

CO-OP CONNECTION

Team Success

By Tom Boland, President & CEO



Our youngest son enjoys playing sports. In recent years, we've spent a lot of time in local gyms during the winter months, watching him play basketball. At first, we concentrated almost exclusively on our son's development as a player. As the years went by, we watched the rest of his team improve. We also began to notice improvement in the skills of players on opposing teams.

There are kids who have some natural ability, and there are kids who just work harder. The better players are the ones with both traits. They have some natural advantages, and they out-work most others on the court. I'm not sure either trait can be taught, but good coaches must find it a joy to work with players that are both hard-working and talented.

Cooperatives have an advantage over competitors because they tend to understand their unique history. Good cooperatives focus not only on the next season but on the next five or 10 seasons. Boards and management not only understand their mission statement, but they've

gained confidence by navigating the difficulties of many business cycles. They've put the work in ahead of time, and they often work with assets they've inherited, giving them assurance that they can perform when their membership need them. It's a combination of hard work and some innate advantages that we inherit from prior leadership.

More changes in Olympia

The hard work we do at Skagit Farmers Supply (SFS) starts in our board room. During our annual planning session, management and the SFS board spent time thinking about our future. For management, that means staying operationally efficient; keeping our business units performing. We also consider where profitable growth may be achieved.

Few products are more regulated in our country than fossil fuels. Now, Washington State is joining California and parts of the European Union in charting a post-fossil-fuel future (for some, it's a pre-industrial vision). With the adoption of the new Clean Fuel Standards, the already heavily regulated crude oil market will be even more expensive for everyone.

Continued on Page 3 . . .

Skagit Farmers Supply attends many local events. On Sunday, December 4, 2022, SFS joined many others to decorate some of our fleet and participate in the annual holiday parade in Mount Vernon.





In November, board members Spencer Fuentes and Jennifer Jones (on the left) visited our Aslin Finch Feed Mill at Spokane. At right are Gary Wilson and Melissa Weems with our AFCO wholesale department and mill manager Kyle Morgan. Our Spokane mill manufactures feed for distribution across the PNW with exports to Pacific Rim countries.

Board Focuses on Planning and Annual Meeting

By Nels Lagerlund, Board Chairman



Another year goes by and we recently held our annual Skagit Farmers Supply board planning session. This year we stayed close and held the two-day strategic planning meetings in Bellingham. Our business units stayed on point during the lock downs, and we're focused on where we go next, both in the near-term and looking five and ten years out.

Our December board meeting was held with our auditors from Moss Adams. Brandon Hansen and Caitlin Schiefelbein presented the preliminary audit for the board to approve. You'll be able to hear from a representative of Moss Adams at our annual meeting to be held in person again this year on March 8, 2023 (FYI we are moving the location of the annual meeting, so make sure to look at your invitation when you receive it in February). SFS had another good year. We set another record in sales, with an assist from inflation in agronomy and energy commodities. We were able to grow margins in all four business units, which helped offset a rise in expenses due

to inflation, regulations, etc.. Information on our earnings and patronage will be presented to the membership in March.

Board elections are in full swing right now. Nominations were due by January 18, 2023, and ballots will be mailed next month. Note, we review our articles and bylaws every five years, and we'll have some changes for members to vote on along with the director elections. There are some changes that clarify language or make sure we're consistent throughout the documents, but we're also looking at adding some flexibility in how we allocate energy patronage in the future. As fossil fuel regulations continue to increase, (even more rapidly in the west coast states), we are planning for the day when our energy department won't be as robust with its earnings as it is today. Please watch your mail for those and feel free to reach out to any director with questions you may have.

We are a member owned and farmer directed cooperative. We need and appreciate your engagement in Skagit Farmers Supply.

Thank you. 🌱



Plan to attend the Annual Members Meeting of Skagit Farmers Supply on March 8, 2023. Invitations with important details will be mailed in February. The annual meeting will be at a new location this year.

Team Success

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Fossil fuels cannot go away completely. They are simply too integrated into everything we do in our lives. Our clothes, fuel, medicine, food and much more rely on fossil fuels. Any dramatic improvement in life on our planet has come from and will depend on fossil fuels.

Yet, those of us in leadership at SFS must plan for the day when our energy department isn't as robust a contributor to our balance sheet. That won't come for some time, but "some time" will eventually arrive. Fortunately, we have four productive business units—energy, retail, agronomy and wholesale—so we have plenty of opportunities for future growth.

It's encouraging to focus on the future. It's not unlike watching kids play basketball and seeing them work on ball handling and speed. Improvement doesn't come right away, but it eventually sticks.

Take, for instance, our AFCO wholesale business, our Country Stores, and our Spokane feed mill where we're working on making improvements that will someday double our capacity. Business in these areas continues to strengthen, we've been in

"survival mode" in recent years. Running a few people short (like all companies these days) the daily tasks of ringing customers up, bagging feed and fulfilling orders has been a priority.

At the same time, however, we're focused on what will happen as our capacity increases. We're strategizing where those extra tons will go and how to get them there. While we're still taking care of today's business, we're hiring more salespeople and building out our distribution system so that, when the time comes, we're ready for growth. In short, we're focusing on what comes next.

Reporting our success

Much like the previous year, Fiscal 2022 was one for the record books. This kind of repeated success does not happen automatically. It begins with a plan, a focus on improvement, and consistent follow through—one member and one transaction at a time. This past year's results will be covered in detail at our March 8 annual meeting (note to



all members, please read the annual meeting notice when it comes out next month as the annual meeting in March will be at a new location this year). Be sure you save that date and plan to attend. If you are a voting member, you will receive an invitation in the mail.

It's nice to sit and watch a kid's ballgame. The stakes aren't usually that high, and we appreciate the progress we see. We can't help but think of the improvements that can be made and the potential within us all. In a world full of uncomfortable headlines, it grounds us to reality and helps us view the future more optimistically.

Have a blessed New Year. 🏠

Winter Weather Hazards

By Sally Merenz, Safety Director



Wintery weather is upon us. Whether you love the cold or hate it, there are hazards we need to be cognizant of and protect ourselves from. Here are a few winter activities and some of their dangers.

- **Home Heating** - Health and safety hazards can include chimney fires, carbon monoxide poisoning, burns, overburdening electrical circuits, fuel leaks, injuries from chopping, stacking, and hauling wood, as well as dehydration and allergies.
- **Working/Playing in the Cold** - This is a direct exposure activity. Dangers include hypothermia, frostbite, chilblains and trench foot. These conditions can have permanent impact to your life and health. And don't forget to look up. Icicles may be silently lurking above you.
- **Walking** - Slips, trips, and falls vary in results. You might get right up, brush yourself off and chuckle at it. Or you could end up with a broken elbow, a concussion, or tweaked back. Shoes with poor soles and icy, uneven surfaces are big contributors.

- **Travelling** - Vehicle troubles may leave you stranded. Conditions like black ice, low tire tread and pressure, and poor visibility can all impact your journey. Other drivers, pedestrians, and wildlife are also dangers.

Don't let these perils get in the way of you and your family's plans and values. Before plugging in that space heater, lighting that fire, or heading out the door, think about what can go wrong. Do you have everything you need to prevent that from happening? If you don't, think about a worst possible outcome.

Take the time to get that oil change and service check. Make sure you have layers that you can put on and take off if needed. It's worth it. Not taking the time up front can cost you minutes, hours, and days if something goes wrong.

Plan for safety, have a fun winter, and let's look forward to the upcoming seasons. 🏠





Lettie and Herman Sihota own and operate Tarsem Farms, a 38-acre blueberry farm in Sumas, WA.

GROWER SPOTLIGHT

TARSEM: WELCOME TO BLUEBERRY FARMING!

By Brianna Hackler, Graphic & Multimedia Specialist

For Herman and Lettie Sihota, the past three years have been a whirlwind.

The couple purchased a blueberry farm in Sumas, WA in late 2020 and officially opened Tarsem Farms about four months later. The purchase of the 38-acre blueberry farm was finalized April 15, 2021, and the Sihotas immediately immersed themselves in their new venture.

"We hit the ground running," Herman said. "The next day, I was out in the field spraying."

During the following year, the Sihotas would experience a variety of challenges. Less than two months after taking over the farm, an unprecedented heat wave overtook the area.

"We were watching berries baking away, turning to nothing on the vine," Lettie said.

That fall, the area experienced another nearly unprecedented weather event, this time record-breaking rains, and the couple saw many of their fields flooded.

"Mother Nature was like, 'Welcome to farming!'" Herman said with a laugh. "This was our first year, and we were panicked. We were thinking, 'What did we get ourselves into?'"

However, even with a dramatic start to their farming venture, the Sihotas have continued to learn and grow from the experience,

Herman said. He added that even though it was a difficult year, the demand for blueberries was still high, helping keep prices high as well.

"You learn to work with Mother Nature; she's going to give you what she gives you," Herman said. "The first year was super interesting, and we just took it in stride."

The following year was less dramatic for the Sihotas, but no less exciting. The couple got married in May and are now expecting their first child in February.



Herman's background

Herman is no stranger to the farming industry. He grew up working on his family's farm in California, growing Thompson seedless raisin grapes and almonds. After moving to Northwest Washington, Herman founded Kam-Way Transportation with his brother and sister-in-law. The trucking company grew to more than 250 trucks and 600 trailers across the west coast servicing North America.

Herman spent 13 years working in sales for the transportation and logistics company; but in 2019, he decided to step away from the business he helped build, and return to farming. After exiting the business, he began searching for the right farm to purchase.



“My passion has always been the farming side of things,” Herman said. “I think there’s something to be said for watching your inputs and your care and the fruits of your labor – quite literally – grow before your eyes.”

It took nearly a year to find the perfect location for their farm. The Sihotas were specifically searching for an existing blueberry farm with a livable house and water rights. They found the farm on Sumas Road in late 2020, and started taking over operations in early 2021, eventually completing the purchase in April of that year.

Relying on the co-op

Herman said that while he was moving from one essential business, trucking and logistics, to another, farming, he still had a lot to learn. While he did have a farming background, Herman spent time learning about regulations dealing with fresh produce, as well as pest and disease prevention in Washington, where a wetter climate creates different challenges than those in dry California.

Herman credits Jose Rivera, his Skagit Farmers Supply (SFS) agronomist, for being a big source of knowledge as the Sihotas learned the new industry. Herman said Rivera helped advise him on all aspects of production, from pruning practices and trellis height to soil and tissue samples. Tarsem Farms also purchases all its propane and chemicals through SFS.

Tarsem Farms is 38 acres, with 33 of those currently planted. They sell to Columbia Fruit in Woodland, WA, as well as to a few local fresh packers.

Technology replaces old school

Even though Herman worked on his family’s farm when he was younger, he said he’s seen some major changes in the farming industry, the biggest being advances in technology.

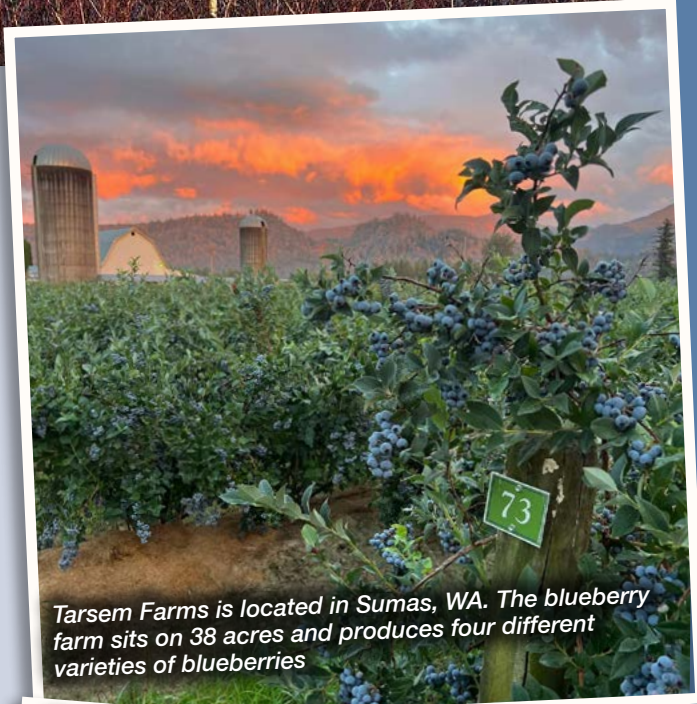
“Technology has affected every industry, and farming is no exception,” Herman said. “Technology has elevated the farming game for sure.”

He said in the “old school” method of farming, producers would use nitrogen, phosphorous and potash on their plants, and that was the extent of the external input. Today, there is a broader spectrum of technologies and ways to gather information about the plants to help improve their output, such as petiole samples, tissue testing and soil samples.

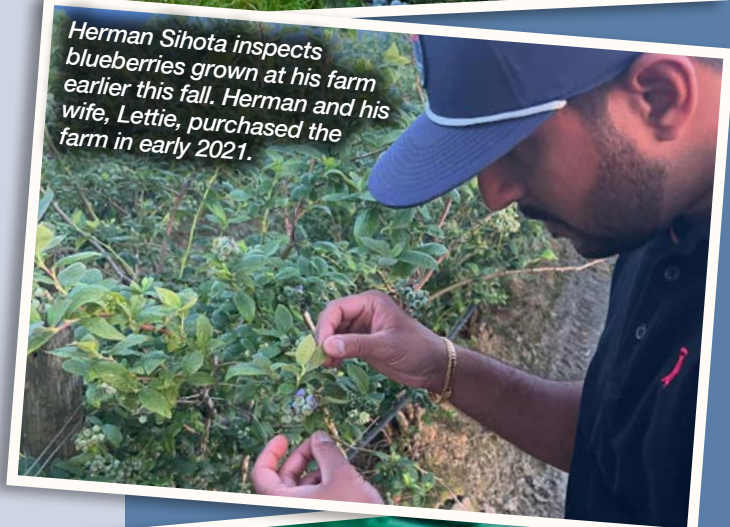
“I think if you’re not looking at that broader spectrum of your iron, your sulfurs, your coppers, and all these different elements that effect the plants, then I think you’re left in the dust,” Herman said. “At the end of the day, all those little things are affecting your berry yields, your size, all of that.”

The Sihotas already have visions of growth for their blueberry operation. As soon as they purchased their current farm, Herman said they were already on the hunt for their next property. He hopes to get to about 100 acres in the next few years, and they have some prospective properties in their sites. Long-term, they plan to expand to other areas across the U.S. to have a more robust growing cycle, producing berries year-round.

To learn more about the farm or to follow the Sihotas, find Tarsem Farms on Facebook or Instagram at @tarsemfarms. 🏡



Tarsem Farms is located in Sumas, WA. The blueberry farm sits on 38 acres and produces four different varieties of blueberries



Herman Sihota inspects blueberries grown at his farm earlier this fall. Herman and his wife, Lettie, purchased the farm in early 2021.



Tarsem Farms sells blueberries to Columbia Fruit in Woodland, WA, as well as to a few local fresh packers.



The SFS energy team is pictured outside Shawn O'Donnell's Farmhouse Restaurant.

Fossil Fuels Targeted by Building Code Changes

By Ryan Nootenboom, Energy Manager



Skagit Farmers Supply (SFS) is celebrating its 40th year of delivering propane to residential and commercial customers in Skagit, Snohomish and Island Counties.

We recently expanded our propane service to Whatcom County to help serve our customers to the north with their agriculture, commercial and residential heating needs. When SFS began offering agronomy services through the Lynden facility in 2019, that opened the opportunity to offer propane services to our Whatcom County customers as well.

Now we face new hurdles. Washington State is making changes to energy building codes and the state has adopted a new Clean Fuel Standard. We're watching these changes closely to see how they will affect our energy department in the years to come.

Here's what's happening

Washington's Energy Building Code Council voted to make changes to the amount of energy credits you need for new home construction. This is part of the High Efficiency Electric Home Act that will require all new homes and apartments to have heat pumps installed, starting in July 2023. This will impact our propane department in the future as Washington State continues its aggressive push to electrify everything.

Other parts of the United States consider natural gas and propane a clean source of energy. They can be used for many different applications, from home heat to back up generator power when electrical grids fail or brownouts occur due to high demand.

I chair the Pacific Propane Gas Association's board of directors. Our association is seeking changes at the state level to allow propane gas to have a place as a clean source of energy for residential and commercial construction in Washington State. We are also exploring options with renewable propane as an additional source of clean energy for the future, while doing our part to reduce the carbon footprint.



SFS's propane yard and rail plant in Burlington, WA.


Washington State's Department of Ecology has finalized rules for its Clean Fuel Standard program that just launched on Jan. 1, 2023. The goal of the program is to cut emissions by 45% by 2030. That can only be done by reducing the use of refined fuels to levels below those of 1990. Market analysts compare this policy to a carbon tax with the goal of reducing fossil fuel use by adding taxes to those who use gas and diesel fuel.

We have much to learn from others who have tried similar programs, but the immediate impact will most likely be a rise in pump prices, which will further increase the cost of moving freight up and down the west coast, and a longer-term drag on our electric grid.

Continuing to serve you

SFS's refined fuel department just finished supplying diesel fuel to local farmers during the harvest season, as well as to our three fueling stations in Burlington and Oak Harbor.

Winter has arrived for our propane department, and we are working at full capacity to keep everyone's propane tanks full. Twenty-one SFS propane bobtails are making deliveries every day, as well as two propane transports and five service technicians.

Thank you for trusting us as your propane and refined fuel supplier for so many years. 

WHOLESALE BUSINESS UPDATE



Active dogs of all shapes and sizes require a healthy diet to maintain that active lifestyle. At left, see Mo, an eight-year-old Schnauzer-poodle mix.

Frozen pet food has increased significantly in sales at SFS Country Stores, and across the industry.

RAWsome stuff going on at AFCO!

By Judee High, AFCO Category Manager



Three years ago, AFCO emBARKED (pun intended) on a mission to elevate our pet food product mix and increase our distribution network. In that short time, with our expertise and portfolio of relationships, we have added over 50 new vendors into the AFCO brand portfolio. By expanding our pet food offerings and adding categories such as freeze-dried

foods, grooming supplies, treats, toys, cat posts, CBD products, and supplements, we are now much more relevant to our customer base.

Someone once said, "If you build it they will come." Those words are very true in the case of our product expansion. The customer count has increased exponentially, and the pallets of pet food are sprinkled with toys, treats and items a store needs to be successful and relevant. Our transportation team has been busy adding lift gates to the back of trailers as well as a box truck addition for the Seattle market, to service stores in strip malls and neighborhood locations.

With these updates to our product mix and delivery fleet, we are now able to add the healthy dog and cat food stores to our customer portfolio in addition to our farm and feed and larger format customers. While our roots are still deeply buried in our farm and feed beginnings, we recognize the opportunity to embrace pets in homes as well as in barns.

Fresh and frozen food growth

While we have been busy adding brands and widening our product offering with shelf stable products, the fresh and frozen food category has been exploding in the markets we serve. Raw, lightly cooked and refrigerated foods are gaining in popularity as consumers seek to feed their pets a fresh healthy diet. About 10 years ago, we added the first freezers to our Country Store in Stanwood, it was a solid door unit with images on the door letting customers know there was raw pet food inside.

Today, Stanwood has five double-door glass front freezers with nine brands represented, and we now have freezers in all 11 Country Store locations. My conclusion: the frozen, raw category is here to stay!

One of the responsibilities we have as a distributor is guiding our customers to achieve greater success. Since the internet has changed how we shop, brick-and-mortar retailers must find new ways of maintaining their customers. Raw or fresh foods are very expensive for online retailers to ship, and it is a category that brings brick-and-mortar retailers frequent customer visits and healthy margins.

In the coming year, AFCO will seize yet another opportunity by investing in the freezers and equipment necessary to add the frozen category to our portfolio of product offerings. Then, Country Stores and retailers across the PNW will have another option for raw distribution. We look forward to bringing new customers into the category and on board with AFCO. 🐾



The 2023 AFCO Buying Show will spotlight LMF and Earth First Feed brands

At left, AFCO sales rep Shari Thorp-Rowin and LMF Rep Harris Statema bring customers to meet with industry suppliers at the annual buying show.

The 2023 Buying Show will take place at the Spokane Convention Center May 18-19, 2023.

The purpose of the Buying Show is to connect our wholesale customers directly with vendors, for the best deals of the year. Over 80 vendors and 350 retail locations will be represented. We also schedule tours of our distribution center and mill for attendees.



Reber Ranch boasts 18,000-square-feet of retail space for feed, agriculture and wildlife items, plus pet food and supplies.

Reber Ranch Named Retailer of the Year

Reber Ranch in Kent, WA has been a loyal retail partner of AFCO Distribution & Milling for nearly four decades. LMF Feeds were first introduced to the Kent, WA market in 1984, and the partnership between Reber Ranch & AFCO has blossomed ever since. Due to mutual understanding and respect, our relationship and overall retail offerings have grown substantially.

As the story is told, in 1979 airline pilot Darrell Reber bought several acres with an old barn and farmhouse in Kent, WA. Darrell's only intent at that time was to start a farm. Following a cattle herd misadventure, Darrell shifted his focus to horse boarding. With the help of his sons, Darrell built a new barn.

A few years later, the local racetrack had insufficient off-season boarding facilities, and the Rebers erected several more barns for Long Acres' overflow horses. At the peak, Reber Ranch boarded 340 horses!

In 1984, this venture spawned an official 800-meter horse track, training facilities, and stalls. The following year, the Rebers converted part of their first barn into a store and named it Reber Ranch.

Today, Reber Ranch boasts 18,000-square-feet of retail space for feed, agriculture and wildlife items, along with pet food, supplies, treats, toys, beds, supplements and much more. Their services include a grooming salon, do-it-yourself dog wash, veterinary hospital, and free outdoor dog parks.

Recently, longtime customers of Reber Ranch encouraged the opening of a neighborhood healthy pet store called Pet Central in Kent, WA. The Rebers hope Pet Central will be the first of many stores they open in the Pacific Northwest.



Purchased by Darrell Reber in 1979, the ranch today boards and trains horses, operates a store, and offers a grooming salon, do-it-yourself dog wash, a veterinary hospital, and free outdoor dog parks.

The AFCO Distribution team is proud to be a longtime partner with this year's recipient of the 2022 Pet Product News Retailer of the Year Award.

Congratulations to the entire Reber Ranch and Pet Central team! 🏆

LMF Feeds will have world renowned nutritionist, Dr. Stephen Duren PhD at this event. He will discuss equine nutrition & health and present the latest research in those areas.

The last time we had an in-person buying show was in 2019 and we are excited to once again see our customers and vendors in person! 🏆

As part of the buying show, participants will have the option of touring our AFCO Distribution Center located in Spokane Valley.



Our AFCO Distribution & Milling, based in Spokane, Washington, provides farm store goods and pet foods to a network of retailers across a seven-state geography.



RECERT MEETINGS: SAVE THIS DATE

Keep up-to-date on your pesticide credits. On **February 14-15, 2023**, Skagit Farmers Supply will again hold Recertification Meetings at McIntyre Hall in Mount Vernon.

Please register for those in advance by contacting our sales staff or Kristine Black at kristineb@skagitfarmers.com



At left, growers attending the Leavenworth Grower Meeting included (from left to right)

Baldev Sangha – Sangha & Son Farm, Jagjit Singh – Gill's Berry Farm; Gurman Gill – BerryTech Farm; Harman Dillan – Maluka Farm; Gurkirat Singh – BTI Farm; Jagtar Sangha – Sangha Farm; Jiwan Brar – Kissan Farm; Herman Sihota – Tarsem Farm, and Jagwinder Gill – BerryTech Farm.

Input Markets Strengthen into 2023

By Ryan Hill, Agronomy Manager



A busy growing season has turned into a busy “off-season” at Skagit Farmers Supply (SFS). This winter, we’re attending and hosting many events. In addition to that, we’re watching the markets and taking possession of chemicals and fertilizers many of you will be looking for in the spring.

We hear from manufacturers that the markets that softened as the 2022 season progressed are strengthening heading into 2023. For a variety of reasons, international supply is not yet able to rebound.

Many of you have reached out to us, and we ask that you continue to do that as we look forward to this spring. At this point, we are fully staffed. We continue to cross-train and help drivers get their CDLs and pesticide credits. I’m guessing most of you are doing the same thing with your own crews.

The Leavenworth Growers Meeting

We had the pleasure of hosting 150 growers, vendors, employees and family members at the Icicle Inn in Leavenworth, WA on December 7-8, 2022. The intent of this educational conference, which we hold each year, is to connect vendors and new products with our members.

There are so many innovative things happening in agriculture right now, and it’s hard to keep up with all of it. It is nice to hear you share success stories from using these products. I won’t mention any one product as I’d forget to mention so many others that we provide. Our agronomists get just as much out of these sessions as you do.

Oftentimes, these new products help maintain or increase yields for growers, while reducing the need for fertilizer or chemicals provided by SFS. As a cooperative, we’re okay with that. We want to support your success, and we truly believe it puts our members closer to consumer preferences. 



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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

FINANCIAL REMINDER

A reminder to all farmer members ahead of the 2023 growing season. If you are seeking deferred terms or operating on our farm budget program, you must apply and be approved by our credit department. Please email us at credit@skagitfarmers.com to start the process.

