

**Wheaton-Dumont Coop Elevator**  
**Annual Report for Fiscal Year 2020 (Fiscal Year ended 08/31/2020)**  
**Board and Management Comments**

**Announcement:**

**Due to the public health threat caused by the pandemic, and in compliance with Minnesota Executive Order 20-86 relating to cooperative meetings, Wheaton-Dumont Coop Elevator (WDCE) suspended its annual members' meeting this year. WDCE will still conduct the following business on December 9, 2020:**

- 1. Present Board and Management reports.**
- 2. Publish and distribute an audited financial statement.**
- 3. Elect one Minnesota Director for a 4-Year Term.**
- 4. Vote on proposed changes to the Articles of Incorporation and Bylaws.**

**All reports, statements, election, and voting results will be posted to our website at [www.wdcoop.com](http://www.wdcoop.com) by the end of business on December 9, 2020.**

**Audit Report:**

The Audit report covers Fiscal Year 2020, which is the period of time from 09/01/2019 through 08/31/2020. The information contained in this report is a summary of the operating and financial results of the Cooperative. The financial report is available to all patrons in various formats as follows:

- There is a link to a shortened version of the audit report available on our website at [www.wdcoop.com](http://www.wdcoop.com). This version will only provide the Operating Statement and the Balance Sheet. This version will not provide any supporting notes or schedules.
- If you would like to have an audit report emailed to you, contact the Main Office and provide your email address.
- If you would like to have a physical copy of the audit report mailed to you, contact the Main Office and provide your name and mailing address.
- You can also pick up a copy of the audit report at our locations, while supplies last.

**Board and Management Report:**

Disclaimer: "The Board and Management Report may contain forward-looking statements that attempt to predict or project future events as expectations or possibilities. Actual results may vary widely from those anticipated on the date this report was written as the Cooperative is exposed to several risks/events that are outside of our control; such as weather, crop failures, Acts of God, interruptions to rail service, etc. You are cautioned not to place undue reliance on

these forward-looking statements, which reflect our opinions only as of the date of this presentation. All figures are rounded to the nearest \$1,000 for presentation purposes only.”

**Welcome to the Fiscal Year 2020 Annual Meeting. Although we cannot be together at this time, we look forward to next year and sincerely hope that we can meet again at our next Annual Meeting. The pandemic has affected all of us and our thoughts go out to those Patrons and Employees that have experienced loss during this time. The future is bright! As we write this report, vaccinations are starting in Great Britain and are expected soon in the United States. Together, we will succeed!**

Operating Statement:

On behalf of the Board, Management, and Staff at Wheaton-Dumont Coop Elevator (WDCE), we are pleased to announce that your Cooperative earned a Total Comprehensive Income of \$7,903,000 during Fiscal Year 2020.

Although your Cooperative enjoyed significant financial success, getting there wasn't easy. Aside from the Pandemic, Fiscal Year 2020 will be remembered for Prevented-Plant acres (especially corn acres) leading to a moderate decrease in fertilizer and agronomy sales and a significant decrease in yields and grain volumes.

Total Sales for the year were \$230,435,000, a decrease of 20 percent from the previous year. Although Total Sales were down by more than \$59,000,000, Total Gross Margins were up by \$740,000, an increase of 4 percent. Gross Margins improved greatly as export demand began to improve near the end of the Fiscal Year.

Other Operating Receipts (Service Income) was \$8,176,000, a decrease of 28 percent from the previous year. Storage and Drying revenues were up sharply, mainly due to a poor-quality, high-moisture corn crop. Spreading revenues were down due to prevented-plant corn acres. Investment Income (Loss) was down sharply due to losses in both ethanol investments and your Cooperative's investment in the Britton Grain Terminal. Finally, Miscellaneous Income was down sharply for the year.

Added together, Total Gross Margins and Other Operating Receipts was \$26,841,000, down \$2,448,000, or approximately 8 percent.

In response to prevented-plant acres, lower yields, and lower grain receipts, we aggressively reduced Operating Expenses. For the year, Operating Expenses were \$26,296,000, a reduction of \$3,265,000 or 11 percent. Most major expense categories were down as we tightened the belt across the board.

We then subtract our Operating Expenses of \$26,296,000 from our Total Gross Margins and Other Receipts of \$26,841,000. We are left with an Operating Income of \$545,000, an increase of \$817,000 over the previous year.

Once we determine our Net Operating Margin, we add in Patronage Income of \$420,000, a Gain on Marketable Securities of \$153,000, and a Gain on the Sale of Assets of \$5,569,000. Finally, we add in an Income Tax Benefit of \$1,217,000.

In the end, we are left with a Total Comprehensive Income of \$7,903,000. This is an increase of \$6,532,000 over the previous year and it represents the third-highest Total Comprehensive Income in the history of the Cooperative.

As an added benefit of doing business with your Cooperative, we are pleased to announce the allocation of \$3,642,000 of excess Sec. 199A(g). Otherwise known as DPAD Credits, notices will be distributed to qualifying patrons before December 31, 2020. Once received, please forward this notice to your tax professional.

Balance Sheet:

Due to the Cooperative's robust earnings, we were able to add a significant amount of strength to the Balance Sheet.

The Cooperative ended the year with \$27,190,000 of Working Capital, representing an increase of \$7,883,000 and the largest amount of Working Capital carried in the Company's history.

In addition to building Working Capital, your Cooperative reduced Long-Term Liabilities by \$2,169,000. At year-end, your Cooperative's Long-Term Debt to Local Equity Ratio was 56 percent.

At year-end, your Cooperative had a Local Net Worth of \$78,824,000, Members' Allocated Equities of \$26,034,000, and a Capital Reserve of \$65,583,000 resulting in Total Patrons' Equities of \$91,617,000. Your Cooperative is financially strong and is capable of weathering the storm.

As stated previously in this report, prevented-plant corn acres had a significant negative effect on our operating results. For the year, we spread 27,454 tons of dry fertilizer, a decrease of 8 percent. Liquid fertilizer sales of 2,346 tons represented a decrease of 6 percent. And, of course, fewer tons sold means fewer acres spread as applying revenues were down around \$400,000 for the year and other service revenues saw similar declines.

Prevented-plant acres resulted in reduced grain receipts and corresponding grain sales. Corn sales of 19,808,000 bushels represented a decrease of 26%. Soybean sales of 10,577,000 bushels represented a decrease of 12 percent. Spring Wheat sales were actually up for the year totaling 1,550,000 bushels, an increase of about 6 percent. Due to the direct correlation between grain volume handled and Total Sales, the decrease in yields and planted corn and soybean acres resulted in a decrease in Total Sales of 20 percent.

Wet conditions and prevented-plant acres really hurt us over in the Britton, SD trade territory where our grain receipts were less than half of normal. This would represent the second year in a row that wet and flooding conditions throughout Marshall County, SD have resulted in crop

failure. We look forward to next year as we anticipate better planting conditions across the trade territory.

Although we were able to reduce Operating Expenses by \$3,265,000, we incurred additional operating costs of approximately \$250,000 directly related to the Pandemic. We were very fortunate in that our Staff remained healthy and at work throughout the year and we were able to remain fully operational through harvest. With that said, we are not immune to the pandemic and we experienced increase costs due to preventive measures and sick time, just like everyone else.

Fiscal Years 2020 and 2019 were extremely challenging for your Cooperative. Weak export markets, prevented-plant acres, reduced yields and lower grain volumes all combined to make this one of the most difficult periods of time in your Cooperative's history. With that said, our financial results and our balance sheet strength carried us through.

Looking ahead into Fiscal Year 2021, we started the year with good yields and a good quality crop. Favorable weather conditions allowed us to spread a record number of dry fertilizer tons over a record number of acres this fall season. Export markets are aggressive and competitive giving us the profitable outlets we need for the kind of volume you expect us to handle. We are getting off to a great start and we anticipate a good year. We see challenges ahead, but with our balance sheet strength we are capable of rising to the challenge.

The Board and Management of Wheaton-Dumont Coop Elevator would like to recognize our Staff for their hard work and dedication this year. We couldn't do it without you. Thank you to the Patrons that support us. We look forward to serving your needs in the future!

Election Results: Vaughn Maudal was re-elected to the Board for a four-year term. Maudal was selected as the President. Chuck Grimes was selected as the Vice-President. Chadd Berger was selected as the Secretary/Treasurer.

The vote to update the Articles of Incorporation and Bylaws passed by 91 percent. 316 total ballots were cast: 289 Members voted for the resolution while 27 Members voted against. Approximately 1,300 Members were eligible to vote resulting in a participation rate of about 23 percent. Thank you for your support and thank you for returning your ballot!