

Planning For Uncertainty

By Tom Boland, President & CEO



Whether it's at work or home, most of us like to plan and have some idea of our future. It's a way of feeling in control and reducing stress. This past year we've had to cancel little league baseball games, employee retreats and industry events. It takes us out of our routine, adds uncertainty and contributes to

feeling like we're less in control than we think we are. Experienced managers and parents get used to things not always going according to plan. They get used to changing plans as needed as new information is presented. My guess is that successful companies are those that don't fight the new facts but adjust to them as quickly as possible.

We're in the early going of a new fiscal year. Our budgets have been completed, but that doesn't mean the planning is done. We're as unsure as most of you about supply chain, consumer demand and price inflation. Our department managers are operating as if the strong demand we've experienced will continue. We are aware that the federal stimulus/transfer payments may have distorted consumer spending these past 18 months. Will demand soften with the reduction of government stimulus? We will wait and see.

A year ago, we budgeted for growth. Much of our 2020 sales growth had occurred prior to COVID. We've had strong sales momentum across our business units, and we thought that would continue. It did. In fiscal 2021, Skagit Farmers Supply (SFS) achieved a record in overall sales. Some of that was inflation assisted, especially with higher fuel and propane costs this summer. Yet, we delivered more propane, and we blended more dry fertilizer than we've ever done before. Our Country Stores and AFCO Distribution in Spokane also set new records despite our staff being short-handed. We met our five-year average in corn acres planted and fields spread and sprayed. The enthusiastic demand from our customers and members has been matched by the strong efforts of our SFS staff.

Our response to concerns with supply chain caused us to order all our spring and summer 2022 chemical needs much earlier than

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Educating the Future of Agriculture

By Raelene Smillie, Company Administrator

As producers and employers, the severe shortage of qualified people available for hire in the agricultural sector is not news to you. Assisting young people in reaching their ag education goals is one way that SFS can ensure more trained personnel are available for our agricultural community.

Reviewing the list of 117 past scholarship recipients, it is gratifying to recognize the names of many who entered the agricultural arena, either locally or throughout the region and country. They are making a difference in agriculture.

For 31 years, the SFS Board of Directors has awarded "Careers in Agriculture" scholarships. 2020-2021 was a difficult academic year, and we are very pleased that our scholarship recipients not only persevered but excelled in their studies. This spring, new and renewing students submitted quality applications, even in a less-than-ideal educational environment.

Applicants chosen to receive \$1,000 awards for the upcoming 2021-2022 school year include two new recipients: Kelsey Billigmeier and Christina Ward. In addition, our board renewed the scholarships of four past recipients: Holly Lenssen, Martha Lum, Mason Rutgers, and Mitchell Wesen.

New Scholarships Awarded



KELSEY BILLIGMEIER

Kelsey, daughter of Todd and Shannon Billigmeier, graduated this year from Sprague High School. As a high school student, she was involved in leadership positions including FFA district president. Kelsey grew up in an agricultural family with her maternal grandparents raising wheat and both her paternal grandfather and her father having careers in the ag supply industry.

She is enrolled as a freshman this fall at Washington State University (WSU) where she is studying field crop management and soil science as a step towards achieving her career goal of becoming an agronomist.



CHRISTINA WARD

Christina, a 2021 graduate of Rosalia High School, has begun her freshman year at Washington State University in the field of agriculture and food systems. A four-year FFA member, Christina obtained her state FFA degree and served as chapter president, vice president and secretary. The daughter of Greg and Michelle Ward, she has been involved in many facets of agriculture, from working as a ranch hand for a cattle business, detailing farm equipment for local implement dealerships, and working in the family hay and alfalfa business. Christina also interned at a veterinarian clinic. Her long-term career goal is to run the family farm as a second-generation farmer.

Scholarships Renewed



HOLLY LENSSEN

The daughter of David and Heather Lenssen of Lynden, Washington, **Holly** is continuing her studies at Washington State University, where she is the current president of the WSU Dairy Club and a member of WSU's Agriculture Education and Horticulture Clubs. She also assists her father with his leadership responsibilities of the Dairyland 4-H Club.

Holly completed her advanced practicum teaching at Ferndale High School this past spring, and it confirmed her passion and desire to teach agriculture to students.



MARTHA LUM

WSU is the school of choice for another past and current scholarship recipient, **Martha**. Attending classes online was not what Martha expected from her studies last year, but she embraced meeting many new people working in different aspects of agriculture.

Martha is a member of the WSU equestrian team and is the current treasurer for the WSU Chapter of the National Society of Collegiate Scholars. The daughter of Eric and Amy Lum, she is continuing her studies at WSU and working with the family farm in Eastsound, on Orcas Island during school breaks.



MASON RUTGERS

Mason, son of Kurt and Roseann Rutgers of Ferndale, is a sophomore at the University of Nebraska-Lincoln, where he is pursuing a degree in agronomy and is an active member of the university's agronomy club. Working as a research assistant for the soybean breeding program last school year helped define his goals of seeking advanced plant and soil science degrees and working in research or conservation.

This past summer, Mason worked as an intern for SFS, based out of our Lynden agronomy location. SFS staff spoke highly of Mason's work ethic and contributions to the team effort and commented on what a great asset he is and will continue to be to the agricultural community.



MITCHELL WESEN

Mitchell has begun his senior year at California Polytechnic State University in California. He is the breeding manager at the Cal Poly Dairy. His experience and studies within the dairy industry earned him an intern position this past summer with All West Select Sires, a farmer-owned cooperative since 1941.

Mitchell, son of Mark and Barbara Wesen of Bow, Washington, comes from a family with a long history of cooperative involvement. Mark currently serves on the board of Skagit Farmers Supply. Mitchell is excited about how technology, coupled with hands-on experience, can aid growers in making sound business decisions. He looks forward to a career in the dairy industry.

IMPORTANT NOTE: Students can qualify for a scholarship each year of their two-or-four-year education by applying by April 1 of each year. The board recognizes that the cost of education has grown dramatically and has responded by increasing the annual scholarship award to \$1500 starting for students who receive a scholarship for the 2022-2023 school year. Applications may be obtained at www.skagitfarmers.com.

PLANNING FOR UNCERTAINTY continued from Page 1.

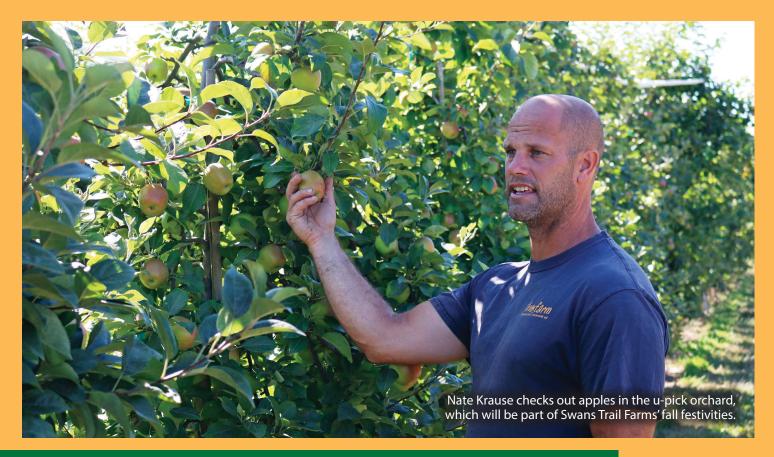
normal. We're also filling our fertilizer space, despite the price inflation hitting that sector. In late summer, we saw urea prices that were twice what they were a year earlier. That price inflation is causing us to slow down on some nonessential projects with contractors charging more because they also have been short staffed, and the price of many commodities have increased.

SFS has a strong balance sheet. We're in the middle of a half-decade of strong operational results which exceeded industry averages, and we feel confident heading into our busy winter heating season.

As we search for more normalcy in our business units, we also are looking for that in our personal lives. Kelly and I were happy to see the excitement and anxiety on our kid's faces this past September as they returned to school. Kelly's mom Anna is still living with us and the two of them are finding the quietness of the midday to be both strange and peaceful after virtual learning for a year. Learning from home wasn't anything we planned for. Yet, in adjusting to it, and letting go of the initial frustrations, Kelly and I were able to enjoy the blessing of having more input in our children's learning.

Wishing you all a safe and bountiful harvest.





GROWER SPOTLIGHT: SWANS TRAIL FARMS GROWING MORE FOOD ON LESS LAND

By Brianna Hackler, Graphic & Multimedia Specialist

Education plays a big role at Swans Trail Farms in Snohomish. That may not be surprising, given the agritourism farm is run mostly by former teachers.

Ben and Carol Krause, ex-Snohomish school district teachers, purchased the farm in 1984. Their son, Nate, a former special education and physical education teacher, helps run the farm today. Many of the employees are retired teachers who use their skills to educate the next generation about farming.

For about six weeks each fall, the pumpkin farm, u-pick apple orchard and corn maze are teaming with thousands of people daily, many from Seattle. These people come to the farm specifically for the educational opportunity and to help their children learn about farming, agriculture and where food comes from.

However, education at Swans Trail Farms goes far beyond teaching customers about food production and farming. The Krause family is also interested in helping further research and education in the agricultural industry. Earlier this year, Swans Trail received a million-dollar grant through Snohomish County. This grant allowed the farm to partner with innov8.ag, a Western Washington-based organization that uses technology and research to increase efficiency and productivity for agriculture.

"The thinking is that soon there are going to be 10 billion people in the world," Nate Krause said. "With more people, there's going to be way less land for farming. So, what we're trying to do is find ways to grow more food on less land."

The grant allowed Swans Trail Farms to work with companies like Microsoft to set up a private data system at the farm. The farm partnered with Steve Mantle of innov8.ag to complete a variety of studies to collect data on ways to improve plant health, increase productivity and conserve natural resources.

One of the first case studies the farm completed this summer related to water conservation. innov8.ag helped the farm install sensors in the apple orchard that monitored the water intake of the trees. All the data is transmitted instantly to Krause's phone, where he's able to view what the orchard needs in real time.

Using an app on his phone, Krause can pull up a graph that shows how much water the trees are receiving in comparison to what they need. By continually monitoring the water intake of the trees, the farm found they could drastically reduce the amount they needed to water.

"We were watering for 12 hours every five days or so," Krause said. "Now we're watering for three hours about every three days. We figure we're saving around 50 to 60 percent of the water."

While this may not be a huge deal for Swans Trail – the farm is based right across the street from the Snohomish River – Krause said this research and technology will go a long way in places where water and other natural resources are scarce.

Additionally, Krause said they have worked with Mantle and the innov8.ag team to improve soil health by using gamma rays to read the soil's nutrient levels and figure out what specific areas need

to thrive. innov8.ag has also used drone technology to monitor the health of plants aerially, so disease in specific areas can be identified and treated.

* * *

Ben Krause always wanted to be a farmer. So, in 1984, he and his wife Carol retired from their teaching careers and purchased the Staswick Dairy Farm on the banks of the Snohomish River. The family renamed the farm Swans Trail and began dairy farming.

Nate Krause said due to the nature of dairy farming, the farm was barely breaking even each year. To try to do something new, the family put in a pumpkin patch in 1995, allowing families to come out to pick their own pumpkins.

"Within two years, the pumpkin patch started paying for the dairy," Krause said. "So that gave us a clear picture. We knew we had to do something different."

In 1997, the family was honored as the Snohomish County Dairy Family of the Year. To celebrate, the Krauses opened the now-famous Washington State Corn Maze. The maze was grown in the shape of Washington, with landmarks and educational placards throughout so families going through the maze could learn about the state and its history.

"It was one of the first of its kind," Krause said. "I think maybe there were some corn mazes, but nothing like this."

More than 4,000 people attended the opening day of the maze, and spurred by its success, the family sold the cows that November and dedicated the farm to agritourism.

* * *

Today, the six-weeks of festivities starts in September when the farm opens to the public as a u-pick apple orchard. By October, the pumpkin patch and corn maze open, and thousands of people flock to the farm daily to learn about agriculture and enjoy harvest season on a farm.

Swans Trail Farms also hosts weddings and company picnics in the refurbished dairy barns. Carol and her daughter, Beth, run an organic flower farm as part of the operation as well.

Krause said educating people about where food comes from and what farming entails is a big part of the mission of Swans Trail Farms. For many of the customers coming from Seattle, Snohomish is the first rural area they see, and often, one of the first touchpoints of agriculture for children visiting the farm.

"If good people come out here and learn about [what we're doing], they're more likely to support farms," he said. "If they have a good experience when they come out here, when it comes time to pass a bill or something related to farming, they'll think, 'Hey, we have to keep our farms around.'"

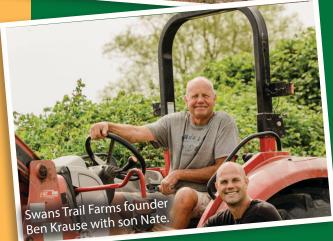
To learn more about Swans Trail Farm, visit www. swanstrailfarms.com or find them on social media.

Editor's Note: Swans Trail Farm buys dry and liquid fertilizer blends for pumpkins and corn, and crop protection products from SFS. They also buy strawberry fertilizer and herbicides. This year, Skagit's regional agronomist and horticulturalist, Molly Pershing, took several soil tests for Swan's Trail farm and gave them dry pre-broadcast blend recommendations. They used NACHURS® liquid mix for planting and side dressing.









CO-OP SPOTLIGHT:

DOUGLAS COUNTY ADAPTS, REACTS TO LOCAL NEEDS

Note to Readers: Cooperatives such as SFS continue to grow, innovate and thrive. This feature will shine a light on fellow ag supply Co-ops in the PNW. In many cases, SFS shares information with, learns from and does business with these cooperatives.

Behind the customer service counter of the Roseburg, Oregon retail store of Douglas County Farmers Co-op, there is a safe that speaks to the company's resilience and ability to withstand the test of time.

In 1959, someone accidentally detonated a dynamite truck parked two blocks from the Co-op's retail store, leveling eight city blocks, including the store. This safe, built in the late 1800s and used to store accounts receivable information, survived the blast. The Co-op cleaned up the safe and moved it to the re-built store in 1960. In 2003, when the Co-op built a new location, the safe was again moved and is still used to this day.

Douglas County Farmers Co-op knows something about resilience and withstanding the test of time. For the past century, the Roseburg-based business has evolved with the needs of area farmers and producers. It has withstood major events like the dynamite truck explosion and the coronavirus pandemic, as well as shifts in trends and demographics. The Co-op was founded April 1, 1921, in Roseburg and continues to serve the community today.

"We've always been here," said Melvin Burke, General Manager of Douglas County Farmers Co-op. "We were born here, raised here, always been here."

Over the years, Burke said, the Co-op has evolved with what area farmers and producers needed. When it was founded, the Co-op carried larger supplies, such as tires, tractors and implements. Today, the Co-op caters more to the small farmers and homeowners who are interested in raising their own food and improving their homes and properties.

"We carry the consumable, usable, edible," Burke said. "Meaning we cater to the everyday homeowner, the backyard warrior, the folks who like to grow their own food and know where it comes from."

As a cooperative, said Burke, Douglas County can assess the needs of the region and react quickly. Unlike large box stores that can't customize their products, the Co-op can adapt to what the farmers and landowners in Roseburg and the surrounding area need. This is important because area farmers are different from those in other locations.

"We're not a traditional farm area," Burke said. "We have several hundred people that raise a little of something, but not a lot of something, so we've adapted to that."

Like many Co-ops, Douglas County doesn't sell to one or two main producers; instead, hundreds of farmers come in to purchase one or two of each item. "When we have a truckload of 512 hay bales, we don't have one customer who buys 500 bales. We have 300 customers who buy one or two bales," Burke explained.

* * *

Originally called the Douglas County Farm Bureau Cooperative Exchange, the Co-op was founded by a group of farmers who met to purchase supplies and sell their products.

Today, the Co-op has grown to include more than 100 employees at four facilities:

- 1) The main retail store in Roseburg is about 30,000 square feet and contains lawn and garden products, pet and livestock supplies, and feed.
- 2) The Co-op's grain/feed facility and landscape/agronomy plant share a 12-acre plot just outside the town of Wilbur. The agronomy facility sits on a railway, providing farmers with dry fertilizer and custom application. The grain/feed facility manufactures feed and sells it in 50-pound bags up to one-ton totes. Burke says this facility has been a big asset to the farming community, providing feeds such as whole corn and peas, alfalfa and grass pellets. "It really fills a niche and helps to serve folks during times like right now, when there's a drought," he said. "We can buy on the open market, and we're able to serve in a bulk capacity to those folks."

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FARMER'S CO-OP continued from Page 6.

- 3) The Co-op has operated a retail store in Winston for the past eight years.
- 4) A new store will soon be constructed at Winston. The new facility will expand farm and ranch, pet, lawn and garden, and apparel departments while continuing to function as a True Value Hardware Store. The Co-op plans to break ground for the construction of this store in the fall.

* * *

One of the most unique things about the cooperative business model is that area producers and farmers can become members, allowing them to have a say in how the business is run. Additionally, members receive a percentage of the Co-op's profits each year.

Douglas County Farmers Co-op has about 5,800 members on its books, Burke said. Of those, about 3,000 are regular monthly customers. The members are a sample of the region's farmers, including cattle producers, sheep and hog farmers, and grass, hay, forage, grape and hemp farmers. In addition, some area farmers grow crops such as corn, strawberries and blueberries commercially and for local farmers markets.

Douglas County Farmers Co-op is run by a five-member board made up of Co-op members.

"They're very insightful, very progressive and very supportive," Burke said. "Our board is in-tune with what is going on in our community today, and very sensitive to the vision of growth for our organization."

* * *

This spring, Douglas County Farmers Co-op celebrated its 100-year anniversary. While it couldn't hold a large community event due to the coronavirus pandemic, Burke said, the Co-op celebrated heavily online and on social media, including launching a website dedicated to their centennial: www.wearedouglascounty.com.

The Co-op also partnered with local winery Melrose Vineyards on The Farmers Wine, a pinot noir that featured special commemorative packaging. In addition, the Co-op gave away a lot of centennial merchandise and a trip to the Purina Animal Nutrition Center in Gray Summit, Missouri. Although pandemic protocols have been reinstated, the Co-op hopes to hold an additional celebration for customers before the year is out.

Burke sees the Douglas County Farmers Co-op and Co-ops in general continuing to grow, because they're so integral to the community.

"Being in agriculture is popular again because the consumer wants to know that their food is safe and that the Co-ops are taking care of their environment," he said. "Who are better stewards of land and the environment than farmers and the Co-ops who serve them?"

Editor's Note: Douglas County Farmers Co-op purchases pet food, supplies and feed from AFCO, wholly owned by SFS. Douglas County Co-op and AFCO partnered closely during the Oregon Wildfires in 2020, helping to donate and distribute over 8,000 pounds of petfood to displaced pets and owners.



The co-op's landscape and agronomy plant and grain/feed share a 12-acre site outside Wilbur, Oregon.



Douglas County Farmers Co-op's Roseburg store view from another angle.



The Co-op will soon construct a new store at Winston, Oregon.



AGRONOMY MANAGER: RYAN HILL

By Tom Boland, President & CEO

We're pleased to announce that Ryan Hill has accepted the position of Skagit Farmers Supply's agronomy division manager! Ryan joined the co-op eight years ago and has steadily accepted more responsibility. He has blended organic, liquid and dry fertilizers at both Conway and Burlington. In 2017, when we built the new plant in Burlington, Ryan took over blending duties of the region's newest and most technologically advanced fertilizer plant. His latest role was as the Burlington location manager.

We train our staff to meet the demands of our members. Ryan has taken on extra duties, like supervising personnel and managing the P&L for Burlington. With our growth up north and outside of our traditional geography, it's exciting to offer staff members like Ryan an opportunity for advancement.



Ryan joined Skagit Farmers Supply after serving in the United States Navy.

2021 SFS Corn Field Days

By Jon Jarvis, Agronomist & CCA

SFS hosted our 2021 Corn Plot Field Days on Sept. 8, 2021 in Mount Vernon and on September 21, 2021 in Lynden. We were pleased to have great weather and good grower turnout. Over 70 people attended the Corn Plot Field Days including growers, product vendors and Skagit Farmers staff.

We had 25 corn hybrids planted in our plots this year from DEKALB®, Greenfield Genetics and LG Seeds®. With the abnormally hot and dry growing season we experienced in western Washington this year, we got a good chance to see how well the different corn varieties handled the drought conditions.

Growers in attendance were able to hear presentations from seed company representatives about their corn seed offerings and to ask any questions of our vendors and the SFS agronomy staff. We were also able to introduce the three operators that will be planting corn for SFS's 2022 Corn Plot: Stan Boon, Darrell Haggerty and Dave Heeringa. In conclusion, we had a great time, enjoyed an excellent BBQ, and got to share what we learned this year with our grower members.

Events like this allow SFS to showcase what this member-owned business is all

about. These events give us an opportunity to introduce our grower members to vendors like Aqua-Yield® and NACHURS®, who not only offer great products but support both our growers and the co-op in many ways.

Events like the SFS Corn Field Days also allow us to share how the cooperative is supporting our local dairy industry in Whatcom, Skagit and Snohomish counties. The services we provide — custom corn planting, fertilizer/seed application, soil/plant tissue sampling, and agronomist services — help local dairy producers remain as efficient and profitable as possible.

I want to express my gratitude to everyone who played a part in making our 2021 Corn Plot Field Days such success. I know it is a lot of work to put on these events, but they are very much appreciated by our members and our vendors.

Thank you.



REMARKABLE GROWTH IN YOUTH REWARDS

By Michelle Schell-Muir, SFS Director of Marketing



This year's fair season was much closer to "normal" than last year — Skagit, Puget, Lynden and Evergreen all held in-person shows and auctions. It was great to see the kids get back in the ring doing what they worked and trained for months to do — fitting and showing and ultimately selling their animals at auction!

It was also exciting to see a few kids in Whatcom County become Youth Rewards Members and purchase their feed and supplies from us. That qualifies them for add-on support and market animal purchase provided they meet the spending requirements. SFS purchased 118 market animals at the local fairs this year and contributed add-on support for many more youth projects. One hundred and ten 4H clubs and fourteen FFA chapters had members represented in the program, and Youth Reward Members this year totaled 135 on the West side of the Cascades and 321 on the East side. We introduced the Youth Rewards (YR) program on the east side just five years ago, so the growth we have experienced there has been remarkable in that short time!

I'd like to acknowledge and thank Bryant Grenz for his support and promotion of the program. He gives up his evenings to attend 4-H Club meetings to talk about the program and many weekends he attends

auctions with us. He certainly is the "face" of our company on the east side, and we appreciate everything he does to support the YR program!!

Unfortunately, in the face of surging COVID cases, SFS made the very difficult decision to not attend the last four auctions on the east side. Those included the Ravalli County Fair, the Palouse Empire Fair, the Spokane Interstate Fair and the Okanagan County Fair.

We did still support the YR members that met our spend thresholds by mailing them their add-on support checks and offering them a fair price for their market animals.

It wasn't the same as being there to visit with the kids and their

families, but it was the right thing to do to mitigate risk to our team, the youth attending the fairs, and the public attending these events.

We're looking forward to an even more "normal" fair season in 2022.



Hayden Main won Grand Champion with his steer at the Skagit County Fair.

















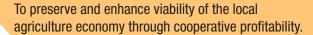


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MISSION STATEMENT





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

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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

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Continuing to Invest

By Nels Lagerlund, Board Chairman



One of the biggest decisions we make as board members of Skagit Farmers Supply is to approve the capital budget requests each year. Our co-op is strategically diversified, and we must allocate our limited capital to replace aging assets and invest for growth.

That growth can come locally in fertilizer and propane sales, and it also comes regionally with pet food and animal feed sales across seven states. With all these sales, our goal is to have people and assets that are trained and safe to fulfill our customer's needs.



Skagit Farmers Supply replaced three roofs at its Conway Agronomy Plant in 2020. Pictured here is the roof over the organic fertilizer storage building.

The latest budget approved the replacement of the receiving leg in Conway. This is one of the final steps in replacing the original fertilizer blending equipment that was installed 30 years ago and has served our membership so well over that time. The parking lot and the roofs over our organic building and chemical storage in Conway were replaced in 2019 and 2020. That site markets about 30% of our fertilizer and is in good shape heading into the future.

In 2017, we built a new agronomy plant in Burlington, which expanded our liquid and dry storage. The Burlington plant is on rail and helps us more reliably source product for our members when the flow of freight is unreliable, as it has been for much of the past eight months.

In the past five years, your board has approved \$10 million in agronomy plant and equipment upgrades — most of it in Skagit County. That amount equals the combined spend we approved in our energy, retail and wholesale business units, and at our mill, over the same period.

In 2011 and 2012, we built new stores in Sedro Woolley and Freeland, and at that time, the spend favored retail. Both of those stores are contributing good returns for our members, just as the Burlington and Conway agronomy plants do. It helps being diversified.

We appreciate your continued support.