

co-op connection

July
2016

The Benefits of Member Ownership

by Tom Boland, General Manager



It pays to do business with your member-owned cooperative. As you will read in Nels Lagerlund's article on page 2, the board of directors of Skagit Farmers Supply recently returned \$3 million in cash to members. We've also continued to reinvest in the co-op by making over \$2 million in plant and equipment upgrades last year. Of course, business

cycles don't always yield those kinds of returns, so when they do, we tend to appreciate it even more. Decisions to pay out cash or reinvest in the co-op are made by the board of directors with an eye to supporting local agriculture while keeping your company focused on its future.


These good financial results happened because of the efforts of many talented people at Skagit Farmers Supply and the strong support of our membership. They also resulted from decisions to diversify the co-op which were made under the long-term management of Mert McKee, Sr., Mert McKee, Jr., Ken Kadlec, and many former and current directors.

For instance, the decision to market propane in 1982 was a new idea at the time for the board and management. Our membership benefits today by being a market leader in propane. The decision to get into full-service agronomy operations was a new idea as well, and I'm guessing there were many conversations as to how that would work out. Today, our crew and membership benefit by having trained agronomists and good equipment to service our growers'

varied needs. Similarly, the decision by prior management and the board to continue to grow the retail business was made with an eye toward further diversifying, maintaining cash flow, and marketing goods and services in our rural communities. Any success we may enjoy today is due, in large part, to those prudent decisions.

Part of the history of co-ops is their entrepreneurial nature. We often enter different businesses because we're trying to fill a need in our communities. For Skagit Farmers Supply, that led general manager Ken Kadlec to create a position 10 years ago at the co-op that was part marketing and part community outreach. The person he chose to fill that new position was David Ridle. This proved to be another good decision as David has conscientiously served our membership for many years. David interacted with our youth through 4-H, FFA and at many county fairs, and became an expert (my words, not his) on pasture management, raising animals and everything related to living a rural lifestyle. David recently announced his well-deserved retirement. It's a long way from that one-room schoolhouse on the Nebraska prairie where your education began, isn't it, David! We wish you all the best.

Well, the schools have let out and my sister Mary brought her family for a visit. Our families went camping on the Olympic Peninsula and the Oregon Coast. After a busy spring, it's nice to get away for a few days. No iPad or computers and no election talk around the campfire.

We thank you for your continued patronage and hope you have a good summer. 



Skagit Farmers Supply board of directors (left to right), Nels Lagerlund (chairman of the board), Steve Sakuma, Ron Muzzall, Jennifer Smith (secretary/treasurer) and Rick Williams (vice chairman).

Co-op Returns Cash to Members

by Nels Lagerlund, Chairman of the Board

We recently mailed checks totaling \$2 million to members of Skagit Farmers Supply. This represents the 40% of the total patronage you and your neighbors earned by doing business with the cooperative in 2015. In March of this year, we also retired \$1 million of equity earned by our members in 2005. So, for the second year in a row, Skagit Farmers Supply has returned \$3 million in cash to the country.

As always, these cash distributions of patronage and equity are made at the discretion of the board, whose responsibility it is to oversee the financial wellbeing of the cooperative. Skagit Farmers Supply remains committed to supporting agriculture in the communities where we live and work.

A reminder: Skagit Farmers Supply's annual appreciation picnic will be held Saturday, July 30, 2016, at our agronomy plant in Conway. You should have received an invitation. We look forward to seeing you at the picnic.

Finally, your board of directors is currently engaged in updating company articles and bylaws. As we grow, the articles and bylaws must keep up with that. We are working through these documents with an attorney. Prior to next year's annual meeting, we will send out the changes for you to review.

We hope your spring went well. Skagit Farmers Supply is committed to agriculture and to our local growers. We appreciate your business. 

Western Washington Fertilizer Moves East

Brad Ludwig, Director of Retail Support and Purchasing



Our Colville Country Store serves farmers and ranchers in north-eastern Washington with a variety of products and services—including fertilizer bagged at Burlington. Here's how that works.

Barley and oats for grain or hay are prominent crops around Colville. Alfalfa and grass pastures for cattle are also important. The Country Store supplies grain, pasture and alfalfa seed to local farmers and ranchers, along with fertilizer and crop protection products.

The fertilizer distribution process begins at the store, managed by Pam Humphrey—a lifelong resident of Colville-Kettle Falls. Besides being a

store manager, Pam and her husband grow barley for a

local hog farmer and produce hay for their own sheep.

Fertilizer orders from our Colville customers are placed by store employees to our central buying office in Burlington. If a soil test requires a special blend of fertilizer, Ron Hawkins (located at our Burlington agronomy plant) will formulate the blend. Coby Beath and the crew at the Burlington plant will then bag the product. The majority of the 300 tons of fertilizer distributed annually to the Colville area is bagged in 2,000-lb. totes and placed on pallets.

The next step involves transporting the fertilizer to the store or the customer. Fortunately, we are able to utilize our company's AFCO trucks. From our Spokane distribution center, these trucks deliver feed, fencing and pet supplies to all of our western stores and other wholesale accounts on a weekly basis. Backhauling fertilizer from Burlington is an efficient utilization of the company's trucking system; however, timing can get interesting.

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Colville Country Store manager Pam Humphrey with fertilizer totes.

Educating for Our Future

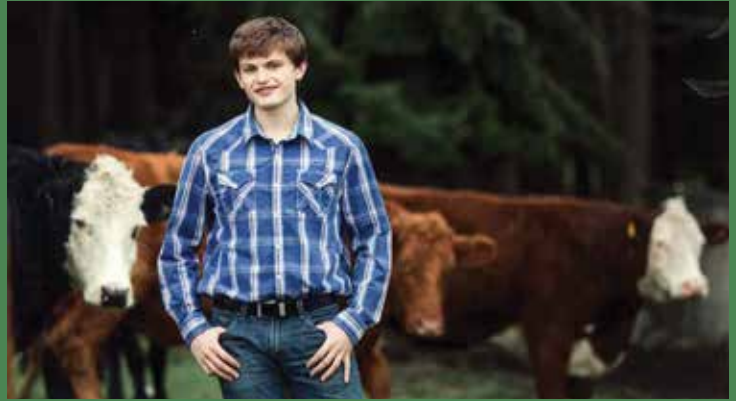
by Raelene Smillie, Company Administrator



Education has always been a cornerstone of the cooperative model. As a result, Skagit Farmers Supply offers a scholarship program that many similar organizations do not. We call it “Careers in Agriculture.” We are pleased to announce that Skagit Farmers Supply has awarded four “Careers in Agriculture” scholarships for the 2016-2017 academic year.

These \$1,000.00 scholarships have been presented to Matthew Molitor, Hannah Hendricksen, Erin Middleton and Roshel Muzzall.

Matthew Molitor, son of Thomas and Kerri Molitor, graduated from high school at Oak Harbor this spring and will attend Washington State University this fall. He plans to study agricultural bioengineering and biology.



Matt Molitor

scholarships (for a total of \$99,000) to area youth. *NOTE: This year marks the first time we have awarded a scholarship to a student in our trade territory on the east side of the state.*



Hannah Hendricksen

Hannah Hendricksen, daughter of Mark and Linda Hendricksen, graduated from Lewis and Clark High School in Spokane. This fall, she will enroll as a freshman at Colorado State University and will study in their Agriculture Sciences Program.

Erin Middleton, daughter of Brooks and Kelly Middleton, will attend the University of Montana Western’s Natural Horsemanship program after completing her high

school career at Anacortes this June. This is the nation’s only four-year degree program in this field of study.

Roshel Muzzall, daughter of Ron and Shelly Muzzall, will be a senior this fall at Pacific Lutheran University in Tacoma, majoring in business administration. After graduating, she plans to return to 3 Sisters Farms (located near Oak Harbor) where she is currently an owner and active participant.

Skagit Farmers Supply began its “Careers in Agriculture” scholarship program in 1991 as a way to encourage the continuity of agriculture by assisting those interested in a career in farming or in an ag-related field. Since the program’s beginning, we have awarded 99




Roshel Muzzall



Erin Middleton

Former recipients of our “Careers in Agriculture” scholarships serve in the agricultural industry in many different capacities. Several have returned to local farming operations. Others are involved in agricultural research, agricultural lending, or accounting and auditing of agricultural businesses. One is currently involved in lobbying for agriculture in Washington, D.C. *NOTE: Nels Lagerlund, a 1992 scholarship recipient, now serves as Chairman of the Board for Skagit Farmers Supply.*

Skagit Farmers Supply is proud to continue this program. Students can qualify for a scholarship each year of their two- or four-year education by submitting an application each year. Applications are due April 1 each year. If you have a child or grandchild considering a career in agriculture, be sure they obtain an application from their school or our web site: www.skagitfarmers.com. 

In the Shadow of the Bitterroot Mountains ...

by George Arnold, Retail Manager



... stands the town of Stevensville, Montana, home to one of our 12 Country Stores.

Each Country Store serves a unique market, and we strive to see that each store meets the needs of those in the area. This store, located in western Montana, caters to a whole lot of cattle, horse and hay production. A

vibrant business year round, the store's display of livestock equipment may sit under two feet of snow for a season.

Stevensville, a nine-hour drive to the east of our company headquarters, has experienced a number of changes over the past 18 months. I'm not talking about a change in seasons; I'm referring to changes in staff and vision under the direction of store manager Cory Burkhart. Cory and his employees have worked extremely hard in recent months to provide excellent customer service.

They've opened the store to the general public through sponsorship of events like kindergarten field trips during Chick Days. They've actively sought input on products that better fit their customers' needs. They've also worked with our distributors to improve the blend of feed, seed, wildlife and outdoor life products they offer.

As a result of their efforts, the Stevensville store is posting an overall growth of 26% year-to-date, compared to 2015. Individually, these departments show notable increases.



The Stevensville Country Store staff.

- Fencing is up 39 percent over last year.
- Horse & tack is up 38 percent,
- Wildlife is up 37 percent over last year
- Pet food, lawn & garden and hay are each up 35 percent.
- Livestock supplies are up 32 percent.

These numbers, and the warm atmosphere at our Stevensville Country Store, would not be possible without our great team of employees and their strong desire to serve their community. 🏡

2015 Safety Survey Results

by Don Parker, Fleet and Safety Manager



Skagit Farmers Supply recently offered employees the opportunity to participate in a safety survey conducted

by the University of Minnesota.

Administered online near the end of 2015, the survey questions were written specifically for cooperatives and other agricultural businesses just like ours. This was a perfect opportunity to see where we stood in regard to safety.

The results were impressive. They showed that Skagit Farmers Supply is above average when compared to some of the more elite, profitable cooperatives in the United States. Of course, we always have a need to improve, and we will use these results to do so. But this survey proved that we are already a step ahead in creating a great safety culture

aimed at protecting our employees, customers, property and communities.

The age of our workforce and the tenure of our staff is lower than that of the average cooperative involved in the survey. Those two things would usually indicate a company is challenged in safety; however, Skagit Farmers Supply fared better than expected.

Offered anonymously to all employees, full and part-time, the survey had a good level of participation. Over 85% of our staff responded, and we gathered many good comments which will help us improve safety even more.

Skagit Farmers Supply is a safe place to work, and the safety of our employees—as well as our customers and members—will continue to be a top priority. Thank you to all of our employees who took time to participate in the survey. Your efforts and dedication are much appreciated. 🏡

Western Washington Fertilizer Moves East

Continued from page 2

This season there was snow on the ground around Colville in late March. Less than two weeks later, farmers were ready to fertilize their crops. Lloyd Campbell and his crew at AFCO worked hard scheduling trucks to aid in this effort.

With a combined effort involving local contact with northeastern Washington customers, efficient communication between the Colville store and our Burlington production facility, and employing our own transportation system, Skagit Farmers Supply succeeded in providing fertilizer at competitive prices when normal logistics would dictate otherwise.

NOTE: We are currently training an outside sales person to provide agronomic help to fertilizer customers in northeastern Washington, similar to the way our agronomists counsel customers in the Skagit Valley. 🏡

Co-op Certifies Organic Fertilizer

by Charlie Anderson, Agronomist




Great news! Two organic fertilizer products under the Skagit Farmers Supply label have been OMRI Listed®. The following products may be used in certified organic production or food processing and handling according to the USDA National Organic Program Rule:

- Skagit Farmers Supply Granulated Feather Meal 11-0-0
- Skagit Farmers Supply Fish Bone Meal 4-13-0

We're buying raw materials for the fish bone meal out of Alaska, and chicken feathers out of Surry, British Columbia.

Look for these products to be available in bulk in 2017, and eventually in bags under our own label in the Country Stores.

These proprietary products will provide the building blocks for most of the organic blends used in production of crops such as potatoes, Brussels sprouts, barley and small fruits. They will complement the organic blends we have offered in the past and will continue to offer—helping to assure a more reliable supply at reasonable prices.

Call our Conway Agronomy Center at 360-445-5015 for more details. 



North Fertilizer Plant Update

by Jeff Howe, Agronomy Manager



Our board of directors has selected Land O'Lakes as the general contractor for our new Burlington (Agronomy North) fertilizer plant. Stueve Construction will build the structure and Sackett will supply the equipment. We're in the process of selecting an electrician, a dirt work contractor and a demolition team. We expect to

have those selections made by the time you receive this newsletter.

Ravnic & Associates, a local civil engineering firm, is walking us through the permitting process with Skagit County. We don't want to take down the old building until we know all the roadblocks have been cleared.

If everything goes well, we hope to start demolition and dirt work in September and have the new plant up and running by March 1, 2017.

More insect problems


We've observed increased insect pressures in the last couple of years. Cutworms, symphyla and wire worms are causing damage in

area potato, corn and cucumber crops. Cutworms are something we haven't had to spray for in the past, and the cucumber crop has never been a problem. Now, especially with recent mild winters, we're faced with the need to do something preventative.

I encourage you to think about applying a pre-plant pesticide next spring to address these increasing insect pressures.

Otherwise, we had excellent planting conditions—almost to the point where it got too dry; but everybody finished up in a timely manner and at mid-summer the crops look fantastic.

A reminder for our organic growers

Signs are available to post in your fields to prevent people from getting into the wrong field and applying conventional pesticides. Contact your Skagit Farmers Supply field man with the number of signs you need. 



Rick Nootenboom custom-planting corn this spring.

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 - Community

Directory

Main Office—Burlington

360.757.6053

AFCO Distribution & Milling

800.538.8700

Agronomy—Conway

360.445.5015

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
Sedro Woolley	360.856.6567
Spokane Central	509.534.1412
Spokane North	509.466.1300
Spokane Valley	509.926.6603
Stanwood	360.629.7033
Stevensville (Montana)	406.777.5527



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

360.757.6053 | 888.757.6053

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Crude and Retail Prices Rise

by Bill Markus, Energy Manager



Crude oil has been on the upswing for a number of weeks, and we're pushing the \$50 per barrel mark. Consequently, the finished product is on the upswing. Since April 1, gas is up over

40 cents and diesel is up 70 cents. Compared to previous years, that is still a bargain.

The Bakken oil-producing region of Montana, North Dakota and Saskatchewan continues to lose well drilling sites due to low crude prices. However, drilling rigs still in operation are filling the gap by producing 12 million barrels per day. We're seeing that crude travel via rail to our local refineries, which continues to impact Puget Sound supplies.

Non-ethanol gas purchases grow

Our Burlington Boulevard Station remodel is now complete, with all new dispensers, hardware and software. We offer three grades of non-ethanol gas there, as well as at our main office. Plus, we've added non-ethanol regular at our Oak Harbor location. Non-ethanol gas continues to be popular with boat, lawn mower and chainsaw owners.

We also dispense off-road diesel and highway diesel at all locations, including Grandy Creek.

Propane safety checks in progress

Propane prices have remained very low; however, we're starting to see the cost of propane slowly move up as crude oil prices rise.



Filling a motorcycle with non-ethanol gas at Burlington Boulevard station.

Locally, we sent about one-third of our propane staff to the agronomy department to help with spring planting. Now that crops are in the ground, we're in the process of upgrading and doing maintenance on all of our propane plants to get ready for the coming winter. Forecasters predict a La Niña, which translates to a cooler, wetter winter than in recent years.

In June, we mailed safety information to 15,000 propane customers, and we're in the process of notifying customers with systems that have not been inspected for five years that we'll be doing safety checks this summer.

If you have any questions, contact our energy sales representative, Ryan Nootenboom, at 360-840-4323 or ryann@skagitfarmers.com. 