55,000 tons of plant  
nutrition to help our farmers



Answer Plot® meetings were held company-wide to bring our customers the latest information about plant strategies from Winfield Solutions and Viafield representatives. Agronomic updates held in January featured speakers from Iowa State University and Bayer Crop Sciences on fertilizer applications. Our Agronomy College, held during the growing season at Arlington, helped customers keep abreast of physiological plant changes and developments, as well as the impacts of external events, such as weather and pests.

Like the other businesses within Viafield, the agronomy team has become more specialized with the addition of a Seed Sales Specialist, and we will be hiring someone to lead precision ag products and services for our team and our producers.



## 2011 Agronomy Business Highlights

- Custom applied 410,364 acres and 55,000 tons of plant nutrition to help our farmers
- Constructed a state of the UAN liquid fertilizer facility at our Marble Rock location
- Hosted Agronomic Update meetings to explain the importance of fertilizer application to producers
- Held Agronomy College meetings at Arlington to discuss crop tactics and strategies with producers
- Invited producers to Answer Plot® Events where experts from Winfield Solutions provided leading information on crops



# Building Energy Service and Reliability

One year into the unification of Viafield, the energy team has worked hard to provide safe, reliable service to you, our customers.

We added a 5,000 gallon bobtail truck to our propane delivery fleet. We used this truck to increase efficiency and reduce delivery costs to our customers in the Sumner, Maynard and Arlington areas.

We have expanded our Energy Sales and service territory by branching out into the northwest area offering propane, refined fuels and lubes for our Carpenter, Grafton, London, Manly, Myrtle and Northwood locations. That area had not previously offered those energy services. Along with improving efficiency, our team is working with each customer to find an energy plan that fits their needs.



The energy team has been focused on safety, investing in updating our propane bullets at Elgin and Arlington to meet new regulations for 2011 to ensure the safety of our team members and customers.

On the refined fuel side, we spent some time this spring and summer working with CHS on an EnVision Study, which looked at all aspects of the fuel delivery process at Viafield and helped us identify how we can reduce delivery costs, be more efficient, and ultimately save you, the customer, money. Anytime we can be more efficient, it adds to the bottom line for Viafield's member owners. As part of this study, we mapped our refined fuel customers to determine how often we delivered to each customer's tank, which allowed us to identify how we can be more effective. After analyzing the results from this study, we will be working to increase storage tank size on some farms and route our deliveries to make sure that we serve the needs of our customers quickly and efficiently.



## 2011

The energy team sold 12,985,195 gallons of fuel

## 2011 Energy Business Highlights

- Sold 12,985,195 total energy gallons including Cenex Store and card trols
- Provided 7,973,012 gallons to farm and commercial accounts with our six tank wagon trucks and two refined fuel transports
- Sold 3,316,594 gallons of propane
- Refined Fuel Sales Specialists are all MSHA (Mining Safety and Health Administration) certified
- Propane Sales Specialists are all CETP (Certified Employee Training Program) certified
- Bulk propane delivery, new installations and service are provided by our team of seven Propane Sales Specialists
- Energy Team offered bulk refined fuels delivery with our staff of six Refined Fuel Sales Specialists
- Bulk oil sales and delivery also offered
- Clermont Cenex Store earned the Circle of Pride Award for exceptional customer service from CHS

# Building Feed Efficiency and Safety



Viafield's feed division has been focused on efficiency, capacity and safety during our inaugural year. At the end of our fiscal year our four mills manufactured about 650 tons of livestock feed per day, primarily for swine, dairy, beef, broilers, layers and turkeys. Changes at our Rudd mill enabled us to increase production close to 150 tons of feed. We've also added a new bulk liquid molasses system at Rudd. In February, we installed a new pelleter at Elgin that doubled our pelleting capacity.

On August 9, we broke ground for a mill expansion at Elgin that will be completed by spring 2012. With the expansion, our manufacturing capacity at Elgin will nearly double to over 1,000 tons per day. By expanding the Elgin mill, we will be able to continue to meet the needs of our customers as their operations grow. Feed Business Team Leader Bill Hayes, says, "We're in it for the long haul and plan to serve all of our customers' needs far into the future. We're investing in our feed mill, because we believe in the future of the livestock industry."

As part of its commitment to food safety and feed quality, Viafield's Elgin feed mill has attained Hazard Analysis Critical Control Point (HACCP) certification. Safe feed is essential for safe food, and HACCP is used to identify those potential food safety hazards, so that we can take the appropriate measures to reduce or eliminate any concerns in the feed we make. Our Elgin feed mill is our first facility to implement the HACCP system, and we will be evaluating when we will implement it at our other facilities in our commitment to producing safe, quality feed products for our producers.

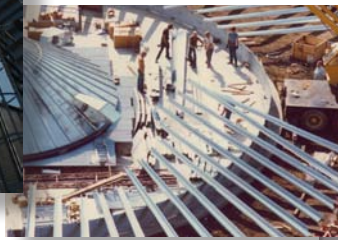


**2011** Sold 152,200 tons of feed

## 2011 Feed Business Highlights

- Sold 152,200 tons of feed
- Increased production at Rudd to close 150 tons per day
- Added a bulk liquid molasses system at Rudd
- Installed a new pelleter at Elgin that doubled our pelleting capacity
- Broke ground on mill expansion at Elgin that will nearly double manufacturing capacity to over 1,000 tons per day
- Earned Hazard Analysis Critical Control Point (HACCP) food safety certification
- Conducted Calf Wise™ calf meeting to help producers better understand feeding program options and the latest calf management information
- Sponsored Beef Pasture Walk to provide the latest information about pasture management and supplemental feeding
- Held Beef Cattle Seminars at Clermont, Sumner, Northwood and Rockford
- Hired a Livestock Production Specialist to serve the western part of Viafield's services territory

# Building Grain Flexibility



Combined storage space was an obvious advantage for Viafield from day one. Your cooperative now has a total capacity for nearly 26 million bushels of grain, access to four railroads and the Mississippi River. This has increased our ability to move large amounts of bushels throughout the year and proved especially important during harvest season. Although we are still in the early stages of this new organization, Viafield has had the ability to reach into several new markets in the Mississippi Gulf, the Pacific Northwest, the East Coast and Canada this past year.

Improvements at our grain facilities and great teamwork improved efficiency companywide, a savings we can pass on to customers. An example of efficiency was seen when your cooperative was able to move 200,000 bushels of soybeans to make storage space for producers at our Sumner location during harvest.

The rail load expansion project at our Marble Rock location has enabled us to load 30 rail cars in about six hours, using a USDA certified scale that is extremely accurate and saves time. To meet rail standards at our Rudd location, new siding was added on the Canadian Pacific Railroad right of way. At our Maynard location a new grain leg and receiving pit was upgraded from 2,500 bushels an hour to 8,000.

2011 saw Viafield assemble a team of grain originators. Grain Marketing Relationship Managers, as they are called, focus on working with producers to establish their needs, profit goals and risk management strategies for crops. Viafield partnered with FCStone, an international risk management organization, to bring producers exciting programs to mitigate risks in a volatile market.



## 2011

Viafield now has a total capacity for nearly 26 million bushels of grain

## 2011 Grain Business Highlights

- Sold 43.6 million bushels of grain
- Viafield now has a total capacity for nearly 26 million bushels of grain access to four railroads and the Mississippi River
- Constructed rail load expansion at Marble Rock location that allows 30 rail cars to be loaded in about six hours
- Added rail siding at our Rudd location to comply with safety and railroad standards
- Upgraded grain leg and receiving pit from 2,500 bushels an hour to 7,000 in Maynard
- Partnered with FCStone, an international risk management organization, to bring producers exciting programs to mitigate risks in a volatile market



# Viafield Statement of Savings

For the Year Ended August 31, 2011

	2011
Sales	\$420,835,743
Cost of Goods Sold	401,031,468
Gross Savings on Sales	19,804,275
Other Operating Revenue	9,357,556
Total Gross Revenue	29,161,831
Operating Expenses, Including Interest	26,958,807
Operating Savings	2,203,024
Patronage & Stock Dividend Income	2,401,440
Savings before Income Taxes	4,604,464
Income Taxes	
Current	147,509
Deferred	(213,769)
Net Savings	\$4,670,724
<b>Distribution of Net Savings</b>	
Patronage Dividends	
Cash	\$500,000
Deferred	500,000
Retained Savings	1,000,000
Net Savings	3,670,724
	\$4,670,724

## Patronage Allocation

August 31, 2011

Savings Retained	\$3,670,724
Cash Portion of Allocation	500,000
Deferred Allocation	500,000
Section 199 to Pass onto Members	402,033
Patronage Rates	
Grain	1.10 Cents/ Bu
Merchandise & Services	4.29 %
Agronomy	0.68 %
Petroleum	2.08 Cents/Gl
Feed	0.72 %

# Balance Sheet - Assets

August 31, 2011

<i>Current Assets</i>	2011
Cash	\$1,022,775
Receivables	
Notes & Contracts	7,036
Trade-Net of Allowance for Doubtful Accts of (2011) and (2010)	11,128,939
Grain in Transit	3,187,244
Other	555,947
Margin Deposits	35,351,318
Inventories	
Grain	28,466,125
Merchandise	17,192,143
Petroleum	1,592,667
Prepaid Commodities	7,918,000
Prepaid Expenses	197,646
Deferred Income Taxes	162,522
<b>Total Current Assets</b>	<b>106,782,362</b>
<i>Working Capital</i>	19,448,936
<b>Property, Plant and Equipment</b>	
Land	914,393
Buildings and Storage Facilities	17,477,192
Equipment	25,264,649
	43,656,234
Accumulated Depreciation	(21,140,314)
Undepreciated Cost	22,515,920
Construction in Process	3,382,908
<b>Net Property, Plant and Equipment</b>	<b>25,898,828</b>
<b>Other Assets</b>	
Long-Term Notes & Contracts	75,174
<b>Total Other Assets</b>	<b>75,174</b>
<b>Investments</b>	
Marketable Securities	1,688,512
Equity in Other Organizations	18,014,966
	19,703,478
<b>Total Assets</b>	<b>\$152,459,842</b>

# Balance Sheet - Liabilities and Member Equity

August 31, 2011

<i>Current Assets</i>	2011
Checks Written in Excess of Bank Balance	\$513,464
Current Maturities of Long-Term Debt	62,120
Notes Payable-Operating	62,656,809
Demand Notes	1,867,493
Payables	
Trade	4,964,585
Customer Credit Balances and Prepaid Sales	7,934,008
Unpaid Grain	6,649,248
Other	100,910
Accrued Expenses	
Interest	245,169
Payroll	939,504
Property Taxes	892,268
Other	7,848
Patronage Dividends Payable	500,000
<b>Total Current Liabilities</b>	<b>87,333,426</b>
<b>Long-Term Liabilities – Net of Current Maturities</b>	
Notes Payable	13,086,765
Accrued Pension Costs	3,607,328
Deferred Income Taxes	1,813,679
<b>Members Equity</b>	
Capital Stock	
Class A	329,800
Class B	167,000
Subscriptions	54,063
Local Preferred	5,896,201
Regional Preferred	9,000,435
Non-Qualified Deferred Equity	651,395
Paid In Capital	192,703
Accumulated Other Comprehensive Income (Loss)	(6,100,262)
Equity from Acquisition	18,254,816
Retained Earnings	17,672,493
<b>Total Members Equity</b>	<b>46,618,644</b>
<b>Total Liabilities and Members Equity</b>	<b>\$152,459,842</b>





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# Promise

"We promise to provide innovative products and dependable service to help our customers exceed their potential"