

# *2016 Annual Report*



Growing Relationships to Maximize Success!®





## CEO Message

### Rick Vaughan, CEO

Thank You to all of our customers and members this past year for your valued business and continued support. A special Thank You to all of the IAS employees for their hard work and dedication this past year. Our employees' flexibility and patience are very important. This commitment enables Innovative Ag Services to provide the levels of service we do for our customers' farming operations.

Total sales for fiscal 2016 were \$682 mil (FY15 \$657 mil). Total earnings for fiscal 2016 were \$11.3 mil (FY15 \$19.2 mil) with IAS local earnings at \$8.8 mil (FY15 \$15.5 mil) and IAS regional earnings at \$2.5 mil (FY15 \$3.8 mil). Total capital improvements were \$21.5 million in fiscal 2016 (FY15 \$20.8 mil). All division reports are highlighted in this publication.

Patronage rates for fiscal 2016 are included in this publication. The cash portion of total dividends will be 50% again this year. Additionally, IAS will pass through the Domestic Production Activities Deduction (Section 199) equivalent of \$.047/bushel on all member grain sold to IAS during our fiscal 2016 year. In addition to these fiscal year end profits, IAS returned over \$2.4 million of past allocated profits to past

and current members. Total cash returned to members surpassed \$5.1 million and produced an effective cash yield of 96% on this year's allocated patronage. Fiscal year 2016 patronage checks will be mailed near Thanksgiving. We are pleased and proud to be able to return these levels of profits to our owners and reinvest these levels of capital back into your business. It is our mission each year to strive to do better, producing excellent results for our current and future customers/members and for our employees and their families. Please tell your location personnel "Thank You."

The current Ag environment has and will continue to present economic challenges for our customers across the spectrum of crops and livestock. These challenges are reflective in our results this past fiscal year relative to the past five fiscal year ends. These challenges will not be a one year phenomena, but will persist with the current large surpluses of crops, livestock and dairy inventories. These current economic challenges will continue to drive changes in the Ag industry. You are witnessing some of these changes as you read of industry consolidation at the highest level of the supply chain across the globe. These global changes will drive change at our local levels, but these global changes are not the only force driving changes at our local level. The current economic challenges at the crop acre and livestock barn, plus the farmer age demographics and social attitudes are also continuing to drive change, specifically consolidation.

Our commitment to you is to continue to invest in our people assets and our facility assets. We can control how and when we invest in these two very im-

portant assets in our business no matter what is happening globally. Our people assets are the most important asset we can develop to assist you in your farming operation. The facility assets are an extremely important part of the equation, but will not function well without people. We are investing in additional training programs and technologies. Our management systems are improving and will provide our local managers additional tools to manage their locations. We expect local management expertise, disciplines and location contributions within the company guidelines of our purpose statement and bank covenants. We will continue to invest in speed and space where we can generate the longer term values required to repay the capital costs. The challenges of precisely where that capital should be deployed will take more time than historically invested due to changes in the local environments. The combination of talented, focused people and updated facility assets will position Innovative Ag Services to continue to thrive within this larger environment of change.

It is fun at times to reflect with the older generation in our business how much things have changed throughout the years. We tend to forget and also discount the magnitude of this historical change. These changes over time are how all of us here today have remained in the business and how we have and will continue to keep these crop and livestock production business and these retail Ag businesses relevant for tomorrow's generations.

The Board of Directors, employees and I Thank You for your support and patronage this past year and for your continued support and patronage!

## Board President's Message

Randy Blake, President

Once again this year I would like to start out my article with a big thank you to all of the IAS and Pine Lake Ethanol employees. Thanks to all their hard work and dedication to our customers. IAS and PLCB finished the year with strong earnings and continue to perform above industry standards. The board of directors realizes that it's the employees who make the biggest difference in a company and we are proud to be associated with such an outstanding group of individuals. We applaud their efforts.

This past year I have once again had the honor of serving as president of your board of directors. This has allowed me to work with a knowledgeable and committed group of directors who share the common goal of advising and assisting management to help IAS become the finest cooperative it can be. Thank you for allowing me to be your chairman, and thank you for your dedication to IAS.

2016 turned out to be a challenging year for IAS due to reduced margin in all of our core businesses. As the farm economy continues to struggle and our members and customers cut back on their inputs, this has a direct impact on our profitability. Even with these challenges IAS had a very profitable year and continues to perform above industry standards.

At this time I would like to highlight some of the board's activities this past year.

In January the board approved for IAS to purchase the minority partner Noble's interest in PLCP. The board also approved a major expansion project for PLCP which would more than

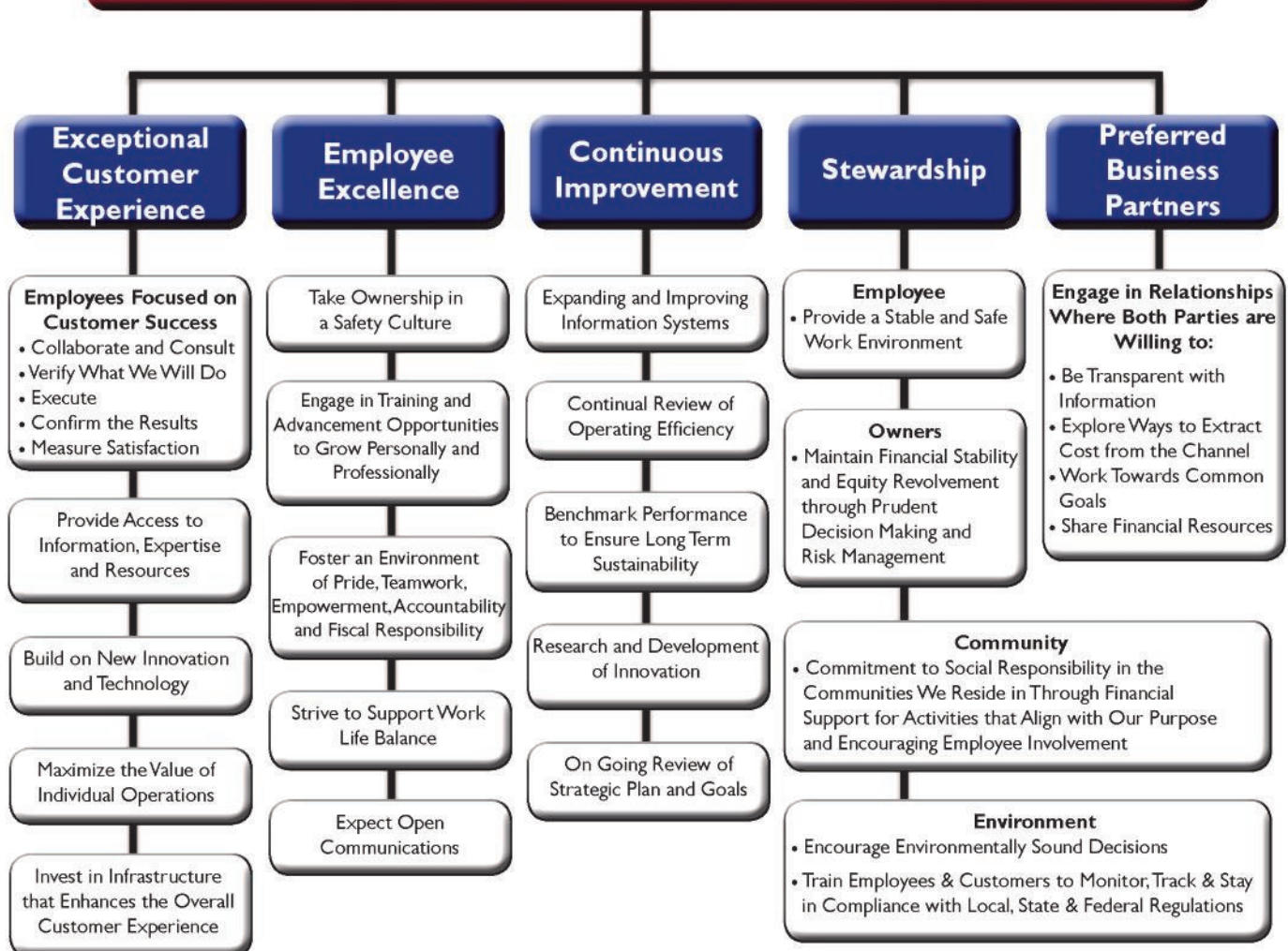
double the gallons of ethanol that the plant produces. The board feels like the future of ethanol is bright and would give IAS much needed diversification being a major ethanol producer along with our core businesses of grain, agronomy, feed, and energy.

During the past year board members have attended various annual meetings which included Co-Bank, CHS and Land O'Lakes. Attending these meetings always gives our board members insight into the profitability and direction of these cooperatives of which we are a member. The Iowa Institute of Cooperatives always hosts various director training workshops throughout the year. I personally attended a board president conference which always includes a trip to the state capital to visit with our state legislators and lobby for various bills on behalf of our members. I feel that having interaction with our legislators is essential for bills to be passed that are favorable to Iowa agriculture.

The board would like to thank all of our members and customers this past year. We will continue to work with management to provide our customers with excellent service and competitively priced products while still achieving growth and profitability for our members.



# Growing Relationships to Maximize Success!



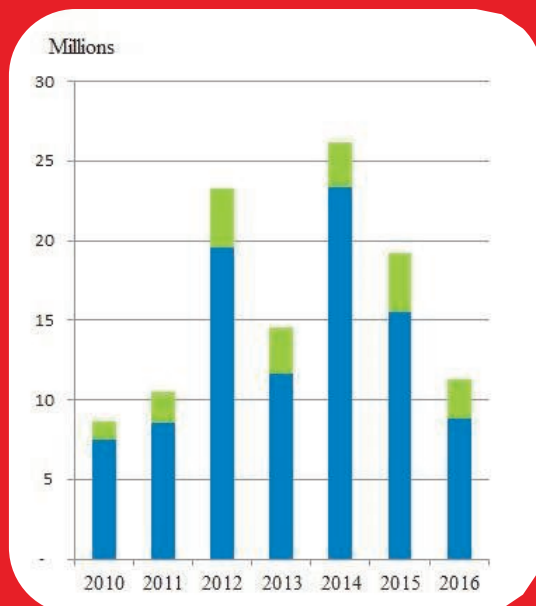
# Financials



Income Statement	FY16	FY15
Grain Sales	\$ 486,759,683	\$ 377,112,857
Merchandise Sales	\$ <u>195,950,526</u>	\$ <u>279,908,600</u>
<b>Total Sales</b>	<b>\$ 682,710,209</b>	<b>\$ 657,021,457</b>
<b>Cost of Sales</b>	<b>\$ <u>638,064,342</u></b>	<b>\$ <u>603,377,953</u></b>
<b>Gross Commodity Savings</b>	<b>\$ 44,645,867</b>	<b>\$ 53,643,504</b>
<b>Other Income</b>	<b>\$ <u>28,617,074</u></b>	<b>\$ <u>27,614,367</u></b>
<b>Gross Operating Revenues</b>	<b>\$ 73,262,941</b>	<b>\$ 81,257,871</b>
<b>Operating Expenses</b>	<b>\$ <u>64,433,762</u></b>	<b>\$ <u>65,786,271</u></b>
<b>Local Income</b>	<b>\$ 8,829,179</b>	<b>\$ 15,471,600</b>
<b>Patronage Income and Investment Income</b>	<b>\$ <u>2,452,786</u></b>	<b>\$ <u>3,764,766</u></b>
<b>Net Savings Before Taxes</b>	<b>\$ 11,281,965</b>	<b>\$ 19,236,366</b>
<b>Income Taxes</b>	<b>\$ <u>417,480</u></b>	<b>\$ <u>866,702</u></b>
<b>Net Savings</b>	<b>\$ 10,864,485</b>	<b>\$ 18,369,664</b>
<b>Earnings/(Loss) Attributable to Noncontrolling interest</b>	<b>\$ <u>38,941</u></b>	<b>\$ <u>(199,437)</u></b>
<b>Net Savings</b>	<b>\$ <u><u>10,903,426</u></u></b>	<b>\$ <u><u>18,170,227</u></u></b>

<b>Assets</b>	<b>FY16</b>	<b>FY15</b>
<b>Current Assets</b>		
Cash	\$ 22,472,376	\$ 15,912,830
AR Net	\$ 21,249,332	\$ 17,192,577
Margin Deposits & Derivatives	\$ -	\$ 11,017,798
Inventory	\$ 52,482,923	\$ 55,976,996
Prepaid Expenses and Other Current Assets	\$ 8,178,240	\$ 9,904,105
<b>Current Assets</b>	<b>\$ 104,382,871</b>	<b>\$ 110,004,306</b>
<b>Investments</b>	<b>\$ 24,079,869</b>	<b>\$ 23,296,029</b>
<b>Fixed Assets</b>		
Property & Equipment	\$ 199,344,276	\$ 182,608,666
Accumulated Depreciation	\$ (98,650,742)	\$ (87,026,632)
<b>Net Property &amp; Equipment</b>	<b>\$ 100,693,534</b>	<b>\$ 95,582,034</b>
<b>Other Assets</b>	<b>\$ 907,549</b>	<b>\$ 1,044,908</b>
<b>Total Assets</b>	<b>\$ 230,063,823</b>	<b>\$ 229,927,277</b>
<b>Liabilities and Member Equity</b>	<b>FY16</b>	<b>FY15</b>
<b>Current Liabilities</b>		
Current Portion LT Debt & Capital Leases	\$ 600,506	\$ 81,819
Accounts Payable	\$ 49,203,038	\$ 43,497,655
Accrued Expenses	\$ 5,185,840	\$ 6,255,223
Margin Liability on Hedges	\$ 6,804,217	\$ -
Adjustment to Market on Open Contracts	\$ 182,206	\$ 4,665,917
Allocated Patronage Refunds	\$ <u>2,651,941</u>	\$ <u>4,435,096</u>
<b>Total Current Liabilities</b>	<b>\$ 64,627,748</b>	<b>\$ 58,935,710</b>
<b>Long-Term Deferred Liabilities</b>	<b>\$ 16,387,465</b>	<b>\$ 14,548,212</b>
<b>Long-Term Debt</b>	<b>\$ 7,086,149</b>	<b>\$ 15,000,000</b>
<b>Member Equity</b>		
Memberships & Subscriptions	\$ 1,332,764	\$ 1,430,224
Additional Paid in Capital	\$ -	\$ 799,889
Allocated Earnings	\$ 36,520,952	\$ 34,412,472
Allocated Patronage Refunds	\$ 2,651,941	\$ 4,435,096
Cooperative Education	\$ 39,993	\$ 40,036
Retained Earnings	\$ 111,959,451	\$ 106,485,421
Accum And Other Comp Inc/Loss	\$ <u>(10,542,640)</u>	\$ <u>(8,228,057)</u>
<b>Total Member Equity</b>	<b>\$ 141,962,461</b>	<b>\$ 139,375,081</b>
Noncontrolling Interest	\$	\$ 2,068,274
<b>Total Liabilities &amp; Member Equity</b>	<b>\$ 230,063,823</b>	<b>\$ 229,927,277</b>

## Profitability



■ Local Income  
■ Patronage & Investment Income

## Distribution of Net Income

### Patronage Dividend

Cash Patronage Dividend (50%)	\$2,651,941
Deferred Patronage Dividend (50%)	\$2,651,941
Addition to Retained Earnings	\$5,599,544
<b>Net Savings</b>	<b>\$10,903,426</b>

### Patronage Distribution Rates

Grain Purchased and Sold Bushels	0.50 c
Grain Services	8.35 %
Agronomy Sales & Service	3.00 %
Feed & Feed Services	3.00 %
Refined Fuels Gallons	3.10 c
Propane Gallons	5.30 c

## Finance & IT

As you know, Fiscal 2016 proved to be a challenging year in the agriculture industry. It was a year where we really benefited from having diverse business units; grain, agronomy, livestock nutrients and energy. We placed in service a significant amount of capital investments that allow us to handle the size, speed and space during the busy planting and harvesting seasons while simultaneously meeting our debt obligations and balance returns to you, our member owners.

We recognize much of our success is the result of several key decisions and investments made in previous years. We carefully

plan our current and future investment decisions to expand and upgrade our facilities to better serve you, our member owners in the short term and for years to come.

In addition to our patronage for 2016, we will be passing through a 4.7¢ per bushel Domestic Production Activities Deduction (DPAD) to all of our members for the grain we purchased from them during our fiscal year ending in August. Each member will receive a statement in early December informing them of their grain sales to IAS and their corresponding tax deduction. This deduction can be used to offset any

1040 income, not just Schedule F income.

We continue to work on improving our business processes and information systems to help us improve our knowledge base and gain efficiencies to consistently deliver the high quality service that you deserve and expect.

Thank You for your continued business.

## **INNOVATIVE AG SERVICES, CO.**

### **ANNUAL MEETING MINUTES — December 7, 2015**

The eleventh annual meeting of Innovative Ag Services Co. was held at the PIPAC Center in Cedar Falls on Monday, December 7, 2015. The meeting was called to order at 1:00 p.m. by Chairman Randy Blake.

Minutes of the 2014 Annual Meeting were read. It was moved and seconded to approve the minutes. Motion carried.

Ballots were mailed out to all of the company's members. The ballots contained one item of business, that being the election of new directors for the company - Candidates include: Tim Burrack, Sean Dolan, LeAllan Buerger, Lyle Stock, and Adam Hill.

Two IAS members, Norm Zimmerman and Ron Andresen tallied the ballots and provided a signed affidavit of the election results. The results reported that Tim Burrack, LeAllan Buerger and Adam Hill were elected to three year terms.

It was moved and seconded to accept the results of the election and destroy the ballots. Motion carried.

Randy Blake reported that the board of directors reviewed the auditors' report issued by Meriwether Wilson and Company at a previous meeting and approved its statements of operations for the fiscal year ending on August 31, 2015. The content of the auditors' report is on record and a summary of it was recently sent out to the patrons in the annual report.

Dividend payments approved by the board were recently mailed.

There was no other old business.

There was also no new business brought from the floor.

The meeting was adjourned at 1:10 p.m.

Submitted by, Loren Manternach, Secretary

#### **IAS Board of Directors**



Randy Blake  
President  
Bellevue, IA



Paul Cook  
1st Vice President  
Hubbard, IA



Steve Perry  
2nd Vice President  
New Providence, IA



Loren Manternach  
Secretary  
Cascade, IA



LeAllan Buerger  
Monona, IA



Tim Burrack  
Arlington, IA



Adam Hill  
Ellsworth, IA



Stan Norman  
New Providence, IA



Joe Thraenert  
Elma, IA

# Pine Lake Corn Processors

## Focused on ethanol yield and operating costs

The year was marked by the recovery of crude oil from lows of \$26 to a trading range of \$40 to \$50/barrel. The ethanol industry has experienced another record level of exports to countries all over the world with the few exceptions being Europe (due to tariffs) and Russia. The ethanol industry continued the impressive export record by shipping over 1 billion gallons of ethanol to places like Canada, Brazil, UAE, Mexico, Korea, China, India, Saudi Arabia and many other countries throughout the world. US produced ethanol continues to be the lowest cost “octane booster” of any major liquid fuel produced in the world.

DDG continues to experience tariffs from China and most recently Vietnam, but as recent as this week China is back to importing DDG. It appears DDG is still a highly valued feed product all over the world, however, DDG is often a pawn in the trade wars.

The plant operation experienced unprecedented records in ethanol production, DDG production, and ethanol yield, all while maintaining operating costs well below industry average.

In the operations group we have Keith Halfwassen (Maintenance Manager), Remington Ringena (Operations Manager), Wendy Clikeman (Lab Manager) and Dave McLean (Operations Support Manager) leading several key improvements over the past several years.

1. Yield improved to 2.882 gal/bu (un-denatured), with denaturant

this yield is 2.95gal/bu. Both of these yield numbers rank in the top 5% of operating plants. The yield increase improved margins by \$195K

2. Production for the plant was 34.6M gallons of denatured ethanol. An improvement of more than 1M gallons from the previous year. The improved production resulted in increased profit of \$214K.
3. We lowered the operating costs to \$0.172 versus \$0.183 the year before representing a cost savings of \$372K.

In September 2016 we completed the construction of a 6th fermenter, a 3rd hammer mill and a 3rd liquefaction tank, a third air compressor and a 5th cooling tower. These projects allowed the plant to improve cost efficiencies, improve yield and increase production.

In 2016 we successfully performed oil extraction trials and started the project to install oil extraction. The oil extraction equipment arrives in October and should be functional by December 1st. The project will generate annual oil revenue of \$1.5M and have a loss of DDG revenue of \$400K. After operation cost the project will make approximately \$1M in cash flow.

We are also under a new membrane technology in our distillation building to expand our rectifier, stripper and mole sieves by more than 10%. This project and the oil extraction will al-

low the plant to produce 36M of un-denatured production per year.

The biggest news for the year is the start of our expansion project to more than double the capacity of the plant. We are planning to take the plant capacity from 36M gal per year to over 80mmgpy. The project will build additional grain storage, 2 new hammer mills, 3 liquefaction tanks, 5 fermenters, new boiler and new distillation building designed by ICM and 2 new dryers built by ICM as well. While the plant will maintain our current design through fermentation where we have always excelled, we will be expanding the distillation and dryer operation using the more efficient design offered by ICM. We plan to have the expansion completed by September 1st, 2017

Mike Miller completed his second year as our controller. Scott Zabler completed his 10th year as General Manager overseeing all the ethanol and DDG sales and coordinating those sales with the purchasing of corn, natural gas and chemicals.

From Pine Lake Corn Processors we would like to thank all of our corn suppliers for the continued supply of very high quality corn as well as the board of directors of Pine Lake and IAS for their continued support.

All of this success was made possible by our 30 employees that have demonstrated great skill, commitment and hard work to the success of Pine Lake.

This past fiscal year IAS has continued to grow and evolve as a company. We are fortunate to have such a great group of supporters as yourself behind us as we continue to do our best to serve you and the communities we reside in. Thank you for your commitment to IAS this past year.

When speaking of commitment the area I would like to draw particular attention to that was impacting to human resources was the IAS leadership team's commitment to making improvements to our Performance Management process. Though IAS has been already utilizing an online performance review, with this new process we believe it will continue to drive continuous improvement to that next level. Some of you may have heard of a 360 review. The 360 review gives us the opportunity to start

implementing a process where not only the manager gives feedback but peers and others the employees interact with can contribute as well. The employee also has the opportunity to do a self-review. These multiple layers of feedback are important to dig deeper into development of each one of us here at IAS. It helps us to set goals and hold ourselves accountable. We get different viewpoints and build upon it and can improve not only the quality of the interaction with our manager but with those we work with every day.

IAS believes that these investments in creating employee excellence will provide tools to our employee base that will help us to be better equipped to help our customers, and deliver on the exceptional customer experience that we believe in. This will be an ongoing process that will be

evaluated for improvements each year. Every day the HR department is looking for opportunity to improve the many programs we manage here at IAS, specifically we are driven to make improvements that impact our employee experience here at IAS. As you know every day it gets harder to retain good people. Creating resources for them, committing to their continued development and improving their overall experiences at IAS are ongoing initiatives. We value our employees and the knowledge that they provide to our business.

In closing, if you have feedback for the human resource group, please feel free to call (319) 465-2022 Ext. 173 or email us at [hr.dept@ias.coop](mailto:hr.dept@ias.coop)



## Grain Division

Innovative Ag's (IAS) grain division had another solid year in terms of volume with 13.6 million additional corn bushels and an additional 3.4 million soybean bushels year over year thanks to the continued support from our member owners. The additional volume that we handled unfortunately did not turn into additional margin. Grain marketing challenged the industry throughout the year making it very difficult to get the returns that we had budgeted. The farm sector has been challenged for several months now with commodity prices trading below cost of production. The ethanol industry has also struggled the past several months trying to hold crush margins in the black. With many sectors of the industry challenged with tighter margins it tends to many times follow through to our side of the business as it did this past year.

Innovative Ag Services is fortunate to have market access to

many end users outside of the state. We have several locations close to the river market and several locations close to our two rail shuttle loading facilities.

This past year we marketed corn to Mexico, Canada, SE United States poultry markets, California and Arizona dairy feeders, along with corn and soybeans moving to the gulf by barge and rail.

This market access is extremely important to you as members as it keeps the Iowa ethanol plant basis values in check throughout the year.

IAS continues to invest dollars in capital each and every year. Projects completed this year were two additional storage bins at Elma along with major improvements to their receiving capacity. We replaced a storage bin at our Union location that had previously blown over due to a wind storm. We added a new transfer conveyor at our Central City location to speed up receiving and improve handling efficiency. We

enclosed a grain receiving pit at our Winthrop facility and also added an overhead bin for faster load-out. We will continue our commitment to improve speed and space at our locations and have projects in the planning stages for the 2017 fiscal year.

Reflecting back on FY 2016 the grain department had a challenging year in terms of marketing but a rewarding year in terms of how we maneuvered our way through it. Innovative Ag Services grain division continues to be a leader in the industry and strives every day to offer you the very best in facilities, market access, a fleet of grain hoppers, and an experienced merchandising staff with a diverse set of contracting options to help market your grain throughout the year. Thank you for continued grain business and we look forward to your ongoing support in the years ahead.



## Agronomy Division

The agronomy department at Innovative Ag Services was faced with several challenges for fiscal year 2016 necessitating many adjustments to account for low grain prices and the effects it was having on our growers. Tight budgets for our growers quickly turn to tight budgets for us as well. We were able to successfully identify some opportunities for additional operational efficiencies. We were also able to do some things differently than we had in the past to reduce risk in a volatile fertilizer market. It took a lot of hard work and discipline but we can look back now and see that these efforts made it possible to call Fiscal Year 2016 a success.

Our conversations at the farm gate have also become more fo-

cused on breaking even than we have been faced with in many years. This is our greatest opportunity to share what we have learned over the last few years in our efforts to mitigate stress and reduce risk. Reducing fertility inputs incorrectly will ultimately lead to lower yields. With our Sustain program we have had three years of trials teaching us how to more aggressively manage our nitrogen inputs with potentially lower rates and having more nitrogen available to the crop when it needs it. We have learned similar ways to manage phosphorous as well. With higher yields being the key to higher gross revenue per acre, we have tested many products that claim to deliver just that. We have found that many of these products claim things that they do not

deliver. We have found, however, a handful of products that have been living up to their claims. We have been impressed with the yield differences that we are seeing with Toggle and Optify Stretch and are excited for that to be a key focus for 2017. We have also learned so much about our different seed treatment offerings and what they can offer as well as differences and advantages of different fungicides. The key is to understand your acre and management practices and customize a specific plan for that. We feel that we are in the perfect position to offer that with our Innovative Advanced Solutions, our way of creating specific solutions that make sense, and in turn make growers more profitable.



## Feed Division

The Innovative Ag Service Feed Division has had a very respectable year. Manufactured volumes were up 11% with total feed tons up a little over 4%. Although market prices have been challenging for meat, milk, and eggs, our customer base continues to show their resiliency. The success of our feed division is very much reliant on our customers. Thank you for your business.

Our swine business continues to grow with the swine sales team spending considerable time assisting our producers in sourcing and placement of feeder pigs. Our team works very closely with our nutrition providers to get the best nutrition to your farm gate. Additional time is spent on feed budgets, breakeven projections, and production management. Our focus has been and will continue to be on our local independent producers and keeping competitive in a business environment where there are fewer players that continue to get larger.

The dairy industry continues to struggle with too much milk and depressed milk prices. Dairy feed volumes were down slightly for the 2016 fiscal year. The IAS dairy teams focus is to work closely with our producers to

optimize the use of their home grown feed stuffs along with purchased feed ingredients and nutrition to provide best cost options in a challenging market environment. We will also continue to focus on the young animal to build best producing cows and producer over the long haul.

Our beef producers work diligently to balance the cost of incoming feeder cattle, feed and management costs, and cattle market prices. The balance has been difficult as the market adjusts to increased cattle and meat supplies. In spite of the volatile beef prices, our beef producers have kept lots fairly full with our beef business up a couple percentage points over the previous year. The IAS beef business has a long tradition of steady growth and increased cattle in the IAS feedlot records data base – this year has not been an exception.

One of our business areas that we do not discuss very much is our poultry business. Although a small part of the IAS total business, we have seen significant growth this past year. New growth areas are important to the overall IAS business base and we look forward to continued growth in the poultry business.

Over the past four years, your IAS feed division has invested significantly in our manufacturing and distribution systems. This year most of that focus has been on the Hubbard Feed Mill adding both capacity and efficiency. Construction work finished up at the end of the 2016 fiscal year and we continue to adjust and fine tune the upgrades at the start of our new year. With this project coming to completion, we have completed upgrades of our 4 primary mill facilities along with upgrading our feed delivery fleet. We will continue to look for opportunities enhance and improve our manufacturing and distribution system in a very competitive environment.

As we move into Fiscal 2017, we will be working in a very challenging environment with depressed prices in all specie areas. It will be very important that we all work together to work through challenging times and remain a strong business well into the future. We look forward to working with you to meet your livestock business needs today and into the future.

## Energy Division

This past fiscal year was a tough road to hoe, as Mother Nature gave us one of the warmest winters we have had in many years. We have been on a roller coaster ride of temperatures the last few years with the temp coaster heading upwards.

Based on the warm winter, propane sales were down 24% from Fiscal Year 2015 and if you remember, 2015 was down 14% from 2014. This definitely shows you the impacts of warmer winters. Corn dryer propane sales have been very hard to outguess. Fiscal Year 2015's harvest propane sales were the lowest corn dryer sales in my tenure, so that adds to the low gallons for the year. Refined Fuels have stayed relatively steady. Gasoline sales are 3% down, whereas diesel sales are up 9%. Merchandise Sales were down slightly, but Trucking

income has increased. This was due to the addition of another pressured tanker.

Predictions of 2017 fuel prices appear to be relatively flat. Crude and fuel inventories continue to put pressure on any big upward swings. OPEC can't seem to come up with a compromise on reducing production, so this has kept crude prices hanging around \$50.00. Propane prices appear to have hit their low for the fourth quarter of 2016 and I believe will have some more upside in the first part of 2017 with the predictions of a colder January and February coming our way. Inventories continue to build, but they can deplete those barrels pretty fast with exports and consumption. I want to remind you that Energy price forecasts are highly uncertain and with any predictions, prices could differ significantly from the forecast levels.

Innovative Ag Services has been committed to growing our energy business in its current market as well as increasing our footprint into more of the IAS territory.

With that commitment, the energy team will continue to analyze what areas we can establish new storage facilities and routes to service our customer's needs.

IAS values its customers who continue to share their experience with their friends and neighbors about our great service and competitive prices. It is because of these dedicated customers that we are able to offer these services. Our team is proud of our success this year and look forward to continuing to grow our energy business!



## Committed to Social & Environmental Responsibility

Innovative Ag Services (IAS) prides itself in giving support to the communities we reside in. We feel fortunate to have an opportunity to give back to our customer and employees communities they reside in.

We reach out to these local areas and organizations in a variety of ways. We give support through monetary donations, our employees donate their time to work local events, and we participate in educational opportunities to share knowledge with those people who are interested in agriculture.

We continue to utilize the Land O Lakes Matching Funds program as well as utilize a matching program through our bank Co-Bank. This has been a great partnership to support IAS's efforts to continue the tradition of

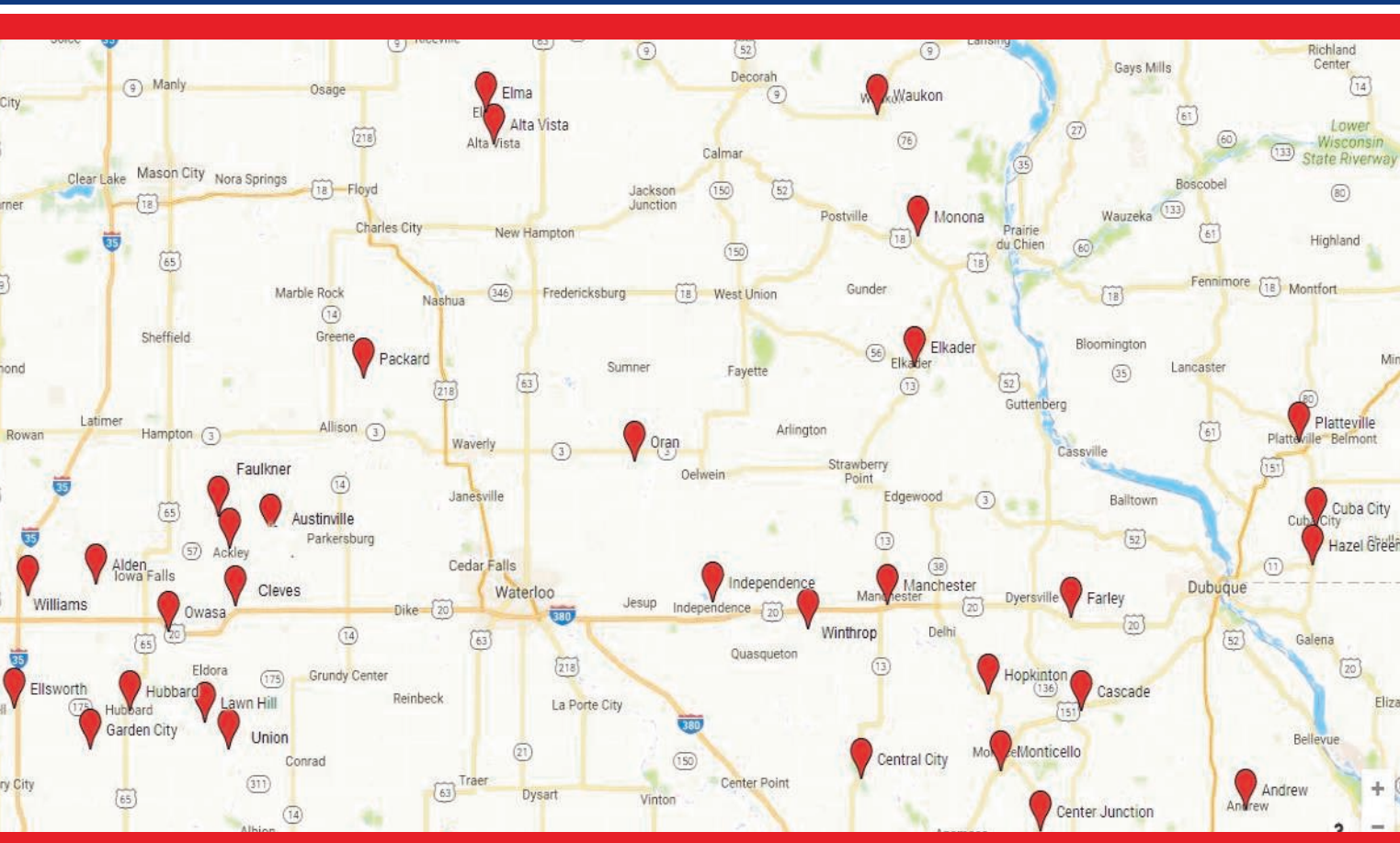
giving back each year. This past fiscal year we have given to a variety of programs. 4-H, Fire Departments, FFA Foundation, Athletic Booster Clubs, County Fair Groups, Public Libraries, D.A.R.E., Jaycees, Eagles, Pork Producers, Cattleman, Dairy Expo, Muscular Dystrophy and the list goes on.

IAS is also very active in the Sustain Nutrient Management strategy. It allows growers to optimize their use of crop nutrients while helping them significantly invest in their land and their future. As consumer demand and government regulations begin to require all members of the food supply chain to comply with environmentally sustainable agriculture practices, SUSTAIN growers will be recognized as adding value to their

industry while maintaining or increasing yield.

IAS is already working on fiscal 2017 initiatives and we look forward to serving and supporting our local communities during this New Year.





## Iowa Locations

Ackley	Ellsworth	Lawn Hill	Waukon
Alden	Elma	Manchester	Williams
Alta Vista	Farley	Monona	Winthrop
Andrew	Faulkner	Monticello	
Austinville	Garden City	Oran	
Cascade	Hopkinton	Owasa	
Center Junction	Hubbard	Packard	
Central City	Independence	Union	
Cleves			
Elkader			

## Wisconsin Locations

Cuba City
Hazel Green
Platteville



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