

CO-OP CONNECTION

May
2016

Strong Earnings Lead to Strong Patronage

by Tom Boland, General Manager



In February, the senior management of Skagit Farmers Supply met with your board of directors for our annual business planning sessions. We received industry and department updates from management on the operations of the co-op. The co-op remains strong and continues to outpace neighboring co-ops in earnings and returning patronage to our members.

We discussed updating the articles and bylaws of the co-op. Most co-ops have become larger companies with many assets moving high-value commodities around. The governance structures of these organizations haven't kept up with their size. We are working with cooperative attorneys and

any changes to the articles and bylaws of Skagit Farmers Supply will be presented to our members in due course.

We discussed the need to replace the 46-year-old fertilizer plant at Avon Allen Road and Highway 20 in Burlington. These plants typically last about 35 years. Skagit Farmers Supply acquired it in 2008.

I'm happy to announce your board of directors has approved the expenditure required to replace the plant. We're proceeding to meet with the county and to solicit bids for a new fertilizer plant. That site is important to us because of its ability to receive rail cars and its proximity to a large number of our growers. It also has 60 percent of the co-op's fertilizer storage and allows us to maintain supply for our members during spring planting. Hopefully, everything will move forward with the county and our bids will come in on

budget so we can begin building soon.

Good news to share with members

For those unable to attend our annual meeting in March, I'll share some good news on the continued strong earnings and financial strength of the co-op. Our dollar sales were down because lower crude oil prices drove down the costs of fuel and propane. At the same time, our unit sales in both energy and agronomy held steady, and we had sales growth in retail and wholesale distribution. Our four-percent bottom line is twice what most local co-ops of our size in the Pacific Northwest achieve. That indicates the strength of our company due to good employees and the support of our members.

The board approved a \$1.2 million

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Terry Larsen wears a lot of hats for the co-op! He has pumped gas for our customers for over 15 years at the Burlington Blvd Station.

Non-Ethanol Gas now available in all locations

by Bill Markus, Energy Manager




Spring is upon us, and we're ready to supply diesel and gasoline for planting season.

We've been busy completing fuel station upgrades at all of our locations, including a rebuild of Burlington Boulevard. We've installed pumps that meet the new credit card requirements. We also added a tank to handle non-ethanol gasoline in all three grades for your classic cars, boats, small engines and performance engines. That completes our expansion of non-ethanol gas, which we now offer at both of our Burlington locations, Grandy Creek and in Oak Harbor.

Diesel Exhaust Fluid (DEF) is becoming a much-needed product

for new tractors and trucks. We deliver DEF in 2.5-gallon plastic jugs, 55-gallon drums or totes. In addition to DEF, we deliver Cenex® lubricants and greases to meet your equipment needs. Give our energy salesman, Ryan Nootenboom, a call at 360-840-4324 to discuss your current needs or ask any petroleum and propane questions.

Our propane department had a great winter season, adding several hundred new customers and growing our total delivered gallons. Many of our veteran propane drivers will help out in the agronomy department this spring to ensure we can provide you with quality service during the planting rush.

Thank you for your continued business. We look forward to making your co-op a valuable part of your success. 

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stock retirement from our 2005 business. In addition, this summer, Skagit Farmers Supply will return over \$2 million in dividends based on last year's business. That's over \$3 million being returned locally for the second year in a row! We must enjoy those results while they're here. Business cycles like this don't come around too often. They are a good reminder of the advantage of

doing business with a successful, diversified cooperative.

The above decisions to invest in a new fertilizer plant and return cash to our members continue to be made locally by your elected board of directors.

While the wet winter was filling your fields, it didn't stop Kelly and me from spending time outdoors with our kids. We

walked the beaches looking for driftwood and hiked the hilly trails. Our family is now enjoying the warmer weather and entertaining thoughts of spring.

With the change of seasons, we want to thank you for your continued support of the co-op. We extend our wishes for a safe spring planting season. 

Rebuilding Agronomy North

by Jeff Howe, Agronomy Manager



In February, your board approved funds for the demolition of the 46-year-old fertilizer plant we call Agronomy North. In its place, at the intersection of Avon Allen Road and Highway 20, the board has chosen to build a more efficient plant with brand new equipment.

This decision will open many opportunities. Needless to say, we're excited to continue to support agriculture in Skagit County for another generation.

When completed, the new 5,000-ton facility will take pressure off our Conway plant during the high volume months of April, May and June. This will enable us to serve our customers promptly. At the same time, all bagging operations for our growing export business will continue to be

in Burlington.


The teardown of the old plant might begin as early as August. During that time, all customers will be served out of the Conway plant. We hope to begin construction this fall and receive keys to the completed facility in March 2017. Our schedule is dependent upon the county permitting process.

Collaborating with WISerg™

Skagit Farmers Supply is now a provider of WISerganic liquid organic fertilizer.

WISerg is a bioclean technology company headquartered in the Pacific Northwest. The company brings a dramatic shift in how we think about waste creation and food production. Using innovative technology, WISerg turns wasted food into something that grows more food and replenishes the soil—liquid organic fertilizer with a 3-1-2 analysis.

WISerganic is a pathogen-free fertilizer, rich in macro and micronutrients, that promotes healthier soils and plant growth. Studies have repeatedly shown that WISerganic increases crop yields, and because it's in liquid form and filtered to at least 25 micrometers, it doesn't clog drip lines.

Call our Burlington or Conway agronomy locations for more information on WISerganic, which is OMRI Listed® for organic use. 



Planned Burlington Fertilizer Plant



Danna Darby barrel racing at the Sedro-Woolley Rodeo.



Natural and Organic Feed Options

by Danna Darby, Equine/Livestock Category Manager

As our community grows and evolves to include small acreages as well as traditional agriculture, we want to make sure Skagit Farmers Supply is meeting the needs of everyone.

We've witnessed great growth in demand for our organic feed lines. To provide more organic options we're adding the Modesto Milling and Scratch and Peck feed lines to our retail offerings.

For customers wanting a natural option but not the organic price level, we offer the Aslin-Finch feed line. Although this line is not certified organic, it is manufactured from locally grown ingredients and is not treated with any medications or preservatives.

Modesto Milling, Scratch and Peck, and Aslin-Finch feeds are available at all of our Country Store locations. As your local co-op, Skagit Farmers Supply is here to serve you with the best products and feed options for your lifestyle animals. 

Can't Find Your ZINC?

by Charlie Anderson, Agronomist



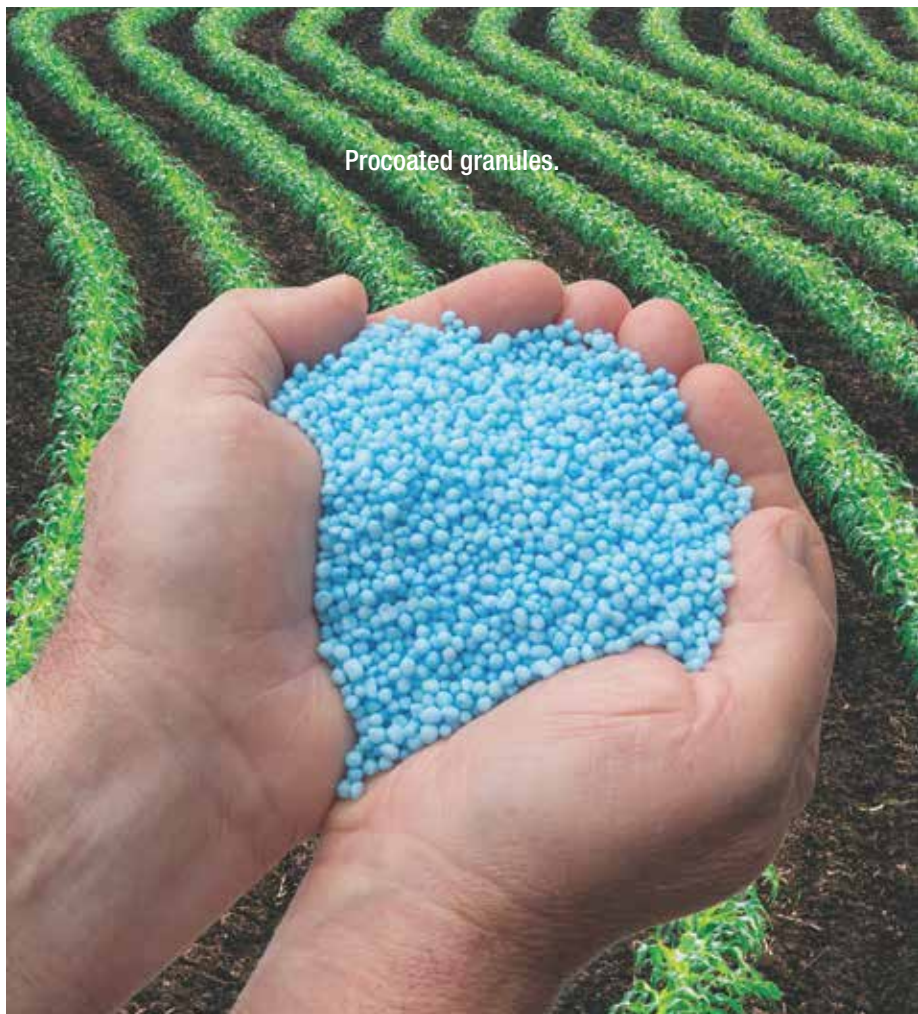
If you walk around the field spread with zinc mixed in with granular fertilizers, you can hardly see the micronutrient.

Yara® has a better idea with YaraVita® Procote®, a new oil-based micronutrient coating that ensures an even, dust-free distribution of zinc, boron and manganese with each fertilizer granule. More uniform root interception throughout the soil profile enhances micronutrient availability, crop yield and quality.

Micronutrients are impregnated into the granule. No water is added to the fertilizer.

Procote can be applied at lower rates without loss in productivity because of the increased nutrient efficiency, compared to blends of granular micronutrients. Improved micro distribution equals improved availability to your plants!

Call our Conway Agronomy Center at 360-445-5015 to schedule your Procote application today! 



Procoated granules.

Youth Card Provides Instant Discounts

by George Arnold, Retail Manager



We've added personalized account cards to our Youth Reward program.

For many years, the Country Store has recognized the value of our youth and the need to help foster the "learn by doing" philosophy embraced by organizations like 4-H, FFA and Pony Club. We believe it is through these programs that youth gain a greater understanding of the world around them as it relates to citizenship, healthy living and an appreciation for our agricultural roots.

We also acknowledge that supplies (feed, supplements, accessories, etc.) that aid in this learning can often be costly. The program was developed to help ease some of these expenses for the youth participants.

A Youth Reward application must be completed and submitted each year of participation to be eligible for program discounts. Once the application has been processed, a card will be issued to the youth with their name and a picture of their chosen project animal. The youth may also submit (via email) a picture of their specific animal to be used on the card.

This card will provide instant discounts at the point of sale. For more information, please visit www.countrystore.net.

North Spokane store remodel

These are exciting times for our Country Store on North Newport Highway in Spokane. We have added True Value® hardware to the

product offerings in the store. We've also realigned the orientation of the store, making it more customer-friendly.

With True Value, customers will be able to pick up feed for their animals and purchase most supplies needed for home maintenance or repair including plumbing, electrical, paint and cleaning supplies.

It has been a very good experience working with the True Value team. They valued who we are as the Country Store, they valued our expectations, and they worked with us to protect our products while bringing the draw of a national brand to the store.

A grand opening has been scheduled for June 3-4. Door prizes include patio sets, barbecue grills and much more. Visit www.countrystore.net for details.

With the strength of our team under the guidance of store manager Ryan Carter, we're excited to see the growth to come from our enhanced ability to meet our customers' needs. 🏠



Store Manager Ryan Carter finds his existing customers are excited by the large assortment of new offerings from True Value.

With True Value®, our customers will be able to pick up feed for their animals and purchase most supplies needed for home maintenance or repair.

North Spokane Country Store.



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

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
Freeland	360.331.1970
Mount Vernon	360.424.4207
Oak Harbor	360.675.2277
Sedro Woolley	360.856.6567
Stanwood	360.629.7033



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

360.757.6053 | 888.757.6053

www.skagitfarmers.com

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Investing in Your Future

by Ron Muzzall, Director

Greetings! It's always fun to report good news. Though we had some unforeseen changes during our 2015 fiscal year, Skagit Farmers Supply once again excelled. We're seeing a renewed focus on margins, shrink and employee retention. This has led to increased net margin and an overall reinvigoration in our business units.

In 2015, we made significant investment in all areas of our organization, including two new TerraGators® for our agronomy division and a new pellet mill at our feed plant in Spokane.


We also made the decision, at our board planning session in February, to approve the replacement of our older agronomy center at Avon Allen Road and Highway 20 in Burlington. Our volume continues to grow in both conventional and organic inputs. At the same time, our facilities are aging.

With the assistance of Land O'Lakes, our staff studied this 46-year-old facility as well as visited several newer agronomy centers over the past year. As a result of the study, and with the approval of your board of directors, we will tear down our Agronomy North facility and build a new fertilizer receiving and storage facility on the same site. The new facility will include a new bagging line. This is the first stage of our remodel at the location, and we hope to have it completed in time for 2017 production.

Changes on the board

Your board of directors has also changed. Jennifer Smith has replaced retiring director Greg Johnson. Jennifer's background in the co-op system runs deep. She grew up very involved in a cooperative in eastern Washington.

Per our bylaws, Jennifer was formally elected to the Skagit Farmers Supply board at our annual meeting in March. At that same meeting, Rick Williams was re-elected to the board.

I want to personally thank the board of directors. Their willingness and dedication kept this organization moving forward during the changes of 2015. It's truly a new day at Skagit Farmers Supply, and I'm very optimistic about our future. 



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