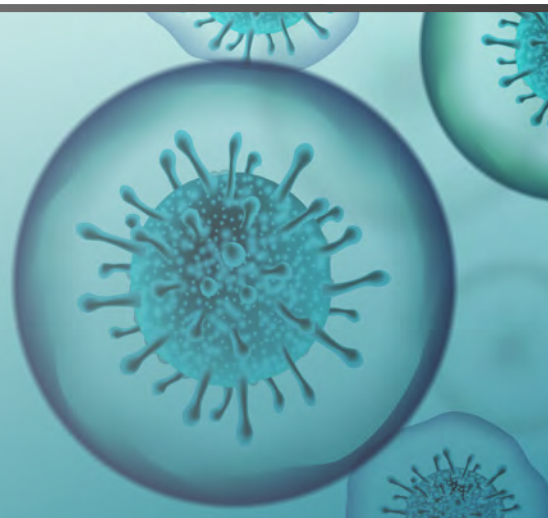


## A Coronavirus Note

With the ever-changing impact of COVID-19 on our lives and our businesses, SFS has made many changes to how we are interacting with our members, customers and suppliers. These changes are meant to keep our staff healthy so we can continue to serve you during this outbreak. At this time, we are not anticipating any shortages with agricultural or energy commodities, but the situation could change if the trucking industry gets hit hard or industries have to shut down. We are updating our website and social media often in response to this outbreak and ask for your understanding and patience.

Thank you,

***The SFS Management Team***



## Celebrations Bring Us Together

By Tom Boland, General Manager



Early in February, our co-op honored the 43 years of service that Jeff Walker contributed to Skagit Farmers Supply (SFS). As you might imagine, his retirement party was full of laughter, energy, emotion and tears.

Any successful company is made up of quality individuals doing good work and impacting customers and lives along the way. Several of our high-performing baby boomers have retired in recent years. Retirement events, such as the one for Jeff Walker, challenged our own thoughts on Father Time. It's also great fun to see so many familiar faces join in the celebration.

In most cases, those retirees and their spouses have been part of the co-op for a long time and have been integral to our success.

My mom's mom, Grandma Tierney, was an avid theater-goer. From time to time, she would take us kids to plays at the Guthrie Theater in Minneapolis. A highlight was when Grandma would take all the grandkids who could attend to a Sunday matinee of Charles Dickens' "A Christmas Carol." We would dress up and have fun watching the scene changes and being a bit spooked by the ghostly appearances the production is known for.

*continued on next page*





The scene in "A Christmas Carol" known as Fezziwig's Feast always astounded us. In this scene, Dickens' penchant for extravagant food is coupled with a grateful employer and his extended acquaintances for a joyous celebration. The lively atmosphere and fun stand in stark contrast to the austere life Scrooge has settled into.

We are not quite up to Dickens' level when it comes to setting up a celebration, but thanks to traditions set up by Ken Kadlec and carried on by Raelene Smillie, we have plenty of food around and we enjoy each other's company. These retirement parties linger beyond their posted wrap up time and always leave us wanting more.

In March, we were able to share some nice results with our membership at the co-op's annual meeting. (See the Board of Directors' story on page 3.) This past fiscal year, SFS posted record sales and, more importantly, record local earnings, with another year of 50% cash going back to members.

We have a current generation of high performers who have stepped up to and into the fray. They're carrying on the legacy they were handed and still get to see from time to time — not with a ghostly apparition but at a well-catered event full of laughter and fun.

We wish everyone a healthy, safe and productive season. 🏠

## Following Our New Members North

The newest business location of SFS is a Lynden, Washington property with a long history. It has figured prominently in agriculture supply over the years and was at one time a favorite of Lynden horse enthusiasts.

Owned by Lee and Sandi Kornelis, the location at 421 Birch Bay Lynden Road has been leased for the past two decades by the Elenbaas family.

Going forward, SFS will offer full agronomic services out of this location to our Whatcom County members. We'll custom-blend dry fertilizer in Burlington and deliver it out of the Lynden location. SFS will also offer liquid fertilizer, chemicals and custom corn planting as well as the ability to service organic acres across Whatcom County.

Doug Lambert, our Lynden location manager, comes with many years of experience in the market. Our sales manager Steve Groen, along with agronomist Jose Rivera and our Burlington Agronomy team, have been servicing this market prior to SFS leasing the Lynden site.

As mentioned, the site has a long history and was originally used as a boarding stable. When Lee and Sandi purchased the building, they shared their passion for horses by hosting 4-H groups, clubs and friends in riding and training horses. By the early 80's, the location was trucking hay and selling sacked feed. It became the Westlyn Feed Store. 🏠

(Left to Right)  
Blake Carson,  
Molly Pershing,  
Jeff Howe, Ryan  
Nootenboom,  
Tom Boland, Jose  
Rivera, Steve Groen  
and Doug Lambert.





# Members Elect Wesen to the Board

By Your Board of Directors

A word of thanks from the board to all our members who joined us in Mount Vernon on March 11, 2020 for the 86th Annual Meeting of SFS.


We shared some good results from our latest fiscal year, and we welcomed Mark Wesen as a new board member. Mark has extensive cooperative experience as well as working on the multigenerational dairy operated by his family in Skagit County.

Re-elected to the board of directors was Cristina Walter. Both Mark and Cristina will serve three-year terms.

Your co-op continues to perform well. We had record sales and earnings this past year, and we're happy to be able to send strong returns to our membership. The remaining 70% of 2009 stock was retired in March and amounted to over \$2.26 million. This June, we're sending 50% from last years' patronage out to members in cash. That will be about \$3 million.

Here's one thing we're doing differently this year. Because of the new tax laws, our voting farmer members will receive a non-qualified distribution. The difference is the co-op will pay taxes on the stock portion of the distribution, so our voting farmer members must pay taxes only on the cash they receive. The co-op is paying over \$100,000 in taxes on the stock portion.

These decisions are made every year by the board in conjunction with our auditors. It is the intention of the board to treat the non-qualified stock the same way stock has always been treated and to retire it after 10 years. As always, this will depend on the health of the co-op.

We are trying to keep cash coming back to our membership during good times. We also continue to reinvest in our people and in our infrastructure. Our costs in Washington State continue to rise, and we want to grow our sales to help cover those costs. We need good assets to do that. Thank you for your business and support of Skagit Farmers Supply. 



SFS board members, left to right: Nels Lagerlund, Cristina Waltner, Jenn Smith, Spencer Fuentes and Mark Wesen.

## Blake Carson Joins Agronomy




SFS is happy to welcome Blake Carson to our agronomy team! From his early childhood, Blake's passion has always been farming. He spent his childhood and teen years working on his grandfather's row crop and hay farm in Laurel, Washington.

Blake completed a Bachelor of Science degree in Ag Technology this past year at Washington State University (WSU). He interned with the agronomy department of SFS in 2019 and jumped right into learning the procedures and meeting our members.

We are excited to have Blake join SFS as part of our service team and in the agronomist role. "Having new ideas is good for all of us," observed Steve Groen, SFS sales manager.

"WSU has a strong program and they focus on Washington agriculture," Steve notes. "Blake's education and initiative will be valuable to us, especially with our new location in Lynden."

Welcome aboard, Blake! 



# Adjusting to the Higher Cost of Doing Business in Washington

When the citizens of Washington state voted on Nov. 8, 2016 to increase the minimum wage, employers took notice and began adjusting to this new reality. The multiyear phase-in took the minimum wage from \$9.47/hr. at the time up to \$13.50/hr. this past January.

Other initiatives in the state have increased employee benefits such as paid sick and family leave, which have increased costs in the state of Washington for both employees and employers. The low unemployment rate — which has employers competing for a limited supply of labor — is another factor that has increased pressure on our overall expense load.

In general, business has responded to these increased costs in a variety of ways — from increased prices to automated checkouts or labor-saving mobile apps. Before the \$13.50/hr. minimum wage was phased in on Jan. 1, 2020, proponents of a \$15/hr. minimum wage were already making their voices heard.

At SFS, our discussions have centered on efforts to do more work with less labor, while not losing our focus on customer service. Some might say that's easier said than done. One thing we've learned is some investments which didn't make sense in the past now make financial sense. We've also learned that some processes we used to do don't make sense anymore. We can't cover all the increased costs with higher retail prices, because competition won't let us. We must be more efficient. We also need to continue to grow sales to spread these costs out over a larger book of business.

All four of our business units have examples of things we're doing to deal with rising costs. Some are obvious. Others you wouldn't notice. I'll start with the obvious.



## Automating facilities and equipment

Most of you reading this newsletter know that when we built the new agronomy plant in Burlington, we increased our size and scale — our ability to manufacture and deliver fertilizer with less labor than we previously required.

We also automated the bagging line so we can bag more fertilizer on demand with less labor. (We don't store bagged fertilizer.) That investment pays off quicker over time when the cost of labor is increasing.

You'll see another example of that type of investment this spring when you see our larger corn planter. We'll tell you more about that planter in our Summer 2020 newsletter. Automation is certainly one way to help us be more efficient.



## Fewer steps

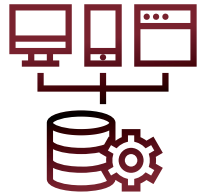
Another way is to eliminate steps in processes we use. At one time, it made sense to track credits back to vendors on damaged product. A customer returned something for an eligible credit, we issued the credit, and we sent the product back to our supplier for a credit from them.

That was an easy process, but it required multiple employees in our store, in distribution and in our office to process that credit. When all was said and



done, we might get a \$15 credit back, but we spent \$30 to get it. When the cost of doing business was lower, it made sense. Somewhere along the line, however, it stopped making sense to do that.


Similarly, when we transfer product out of our wholesale into retail, we would check everything in to verify we received our full order — even though our accuracy was over 99% on all deliveries. Now, we digitally assume that product into our store and save on the labor used to verify those loads. On average, that saves 45 minutes per delivery, multiplied by two deliveries a week across 12 locations. The product moves to the sales floor quicker and our customer service is improved with fewer out-of-stocks.



## New software

A final example is the addition of PathGuide® software to our distribution center (DC) in Spokane. This initiative started over 24 months ago as a means of tracking lot quantity sales across our distribution network, which involves 800 accounts across seven states. We need to be able to track deliveries in case a recall is needed. If that happens, we want to only return the impacted product.

With our old system, we would recall too much product to ensure we captured all the impacted items. This new software allows us to pinpoint where the product was sold, the specific pallet it was on and when it was delivered. But it does much more than that. It dramatically improves our efficiency in creating and filling orders, and even onboarding new employees. If you visit our DC, you will probably be surprised at how little activity seems to be going on there. The process is streamlined, efficient and even quiet. Our wholesale sales are up 30% in the past three years, our costs are up as well, and we are trying to position ourselves to keep growing with the same amount of people servicing the business.

SFS is not in this alone. You face these same pressures. So do our competitors and other businesses. We'll continue to be as efficient and forward thinking as we can to maintain our viability, our customer service and our strong returns to our membership. 



(Left) Warehouse supervisor Steven Barnes unloads an AFCO delivery at our Central Spokane Country Store. Our newly adopted process for receiving merchandise moves it to the sales floor quicker and customer service is improved with fewer out-of-stock items.

(Right) The automated bagging line at our Burlington agronomy plant allows us to bag more fertilizer on demand with less labor. The fertilizer being bagged in this photo was shipped to Hawaii for use on citrus crops.

# FUN FACTS

## ABOUT SKAGIT FARMERS SUPPLY



Last year our Country Stores received almost **16,000 deliveries** of product to be sold.



In 2019, our AFCO team picked and delivered **27,418 tons** of total products.



Our AFCO crew drove **785,000 miles** in 2019.



Our bagged fertilizer arrives in **Hilo, Hawaii two weeks after the order is placed.**

*NOTE: This product is custom blended and not manufactured by us until an order is placed.*



Our Country Stores sold **3,318 tons** of our proprietary feed last year.



# EVENTS

## ACROSS THE CO-OP



### Holiday Parties

We host two employee holiday parties each year — one in western Washington and one in Spokane. We usually have over 500 people in attendance at these two parties, including current and former employees and guests. In the photo above, Salesman Bryant Grenz comes forward at our January party in Spokane to accept his service award and bonus check.



### Board Retreat

As it does every year, the SFS board of directors meets for a multi-day forecasting and planning session. This year's board retreat was held in January in Vancouver, British Columbia. In the photo above, Agronomy Manager Jeff Howe and Sales Manager Steve Groen present to the board and management on the upcoming season.




### Retirement Events

This photo was taken at the retirement party for Jeff Walker (second from the left) in February at the Bertelsen Winery in Mount Vernon. Jeff worked for the co-op for 43 years and was one of only four employees when he was hired. Skagit Farmers Supply now employs 340.



### West Meets East

Also in February, SFS brought its retail team from western Washington to Spokane to meet with the cooperative's wholesale and mill team in Spokane. We also brought our eastern Washington store managers into that meeting. Before dinner, our group walked through the Spokane Ag Expo being held at the Spokane Convention Center. Pictured at the expo, left to right, is Stephanie Hanson, Tiffany Towne, Allene Stuller, Christine Greene, Charlee Kellough and Lauren Johnson. 



# MEMBER SPOTLIGHT:

## Ferndale Farmer Explores Leadership



We all have full schedules and busy lives. For those with a newborn, it's especially busy. Add to that the daily commitment that comes with operating a farm, and it's easy to imagine a full plate. The last thing you want to think about is attending a meeting that might or might not bring value to the farm or to your life.

That's where Brandon Pike of Moser Farms was at last fall when Steve Groen, sales manager of SFS, invited the Ferndale producer and his family to a meeting in Leavenworth, Washington. The Pikes would join other young farmers and hear about leadership roles in agriculture and in the cooperative system.

Brandon's wife, Elizabeth, a part-time farrier and an active member of her parents' dairy farm in Silvana, helped him say "yes" to Steve's invitation. In early December, the Pike's brought their three-week-old son Liam to The Sleeping Lady Mountain Resort in

Leavenworth. The event opened the couples' eyes to opportunities they hadn't previously considered.

Paul Hansen heads the leadership development program with Land O'Lakes (LOL) which engages young farmers from across the country. SFS hosted Paul and more than 50 other young farmers from western Washington the past two years for two days at events called "Cornerstone for Engagement."

That event awakened Brandon's interest. When Paul invited attendees to consider coming to a follow-up session entitled Advocate for Action (A4A) that would go even deeper into leadership, the young farmer again said "yes."

"The purpose of Advocate for Action is to provide member-owners with insights about advocating at all levels: their farms, their communities and agricultural in general," said Paul. "Participants in







(Left) Brandon Pike and other young farmers attending Advocate for Action in conjunction with the Land O'Lakes' annual meeting in Minneapolis.

(Right) Brandon and Elizabeth Pike, with their son Liam.



A4A develop skills to improve their advocacy efforts and share the many ways they can become more engaged members.”


Advocate for Action was held this past February in conjunction with LOL's annual meeting in Minneapolis, Minnesota.

“It was an eye-opening experience,” observed Pike. “Paul takes the fear factor out and lets attendees know that [Land O'Lakes and local co-ops like Skagit] want to work with individuals based on their experiences and what they want to do.”

Social media training was one topic covered at the Minneapolis meeting that caught Brandon's attention.

“Don Schindler was phenomenal,” said the Washington state farmer as he described what he learned about using and connecting on different platforms. Talking with college kids from the Midwest and hearing their views on food during an on-stage panel was also very impactful.

Brandon recently attended the SFS Annual Meeting in Mount Vernon, Washington and is open to participating in more leadership events, including the potential of advocating in Olympia and in Washington D.C. Brandon sends his appreciation to Steve Groen and the SFS board for giving him these great opportunities.

“Brandon's leadership and willingness to work with all of our local, state and federal agencies is instrumental in Moser Farm's success today and into the future,” stated Steve Moser. “Our family is grateful for his passion for farming, his commitment to agriculture and his willingness to learn and bring those insights back to the farm and our community.” 

Advocate for Action was held this past February in conjunction with Land O'Lakes' annual meeting in Minneapolis, Minnesota.





# Midwest Travel to Talk About Co-ops

By Jenn Smith, Board Member

An early January trip to Sioux Falls, South Dakota and Mankato, Minnesota isn't at the top of many peoples' "To Do" lists. Skagit Farmers General Manager Tom Boland and I made the trek to share our insights as speakers at cooperative director trainings sponsored by the South Dakota Association of Cooperatives and the University of Minnesota.

The weather was pleasant, and the company was even more welcoming. We were invited to the Midwest by Tom's brother Michael Boland, who teaches Agricultural Economics & Cooperatives at the University of Minnesota.

For his part, Tom spoke about the diversity of our co-op and how our geographic location lends itself to unique opportunities.

I described our board and spoke about how electing directors with diverse farm experience can be beneficial.

We participated in the training and learned a few tips to bring home to Washington state and share.

In the beginning it seemed a little intimidating walking into a group of strangers. But in the end, I realized that we aren't strangers at all. As we joined groups to participate in activities, I was reminded that farmers are pretty much the same wherever they are planted. The groups we were part of are facing the same uncertain economy and have similar struggles finding qualified labor as we do.

Mother Nature isn't any more predictable in the Midwest than she is here in Skagit County. The crops and the seasons may be different but the determination of these generational farmers to find a way to keep their farms in the family and still remain profitable is universal.

Overall, I think Tom and I gave interesting presentations, gained some tools to use in strengthening our board, and had some great conversations with some really nice people. 🌱



Tom Boland (left) and Jenn Smith (right) introduce Midwestern directors to Skagit Farmers Supply.

“... farmers are pretty much the same wherever they are planted. The groups we were part of are facing the same uncertain economy and have similar struggles finding qualified labor as we do.”



# Mission Statement

To preserve and enhance viability of the local agriculture economy through cooperative profitability.

# Vision Statement

To be the premier cooperative in the Pacific Northwest by being:

- The producers' first choice
- The consumers' first choice
- The employees' first choice

# Core Values

Customer Commitment

People - Integrity - Performance

Quality - Safety - Community

# Directory

## Main Office—Burlington

360.757.6053

## AFCO Distribution & Milling

800.538.8700

## Agronomy—Conway

360.445.5015

## Agronomy—Lynden

360.755.3615

## Agronomy—Burlington

360.757.7870

## Energy—Main Office

360.757.6053

## Petroleum & Propane Delivery

360.757.6053 // 888.757.6053

Emergency: 360.209.0310

## Country Stores

### Farm • Pet • Home

Burlington	360.757.4055
Coeur d'Alene (Idaho)	208.772.2715
Colville	509.684.2232
Freeland	360.331.1970
Mount Vernon	360.424.4207
Oak Harbor	360.675.2277
Oroville	509.560.7088
Sedro Woolley	360.856.6567
Spokane Central	509.534.1412
Spokane Valley	509.926.6603
Stanwood	360.629.7033
Stevensville (Montana)	406.777.5527



## Farmers Supply

1833 Park Lane // P.O. Box 266  
Burlington, WA 98233-0266

360.757.6053 // 888.757.6053


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

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# Moser Farms and Brandon Pike

Moser Farms is a fourth-generation dairy and crop farm located near Ferndale, Washington. It comprises 800 owned and leased acres on the Lummi Peninsula. The dairy operation is on the Lummi Reservation, while the heifer facility and most of the crop operation is off the reservation. This involves a great amount of complexity in oversight.

While the Moser family operates a conventional dairy, it has also transitioned some acres to organic grass and corn silage.

Brandon Pike works with three generations of Mosers on the farm. Grandson Cody has joined his father Steve and grandparents Frank and Barbara on the last dairy farm on the Ferndale Flats. 



Brandon with Steve and Cody Moser  
on Moser Farms in Ferndale.