



Director's Report

Tom Trahms, Board Chairman

Wrapping Up Fiscal Year 2015

August 31 marked the end of another successful fiscal year for Crystal Valley. Even though we had not closed the 2015 books, your board and management spent the bulk of the summer looking ahead to the next year.

In July, the board and senior management spent two days at a retreat discussing the 2016 budget including working capital projections, income and expense items, and capital expenditures. We also discussed the equity revivment for Fiscal Year 2015 and a plan for the next three years. Crystal Valley continues to consistently produce financial results allowing it to reinvest in the fixed assets needed to provide service to our patrons as well as pay patronage dividends and retire allocated equity (currently redeemed through the year 2000).

In August, I was fortunate to be invited by Dr. Michael Boland (University of Minnesota Koller Professor of Agribusiness Management), along with ten other board chairmen from cooperatives in Minnesota, to a conference for board chairs. During the conference, he led us through a discussion of finance issues including balance sheet and equity management, as well as a discussion on structural issues.

Although we are just starting harvest, it's not too early to start thinking about the Crystal Valley annual meeting in February. At this meeting, one of the most important issues addressed by the membership is election of members to the Board of Directors. With that in mind, a nominating committee consisting of Dale Wills (507) 931-0029, Dean Roberts (507) 340-9884, and Larry Brueger (507) 420-9195 has been established. If you are interested in a seat on the board, or you know someone that would be interested in spending time helping to govern their cooperative, please give me (507) 317-4056 or one of the gentlemen listed above a call.

Have a safe harvest.





Manager's Report

Roger Kienholz, *General Manager*

Customer Appreciation & Fiscal Year End

Beautiful weather made it a pleasure for us to serve more than 2500 pork chops to our patrons at our Customer Appreciation suppers on September 9 and 10 in Madelia and Janesville. Sincere thanks to those who came, to our employees for their terrific service, and to the Nicollet County Pork Producers for cooking up the nicest chops in Minnesota.

As Tom Trahms mentioned, the last week of August we mailed out over 7,000 deferred equity checks totaling more than \$2.5 million to patrons who did business with us back in 1999 and 2000. Unfortunately, quite a number of those checks have been returned to us lacking a current or complete address. Please call our main office in Lake Crystal (507-726-6455 or 800-622-2910) to update your or a relative's address, or if you have any questions at all regarding your equity balance with Crystal Valley.

August 31 marked the end of Crystal Valley's fiscal year (FY) 2015. Total sales decreased to approximately \$230 million compared with \$270 million in FY 2014. Most of this reduction is from lower commodity prices for grain, feed ingredients of ground corn, soybean meal and DDGs, refined fuels, and propane.

The agronomy division's sales were down about \$8 million from last year, primarily due to reduced fertilizer inputs by farmers in light of the reduced grain prices. Seed and chemical sales remained strong along with custom application acres across the trade area.

Our grain division had quite the challenging year. Most of our trade territory had a less-than-average crop last fall, with the eastern part of our territory suf-

fering the most. The majority of producers filled up their on-farm storage and waited for prices to improve. A late spring/early summer price rally got a fair amount of corn to move during June, July and August – but not nearly enough to put the grain division in the black.

The energy division delivered fewer gallons across all product areas: gasoline, diesel, lube products and propane. The smaller crop last year required less fuel to harvest and less propane to dry down. We expect that to turn around this year judging from the size and quality of the crop we see throughout our service area.

Our feed division had an excellent year in 2015 with feed volumes increasing nearly 14 percent over last year. More important was an improved bottom line due to greater efficiencies in production and delivery, along with the tonnage growth.

Overall, Crystal Valley will have a very good year from a profitability standpoint, and will strengthen the balance sheet by paying down a significant portion of long-term debt. Our auditors will be in next month to verify our financial statements, and we'll report in greater detail in the next newsletter.

Thank you all for your continued confidence and trust in Crystal Valley. Our board of directors, employees, and management team work very hard to earn that trust every day.

WE ALL WISH YOU A SAFE & BOUNTIFUL HARVEST! THANK YOU!



Agronomy Report

Dale Botten, *Agronomy Division Manager*

Fall Preparation & Spring Planning

Your agronomy department had a busy summer with the many activities involved with serving our crop production customers.

Rainfall amounts throughout summer created more optimistic yield predictions resulting in additional applications of crop nutrients and crop protection products.

We are seeing lower crop nutrient prices compared to a year ago. The best crop nutrient value going into fall is dry urea nitrogen. The urea price has come

down, now closely matching the price per pound on an actual nitrogen basis, to anhydrous ammonia. This will be our fifth fall of applying urea with the nitrogen stabilizer Instinct, which is proving to be a very agronomically sound alternative to anhydrous ammonia.

To help offset lower commodity prices, our knowledgeable and experienced agronomists are prepared to offer you their best recommendations on growing more bushels-per-acre profitably.

We have continued to expand our precision ag offerings with our in-house precision ag department.

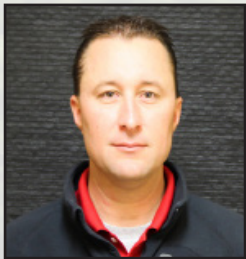
We feel precision ag will help maximize crop yield on every acre of your farm. Your precision ag department soil sampled many acres this summer with a large number of acres lined up for this fall. Contact a Crystal Valley agronomist for the additional soil sampling you will need for the 2016 growing season.

Our experienced custom applicators are prepared to accurately apply your crop nutrients and crop protection products this fall. We have made significant investments in people, equipment, facilities and technology to allow for precise and timely application.

Over the past year you may have stopped in or driven by our Janesville location. If you have, I am sure you have noticed how much it has changed. We have been making land and entrance improvements

to better utilize our total site acres. In addition, when not custom applying, the staff has been busy painting storage tanks and equipment. I would like to thank our Janesville staff for their part in updating and improving the Janesville location. As you drive past or stop at other Crystal Valley locations, you will also see the employees' commitment in having a professional operation.

With all the changes going on in agriculture, Crystal Valley is committed to serving your needs now and in the future. We are focused on providing you the best products and delivering you the best service possible for your farming operation. Thank you for your continued support of our Crystal Valley Agronomy Department.



Agronomy Update

Matt Schoper, *Agronomy Sales Manager*

New Products To Watch For This Fall

Each year we evaluate the new corn hybrids and soybean varieties that have been newly released from the seed companies. This year we have more replicated trials than ever before. We want to validate the research with real in-field results. With harvest getting close, we don't just evaluate what is going in the grain tank at season end. There is much homework being done on how products perform in different situations, which may include corn on corn and sand vs. heavy black soil. This year some may think everything looks really good in the fields. For the most part, we have had a very favorable growing environment. However, it has been very favorable for diseases as well. As we wait to get our weigh wagons out in the fields, we have a pretty good idea of what looks good at this point.

New Seed Products to Watch for This Fall

Top New Corn Hybrids:

Monsanto [®]	DKC48-56 SSRIB	98 day	Very good yield potential with excellent test weight and quality
Syngenta [®]	N40L-3000GT	98 day	Broadly adapted product with strong drought tolerance
Croplan [®]	3909 SSRIB	99 day	Strong emergence and vigor with loose husk in fall for fast dry-down
Producers [®]	6318STXRIB	103 day	Good Goss's Wilt and disease tolerance
Syngenta [®]	N50D-5010	103 day	Top-end yield potential with excellent grain quality
Monsanto [®]	DKC58-06 SSRIB	108 day	Excellent top end yield potential with very good Wilt Tolerance

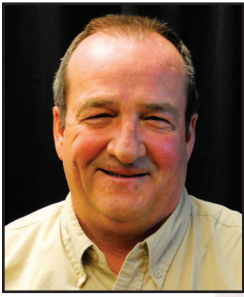
Top New Soybean Products:

Producers [®]	1804NR2	1.8 maturity	Good stress tolerance with solid IDC rating
Syngenta [®]	S19-B2	1.9 maturity	Consistent performance across all yield environments
Mycogen [®]	5N207R2	2.0 maturity	Taller plant with very good emergence and standability
Syngenta [®]	S21-M7	2.1 maturity	Robust yields with very good Phytophthora Root Rot tolerance
Monsanto [®]	AG2136	2.1 maturity	Broadly adapted soybean that fits Minnesota well
Croplan [®]	R2C2200	2.2 maturity	New blended product with great offense and great defense

Want to try something different this next season to kill weeds? We will be offering Liberty soybeans for those hard-to-control fields. A couple products to keep your eye on are:

Stine [®]	14LF62	1.4 maturity	Impressive disease resistance package including very good IDC and white mold
Stine [®]	19LF62	1.9 maturity	Solid performance from planting through harvest

Please contact your Crystal Valley Agronomist if you would like to have a yield-check completed as we have weigh wagons ready for use on your farm. Happy Harvest!



Grain Report

Jeff Spence, *Grain Division Manager*

Fall Grain Projections

With the wettest summer I can remember for a long time, we are expecting one of our area's largest crops. However, the problem is the price for corn and beans. Right now the world seems awash in all grains. Last crop year, South America had their largest grain crops ever. The result is making grain exports very difficult. China has been hit by an economic slowdown which certainly isn't helping either. With the western Corn Belt expecting a really big crop, it offsets the smaller expected crop in the eastern Corn Belt. With all that said, we are back to last fall's corn prices and bean prices are \$1.50 lower. This may be one of the years we see overall yields less than expected, and the prices rise during harvest. Yet, maybe the yields will go up, and we could see prices go even lower during and after harvest.

Crystal Valley will be offering the same storage programs we have been offering in the past. Corn and beans may be delivered to our Lake Crystal location this fall. Our fall hours for each location will be posted on our web site. Please check with your location manager if you have any questions about the fall hours. Checks or ACH payment will be issued only by request. Averaging will not take place during harvest. Oldest contracts will be dealt with first. Last year we started taking bean shrink in price instead of bushels. We will be shrinking corn at 0.7% per each half percent of moisture. Drying fees are \$.0225 per each half percent of moisture. These are some of the answers to the most frequently asked questions about our harvest policies. However, be sure to read the 2015 Fall Policies that can be found in this newsletter. If you have any questions, please give us a call.

Please have a safe harvest!



Grain Marketing

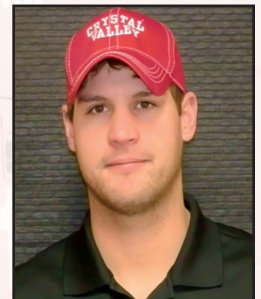
Jim Johnson, *Grain Marketer*

Preparing for 2015 Harvest

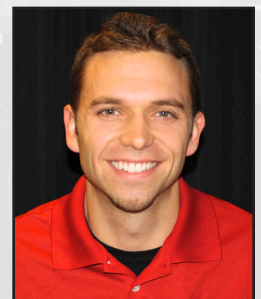
We may be looking at what may be the best yields for many growers as harvest approaches. Although this makes it more exciting than last year, corn prices are about the same. With the past marketing year not providing many pricing opportunities for above break-even, many farmers will have excess bushels that are unpriced and unable to fit into farm storage. With prices falling from our July rally back towards contract lows, the majority may put their grain on a storage program.

We recently witnessed prices go down faster than they went up. Having a marketing plan and target in place will be important this year. If the eastern Corn Belt crop comes in below what the USDA has it pegged at, it should be our best chance for a harvest rally. It's not a bad idea to have working offers with expiration dates in place if you have grain in storage or grain you plan to bring to the elevator. With the fast pace of harvest, it can be difficult to catch all the movement in the markets. Let us help you!

We have had many customers with questions on Fall Basis. Most growers think it will be very wide by the end of harvest with the large crop if elevators are forced to use unconventional storage. We agree that we may have some of the best basis numbers seen going into harvest. However, if prices do not rally, producers will not be sellers. As a result, basis should be able to work back in and get grain to move after the pipeline has worked through the fall bushels. Have a Great and Safe Harvest!!



Joe Williams,
Grain Marketer



Ryan Brandts,
Grain Marketer

2015

CRYSTAL VALLEY COOPERATIVE **FALL GRAIN POLICIES**

The following Grain Policies are in effect as of 09/01/2015. However, they can change at any time. We will try to provide advance notice of any changes.

There is a 10-day grace period for delivered grain. If you know how you want your bushels applied at the time of delivery, please give instructions to your driver so he/she can let us know. If you are undecided on what you would like to do at that time, the grain will be put into open storage until we are notified. If the grain is not priced within 10 days of being delivered, a storage fee will be charged from the date of delivery.

Reminder: as in the past, there is no averaging of corn or bean discounts at harvest time.

Storage charges on both corn and soybeans will be \$.00164 per bushel per day or \$.05 per month with no minimum at this time. With the size of the crop still an unknown, we may be forced to reconsider putting on a minimum storage fee to protect your coop in the event that we are forced to ship unpriced grain. We will post a notice to inform you of any minimum storage rate to be charged. Grain Bank corn delivered at harvest time will have no storage charges the first two months. A maximum of four months of projected grain bank corn usage will be allowed.

Corn- Corn drying charges will be \$.0225 per bushel per 0.5 percent of moisture over 14% for open storage, grain bank and warehouse receipt, and \$.0225 per each 0.5 percent of moisture over 15% for cash, delayed price and contracted. Shrink has not changed and will remain the same at 0.7% shrink per 0.5 percent of moisture.

Soybean- Soybean moisture discounts will be 1% of cash price per 0.5 point of moisture at 13.1% and over; 2% of cash price discount per 0.5 point at 14.1% and over. Beans with a moisture content of 15.1% and over are subject to rejection or a 3% of cash price discount per 0.5 point.

Checks or ACH Checks or ACH will be issued only by request. Please contact any of our grain offices if you would like us to settle bushels that have been delivered.

Any grain applied to storage this fall, that is not priced by August 31, 2016, will have the storage charges billed to your account. Storage will start accumulating again on September 1, 2016.

Off-farm trucking will be on going this fall but we request a two or three-day notice to help us meet all our customer's requests. We do not haul direct-delivered grain at harvest time.

HTA fees effective 09/01/2015;

Corn \$.03/ Beans \$.05	2015 crop year
Corn \$.06/ Beans \$.10	2016 crop year
Corn \$.09/ Beans \$.15	2017 crop year
Corn \$.12/ Beans \$.20	2018 crop year

Rolling Fee	\$.02 per bushel
Arbitrage Fee	\$.05 per bushel





Energy Report

Jerry Conlon, *Energy Division Manager*

Biofuel In Minnesota

A Biofuel Use Mandate is a law that requires transportation fuel suppliers and retailers to sell bio-blended fuel. In general, as a result of Minnesota's mandates, all motorists who fuel up in Minnesota purchase biofuel blended fuel. The Diesel Fuel Mandate in Minnesota requires a content of 10% biodiesel per gallon from April 1 through September 30. October 1 through March 31 requires a 5% biodiesel per gallon blend. Please keep this in mind on the first of October. There is currently no required mandate for biodiesel in #1 diesel fuel. For more information on the Minnesota Biodiesel program visit: <http://www.mda.state.mn.us/renewable/biodiesel/aboutbiodiesel.aspx>.

PETROFUND

The Minnesota Petrofund Board notified the Minnesota Department of Revenue that it must collect the Petroleum Tank Cleanup Fee of \$.02 per gallon for October, November, December in 2015 and January of 2016. The Minnesota Department of Revenue is required to collect the fee when the Petrofund drops below \$4 million. The fee helps pay for the prevention and cleanup of leaks from petroleum storage tanks.

The Petrofund was created by the Minnesota State Legislature in 1987 in response to federal legislation requiring all owners and operators of regulated underground petroleum storage tanks to show that they have up to \$1 million immediately available to respond to a petroleum tank leak or liability to a third party. To help tank owners and operators fulfill these requirements and to address historical petroleum contamination throughout the state, the legislature made financial assistance available through the Petrofund.

During the time frame stated above, Crystal Valley will add an additional charge of \$.02 per gallon to all petroleum purchases, which will be forwarded to the Minnesota Department of Revenue.

HAPPY *Retirement* ROSIE CHAMBERLEN!

When did you start?

September 13, 1999

What was the state of the co-op at the time you started and throughout your time?

It was Crystal Cooperative - I believe it was only Lake Crystal, Vernon Center and Nicollet at that time - a closer knit family than it is now.

What is your fondest memory?

Working at the elevator with the boys, visiting with the farmers that came in, and my mice friends running across the floor by my desk!

What did you enjoy the most about your job?

Customer contact and just having fun down at the elevator. We worked but we had fun in the process.

What do you plan to do with your retirement?

Spending more time with my kids and grandkids, gardening, the luxury of doing whatever I want on whatever day I choose!

Doesn't seem like it's been almost 16 years, seen a lot of change, miss the close knit group we were when we were smaller.



L-R: Bob Raue (Feed Division Manager), Todd Wihlm (Controller), Rosie Chamberlen, Roger Kienholz (General Manager)



Pictured Above: Rosie's beloved family



Feed Report

Bob Raue, *Feed Division Manager*

Happenings In The Swine Industries

Congratulations to all of the area 4-H members who worked hard throughout the year on livestock projects and earned a ribbon at their local county fair. Also, hats off to all the 4-H leaders in the area. Thank you for your efforts working with our next generation of livestock producers.



Bryan Paulson

Crystal Valley feed department would like to announce the recent hiring of Bryan Paulson as feed salesman. Bryan grew up in the Hanska area and went to school in New Ulm. Bryan has feed sales and service experience and will be working in the LaSalle area calling on livestock producers. Please help us welcome Bryan to our Crystal Valley feed team in the LaSalle area.

What's happening in the swine industry? Some of our staff recently attended a meeting where Steve Dzier, owner of Commodity Professionals, spoke. Steve works with swine producers helping them with their buying and marketing decisions. We are all aware of how the crops look in our immediate area. Record yields and possible large carry-over of corn and beans this fall into next year are predicted. For the swine producer, this will mean lower feed cost if the yields and prediction hold true. Steve mentioned sow expansion is increasing in the U.S. However, not at as high of level as earlier indicated. Earlier talk of increasing sow numbers by 100,000 head may be more like 50,000 head. Market weights have come down this summer, but Steve feels the weights will increase this fall. There is some concern of shackle space being tight this fall. This can have a negative effect on the market. He stressed the importance of having a shackle space agreement with the packer. A positive is the situation in China. China has reduced their sow numbers by 20% (or 11 million head). Steve feels China will need to import more pork to feed its increasing population. Also, our domestic demand and consumption has continued to be strong, possibly due to the value of pork when compared to beef.

Steve had two take home messages. First, FORGET about 2014 hog market prices and pretend it never happened. Do not make marketing decisions based on those markets. They were out of whack with PEDV. The second message is to make sure your market plan is realistic. Manage your risk to what the market will allow and be willing to accept a five to twenty dollar profit. He said sometimes a break-even, or even a small loss, is the right decision.

Fall harvest is just around the corner and we are ready to receive your grain. As a reminder, please let us know when you bring your corn in whether or not you want it stored or to go into grain bank in order for it to be used in your feed.

We appreciate working with you on your feed needs and are always striving to stay abreast of the changes in our industry in order to serve you even better. Be sure to let us know if there is anything we can do to help during this busy time of the year.

*Have a safe harvest this fall.
Your Crystal Valley Feed Team*



Credit Report

Gary Hulke, *Credit Manager*

Assistance With Your Heating Fuel Payments

Propane/heating planning.

Propane prices have been quite attractive over the last couple of months compared to where they have been over the last several years. The price direction moving forward is the unknown at this point. If the winter starts out cold and nasty, we could experience increases in propane prices. If there is lackluster demand, the prices could stay flat.

One means of assistance with your heating cost is locking in a price by contracting your anticipated gallons for delivery this upcoming winter. Many of you have already prepared for that by contracting your propane needs for this upcoming winter. If you have not contracted yet and would like to, you may call our office at (507) 726-6455 or 800-622-2910. Another source of assistance with your heating cost is energy assistance for eligible households.

Energy Assistance.

The heating season is sneaking up on us. Preparations are underway for the energy assistance program to help individuals and families who qualify for energy assistance grants. Funding may not be available until the heating season has already started. The accompanying information shows the income guidelines and contact information for the program.

Household Size	GROSS Income for previous 3 months
1	\$5,987
2	\$7,829
3	\$9,671
4	\$11,514
5	\$13,356
6	\$15,198
7	\$15,543
8	\$15,889

For more information or to receive an application, call: 507-345-6822, 1-800-767-7137 Or visit our website at www.mnvac.org • Application deadline is May 31, 2016

New faces at the Lake Crystal Location



Ann Smith

Administrative Assistant



Serena Groskreutz

Administrative Assistant



Samantha Paap

Administrative Assistant

Can Cash Flow Uphill?

It's that time of the year again. This year's crops have just about run their course and we are starting to focus on next year. With corn and soybean prices dropping, will our yields make up enough ground to cover high land rent and all the inputs needed to maximize our profits? Let's just say the next couple years will not be as easy as the last few. That is no secret, right? Farming isn't always easy. Market trends cycle. This isn't the first, nor the last time pencils will sharpen on the desk of a farmer. Knowing it will be an uphill battle, what can we do to prepare? What can we do to maximize flexibility with the banker while maintaining the ability to reach goals?

The first thing your banker will look at is what kind of working capital you have. On tight years like 2015 and what 2016 is ramping up to be, it is very important to have working capital to create some liquidity for your cash flow. Think of it as "the ol' savings account" or "the rainy day fund". We all can attest bills never seem to go away. With all the iron purchased in 2012/2013, there are still a few years of payments that need to be made. Having working capital can provide a buffer and give you the flexibility to manage your expenses so you can appropriately market your grain. It can increase revenue, instead of being forced to sell at an unfavorable price to pay bills.

Just how much working capital does a producer need? The answer is simple. It all depends on how tight the cash flow is. We look at working capital as collateral for the down payment to an operating note. Therefore, each operation

will look a little bit different. Working capital tends to be based on how much gross revenue is generated. The less profit a cash flow projects in conjunction with higher levels of debt, the more working capital is required. Because lower levels of debt need less cash flow to sustain themselves, lower debt means less working capital required.

Working capital is one of the single most important pieces of the financial puzzle for every operation. However, there is one more factor that every producer needs in order to obtain adequate financing. That factor is "trust". Any relationship needs both parties involved to give 100% to be successful. Financing is not any different. Whether it is good times or bad, it is always important to have a positive trusting relationship with your lender. At AgQuest®, we know it is not always easy being a farmer. We also know finance better than anyone in the industry. With AgQuest® as your partner, it is important that we understand the potential risks not only for ourselves, but also to assist you, the producer, in making educated financial decisions for your operation.



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www.agquest.net

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ADMIN
night out

Thanks to the Crystal Valley Administrative Assistants for all they do to keep our company running smoothly!

Crystal Valley

would like to recognize the following employees for their years of

DEDICATED

service to our patrons.



25 Years

Rose Burgess
Administrative Asst.
Lake Crystal



25 Years

Mark Norell
Feed Delivery
La Salle



20 Years

Steve Enderle
Feed Sales
La Salle



20 Years

Aaron Lachmiller
Custom Applicator
Vernon Center



15 Years

Jim Jung
LP Service Manager
Lake Crystal



15 Years

Tom Hansen
*Payroll Manager/
IT Specialist*
Lake Crystal



5 Years

Nik Samuelson
Custom Applicator
Darfur



5 Years

Kevin Moulder
Custom Applicator
La Salle



INTERNSHIPS

Crystal Valley is now accepting application for 2016 Summer Internships.

- » Agronomy Sales
- » Precision Ag
- » Ag Service Technician
- » Grain Marketing
- » Grain Operations
- » Feed Sales / Operations
- » Information Technology
- » Entry-level Sales

Send resume and cover letter to Ashley Leivermann, Human Resources Director.
ashley.leivermann@crystalvalley.coop | 507-726-4442

Look for Crystal Valley at SDSU, NDSU, SCC, UWRF, SMSU and Ridgewater.

HOW TO APPLY:

Visit the careers section at www.crystalvalley.coop

Congratulations on the successful completion of your 2015 summer internship with Crystal Valley! Good luck with the 2015-2016 school year!





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 www.crystalvalley.coop

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 800-622-2910

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 800-658-2475

Elysian
 507-267-4305
 866-317-3136

Hope
 507-441-0036

**Janesville
 Agronomy**
 507-234-5155
 507-835-1720
 866-458-9886

Grain/Feed/Petro
 507-234-5610
 507-835-3646
 800-201-3646

**Lake Crystal
 Grain**
 507-726-2051
 800-451-3984

Agronomy
 507-726-2057

Petro-Propane
 507-726-6455

LaSalle
 507-375-3468
 507-642-3300
 507-439-6385
 888-544-7687

**Madelia
 Agronomy**
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 800-245-5857

Elevator/Hwy 60
 507-642-8896

Nicollet
 507-232-3453
 800-720-3453

**Vernon Center
 Agronomy**
 507-549-3056

Grain/Feed
 507-549-3722
 888-501-5947

Waldorf
 507-239-2172
 800-569-1321