

co-op connection

Summer
2017

Organic Grows With Interest in Food Origins

by Tom Boland, General Manager



Consumers have never been more interested in what they're eating. In the past, most Americans showed up at grocery stores and filled their carts with brand-name foods and packaged meals. For the first time in much of recorded history, food was plentiful, relatively inexpensive and easy to get. It was nutritionally balanced, safer, packaged for large families and had a longer shelf life. This was when much of our country began to drift away from the farm and move away from firsthand contact with food production.

In the meantime, farmers across the United States used innovative growing techniques to raise more food to feed the rising world population. Labor in our country became less physical for many, and that lack of activity, in part, led to increased cases of obesity, diabetes and other negative health effects.

We also became more aware of the need for food safety, as increased tracking of our food supply helped locate sources of food contamination and foodborne illness. Many consumers are willing to purchase food that is more perishable because it is eaten quickly, often that same day. They are also willing to purchase from other sources besides a traditional retail grocer.

In this era where few have contact with production agriculture, many consumers are curious about their food. For some, shopping




Left to right, Yuki Nojima, Dave Youngquist, Naoki Hayasaka, Masahiro Segawa and Jeff Howe tour the organic crop nutrient blending facility of Skagit Farmers Supply in Conway, WA.

local gives them reassurance their food is fresh. Shopping at a farmers market or eating at a local restaurant puts consumers in direct contact with the growers that raised their food and the chefs that prepared it.

For others, eating organic is important. Farmers in western Washington are growing more than 40 organic crops to feed the growing demand. Skagit Farmers Supply has been custom blending organic fertilizers for more than 15 years to support what was once a niche market in the Pacific Northwest.

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Working north of Burlington, WA, Skagit Farmers Supply employee Leo Tellesbo burns an organic corn field with propane to kill weeds before the corn surfaces.

Overwhelming Approval for Amendments

by Raelene Smillie, Company Administrator



In April, the proposed amendments to the Skagit Farmers Supply Articles of Association were approved in the first mail-in ballot ever conducted by the cooperative. The required quorum of 25% of voting member participation was not only met but surpassed, with 54% of the voting membership casting ballots. Ninety-eight percent of the votes received was for approval of the amendments.

The amendments were made to formalize how a corporate farming operation communicates which individual represents that corporation in co-op voting and who can be a candidate for the board of directors. The amendments also increased both the quorum requirements and the voting threshold needed to approve any potential mergers or significant sales of cooperative assets. This change made it more difficult for a small, non-representative group to approve those actions.

As a locally owned and governed cooperative, the participation of voting members is vital to our continued success. We want to thank all who voted. 🏡

Co-op Awards 100th Scholarship

by Raelene Smillie, Company Administrator

The cooperative's strong emphasis on education continued this past May as Skagit Farmers Supply awarded its 100th "Careers in Agriculture" scholarship to Trevor Motley.

The son of Jeff and Vickie Motley, Trevor is the first student from our Stevensville, Montana, location to be awarded a scholarship. Trevor will be a third-year student at Montana State University in Bozeman this fall, studying agriculture education. He is very active in ag-related leadership activities, including serving as a state FFA officer. His career goals are to teach and serve as an FFA advisor to high school students.

With this scholarship, your cooperative reached the \$100,000 milestone in supporting the education of those seeking careers in agriculture. Several past recipients have returned to local farming operations. Others are involved in agricultural research,

lending, lobbying, auditing and accounting. Members can be proud of this investment in the future of agriculture.

Students can qualify for a scholarship each year of their two- or four-year education by submitting an application by April 1 of each year. We'd like to support more students each year so if you have a child or grandchild considering a career in agriculture, please encourage them to obtain a scholarship application from their school or from skagitfarmers.com. 🏡



Trevor Motley, Stevensville, MT

Organic Grows... *Continued from page 1*

Co-op promotes safe food

The interest in safe food production is a global issue and is being conducted on an international scale. Skagit Farmers Supply recently hosted representatives of the Japanese government. They toured Washington to find out more about organic and conventional crop nutrient certifications and how the process works. Masahiro Segawa is the director for the Plant Products Safety Division at the Food Safety and Consumer Affairs Bureau with the Ministry of Agriculture, Forestry and Fisheries in Tokyo. Associate Director Yuki Nojima and Consulate-General of Japan in Seattle, Naoki Hayasaka, joined Mr. Segawa as they visited the Skagit Farmers Supply Agronomy Center in Conway, Washington. They wanted to learn more about the safe storage, blending and transport of organic and conventional crop nutrients to the farmers we serve.

The unique geography we serve in western Washington has allowed farmers to start organic production on a small scale, well ahead of other areas, and has helped generate valuable knowledge in organic production now being used by progressive, larger farmers. The consumer is the driver of this demand. Large corporations involved in the food industry are now active in providing customers

products with simplified ingredient labels, and farmers are seeing the need to be educators to a population now interested in farming.

Consumers want to learn

For those of us who grew up working on a farm, this is nice to see. Cities are filling this need with community gardens and farmers markets. Schools are planting gardens and getting students involved with food production and preparation. These are all good steps to help our population become more aware of what many of our ancestors understood: there is something quite healthy about knowing where your food comes from, and how to grow and nurture it.

As consumers continue to increase their knowledge of food production, they'll find that farmers share their passion for growing food with them. It's a passion that, in many cases, has been passed down for four or five generations in communities and on family farms across our country.

A Personal Note: *The kids were in school until late June. After this, Kelly and I took them to the Oregon Coast for a week of camping fun. Our family is ready for another summer adventure in the beauty of the Pacific Northwest.* 🏡



Know Your Skagit Farmers Supply Board Members

Nels Lagerlund

Nels is our current board chairman. He has served on the Skagit Farmers Supply board of directors since 2011, continuing a family history of cooperative involvement. He is a fourth-generation farmer and has recently converted his dairy operations to organic milk production.



Jeff Boon

Jeff was appointed to the Skagit Farmers Supply board in the fall of 2016 and was elected to a three-year term in March 2017. Jeff and his wife, Allison, have two young sons. They operate dairy farms in Skagit, Snohomish and Grant Counties, along with his brother and his family, and their parents.



Rick Williams

Rick and M'Lisse farm in the Stanwood area with their son, Garrett, his wife and three grandchildren, who are not a lot of help yet, but a lot of fun. Rick's dad, Bill, still helps with the farming operation that spans five generations. They grow vegetable seed crops, grass seed, red potatoes, grain crops, forage grass and corn. Rick joined the board in 2004 and has served for many years as vice chairman.



Cristina Waltner

Cristina was elected in 2017 to a three-year term. She co-manages the family farm in Skagit Valley where she grew up. Wearing multiple hats in several farming operations, Cristina and her husband, Brian, also farm. They raise an assortment of crops, from berries and fresh market vegetables to seed crops and rotational grains. They are also raising two children, a daughter and a son. 🏠



Jennifer Smith

Jennifer joined the board in 2015. She and her husband, Brad, raise potatoes, wheat, barley, spinach seed and winter squash. Jennifer spent much of her youth helping at a local cooperative in eastern Washington where her dad worked. She has had a successful career in agriculture, working in the seed industry. She currently serves as the secretary/treasurer of your board.



Reserve Champions Fed Aslin Finch

Left to right, Hayden Main and Natalie Fogarty both won Reserve Champion in their respective weight classes at the Puget Sound Junior Livestock Show. Both fed their hogs Aslin Finch (AF) feed manufactured by Skagit Farmers Supply feed mill in Spokane, Washington. AF is a private-label feed available only through the co-op's Country Stores.

Skagit Farmers Supply: A Shining Star

by Ron Muzzall, Former Board Member

“The only thing consistent is change.”
“The sign of a good manager is the ability to adapt.” These are two of my favorite quotes. They are also true of our local cooperative, Skagit Farmers Supply.

Our co-op has changed significantly during my 15 years of service on your board of directors. From just shy of \$40 million in sales to over \$100 million, the last five years have been the most profitable in our history. The co-op has taken unsustainable divisions and reinvented them into dynamic revenue generators. The reason for this has been the tireless efforts of our staff and membership.

Skagit Farmers Supply is a shining star when it comes to cooperatives. I’ve had the opportunity to serve on the board of a regional co-op. What this did was prove to me what a gem we have in our local cooperative. Our level of profitability places us in the top 5% of local cooperatives in the nation.

There has been a rush in the U.S. cooperative system for mergers and consolidations. This trend has been mainly due to lack of profits or relevance. While the Skagit Farmers Supply board of directors has certainly been open to discussions—it would be irresponsible not to—we have found no opportunities that would benefit our members.

It’s the primary job of a co-op director to steward the equity of the members. I’m most proud of Skagit Farmers in that metric alone. Our stock rotation is at ten years and has been at that level for many years. Some co-ops don’t rotate at all! Across the spectrum, the ratios of our financials are spectacular.

If there is one thing I’d change about our organization, it’d be the engagement of our membership. There are now less than 130 producer-members in our organization. These are the active farmers who control the governance of this cooperative. We can’t thrive under apathetic ownership!



The Muzzall Family: Ron and Shelly with their three daughters and the newest generation.

We moved our annual meeting from June to March to better allow our producer-members to attend. We’ve not seen an increase in attendance. We continue to reach out in written form and our newer form of mail-in voting. Just over 50% mailed in their vote. I’m probably preaching to the choir, as the ones most likely to read this column are the active members of this organization.

There is a business term in the co-op world called “the economic yardstick.” This is the effect that cooperatives have on their competition. What would prices be without the co-op competing in this market? This competition is good for all farmers in the area, even those who do not patronize Skagit Farmers Supply.

I’m hoping you had a good spring, as it was very challenging weather-wise. I also hope to see you at the next annual meeting.

Editor’s Note: Ron Muzzall served on the co-op’s board of directors from 2002 to 2017. 🏠



Bill Markus Retiring

by Tom Boland, General Manager

It's a bittersweet moment for the history of Skagit Farmers Supply. We've received a retirement notice from Bill Markus, our energy manager. Bill has been with the co-op for over 40 years! Over this time, he's seen the co-op grow from five employees to 350, and he's witnessed the co-op significantly expand its geography, annual sales, customer base and profitability. Bill has been integral to this growth.

As the baby boom generation retires, we'll see a big impact across the country. That generation is known for its strong work ethic, great ingenuity and conscientiousness, which has helped many companies and industries grow and prosper. Those traits make up Bill's core values.

Bill has worked in both retail and petroleum. He was here when the first iconic green tank was set, and he has been here for almost 17,000 more tanks! His work and the labor of those who report to him have greatly enhanced the co-op and the community. The energy department has helped the growth of the co-op, generated strong returns for our members, and allowed us to recruit and retain highly skilled employees.

Bill should have no problem keeping busy in retirement. He is a beekeeper and teaches beekeeping classes for the Skagit Valley Beekeepers. He is an active member of the Burlington Kiwanis and is an amateur historian of the Pacific Northwest. We've notified the Washington State Department of Natural Resources that Bill will be officially changing his residence to his boat, as he plans on chasing the elusive king salmon around Puget Sound.

Please join us in congratulating Bill on his well-deserved retirement. Bill's retirement date at the end of September coincides with the end of our fiscal year. 🏠



To Skagit Farmers Supply Customers and Employees

In November 1976, Merton McKee Jr. (the general manager at the time) took a chance hiring me to work for Skagit Grange Supply as a fuel truck driver. My duties were to deliver fuel and heating oil to homes and farms, as well as work in our only farm store in Burlington.

A total of five employees made up the staff until 1982 when our board of directors decided to purchase the facilities of Western Farmers in Mt. Vernon and Oak Harbor. With that expansion, we became a co-op of 28 employees. I was given the opportunity to become the petroleum manager overseeing our fuel and heating oil sales, and our newly acquired propane business.

Mr. McKee retired in 1984 and a new general manager, Ken Kadlec, was hired to oversee our co-op. A name change to Skagit Farmers Supply soon followed, and I moved into the full-time role of petroleum manager. Great leadership from our board of directors, general manager and employees has made Skagit Farmers Supply

the well-respected co-op it is today, employing over 350 people with 35 employees in our energy department alone.

My wife, Judy, will be seeing more of me, and we look forward to retirement in the years to come. Sept. 29 will be my last day on the job. It has been a pleasure to work with the patrons and employees of Skagit Farmers Supply. Thank you for allowing me to be part of your great co-op, which does so much for our communities and our farmers. I see great things ahead for Skagit Farmers Supply and the leadership that is in place.

Sincerely,

Bill Markus

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—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
Spokane North	509.466.1300
Spokane Valley	509.926.6603
Stanwood	360.629.7033
Stevensville (Montana)	406.777.5527



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New Store Opens at Oroville

by George Arnold, Retail Manager



We recently passed two milestones in the retail division of Skagit Farmers Supply. We finished the addition of True Value® Hardware to three of our stores, and

we cut the ribbon on our newest location! We're continually looking for opportunities to improve store sales and margins, as expenses continue to increase. Both milestones are a good step in that direction.

Our retail team executed wonderfully and the addition of True Value Hardware in Stevensville, Montana, was well received. Our grand opening event was in April and was very

successful despite the cool spring weather.

The other milestone occurred at our newest location in Oroville, Washington. Our grand opening event for that location was also held in April. During that event, we did one-third of the month's business in three days!

We hosted the Oroville Chamber of Commerce on Thursday evening and opened the doors to this new Country Store early Friday morning to let the shopping begin. We're excited to have more opportunities to sell our own bagged feeds and fertilizers into a new market and to have the retail team and transportation in place to expand outside our traditional geographic area. 

When Disaster Strikes, the Community Responds

On the eve of Monday, March 6, 2017, the historic Smith Barn in Coupeville, on Whidbey Island, burned to the ground in less than 20 minutes.

Oak Harbor Country Store employees Wendy Lockard, Ashley Wolverton and Shannon Bly organized a silent auction to help get Willowood Farm back up and running.

The silent auction yielded \$4,474. With a gift by Skagit Farmers Supply of \$1,000, a total of \$5,474 was donated to Willowood Farm and their future on Whidbey Island. 