



## *Garden City Co-op, Inc.*

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### **Annual Report 2011**

The challenge of reviewing the 2011 fiscal year end results for the Garden City Co-op is that it takes us back to a time that seems very distant. The fall harvest of 2010 was a record setter in every respect. We handled more bushels, quick-shipped more bushels and bought and sold those bushels at a historically high average price. The demand for crop inputs the previous year was huge and it appeared that there would never be another bad day. It is hard to remember huge harvest lines made more congested by quick ship trucks and the piles of grain at Lowe and Dighton. The drought combined with new grain storage and faster handling equipment made the 2011 harvests much different than the year before.

The pressure of a huge harvest at high prices works to distort many parts of our financial statement. Sales are incredibly high as are inventory values and the line of credit needed to finance them. As that bubble moves through the system it then distorts those same numbers to the downside.

We moved from back to back record harvests in 2010 to one of the shortest wheat harvests in our co-op's history. The 2011 wheat harvest was 36% of the 2010 harvest. The harvest results and current weather conditions drive the huge majority of our business in petroleum and crop production as well.

Even with all of this volatility in volumes and price your co-op performed very well. We will report a net savings of \$6,344,902 and a local savings of \$819,640 at the annual meeting. We were able to improve the liquidity of your co-op up to over \$13 million. This should bring great comfort that when your co-op makes a commitment to you, we will be around to fulfill our obligation.

We will allocate \$3,281,173 of earnings to you with \$984,352 being returned in cash. Also, we will retire equity allocated to you in 1989 and 1990. This will make the fourth year in a row that we are able to retire multiple years including all estates. This is in keeping with your Board's directive to bring the equity increasingly more current.

The excellent year will allow us to allocate 19.7¢/cwt for grain and 14.93% for grain storage patronage. We will also be allocating 2.62% for member fuel and lubricant purchases or roughly 8.5¢ per gallon of fuel.

We are always pleased to report good financial performance but we understand that our main mission is to provide service to you. We have invested large sums over the last two years to live up to that commitment. The grain storage additions at Shields, Wolf and Deerfield are complete, realizing a total addition is 2,439,000 bushels. Even with a down year we filled every bin. This improves our ability to handle your harvest efficiently and will take about 2,400 quick ship outbound trucks off the scale every harvest while you are trying to get your grain in.

We have also made investments in 3 million gallons of diesel making the entire fuel distribution system in Southwest Kansas much more efficient. We are proud to be leasing storage to several other area co-ops to offset our cost and allow them to become more reliable suppliers. Your co-op replaced the liquid fertilizer blending system to increase speed and accuracy. We have also added ammonia storage and trucks to insure a dependable and timely supply.

Your employee group has made a renewed commitment to safety by participating in a safety culture study administered by DuPont. We were proud that the people at our locations were the leaders in our co-op in many areas of safety commitment.

We are very proud that we get to work with the employee group at the co-op. The Board also values their service and engagement. We work hard to retain and find the best people and support them with the best equipment and technology. We all appreciate the great group of farmers that we get to serve and want to thank you for your support of your co-op. When we work together everyone prospers and that has certainly been the case last year.