

Creating More Together

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Kurt and Anna Duxbury live with their children, Luke, Noah and Kate, on their dairy farm near Weyauwega, Wis. The Duxburys rely on CHS Larsen Cooperative to keep the operation running smoothly.

Synergy between producers and their co-ops forges success.

By Patricia Miller

One farmer can put up a grain bin or silo, but bring farmers together through their cooperative and they can build a grain shuttle, feed mill, river terminal or processing plant; buy a refinery; open global markets; and influence policy.

In tandem, producers and their cooperatives create more — more value, more opportunity, more impact — together.

Kurt Duxbury knows firsthand about creating more together. In 2002, his father-in-law, a Weyauwega, Wis., cheesemaker, bought the neighbor's 300-

cow dairy farm to keep it from being subdivided and asked Duxbury to run it. A local school principal, Duxbury made the leap into dairy management.

When Duxbury and his wife Anna became partners in the farm in 2004, they went into expansion mode. At Quantum

Dairy, Duxbury and 42 employees milk 2,400 cows, raise heifers in partnership with seven other local dairy producers and farm 3,500 acres. He relies on CHS Larsen Cooperative in Weyauwega to help keep everything humming. >

➤ The co-op supplies Quantum Dairy's fuel, agronomy inputs, custom crop application services and corn handling needs, but Duxbury counts on the co-op team for even more. "We need them to be flexible, growing with us and staying on the cutting edge of technology and industry practices," he says. "They know our operation almost as well as I do, and that makes doing business with them invaluable."

Co-op Culture

Neal Keppy and his twin brother Chad grew up in a culture of cooperatives that began with their grandparents.

"Our family always found value in using the local co-op, and it continues to meet most of our farm's needs," he says. "But the co-op still has to earn our business, providing quality products, great service and the right technology."

For Keppy, that starts at the farm gate, with River Valley Cooperative's employees bringing their expertise to the brothers' crop-and-hog-finishing operation near Eldridge, Iowa.

"Not all farmers believe in the co-op model; they'd rather go it alone," Keppy says. "But for those of us who want an expert team around us, that's what the co-op provides. They're

local, they're our partners, and they're integral to our success. It's as close as we can get to a complete package to complement our farm."

Something Bigger

Co-op employee and manager, farmer-owner, board member — Randal Rathe has experienced cooperatives through all those roles. "I've seen how everything ties together

and how important all the parts are to creating a successful local business, a successful farming operation and a thriving community," he says.

Rathe is a partner in his wife's family's third-generation crop farm and feedlot business. He estimates that Farmers Ranchers Cooperative in nearby Ainsworth, Neb., supplies 90 percent of the operation's needs, from agronomy inputs and application to fuel and minerals for livestock feed. "I look for the co-op to be a stable source of products and services. But you don't do business with a company, you do it with people, and I depend on those relationships."



Randal Rathe is a partner in his wife Erin's family's third-generation farm and feedlot business. Nearby Farmers Ranchers Cooperative in Ainsworth, Neb., supplies nearly all the operation's input needs.

"As a co-op member, I own a small part of something bigger. I have a chance to voice my opinion and have a say in the business."

Switching Hats

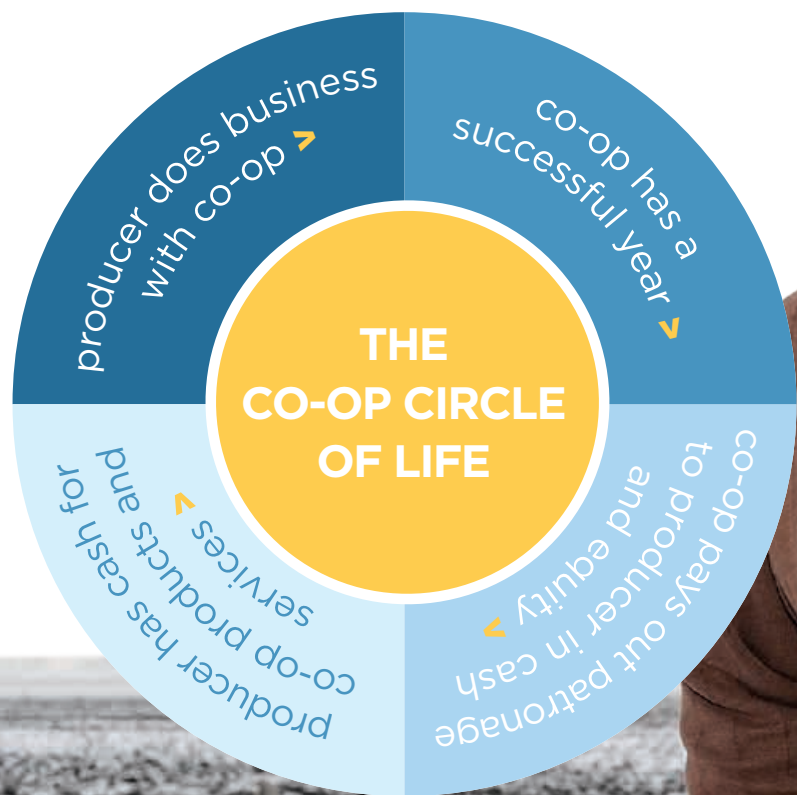
When a farmer-member serving on his or her local cooperative board walks into the meeting room, the first

thing to do is mentally switch hats from being a producer to being a director. That switch allows him or her to consider how changes will affect the entire organization and opportunities to create more together.

While boards are elected by the members, one of the major responsibilities of the directors is to hire the co-op's

general manager. The manager oversees operations, while the board focuses on the co-op's overall direction.

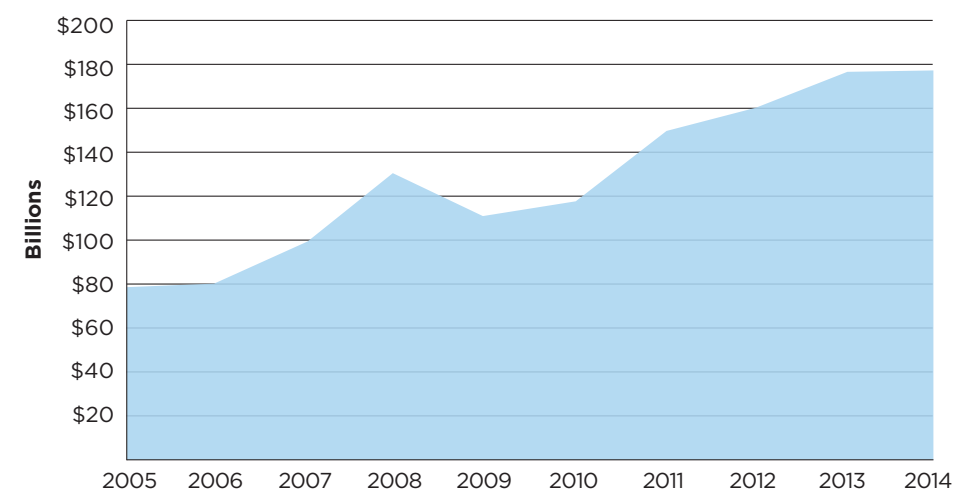
"As a manager, I need to be a visionary, to look at where we are today, but also to recognize and identify what members will need before they need it," says Roger Hugenberg, general manager, Ursa (Ill.) Farmers Cooperative. ➤



Neal Keppy partners with his twin brother Chad on their crop-and-hog-finishing operation near Eldridge, Iowa. He says they count on River Valley Cooperative for "quality products, great service and the right technology."

Top 100 Co-ops: Total Business Volume

2005-2014



Source: USDA

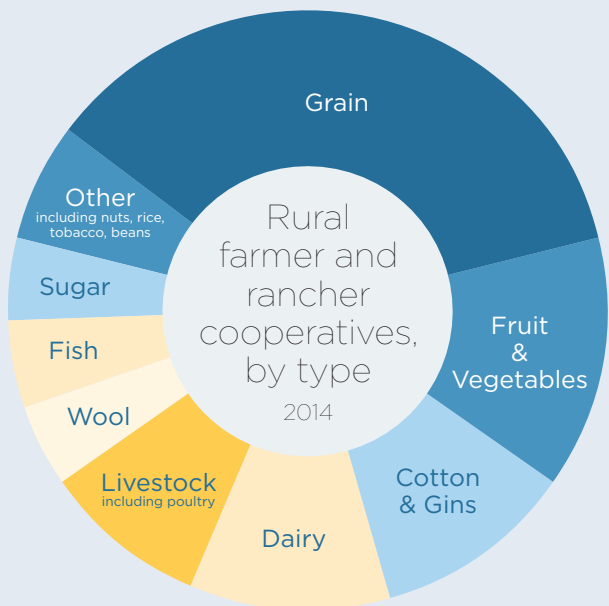
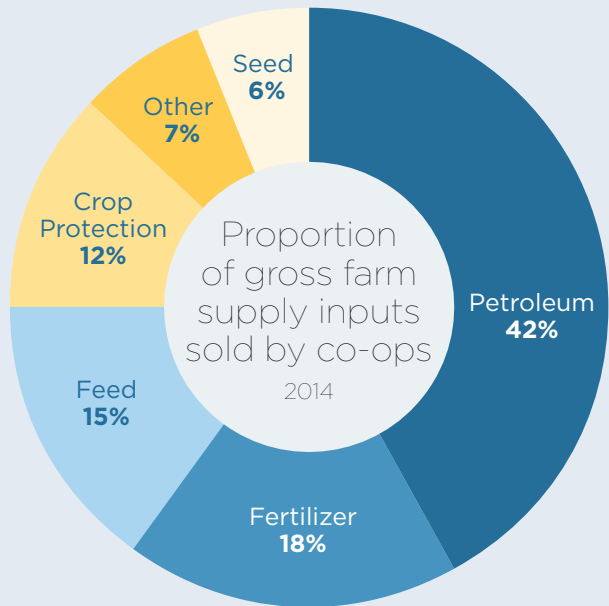
"Our volume of business has grown substantially with Allied (based in Adams, Wis.) We look at their growth — and ours — over the past 10 years and it's clear we've been on a similar path."

— Jeff Sommers, president and general manager, Wysocki Produce Farm, Bancroft, Wis.

Read more about Sommers and the potato business he manages on page 20.



U.S. Cooperatives Today



Source: USDA

➤ “The board provides oversight and serves as a litmus test. Because directors wear both member and board hats, they can determine if an opportunity will be good for their own operation, if it will be good for the co-op and what that decision might look like in 20 years.”

Diane Franzeen, a recently retired board member of United Farmers Cooperative (UFC) in Winthrop, Minn., says, “When we look at an opportunity, if it doesn’t add value to our co-op, it doesn’t fly. We try to make choices that will move the co-op forward and be relevant to our members.” She adds that in-depth information from the manager is essential to making those choices.

Joe Zumwalt, a retired board member of Urso Farmers Cooperative, underscores that the board serves at the direction of the members. “We’re here to listen to their concerns and ideas for opportunities and voice them at our meetings. It’s one of the advantages

co-ops have over other businesses.”

Franzeen is proud of the work UFC boards and managers have done over the co-op’s 100-year history, citing its long-term financial strength and stability. “That strong financial foundation has allowed us to complete a number of mergers and acquisitions, to pay patronage, to build the facilities we need, and to remain relevant and thrive for the future,” she says. ■

“When you’re committed to working with an organization, it’s nice to get rewarded for that commitment with patronage.”

— Kurt Duxbury, dairy producer and member of CHS Larsen (Wis.) Cooperative



Diane Franzeen farms near Arlington, Minn., and is a recently retired board member of United Farmers Cooperative in Winthrop, Minn.

Patronage: A Co-op Point of Difference



Joe Zumwalt served on the board of Urso (Ill.) Farmers Cooperative for 10 years and helped direct patronage returns.

Co-ops may look and act like any other business; after all, they provide products, services and expertise. But that’s where the similarities end, and two big differences stand out:

- **Co-op difference #1:** A cooperative is owned and controlled by those who use it, not by investors or private individuals.
- **Co-op difference #2:** A cooperative distributes benefits to its member-owners on the basis of use. That’s called patronage. Patronage is based on earnings from the products and

services members buy from their co-op. The more successful the co-op’s year, the greater the potential for patronage, which is returned to members in the form of cash and equity. By law, co-ops must pay out a minimum of 20 percent of their earnings in cash, equity or a combination of both. Patronage distribution is determined by the cooperative’s board of directors, whether it’s a local co-op or a regional cooperative such as CHS.

A cooperative can use retained earnings (the part not paid out annually to members)

to invest in its business, whether it is building a new feed mill or financing an acquisition.

It’s the board’s job to create a patronage distribution balance that benefits current, past and future members:

- **Current:** Pay cash to members, which they can use to support their own businesses.
- **Past:** Revolve (pay out) equity to retired members.
- **Future:** Retain some earnings to invest in the business for the long term.

Joe Zumwalt served on the board of Urso (Ill.) Farmers Cooperative for 10 years. He says a co-op’s vision and direction influences how patronage is returned. For example, when Urso needed to build a new river terminal and improve other facilities, part of the board’s goal was to retain working cash to finance those projects. “Patronage isn’t just dollars and cents,” he says. “It’s also about growth and providing value to members long term.”

From a producer standpoint, patronage is wonderful, says Neal Keppy, farmer and board member of River Valley Cooperative, Davenport,

Iowa. “The co-op uses profits generated from the business I do with them to survive and thrive, which benefits current and future member-owners. It’s the board’s responsibility to be good stewards of that equity. Eventually, our equity investment in the co-op is returned to us.

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— Neal Keppy, farmer and board member of River Valley Cooperative

See the Difference: Co-op vs. Non-co-op

Compare how two businesses pay out annual earnings of \$50,000 in this example.

COOPERATIVE		NON-CO-OP BUSINESS	
Retained earnings (10%)	\$5,000	Retained earnings (100%)	\$50,000
Patronage to distribute:	\$45,000	Patronage to distribute:	\$0
Cash patronage (40%)	\$18,000	Cash patronage (0%)	\$0
Equity certificates (60%)	\$27,000	Equity certificates (0%)	\$0