



Tomorrow's Cooperative...Today

2012 Viafield Annual Report

Viafield is a leading farmer owned cooperative serving northern Iowa and southern Minnesota.

After two years of combined operations, your cooperative is experiencing dramatic fiscal benefits with increased sales, profits and patronage.

Our farmer first, progressive teams are developing new standards for the future of farming.

The Viafield Promise

We promise to provide innovative products and dependable service to help each customer exceed their potential.

18 Locations

"With 18 convenient locations to serve all your agronomy, feed, grain and energy needs"

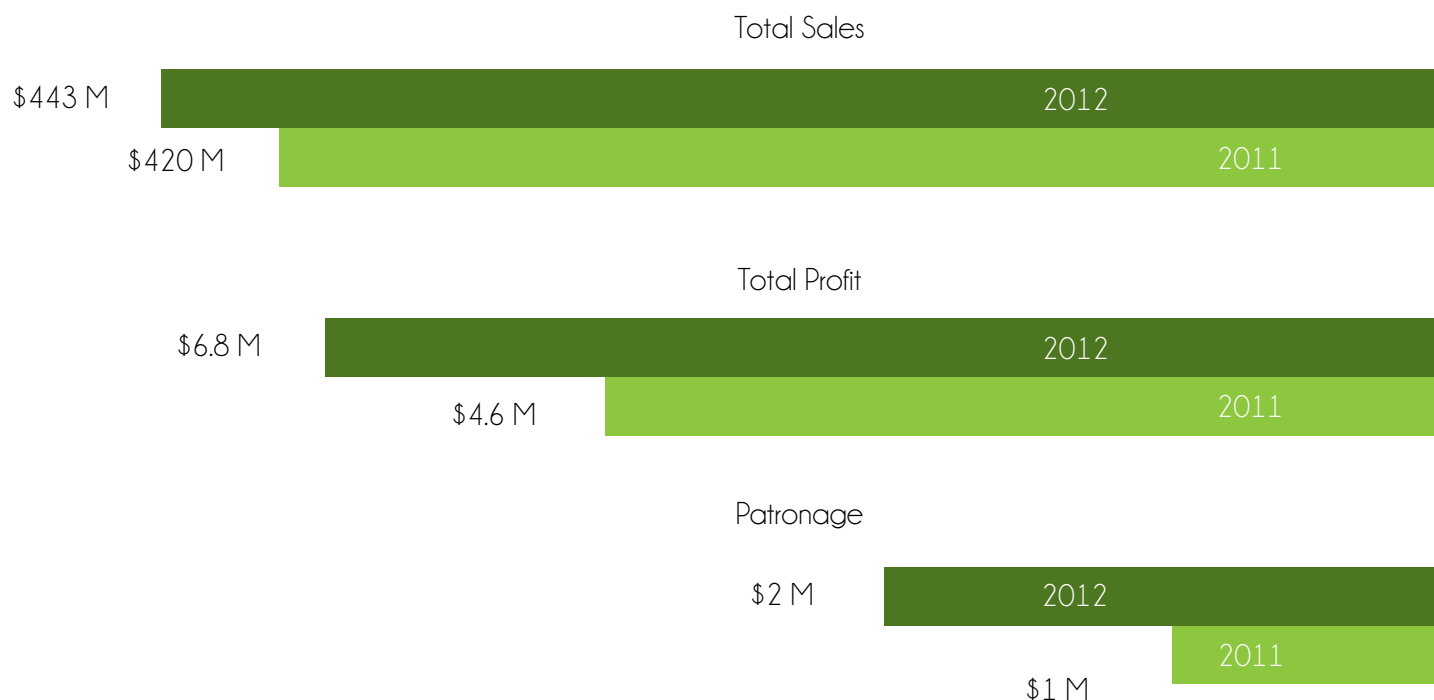
Leaders Message

Community Giving

Agronomy

Energy

2012 Growth



Leading To Tomorrow

Board of Directors

Rick Matt
 Ron Balek
 Steve Fullerton
 Brad Brownell
 Jerry Jellings
 Jim Jorgensen
 Dennis Meyer
 Karl Benjegerdes
 Rick Rex
 Rodney Shaffer
 Mike Staudt
 Jim Trainer

Senior Leadership Team

Kent Appler	CEO
Steve Bodensteiner	CFO
Rick Davis	East Region Operations Leader
Troy Cummins	West Region Operations Leader
Mike Hardin	Agronomy Team Leader
Mike Kuboushek	Energy Team Leader
Bill Hayes	Feed Team Leader
Brad Foster	Grain Team Leader
Mark Wilbur	Sales Team Leader
Kevin Davis	Safety Team Leader
Anne Benning	Human Resources Team Leader
Chris Menke	Marketing Communications Leader

Feed

Grain

Statement of Savings

Balance Sheet



Tomorrow's Cooperative... Today

We are pleased to share the results for 2012 fiscal year end of your cooperative, Viafield. This report includes a recap from the different business units and their improvements in the financial condition of your cooperative over the past year. We would like to share with you some of the reasons why Viafield is tomorrow's cooperative today.

Rising prices and market volatility were the key drivers in fiscal 2012. These two key factors created great opportunity and immense challenges at the same time for our members and for your cooperative. Your cooperative was very well positioned to handle this year's volatility whether it was the markets, weather, or availability of product.

We were able to do several things this year to show our continued dedication to helping our members. Starting last fall when storage availability was low, grain processors were full and lines were long, we shipped grain from the east side to the west side and loaded it on rail to continue to make room for our customers. When fertilizer product was tight, we utilized our 21,000 ton shed to make sure fertilizer was available to our customers/members. We finished our liquid fertilizer facility in Marble Rock, which increased our

efficiency in dispensing product to our customers. This facility also includes a 24-hour, unmanned liquid fertilizer bay, one of the first in the state.

When most suppliers are leaving the livestock feed area, we decided to become HACCP (Hazard Analysis Critical Control Point) certification and to remodel our largest feed mill in Elgin, allowing us to double our capacity while at the same time installing new technology that will allow us to be here for our livestock customer for many years to come.

As we saw the weather patterns change and our customers worrying about their grain crops that were still in the field, we decided to reduce our drying rates to help our customers reduce some cost and help offset their lower than expected yields. We have received many thanks for the support from our grain customers.

Through our promise "to provide innovative products and dependable service to help each customer exceed their potential," your cooperative, Viafield is here to help you today and into the future.

The Viafield Promise



Rick Matt
Board Chair



Kent Appler
Chief Executive Officer



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



Growing Safe, Healthy Communities for Generations to Come

At Viafield, we know that when our communities thrive, so does our cooperative. That's why community engagement is such a vital part of our culture. Even before our merger in 2010, we passionately supported the communities that drive our growth and prosperity.

We work to invest our charitable resources in the areas most relevant to our members, team members and business as efficiently and effectively as possible. Through educational giving, community partnerships and team member volunteerism, we are making a real difference in communities across northern Iowa and southern Minnesota.

Our community commitment can be seen in a number of ways and in many places; whether we are helping our local Fire Departments improve their effectiveness with better equipment, or giving scholarships to young people who are

interested in an agricultural-related career, Viafield and its team members take an active role in growing safe, dynamic communities.

At Viafield, helping others is an important part of the way we live and work, and you will see examples of this in the highlights below. We are proud of the work our team members and your cooperative have done to make a difference, and we are excited to continue to grow safe, healthy and prosperous communities for the future.

Community Giving and Donations

2012 Community Giving Highlights

- Six scholarships of \$1,000 each were provided to high school seniors who will be pursuing an agricultural-related major at a two- or four year college
- 1,000 pounds of cheese and \$1,000 were contributed to the Northeast Iowa Food Bank During June Dairy Month as part of Viafield's Cheese for Kids Program
- 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.
- 13 high school athletic booster clubs received funds for their programs to develop team work and character qualities
- Over 1,000 children's coloring books were distributed to 15 local elementary schools promoting propane safety
- Six fire departments and two ambulance rescue organizations received over \$3,000



Over
\$30,000
Donated In
2012





Growth Through Better Productivity

Throughout 2012, the agronomy team is better serving our customers with improved equipment, technology and facilities, investments that will continue to help members long into the future.

The UAN facility at Marble Rock was completed in May, and is fully operational. In addition, we have added the capability to blend custom starters that can be sent through either the retail or wholesale bays.

The agronomy team has also been busy with new equipment and technological upgrades. The northwest locations received a new Hagie STS16 sprayer which has a 120 foot boom and 16 row sidedress bar to provide greater spreading efficiency and improved field time. The eastern locations will receive two new John Deere post machines to better serve our members. And one of the big technological improvements was the addition of SlingShot® to our floater fleet. With this wireless, cellular-based system spreading data can be changed while the spreader is out in the field or traveling between locations.

Custom Applied
Acres

This year Viafield expanded our internship program and partnered with PAR (Professional Ag Resourcing) to include students not only from the midwest, but from overseas as well. Six students from the Ukraine participated in our internship program as members of your cooperative's team. They learned a great deal about all our business divisions including agronomy.

Like the other businesses within Viafield, the agronomy team has become more specialized with the addition of a Precision Ag division. These highly specialized team members are available to help our members and customers improve their decision-making and production practices through advanced mapping and field sampling techniques, helping producers focus on the things that ensure they get the maximum potential yield from each and every field now and into the future.

2012 Agronomy Business Highlights

- Custom applied 410,446 acres and 58,720 tons of plant nutrition
- Added custom blending capabilities to the UAN liquid fertilizer facility at our Marble Rock location
- Upgraded floaters to utilize SlingShot® wireless technology that enables spreading data to be changed while the spreader is out in the field.
- Hosted six international exchange interns from the Ukraine to share our knowledge in agriculture.
- Added a Precision Ag department to bring a new level of service to our members.





410,446
2012



Energy To Move Us Forward

Energy Sales

While the Viafield Energy Team is committed to serving our customer's needs today, we are constantly looking to the future. We have aligned our products and services to stay ahead of our customers' ever changing needs.

Changes we have observed over the last year include the need for increased storage of refined fuels on the farm; the higher, more volatile cost of diesel and gasoline; and the desire to even out customers' fuel expenses.

One of the new improvements in Viafield's energy department is the conversion to the AFD (Automated Fuel Delivery) System on December 1, 2012. An electronic monitoring system is placed in customer's fuel or gasoline tank and when the fuel level changes, the monitor sends a signal to our fuel distribution center. When tanks get low, the nearest delivery truck is routed to fill that tank. Customers no longer have to worry about ordering fuel, we will seamlessly take care of it all. Customers can choose several billing options, but the most popular is the deferred billing

method. The monitor tells us how many gallons were used each month and that's all that's billed. No need to pay for a tank full of fuel before it's used. If a customer prefers to call when they need fuel, that is still an option.

In the propane area, our team has been busy replacing old regulators that may no longer be reliable. We believe our customers' safety is one of the most important reasons they chose us as their supplier. Our propane specialists are all CETP (Certified Employee Training Program) certified and are dedicated to providing the highest quality propane and the most reliable service.

Our Valley C-Store in Clermont has undergone some interior changes by adding a coffee and breakfast bar area. Now our customers can get their morning coffee and pastries, as well as hot oatmeal, in one convenient location. It's just one more way we're growing with you into the future.

2012 Energy Business Highlights

- Sold 11,806,505 total energy gallons including the Cenex Store and the Maynard and Sumner pumps
- Refined Fuel Sales Specialists are all MSHA (Mining Safety and Health Administration) certified
- Provided 7,715,632 gallons to farm and commercial accounts with our six tank wagon trucks and two refined fuel transports
- Propane sales specialists are all CETP (Certified Employee Training Program) certified
- Sold 3,311,197 gallons of propane



11.8M Gallons
2012





Feed Expertise for the Future

Feed Sales

The demand for customized feed has never been greater, and we're ready to meet that demand well into the future. Viafield's Elgin feed mill expansion was completed in spring 2012, nearly doubling the mill's capacity to over 1000 tons per day. Our three feed mills – conveniently located in Elgin, Maynard and Rudd – make us one of the largest feed manufacturers in Iowa.

Not only do we have the capacity to meet our customers' future feed needs, we re-affirmed our commitment to food safety and feed quality by obtaining HACCP (Hazard Analysis Critical Control Point) recertification in 2012 for our Elgin Mill and by beginning the work required to make the Maynard and Rudd mills HACCP compliant.

We are also investing in our people to ensure they have the training and expertise our members and customers need and expect. Our mill workers and truckers receive extensive training in HACCP requirements, safety and customer service.

Our nutritionists attend training every year to stay informed about the latest research into feed nutrition and herd management, including the annual three-day feed conference held in Wisconsin. During that conference, hosted by Purina Animal Nutrition, industry experts provide the latest in feed products and research to nutritionists and livestock production specialists from across the upper Midwest.

2012 Feed Business Highlights

- Sold 184,761 tons of feed
- Manufactured 166,524 tones of feed, a 32% increase from last year.
- Completed the mill expansion at Elgin that nearly doubled manufacturing capacity to over 1,000 tons per day
- Earned Hazard Analysis Critical Control Point (HAACP) recertification
- Co-hosted a Low Stress Handling Clinic with the Valley Veterinary Clinic in Elgin
- Adopted the Feed for 30™ swine program, an industry initiative to offer collaborative insights and management information to swine producers striving to achieve the industry goal of 30 pigs per sow per year





184,761 Tons
2012



Grain Resources for a Growing Planet

Grain Sales

Your cooperative continues to be the region's grain storage leader now and for years to come.

From day one we knew there were advantages to our combined storage capacity of over 26 million bushels of grain and access to four railroads and the Mississippi River. This year we hit our stride and began to see dramatic benefits of having so many storage locations and options for our customers, especially during the harvest season.

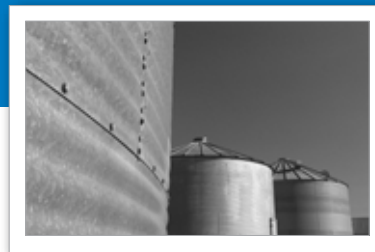
Improvements at our grain facilities from the previous year showed tremendous promise throughout the year. The rail load expansion at Marble Rock is now fully operational and enabled us to load 25 rail cars in about four hours, using a USDA certified scale that is extremely accurate

and saves time. Another big project from last year that is providing outstanding benefits are the upgrades to our Maynard facilities. The new grain leg and receiving pit can handle 8,000 bushels an hour, for faster service to our customers.

Our team of grain marketing relationship managers, focuses on working with producers to establish their needs, profit goals and risk management strategies for crops. We believe the relationships that are built with each producer fuel our continued growth and ambition towards a dynamic future.

2012 Grain Business Highlights

- Sold 41.2 million bushels of grain
- Can store over 26 million bushels of grain with access to four railroads and the Mississippi River
- Constructed rail load expansion at Marble Rock that allows 25 rail cars to be loaded in about four hours
- Added rail siding at out Rudd to comply with safety and railroad standards
- Upgraded grain leg and receiving pit from 2,500 bushels an hour to 8,000 bushels an hour in Maynard



41.2 M Bushels
2012





Financials

Statement of Savings

	<u>2012</u>	<u>2011</u>
Sales	\$442,952,922	\$420,835,743
Cost of Goods Sold	424,519,894	401,031,468
Gross Savings on Sales	18,433,028	19,804,275
Other Operating Revenue	12,077,079	9,357,556
Total Gross Revenue	30,510,107	29,161,831
Operating Expenses, Including Interest	27,416,833	26,958,807
Operating Savings	3,093,274	2,203,024
Patronage & Stock Dividend Income	3,755,404	2,401,440
Savings before Income Taxes	6,848,678	4,604,464
Income Taxes		
Current	443,681	147,509
Deferred	99,170	(213,769)
Net Savings	\$6,305,827	\$4,670,724

Distribution of Net Savings

Patronage Dividends		
Cash	\$523,028	\$500,000
Deferred - Current	523,028	500,000
Deferred - Non-Qualified	1,000,000	0
Retained Savings	4,259,771	3,670,724
Net Savings	\$6,305,827	\$4,670,724

Patronage Allocation

Savings Retained	4,259,771	\$3,670,724
Cash Portion of Allocation	523,028	500,000
Deferred - Qualified	523,028	500,000
Deferred - Non-Qualified	1,000,000	402,033
Patronage Rates		
Grain	1.52 Cents/Bu	1.10 Cents/Bu
Merchandise & Services	7.68%	4.29%
Agronomy	1.71%	0.68%
Petroleum	4.50 Cents/Gal	2.08 Cents/Gal
Feed	1.34%	0.72%





Financials Cont.

Balance Sheet - Assets

Current Assets	2012	2011
Cash	\$357,968	\$1,022,775
Receivables		
Notes & Contracts	12,460	21,436
Trade-Net of Allowance for Doubtful Accts of 2012 & 2011	11,473,505	11,088,939
Grain in Transit	1,865,682	3,187,244
Other	498,670	581,547
Margin Deposits	19,895,016	35,351,318
Inventories		
Grain	22,304,203	28,466,125
Merchandise	12,692,688	17,192,143
Petroleum	1,463,062	1,592,667
Prepaid Commodities	5,694,512	7,918,000
Prepaid Expenses	(4,779)	197,646
Deferred Income Taxes	154,356	162,522
Total Current Assests	\$76,407,343	106,782,362
Working Capital	\$22,167,442	\$19,448,936
Property, Plant & Equipment		
Land	\$670,438	\$670,438
Buildings and Equipment	51,422,529	42,985,796
Total Land, Buildings and Equipment	52,092,967	43,656,234
Accumulated Depreciation	(23,960,972)	(21,140,314)
Undepreciated Cost	28,131,995	22,515,920
Construction in Process	129,499	3,382,908
Net Property, Plant and Equipment	28,261,494	25,898,828
Other Assets		
Long-Term Notes & Contracts	\$339,591	\$75,174
Total Other Assets	339,591	75,174
Investments		
Marketable Securities	\$1,623,259	\$1,688,512
Equity in Other Organizations	18,384,119	18,014,966
Total Assets	\$125,015,806	\$152,459,842

Balance Sheet - Liabilities & Member Equity

Current Liabilities	<u>2012</u>	<u>2011</u>
Checks Written in Excess of Bank Balance	\$1,638,990	\$513,464
Current Maturities of Long-Term Debt	1,831,725	62,120
Notes Payable-Operating	27,491,566	62,656,809
Demand Notes Payables	1,913,013	1,867,493
Trade	4,854,432	4,964,585
Customer Credit Balances and Prepaid Sales	4,003,558	7,934,008
Unpaid Grain	10,135,318	6,649,248
Other	0	0
Accrued Expenses		
Interest	187,439	245,169
Payroll	1,321,190	939,504
Property Taxes	1,001,971	892,268
Income Taxes	(739,101)	0
Other	76,681	108,758
Patronage Dividends	523,028	500,000
Total Current Liabilities	\$54,239,901	\$87,333,426
Long-Term Liabilities - Net of Current Maturities		
Notes Payable	\$14,252,541	\$13,086,768
Accrued Pension Costs	2,085,901	3,607,238
Deferred Income Taxes	1,790,101	1,813,679
Member's Equity		
Capital Stock		
Class A	336,800	329,800
Class B	165,800	167,000
Subscriptions	50,644	54,063
Local Preferred	6,280,682	5,896,201
Regional Preferred	8,919,952	9,000,435
Allocated Patronage Dividends	1,523,028	500,000
Non-Qualified Deferred Equity	651,395	651,395
Paid In Capital	192,703	192,703
Accumulated Other Comprehensive Income (Loss)	(5,656,724)	(6,100,262)
Equity from Acquisition	18,254,816	18,254,816
Retained Earnings	21,928,266	17,672,493
Total Member's Equity	\$52,647,362	\$46,618,644
 Total Liabilities and Member's Equity	 \$125,015,806	 \$152,459,842



Viafield[®]
Growing Opportunity.

533 Bradford St.
Marble Rock, Iowa 50653
(641) 315-2515
www.viafield.com