

CO-OP CONNECTION

Inheriting Ken's Legacy

By Tom Boland, President & CEO



In April of 2015, I worked as an energy and retail manager at a cooperative in Inver Grove Heights, MN. At the same time, I interviewed 1,000 miles west, in Burlington, WA, for a job at Skagit Farmers Supply (SFS). The process went well enough for Kelly and me. A job offer was made and accepted.

As I began informing people of the move, I heard a similar response from several of them. "Congratulations! That's Ken Kadlec's cooperative."

At the time, I hadn't met Ken, but I soon would. His presence was everywhere I went those first months, even if he wasn't around. The growth of the co-op and, especially, his high regard for all the employees was still felt, even though he had retired nearly five years earlier. Moreover, when people talked about Ken and SFS, they always included the board of directors. He worked alongside many of those directors for decades.


It's easiest to see the physical assets: A store that was purchased and remodeled, and bulk plants with rail spurs. An agronomy plant that was still in good shape even if it was 25 years old. The "new" office built in 2006.

You could also see what Ken had accomplished on the balance sheet. A growth in assets, low debt (actually, no debt when he retired), and member equity had been kept to a 10-year revolve.

I suspect the real impact and lasting legacy that Ken left for us was in the events he created and still inspired: a larger-than-life member appreciation picnic, front-line employee retreats, leadership and board retreats, and fun holiday parties. These events brought people together away from their work, even if they were all related to the work. Ken understood the social aspect of humanity that others tend to lose sight of. It's been a secret weapon for us ever since.

At the annual meeting last month, I touched on how the trends and trajectory of the co-op continues on pace with new management and a new board because of the groundwork that has been laid and the assets and culture we inherited. If you look back four or five decades, the growth in assets, sales, employees, earnings and much more are on a similar upward slope on a graph. Families, farms, and businesses all benefit when they inherit good "infrastructure" from the previous generation.

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**"Families, farms
and businesses
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Skagit Farmers Supply held the 89th Annual Meeting of its membership in March, at Bertelsen Winery in south Mount Vernon. More annual meeting news on Page 2.



President & CEO Tom Boland gives his manager's report at the 89th Skagit Annual Members Meeting

Sales and Earnings Strong but Costs Continue to Climb



By Nels Lagerlund, Board Chairman

I want to thank everyone who attended the 89th Annual Meeting of our membership on March 8, 2023. We tried out a new location at Bertelsen Winery in south Mount Vernon, and it worked well. We were searching for a new location that better served our needs. Please give us some feedback on the location; the initial feedback I heard was positive.

I also want to thank all of you that voted via mail in the director election. The announcement was made at the meeting that Mark Wesen was reelected to another three-year term. I want to thank Cristina Waltner for her service to our membership after her terms on the board. We plan on announcing the appointment of a new director in the near future, since we didn't get any other nominations during the open call for nominations.

Our cooperative continues to play a vital role in agriculture in western Washington. With your support, the board continues to reinvest across our four departments to keep Skagit Farmers Supply (SFS) viable for future generations of farmers. The earnings from all four business units contribute in their own way to keep our agronomy department maintained and enhanced to bring you the level of support you need at the time you need it.

We shared with all of you present that our overall sales are strong, our earnings have never been higher, but we're also

spending more on people, plants, and equipment than we ever have. We're focused on you and your needs while trying to anticipate what future producers will need too.

Vice Chair Spencer Fuentes covered our patronage and equity revolvment in his directors report at the meeting. We recently sent out 16,300 checks totaling \$2,284,000 to retire all of the 2012 stock. In June, we'll allocate \$6,305,047 of patronage, issuing 40% in cash totaling \$2,520,000 to approximately 17,000 patrons.



Vice Chair Spencer Fuentes presents the directors report.

Over \$90 million of patronage has been allocated since 1934, and of that \$55.5 million has been paid in cash to members in western Washington. The cash we pay out to our patrons is a sign of the health of SFS and of what we mean to the communities in which we live. We've been averaging \$5,000,000 a year in cash over the past seven years. Those are strong numbers for any cooperative, and we're proud to have the success and share it with you.

We've spent some time reviewing the SFS Articles and Bylaws this past year. We try to do this every five years. We do this with an attorney that focuses on cooperative law and helps keep us up to date on the most recent legislation and laws that impact us. We covered the significant changes at the annual meeting, and in the mailing to our membership this past month. The bylaw changes were approved at our regular board meeting in January, and we've asked for your support to approve the articles of association with an affirmative vote by mail.

Again, I want to thank you for being involved in the governance of our co-op and supporting us in the many ways you do. 🏡

"The board continues to reinvest across our four departments to keep Skagit Farmers Supply (SFS) viable for future generations of farmers."



Board Chair Nels Lagerlund greets Steve and Penne Sakuma.



Former Director Rick Williams greets member, Steve Schuh.



The door prizes are always a hit. Member Darrin Morrison wins a tool chest and tools presented by Propane Supervisor Michael Bailey.



Caitlin Schiefelbein of Moss Adams LLP presents the audit report.



Ken Kadlec, pictured here in April 2004 for the cover of Skagit/ Island County Business Monthly magazine, served as general manager from 1984 to 2010.

In the words of one of Ken's sons, Skagit Farmers Supply was Ken Kadlec's masterpiece. Ken would tell you that it wasn't him; it was the employees.

As an employee, if you ever attended an employee or manager retreat, thank Ken Kadlec. Received a profit-sharing check? Thank Ken Kadlec. Attended a grower appreciation BBQ? Yep, that's also Ken Kadlec. Even the name, Skagit Farmers Supply, happened in 1988 under Ken's watch.

Ken started with Skagit Grange Supply in 1984, the third general manager of the cooperative that began in 1934. When he started, there were 15 employees and annual sales of about \$4 million. Each of the different areas of the company grew significantly under Ken's leadership. Skagit Farmers Supply (SFS) became well known in the cooperative world as a successful cooperative. When Ken retired in 2010, there were over 200 employees and annual sales topped \$85 million.


But those are just numbers and facts. Ken didn't manage; he led. He was a genuine person who cultivated a strong culture of humanity within the company. He was relationship driven and found joy in the work.

Raised on a farm in North Dakota, Ken was not afraid of work. In his early years at the co-op, he could be found working side by side with the employees-- remodeling a retail location, running any available equipment at the agronomy plant, or delivering energy products. He and his wife, Joan, and their three kids, would be in the stores, helping reset products and assisting in year end inventory counts.

In later years, as the company grew and Ken had to be in the office more, he was still in his happy place when he would go to the locations and interact with the employees, farmers and customers.

Ken had a great sense of humor. He enjoyed celebrating successes and created a wonderful sense of "team". He enabled the employees to do their jobs and was well-known for his frequent statement to managers and employees, "Do the right thing – you know what it is".

Ken's legacy will always loom large over Skagit Farmers Supply, agriculture and the larger cooperative world.

It is fitting that his ashes will be spread on the family farm in North Dakota because Ken remained a farm boy at heart until the day he passed. 



Ken graduated from high school in Edinburg, ND in 1961.

KEN KADLEC

1943 - 2023

Ken was well-known for his frequent statement to managers and employees:

"Do the right thing— you know what it is."



Employee and leadership retreats and fun holiday parties created by Ken brought people together, away from their work.

Celebrating Ken's Life

By Raelene Smillie, Company Administrator


Laughter and tears flowed freely at McIntyre Hall in Mount Vernon on April 15, 2023, as family and friends, Skagit Farmers Supply (SFS), the local agricultural community, and members of the larger ag cooperative industry gathered to honor and celebrate the life of the extraordinary man who brought them all together, Ken Kadlec.

Ken's passion for life and love for anything and everything farming was contagious, as was his hearty laugh, quick smile and sense of humor. He had a special gift of bringing people together. He took time to pause and joyfully celebrate life's successes with others. With Ken, it was always about people.

His life was filled with family, friends and a dedication to the company that he, along with SFS's board of directors, grew into a very impactful resource for agriculture in the Skagit Valley. Employees willingly followed this man who led with business acumen, humor, heart and integrity.

Ken's reach was far, from the Midwest to the West Coast and everywhere in between. He was well-known throughout the country's ag cooperative industry and was inducted into the Washington State Cooperative Hall of Fame. He served on many agricultural commissions and leadership boards.

As one SFS employee said, "Ken's passing was such a shock; he was that legend that we all need around".

The legacy and legend of Ken Kadlec will continue to live on through this cooperative, the agricultural community and all who knew him. Thank you to Ken's wife, Joan, their children, Tim (Katie), Courtney (James) and Mitch (Valerie), and his beloved grandchildren for sharing this special man with all of us. 



During a customer event, Ken visits with board member Steve Sakuma.



Ken and Joan Kadlec.



Ken Kadlec surrounded by SFS employees at his retirement in 2010.



Ken and grandson Adam walk through main office and distribution center at Burlington. Adam is now 18 and over six feet tall.



GROWER SPOTLIGHT Breum & Williams Farms Partner to Open New Seed Mill

The Stilly Seed Mill is located south of Silvana in a former dairy barn, about a mile from the I-5 freeway.

By Brianna Hackler, Graphic & Multimedia Specialist



In recent years, the number of producers growing grass for seed in Northwest Washington has increased, but producers saw a bottleneck in the processing side of production.

To help rectify the chokepoint, local farmers Tyler and Sean Breum, of Breum Farms, and Garrett Williams, of Williams Farms, partnered to open the Stilly Seed Mill last year. The mill is a seed processing plant, located about 15 minutes south of Conway near I-5.

Tyler Breum said that most grass seed producers in the area utilized the processing facilities at Marine View Farms. However, northwest Washington has seen an increase in the amount of grass seed produced in the area. Many producers were increasing the number of acres where they grew grass for seed, increasing the load on Marine View Farms each year.

Usually, companies who buy grass seed want to know how much inventory growers have available by about Christmas time each year, Breum said. But due to backups on the processing side, Marine View Farms had been milling into February and March in recent years.

"The bottleneck was in the processing part," Breum said. He added that when he and Williams began investigating their ability to open a seed processing plant, the Marine View Farms team was helpful and supportive. "They really want us to succeed," he said.

"They definitely get consulting credit," Williams added.

Stilly Seed Mill, which began processing seed last fall, is located south of Silvana off Pioneer Highway, about a mile from I-5. Breum said the proximity to I-5 is a benefit for trucks coming to pick up product, as well as producers dropping off product to be processed.



Stilly Seed Mill is owned and operated by Garrett Williams, left, Tyler Breum, right, and Sean Breum (not pictured), with help from their families.

The seed processing plant has been in the works for a couple years. Breum and Williams have been slowly amassing the right equipment for mill, some of which they've had for more than three years. Finding the right location was also a challenge; they couldn't build a new facility in the area due to regulations regarding building in the flood plain. However, the Breums were able to secure a property located at 20615 Sill Road; they converted a former dairy barn into the mill plant.

Bulk harvested grass seed comes into the mill and is then moved through a series of screens, air separation chambers and other devices that remove weeds, dirt, stems and any other unwanted matter until only grass seed is left. Then an employee



A swather cuts grass to make windrows of grass, which allows the grass to dry down for about two weeks before harvest. (Photo provided by Garrett Williams)

bags the seed in 50 lb. bags, stacks it on pallets and prepares the finished product to be picked up by companies such as Scotts or DLF. Grass seed is sold to consumers in products like Miracle Grow, or used for turf like soccer fields, golf courses or parks.

Breum said that his family and the Williams have always worked well together, so the decision to partner on building the mill was a no-brainer. “We’re similar-sized farms, so it made sense to partner together on this,” Breum said. “We’re all friends down here.”


Both farms grow about 300 to 400 acres of grass for seed each. Breum Farms also grows beet seed, cabbage seed, spinach seed and potatoes; Williams Farm grows vegetable seed crops as well.

Both farms use Skagit Farmers Supply for several services, including fertilizers, pesticides and other chemicals, as well as fuel.

Williams and Breum only processed grass seed from their own farms last year, but they’re now excited to open Stilly Seed Mill to other area farms. The mill can process between 2,000 and 3,000 lbs. an hour. They are currently interviewing for mill employees.

Williams said one of the biggest challenges has been learning the intricacies of their specific mill. Each seed mill is set up slightly different to accommodate the specific types of grass and the way it was harvested. Because of this, Williams said the first year was a lot of learning on the go and figuring out the best way to operate the mill. Now that they’ve gotten a lot of the bugs out of the process, Williams says he foresees faster operating times.

Another challenge is high industry standards. When the mill is running, an employee is required to take regular samples, which is sent to a seed lab for analysis. If the purity or germination percentage isn’t up to the rigorous standards, the seed could be rejected. Because of rigorous standards, calibration and settings on the mill equipment becomes very important.

“The standards are pretty high,” Breum said. “We were learning a lot as we went.” 



The seed mill is comprised of a series of filters, fans and disk cylinders that use gravity, centrifugal force or blown air to remove impurities from the harvested grass seed.



The final grass seed product from the mill is bagged in 50 lb. bags before companies such as Scott’s or DLF pick up the stacked pallets.

Meet Our New Credit Manager

We welcome Katina Fernando, the new credit manager at Skagit Farmers Supply (SFS). Katina grew up in the local area, attending Burlington-Edison High School and Skagit Valley College before graduating from Arizona State University with a degree in psychology.

She was the credit manager at Skagit Gardens for many years and has since moved on in a similar position at Dakota Creek Industries, an Anacortes-based shipbuilder.

In her spare time, Katina enjoys exploring the outdoors, watching movies, trying new foods, cheering on her niece and nephews in their various youth activities and spending time with her friends and family.

Katina joined SFS in January and had been getting out to meet members while also learning a lot about her new role with us! She may be reached at KatinaF@skagitfarmers.com or (360) 757-6053.



Katina Fernando



The Skagit Farmers Supply energy office in Burlington, WA.

Carbon Confusion

By Ryan Nootenboom, Energy Manager



This information is probably outdated by the time you read our spring newsletter—but maybe not.


As many of you know, Skagit Farmers Supply (SFS) is working to understand, adopt and pass on the promised agricultural use exemptions in the carbon fee program imposed by Washington State. Most others in the industry and in Olympia are quickly trying to come up to speed with all that this means.

As Washington State tried to catch up with California in carbon emission policy, they might have missed a step or two of processes and procedures. Consumers of fuel and propane across the state are paying for these missed steps.

The main concern SFS and our farmer-members have is how to apply for the ag exemption. There was no process put in place

to allow for a “pass through” so farmers could receive delivery of product without the attached fees. Fuel marketers selling to Washington customers also had no way of knowing what they needed to charge for these new fees.

The state is trying to respond, but for everyone who was told to “keep your receipts” there is some confusion. Governor Inslee apparently won’t sign any legislation that involves the state reimbursing farmers for those receipts.

The first carbon auction took place on Feb. 28, 2023. New information was distilled near the end of March. As of this writing, we’re hoping that our member ag use exemption forms will suffice and that refineries will start allowing SFS to purchase fuel and propane for our farmer members without carbon fees added to them. It sounds like another regulatory hurdle that continues to impact businesses and residents, but we’re doing our best to comply. 



READY FOR SPRING 2023 Winter Isn't Off-Season at Skagit Farmers Supply

By Jon Jarvis, Agronomy Sales Manager, CCA



While perennial crops and fall-planted seed lie dormant in the cold winter soils in Northwest Washington, the Skagit Farmers Supply (SFS) agronomy department is busily engaged in a much less-know season . . . meeting season.

In addition to the many quarts of oil, tubes of grease and turns of wrenches it takes to keep our equipment in working order, we are out meeting the agricultural world at industry events. This winter, the SFS agronomy team has attended over 25 ag industry conferences, both locally (like our local WSU research station) and internationally--north into Canada. We have gone as far south as Orlando, Florida and Huston, Texas to attend conferences and source the absolute best crop nutrition and protection products available in the market.

We also use these conferences to allow our agronomy staff to keep up on their pesticide recertification and Certified Crop Advisor credits. In addition to these conferences, we've met with over 50 different ag

product manufacturers as we look for innovative crop protection and fertility products. We're searching for new products that we believe will provide our member growers with a solid ROI and better crop yields and quality.

We've also used this time to improve our industry contacts so we can better time our purchasing and have a better feel for which way the markets are moving.

Finally, we have hosted our annual Winter Grower Education Meeting in Leavenworth, our annual Grower Recertification Meetings in Mount Vernon, a 509 Circuit Agronomy Tour for Washington FFA youth, and WSU Career Fairs for our internship program. These meetings all highlight SFS's continued commitment to educating our employees, our grower/members, and our youth.

After a long and extremely busy winter meeting season, I think that it is safe to say that the SFS agronomy department is ready for Spring 2023! 🌱

Grower Recertification

Skagit Farmers Supply (SFS) held our annual Grower Recertifications meetings February 14-15, 2023, at McIntyre Hall in Mount Vernon. These meetings were once again hosted both in person and virtually through Go-To-Webinar

We had a great response from our customers and members this year with record attendance. Over 125 people attended our Feb. 14th T&O Grower Meeting and another 220 people attended our Feb. 15th Ag Grower Meeting.

The agronomy staff put together another great event. A well-informed lineup of speakers and industry professionals covered a range of topics including Nano technology, minimizing spray drift, market supply updates, and agricultural spray drones. We received good feedback from both speakers and member-growers.

As always, we are happy to offer these meetings to our members to provide them with an opportunity to earn their WSDA pesticide



recertification credits as well as to pick up some useful information to bring back to their farms.

Thanks to everyone who contributed to making this year's event a success! 🌱



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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
Stanwood	360.629.7033
Stevensville (Montana)	406.777.5527

Inheriting Ken's Legacy

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It took a few years of discernment for Kelly and me to chase after another adventure in life. The cooperative world is a great place to work, especially because of the people you work with—coworkers and customers alike. Sometimes it requires relocation, and that brings its own set of challenges. Your family and friends are no longer as close. New schools for the kids and there is no guarantee of success.

Today, we're closing in on eight years in Skagit County, and the blessings have far outpaced the concerns. We've been able to meet many remarkable people. We've taken part in the lives, careers and retirements of those that positively impacted the trajectory of this co-op. We've had the blessing of being able to spend time in the company of Joan and Ken Kadlec—to be inspired by them, and try our hand at leading Ken Kadlec's co-op. 



Ken and SFS employee Raelene Smillie at customer appreciation event in 2008. Ken understood the social aspect of humanity that others tend to lose sight of.