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# Premier CONNECTION

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It's Construction Season **P 2**

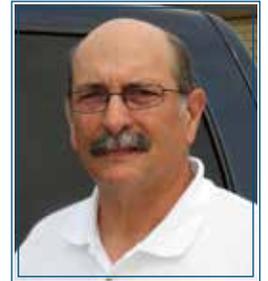
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## Big Yields, Slow Sales

BY ROGER MILLER, CEO

When you combine strong yields and good carry in the market, you generally have the formula for success in our business. That has certainly been the case for Premier Cooperative, and with eight months gone in our fiscal year, we're on track to achieve our budgeted earnings—projected to be about \$1 million above last year's \$6.1 million.



If that trend continues, we will be able to maintain our aggressive program of facility improvements, pay patronage, and redeem more of our older allocated equity. Later in this newsletter, our regional operations managers will discuss five of the larger building projects that we've undertaken this year.

We'll be adding approximately \$12 million in assets to our grain operation—roughly the same amount we spent last year. Because of the working capital we built in previous years, we were able to make last year's investments without increasing term debt. This year, we will have to borrow additional funds, but our debt-to-equity ratio after this round of improvements will still be only 24%. Lenders like to keep this ratio between 40-50%, so you can see we still have a fantastic balance sheet with plenty of room if we need to borrow in the future.

### GRAIN STAYING HOME

Continuing on the topic of grain, one factor that may affect our budgeted earnings is that our farmers haven't sold as much grain as they have at this point in years past. If you still own it, we can't ship it and we won't enjoy our margin until we move it.

To illustrate the difference between this year and last, farmers only owned 6% of the beans at this time last year. This year, they own 15% of the soybean crop we anticipate to take in. Historically, the average is about 20-25%, so farmers have actually been aggressive in selling beans both this year and last.

The change in corn numbers is similar, with farmers owning 16% last year and 30% this year. Naturally, much of this is due to the fact that we were bidding \$14.80 for beans and \$4.80 for corn at the beginning of April last year, as opposed to \$9.60 and \$3.70 this year.

Our concern, aside from revenue, is we need our elevators empty to handle the possibility of another bumper crop. We can't sell what we don't own. If farmers decide to carry more corn than normal into next fall, the commercial elevator system will have challenges handling the corn harvest this fall.

In closing, I'd like to thank all of our customers for their business and our employees for all the hard work they do for the company. We're going to continue to grow our infrastructure to take care of your ever-increasing production capacity. ○



# Regional Roundup

It's going to be a busy spring, as capacity projects are underway or scheduled for five locations in three regions over the coming months. Here's a quick overview of what these projects are and how they will benefit Premier customers, delivered by our regional managers.

## JEFF BREEN, SOUTHWEST REGIONAL OPERATIONS MANAGER

In our region, we have two projects on tap. In Galesville, we are building a 105-foot-diameter, 788,000-bushel bin. The primary reason we're putting this bin up is to prevent a repeat of the situation this past fall, when we couldn't get railcars in quick enough to keep the harvest moving. This additional capacity will help keep us fluid and get our customers dumped quickly at harvest. The bin should be completed in time for harvest this fall.

In Apex, we're taking the next step to upgrade our dated storage spaces by building a 105-foot-diameter, 750,000-bushel bin. The new structure we're putting up is much more efficient, and that translates into better grain handling speed and faster in-and-out times at harvest.



## DAVE KIEFFER, NORTHWEST REGIONAL OPERATIONS MANAGER

We have projects ongoing in Dillsburg and Dewey. In Dillsburg, we are putting up a 72-foot-diameter, 250,000-bushel bin for soybeans. Paired with that bin is a new 10,000-bushel-per-hour receiving pit and leg. This will benefit area farmers by enabling better traffic flow and quicker dumping. Plus, we'll have enough storage space to hold the entire bean crop, which means we won't have to truck beans out during harvest, further reducing traffic through the location.

In Dewey, we're installing two 12,500-bushel-per-hour conveyors on the west side of the location, allowing us to speed up grain dumping on pits three and four. This will also help us move grain more efficiently within the elevator complex, essentially contributing to improved customer service.

Work on the rail line serving our Dewey elevator is also nearing completion, with more than six miles of rail now upgraded. The roadbed was raised, draining issues were addressed, and at least every fourth tie and some rail has been replaced. We began this project last August, which shows how time-consuming the work is.



## TOM SINDER, SOUTHEAST REGIONAL OPERATIONS MANAGER

We have one project in the works at Broadlands. We've demolished 50,000 bushels worth of outdated storage and are now building 200,000 bushels of wet corn storage. This upgrade should allow us to run for multiple days without having to shut down because we can't take any more wet corn. This will also give us more flexibility in terms of shipping dry corn out of Broadlands.

# How Are You Handling This Marketing Uncertainty?



**BY KURT SIMMONS,** FARM MARKETING CONSULTANT



**With the start of spring, traders monitor the agricultural markets for any signals that suggest current trends could change, at least temporarily.**

There are plenty of technical traders who follow cycles and seasonal patterns and will watch for a change in trend at seasonal changes, the start of a lunar cycle, or a solar or lunar eclipse—all of which have occurred in recent weeks. Shifts in weather patterns, consumer psychology, and money flow are all factors that could cause markets to turn. While some of these factors are seen as “voodoo” by other traders, a closer look at the short-term fundamentals behind these seasonal

tendencies can sometimes be helpful, as counter-seasonal moves can be powerful.

Weather forecasters seem unable to forecast weather (or any complex climate patterns) beyond a few days. Analysts say that there is about a 20% chance of actually hitting the “yield trend” for 2015 this coming summer. Actual May-June-July-August weather has not yet tipped its hand, nor can we predict the crude oil price, the actions of the EPA, or the future grain demands of China and the rest of the world. How do you cope with grain marketing in view of all the complexities of politics, economics, and weather?

You do it by positioning yourself with grain contracts that protect you against downside price risk while, at the same time, giving you upside price potential. This allows you to benefit if markets make an about face and rally this summer due to adverse weather somewhere in the world or changes in current economic or geopolitical trends. We have many contracts that can help manage your risk in these crazy market conditions. Give me or your local grain buyer a call. I know we can help.

Have a safe planting season. ○

## Energy Expansion Continues

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



**Our fuel division has taken advantage of recent favorable prices by aggressively contracting fuel for 2015 and 2016 use. As a result, we're picking up additional customers, which, in turn, have led to the need to deliver more gallons. That's the reason we're adding another farm fuel truck to our fleet in time for spring deliveries.**

In our ongoing efforts to expand capacity and further improve service, we're building a new bulk facility in Leverett. We'll be putting in two 24,000-gallon tanks for dyed diesel. We're also expanding the new bulk facility in Apex, doubling its capacity. Finally, we are in the engineering phase for another new bulk facility in Elliot.

If you're looking to contract fuel at very attractive prices, or you're thinking about finding a new energy supplier, consider Premier Cooperative. We're firmly focused on customer service. ○





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Our Pierson Location



## Ready for the Spring Rush

**BY TIM HUGHES,** MANAGER, UNITED PRAIRIE LLC

**With the completion of major facility expansion and upgrade projects at Pierson, Dewey, and White Heath, we're well prepared for spring planting season. All told, we've added two million gallons of UAN storage and improved our NH3 capabilities to better serve our growing customer base.**



Our ability to serve farmers in all parts of our territory will also take another step forward, as our board recently approved plans to add a seventh United Prairie location in Emery. We will be building an ammonia facility, chemical warehouse, and office at the Emery site. We expect the anhydrous facility to be operational this fall and the chemical warehouse ready for operation by spring of 2016.

On another positive note, I'm proud to announce that United Prairie is the

recipient of the 2015 Environmental Respect Award for Illinois. The award is sponsored by DuPont, and was created to honor fertilizer and ag chemical retailers who are preserving and protecting the environment by operating their businesses in an environmentally sound manner to the benefit of their customers, employees, and community.

The award is another confirmation that we're on the right track as an ag business and a compliment to the training and commitment of our staff. ○