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## Building and Executing a Business Plan

Recently, a journalist from *C Magazine* conducted an interview with Roger Miller, CEO of Premier Cooperative. With the magazine's permission, we're reprinting the article below. Information in italics is additional material contributed by Roger Miller specifically for the newsletter article.

In his 26 years as a cooperative manager, one constant in Roger Miller's management philosophy is having a solid business plan to guide a company during times of tumultuous change. *When Premier Cooperative was formed with the consolidation of Fisher Farmers and Grand Prairie, the business plan was focused on utilizing the synergies identified in the merger study and bringing the employee team together to work as one. That plan had been fully implemented, and the time had come to determine the direction for the next leg of the journey.*

### REFOCUS, RE-EVALUATE, REDEFINE

"We needed to refocus, re-evaluate and redefine where we were going," Miller says. "We'd been growing so fast with mergers and consolidations that we needed to slow down, reflect and create a business plan to match the needs of the new business."

And, like many cooperative retailers, Premier had watched farmers' speed and space capabilities grow exponentially faster than it could service. The Premier Cooperative board of directors and management team enlisted CHS Aligned Solutions to facilitate a business planning process to address those challenges. Mike Feeney, national accounts director, helped them set a strategic direction that was used to focus outcomes.

Key employees met to discuss industry trends and competitive actions, while analyzing internal strengths and opportunities and identifying strategic actions to execute. *We formed five committees as part of this process—energy department, internal and external support and*

*communications, farm marketing committee, grain operations, and a committee to re-evaluate our values and brand statements. Each committee was composed of 5-8 employees.* Utilizing key employees at all levels of the organization created buy-in to the process and pride in the outcome.



Some employees who participated in the process were part of creating the 2009 business plan. Others were apprehensive and didn't quite know what they were being asked to do or how they could contribute.

### SHOWCASING EMPLOYEE TALENT

By the end of the 60-day process, Miller says employee teams were contributing, brainstorming and collaborating on how to improve the operations, strategy and culture of Premier Cooperative. He says this collaborative environment was one of the most rewarding outcomes of the process. "I'm proud of the employees who contributed and presented their ideas to the board. The directors were impressed with the talent"

Premier Cooperative finished the three-year strategic business planning process in September 2013. Each quarter, Premier Cooperative will measure and re-evaluate progress on the plan and report to the board. Board members are anxious to see how the new direction will be executed against goals and timelines set by the employees, Miller says.



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## Building and Executing a Business Plan

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### PUTTING THE PLAN TO WORK

As part of the interview, I was asked to identify the three most important issues that will impact Premier Cooperative's success over the next three years. Here are three I believe will be critically important.

1. Access to capital and right use of it. Farmers' capacities are growing so fast that we cannot make any mistakes about how we use capital to grow. It's going to be very important for Premier Cooperative to identify how, and at which locations, capital should be dispensed.
2. Finding the right people and reinvesting in human capital. We just lost two long-time employees to retirement; seven others will retire in the next five years. Finding employees who are willing to go the extra mile for customers is a challenge.
3. Energy growth. We need to have a much larger energy division and will focus on expanding it through strategic growth and sales. Our

current energy division is not big enough to survive long term, but the board is committed to growing this business and it's a priority in our business plan.

Ultimately, we want Premier Cooperative to continue to be closely aligned with our producers. We want producers to feel that Premier is an extension of their business. We hold producer discovery meetings, where we meet with farmers one-on-one and talk about their needs, as well as areas where Premier may be deficient and needs to improve. We pick a group of customers around each of our locations every year for these conversations.

Customers come up with good ideas about how we can make things better. When they see that we are acting on some of those ideas, it ties them into the cooperative way of doing business. We compete with multinational companies and I hear this in the countryside: "Multinationals don't come out to ask us how they can help make our business better." The cooperative model is working well in central Illinois and gives us a point of differentiation. ○

## Growth Reflects Emphasis on Service

BY TIM HUGHES, MANAGER, UNITED PRAIRIE LLC



United Prairie reported strong earnings and growth for the 2013 fiscal year. Local income was more than \$2 million, and sales and service for the year grew to more than \$67 million—the highest in the company's history. As we look ahead, several innovations now underway will help us continue to provide the highest level of service and value to growers in our area.

Operationally, the Dewey facility is virtually complete, which adds a full-service chemical mixing facility along with bulk seed and treatment capability to further enhance service and accessibility to local growers. We are continually updating our mobile and application equipment to enhance service. We recently took delivery of three new post sprayers that incorporate the latest spraying technology as well as quad steering that leaves a smaller footprint in the field, particularly when turning on the ends.

Mother Nature did throw us a curve a few weeks ago when our Jamaica facility was hit with a class EF-3 tornado, destroying the chemical building and office. Thankfully, no one was hurt and we should be operational in time for spring.

### WE ALSO DELIVER KNOWLEDGE

We strive to bring our growers the latest agronomic information to help them make the best management decisions for their farm. This year was the first full year of our Innovation Farm and grower evaluation trial program. The Innovation Farm allows us to look at new products and techniques locally, often before the products are commercially available. It helps us understand the situations where they will work best and where they won't, and maintains our commitment to enhancing your productivity. We will use this data to educate ourselves and make even stronger agronomic recommendations to the growers we serve.

The greatest asset United Prairie has is a dedicated and committed group of employees. This year presented many challenges and our employee group responded exceptionally. We look forward to earning your business in the future. ○



# Diversification Pays Dividends in 2013

BY ROGER MILLER, CEO

Diversification was Premier's strength in the fiscal year ending July 31, 2013. While grain suffered through the aftermath of the 2012 drought, United Prairie had its best year ever. Steps were also taken to put the energy unit on a growth path to long-term viability. For the fiscal year, your cooperative produced pre-tax earnings of \$1.456 million. The following is a summary of the operations of each unit for the year.

GRAIN	\$(158,947)
ENERGY	(26,228)
PREMIER'S SHARE OF AGRONOMY	1,641,365
PRETAX INCOME ATTRIBUTABLE TO PREMIER	\$1,456,190

Due to these results the board elected not to pay patronage refunds this year. However, the board did elect to pass through to patrons a portion of its Domestic Production Activities Deduction equal to \$.06758 per bushel marketed with Premier during the fiscal year. A 3% dividend on first preferred stock was also declared.

## GRAIN

The fiscal year ending July 31, 2013, was a challenging one for Premier's grain department as a result of the summer drought of 2012. Local earnings have trended lower the last three years as our territory experienced less-than-ideal weather. Last year was the climax of that trend, with grain sales volume 21 percent lower than the 2012 fiscal year and 27 percent lower than the record 2010 fiscal year receipts. Grain receipts this fall were one million bushels less than the record harvest of 2009. Considering that it did not rain in the month of August or in early September, I was amazed with the yields producers were getting. The bumper crop will provide larger carries in the corn futures markets not seen the past few years, along with increased service income from drying and storage. These conditions should allow our income to return to pre-drought levels for fiscal year 2014.

Throughout this down-trending period of earnings, Premier has continued to aggressively improve our capacity to dry and store grain. Since the formation of Premier Cooperative on Aug. 1, 2009, we have increased drying capacity by more than 20,000 bushels per hour, along with increasing storage capacity 2.8 million bushels. These capital expenditures were essential to our ability to handle the wet corn crop of 2013. They will also improve our earnings ability in the coming years. We intend to continue making strategic investments to build the next generation of assets to serve our patrons in tomorrow's agricultural marketplace. We will aggressively pursue partnership arrangements that will provide us better physical assets and marketing opportunities. Our

patrons are experiencing something of an economic boom, with rising land values, low interest rates, and high commodity prices creating an environment requiring increased capital investment and the ability to manage high levels of risk. Our challenge is to manage this volatility and risk while creating growth and sustaining profitability.

## ENERGY

Premier's energy department has seen more growth during this past year than ever before. During fiscal year 2012, the Premier Board of Directors approved a plan to expand fuel sales and delivery into the southern region of Premier's footprint. That plan was implemented in December 2012. Shortly after that, an opportunity to expand into Premier's Northeast region developed. Premier was successful in hiring three well-established fuel employees in a two-month window. They have expanded our customer base threefold in the last eight months. That created an immediate need to upgrade our delivery fleet and bulk storage facilities. It was our goal to triple our energy department's volume in five years. We now have an opportunity to reach our goal in less than two.

## CONCLUSION

The Premier Cooperative business structure provides us a tremendous advantage moving forward. Premier's goal is to be a forward-thinking company that can stay ahead of the changes we are experiencing in agriculture. I want to thank all the employees and the board of directors for their efforts to move your company forward, and to all our patrons for your business and ongoing support. ○



**Premier Cooperative, Inc. and Subsidiary  
Consolidated Statements of Operations  
Year Ended July 31, 2013**

GRAIN SALES	\$375,108,120
COST OF GRAIN SALES	<u>366,356,008</u>
GROSS GRAIN MARGIN	8,752,112
MERCHANDISE SALES	70,566,894
COST OF MERCHANDISE SALES	<u>60,409,654</u>
GROSS MERCHANDISE MARGIN	10,157,240
TOTAL GROSS TRADING INCOME	18,909,352
OTHER OPERATING INCOME	<u>9,812,920</u>
TOTAL GROSS INCOME	28,722,272
OPERATING EXPENSES	27,547,380
OTHER INCOME	2,031,070
INTEREST EXPENSE	<u>1,109,632</u>
INCOME BEFORE INCOME TAXES	2,096,330
INCOME TAXES	<u>478,689</u>
NET INCOME BEFORE INCOME TO NONCONTROLLING INTEREST	1,617,641
INCOME TO NONCONTROLLING INTEREST	<u>638,307</u>
CONSOLIDATED NET INCOME	<u>\$979,334</u>

**Premier Cooperative, Inc. and Subsidiary  
Consolidated Statement of Financial Position  
July 31, 2013**

CASH	\$37,402,753
MARKETABLE SECURITIES	44,600
RECEIVABLES	21,555,286
INVENTORIES	17,433,398
PREPAID EXPENSES	5,629,411
DEFERRED INCOME TAXES	<u>147,148</u>
TOTAL CURRENT ASSETS	82,212,596
INVESTMENTS	6,212,606
NET PROPERTY, PLANT AND EQUIPMENT	44,750,658
OTHER NONCURRENT ASSETS	<u>32,206</u>
	50,995,470
TOTAL ASSETS	<u>133,208,066</u>

**LIABILITIES AND STOCKHOLDERS EQUITY**

CHECKS DRAWN AGAINST AVAILABLE LINES OF CREDIT	5,014,097
NOTES PAYABLE - DUE WITHIN ONE YEAR	5,013,979
ACCOUNTS PAYABLE	42,745,257
OTHER PAYABLES	17,275
ACCRUED EXPENSES	<u>2,088,910</u>
TOTAL CURRENT LIABILITIES	54,879,518
LONG TERM NOTES PAYABLE	16,303,500
PROVISION FOR UNCERTAIN TAX POSITIONS	1,558,275
DEFERRED INCOME TAXES	<u>7,207,216</u>
TOTAL LIABILITIES	79,948,509
STOCKHOLDER'S EQUITY	
NON-CONTROLLING INTEREST	3,760,517
CAPITAL STOCK OUTSTANDING	272,625
ALLOCATED EQUITY	6,660,264
EQUITY ACQUIRED IN MERGERS	3,256,369
ACCUMULATED OTHER COMPREHENSIVE INCOME	5,284
RETAINED INCOME	<u>39,304,498</u>
TOTAL STOCKHOLDERS' EQUITY	53,259,557
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$133,208,066</u>

## GMO Ban May Trickle Down

**BY ROGER MILLER, CEO**

In the past few weeks, China has been rejecting shiploads of corn because of unapproved GMO traits, most recently the Viptera® trait. While I believe that China is using this tactic to lower the price it pays for corn, the action still raises concerns for me. At some point if they continue to reject corn, the effects may trickle down to local cooperatives like Premier. We may be required to only ship grain that is approved for use in all countries, and ultimately may also have to test for unapproved traits.

Please keep in mind that if you choose to grow corn that has not been approved by Pacific Rim or other countries, we may have to channel that grain to an alternative destination—whether that destination is a domestic end user or another export market. If we are required to put a segregation policy in place, that decision will be made and the plan implemented this summer prior to harvest.

We understand that this may affect your seed decisions for 2014. If you have questions about approved traits, talk to your seed specialist. They will be able to give you guidance concerning planting options for those concerned about the ban. ○

# Pursuit of Capacity Continues

**On Nov. 17, the town of Gifford was hit by a tornado, and our grain elevator was right in the path of the storm. The facility was extensively damaged, with both steel bins destroyed. The leg also collapsed, destroying the roof of our 300,000-bushel concrete bin. In short, everything above ground was lost. It appears the damage to the facility will exceed \$900,000.**

Our board has voted to rebuild the facility, with the construction process scheduled to begin in early spring. We will repair the roof on the concrete tank, replace one of the steel bins, increase the pit capacity, and boost leg capacity from 8,000 to 12,000 bushels per hour. We anticipate that the Gifford project will be completed in time for the 2014 harvest.

## EXPANSIONS AND UPGRADES

In addition to bringing Gifford back to operational status, we're also adding capacity at several other locations. At Apex, we have a lot of flat storage buildings that have exceeded their life expectancy. With that in mind, we are building two concrete loadout bins with a dryer. Last year, we had to move all two million bushels of grain from that facility by truck. The loadout will enable us to use the existing 65-car rail siding to move that grain by rail instead of truck. That will greatly improve our efficiency and reduce costs in our southwest region.

At Elliot, we'll be installing a new, slightly larger dryer. We're also upgrading the conveying equipment to improve drying efficiency and grain movement between bins. At Thomasboro, we'll be replacing an older dryer with a new Zimmerman unit. This will increase drying capacity to 9,000 bushels per hour from the current 6,500. Two new 500,000-bushel steel bins will be built, one at Broadlands and one at Jamaica. Both facilities took in more than a million bushels of excess grain this fall, and these capacity increases will enable us to better keep pace with our producers.

All of these asset additions are part of our continued effort to match our harvest capacity to yours. The speed with which you bring in your grain is a challenge we are committed to meet.

Our balance sheet is very strong, and due to the falling price of corn, we have surplus working capital. This means that these improvements will be made with no increase—or at the most, a very minimal increase—in term debt. This is a positive testimony to the financial strength and stability of Premier Cooperative. ○



# Digital Upgrade Underway

**BY JIM DETERS, CFO**

**Our online visitors will soon see a big difference in our website. We're currently in the process of developing a new site, which we expect to roll out on April 1. The new site will have a cleaner design and be easier to navigate. Our goal is to have all the information you're looking to access with two clicks or less.**

At the same time, we will also introduce a true mobile website so you can access all the functionality of our full site on your smartphone or tablet. The new site will also give us more flexibility in the use of email and text alerts.

Be watching for the change. We look forward to your input on the new site. ○





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## Equipped to Get the Job Done

**BY DAVE KIEFFER**, NORTHWEST REGIONAL OPERATIONS MANAGER AND FUEL DIVISION MANAGER

**One of the biggest Premier Cooperative capital projects of 2013 was the construction of the new Apex bulk plant. This state-of-the-art fuel facility is now fully operational and ready to serve our customers this spring. This facility enhances our ability to offer all the energy products we carried previously, plus gives us the capability to blend our own soy diesel.**

We have a lot of storage space there for packaged lubricants. Plus, we now have an 8,000-gallon DEF tank to facilitate tote refill and bulk delivery.

As I told everyone who attended our recent farmer meetings, fuel prices historically go up as spring approaches. Our advice is to contract roughly half your usage for the coming year. Then, if fuel at the rack

is higher than the contract price you have on book, use your contracts. If fuel takes a downturn in the summer, as it has the past couple of years, fill off the rack. It's the best of both worlds.

Call your local energy representative to discuss energy contracting details. ○

