

e can finally say 2019 is behind us and we look to a more prosperous 2020 for our producers, customers and cooperatives.

In December we held Central Region Cooperative's second Annual Meeting, but in reality it was the cooperative's 128th annual meeting, as part of our cooperative's inception date was 1891. For those of you that were unable to attend the annual meeting, I recapped our 2019 financial results and gave an outlook into fiscal year 2020 for Central Region Cooperative.

Central Region Cooperative had very similar overall sales in 2019 as we saw in 2018, earning about \$243 million. Gross margins were up about \$1.7 million, however the offset in other operating receipts were down \$3.4 million. There were slight increases of \$160k in total operating expenses, which earned us \$1,001,587 in local earnings and net earnings of \$2,545,062.

There are an endless number of factors and numbers that resulted in the net effect of fiscal 2019. Below would be some of the substantial differences.

- Heartland Corn Products ownership had a \$1.4 million decrease in 2019 due directly to ethanol margins.
- Grain handle was down about 6 million bushels from 2018,

 GIESEKE CONTINUED PAGE 2 ▶

INSIDE:

Annual Meeting Highlights

- Fiscal Year 2019 Review
 - Gaining Efficiencies
 - Enhanced Website



32

Annual Meeting HIGHLIGHTS







DIESEKE FROM PAGE 1

resulting in a decrease of \$1 million in storage revenue. We also saw a large decrease in drying due to the dry corn coming off the fields (\$1 million). There was minimal carry in the corn market.

- ◆ Agronomy continued to face challenges due to weather and the down agriculture economy. We applied minimal fall fertilizer. We saw decreased inputs being applied such as P & K and many chemical products.
- We saw a \$600K decrease in administrative expenses, primarily from decreases in personnel expenses.
- There were increases in customer base across all departments.
- CRC Board Election: Jon Meyer and Dave Berle ran unopposed and were re-elected to another term.

"We are currently four months into our current fiscal year and things look to be very positive for 2020."

Overall, I am very pleased with CRC's performance in 2019. Considering the difficult weather and down economy, the coop and its employees performed, brought positive earnings, cash patronage, and equity payouts to its members.

We are currently four months into our current fiscal year and things look to be very positive for 2020.

The harvest grain handle was up well over 1 million bushels this fall, soybean handle was down due to yield, however corn yields did not disappoint. The agronomy team applied nearly 27,000 tons, 4,500 ton more than 2019, even with the short timeline we had to apply fertilizer. Feed tonnage and earnings are tracking very similar to 2019, which resulted in over \$700k in earnings and cash patronage of about \$1.50/ton.

GIESEKE CONTINUED PAGE 3)



Fall Agronomy Deferred Due

entral Region Coop offers a special spring and fall deferred program agronomy purchases. Please remember that fall 2019 Agronomy Deferred accounts are due and payable in full by January 31, 2020. If you have any questions or concerns please contact your account manager or myself.

Central Region Coop is always looking for ways to better serve the needs of our customers and patrons. As a part of that service, we search ways to aid and assist you, the patron, in every facet of your

Please ask your account manager about details or call me at 507-426-8263 ext. 1122, if you wish to discuss any of the potential financing programs available.

DAN FILZEN

economy is very trying, to say the least. In an effort to assist our members, we have available various programs and financing options which may appeal some customers. As you may be aware, CRC has agreements with, and collaborates with, First Security Bank, Alliance Bank, and Citizens Bank of Minnesota, as well as Cooperative Financing Association to offer some financing opportunities.



D GIESEKE FROM PAGE 2

Please review Chuck Braun's news article for more 2019 information or stop into an office location to pick up a printed copy of the 2019 annual report.

Energy seemed to be the hot spot this fall due to the propane issues seen in the entire upper Midwest. Shortages appeared everywhere north of Conway, Kansas, the pipeline was unable to keep up, which resulted in CRC utilizing 16 transport trucks this fall. Through four months CRC has sold over 3.7 million gallons, about 1.2 million more than 2019. There was a two week period where we moved over 2 million gallons to producer tanks. CRC is looking into several ways to ease the propane issues, including adding LP transports, adding more outside fleets, and increasing CRC bulk storage and on farm storage. Our BCA department has taken a positive turn showing slight improvement through four months of the 2020 fiscal year and continues to look into new ways to become more efficient and increase bagging ability.

I want to thank everyone for the business you award Central Region Cooperative. The current and former managers, board, and patrons have built a very stable company with great cash flow and a strong balance sheet that will enable your cooperative to continue to pay into its three primary pillars (cash patronage/ equity revolvement/capital expenditures). There is good reason for you to be proud of your cooperative. We look forward to serving you in 2020—may it be a profitable, rewarding year for you!





Added Value

appy New Year! I would like to thank all of you for your patronage and

support this past harvest season and look forward to serving your grain needs in the future.

Now that it has been a few months since harvest, I want to remind you to check your bins regularly to make sure the grain is staying in good condition. A lot of this year's grain was lighter test weights and more fines than normal. That alone makes grain storability difficult. With the varying temperatures that we have had, grain can quickly go out of condition. All grain bins should be cored and cooled to ensure safe long-term storage. If you have any questions or concerns give us a call, we will be glad to help.

Consider utilizing our convenient on-farm grain pickup service. We have a fleet of trucks available to bring your grain to town. It's a win-win situation; we help you get your grain to town and your equipment stays clean and dry in the shed! Call any of our grain locations to make arrangements for one of our trucks to pick up your grain.

I would also like to remind you that when you do your grain business with Central Region Coop, not only do you get great service and competitive pricing, you also get patronage dividends and Domestic Production Activities Deduction (DPAD). Last year, CRC passed through \$3,639,330 worth of DPAD, back to you the patron, for grain that you sold to your cooperative. That amounts to approximately \$.1214 for every bushel of grain. It's like adding value to your grain check because it reduces your taxable income. This is something that only cooperatives can do and not all of them pass it back to the patron like CRC does. So please consider this benefit of doing business with Central Region Cooperative before making your grain sale decision. It is one of those forgotten values, that at tax time add up to real dollars.

Hope you all have a successful and prosperous New Year!



STORAGE FOR PENNIES



For years, CHS Energy Equipment's Storage for Pennies Program has offered customers the ability to upgrade propane tank storage without the burden of costly upfront expenses. Now, the program is expanding to include fuel tanks.

The program reduces debt load by allowing you to lease equipment, then pay for it over time with payments included in the price of fuel puchased from CHS.

By increasing storage, you can take advantage of pricing opportunities and have a more reliable supply.

For more information call the CRC Energy Division

Buffalo Lake: 320-833-3009 • Sleepy Eye: 507-794-5831



Additions & Improvements

again! I

hope

you all had a merry Christmas and happy New Year! After the difficult harvest we had this past fall, a much needed break with a little rest and relaxation was necessary for all.

ENERGY

In regard to harvest, I would like to apologize to any producers who experienced a corn dryer propane outage. I'm sure you are aware that the propane industry was not able to keep up with the extreme demand conditions. Due to well below normal temperatures, wet corn, and propane pipeline supply issues, we unfortunately dealt with the perfect storm. I will reassure you, CRC will do all that we can to prevent this from happening again, we are constantly looking at ways to improve customer service and supply in the most efficient, fiscally responsible manner.

Currently, we are looking at adding to our CRC propane storage volume, and analyzing our fleet of trucks to ensure we have the equipment needed to provide supply as demand dictates. I am pleased to announce that on January 3rd, we received a new 2020

model Freightliner Bobtail propane truck which has a 5,600 gallon tank and high speed pump on it. (See photo). This truck will be servicing the Fairfax, Gibbon, and Hector areas.

As I position CRC for the future, as always, I will be taking all propane supply points into consideration, from rail supply to pipeline terminals to any other opportunities that come about. As a patron, please reach out to us if you need to add propane storage to your operation. As a rule of thumb, if you do not have enough storage to dry corn for at least 24 hours before needing another delivery, then

Please keep in mind we will be having our annual Spring Oil Sale, bulk and packaged oil products along with grease will be offered at a sale price.

additional storage is needed. Thank you for your patience and understanding in the past, present and future.

PROPANE MARKET

From a market standpoint, we are currently seeing some downside to propane pricing, as with all tradeable commodities, this can change on a moment's notice but, for the time being, hold off on contracting propane for the upcoming season. Historically speaking, the best time to pre-buy propane is early to midsummer, which is ironically also about the time we have a better understanding of crop progress, and begin receiving long-range

forecasts for the impending heating season.

Diesel fuel was challenging as well this past fall, harvesting in December-like temperatures is simply not an easy task. Cold weather encourages moisture and biodiesel to not cooperate, and filter plugging is inevitable when faced with below normal temps. The most practical preventative

> measure is to have the CRC Energy staff sample your on farm storage tanks. Taking a proper sample with the correct sampling equipment is free of charge, we will then send your sample to the CHS lab to have it analyzed, where point recommendations will be made as to how to



proceed if there is an issue. Please call either Energy office to coordinate this.

FUEL MARKET

As I write this, we are seeing volatility in the refined fuels energy market with the recent progress in the trade war with China, almost 200 less oil rigs drilling for oil compared to one year ago, and unrest between the U.S. and Iran signaling for higher priced crude oil. I recommend taking a good look at your gas and diesel usage for the upcoming season and potentially forward contract these products to limit your input cost risk. Please

PELZEL CONTINUED PAGE 6





CHUCK BRAUN Treasury Manager

Fiscal Year Highlights

hope that you were able to attend CRC's second annual meeting, held December 3 at the Sleepy Eye Event Center.

Some highlights of our second fiscal year ended July 31, 2019:

| Total Net Sales | \$243,323,777 |
|-------------------------|---------------|
| Gross Margin plus Other | |
| Operating Receipts | 34,189,759 |
| Local Net Margin | 1,001,587 |
| Net Income | 2,539,450 |
| Comprehensive Income | 2,550,674 |

CRC issued \$532,000 in cash patronage to eligible patrons in December. Like last year, 2019 patronage was 100% in cash; the amount of your patronage check(s) should equal the Box 1 amount of your 1099PATR. Patronage covered the following products and services purchased between August 1, 2018 and July 31, 2019 (rates are per dollar of patron purchases):

| Grain services (drying and storage) | \$.0399 |
|-------------------------------------|---------|
| Livestock feed | .0132 |
| Gasoline and diesel fuels | .0212 |

CRC's by-laws require a patron to earn a minimum of \$25 in fiscal year patronage to receive a patronage check.

Letters were mailed to eligible patrons on December 16 giving notice of the amount of their section 199A(g) pass through deduction from CRC (this deduction was known in the past as the "DPAD" deduction). CRC passed \$3,639,000 of deductions back to patrons at a rate of \$.12 per bushel of grain sold to the co-op in fiscal 2018-2019. This amount also appears in Box 6 of your form 1099PATR.

CRC issued \$390,148 in equity retirement checks to patrons in December. CRC retired 44% of legacy River Region Cooperative (RRC) equity issued in 2003 as well as the equity of legacy RRC customers who reached the age of 80 in 2019. CRC also retired the all-remaining outstanding equity of legacy South Central Grain & Energy (SCG&E) patrons who reached age 72 in 2019. If you did not receive a retirement check and believe you should have, contact your local office; we might not have your correct birth date on file.

CRC mailed out 2019 Forms 1099PATR to patrons the week of January 13. Grain customers with a number in Box 3 of their 1099PATR form also received a 2019 Domestic Production Report detailing how the Box 3 number was calculated. New on the 1099PATR this year is Box 7, Qualified Payments. Your box 7 number should equal the sum of the numbers in Box 1, Box 3 and Box 5 of your form 1099PATR.

PELZEL FROM PAGE 6

contact either Energy office, in Buffalo Lake or Sleepy Eye, as the CRC Energy staff can easily assist you with these needs.

LUBRICANTS:

Please keep in mind that we will be having our annual Spring Oil Sale, bulk and packaged oil products, along with grease will be offered at a sale price. Look for our ad as we get closer to spring or give us a call with any questions. If you are currently a bulk oil customer, please reach out to us with product needs and gallon amount you need delivered, we will be coming around filling bulk oil storage units in March.

Have a safe rest of the winter and please reach out to us for any and all energy needs.



The food and farming industry is worth nearly a trillion dollars to the U.S. economy, according to data collected from USDA's Economic Research Service (ERS). That's 5.5% of the U.S. gross domestic product. In total, ag and ag-related industries contributed \$992 billion to the GDP.

About 97% of farms in the U.S. are family owned.

.

Cattle and calves, dairy, and corn products are the top 3 farm products in the United States.













BUTCH ALTMANN Agronomy Dept. Manager

More Efficiency!



Fairfax was up and running for the fall of 2019. Even though the fall was short and all the acres needed to get covered before the first freeze on November 10, we were able to get back out and pretty much finish up, well before Thanksgiving. Yes, there were some fields that were worked without getting the fall fertilizer on but, as a whole, we got the majority done.

Thanks to all of you who gave us the opportunity to service you this past fall as we had many more tons of

N, P and K hit the ground in the fall of 2019 than the previous year. With the additional acres covered, we will be able to serve you even better in the spring of 2020 than in the past.

With the new Fairfax plant now in full operation, we will be able to ease the pressure on the Sleepy Eye and Buffalo Lake plants so we can service you and our growing business much better. We look forward to providing you with better service as we gain efficiencies and find new ways to keep improving. New for this spring—we will be opening the Fairfax seed and chemical facility. We are excited to be able to offer you bulk soybean seed, treated



or untreated, picked up or delivered throughout the planting season. Along with that, you can also pick up treated or untreated water in our new rinse pad area on the south end of the new warehouse, along with all of your herbicides, as you need them. Please stop in and get to know how easily you now can get your input needs.

Thank you for working with your account manager here at CRC in doing prepays on all of your input needs for 2020, as we are already planning for the fall season. Two more custom tractors will be added

this fall to handle NH3 needs, it is very important for us to be able to get all the acres covered in a timely manner, so

do not hesitate to let us serve you.

We appreciate all your past and future business with CRC. Also, if there is anything you would like us to improve on, let us know.





Careful stewardship by America's food producers has spurred a 34% decline in erosion of cropland by wind and water since 1982.

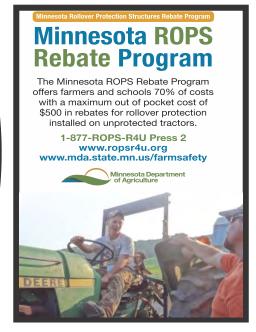
More than half of America's farmers intentionally provide habitat for wildlife. Deer, moose, fowl and other species have shown significant population increases for decades.

25% of all farmers are beginning farmers (in business less than 10 years); their average age is 46.

Pork is the most widely eaten meat in the world.

There are **81**,000 farms in Minnesota.

Total Farmland in Minnesota: 26.9 million acres.



Have We Lost All Control?

hat can I actually control? I ask my wife that

things that I have control of! So in the grand

scheme or the big picture, ask yourself what can I really

control? Equipment, rent, weather, soil conditions, seed, fertility, weed control and the list goes on. Some of these we

have little or no control...such as government, markets, and

every so often and she tells me there are still a few

BRUCE SEVCIK Account Manager

Remember the 50-50-90 rule? Anytime you have a 50/50 chance of getting something right, there's a 90% chance you'll still get it

wrong!

Some things we can control, however. For instance, tillage and how we prepare the

mother nature, just to name a few.

soil, the type of equipment we use and when to use it. Fertility we can control by testing and making sure we have what nutrients we need for the yield goals we set. Matching up the right seed on the right type of ground, going back and using seed varieties from 10 to 15 years ago to save a few dollars isn't always the best thing, because we can't take advantage of

the new technology that has really changed these products. Going back to old and conventional ways does not leave any funding for new research in the future. The same goes for the chemical side of the equation. There is really nothing new on the horizon for new chemistry. A lot of that has to do with everything going generic, and then, like seed, there's no funding to bring anything or new chemistry to the market. We have the same chemistry we've been using for years, and —"news flash" we have resistance, insects, diseases, different weed species, along with good old Mother Nature that have found a way around us! So now what?

patterns the last years haven't given us much time to get stuff done. Early planting, early and reduced tillage Remember the 50-50-90 rule? Anytime you have a **50/50 chance** of getting something right, there's a 90% chance you'll still

get it wrong!

can lead to problems later with both seed and weed control. We used to take more time to prepare the soil and use residual pre-plant chemicals. Time is a big thing, but it still works! This will always buy time for a timely post-applied chemical program with residual properties. Just remember, not only do we need to mix up the chemistries we have, but mix up the way we apply them in order to get around some of those uncontrollables, and same goes for seed...don't put all your apples in one basket! Seed,

fertility chemistry are big items for sure, and definitely are a big share of the whole program. We need to focus on these, especially because cutting corners on any of these, separate or together, can mean 50-100 bushels in corn.

Well, let's at least try to focus on things we still have some

control of! Soil and seed bed preparation isn't always easy,

mostly because Mother Nature and the extreme weather

Every farmer and every field needs to be treated differently. Your CRC account manager/"crop advisor" and you know your fields better than anyone else! There are some good tie-in programs with seed but they don't always work for everybody's farming operations. So come up with a common sense plan that works for you! Take control of the things you can!



BCA Products has developed a line of four performancedriven ice melt products and one traction grit product to assure a safe and manageable season. We've formulated these

products to perform at

Be a **Weather** Warrior with BCA **Products!**

differing temperature ranges from 20°F down to -20°F.

We provide fast ice melting action at a reasonable price. Our ice melts are blended to take advantage of the low cost of sodium chloride and the performance enhancing attributes of magnesium and calcium chloride to bring a wellrounded, affordable and performance-driven product to

market. Our ice melts and grit includes blends that are crucially fast acting, pet safe, environmentally friendly and economical.

BCA Products provides products with consistent particle sizing, product integrity and top-notch customer service to assure optimal de-icing performance as promised. Try them out for yourself! Contact us today to find your local distributor or inquire about becoming a dealer.



Trade & Markets

he much anticipated USDA crop report came out on January 10, and threw the trade a little bit of a curveball with the announcement that they will resurvey acres and yield this spring. Along with Phase 1 signing with China, the US market will digest the importance of the signing, and the

effect that the lower quality corn crop will have on the supply & demand table for 2020.

Corn yield was raised 1 bushel per acre from November, to 168.0 bushels per acre. Production levels were at 13.692 billion bushels and a carryout of 1.892 billion bushels. The market is comfortable with a carryout close to 2 billion, as long as demand stays as low as forecasted this year. The value of the US Dollar does cause the US market to be uncompetitive in the global market. South America is the exporter of choice.

Soybean yield was also raised to 47.4 bushels per acre, up from 46.9 bushels. Production was slightly raised to 3.558

BRAD KOHLSMerchandising Manager

billion bushels with carryout pegged at 475 million, unchanged from November. The trade was expecting a

smaller yield, lower production, and a smaller carryout.

The USDA has over the last few years surprised

The USDA has over the last few years surprised the trade by being more bearish than expected.

Global ending stocks were also raised in the year-end report. South America has a few more acres planted year over year and the upcoming crops seem to be looking good, which is not overly friendly with our markets.

We are early into 2020 and already the trade is talking about acreage for this spring, the planning and intentions report will be released on March 31. The early ideas is there will be many corn acres. There were many prevent plant acres that will become corn acres, and

with current economics, farmers like to, and will, plant corn over soybeans. Look to be more aggressive selling December corn when we get to the \$4.15-\$4.20 range and November beans could get to \$10.00 futures area.





New this year on centralregioncoop.com



CRC has made improvements and layout changes to the cooperative website in an attempt to enhance the user experience. We are confident that these improvements will benefit patron members by affording them the convenience of receiving information on an easy to read platform and in a timely fashion.

We appreciate your patience as we work through this transition and welcome any feedback that you may have. Comments can be directed to Megan Hoffmann at 507-794-5831 Ext. 2227.







Travis Schlueter joined the CRC Fairfax Agronomy team during the busy fall season. Travis comes from a construction background with ample truck driving experience. In his free time, Travis enjoys restoring John Deere tractors and various pieces of farm equipment. In the coming year Travis and his girlfriend plan to continue to pursue their interest in agriculture with the addition of cattle to their rural Winthrop farm.



Some of you may have already had the opportunity to meet **Mark Kehn** this fall at the Fairfax elevator. Mark joined the grain team in October and has been busy learning the operations of the elevator and assisting with grain transportation throughout the territory. Mark comes to the cooperative with 20+ years of construction experience. In his down-time Mark enjoys ice fishing.



Ty Haala began his employment as a seasonal employee this past fall and has since become full time. You can find Ty working out of our Fairfax Grain location loading/unloading trucks and assisting our drivers with some of his mechanical skills. When weather allows, Ty enjoys riding his motorcycle with family and friends. Ty is currently in the Minnesota National Guard and has been serving for 4 years.



Dylan Kalenberg is our newest Agronomy team member, joining CRC full time in December. You may have seen Dylan this past fall helping out our BCA Products Division, in addition to working in the Fairfax fertilizer tunnel. During the winter months, Dylan enjoys spending time ice fishing at area lakes. He currently resides in Springfield.



CRC has added an additional driver to our feed team, **Harold Schroeder** began his employment in November, primarily working out of Gibbon. Harold comes to CRC with 44 years of driving experience, 24 of those being feed delivery. Harold and his wife Lynn have two children, Julie and Scott. They also have 2 grand kids who keep them busy in their free time. In addition to working at CRC, Harold crop farm's north of Gibbon. When time allows, Harold enjoys fishing, hunting and scooting around the farm with the grand kids.

NEW EMPLOYEES

AGRIfacts

87% of U.S. ag products sold are produced on family farms or ranches.

• • • • •

Overall
employment of
agricultural and
food scientists is
projected to grow
7% from 2018 to
2028— faster than
the average for all
occupations.

• • • •

Nearly 60,000
high-skilled
agriculture job
openings are
expected annually
in the U.S.

• • • • •

The top 5 careers in agricultures in demand for 2020 are:

• Drone

- Technologists
- Hydrologists
- Agriculture
- Communicators
- Food ScientistsPrecision Ag
- Precision Ag Technologists



WELCOME

NEW EMPLOYEES



The Energy Division added **Donald 'Bruce' McElmury, Jr.** for the Cosmos service area. Bruce has been in the transportation industry for 45+ years, hauling anything from cattle to energy products to grain. When not at work, Bruce enjoys spending time with his granddaughter

and fixing automobiles with his son, particularly helping him with autocross. Bruce resides in Hutchinson.



Jason Paur joined the agronomy team last summer doing custom application in the Buffalo Lake service area. Prior to beginning his career as an applicator, he worked as a mechanic and had been self-employed as an independent insurance adjuster. Jason was born and raised in Bird Island,

and now resides there with his wife Tori. In his spare time, Jason enjoys fishing, hunting and riding motorcycle.



Keith Marti, Feed Sales/Operations Specialist with CRC, was raised on a farm west of New Ulm. After graduating from college he returned to join the cash crop/beef cow calf operation which he is still operating today. Outside of work he enjoys

attending his teenage son's school and sports activities.



Working throughout the CRC area, **Beau Serie** is performing millwright and facility maintenance work. All of his working career has been spent doing things "hands on" from powdercoating and building trailers, performing masonry work to installing and maintaining grain handling equipment. Beau

grew up in Colorado Springs, CO and moved to Minnesota 11 years ago. Outside of work, Beau enjoys fishing and spending time with family.

THANK YOU! RETIREMENT RECOGNITION

We recognize three dedicated individuals who retired from the cooperative in 2019. Thank you for your years of service. Enjoy your retirement years!



Dan Fischer of Sleepy Eye, 42 Years of Service



David Bruns of Gibbon, 15 Years of Service



Richard Frank of Fairfax, 44 Years of Service



PO Box 429 Sleepy Eye, MN 56085



