



2018

83rd Annual Report



David A. Cramer
United Cooperative
President and Chief Executive Officer

Continuing to Invest for the Future

In 2018 United Cooperative focused resources on investing in assets to improve the cooperative while returning value to members in the form of stock revivment and patronage refunds. Despite a challenging year at the farm-gate, your cooperative continues to be well-positioned financially to continue those investments into 2019.

Investing in the Cooperative

In 2018 United Cooperative purchased the Darlington agronomy facility from WS Ag Center, LLC and the Belmont and Boscobel grain facilities in Southwestern Wisconsin from ADM. Employees worked diligently to integrate accounting and billing systems, broadened communications to include the WS Ag Center and ADM member audience, and train staff on United Cooperative's processes and procedures. Your cooperative invested in several construction projects during the year that will add value in our agronomy, grain, feed and energy divisions. These upgrades were only made possible in your communities by your support and the 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 completed. In agronomy, a new 7,000-ton dry fertilizer plant and a 90-ton blending tower was built at South Beaver Dam and a new 14,000-ton dry fertilizer plant and a 250-ton blending tower was added at the Coleman location. Several enhancements were made to the cooperative's grain facilities to improve market access include the expansion of the Oshkosh location with the addition of a 1.2-million-bushel grain storage bin. Sauk City was expanded with the addition of a 700-thousand-bushel grain storage bin. A combined additional 2 million bushels of new ground storage was added at the South Beaver Dam, Ripon, and Westfield grain locations with the addition of three bunker systems. Additionally, your cooperative installed a new scale and two receiving pits at the Horicon location. In feed, a new warehouse was erected at the Wilton feed location and the warehouse was remodeled in Denmark for their feed location. At our Shawano feed location, the railroad track was completed, now we can bring feed commodities in by rail and this will generate a savings to all our feed customers. In our energy division, we have added propane storage in Westfield and Deerfield. A convenience store has opened at the Greenville location, with an ACE Hardware store opening soon at the location as well.

Investing in Wisconsin Communities & People

United Cooperative recognizes the importance of giving back and invests in many non-profit organization's 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 pantries. Total giving to initiatives in these three areas reached \$163,023.60 in 2018. (Our gratitude for the \$62,000 in matching funds made available from our cooperative business partners Land O'Lakes Foundation, CHS Foundation and Co-Bank.) In 2018, 50 high school and college students were awarded a \$1,000 United Cooperative scholarship, bringing the total number of students supported through this program to 318 over the last ten years since the program's inception.

Returning Value to Members

Revenues for 2018 were \$672 million. United Cooperative's core businesses of agronomy, grain, feed and energy generated \$34 million in profits, up \$1 million from 2017. The investment United Cooperative made in ethanol contributed \$23 million to our net income in 2018, up from the \$9.3 million this investment returned the year before. Patronage from regional cooperatives was up \$.4 million from 2017 to \$5.8 million dollars. All combined, United Cooperative had a total net margin before income taxes in 2018 of \$57.3 million dollars, up \$8.8 million from 2017.

With those profitable numbers, United Cooperative is returning \$25.3 million in total patronage to members. Forty percent of this patronage, or \$10.1 million, will be distributed in cash to our patron member owners in May, while 60 percent, or \$15.2 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.

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.

Thank you for your support of the cooperative this past year and may you have a safe and productive 2019.

Cooperatively yours,

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 2018 United Cooperative Board of Directors: front row, left to right, Rod Leiterman, Denmark; Greg Tauchen, Bonduel; Howard Bohl, Beaver Dam; and Robin Craker, Reedsburg. Back row, left to right, Larry Plamann, Greenville; Peter Mlsna, Hillsboro; Brad Krueger, Shawano; Duane Hinchley, Cambridge; Anthony Schadt, Watertown; Gary Nolden, Prairie du Sac; and David Cramer, Beaver Dam.

Personnel

David A. Cramer, President and Chief Executive Officer

Additional information

Date of incorporation..... Jan. 27, 1936
Fiscal year end..... Dec. 31, 2018
Annual meeting date..... Set by board of directors
This year's *annual meeting date*..... April 22, 2019

In 2018, your cooperative ...

- Because of your 2018 business, your cooperative is returning \$25.3 million in total patronage to members. Forty percent of this patronage, or \$10.1 million, will be distributed in cash to our patron member owners in April 2019, while 60 percent, or \$15.2 million will be retained in equity credits
- Paid \$7 million in stock revolvment
- Acquired 2 ADM grain locations in southwest Wisconsin
- Purchased the Darlington Agronomy location from WS Ag Center
- Railroad track was installed at Shawano Feed location
- A new warehouse was erected at Wilton Feed location
- Remodeled the feed warehouse and expanded the equipment storage lot at Denmark location
- A new scale and receiving pits were installed at the Horicon location
- Auroraville location received blacktop throughout the facility
- Expanded Coleman location with the addition of a 14,000-ton dry fertilizer plant and 250 ton blending tower
- Expanded South Beaver Dam location with the addition of a 7,000-ton dry fertilizer plant and 90-ton blending tower
- Expanded Oshkosh location with the addition of a 1.2 million-bushel grain storage bin
- Expanded Sauk City location with an additional 700-thousand-bushel grain storage bin
- Added \$35 million dollars of rolling stock, equipment and facilities.
- Awarded \$50,000 in scholarships to high school seniors.
- Provided \$45,000 to 40 local food pantries.
- Provided over \$65,000 to local rural health and safety groups.
- Provided over \$49,000 to local FFA/4-H chapters and other agriculture related groups.
- Employees completed 2,654 online safety training classes.
- Partnered with local fire departments to train 60 local firefighters and 160 United Cooperative employees in bin entry and rescue.
- Ranked 43th on USDA's Top 100 list of agricultural cooperatives in the United States
- Ranked 22th on the 2018 CropLife 100 agronomy companies nationally.

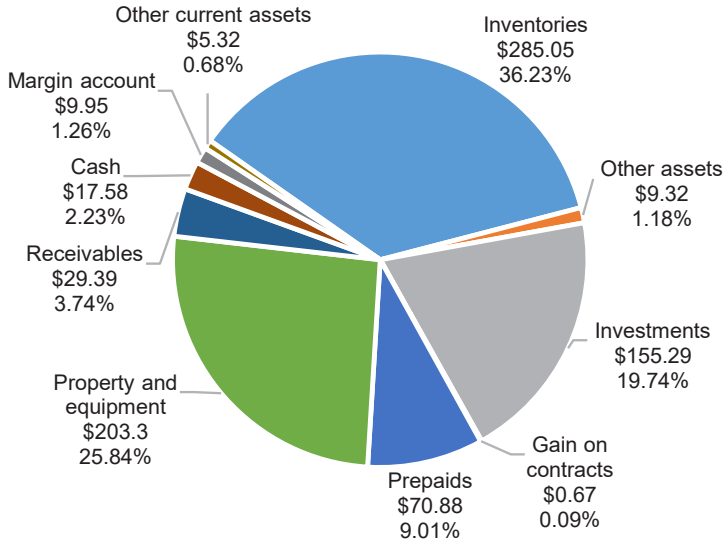


Balance Sheet

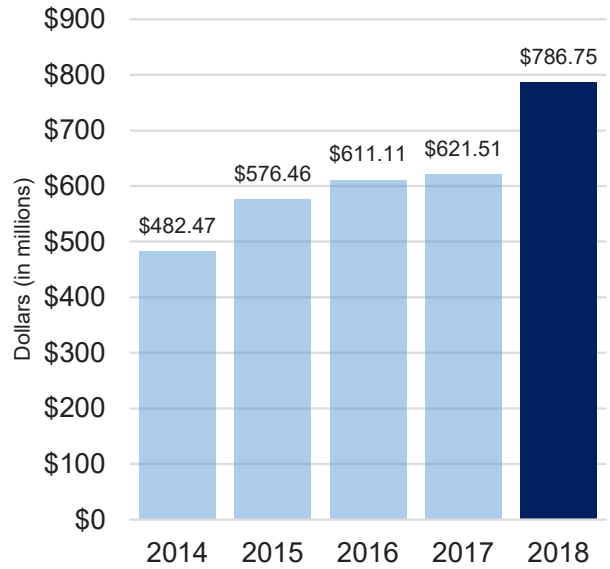
	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$17,583,777	\$22,879,578
Receivables, net	29,389,705	34,556,034
Inventories	285,050,219	226,360,793
Margin account	9,949,363	4,677,910
Unrealized gain on forward contracts	671,463	385,048
Prepaid expenses	70,876,747	55,427,550
Other current assets	<u>5,324,847</u>	<u>4,255,406</u>
Total current assets	418,846,121	348,542,319
Investments and other assets		
Investments	155,292,402	91,035,657
Other assets	<u>9,317,578</u>	<u>5,503,703</u>
Total investments and other assets	164,609,980	96,539,360
Property and equipment		
Property and equipment	381,608,436	336,358,759
Less accumulated depreciation	<u>(178,310,300)</u>	<u>(159,927,269)</u>
Net property and equipment	203,298,136	176,431,490
Total assets	\$786,754,237	\$621,513,169
Current liabilities		
Notes payable	\$125,000,000	\$ -
Current maturities of long-term debt	449,927	\$498,926
Accounts payable	17,899,216	21,811,903
Grain payables	28,338,654	26,449,784
Patron credit balances	3,656,078	4,091,792
Unrealized loss of forward contracts	861,826	566,805
Accrued expenses	11,183,257	9,809,515
Taxes payable	2,296,563	2,497,483
Patronage refunds payable in cash	10,139,000	12,062,000
Patron prepayments	46,608,333	56,714,643
Remediation payable	467,000	467,000
Income taxes payable	-	-
Other	<u>13,720,420</u>	<u>20,130,949</u>
Total current liabilities	260,620,274	155,100,800
Long-term liabilities		
Long-term debt, less current maturities above	65,660,048	51,390,878
Deferred compensation	314,194	308,347
Remediation payable	94,000	94,000
Deferred income taxes	<u>5,552,000</u>	<u>2,306,000</u>
Total long-term liabilities	71,620,242	54,099,225
Total liabilities	\$332,240,516	\$209,200,025
Patron equities		
Preferred equities	127,477,523	116,686,617
Equity credits	125,873,151	118,351,421
Patronage refunds payable in equity	15,209,000	18,093,000
General reserve	<u>185,954,047</u>	<u>159,182,106</u>
Total patron equities	454,513,721	412,313,144
Total liabilities and equities	\$786,754,237	\$621,513,169

Assets

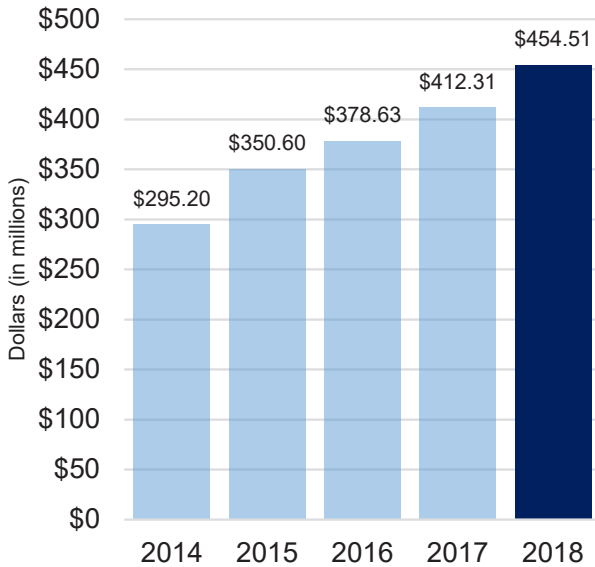
\$786,754,237
(in millions and percentage)



Total Assets

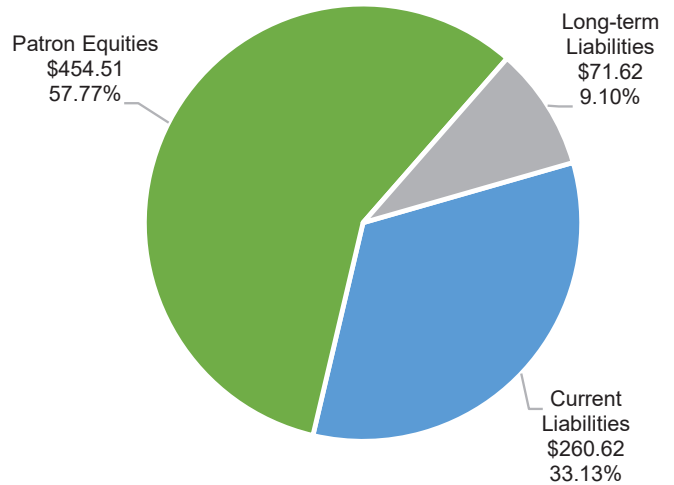


Patron Equities



Liabilities and Patron Equities

(in millions and percentage)



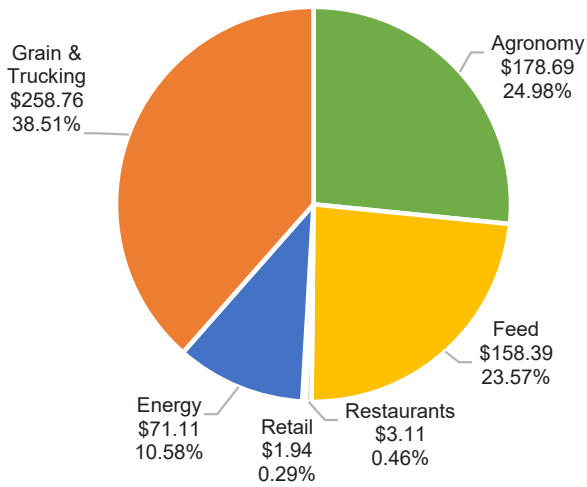
United Cooperative's Sauk City location has increased grain handling capability and bin storage capacity with the addition of a new 700-thousand-bushel grain storage bin.



Statement of Operations

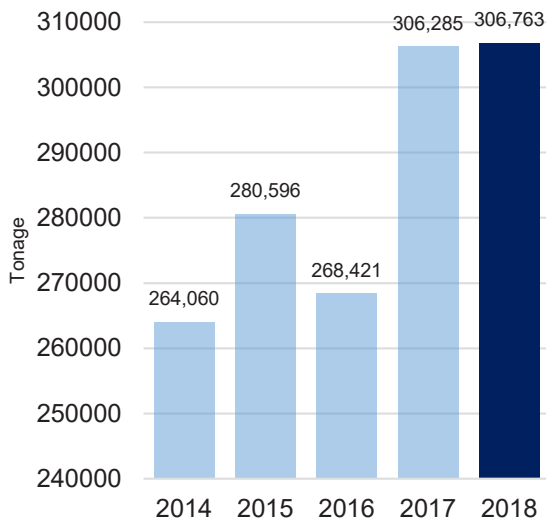
	<u>2018</u>		<u>2017</u>	
Sales	\$671,998,792	100.00%	\$647,104,106	100.00%
Less discounts	<u>(2,598,374)</u>	<u>(0.39)</u>	<u>(2,578,719)</u>	<u>(0.40)</u>
Net sales	669,400,418	99.61	644,525,387	99.60
Cost of sales	<u>549,156,090</u>	<u>81.72</u>	<u>530,752,868</u>	<u>82.02</u>
Gross margin	120,244,328	17.89	113,772,519	17.58
Operating expenses				
Merchandising expenses				
Salaries and wages	39,737,512		37,127,040	
Less: wages reimbursed	<u>(6,288,101)</u>		<u>(6,119,278)</u>	
Payroll taxes	2,323,338		2,268,906	
Employee insurance	3,857,563		3,850,965	
Pension expense	814,565		826,852	
Vehicle expense	7,663,163		6,481,036	
Supplies and licenses	1,553,074		1,377,596	
Utilities	2,501,066		2,551,393	
Repairs and maintenance	2,202,739		1,847,092	
Advertising	250,524		229,664	
Merchandising fee	120,052		126,718	
Corn dryer expense	2,301,506		1,844,475	
Bean roasting expense	30,955		29,233	
Employee training and travel	123,063		119,998	
Fieldmen	260,958		225,956	
Miscellaneous	<u>(156,158)</u>		<u>(109,653)</u>	
<i>Total merchandising expense</i>	57,295,819	8.53	52,677,993	8.14
<i>Total administrative expense</i>	1,334,096	0.20	1,275,159	0.20
General				
Depreciation and amortization	26,821,219		22,827,521	
Insurance	3,051,824		2,556,044	
Property taxes	1,974,978		2,217,200	
Education, rent and miscellaneous	<u>778,631</u>		<u>317,006</u>	
<i>Total general expenses</i>	32,626,652	4.86	27,917,771	4.31
Interest and other expenses (income)				
Gain on removal of property and equipment	<u>(122,246)</u>		<u>(379,490)</u>	
Finance charges income	<u>(723,736)</u>		<u>(498,966)</u>	
Purchase discounts	<u>(892,689)</u>		<u>(774,899)</u>	
Other revenue	<u>(1,643,421)</u>		<u>(1,983,613)</u>	
Interest expense	2,835,203		586,561	
Collection and other expense	<u>1,439,559</u>		<u>1,096,038</u>	
<i>Total interest and other expenses (income)</i>	892,670	0.13	(1,954,369)	(0.30)
Net operating expenses	92,149,237	13.72	79,916,554	12.35
Local net margin	28,095,091	4.17	33,855,965	5.23
Income from affiliates	23,475,598	3.49	9,262,431	1.43
Patronage refunds received	<u>5,783,890</u>	<u>0.86</u>	<u>5,405,633</u>	<u>0.84</u>
<i>Net margin before income taxes</i>	57,354,579	8.52	48,524,029	7.50
Income taxes	<u>2,150,000</u>	<u>0.32</u>	<u>(1,290,000)</u>	<u>(0.20)</u>
Net margin	\$55,204,579	8.20%	\$49,814,029	7.70%

Total Sales
 \$671,998,792
 (in millions and percentage)

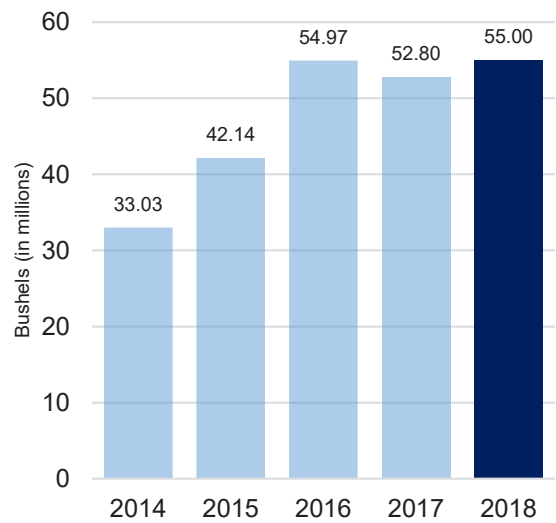


In 2018, your cooperative expanded the South Beaver Dam location with the addition of a 7,000-ton dry fertilizer plant and 90-ton blending tower.

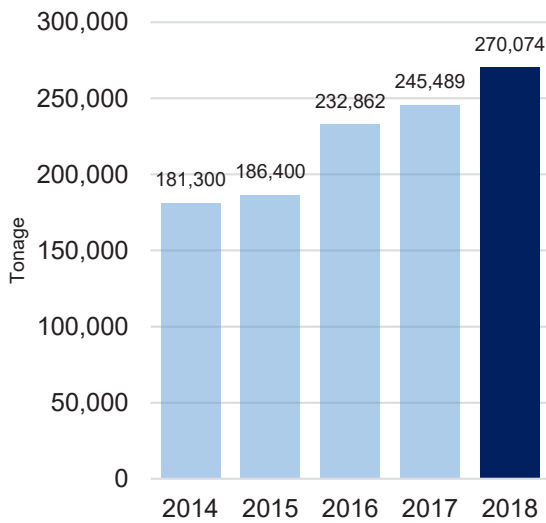
Feed Volume



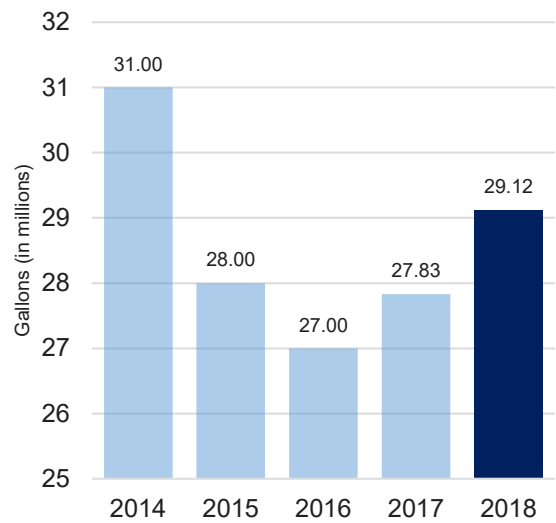
Grain Volume



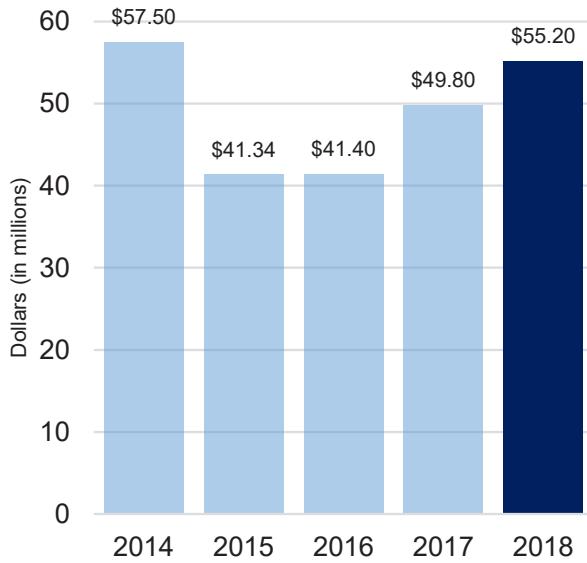
Fertilizer Volume



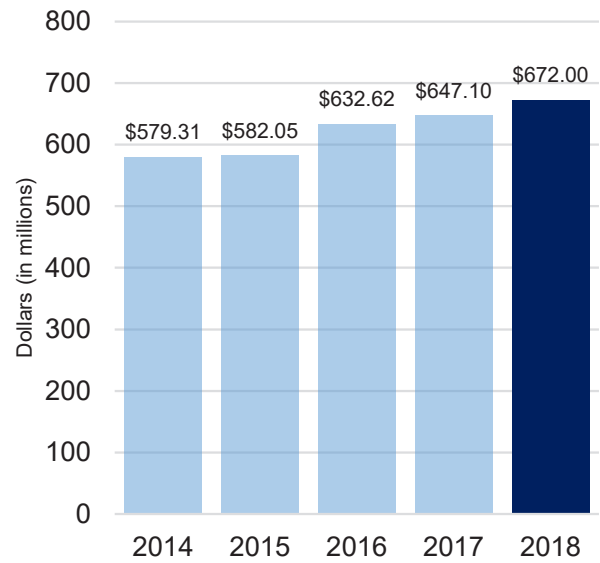
Fuel Volume



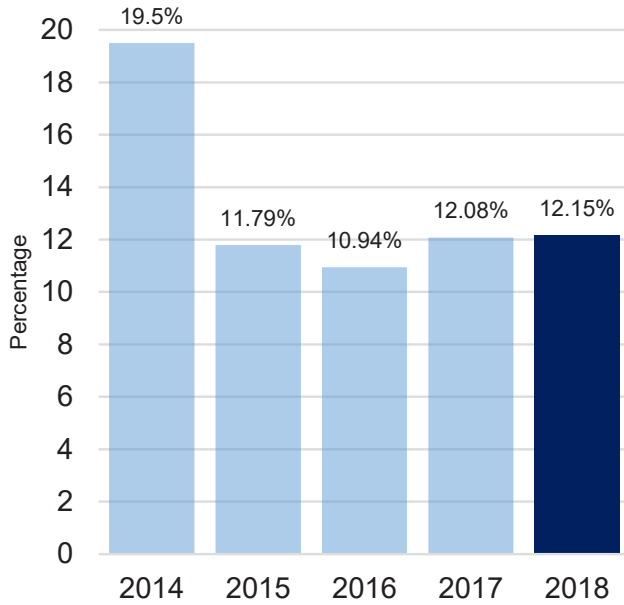
Net income total for five years



Annual Sales



Return on Equity



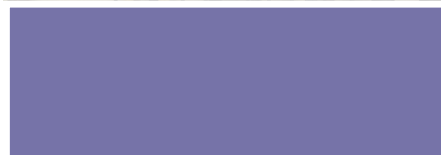
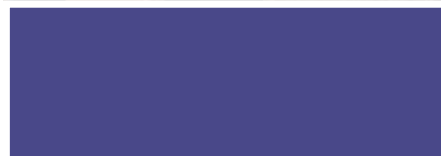
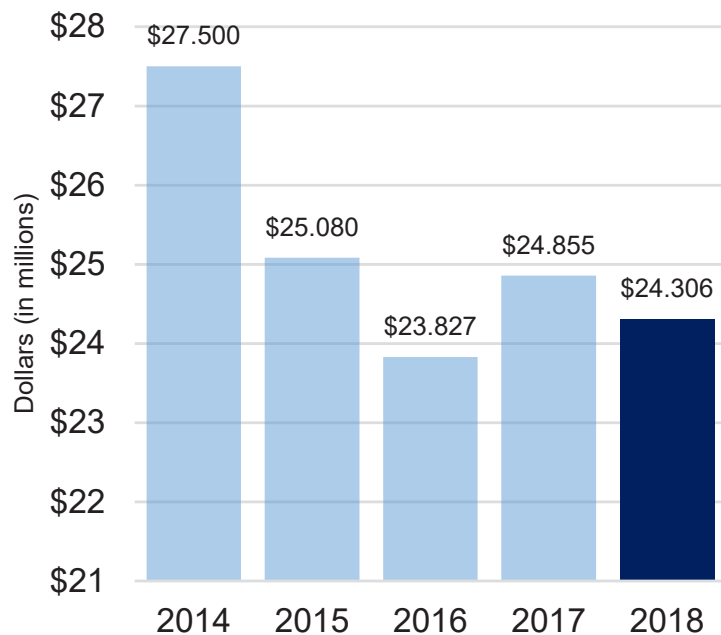
In 2018, United Cooperative purchased the Darlington Agronomy location from WS Ag Center.

Net margin based on an average sale of \$100

	<u>2018</u>	<u>2017</u>
Sales	\$100.00	\$100.00
Less discount	(0.39)	(0.40)
Cost of sales	<u>81.72</u>	<u>82.02</u>
Gross margin	17.89	17.58
Merchandising expense	8.53	8.14
Administrative expense	0.20	0.20
General expense	4.86	4.31
Interest and other expense	<u>0.13</u>	<u>(0.30)</u>
<i>Total operating expenses</i>	13.72	12.35
Local net	4.17	5.23
Income from affiliates	3.49	1.43
Patronage refunds received	0.86	0.84
Income taxes	<u>(0.32)</u>	<u>0.20</u>
Net margin*	\$8.20	\$7.70

**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 Community Giving Program



Giving back to the community is also giving back to our Patrons. By donating to community fire departments, police forces, or EMS responders, United Cooperative wants to do our part to help local heroes keep our communities safe.

Police Dept.	\$7,100.00
Fire Dept.	\$13,180.00
EMT Groups	\$3,000.00
Hospitals	\$24,666.66
United Way	\$5,000.00
Misc.	\$15,300.00
Total	\$68,246.66



United Cooperative is proud to support the future of the industry. Whether it's a 4-H/FFA or another ag related organization, United Cooperative understands that young farmers and Agri-Business professionals are our future.

FFA/4-H	\$9,519.94
Ag. Youth	\$11,759.00
General Ag.	\$13,248.00
Fair Projects	\$15,250.00
Total	\$49,776.94



We believe in supporting young adults and are hopeful some of these students, from high school through college, will seek a career in Wisconsin agriculture and the businesses that support agriculture.

20 Continuing Ed. Students	
8 Tech. College Students	
12 Ag. Major Students	
10 High School Seniors	
Total	\$50,000.00



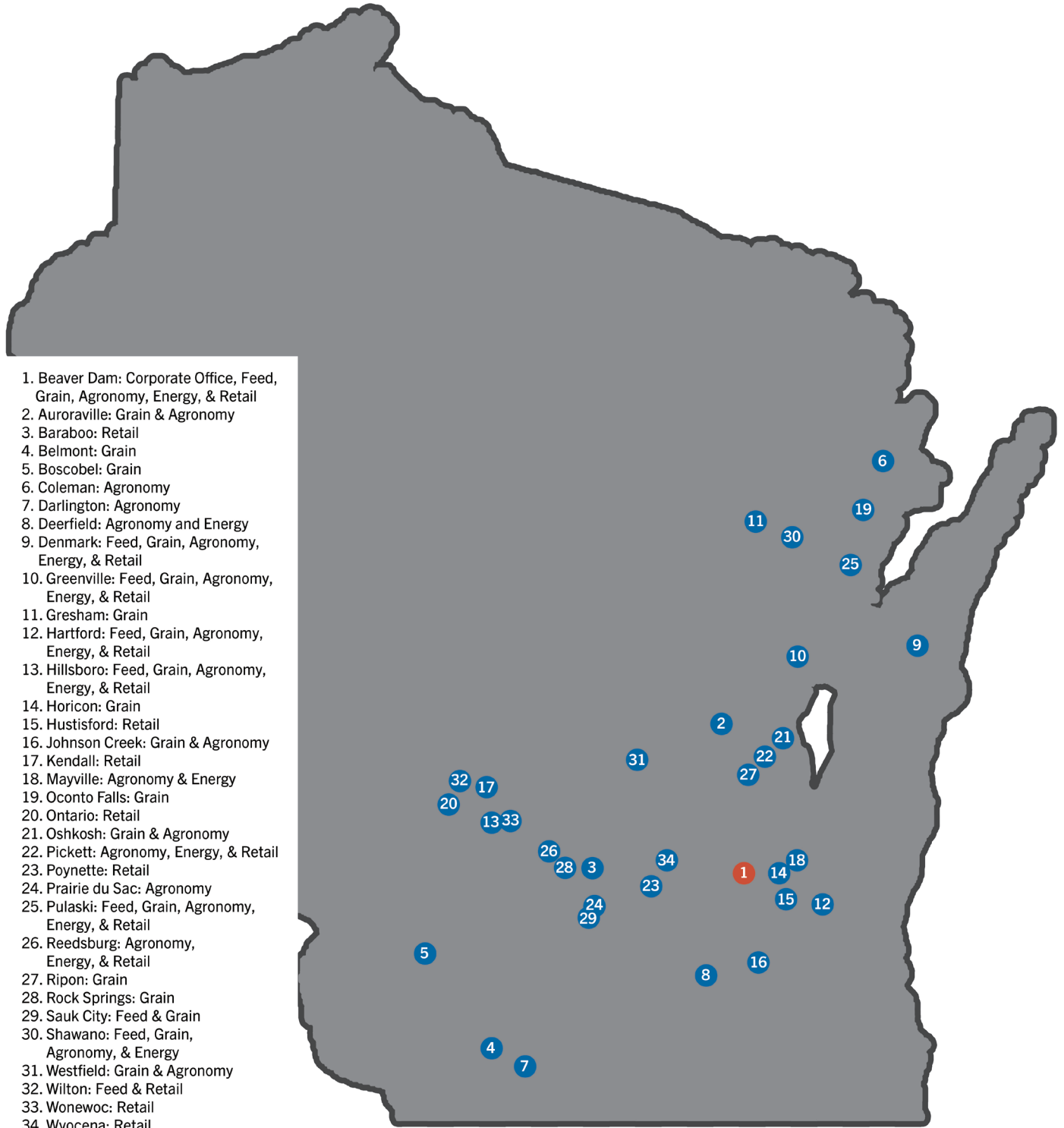
With many members being farmers, United Cooperative knows the importance of nutrition. We want to help our local food pantries with our annual donation to various organizations selected each year.

45 Local Food Pantries	
Total	\$45,000.00

Total in 2018: \$213,023.60

United Cooperative locations

Corporate Office . . . . .	.920-887-1756	Ontario Cenex Fastrip C-Store . . . . .	.608-337-4525
Auroraville Grain . . . . .	.920-361-3361	Oshkosh Agronomy and Grain . . . . .	.920-233-2261
Auroraville Grain North . . . . .	.920-361-4854	Pickett Agronomy/Energy . . . . .	.920-589-2311
Baraboo Ash St. Cenex C-Store . . . . .	.608-356-2703	Pickett Cenex C-Store . . . . .	.920-589-2311
Baraboo Hwy. 12 Cenex Pump 24, exit 215 .	.608-356-2703	Ponderosa, Beaver Dam . . . . .	.920-885-2755
Beaver Dam Cenex C-Store . . . . .	.920-887-1756	Ponderosa, Hartford . . . . .	.262-673-2248
Beaver Dam Feed . . . . .	.920-885-5522	Poynette Cenex C-Store . . . . .	.608-635-7002
Belmont Grain . . . . .	.608-762-5976	Prairie du Sac Agronomy . . . . .	.608-643-2348
Boscobel Grain . . . . .	.608-375-2800	Pulaski Ace Hardware . . . . .	.920-822-6396
Coleman Agronomy . . . . .	.920-897-4010	Pulaski Agronomy . . . . .	.920-822-3341
Darlington Agronomy . . . . .	.608-776-3860	Pulaski Energy and Office . . . . .	.920-822-3235
Deerfield Agronomy and Energy . . . . .	.608-764-5454	Reedsburg Agronomy and Energy . . . . .	.608-524-2822
Denmark Feed/Grain/Agronomy/Energy . .	.920-863-2171	Reedsburg Cenex C-Store . . . . .	.608-524-6115
Denmark Cenex C-Store . . . . .	.920-863-2171	Ripon Grain North . . . . .	.920-748-7488
Greenville Feed/Grain/Agronomy/Energy .	.920-757-6556	Ripon Grain South . . . . .	.920-748-7999
Greenville Cenex C-Store . . . . .	.920-757-5792	Rock Springs Grain . . . . .	.608-524-5246
Gresham Grain (in-season) . . . . .	.715-853-3118	Sauk City Feed and Grain . . . . .	.608-643-3345
Hartford Feed/Grain/Agron/Energy/C-store	.262-673-8960	Shawano Agronomy . . . . .	.715-524-8812
Hillsboro Office/Energy/Feed/Farm Supply	.608-489-2231	Shawano Energy and Office . . . . .	.715-526-3197
Hillsboro Grain . . . . .	.608-489-4120	Shawano Feed and Grain . . . . .	.715-526-6115
Hillsboro Agronomy . . . . .	.608-489-3444	South Beaver Dam Grain and Agronomy .	.920-887-7671
Horicon Grain . . . . .	.920-485-9707	Watertown Energy . . . . .	.920-262-6770
Hustisford Cenex C-Store . . . . .	.920-349-3989	Westfield Agronomy . . . . .	.608-296-3237
Johnson Creek Agronomy . . . . .	.920-699-4990	Wilton Cenex Fastrip C-Store . . . . .	.608-435-6977
Johnson Creek Grain . . . . .	.920-699-2771	Wilton Feed/Energy/Farm Supply . . . . .	.608-435-6421
Kendall Cenex Fastrip C-Store . . . . .	.608-463-7872	Wonewoc Cenex Fastrip C-Store . . . . .	.608-464-7191
Mayville Agronomy and Energy . . . . .	.920-387-2410	Wyocena Cenex C-Store . . . . .	.608-429-9262
Oconto Falls . . . . .	.920-846-4775		



Corporate office:
 N7160 Raceway Road
 Beaver Dam, WI 53916
 T 1-800-924-2991
www.unitedcooperative.com

Follow us on
 Social Media:

