



Growing Relationships to Maximize Success!®

A large, vibrant stream of golden-yellow corn kernels is being poured from a green machine into a blue storage bin. The corn is captured mid-air, creating a dynamic, cascading effect against a clear blue sky. The background shows a field of harvested corn stalks.

# *2018 Annual Report*

A decorative graphic consisting of two horizontal stripes: a bright yellow stripe on top and a bright blue stripe on the bottom, both with a slight wavy edge.





## Message from the CEO

Thank You all customers and members this past year for your valued business and continued support. Thank You all IAS employees and Pine Lake employees for your hard work and dedication this past year. Our

employees' dedication combined with their families' flexibility and patience are very important for our service model to succeed. This commitment enables Innovative Ag Services to provide the levels of service we do for our customers' farming operations.

Following are some key financial highlights for our FY's 2018 and FY 2017:

<b>((\$000's omitted))</b>	<b>FY 2018</b>	<b>FY 2017</b>
<b>Sales</b>	<b>\$ 649,966</b>	<b>\$ 615,317</b>
<b>IAS Local Earnings</b>	<b>\$ 10,101</b>	<b>\$ 8,067</b>
<b>Pine Lake Earnings</b>	<b>(3,652)</b>	<b>2,200</b>
<b>Regional Patronage and Investment Income</b>	<b>2,044</b>	<b>2,845</b>
<b>Extraordinary Income</b>	<b>-</b>	<b>4,908</b>
<b>Pre-tax Income</b>	<b>\$ 8,493</b>	<b>\$ 18,020</b>
<b>IAS Capital Expenditures</b>	<b>\$ 10,314</b>	<b>\$ 17,058</b>
<b>Pine Lake Cap Expenditures</b>	<b>7,332</b>	<b>43,353</b>
<b>Total Capital Expenditures</b>	<b>\$ 17,646</b>	<b>\$ 60,411</b>
<b>Allocated Patronage</b>	<b>\$ 3,924</b>	<b>\$ 7,063</b>
<b>Cash Patronage</b>	<b>\$ 1,962</b>	<b>\$ 3,531</b>
<b>Revolverment of Deferred Equity</b>	<b>2,874</b>	<b>2,289</b>
<b>Total Cash Back to Members</b>	<b>\$ 4,836</b>	<b>\$ 5,820</b>
<b>Effective Cash Yield</b>	<b>123.2%</b>	<b>82.4%</b>

The local earnings of the cooperative are the earnings made from the direct activities of the cooperative before our ethanol subsidiary and regional cooperative investments are taken into consideration. Our cooperative employees and management are most accountable for and have the most ability to impact our local earnings. This year the cooperative local earnings were up \$2 million, 25% from the prior year. We are pleased with the year over year progress in this area. This improvement in local earnings year over year came from continued stability in our feed and agronomy divisions and improvements in our energy and grain areas. We had better balance this year across all our divisions which allowed for the improved local earnings.

Our ethanol subsidiary, Pine Lake Corn Processors had a loss of \$3.7 million this year. The ethanol year can be summarized with expansion startup costs, expansion

productivity improvement delays and a weaker margin environment in ethanol. Ethanol is suffering from overproduction, flat domestic demand and uncertainty surrounding the small refinery exemptions issued by the EPA. One bright spot in the ethanol story is the continued growth in ethanol exports. Regional earnings were also down versus the prior year as they too are impacted by the tighter agriculture conditions.

Our local cooperative business model and business units in total are performing well per our expectations and the bank's standards. We remain committed to our ongoing journey of improvements with our customer offerings, employee development, asset improvements, supplier relationships and financial progress. The challenges in the business remain the same, however the answers are more elusive. Supplier consolidation continues. Margin pressures continue at our level and are very similar to the margin pressures at the farm gate. Our ability to fund the upgrades needed at the number of locations we have will be challenging. We will continue down the path of location rationalization as the assets wear out and farm consolidation continues. We have had varying degrees of success with seasonalized service hours, but we will continue to try to make that work where possible.

The continued improvement in the local and national economies are challenging all businesses to maintain the staffing levels we have been used to. This pressure challenges the demands of our seasonal service model with many seasonal and overtime hours needed during peak times to provide adequate service levels. While we spend considerable time working through staffing challenges, we do not spend enough time thanking the individual employees who are here and have remained with our company over the years to support our customer's farming operation and this company. Please take the time to express your gratitude to those people. The institutional knowledge these employees bring to work every morning is paramount to our ability to provide you exceptional service.

All division reports are highlighted in this publication. Patronage rates for fiscal 2018 are also included in this publication. The cash portion of total dividends will be 50% again this year. IAS will pass through the Domestic Production Activities Deduction (Section 199A) equivalent of \$.069/bushel on all member grain sold to and bought from IAS during our fiscal 2018 year. In addition to these fiscal year end profits, IAS returned \$2.9 million of past allocated profits to past and current members. Total cash returned to members surpassed \$4.8 million and produced an effective cash yield of 123% on this year's allocated patronage. Fiscal year 2018 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 service and financial results for our customers/members and our employees and their families. Please tell your individual location personnel "Thank You."

IAS added a three-person associate board this past fiscal year. That process is working very well, and we look forward to each associate producer's contributions. I would like to thank long term director LeAllan Buerger for his many years of director service to the cooperative system. LeAllan is from the Monona area and has decided to retire after 29 years of service. Thank you LeAllan!

The board and employees thank all our members and customers for your support this past year. We will work hard to continue to earn your business going forward and we appreciate the opportunity you have afforded us.



## Message from the Board President

I would like to start out by giving a big thank you to all of the Innovative Ag Services (IAS) and Pine Lake Corn Processing (PLCP) employees. Their hard work and dedication to our members and customers has once again propelled IAS to another successful year. The board of directors realize 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. The board applauds their efforts.

This past year I have once again had the honor and privilege of serving as president of your board of directors. This has given me the opportunity to work with a knowledgeable and committed group of directors who all share the common goal of providing direction and assisting management in any way possible to ensure the success of your cooperative. Thank you to all of our directors for their dedication to IAS.

One of our directors, LeAllan Buerger, has decided to retire. LeAllan has been a cooperative director for over 29 years and been part of numerous cooperative mergers. The merger between United Cooperative and IAS brought LeAllan to our board of directors. His prior cooperative director experience and knowledge of the former United Coop trade territory has been a great asset to IAS. He is a well and respected member of the IAS Board. We thank him very much for his years of service on the board and wish him well in his future endeavors.

This past year your board decided to institute an Associate Director Program. Over the past years it has been very difficult to find members who are willing to run for the board. As the cooperative has grown, so has the amount of time the directors need to spend in order to stay informed and be able to contribute at the board meetings. On the days we have meetings some directors have very long days when you include their commute time. The associate directors are appointed for a one-year term and it allows them to serve and learn about the inner workings of a board of directors. The associate board members have all of the rights of the elected board

members with the exception of being able to vote. They can then decide if they are interested in running for a fulltime board seat when there is an election in their area. The three associate directors the board appointed this year are Jeff Lindsay from the Manchester area, Ryan Collins from Harpers Ferry, and Allen Jaspers from Steamboat Rock. Thanks to all three of you for agreeing to serve on the IAS Board.

In June your board traveled to Minneapolis for a couple of days to visit with Winfield US. This organization is the combination of the Land O'Lakes and United Suppliers agronomy businesses. IAS purchases the majority of its agronomy products from them. The goal of the IAS Board was to better understand who we are buying our major inputs from and learn about the up-and-coming technology and products that Winfield is coming out with in the future. We discussed how these changes can be brought to our customers and the impact it will have on their operations.

As always, individual board members attended various educational meetings during this past year with the intent of learning as much as possible about the rapidly changing face of agriculture. Some of these included meetings hosted by the Iowa Institute of Cooperatives, Land O Lake and Cenex Harvest States. We always strive to bring this knowledge back to the boardroom to help us assist management in offering the products and services that will help our customers' operations be more successful.

On behalf of the entire board, I would like to thank all of our members and customers for their business this past year. Your cooperative has had another profitable year which is allowing us to continue to pay patronage back to the members. With your support, we believe IAS has a bright future. We know there are a lot of challenges that our producers are facing, and we will continue to serve all of you in the best way possible with competitively priced products and the best service possible. As always, we would like to be your preferred business partner.

# Financials



<b>Income Statement</b>	<b>FY 2018</b>	<b>FY 2017</b>
Grain Sales	\$ 353,654,226	\$ 385,135,046
Merchandise Sales	<u>296,311,959</u>	<u>230,182,058</u>
<b>Total Sales</b>	649,966,185	615,317,104
<b>Cost of Sales</b>	<u>597,418,395</u>	<u>565,826,992</u>
<b>Gross Commodity Savings</b>	52,547,790	49,490,112
<b>Other Income</b>	<u>26,932,370</u>	<u>26,737,957</u>
<b>Gross Operating Revenues</b>	79,480,160	76,228,069
<b>Operating Expenses</b>	<u>73,031,475</u>	<u>65,960,666</u>
<b>Local Income</b>	6,448,685	10,267,403
<b>Patronage Income and Investment Income</b>	2,044,637	2,845,296
<b>Extraordinary Income</b>	<u>-</u>	<u>4,907,898</u>
<b>Net Savings Before Taxes</b>	8,493,322	18,020,597
<b>Income Taxes</b>	<u>(2,910,101)</u>	<u>2,259,283</u>
<b>Net Savings</b>	<u><u>\$ 11,403,423</u></u>	<u><u>\$ 15,761,314</u></u>

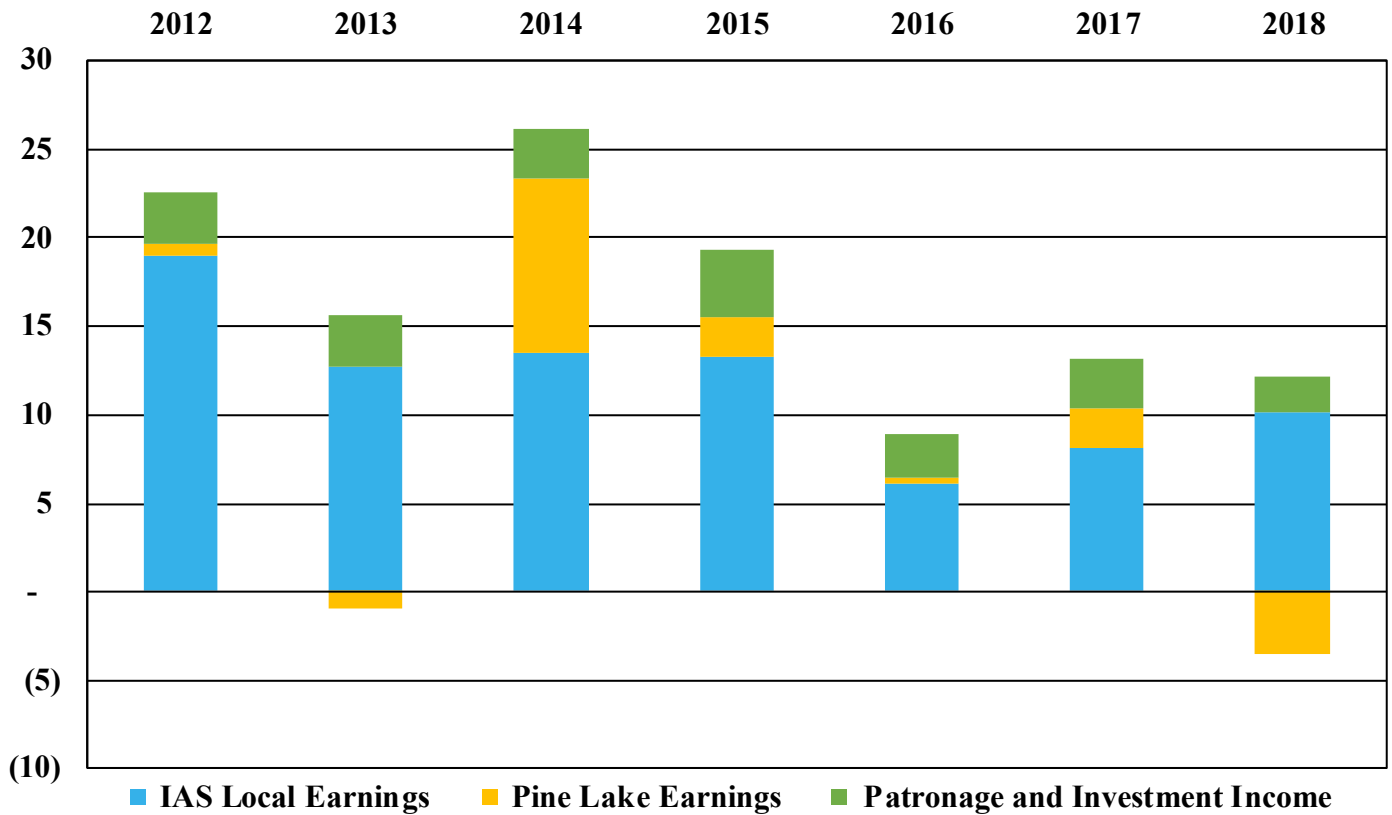
**Balance Sheet as of 8/31**

<b>Assets</b>	<b>FY 2018</b>	<b>FY 2017</b>
<b>Current Assets</b>		
Cash	\$ 2,249,587	\$ 9,491,484
AR Net	17,351,162	16,218,984
Margin Deposits & Derivatives	80,551	730,201
Inventory	90,811,815	61,899,062
Prepaid Expenses and Other Current Assets	8,669,074	10,788,578
<b>Total Current Assets</b>	<b>119,162,189</b>	<b>99,128,309</b>
<b>Investments</b>	<b>25,093,585</b>	<b>23,967,146</b>
<b>Fixed Assets</b>		
Property & Equipment	271,640,241	256,301,219
Accumulated Depr	(128,428,175)	(111,456,370)
<b>Net Property, Plant &amp; Equipment</b>	<b>143,212,066</b>	<b>144,844,849</b>
<b>Other Assets</b>	<b>1,931,440</b>	<b>796,779</b>
<b>Total Assets</b>	<b>\$ 289,399,280</b>	<b>\$ 268,737,083</b>

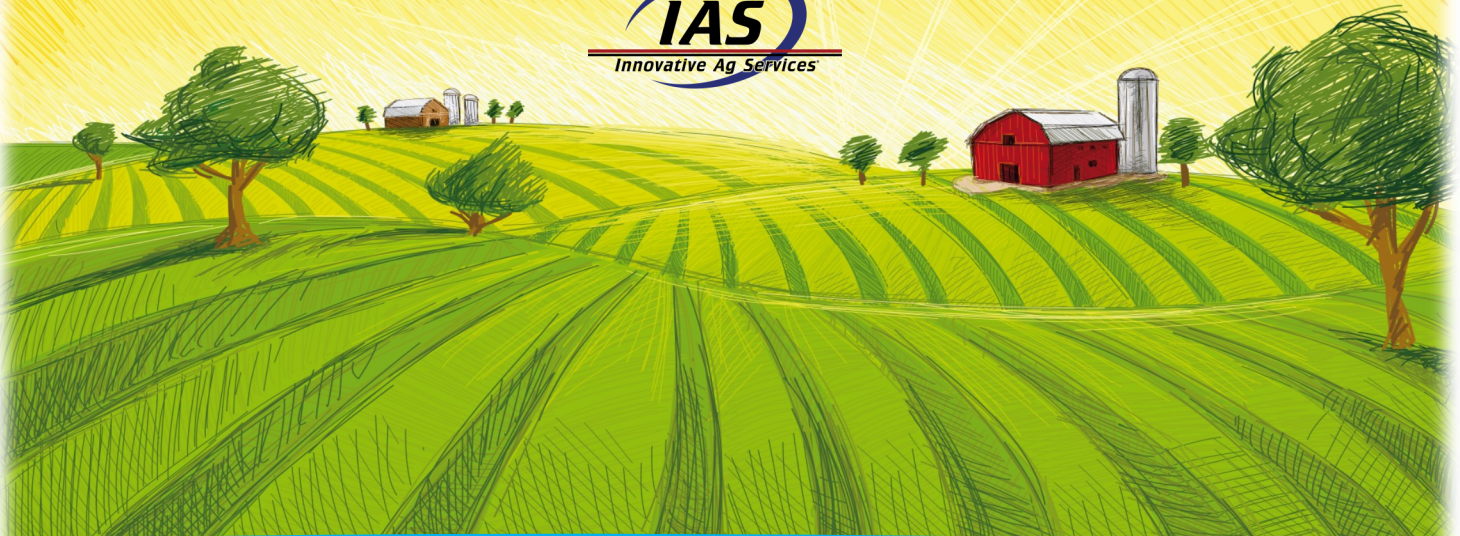
<b>Liabilities and Member Equity</b>	<b>FY 2018</b>	<b>FY 2017</b>
<b>Current Liabilities</b>		
Operating Note	\$ 995,384	\$ -
Current Portion LT Debt & Capital Leases	6,137,083	3,318,524
Accounts Payable	38,308,101	45,849,507
Accrued Expenses	5,281,891	6,204,564
Margin Liability on Hedges	11,466,991	5,656,248
Allocated Patronage Refunds	1,962,101	3,531,451
<b>Total Current Liabilities</b>	<b>64,151,551</b>	<b>64,560,294</b>
<b>Long Term Liabilities</b>		
LT Deferred Liabilities	14,797,092	15,556,008
LT Debt & Capital Leases	49,830,542	34,767,625
<b>Total Long Term Liabilities</b>	<b>64,627,634</b>	<b>50,323,633</b>
<b>Member Equity</b>		
Memberships and Subscriptions	1,385,157	1,349,877
Allocated Earnings	37,502,236	36,867,173
Allocated Patronage Refunds	1,962,101	3,531,451
Cooperative Education	42,309	42,309
Retained Earnings	128,124,860	120,660,032
Accum and Other Comp Inc/Loss	(8,396,568)	(8,597,686)
<b>Total Member Equity</b>	<b>160,620,095</b>	<b>153,853,156</b>
<b>Total Liabilities &amp; Member Equity</b>	<b>\$ 289,399,280</b>	<b>\$ 268,737,083</b>



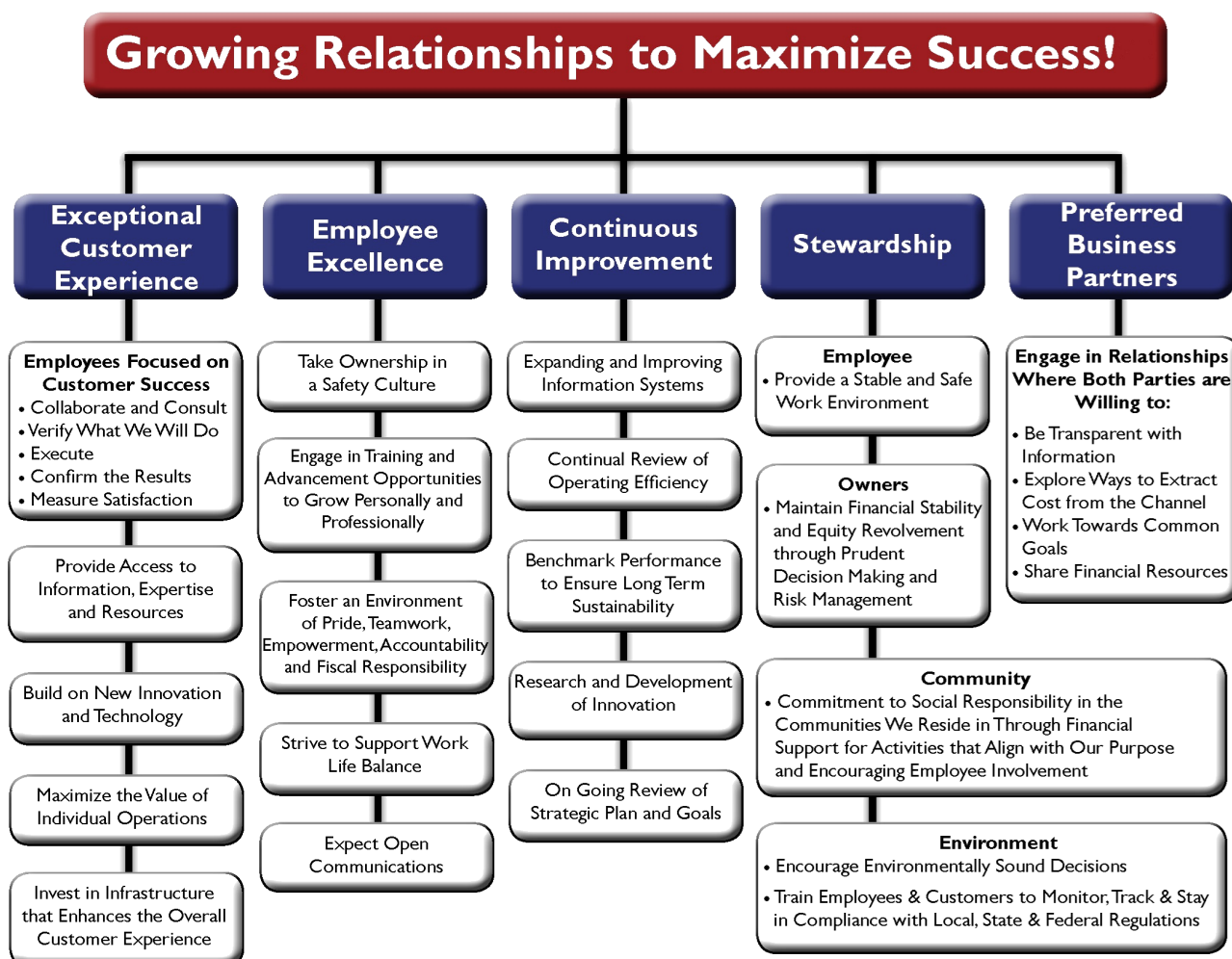
## Historical Pre-Tax Income in Millions



**Thank you for being a valued business partner**



<b>Distribution of Net Income</b>	<b>FY 2018</b>	<b>FY 2017</b>
<b>Patronage Dividend</b>		
Cash Patronage Dividend (50%)	1,962,101	3,531,451
Deferred Patronage Dividend (50%)	1,962,101	3,531,451
Addition to Retained Earnings	<u>7,479,221</u>	<u>8,698,412</u>
Net Savings	\$ 11,403,423	\$ 15,761,314
<b>Patronage Distribution Rates &amp; DPAD Deduction</b>	<b>FY 2018</b>	<b>FY 2017</b>
Grain Purchased and Sold Bushels	- ¢	2.26 ¢
DPAD Deduction Passed through to Members per bushel	6.90 ¢	2.80 ¢
Grain Services	3.96 %	10.00 %
Agronomy Sales & Service	2.33 %	3.00 %
Feed & Feed Services	2.33 %	3.00 %
Refined Fuels Gallons	7.35 ¢	8.00 ¢
Propane Gallons	8.34 ¢	10.00 ¢



## 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

## Associate Directors

Ryan Collins  
Allen Jaspers  
Jeff Lindsay

## **Innovative Ag Services, Co.**

### **Annual Meeting Minutes — December 11, 2017**

The thirteenth annual meeting of Innovative Ag Services Co. was held at the Best Western Hotel in Cedar Falls on Monday, December 11, 2017. The meeting was called to order at 1:00 p.m. by Chairman Randy Blake. Minutes of the 2016 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 Randy Blake, Paul Cook, and Stan Norman

Two IAS members, Todd Rickels and Bob Null tallied the ballots and provided a signed affidavit of the election results. The results reported that Randy Blake, Paul Cook, and Stan Norman 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, 2017. 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



## Grain Division

The Innovative Ag Services' grain division had an improved fiscal year in 2018. We were fortunate to have an excellent harvest across most of our company geography during the fall of 2017. The 2017/2018 crop year markets provided better opportunities than the past several years.

Our corn volume was up 3% and our bean volume up slightly. Grain margins were higher reflecting the carry in the markets. Drying revenues were up while storage revenues were down nearly offsetting each other in total. Overall, grain gross margin and service revenues were up. Total expenses were up correspondingly with the additional revenues. Depreciation, interest and dryer fuel expenses were up and totaled 95% of the total expense increase. Interest alone totaled 50% of the total expense increase. The grain division had a very respectable increase in its bottom line compared to 2017. We are happy to report these increases in our financial performance and are committed to the results we still need to accomplish to achieve our long-term expectations. These long-term expectations are tied to our long-term cash flow needs based on our expected service models, capital needs, equity redemptions and bank expectations.

We continue to work on objectives to become more efficient in our daily grain handling processes. We see opportunities for improvement in already identified initiatives and opportunities for initiatives not yet identified. The grain business is dependent on incremental improvements that range from one tenth of a cent per bushel all the way to several cents per bushel. We will continue to focus on these opportunities. Interest costs will be one of our larger expense increases over the next year. The Federal Reserve is planning four more 25 bps interest rate increases during our fiscal 2019 year. Those increases will have a considerable cost to the grain division. Fuel expense for transportation has also been increasing. Transportation is one of our largest expenditures in the commodity business. Fuel surcharges are up over 40% from a year ago, increasing total average freight rates

near \$.01/bushel. We spent less on capital improvements in 2018. The last several years have been busy with both planned and unplanned projects. The escalating cost of the improvements weighed against the returns in the business have combined to necessitate a much higher degree of scrutiny than in past years. We still have several grain investments and improvements we would like to make. We will continue to add hazard monitoring equipment in this upcoming year and are very close to having those projects completed. This commitment has been important to our safety and compliance initiatives for our employees and customers. We will continue our commitment to improving our speed and space capacity to keep pace with your improvements at the farm gate and to better serve you.

Innovative Ag Services markets your grain into a diverse marketplace. Most of our grain travels by truck to the destinations we sell to. We do load rail and we also ship by truck to the river for barge loading. Our corn went to the following markets in fiscal 2018: ethanol 47%, processing 24%, feed 18%, river 7% and rail 4%. Our beans went to the following markets in fiscal 2018: processing 60%, river 33% and rail 8%. This market diversity provides opportunity for IAS and brings value to our member owners. These markets combined with other IAS services, IAS patronage and tax savings members can realize by marketing through IAS provide additional value to members not always afforded in the day to day marketplace alternatives.

The grain division continues to be an industry leader and strives to offer you the best in facilities and market access. Our experienced staff of merchandisers can help you with a diverse set of contracting options to help you market your grain throughout the year. Thank You for your business this past year and for your continued support of your cooperative.



## Energy Division

The energy business has been and will always be a very interesting and volatile business. This describes the entire sector of agriculture. Farmer producers must deal with prices out of their control, as they continue to grow the best yields in the country. Along with uncertain costs, Mother Nature tries to drown their spirits. Energy, being one of these costs, has been on a slow stair step upwards and the immediate future will be a bouncy ride.

After experiencing the challenges of logistics and supply of propane over the past few years, Innovative Ag Services (IAS) has invested in more LP storage tanks and have placed them in areas of growth. This will give us the ability to better service customers in those areas. Along with the storage, we have set up lifting rights at other LP terminals to alleviate being caught in line at our current supply terminals.

Logistics and lines at terminals will always be a problem, but this gives us more options. Refined fuel has the same issues, so we have decided to place our refined fuel transport trailer at a location that gives us the option to pull out of multiple terminals without increasing freight costs. These additions and changes should help accommodate customers with quicker service.

This summer we have refurbished and added propane trucks to our current bobtail fleet. These units will give our drivers an opportunity to deliver larger drops which in turn creates better efficiencies. These purchases, along with others in the future will help to maintain the growing demands of the customer. We will continue to upgrade and add additional equipment to keep up with those demands. With tremendous drivers and employees, we strive to continue the value-added service to our customers.

When you look at the overall temperatures of FY18 heating season, degree days were up 20% from the previous year, which was a big part of our 26%

increase in propane sales. Another portion of that increase was due to the extra corn drying gallons. Those gallons were up 44% over FY17. We continue to add new customer gallons to our sales, so thank you to those new accounts and of course, our current customers.

Diesel fuel had a slight increase of 1.4% of sales gallons and gasoline had a slight decrease in sales gallons. With larger and more efficient equipment in the fields, it's tough to keep our diesel sales gallons in the positive range. Gasoline sales compete with new convenience stores and customer opportunities like HyVee's fuel saver card. That will continue to be a struggle, but we will carry on analyzing our cardtrolls in their current state to keep them open. That continues to be an ongoing process.

Predictions for 2019 fuel prices appear to be on the same pace as what we have experienced the last half of FY18. Crude Oil and fuel inventories have put pressure on the markets, with the lack of crude production out of Iran, leading the way. Hopefully we see the markets stabilize this winter. Crude had a struggle this summer getting to \$70/barrel, but once it hit, it seems to have established a level of support.

Propane prices continue their upward pace. Inventories levels have put a lot of pressure on these prices and heavy exports can deplete supply very fast. A normal or colder winter will certainly drive prices upward. Upward prices may be the norm for the rest of the heating season.

Energy price forecasts are highly uncertain and with any predictions, prices could differ significantly from the forecast levels.

IAS 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 in 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!

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## Agronomy Division

The 2018 growing season again saw challenging variables for those of us in agriculture to navigate through. These unique variables to each given year are some of the things that make the roughly 40 opportunities in our lifetime so exciting. This past year was similar to the last couple in terms of lower grain prices and tighter budgets, which quickly turns to tight budgets for us as well. While margins were reduced, we were able to successfully identify some opportunities for additional operational efficiencies along with a growing market share of nutrients and chemicals. 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 2018 another success.

Our strategy for communication with our growers is to focus on the highest profit for them on each individual acre. 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 five years of trials teaching us how to more aggressively manage our nitrogen inputs with potentially lower rates while having more nitrogen available to the crop when it is needed. We have been able to incorporate technology into the discussion to maximize decisions. We have learned similar ways to manage phosphorous as well.

We also believe that these practices can reduce the amount of nutrients that go “off-target”. We have found a handful of products that have been living up to their claims. With higher yields being the key to higher gross revenue per acre, we have tested many products that claim to deliver just that. The key is to understand your acre and management practices and customizing a specific plan with that understanding. We feel that we are in the perfect position to offer that plan with our Innovative Advanced Solutions, our way of creating specific solutions that make sense, and in turn makes growers more profitable. We will continue to advance our knowledge, capabilities, and experience with technologies that help us make better data reinforced decisions.



## Feed Division

2018 has been a very interesting, challenging, and frustrating year in the livestock and feed business! We are at or near record production of meat, milk, and eggs. Fortunately, demand has also been pretty good, but we continue to flirt with overwhelming the market. We have been dealing with very tight or negative margins. Social issues, politics, environment, economics, and global trade issues have been a big part of our business. We are all working to be more efficient, drive costs out of our businesses, and manage in a very tight labor market with unemployment levels at the lowest in years. Despite all the outside influencers affecting our businesses, our local livestock producers continue to show their resilience and your feed division has put together a successful year.

Fiscal 2018 volumes were 2% lower than the previous year with profitability similar to the past 2 years. The Innovative Ag Services (IAS) Feed Team thanks you for your business and supporting your cooperative's feed business.

Our swine business volumes were down in fiscal 2018 with our independent producer base continuing to adjust and reposition themselves in a difficult market. Packing capacity has increased and we have quickly filled the additional capacity. Trade issues have affected the pork market especially with the record levels of production. Our swine team continues to work with our independent producers in sourcing, placing and marketing pigs along with working with our industry partners to improve management and nutrition on the farm. We have a very experienced swine team working closely with our customer base.

The total dairy feed business was down slightly from the previous year. Our producer members have worked diligently to manage purchased feed costs in a very difficult milk market. We have lost a few producers in our trade area but like our swine producer base, our dairy producers continue to be very resilient. In some cases, producers are working in preservation mode looking forward to milk price improvement. Our team along with our business partners continue working closely with our producers to implement best

management practices, optimize nutrition and milk production, and bring the value of our resource to bear at the farm gate. Our calf and heifer business continues to grow.

Our beef business has had a very successful year growing 10% over the previous fiscal year. Cattle numbers in our trade area have been very stable as we have grown market share. Producer margins have been all over the place over the past 12 months. There certainly has been some red ink in the beef business but overall the beef business has been working on the black side of profitability. The beef team continues to focus on production records, bringing the best production and management information to the farm gate along with taking advantage of new technologies available in the market place. We have added additional resources to the cow calf business and are looking forward to similar growth in that sector.

On the production and distribution side of the feed business, we continue to look for ways to be more efficient, low cost, and be compliant with the new food safety requirements (FSMA). Our four mills and delivery teams are very committed to making sure quality feed is manufactured and delivered to the right place at the right time. Our feed division is working with four older feed mills and are very committed to using the best equipment, technology, and quality management practices to ensure we meet your expectations.

The IAS feed team is very committed to the livestock and feed business. We thank you for your business in fiscal 2018 and look forward to meeting your needs and expectations in 2019.





## Pine Lake Corn Processors

### Integration of expansion

A year ago, we were finishing the expansion of Pine Lake Corn Processors more than doubling the capacity from 36 million gallons to 80 million gallons of ethanol production per year. We have been focusing on the optimization of that expansion for the past year.

We finished our second grain receiving system and corn storage expansion. The second receiving system has nearly eliminated the wait for unloading corn.

The additional storage has relieved the push to have our bins full by the end of each week to keep the plant running throughout weekends.

The plant personnel have concentrated their focus to five very critical areas. Electrical efficiency, natural gas efficiency, production, ethanol yield and oil yield.

**Electrical efficiency:** After the expansion was fully implemented (last nine months of FY2018) we saw our electrical efficiency improve by 18.0%. The design of the new distillation and new drum dryers is almost 40% more efficient and with the expansion providing about half of the capacity we see that the overall improvement is very dramatic

**Natural gas efficiency:** After the expansion was fully optimized we were able to realize a 4% improvement in natural gas usage per gallon of ethanol production. As we grow the production incrementally the dryers and distillation will operate at even better natural gas usage rate in the future.

**Production:** After the expansion was fully online (last nine months of FY2018) the plant increased production by 106%. In the next year we expect the plant production to increase another 10% from FY2108 with no further capital improvement. The expansion is reaching its full capability.

With the addition of thousands of feet of pipe, we did have multiple areas of low flow that led to stagnant flow and material building up in the pipe; which ultimately caused it to become infected. We worked diligently to eliminate all of these pipes and over the past four months we have experienced no infections. The oil yield and ethanol yield did suffer during the times of severe infection, but with the infection under control, the yields have rebounded to previous levels.

We would like to thank all our corn suppliers for their patience through our long expansion project and grain receiving addition. All these accomplishments were made possible by our 38 employees that have demonstrated great skill, commitment, patience and hard work to the success of Pine Lake.



New 850,000 bushel storage facility and new 20,000 bushel per hour receiving facility.

## HR Shared Services

We have had another successful year making positive changes to the HR services we offer at Innovative Ag Services (IAS). The saying goes the only constant is “change” we embrace it and are better for it.

After more than a year in use, the JJ Keller training platform has performed well for us. We were successful in migrating to the ADP benefits platform last fall. We are getting ready now to implement our open enrollment for 2019. We were successful in migrating to electronic employee files and most recently implemented an onboarding platform that eliminates about 95% of new hire paperwork. The HR team continues to work diligently at recruitment. As we know, it's a tough market with an average unemployment rate of 2.4% in Iowa and 3.0% in Wisconsin. We continue to rely on many partnerships for potential hires that include but are not limited to colleges, high schools, our customers and our employees.

In the last annual report, the question was asked

“Where does HR go next?” The answer to this question changes frequently to meet business needs. We do have more plans to implement additional technology to improve our hiring and onboarding processes. It is also time to review current policies and procedures and make sure what we have is still working or if it needs refinement.

One of the ongoing goals of the HR team is to ensure excellent customer service for our employees, customers and our business partners we interact with on a day to day basis. Each are critical to the success of IAS and its future. We value each individual partnership.

In closing, we appreciate your business and support of our employees who are working every day to deliver an exceptional experience for you, our customer. If you have feedback for the HR Shared Services group, please feel free to call (319) 465-2022 Ext. 1060 or email us at [hr.dept@ias.coop](mailto:hr.dept@ias.coop) we are “Growing Relationships to Maximize Success!”





## 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 the communities where customers and employees live.

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, CoBank. This has been a great partnership to support our efforts to continue the tradition of giving back each year. This past fiscal year we have given to a variety of programs. Each year the list changes. Agribusiness Association, Pork Producers, Cattlemen's Association, National Child

Safety, FFA Foundation, Camp Courageous, American Cancer Society, Muscular Dystrophy, Iowa Shrine Bowl, 4-H, Boy Scouts, local parks, libraries, high schools, fire departments and fairs.

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 2019 initiatives and we look forward to serving and supporting our local communities during this new year.

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## Continued Emphasis on Safety & Compliance

Innovative Ag Services (IAS) uses key performance indicators (KPIs) to measure progress toward specific safety and compliance goals. KPIs are used to collect data and communicate trends, which can then be used to indicate areas of further improvements and where additional resources are required. One of our principle objectives in creating safety and compliance performance indicators is to provide IAS personnel with a tracking report of safety and compliance metrics to better understand the safety risks of our operations. In an effort to increase accountability, we have developed a monthly safety and compliance dashboard to highlight safety and compliance performance indicators in a simple and visible manner. For our KPIs to be successful, we have a system for tracking, communicating, and improving performance. The implementation of this dashboard serves both as a diagnostic tool as well as the driving

force behind corrective actions and continuous improvements. The KPIs that IAS utilizes to provide an overview of performance, such as the tracking of injury statistics, exposure incidents, and regulatory inspections include:

- Number of work comp incidents
- Number of OSHA recordable incidents
- Number of lost workdays
- Score of compliance audits and safety inspections performed
- Timeframe required to close action items
- Computer based training completed
- Safety meeting attendance
- CSA score of roadway fleet inspections

Taking personal ownership in a healthy safety culture by all employees has been, and remains, one of our core strategies in living our IAS Purpose Statement.



#### Iowa Locations

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

#### Wisconsin Locations

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Cuba City  
Hazel Green



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