

RIVER COUNTRY COOPERATIVE



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SUMMER/FALL 2019 EDITION

Driven to Deliver Value

By JOHN DUCHSCHERER, GENERAL MANAGER/CEO

Every time we publish a newsletter, I try to build the edition around a theme. Honestly, the theme for the past few years could simply be, "Meeting the Challenges." This past year, those challenges have been numerous, including trade disputes, low commodity prices and a winter and spring that saw unprecedented planting delays across the Corn Belt.

That is not our theme, however. Instead, I would like to focus on the ways we are driven to deliver value to our customers, no matter what conditions we face together. Literally every decision we make should be evaluated by the question, will this be valuable to those we serve?

As Chris Carlson points out in his article, value isn't a one-size-fits-all proposition. Each one of our customers defines value a little differently. That's the reason we begin by listening to you, determining what you value. Then we factor your answers into our decision-making.

Conditions like those we've encountered this past year will let you know very quickly if you've made the right decisions.

For example, we've worked to build our energy storage capacity and delivery network. This was a very challenging home-heating season, both from a supply and an equipment availability standpoint. We performed very well, balancing personnel and equipment to cover our customers, and having propane on hand when others didn't.

When high water impacted river transportation this spring, our new Le Center agronomy center proved its worth, both in terms of additional storage capacity and greatly increased efficiency. We were able to keep our customers supplied, and to get applicators and tenders in, out and to the field promptly.

Once in the field, our investments in rolling stock and experienced personnel enabled us to find ways to meet your

agronomic needs in the small operating windows that Mother Nature provided this spring. We've also made huge strides in the area of precision agronomy. Our precision ag specialists enable you to place your valuable inputs where they will deliver the greatest return on every dollar invested.

We continue to invest the resources necessary to bring innovative solutions to our customers in all areas of our business, using technology to drive efficiencies. That helps the company you own remain productive and profitable even during leaner times.

In this issue, you'll read more about the things we're doing in each division to understand what you value, then shape our business to deliver that result to you. We always remember that this is the business you own, and that we all succeed together. ★





Storage facilities, like this one in Ellsworth, WI, enable us to meet propane demand when others can't.

Fuel Formulated for You

When you're creating a new product, you have options. You can come up with something that you want to sell, or you can develop a solution that your customers really need. We chose the second route.

"We listened to our customers," says River Country energy division manager Lance Prouty. "Then, we described the challenges you were having with your diesel fuel to our supplier. They formulated a fuel to address those specific issues."

That fuel is RCC Gold™ High Performance Diesel Fuel, formulated exclusively for River Country. Based on the comments we receive from our agricultural, construction and transportation customers who use it, they definitely see the value RCC Gold delivers in increased performance, reduced downtime and fewer maintenance issues.

Modern diesel injection systems operate in a high-heat, high-pressure environment. The injectors themselves are very sensitive to fuel quality, and small deposits can easily cause problems. Modern diesels cycle fuel back to the tank, subjecting it to high pressure and thermal shock. The result, for an average diesel fuel, can

be carbon-like deposits in the fuel tank as the fuel is basically "cooked." Those deposits can break loose and accumulate in the injectors.

"RCC Gold High Performance Diesel Fuel contains an additive package formulated to stand up to the modern diesel engine," Lance explains. "It reduces deposits, keeps the injection system clean, boosts lubricity and keeps water in the fuel from reaching the engine, where it can destroy the injectors."

You deserve a fuel that keeps your equipment running at peak performance. That's why we developed RCC Gold.

Capacity, dispatching pay off

Despite the intense 2018-19 home heating season, we're happy to report that we never had to short-fill, allocate customers or miss a delivery. The investments River Country has made in capacity and technology really pay off when conditions are tough and supplies are tight.

"With 150,000 gallons of propane storage, we're able to keep our customers supplied when others weren't so fortunate," Lance notes. That's something to keep in mind

when you're thinking about saving a few pennies per gallon on home heat or dryer gas. It may look like a good deal up front, but how will it feel when you have crops to dry – or a home to heat – and you can't get the propane you need?

Our new central dispatching system enables us to track and schedule all of our drivers and equipment. When we receive a call, we're able to quickly determine who's in the area. We're also able to quickly shift resources when we have a sick call or a truck fails to start at 30 below. With River Country, propane supply is just one more thing you don't have to worry about.

Here's one more service fleet operators and construction companies appreciate. Our system allows us to place an ID tag on every truck or bulldozer, scan that tag and provide a report of exactly what we put into every piece of equipment in your fleet. It can be a real record-keeping asset for you.

We've been in the energy business for more than 80 years, and we would love to be your energy supplier. Call us at 651-451-1151 and ask for one of our dedicated energy account managers. They can answer all your questions. ★

Making Your Feed Work Harder, Smarter

Just because something is really good doesn't mean you can't make it better. That's what we've done with our extruded corn feed product.

Recently, we purchased a short barrel for our extruder and custom made a die and a cutter. This allowed us to form our final extruded product into a disc shape. So what's the big deal about a shape change, you ask?

It's already well-known that extruded corn can be digested much more rapidly than standard ground or even steam flaked corn (more on that shortly). Forming the extruded corn into a disc shape allows the corn to float on top of the rumen with the rumen mat – where all the active microbes are. As a result, the corn is digested even more rapidly.

Penn State University recently conducted an invitro study on the gelatinization of corn starch. The more gelatinized the corn is, the more digestible it is for the cow. Ground corn showed a gelatinization level of 25%, compared to dry extruded corn at 90%. After seven hours in vitro, 51.2% of normal ground corn was digested versus 72.8% for the extruded dry corn.

Researchers found that because the extruded corn was in the shape of a disc, it stayed in the rumen longer and was

ultimately 99% digested. Most importantly, this improved digestion by rumen microbes resulted in far more microbial protein – almost eight times more than raw corn and almost four times more than partially processed corn. Microbial protein is a key component of milk and milk components.

In another test, Cumberland Valley Labs compared ground corn with extruded corn. Once again, the extruded corn easily outperformed unprocessed ground corn. More of the extruded corn was digested in six hours than was digested in 20 hours when using unprocessed corn. The research found that 20% of the starch was converted to sugars, providing rapidly available energy to the cow.

We will continue to conduct more research on this unique feed, including an upcoming study with calves at the University

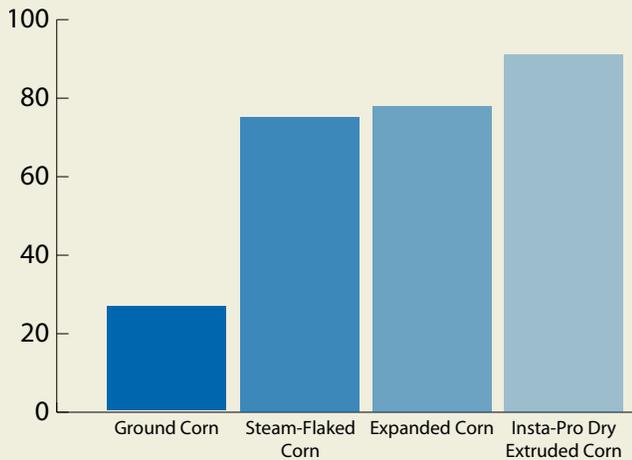
of Minnesota in Waseca. We'll keep you informed about the results.

Helping you get more from your feed inputs is our goal. We'll keep looking for new ways to help your feedstuffs work harder and generate more milk from your herd. Talk to any member of the River Country feed team if you want to give our extruded corn a try. ★



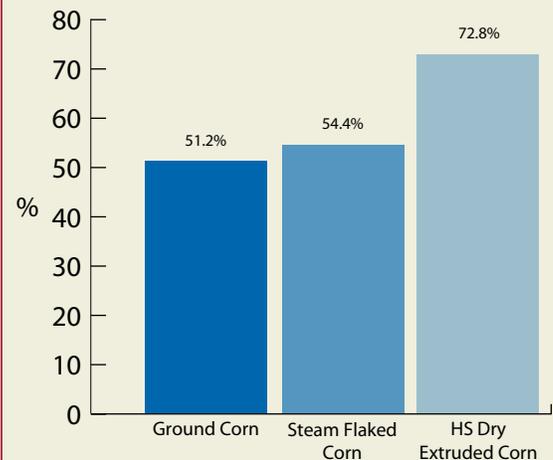
Gelatinization of Corn Starch

More Gelatinized, More Digestible by Animals



Rumen Starch Digestibility

7 Hours in Vitro Digestibility



New Agronomist at the Le Center Plant

Skylar Reed grew up on a small farm near New Ulm, Minnesota, where his family raised corn and soybeans, and managed both dairy and beef livestock. He attended the University of Minnesota at Crookston and graduated in 2015 with degrees in agronomy and ag business. Skylar currently calls Waseca home and enjoys spending his free time with family, fishing and hunting. We are excited to welcome Skylar to the RCC team and look forward to the knowledge, experience and energy he has to offer. ★



Providing the Resources You Need

When we introduced our crop input financing program, we didn't know how popular it would prove to be. Now beginning our third season, we've seen the program grow each year. We just finalized the details for our 2020 program, which will look very similar to prior year's with a couple of small changes.

To give you a brief overview, financing from River Country can be used for any fall and spring agronomy needs – fertilizer, chemical, seed, custom application – and fuel purchased at any of our agronomy locations. Our rates remain very competitive in crop year 2020.

The corn markets change every day, so we've worked to have our program in place earlier in the year, allowing our producers to lock in input pricing to maximize their margins as next year's crop is marketed.

"This is a program that has been beneficial to our producers and helps keep our balance sheet stronger, notes River Country CFO Eric Hanson. "One additional benefit for the producer is that in many cases they don't have to repay their loan until their crops have been marketed."

***Please contact your River Country Cooperative representative or call 651-451-1151 for more information on 2020 crop input financing.**

Billing that does more

"We believe that your invoice shouldn't just be a reminder to pay your bill," Eric says. "It should be a valuable piece of

information that helps you manage your business." That's the reason River Country Cooperative is looking into ways to make invoices more customer friendly while, at the same time, organizing information into useful categories.

"Our accounting software has additional capabilities that we would like to put to work for our customers," Eric continues. "For example, we would like to have a summary section on the monthly statement and invoice that breaks down all your purchases by category – fertilizer, chemical, seed, etc. – as well as by field. This would make the information more useful."

Staying financially strong

One of the goals of the River Country management team is to keep the company you own in a strong financial position. While we've made significant investments in facilities (Le Center), our C-stores and our rolling stock, we've taken on no long-term debt. To accomplish this through the ups and downs of the ag economy requires intelligent investments, cash management strategies and careful management of our accounts receivable.

As a cooperative, we cannot operate as a bank or provide long-term accounts receivable. This is one reason we provide an outside source for input financing. To help maintain our financial foundation, we are considering some changes to our existing policy on accounts receivable finance charges. We will keep you informed of any changes we make in this regard. ★

New Facility Proves Value

The paint was barely dry before the new agronomy facility in Le Center was pressed into service this spring. As it turned out, the timing couldn't have been better.

"With the problems everyone had getting product off the river, we were really happy we had all the fertilizer storage at the new plant," states Le Center location manager Lowell Tangen. "I've been in the business awhile, and I've never seen a spring when the barges didn't get up the river until July."

Lowell noted that the plant was easily able to keep up on those days when the rain held off long enough to get everyone in the field. "The new plant, plus our investment in rolling stock, allowed us to get the work done when we had those windows. And this facility has a lot of capacity we didn't use yet this spring. That really going to be valuable this fall, and in a spring where everyone is going for 10 days straight.

With eight fertilizer bins as opposed to six, the facility has the ability to handle different types of dry fertilizer. The new facility is fully automated, with dedicated lines for liquid fertilizer and chemicals direct from the storage tanks to the loadout bay. The 150-ton dry fertilizer tower has 2.5 times the capacity of the previous facility. And although the blender is smaller, it can blend the same amount of product three times faster than the old unit. That makes a difference during crunch time.



"The blender can produce a complete batch, even when impregnated, in 20 seconds," Lowell elaborates. "Speed, accuracy and consistency are all tremendous. It is great that the cooperative had the financial strength to build a facility like this one."

Lowell notes that area producers will benefit from more convenient access to dry fertilizers, which were not available in Le Center prior to the arrival of River Country. And he's sure the plant will prove it's worth again and again in the seasons to come.

"With the weather, the river and everything else we faced this spring, if we hadn't had this plant, I'm pretty sure we couldn't have kept up," Lowell concludes. "This was the perfect spring to have this plant." ★

Be Prepared for Market Surprises

By DAVID BELONGIA, GRAIN DEPARTMENT MANAGER

With the well-publicized difficulty farmers across the country have had getting their crops in the ground this spring, it's easy to make assumptions that may not be true for our area. As you consider your marketing plan for 2019 and 2020, it is a good idea to think about the unique factors in our area that we need to pay attention to.

To this point, both the growing season and the markets have been full of surprises – and we can expect more to come. Locally, one of the big issues for our markets was a problem with barge movement on the rivers and the impact that had on grain movement. Fortunately, that situation has improved for the moment. We'll have to see if that continues to be the case with a fair amount of moisture still in the forecasts.

While I know there is a high degree of variability across our trade territory, crops in a large portion of southeastern Minnesota look pretty good, in contrast to much of the rest of the Corn Belt. If you still have old crop grain on hand, you're going to need that on-farm

storage for your 2019 crop, so plan your marketing accordingly.

Even though shipments to the river were delayed, we were able to find destinations for your crops by shipping to alternate locations. We've also seen basis levels that are stronger than we would have expected in this environment.

My advice – take the opportunities the market gives to keep moving old crop corn and bean stocks off the farm and to market.

New crop comments

Understanding that we do have some volatility back in the market, we need to be mindful of price movements that lock in profits. Having a target price in mind allows you to take advantage of short-lived market rallies.

Looking ahead, what are the potential positives and negatives in this market? On the downside, export levels are poor right now, and ethanol margins are about the same as they were in late 2018. Because of delayed planting, we

may be looking at a late fall, so be ready to handle some wetter corn, if the need arises.

On a positive note, we really don't know what sort of crops we have out there, both corn and beans. The markets are going to be working to figure that out, using whatever information becomes available. Again, this uncertainty could lead to brief rallies. Be ready.

Right now, corn spreads are narrow and marketing may be more challenging this fall than it has been the past couple of years. We're here to help. We're focused on coming up with solutions to whatever marketing challenges may arise at harvest. We have marketing options available to handle your crop, whether it's being stored or you want to market bushels in the fall right off the combine.

Give me a call today, and let's make sure you have a plan in place to market your grain no matter what the future holds. ★





Serving Up Value in So Many Ways

BY CHRIS CARLSON, AGRONOMY SALES MANAGER

Value is perceived differently by everyone. What may be important to one individual may not hold the same level of importance to someone else. The challenge we task ourselves with every day is to determine what that “value” looks like at the individual level...we simply can’t broad brush our patron base.

I often try and think of what things can be perceived as value by our customers. Price, service, product offering and availability, relationship – what drives the decision-making process and ultimately fuels a favorable experience. With the difficult environmental conditions we faced this season, our #1 goal is being available to our patrons whenever they need us and provide the best products, the best service and the best support.

Relationships with industry partners and growers.

Some growers find value in the ability to meet with industry experts for conversations around new product offerings, recommendations for their farm or an additional level of service. At River Country, we work hard to grow these relationships with our partners and can provide that assistance – if that’s what’s important to the grower. In addition, throughout the year we host internal events to make sure that our growers are keeping up with industry offerings.

Relationships go both ways. The simple truth is relationships are important, and we strive to have the type of relationship with growers that leads to a level of trust. Helping them get the most out of their acres is our primary goal, but honestly sometimes it is just lending an ear to listen. I would like to think that the relationships we have built allow us to do just that. Bottom line, we want to be an integral part of their operation.

A knowledgeable staff provides value.

As Agronomy Sales Manager, one of the most important messages I can stress to my team is we need to challenge our growers to be better. That absolutely doesn’t mean selling

more. If we had access to a crystal ball to look 20 years into the future and were able to see what average yields looked like, we may be surprised. I can’t say what those numbers look like, but I am quite confident that they will be exponentially higher than they are today. If we are not challenging our growers with new ideas, products, practices and technology, yield increases become stagnant and those averages common 20 years from now will be unattainable. Our staff is prepared to show you how to capture those 4-5 bushels per year to continuously drive towards the highest productivity possible.

Flexibility is “King.”

Everyone had a “Plan A” in February. In our eastern geography, we were blessed to be able to stick to the game plan formulated early. In our western geography, things were a bit different as we ended, more often than not, on Plan B ... or worse. The ability for us to adapt to ever changing needs, no matter what “Plan,” absolutely provides value. Being able to effectively manage all of our areas by transitioning staff, equipment and resource to those areas in need is unbelievably valuable when time matters most.

Added value in financial stability.

Financial stability is as important from an organizational perspective as it is to our individual growers. The strong financial position of your cooperative not only allows us to continue to invest in the best staff, current technology and equipment but also gives us the opportunity to offer attractive funding options for our growers in the form of several financing offers through our partnership with CHS Financial.

Trying to figure out what value looks like to everyone is an ongoing challenge, but rest assured that River Country truly cares about our growers and wants to provide the resources and value necessary for their success, reinforcing their decision to continue to do business with us. When a grower has options and chooses River Country, it speaks volumes. Thank you for letting us serve you! ★

