



**BUILDING  
TOMORROW  
TOGETHER**

2021 ANNUAL REPORT

**Ag  
Valley**  
CO-OP



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# LETTER TO SHAREHOLDERS

**Building Tomorrow Together.** Those words are even more relevant today as we strive to make Ag Valley Cooperative your agricultural supplier of choice in these challenging and complex conditions.



Over the past 12 months, we have weathered a global pandemic, record low oil prices and grain markets that struggled to gain any positive momentum. Fast forward to today, and it feels as though the storm clouds are parting to let in some sunshine. We are nearing the end of the pandemic, energy prices have rebounded and commodity markets are rising to levels not seen in more than 20 years. That has led to opportunities for agricultural producers to lock in some profit. While the extreme volatility that we are experiencing calls for caution as we position Ag Valley Co-op to remain relevant in the marketplace, we are optimistic about our path forward.

The 2020-21 fiscal year was another year of changes and challenges. We experienced change in many of our top management positions to ensure we have the right people in the right places. The challenges stemming from the pandemic and related economic crisis directly impacted the financial performance of your cooperative. The drop in oil prices negatively affected our energy department as we worked through the contracts we had in place before the pandemic started. Higher commodity prices last spring and fall contributed to the co-op's decrease in storage revenue. Despite these challenges, we can report to you positive net savings for the year.

While positive net savings are an improvement from the previous couple of years, the financial performance of your cooperative is not where it needs to be. The Board and Management team are committed to continuing to make the necessary changes to ensure that Ag Valley Co-op is bringing value to you and your family farm. That includes upgrading facilities and equipment and being competitive with our grain bids. We must continue to position ourselves so that the inputs needed on your farm are competitive in today's marketplace. We need to once again be positioned to pay back deferred equity and provide you a return on your business with Ag Valley Co-op in the form of patronage refunds.

In closing, we want to thank you for your business this past year. Ag Valley Co-op exists because of you. We are honored that you allow us to be a part of your farming operation and that responsibility is not something we take lightly. You are part of a cooperative system uniquely designed and built to assist you as you feed the world. Collectively, we are stronger and can accomplish great things by building tomorrow together – through all kinds of weather.

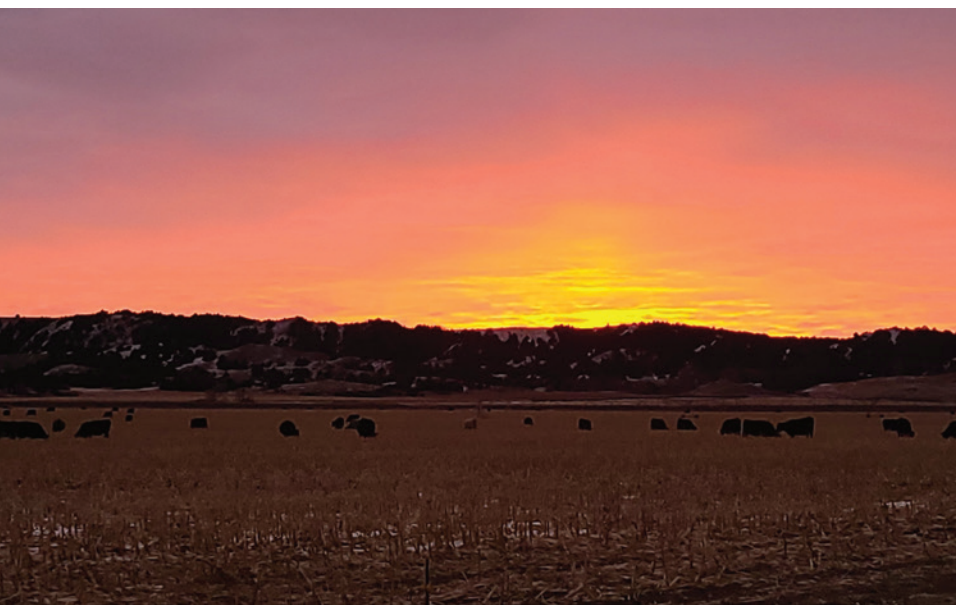
Thank you,

Jeff Krejdl  
CEO/General Manager

Tom Hansen  
President



# ABOUT AG VALLEY CO-OP



**Ag Valley Co-op** is committed to the financial strength and long-term success of its members' farms and businesses. The organization serves **4,653 members** across **15 locations** in Nebraska and Kansas and has since 1953. As a member-owned cooperative, members' success is critical to the success of the business.

With an annual payroll in excess of **\$14 million**, Ag Valley Co-op employs **220 individuals** in careers across its administrative, grain, feed, fuel and agronomy departments. Competitive wages and a comprehensive benefit package including the **Co-op Retirement Plan** allow employees to reinvest in the local economies where they live and do business.

Ag Valley Co-op continues to be an active supporter of local agricultural youth groups such as 4-H and FFA, community events and various school programs. During the 2020-21 fiscal year the cooperative donated **more than \$107,000** in support for local community fundraisers and benefits. The cooperative also has a scholarship program that awarded **\$11,000 in scholarships** to local high school students last year.

Ag Valley Co-op is one of the largest taxpayers in the counties in which it operates. Last year alone, Ag Valley Co-op paid \$944,000 in property taxes, helping local communities and schools.

## AG VALLEY CO-OP BOARD OF DIRECTORS

The Ag Valley Co-op board of directors is honored to represent the interests of the community. Elections take place annually and all active members, those that have done business with the cooperative in the previous 12 months, are eligible to submit nominations and vote.

### OFFICERS

Tom Hansen  
*President; Wellfleet, NE*

Drew tenBensel  
*Vice President; Arapahoe, NE*

Lavern Banzhaf  
*Secretary; Cambridge, NE*

### DIRECTORS

Dale Cramer  
*Cambridge, NE*

Leon Ehrke  
*Stamford, NE*

Curtis Lowry  
*Almena, KS*

Dennis McConville  
*Indianola, NE*

Mark McGreer  
*Big Springs, NE*

Mark Miller  
*North Platte, NE*

Doug Snyder  
*McCook, NE*

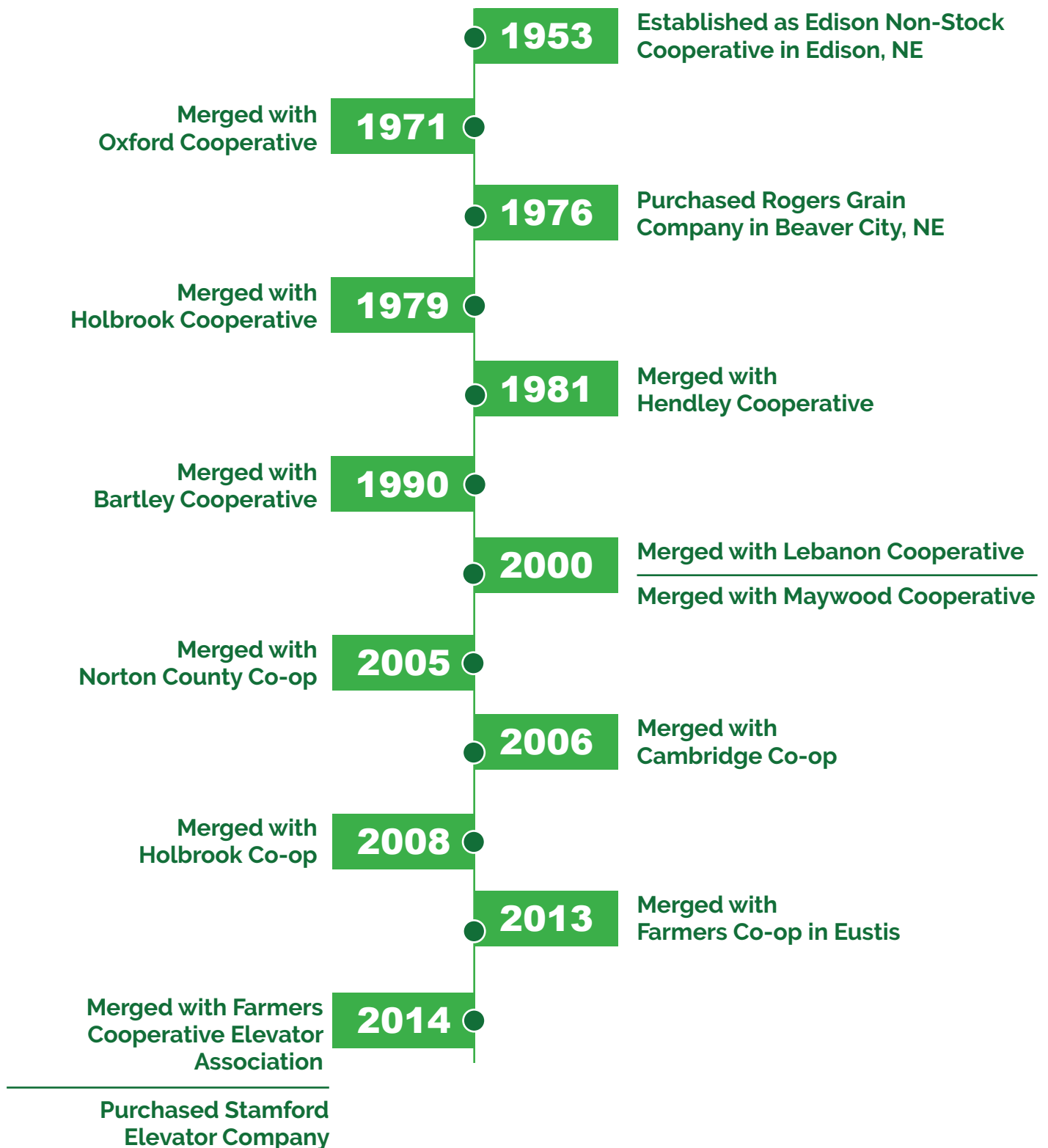
Travis Theobald  
*Beaver City, NE*

### ASSOCIATES

Brian Juenemann  
*Norton, KS*

Tyler Ruf  
*Cambridge, NE*

# HISTORY OF AG VALLEY CO-OP









# FINANCIALS

Ag Valley Co-op takes its fiscal responsibility seriously and is constantly evaluating ways to improve operations, profitability, products and services.

Prior to 2019, Ag Valley Co-op had strong net savings and a robust cash patronage record, paying out more than \$18 million since 2002. In 2019 and 2020, the cooperative experienced a series of losses related to weather, fire and storage. The strength of the balance sheet and strategically positioned assets allowed us to weather that downturn in profitability. Although the 2020-21 fiscal year brought its own challenges, including a pandemic, the cooperative was able to generate a positive net savings. Ag Valley Co-op is committed to implementing the changes necessary to ensure the cooperative remains relevant in the marketplace and continues to bring value to your farming operations.

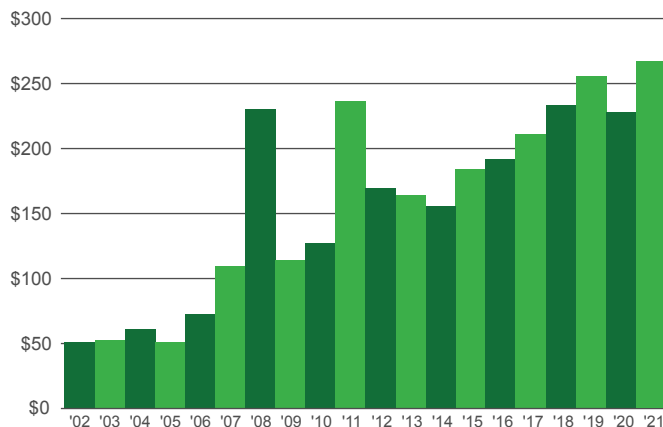
Ag Valley Co-op recognizes its members have options when it comes to marketing grain and buying agricultural inputs and will continue to work hard every day to serve our members' best interests.

## A BROADER VIEW

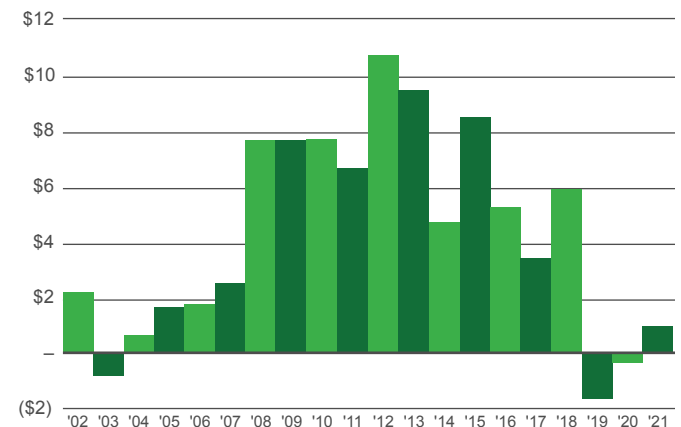
Despite recent hurdles, Ag Valley Co-op's history over the past two decades demonstrates an organization that is strong, profitable, and perhaps most importantly, resilient.



**TOTAL ASSETS**  
in millions



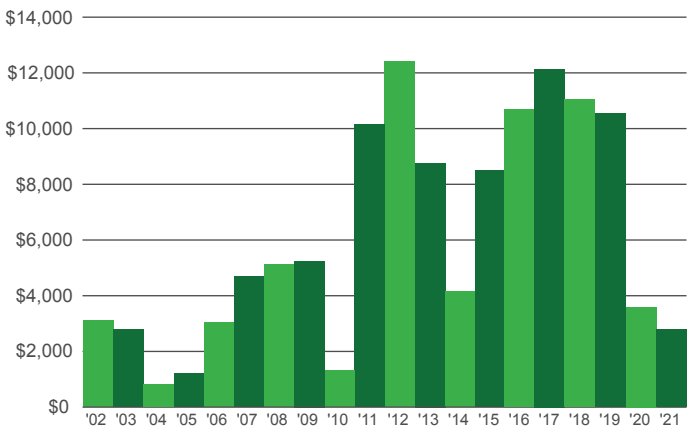
**NET SAVINGS**  
in millions





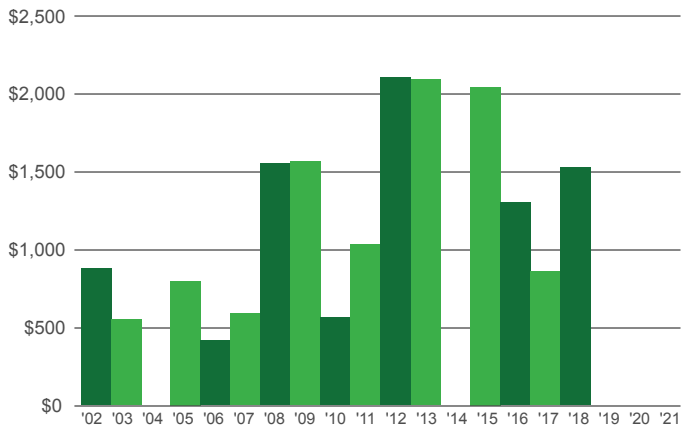
### CAPITAL ASSET ADDITIONS

in thousands



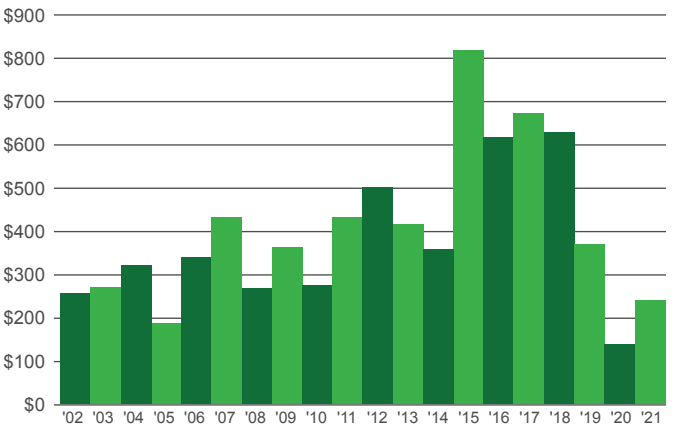
### CASH PATRONAGE

in thousands



### EQUITY RETIREMENT & ESTATE PAYMENT PROGRAM

in thousands



## STATEMENTS OF OPERATIONS

Total sales increased slightly over the prior year along with gross savings on sales. A reduction in volumes from the previous year was offset by strong margins.

Grain services income was down primarily due to reduced storage income as producers took advantage of higher commodity prices and sold their grain versus storing it.

The reduction in agronomy services income is the result of less application income. We lost the opportunity for one spray application due to drought conditions in our territory. Also, more producers are acquiring their own application equipment.

## STATEMENTS OF OPERATIONS

Years Ended February 28, 2021 and February 29, 2020

	2021	2020
Grain Sales	\$ 243,395,561	\$ 222,297,801
Supply Sales	77,575,390	94,936,632
<b>TOTAL SALES</b>	<b>\$ 320,970,951</b>	<b>\$ 317,234,433</b>
Cost of Goods Sold	293,766,676	291,849,280
<b>GROSS SAVINGS ON SALES</b>	<b>\$ 27,204,275</b>	<b>\$ 25,385,153</b>
Other Operating Revenue		
Grain Services	4,015,635	5,618,683
Agronomy Services	2,565,819	3,255,583
Feed Services	412,574	486,271
Station Services	143,097	171,167
Trucking Income	1,046,319	1,270,870
Water Resource Income	0	573
Finance Charges & Interest	242,610	491,297
Gain on Sale of Property, Plant, and Equipment	171,668	50,144
All Other	1,173,670	337,445
<b>TOTAL OTHER OPERATING REVENUE</b>	<b>\$ 9,771,392</b>	<b>\$ 11,682,033</b>
<b>TOTAL GROSS REVENUE</b>	<b>\$ 36,975,667</b>	<b>\$ 37,067,186</b>
Operating Expenses		
Payroll & Related Benefits	\$ 14,650,249	\$ 15,897,066
Depreciation	7,448,280	7,522,916
Interest	3,276,217	5,608,464
Insurance	1,812,955	1,926,917
Property Taxes	943,860	1,029,266
Repairs & Plant Supplies	3,943,261	4,030,807
Rent & Lease	842,893	1,038,202
Truck Expense	938,584	1,308,759
Utilities	2,172,237	2,619,284
Bad Debt Expense	390,521	84,774
All Other	2,838,243	3,811,295
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 39,257,300</b>	<b>\$ 44,877,750</b>
Operating Loss	\$ (2,281,633)	\$ (7,810,564)
Patronage Dividend Income	3,404,278	6,632,745
Gain on Involuntary Conversion	0	1,052,692
<b>SAVINGS (LOSS) BEFORE INCOME TAXES</b>	<b>\$ 1,122,645</b>	<b>\$ (125,127)</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>	<b>\$ 145,010</b>	<b>\$ (6,280)</b>
<b>NET SAVINGS (LOSS)</b>	<b>\$ 977,635</b>	<b>\$ (118,847)</b>



## Total operating expenses were down approximately \$5.6 million year-over-year.

Approximately \$1.2 million of the total reduction in operating costs were related to personnel expenses. This includes savings realized from the implementation of a new self-insured health plan and a reduction in the required contribution rate for The Co-op Retirement Plan due to strong performance of the underlying assets.

Depreciation expense remained consistent as expenditures on capital assets were relatively conservative during the year. Management will continue to evaluate operations and upgrade facilities and equipment where necessary to ensure efficiencies and provide a high-quality experience for patrons.

Approximately \$2.3 million of the reduction in total operating expenses can be attributed to lower interest expense. Although the value of grain inventory on February 28, 2021 was higher than the same time a year ago, Ag Valley Co-op carried less grain during the 2020-21 fiscal year than it had in the prior year resulting in less borrowing on our seasonal note.

Business insurance expense was down due to a variety of factors including actively working with our agent to find quality affordable coverage and the concerted efforts of our safety department to keep our workers compensation claims to a minimum.

Grain handling and utilities costs declined due to carrying less grain than in the prior year and the implementation of a number of operational efficiencies.

Bad debt expense increased with most of the expense relating to a single bankruptcy account. Ag Valley Co-op implements solid credit management practices in order to protect the equity of its members. We continually review our credit policies and procedures and make adjustments as needed based on the current economic environment, such as the conditions created during the pandemic.

Legal, audit and professional fees decreased overall. The prior year included investment in a Land O'Lakes engagement survey which was completed in that year with no carryforward of expense to the current year.



## BALANCE SHEETS

For the 2020-21 fiscal year we were able to improve our net savings while also maintaining a strong balance sheet. Total assets are \$261 million which is up \$35 million from last year. That increase is related to an increase in grain bushels owned at year end, and more significantly, the increase in the price of those bushels. Net fixed assets decreased as a result of a relatively conservative fixed asset acquisition policy.

### BALANCE SHEETS: ASSETS

February 28, 2021 and February 29, 2020

	2021	2020
<b>CURRENT ASSETS</b>		
Cash	\$ 999,754	\$ 500,901
Receivables		
Notes	803,141	1,105,588
Trade - Net of Allowance for Doubtful Accounts of \$240,000	2,793,679	3,898,343
Grain in Transit	7,378,907	2,216,893
Accrued Storage & Drying	1,038,330	2,514,002
Other	1,178,068	512,390
Margin Deposits	13,064,098	1,315,177
Inventories		
Grain	103,320,381	73,661,735
Feed	1,311,995	1,305,270
Agronomy	34,038,555	39,174,382
Petroleum	1,506,631	1,637,974
Deposits on Undelivered Inventories	6,796,970	6,472,313
Prepaid Expenses	574,968	1,144,253
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 174,805,477</b>	<b>\$ 135,459,221</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	\$ 2,629,403	\$ 2,629,403
Buildings	64,534,712	64,308,514
Equipment	66,183,630	65,081,946
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>\$ 133,347,745</b>	<b>\$ 132,019,863</b>
Accumulated Depreciation	(73,551,736)	(67,673,419)
Undepreciated Cost	59,796,009	64,346,444
Construction in Process	0	58,305
<b>NET PROPERTY, PLANT AND EQUIPMENT</b>	<b>\$ 59,796,009</b>	<b>\$ 64,404,749</b>
<b>OTHER ASSETS</b>		
Notes Receivable	\$ 4,578	\$ 6,299
Prepaid Expenses	45,000	45,000
Deferred Income Taxes	527,820	672,830
<b>TOTAL OTHER ASSETS</b>	<b>\$ 577,398</b>	<b>\$ 724,129</b>
<b>EQUITY IN OTHER ORGANIZATIONS</b>	<b>\$ 26,161,325</b>	<b>\$ 25,427,840</b>
<b>TOTAL ASSETS</b>	<b>\$ 261,340,209</b>	<b>\$ 226,015,939</b>

Our liabilities relative to financing consist of an operating line of credit and term debt with CoBank, in addition to capital leases for equipment. In the 2020-21 fiscal year we received approximately \$3 million under the Small Business Administration's Paycheck Protection Program (PPP). This amount is included in the long-term portion of notes payable. We believe we have met the requirements for forgiveness of this loan and are awaiting a reply to our loan forgiveness application. When forgiven, this amount will be recognized as income. Grain contracts payable and the prepaid money for crop inputs make up most of the remaining current liabilities.

#### BALANCE SHEETS: LIABILITIES AND MEMBERS' EQUITY

February 28, 2021 and February 29, 2020

	2021	2020
<b>CURRENT LIABILITIES</b>		
Checks Written in Excess of Bank Balance	\$ 2,777,697	\$ 2,804,298
Current Maturities of Long-Term Debt		
Notes	4,000,000	3,000,000
Capital Lease Payable	481,667	391,250
Notes Payable - Seasonal	101,509,015	79,624,004
Payables		
Trade	5,072,799	2,760,754
Grain	17,155,656	12,602,727
Patron Credit Balances	18,687,848	13,252,518
Prepaid Storage	0	3,172
Accrued Expenses		
Interest	437,379	525,016
Property Taxes	1,044,289	1,091,316
Other	1,455,355	1,413,041
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 152,621,705</b>	<b>\$ 117,468,096</b>
<b>LONG-TERM LIABILITIES – Net of Current Maturities</b>		
Notes	\$ 26,046,555	\$ 27,000,000
Capital Lease Payable	1,193,097	827,353
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>\$ 27,239,652</b>	<b>\$ 27,827,353</b>
<b>MEMBERS' EQUITY</b>		
Memberships	\$ 178,500	\$ 174,600
Certificates of Participation	286,800	275,900
Members' Equity Credits	25,027,452	25,261,525
Acquisition Equity	\$ 3,879,715	\$ 3,879,715
Retained Savings	52,106,385	51,128,750
<b>TOTAL MEMBERS' EQUITY</b>	<b>\$ 81,478,852</b>	<b>\$ 80,720,490</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 261,340,209</b>	<b>\$ 226,015,939</b>

## MEMBERS' EQUITY

The members' equity statement represents your ownership in Ag Valley Co-op. While the circumstances of this year will not allow us to retire equity, rest assured that we are working hard to put Ag Valley Co-op in a position to do so in the future. Ag Valley Co-op's Board and Management Team are committed to designing an equity management plan that enables us to redeem equity on a more timely basis while also allowing for the continued investment in the assets and services that bring value to members' farming operations.

### STATEMENTS OF MEMBERS' EQUITY

Years Ended February 28, 2021 and February 29, 2020

	Total	Memberships	Certificates Of Participation	Members' Equity Credits	Equity from Acquisition	Retained Savings
<b>BALANCE - FEBRUARY 28, 2019</b>	<b>\$ 80,978,528</b>	<b>\$ 273,200</b>	<b>\$ 177,200</b>	<b>\$ 25,400,818</b>	<b>\$ 3,879,715</b>	<b>\$ 51,247,595</b>
Adjustments and Transfers	2	(97,200)	99,300	(2,100)	0	2
Redemptions	(139,193)	(1,400)	(600)	(137,193)	0	0
2020 Net Loss	(118,847)	0	0	0	0	(118,847)
<b>BALANCE - FEBRUARY 29, 2020</b>	<b>\$ 80,720,490</b>	<b>\$ 174,600</b>	<b>\$ 275,900</b>	<b>\$ 25,261,525</b>	<b>\$ 3,879,715</b>	<b>\$ 51,128,750</b>
Adjustments and Transfers	0	5,300	11,700	(17,000)	0	0
Redemptions	(219,273)	(1,400)	(800)	(217,073)	0	0
2021 Net Savings	977,635	0	0	0	0	977,635
<b>BALANCE – FEBRUARY 28, 2021</b>	<b>\$ 81,478,852</b>	<b>\$ 178,500</b>	<b>\$ 286,800</b>	<b>\$ 25,027,452</b>	<b>\$ 3,879,715</b>	<b>\$ 52,106,385</b>



## CHANGES IN FINANCIAL POSITION

Working capital as of February 28, 2021 increased by approximately \$4 million over the prior year. In addition to positive net savings, the proceeds received from the PPP loan accounted for approximately \$3 million of this increase.

This increase in working capital puts Ag Valley Co-op in a strong position moving forward, and is an important factor in achieving our goals relative to future capital improvements and a strong equity retirement and patronage program.

### SCHEDULE OF CHANGES IN FINANCIAL POSITION

Years Ended February 28, 2021 and February 29, 2020

	2021	2020
<b>FINANCIAL RESOURCES PROVIDED</b>		
Net Savings (Loss)	\$ 977,635	\$ (118,847)
Items Which Do Not Use (Provide) Working Capital		
Depreciation	7,448,280	7,522,916
Gain on Sale of Property, Plant & Equipment	(171,668)	(50,144)
Gain on Involuntary Conversion	0	(1,052,692)
Patronage Dividends Received as Equity	(1,218,452)	(4,392,933)
Deferred Income Tax Expense (Benefit)	145,010	(6,280)
<b>WORKING CAPITAL PROVIDED FROM OPERATIONS</b>	<b>\$ 7,180,805</b>	<b>\$ 1,902,020</b>
Proceeds from Sale of Property, Plant & Equipment	309,513	1,626,473
Payments on Notes Receivable & Current Maturities	1,721	0
Equity in Other Organizations Redeemed	484,967	625,455
Additional Long-Term Borrowing	4,160,887	192,348
<b>TOTAL FINANCIAL RESOURCES PROVIDED</b>	<b>\$ 12,137,893</b>	<b>\$ 4,346,296</b>
<b>FINANCIAL RESOURCES USED</b>		
Additions to Property, Plant & Equipment	2,977,385	3,704,171
Long-Term Notes Receivable Issued	0	303
Long-Term Prepaid Expenses	0	45,000
Repayments & Current Maturities of Long-Term Debt	4,748,588	3,473,037
Long-Term Prepaid Storage Redeemed	0	417
Redemption of Members' Equity	219,273	139,191
<b>TOTAL FINANCIAL RESOURCES USED</b>	<b>\$ 7,945,246</b>	<b>\$ 7,362,119</b>
Increase (Decrease) in Working Capital	4,192,647	(3,015,823)
Working Capital - Beginning of Year	17,991,125	21,006,948
<b>WORKING CAPITAL – END OF YEAR</b>	<b>\$ 22,183,772</b>	<b>\$ 17,991,125</b>



## FINANCIALS: THE UPSHOT

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Personnel Expenses

↓ **\$1.25M**

Overall Expenses

↓ **\$5.6M**

## COMMUNITY SUPPORT

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 **15**

LOCATIONS



**220**

EMPLOYEES

**4,653**

MEMBERS



**\$118K**

FOR LOCAL SUPPORT

**\$944K**

PROPERTY TAXES



**\$18M**

PATRONAGE  
SINCE 2002

# MEMBER SPOTLIGHT

## BRIAN BALLOU

Brian Ballou has been following in his family's footsteps his whole life. He is a fourth-generation farmer on the same operation that his great-grandfather started, and he has always known that a career in agriculture was for him. The agricultural industry means a lot to Brian and his family because, "You get to provide for so many people through the work you do every day."

"We love living in our small town and the people are so friendly," explained Brian. "I lived in Hastings while I was in college but I was happy to come back home after graduation." With degrees in Automotive Technology and Ag Business, Brian had the perfect opportunity to apply his education to hands-on experiences when he returned to the farm. "The farm life teaches you many lessons," said Brian. "It's a lifestyle that I love."

Brian farms near Wilsonville and Hendley, Neb. alongside his wife, parents and uncle. Together, they manage a cow/calf and row crop operation. Brian's family also handles all of their fertilizing and crop spraying. Brian purchases the inputs from and sells some of their grain to Ag Valley Co-op. "We have really enjoyed working with Ag Valley Co-op," said Brian. "We have great relationships with our sales staff who bend over backwards to help us. They are an important part of our operation."

As for other young producers, Brian has a few words of advice. "You won't get anywhere if you don't take a chance. Farming is all about getting out what you put into it. Some of the best education comes from losing money, especially when learning how to market grain. At the end of the day, do everything you can to the best of your ability."

**We have really enjoyed working with Ag Valley Co-op. We have great relationships with our sales staff who bend over backwards to help us. They are an important part of our operation.**

— Brian Ballou





# SCHOLAR SPOTLIGHT

## MEGAN HOUSER

Megan Houser's love for agriculture began in her childhood during her time in 4-H and FFA and while watching her mother work in the FSA office. Growing up, Megan always wanted to be a veterinarian, but her classes and activities in high school changed her mind. By participating in Elwood's FFA Chapter as a member and later serving as an officer, Megan learned more about the variety of agricultural careers that could be available to her. As her advisor encouraged her to participate in natural resources competitions, Megan discovered a new passion: conservation.

Megan is now pursuing a degree in Rangeland Management with an Ecology option at Chadron State College. She is working towards a career as a rangeland management specialist or as a soil conservationist with the NRCS. Megan's dream is to work with producers and help them with conservation practices such as cover crops and prescribed burns. Her advice to this year's scholarship recipients? "Buy a planner and don't procrastinate! It's easy to get behind and the planner will keep you organized."



**Buy a planner and don't procrastinate! It's easy to get behind and the planner will keep you organized.**

”

— Megan Houser

## 2021 AG VALLEY CO-OP SCHOLARSHIP RECIPIENTS

Alma Public School  
**Tanner Heckenlively**

Arapahoe High School  
**Cord Frink**

Dundy County Stratton High School  
**Kirstin Cawthra**

Elwood High School  
**Evan Neimeier**

Home School  
**Aretta Brennemann**

Northern Valley High School  
**Stuart Rose**

Norton Community High School  
**Dru Kasson**  
**Sarah David**  
**Carson Harting**

South Platte High School  
**Ryan Cheleen**

Southern Valley High School  
**Kynlee Marquez**  
**Amanda Basnett**  
**Ashley Basnett**  
**Makayla Schoen**  
**Trinity Bantam**

Southwest High School  
**Rachel Moore**

Stapleton High School  
**Trinity Hansen**

Wallace Public School  
**Naomi Farnsworth**





**BUILDING  
TOMORROW  
TOGETHER**

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**Ag  
Valley**  
CO-OP