

**UNITED
COOPERATIVE™**
RELY ON US

82nd Annual Report

2017





David A. Cramer
United Cooperative
President and Chief Executive Officer

Investing for the future

In 2017 United Cooperative focused resources on investing—in assets for the cooperative, in Wisconsin communities and in our cooperative people, while returning value to members in the form of stock revolvement and patronage refunds. Despite a challenging year at the farm-gate, your cooperative continues to be well-positioned financially to continue those investments into 2018.

Investing in the cooperative

In 2017 Greenville Cooperative members voted to merge with United Cooperative. Geographically, the merger between the two cooperatives helped create synergies between United Cooperative's northern locations and its central locations. Larry Plamann, Greenville, was chosen to represent the former Greenville Cooperative membership on United Cooperative's board of directors.

Your cooperative invested in several construction projects during the year that added value to grain storage and market opportunities, animal feed manufacturing, seed and agronomic products and services and energy resources. These upgrades were only made possible in your communities by your cooperative being committed to your success as producers. These building projects not only provided jobs during construction, but also keep jobs in the area long after the project is complete.

In Agronomy, a new seed warehouse was built at South Beaver Dam, while a new office and warehouse were added at Coleman. Organic crop nutrients products were made available at the Westfield location as producers are diversifying and finding new income streams in high-value, organically grown crops. And nutrient management planning and consulting services for producers were expanded.

Several enhancements were made to the cooperative's grain facilities to improve market access. The largest project was the expansion of the Oshkosh location with the addition of two, 1.2-million-bushel grain storage bins with 40,000-bushel-per-hour receiving, and 7,000-bushel-per-hour drying capacity. At the Shawano grain facility, a 500,000-bushel grain storage bin and a 4,750-bushel-per-hour dryer were added. Additionally, your cooperative installed 4,750-bushel-per-hour dryers at Horicon, Ripon North and Sauk City, and a rail scale at Oconto Falls. Upgrading feed facilities continued in 2017 with the completion of the Shawano feed mill. The cooperative also built a warehouse where the old mill was demolished.

Investing in Wisconsin Communities

United Cooperative recognizes the importance of giving back and invests in many non-profit organizations initiatives throughout the year. The cooperative's approach is to target community giving to three areas that support members the most: rural health and safety; agricultural youth; and food and nutrition resources. Total giving to initiatives in these three areas reached \$124,500 in 2017.

Investing in cooperative people

In 2017, 51 high school and college students were awarded a \$1,000 United Cooperative scholarship, bringing the total number of students supported through this program to 268 over the last nine years since the program's inception.

Returning value to members

Revenues for 2017 were \$647 million. United Cooperative's core businesses of feed, grain, agronomy and energy generated \$33 million in profits, up \$8.5 million from 2016. The investments United Cooperative has made in ethanol production contributed \$8.5 million to our net income in 2017, down from the \$13.8 million these investments returned the year before. Patronage from regional cooperatives was down \$600,000 from 2016 at \$5.4 million dollars. All combined, United Cooperative had a total net margin before income taxes in 2017 of \$48.5 million dollars, up \$3 million from 2016.

With those profitable numbers, United Cooperative is returning \$30.1 million in total patronage to members. Forty percent of this patronage, or \$12 million, will be distributed in cash to our patron member owners in April, while 60 percent, or \$18.1 million will be retained in equity credits. In addition, we plan to revolve stock in October, retire stock at age 77 and pay all estates as requested.

Thank you for investing your resources as owners of United Cooperative. We strive to uphold United Cooperative's promise to build on all available resources to create positive customer experiences while growing profits for members and the cooperative. We want members to "Rely on Us" for high quality reliable products and exceptional service, all backed by up-to-date, efficient equipment and facilities. May you have a productive and profitable 2018.

Cooperatively yours,

A handwritten signature in black ink that reads "David Cramer". The signature is written in a cursive, flowing style.

David Cramer
United Cooperative President and Chief Executive Officer

Officers and directors

Howard Bohl Chairman
 Gary Nolden Vice Chairman
 Robin Craker Secretary
 David A. Cramer Treasurer
 Duane Hinchley Director
 Anthony Schadt Director
 Brad Krueger Director
 Greg Tauchen Director
 Rod Leiterman Director
 Peter Mlsna Director
 Larry Plamann Director



The 2017 United Cooperative Board of Directors: front row, left to right, Gary Nolden, Prairie du Sac, vice chairman; Howard Bohl, Beaver Dam, chairman; Robin Craker, Reedsburg, secretary; and Rod Leiterman, Denmark. Back row, left to right, Brad Krueger, Shawano; Greg Tauchen, Bonduel; David Cramer, Beaver Dam, treasurer; Duane Hinchley, Cambridge; Anthony Schadt, Watertown; and Peter Mlsna, Hillsboro. Not pictured, Larry Plamann, Greenville.

Personnel

David A. Cramer, President and Chief Executive Officer

Additional information

Date of incorporation.....Jan. 27, 1936
 Fiscal year end.....Dec. 31
 Annual meeting date.....Set by board of directors
 This year's *annual meeting date*.....April 23, 2018

In 2017, your cooperative ...

- As a result of your 2017 business, your cooperative is returning \$30.1 million in total patronage to members. Forty percent of this patronage, or \$12 million, will be distributed in cash to our patron member owners in April 2018, while 60 percent, or \$18.1 million will be retained in equity credits.
- Paid \$7 million in stock revolvment.
- Merged with Greenville Cooperative, effective April 1, 2017.
- Expanded Oshkosh location with the addition of two, 1.2-million-bushel grain storage bins 40,000-bushel-per-hour receiving, and 7,000-bushel-per-hour drying capacity.
- Expanded nutrient management planning and consulting services for producers.
- The Shawano feed mill was completed and your cooperative built a warehouse where the old mill was demolished.
- Added a 500,000-bushel grain storage bin and a 4,750-bushel-per-hour dryer to the Shawano grain facility.
- Built an office and warehouse at Coleman.
- Built a seed warehouse at Beaver Dam.
- Installed 4,750-bushel-per-hour dryers at Horicon, Ripon North and Sauk City.
- Rail scale was added at Oconto Falls to improve market access.
- Awarded \$51,000 in scholarships to high school seniors.
- Provided \$41,000 to 40 local food pantries (in partnership with Land O'Lakes Foundation matching funds).
- Employees completed 1,989 online safety training classes.
- Partnered with local fire departments to train 120 local firefighters and 150 United Cooperative employees in bin entry and rescue.
- Ranked 45th on USDA's Top 100 list of agricultural cooperatives in the United States.
- Ranked 26th on the 2017 CropLife 100 agronomy companies nationally.
- Was named 2017 Service Business of the Year by Shawano Country Chamber of Commerce.

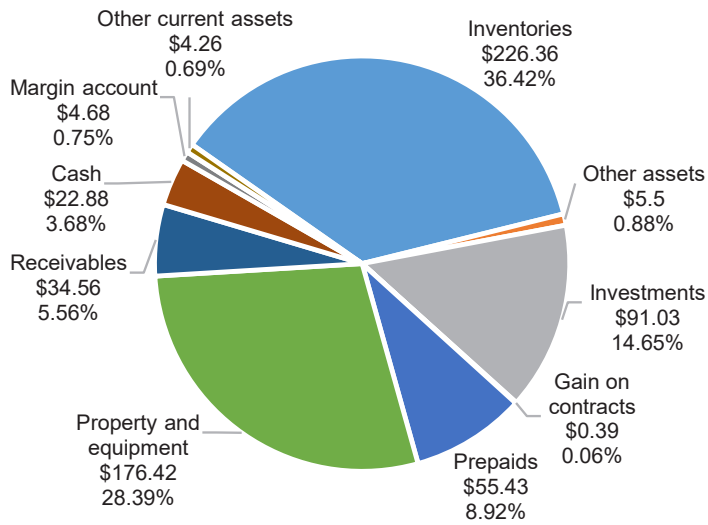


Balance Sheet

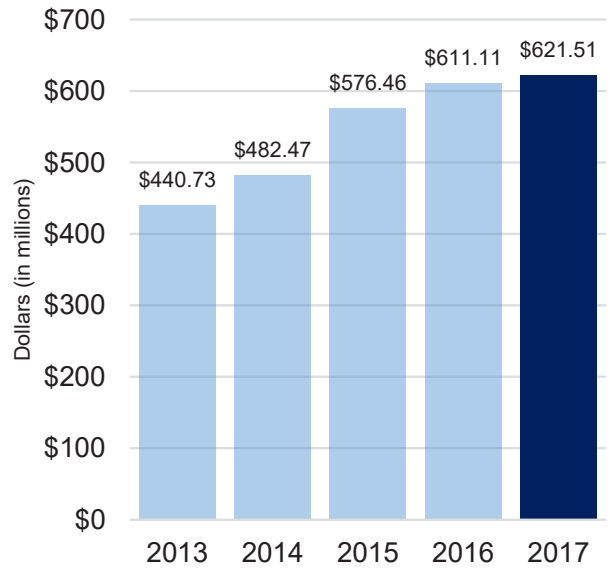
	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and cash equivalents	\$22,879,578	\$21,399,484
Receivables, net	34,556,034	39,351,199
Inventories	226,360,793	220,169,389
Margin account	4,677,910	6,665,781
Unrealized gain on forward contracts	385,048	270,843
Prepaid expenses	55,427,550	48,743,707
Other current assets	<u>4,255,406</u>	<u>2,993,283</u>
Total current assets	348,542,319	339,593,686
Investments and other assets		
Investments	91,035,657	96,925,169
Other assets	<u>5,503,703</u>	<u>5,704,048</u>
Total investments and other assets	96,539,360	102,629,217
Property and equipment		
Property and equipment	336,358,759	308,879,719
Less accumulated depreciation	<u>(159,927,269)</u>	<u>(139,998,858)</u>
Net property and equipment	176,431,490	168,890,861
Total assets	\$621,513,169	\$611,113,764
Current liabilities		
Notes payable	\$ -	\$ -
Current maturities of long-term debt	\$498,926	394,905
Accounts payable	21,811,903	18,899,512
Grain payables	26,449,784	30,287,771
Patron credit balances	4,091,792	4,740,476
Unrealized loss of forward contracts	566,805	413,963
Accrued expenses	9,809,515	8,687,517
Taxes payable	2,497,483	2,226,146
Patronage refunds payable in cash	12,062,000	11,492,000
Patron prepayments	56,714,643	56,348,040
Remediation payable	467,000	467,000
Income taxes payable	-	1,687,469
Other	<u>20,130,949</u>	<u>21,729,449</u>
Total current liabilities	155,100,800	157,374,248
Long-term liabilities		
Long-term debt, less current maturities above	51,390,878	70,403,403
Deferred compensation	308,347	259,914
Remediation payable	94,000	94,000
Deferred income taxes	<u>2,306,000</u>	<u>4,348,000</u>
Total long-term liabilities	54,099,225	75,105,317
Total liabilities	\$209,200,025	\$232,479,565
Patron equities		
Preferred equities	116,686,617	116,942,994
Equity credits	118,351,421	107,420,448
Patronage refunds payable in equity	18,093,000	17,238,000
General reserve	<u>159,182,106</u>	<u>137,032,757</u>
Total patron equities	412,313,144	378,634,199
Total liabilities and equities	\$621,513,169	\$611,113,764

Assets

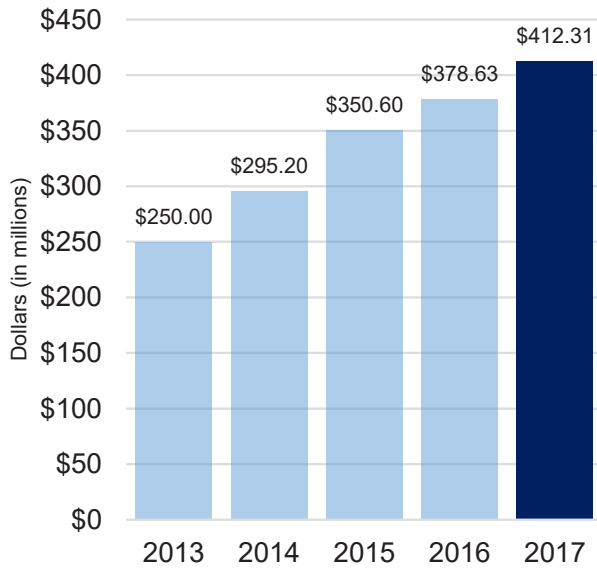
\$621,513,169
(in millions and percentage)



Total Assets

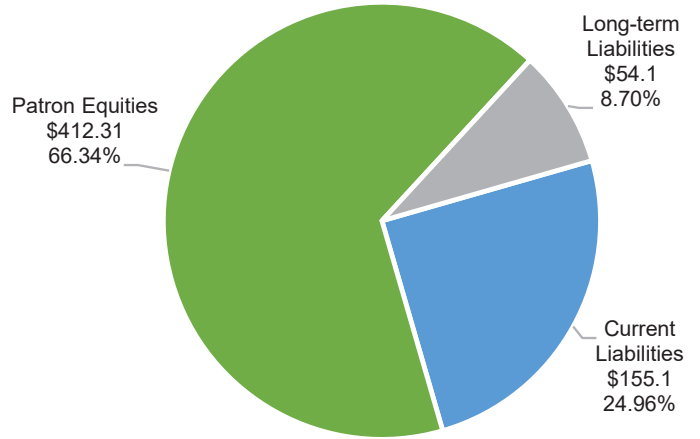


Patron Equities



Liabilities and Patron Equities

(in millions and percentage)



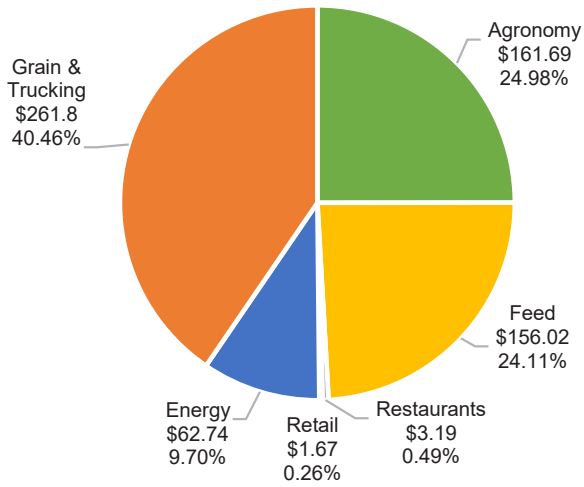
United Cooperative's Rock Springs location has increased grain handling capability and bin storage capacity to 4.41 million bushels.



Statement of Operations

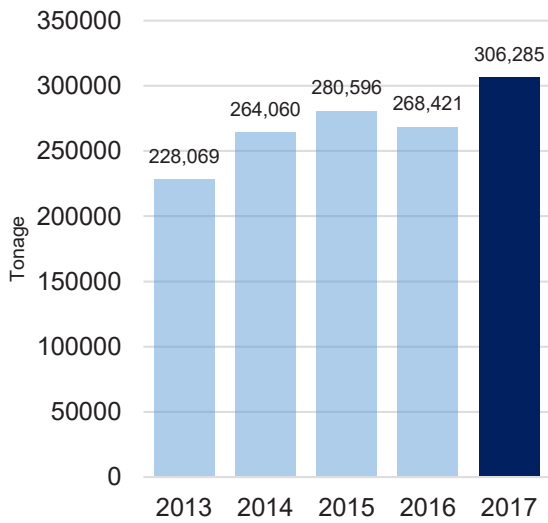
	<u>2017</u>		<u>2016</u>	
Sales	\$647,104,106	100.00%	\$632,620,425	100.00%
Less discounts	<u>(2,578,719)</u>	<u>(0.40)</u>	<u>(2,385,728)</u>	<u>(0.38)</u>
Net sales	644,525,387	99.60	630,234,697	99.62
Cost of sales	<u>530,752,868</u>	<u>82.02</u>	<u>529,523,431</u>	<u>83.70</u>
Gross margin	113,772,519	17.58	100,711,266	15.92
Operating expenses				
Merchandising expenses				
Salaries and wages	37,127,040		35,080,569	
Less: wages reimbursed	<u>(6,119,278)</u>		<u>(5,954,891)</u>	
Payroll taxes	2,268,906		2,163,145	
Employee insurance	3,850,965		4,269,117	
Pension expense	826,852		787,707	
Vehicle expense	6,481,036		5,693,703	
Supplies and licenses	1,377,596		1,209,511	
Utilities	2,551,393		2,363,592	
Repairs and maintenance	1,847,092		1,704,408	
Advertising	229,664		207,177	
Merchandising fee	126,718		122,984	
Corn dryer expense	1,844,475		1,150,542	
Bean roasting expense	29,233		28,005	
Employee training and travel	119,998		67,372	
Fieldmen	225,956		211,645	
Miscellaneous	<u>(109,653)</u>		<u>(56,342)</u>	
<i>Total merchandising expense</i>	52,677,993	8.14	49,048,244	7.75
<i>Total administrative expense</i>	1,275,159	0.20	1,253,737	0.20
General				
Depreciation and amortization	22,827,521		21,370,752	
Insurance	2,556,044		2,301,807	
Property taxes	2,217,200		2,067,440	
Education, rent and miscellaneous	<u>317,006</u>		<u>312,465</u>	
<i>Total general expenses</i>	27,917,771	4.31	26,052,464	4.12
Interest and other expenses (income)				
Gain on removal of property and equipment	<u>(379,490)</u>		<u>(286,628)</u>	
Finance charges income	<u>(498,966)</u>		<u>(562,867)</u>	
Purchase discounts	<u>(774,899)</u>		<u>(669,483)</u>	
Other revenue	<u>(1,983,613)</u>		<u>(1,597,856)</u>	
Interest expense	586,561		892,451	
Provision for doubtful accounts			-	
Collection and other expense	<u>1,096,038</u>		<u>1,222,666</u>	
<i>Total interest and other expenses (income)</i>	<u>(1,954,369)</u>	<u>(0.30)</u>	<u>(1,001,717)</u>	<u>(0.16)</u>
Net operating expenses	79,916,554	12.35	75,352,728	11.91
Local net margin	33,855,965	5.23	25,358,538	4.01
Income from affiliates	9,262,431	1.43	14,150,184	2.24
Patronage refunds received	<u>5,405,633</u>	<u>0.84</u>	<u>6,045,227</u>	<u>0.95</u>
<i>Net margin before income taxes</i>	48,524,029	7.50	45,553,949	7.20
Income taxes	<u>(1,290,000)</u>	<u>(0.20)</u>	<u>4,150,000</u>	<u>0.66</u>
Net margin	\$49,814,029	7.70%	\$41,403,949	6.54%

Total Sales
\$647,104,106
(in millions and percentage)

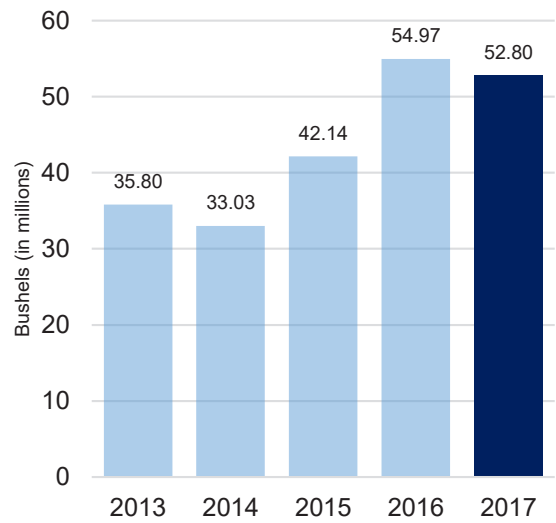


In 2017, your cooperative expanded the Oshkosh location with the addition of two, 1.2-million-bushel grain storage bins, 40,000-bushel-per-hour receiving, and 7,000-bushel-per-hour drying capacity.

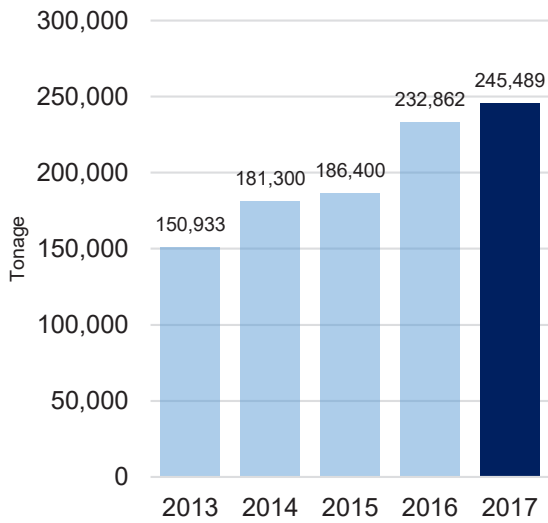
Feed Volume



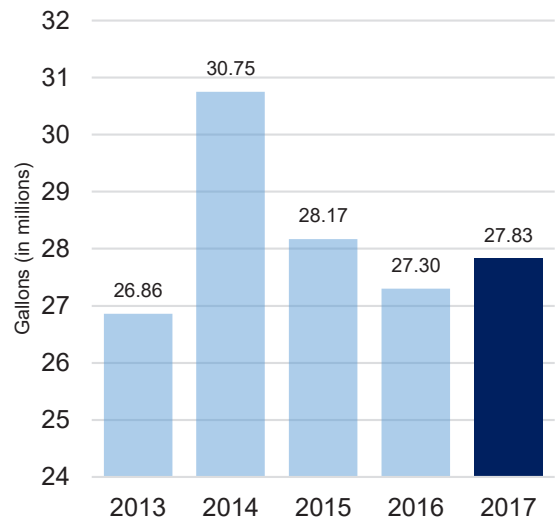
Grain Volume



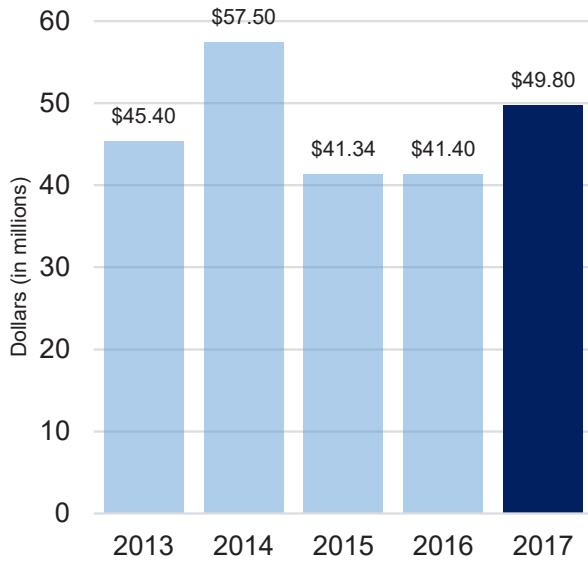
Fertilizer Volume



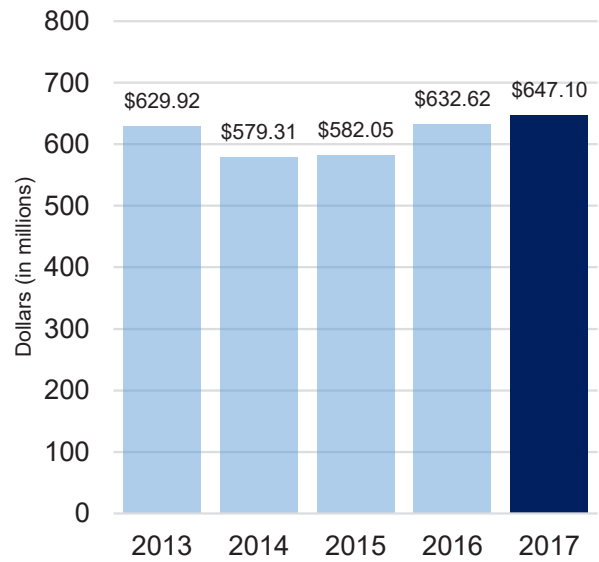
Fuel Volume



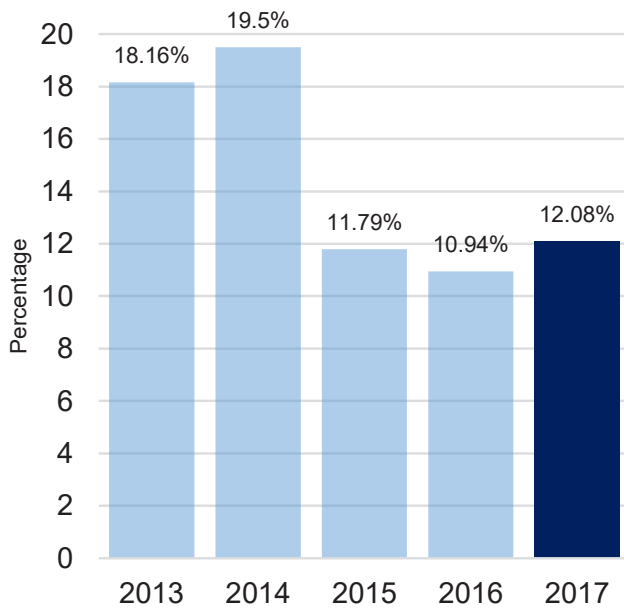
Net income total for five years



Annual Sales



Return on Equity



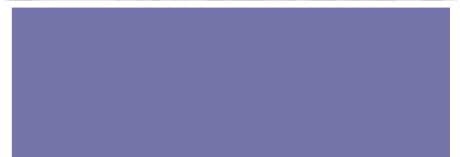
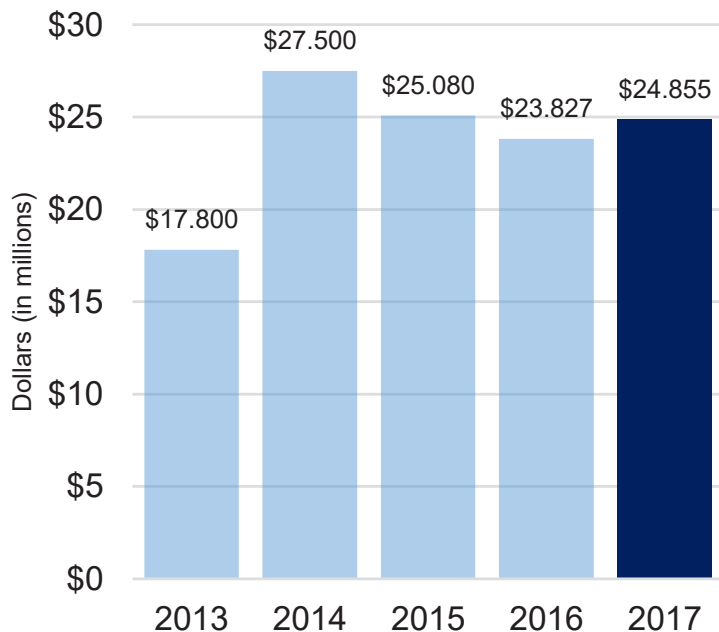
In 2017 United Cooperative expanded its nutrient management planning and consulting services. Pictured here is one of eight units used for state-of-the-art soil sampling.

Net margin based on an average sale of \$100

	<u>2017</u>	<u>2016</u>
Sales	\$100.00	\$100.00
Less discount	(0.40)	(0.38)
Cost of sales	<u>82.02</u>	<u>83.70</u>
Gross margin	17.58	15.92
Merchandising expense	8.14	7.75
Administrative expense	0.20	0.20
General expense	4.31	4.12
Interest and other expense	<u>(0.30)</u>	<u>(0.16)</u>
<i>Total operating expenses</i>	12.35	11.91
Local net	5.23	4.01
Income from affiliates	1.43	2.24
Patronage refunds received	0.84	0.95
Income taxes	<u>0.20</u>	<u>(0.66)</u>
Net margin*	\$7.70	\$6.54

**Net margin used for debt repayment, capital expenditures, and equity retirements*

Cash returned to members in five years



Relying on United Cooperative means relying on our dedicated, experienced staff. Our employees are our greatest asset and are here to help your operation succeed.



United Cooperative Locations

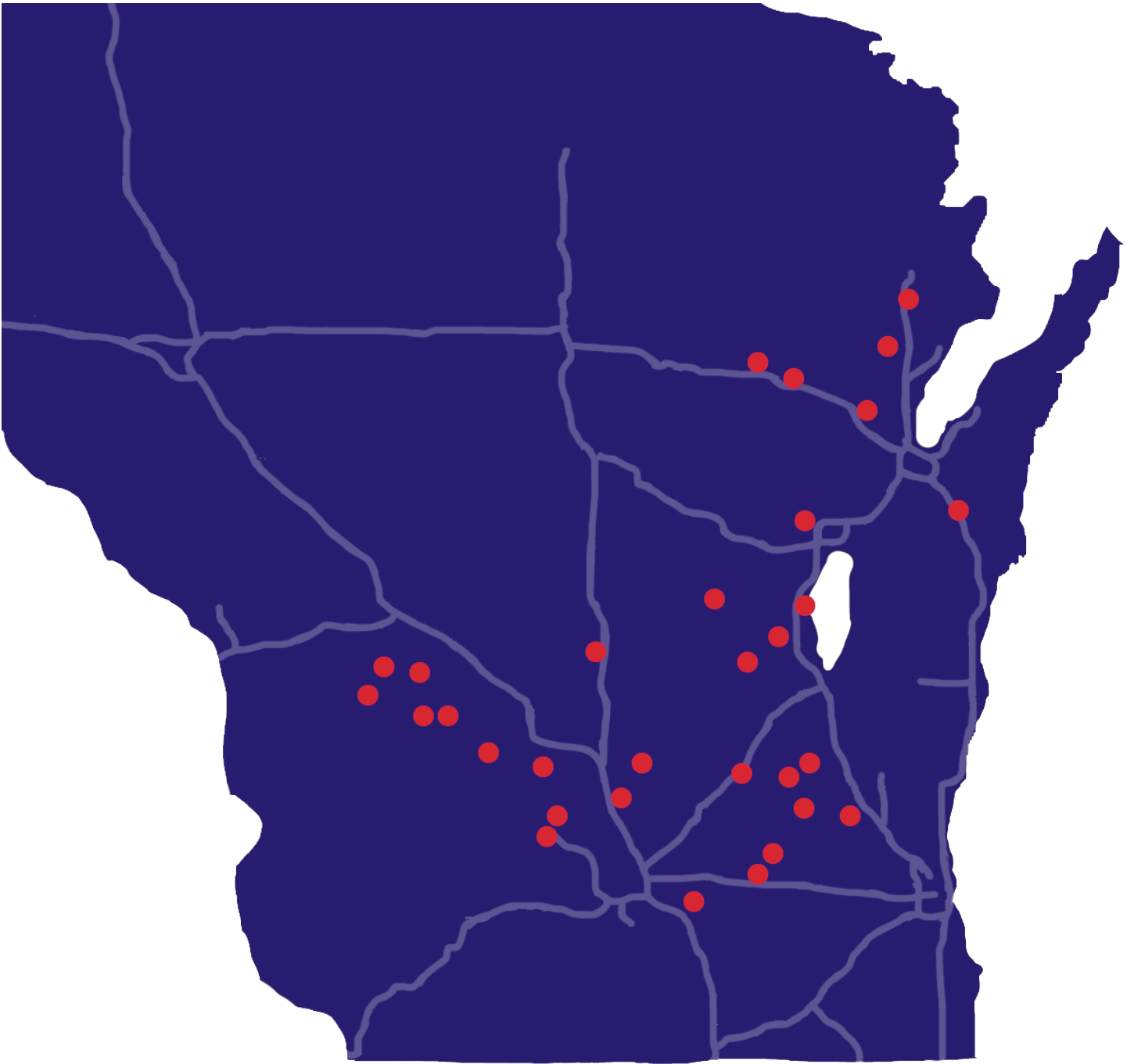
Corporate Office	920-887-1756	Oshkosh Agronomy and Grain	920-233-2261
Auroraville Grain	920-361-3361	Pickett Agronomy/Energy	920-589-2311
Auroraville Grain North	920-361-4854	Pickett Cenex C-Store	920-589-2311
Baraboo Ash St. Cenex C-Store	608-356-2703	Ponderosa, Beaver Dam	920-885-2755
Baraboo Hwy. 12 Cenex Pump 24, exit 215	608-356-2703	Ponderosa, Hartford	262-673-2248
Beaver Dam Cenex C-Store	920-887-1756	Poynette Cenex C-Store	608-635-7002
Beaver Dam Feed	920-885-5522	Prairie du Sac Agronomy	608-643-2348
Coleman Agronomy	920-897-4010	Pulaski Ace Hardware	920-822-6396
Deerfield Agronomy and Energy	608-764-5454	Pulaski Agronomy	920-822-3341
Denmark Feed/Grain/Agronomy/Energy	920-863-2171	Pulaski Energy and Office	920-822-3235
Denmark Cenex C-Store	920-863-2171	Reedsburg Agronomy and Energy	608-524-2822
Greenville Feed/Grain/Agronomy/Energy	920-757-6556	Reedsburg Cenex C-Store	608-524-6115
Greenville Cenex C-Store	920-757-5792	Ripon Grain North	920-748-7488
Gresham Grain (in-season)	715-853-3118	Ripon Grain South	920-748-7999
Hartford Feed/Grain/Agron/Energy/C-store	262-673-8960	Rock Springs Grain	608-524-5246
Hillsboro Office/Energy/Feed/Farm Supply	608-489-2231	Sauk City Feed and Grain	608-643-3345
Hillsboro Grain	608-489-4120	Shawano Agronomy	715-524-8812
Hillsboro Agronomy	608-489-3444	Shawano Energy and Office	715-526-3197
Horicon Grain	920-485-9707	Shawano Feed and Grain	715-526-6115
Hustisford Cenex C-Store	920-349-3989	South Beaver Dam Grain and Agronomy	920-887-7671
Johnson Creek Agronomy	920-699-4990	Watertown Energy	920-262-6770
Johnson Creek Grain	920-699-2771	Westfield Agronomy	608-296-3237
Kendall Cenex Fastrip C-Store	608-463-7872	Wilton Cenex Fastrip C-Store	608-435-6977
Mayville Agronomy and Energy	920-387-2410	Wilton Feed/Energy/Farm Supply	608-435-6421
Oconto Falls	920-846-4775	Wonewoc Cenex Fastrip C-Store	608-464-7191
Ontario Cenex Fastrip C-Store	608-337-4525	Wyocena Cenex C-Store	608-429-9262

Visit our Website

Learn more about our locations, the employees at United Cooperative, the services and manufacturing ability we provide, and our distribution of agricultural and energy products at www.unitedcooperative.com.

Don't forget to follow us
on Social Media:





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