



## CHS investment in West Central at Willmar, Minn.

### Frequently Asked Questions

On January 9, 2015, CHS announced it will expand its agronomic offerings to producers with the acquisition of a 25 percent share of West Central, a full-service wholesale distributor headquartered in Willmar, Minn.

The CHS news release on this investment is posted at [www.chsinc.com](http://www.chsinc.com). The following questions and answers provide additional information and details.

#### **1. What is the scope of the agreement between CHS and West Central?**

CHS has acquired a 25 percent ownership share in West Central, a full-service wholesale distributor headquartered in Willmar, Minnesota.

Both companies are actively seeking growth, and this partnership will continue to enable West Central to provide CHS with expanded agronomy offerings. By aligning with CHS, West Central is well-positioned for continued growth and success.

The agreement will provide CHS Country Operations Service Centers with both private-label products marketed under the trusted CHS brand along with West Central's current branded products.

West Central will continue to provide a full range of crop protection products and related agronomy services to its customers.

#### **2. Who is West Central?**

Established in 1974, West Central ([www.westcentralinc.com](http://www.westcentralinc.com)) is a wholesale distributor of crop protection products, crop nutrient products, micronutrients, seed treatments and inoculants. West Central anticipates and meets the needs of each business with a consultative approach, and its highly



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trained professionals explore, understand and commit to fully supporting each retailer's goals.

### **3. Why did CHS decide to invest in West Central?**

CHS is a dynamic, growing company that is always looking for opportunities to expand into new markets, products and services that add value to its owners.

CHS began working with West Central in 2012 on formulation of a limited line of crop protection products specifically for its Country Operations locations. This investment is a natural extension of that successful business relationship. It further strengthens the CHS retail supply chain, and provides CHS with expanded crop protection products formulation and technical expertise in close proximity to its company-owned retail agronomy locations.

Over the last two years, CHS has publicly and broadly stated its intentions to expand its Agronomy business. Specifically, CHS has: Grown its crop nutrients business through hub plant partnerships and specialty fertilizer products; developed and introduced CHS YieldPoint precision ag services; introduced several proprietary crop protection products, and announced plans to construct a nitrogen manufacturing plant at Spiritwood, North Dakota.

### **4. Does CHS plan to eventually acquire the entire West Central business and operations?**

While the terms and conditions of the West Central agreement are confidential, CHS plans to grow in the crop protection space and looks forward to offering crop protection products and services to its member owners under the same terms and conditions as the company's retail locations.



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### **5. CHS recently announced formation of an Agronomy business unit, what does that include?**

CHS recently reorganized aspects of its Ag Business portfolio to include naming Rick Dusek to lead all Agronomy businesses and growth. Included in the Agronomy business unit is fertilizer sourcing, distribution, specialty products, sales and marketing; along with a robust business development plan.

### **6. How will the West Central investment be managed within CHS?**

Rick Dusek is the CHS Ag Business division vice president responsible for growth and profitability of Agronomy operations. He will be involved with West Central leadership through a seat on the West Central board of directors.

### **7. What are CHS growth plans for this business, brand awareness and its market share within crop protection products?**

CHS is excited about growth prospects and will work with its company-owned retail network to provide value through CHS brand formulations of existing, off-patent chemistries, along with development of new, proprietary products.

### **8. How will CHS show earnings from this investment in West Central?**

The CHS share of earnings from the investment in West Central will be accounted for within CHS in the same way that CHS handles income from its other partnerships and investments. This income will not be eligible for patronage to local cooperatives.

### **9. Will CHS member cooperatives be able to earn patronage on CHS crop protection business in the future?**

CHS goal is to position its crop protection business for growth and expansion so all member owners can participate in patronage earnings from this business



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platform. Member cooperatives will have the opportunity to earn patronage on CHS crop protection business beginning in 2017.

### **10. Will any West Central employees be impacted by the new CHS involvement?**

West Central will continue operating “business as usual”. Overall, we think the CHS investment and expected volume growth will provide new learning and employment opportunities.

West Central could possibly become a “destination” employment option for job candidates looking for laboratory, chemistry, engineering, quality assurance, and safety jobs.

Employees will continue to be employed by West Central. The company’s name and identity in the marketplace will remain West Central.

### **11. What are CHS plans for its crop protection business?**

CHS focus is to create unique value for its owners in the agronomy space, including crop protection. The company’s business model will focus on achieving that goal by not replicating existing cooperative wholesale crop protection products distribution models.

### **12. Does this new agreement with West Central have any impact on CHS Country Operations retail seed business?**

No, the CHS investment in West Central will not impact seed sales at CHS Country Operations locations. CHS Country Operations has enjoyed successful business partnerships with its seed company partners. CHS values those relationships and will continue to work with its key partners in ways that are mutually beneficial and that add value to CHS owners.