



Director's Report

Dan Jones, *Board Chairman*

Annual Meeting

The 91st Annual Meeting of Crystal Valley Cooperative was held Tuesday evening, January 30, 2018, at the Verizon Wireless

Center in Mankato. There was a nice crowd of more than 250 people in attendance. Dennis Gardiner, auditor with Gardiner Thomsen CPA's from Des Moines, Iowa, presented the fiscal year 2017 financial report. Total sales for the year were \$258.8 million with \$3,023,884 in local net savings, and a bottom line net savings after taxes of \$4,302,807.

Chairman Dan Jones gave the Director's report and General Manager Roger Kienholz gave his Manager's report on the year's performance. Chairman Jones reviewed the bylaw amendment that raised the minimum amount of patronage business required for producer member voting eligibility from \$5,000 to \$10,000 annually. This amendment stood without opposition and became effective on February 1, 2018. The results of the Director elections were announced with incumbents Bryon Christenson, Tim Lewer, and Gene Meyer being re-elected without opposition.

Immediately following the annual meeting, the board held its reorganizational meeting with the following officers selected to serve one-year terms: Dan Jones as Chairman, Mark Eggimann as Vice-Chairman, and Tim Lewer as Secretary-Treasurer.

Winter Meeting Season

The winter quarter (Dec-Jan-Feb) seems to be the season for meetings in the co-op world. Your board of directors attended several events for training, development and networking with peers and industry representatives over these past few months.

In early December, the entire board attended the CHS Annual Meeting in Minneapolis. Due to some significant losses in several of its business units, CHS announced that there would be no patronage dividends paid for FY2017 business, and no equity revolvment to member cooperatives in 2018.

Several board members attended Director Development Workshops sponsored by Land O' Lakes and the University of Minnesota in early January. March was busy as well, with a three-day board and staff planning retreat, the Minnesota Grain & Feed Association Annual Meeting and Convention, and the regional CoBank Customer Meeting in Minneapolis.

Winter Conference

Many of you attended the Crystal Valley Winter Conference held at the Verizon Wireless Center in Mankato on February 21. Agronomy, Energy, Feed and Grain topics were discussed in the breakout sessions, along with agricultural vendors on hand to visit with customers and answer any questions. There was something there for everybody and, in my opinion, this was as good of a winter producer meeting that I can remember attending. There was a lot of good, useful information presented in a very professional manner by the employees of Crystal Valley. Thank you and congratulations to everyone that had a part in planning this conference.

Spring

Winter is giving way to Spring, and our thoughts are turning from planning to planting. So, everyone, please be safe during this upcoming busy season. Let's hope Mother Nature works with us this year. Thank you for your business!

Have a great spring!



Manager's Report

Roger Kienholz, *General Manager/CEO*

Changes in Senior Leadership

We've had a couple of significant changes on the Senior Leadership Team since the first of the year that I'd like to tell you about.

of Business. Jeff and his wife Misty have twin five-year-old boys and are fully moved in to a new home in North Mankato. We're excited to have Jeff on board with Crystal Valley and look forward to his leadership in the Agronomy Division.

First of all, Dale Botten, our Vice President of Agronomy, retired from Crystal Valley on February 1, 2018, following a highly successful 42-year career in service to Agriculture. Dale began his tenure with us as Crystal Co-op's Agronomy Manager on February 1, 1983, and served in that capacity every day for the next 35 years. Prior to his service with Crystal Valley, Dale worked for Midland Cooperatives from 1976 to 1983 and was a 1976 graduate of the University of Minnesota with a B.S. degree in Ag Business. Dale will be dearly missed at Crystal Valley, and we all wish him and Linda the very best in retirement.



Dale Botten
VP - Agronomy

On April 2, Bruce Lauver retired as Crystal Valley's Vice President of Energy. Although only with us for less than two years, Bruce made several structural and reporting changes within the Energy Division to improve our operational efficiencies and business processes. In retirement, Bruce will be returning to his longtime home in Council Bluffs, Iowa, where he looks forward to spending much more time with his family and grandchildren. All our best goes out to Bruce as well.



Bruce Lauver
VP - Energy

So, with Bruce's retirement, we're thick into the process of searching for a new VP of Energy. My estimate is that it will be sometime during or after the spring planting season before we get a new person hired and in place. Meanwhile, our veteran employees will be able to handle all your needs: Nathan Monroe for Refined Fuels and Lubricants related issues; Jim Jung for all things Propane service related; and Chad Larson for any sales related questions pertaining to gas, diesel, propane and lube oils.



Jeff Hendricks
VP - Agronomy

I am pleased to announce that we have hired Jeff Hendricks as our new VP of Agronomy, starting with Crystal Valley in mid-January. Jeff grew up outside of Detroit, Michigan, and earned his B.S. degree in Crops and Soil Sciences from Michigan State University in East Lansing. He began his agronomy career as a Sales Agronomist with the Caledonia Farmers Elevator in Caledonia, Michigan, and later moved on to become the Agronomy Manager for the Hamilton Farm Bureau cooperative in Hamilton and Wayland, Michigan.

I just recently met our new crop of college interns that will be working with us this summer – quite an impressive group of young men and women! You'll get introduced to them in greater detail in our summer newsletter, but I'm pleased to see such quality individuals pursuing degrees in Agriculture. We're going to need them in the very near future as our baby boomers continue retiring from the workforce.

Most recently, Jeff served as the Agronomy Department Manager for the Michigan Business Unit of CHS, Inc. He has also obtained his Master of Science degree in Agricultural Economics from Purdue University and an MBA from the University of Indiana – Kelly School

Not sure if you all will be planting yet when this newsletter hits your mailbox, but hopefully very soon afterwards.

CRYSTAL VALLEY
COOPERATIVE

Have a safe spring planting season!

DALE BOTTEN RETIRES AFTER 35 YEARS



John Graham, Dan Wallerich, Dale Botten,
Gary Spence, Matt Schoper



Dale with his brother Dean,
sister-in-law Katie and wife Linda

Dale Botten was recognized at the Annual Meeting and a reception in his honor for his 35 years of service to Crystal Coop and Crystal Valley.

While he will be missed greatly, everyone at Crystal Valley wishes Dale the best in his retirement!



Dale with his wife Linda, daughter
Chelsea and son Michael



Agronomy Report

Jeff Hendricks, *Vice President - Agronomy*

Spring Forward

I would like to take a minute to congratulate Dale Botten on his retirement this winter. Dale led the Crystal Valley Agronomy division for 35 years and his service

to Minnesota growers, his employees, and the agriculture industry is greatly appreciated. We all wish him well on his next adventure! I am honored to have been selected to follow in his footsteps and be a part of such a talented, dedicated, and professional team.

April has arrived and it's hard to believe spring is fast approaching. There is fresh snow on the ground after a late winter storm, and the cold temperatures are certainly hanging around. The agronomy operations team has been busy preparing for spring with their rigorous maintenance program. This work is critical to reducing down-time and improving efficiency. The sales and precision agriculture teams have also been busy helping growers prepare for spring, by providing expert recommendations, quality products, and timely information.

This past winter, the Crystal Valley team hosted the first annual Crystal Valley Winter Conference. The meeting

was a great success with strong attendance, great speakers, and solid information for our members. The exciting day gave us an opportunity to showcase our extensive trial work and the value our precision agriculture team can provide to growers. I greatly appreciate the team's hard work in planning and organizing this event and we are looking forward to next year!

We are also excited to announce the completion of the new crop protection warehouse at our Janesville location! This project will provide 18,550 square feet of heated storage space and nearly 130,000 gallons of bulk crop protection product storage. This was an important step in making us more efficient while improving customer service and satisfaction in Janesville. Please feel free to stop by and see the recently completed warehouse.

We are always interested in hearing how we can improve and welcome any suggestions and feedback you have. As you look to spring, please let the agronomy department know how we can meet your needs and help you succeed in the coming year. We thank you for your past patronage and for the opportunity to serve you in 2018 and beyond!

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Agronomy Update

Matt Schoper, *Agronomy Sales Manager*

Planning for Spring

Planting season is just around the corner and it is important to ensure you and your Agronomist are on the same page for a smooth spring. Your Crystal Valley

Agronomist is trying to put last minute plans together for you, so please, communicate any changes that you may have in your personal plans. Couple key items to think about prior to spring planting include:

- » Make sure if you are spraying your own Engenia or Xtendimax this season, that you attend a spraying class to become certified. As a reminder, these products are now restricted use products and you will need your license to pick these up at any of our locations. If you are unaware of where these are being held, please contact your Agronomist and they can help point you in the right direction.
- » Two years ago we had terrible Sudden Death Syndrome in some areas that effected soybean yields dramatically. Once you have SDS in those fields, it doesn't go away, so expect and plan, as in many cases, soybeans will be rotating back into those fields. At Crystal Valley, we encourage the use of ILeVO seed treatment which has positive yield response 84% of the time according to Bayer. ILeVO is the only product that protects against both root rot and foliar phases of SDS. Talk to your Agronomist about protecting your crop with ILeVO, CruiserMaxx or Clariva this spring on your soybean seed.
- » Planter meters and planter inspections are still taking place, we highly encourage you to have Precision Planting staff look over your planter prior

to spring. Taking advantage of the services we offer, will help ensure your crop is going into the ground properly. We offer mobile services, coming right to your farm, please contact Ben Youngerberg or your Agronomist if you would like to learn more or want to set up an appointment to complete work on your planter.

- » We are expecting a very busy spring. Giving advanced notice of fields that need to be sprayed or spread allows everyone to be more efficient. A minimum of 24-hour notice for application in the spring is needed, but to be more efficient, our Agronomists can enter your work orders in prior to the season even starting.



Skylar Hansen

Our newest addition to the Crystal Valley Agronomist group is Skylar Hansen. Skylar started with Crystal Valley in December after graduating from South Dakota State University with a Bachelor of Science Degree in Agronomy and is based out of

the Lakefield location. Skylar grew up on a family farm in the Spencer, IA area where the family raised corn, soybeans and cattle. She had three internships in other retail organizations prior to graduating college. Please help me welcome Skylar to the Crystal Valley Team.

Thank you for your business!



Grain Report

Jeff Spence, Vice President - Grain

Looking forward to Spring...

It seems like it has been a long and cold winter and I am sure all of us are looking forward to spring. Along with the coming of spring, farmers need to decide

how many acres of corn and soybeans to plant. The government has predicted, on its first go around of planted acres, that corn and soybean acres will be almost the same at around 90 million acres each. We believe when we see the final planted acreage guess from USDA on March 29th, bean acres could be even higher than corn. Looking at November soybean futures, they are around \$10.20 and corn December futures are around \$3.95 (at the time of this article). The ratio between corn and beans is 2.58. The last we have seen from economists is when the ratio is higher than 2.30, it says the economic advantage is to plant soybeans. Cash soybeans today in Madelia are \$9.46 and cash corn is \$3.39 for October. We know everyone's cash flow is different depending on many things, but we believe the profit advantage would go to beans at these prices. Also playing into the acreage spread between corn and soybeans, we believe, will be the lack of availability of some farmers to get all the operating loans they are looking for to plant the crop this spring. We know most farmers in our area plant 50/50 corn and soybeans but many farmers prefer to plant a higher percentage of corn for several reasons. Depending on the acre spread between corn and soybeans could have a large effect on their respective prices next fall.

The main reason we have seen the run up in both corn and soybean prices this winter has been the drought in Argentina. It is almost certain South America's corn and soybean harvest will fall below last year's production. How much is still the big question. There has also been a large amount of rain in Brazil delaying their soybean harvest, maybe more important, has delayed planting of their second yearly corn crop. This is very important because if it gets too much later, they will not plant as many corn acres following soybean harvest. If it gets

late, it will get too dry for high yields to justify planting a second crop. Of course, the weather patterns could change in South America and drive our prices back down to post harvest levels.

We have been purchasing more new crop this year than last year with this rise in prices. We believe that these prices deserve to be rewarded with some farmer sales. We have many different contracting options, so please contact one of the Crystal Valley Marketers to help you find a contracting method that will work for your farming operation.

As I write this article, the 199A has been changed. The section 199A has changed for coops back to the way it was before the new tax law in December. Because of this change, Crystal Valley will receive a tax break, some of which will be passed back to our grain customers. If you take the average over the last 5 years, we have passed back \$.064 per bushel on both corn and soybeans, with last year's pass through of \$.16 per bushel. We are not accountants, and don't claim to know how this will affect each of you personally, but we believe with the section 199A, there is a real tax advantage to be selling your grain to a coop like us. Because of the 199A, we have been doing many more direct ship contracts into non-coop processors. Again, please contact one of our Marketers to see if we can help you with a grain sale into a non-coop processor. It could have real ramifications on your next year federal income taxes.

Another new thing that has just popped up is a possible trade war with China. If this talk escalates, it could become a real blow for agricultural products. In our area, the price of soybeans and pork could take the largest hits, and of course, if pork production declines, corn would have an adverse reaction to price with less corn going into feed production. Stay tuned most of this is talk as of now but could become a real issue as we move into spring.

Hope your spring is productive!

Grain Marketing

Ryan Brandts, *Grain Marketer*

Looking Back On This Winter

Looking back on this winter, how the cold and snowy weather didn't want to go away, reminds me of how these markets felt through most of the fall and winter. It seemed like nothing was ever going to change and we were stuck with these low and stagnant markets forever. However, with some Argentina weather problems, and strong demand, we have seen a nice rally in both corn and beans to values we haven't seen since last summer.

On March 8th the USDA WASDE report came out with a surprising increase of 175 million bushels to the 2017-18 corn export picture

now totaling 2.225 billion along with a 50 million bushel jump in ethanol grind. These two drivers led to a 225 million bushel reduction to US carryout now totaling 2.127 bbu. This was nearly 100 million bushels below the average trade guess. Soybeans were not as friendly as ending stocks were increased 25 mbu from last month to 555 mbu as exports were lowered 35 mbu and crush was increased 10 mbu. The report gave corn a nice bump to highs not seen since last summer and left beans with a weaker tone.

Many producers ask how much higher can corn and beans go? That is a question we all wish we had the answers to, but with so much of that discussion hinging on weather, it is hard to come to any concrete conclusions. What we do know is the recent rise in prices has given us an opportunity to sell old and new crop corn and beans at values a few months back that didn't seem possible. With our crop not even in the ground yet, there is the potential for some more fireworks this summer if there is any threat to the U.S.

crop. However, before we get too bullish, we must remember we still have a 2+ billion bushel corn carryout which gives us some cushion if the U.S. has some weather threats.

With the recent push to \$4+ December Corn Futures and \$10+ November Bean Futures we have seen producers get aggressive making old and new crop sales. Depending on a producers APH and breakeven, we feel these are good levels to get some marketing done. Over the last couple of years our rallies haven't lasted long and the producers that sold into those rallies were rewarded. We believe in being proactive in your marketing plan and not reactive. The best marketers develop a marketing plan and stick to that plan. Many times, the best marketing opportunities occur when farmers are busy planting their crops and not watching the markets. If you have any price levels you would like to get some old and new crop priced at, please let us know and we can put offers in at no charge and watch them for you.

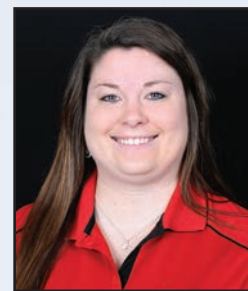
We offer various contracts and programs to help fit your storage and marketing needs. With the new tax law in effect benefiting doing business through the Coop, we have seen an increase in direct ship sales to non-coop processors. There has been a lot of talk in changing the 199A as it has been vigorously debated; however, as of this writing it is still the law for now unless congress makes changes. If you have any questions regarding any of the programs or tools we offer we'd be happy to go over them with you individually at the office or at your farm.



Ryan Brandts
Grain Marketer



Kyle Leary
Grain Marketer



Megan Tusa
Grain Marketer



Bob Bloomgren
Grain Marketer



Energy Report

Jim Jung, *Service Operations*

Thank You!

Propane

Fall was very busy for energy. We want to thank our Ag customers for working with our propane drivers and for being patient this past fall. With a very short harvest season our inventories dropped rapidly, but with the help of our suppliers and transporters we had enough supply to service our customers.

A special thanks to our LP drivers, and to Jim Jung our LP Energy Manager, for working day and night with our customers, suppliers and transporters and keeping Crystal Valley and our customers supplied with propane.

Spring update

Normally we would see a dip in diesel pricing to give us buying opportunities to lock in pricing and supply for spring sales. This year, we saw markets trend more up than down all winter. Nathan Monroe, Refined Fuel Manager, has watched the markets and did a great job in locking in supply at the lows for your spring contracting.

Our recommendation is to keep inventories full and contact buying as we see some dips in the markets. Spring will also see some challenges as we see B-20 enter into the market place. Please contact your sales

team for further information on diesel supply and purchasing.



Bruce Lauver
Vice President - Energy

Personal Note

I retired April 2, 2018. My short time at Crystal Valley has been a great experience and the best company that I've ever had the pleasure to work for. I want to thank all our customers for the loyalty and for all the business they have given to Crystal Valley and the energy team. We have a very highly skilled and dedicated workforce at Crystal Valley, and a big thanks to all of them for helping us move into the future.

I also would like to thank the leadership team and management staff for the hard work and time they have spent on making Crystal Valley the best coop in the upper Midwest.

My sincere thanks to everyone, and wishing the best for Crystal Valley, employees, and patrons.

Thank you and good luck!



Refined Fuels Update

Nathan Monroe, *Delivery Operations*

With planting season right around the corner, it's time to start getting equipment ready. We have a full line of Cenex oil and grease to help everyone out, as well as, ready to take care of all your fuel needs.

If you have any questions, please give us a call.

Offering Cenex Road Master and Ruby Red Field Master fuel, we can deliver your fuel with a personal touch, using drivers that take great pride and care in delivering you the products you need to get the job done. Did you know we have our own monitor system available to help keep your tanks full? This service is offered at no charge for 500 to 2,000-gallon tanks.

This year the soy mandate is as follows:

- » April 1 – April 30, the mandate is for B-10
- » May 1 – Sept 30, it changes to B-20
- » On October 1, 2018 – April 1, 2019 it changes back to B-5
- » April 2, 2019 – Sept 30, 2019 it will be B-20, then changing back to B5

Crystal Valley

would like to recognize
the following employees...



5 Years

Sam Burton
Grain Operations
Lakefield



5 Years

Mitchell Gilman
Senior Software Engineer
Lake Crystal



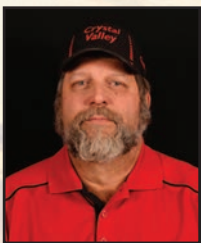
5 Years

Amanda Britton
Agronomy Admin Asst.
Janesville



10 Years

Scott Johnson
Agronomy Sales
Trimont



15 Years

Todd Sittig
Mill Operations
La Salle



15 Years

Lee Kachelmeier
Custom Applicator
Janesville



20 Years

Kevin Jeurissen
Precision Ag Specialist
Madelia



20 Years

Steve Michels
Agronomy Sales
La Salle

...for their years of **DEDICATED**
service to our patrons.



Feed Report

Bob Raue, *Vice President - Feed*

Feed Update

New Employees

Crystal Valley would like to welcome several new employees to our feed team.

- » **Mitch Olson** is a Feed Delivery Driver and lives in Waseca, MN.
- » **Johnathan Johnson** is a Warehouse Operator and will fill in as a delivery driver when needed. Johnathan lives in Janesville, MN. Mitch and Johnathan work at our Janesville location.
- » **Hilary Rossow** is a Feed Administrative Assistant; Hilary lives in Lakefield, MN.
- » **Tyler Allen** is a Feed Delivery Driver and lives in Sherburn, MN. Hilary and Tyler work at our Jackson location.
- » **Andy Bergemann** is in Mill Operations and he will fill in as a Feed Delivery Driver as needed. Andy lives in the Good Thunder, MN area. Andy works at our Vernon Center location.
- » **Julie Mathews** is a Feed Administrative Assistant. Julie lives in Madelia, MN, and works at our Lake Crystal office.

Crystal Valley Winter Conference

Crystal Valley held a Winter Conference for our customers on Wednesday, February 21, 2018, in Mankato at the Verizon Center. The Feed Division hosted a break out session at which Dr. David Wright gave a presentation. Dr. Wright is the Minnesota Secure Pork Supply Coordinator for the Minnesota Board of Animal Health. Dr. Wright gave a presentation concerning a Secure

Pork Supply Plan (SPS). The topic was Preparing for A Foreign Animal Disease. The SPS plan is a voluntary initiative to provide commercial pork producers with a workable continuity of business plan in the event of a Foreign Animal Disease (FAD) outbreak. The plan outlines emergency disease preparedness as well as how to work with state and federal animal health officials. The plan also builds confidence by proving producers can provide a safe supply of pork. For resources that are available to get started on the Secure Pork Supply plan, go to www.securepork.org to review the details of the program, or contact Dr. David Wright at either wright2me.dave@gmail.com or 763-242-7535.

Capital Improvements

The Jackson mill has completed several capital improvements. A new stainless steel, double scaled, rotary system micro table has been installed. Automation upgrades for the mill distributors and the roller mill have also been completed. The upgrades will enable the equipment to be controlled through the computer rather than manually.

Capital improvements have also been done in Janesville. A new triple stacked roller mill with automatic roll adjustment has been installed. A new automated distributor was also installed as part of the project. The installation of the roller mill will speed up the manufacturing process.

Capital improvements scheduled for the Vernon Center and the LaSalle mills will be completed by early summer.

These capital improvements and updates help us serve our customers more efficiently, and we thank you for your support.

Five facts about pigs

1. "Sweating like a pig" is probably not an accurate statement. Pigs don't have sweat glands; they keep cool by rolling in the mud.
2. Pigs are incredibly smart and may even have more mental capacity than 3-year-old humans
3. Baby pigs can recognize their mother's voice, and sometimes the mama sings the piglets a lullaby while they're nursing.
4. Think you can outrun a pig? The mammal is surprisingly fast and can clock a 7-minute mile.
5. While their eyesight isn't great, pigs have an exceptional sense of smell. (That's why truffle hunters employ them to sniff out rare mushrooms.)

Spring Field Work

Spring work has either already begun or will be beginning soon. During this busy time, your Crystal Valley feed team wants you to stay safe and wishes you a great spring.

Thank you

We thank all of you, our customers, for the business you have given us. It is truly appreciated, and we look forward to serving you in the future. Please contact us if there is any way we could assist you with any of your needs.



Together...We Find The Way!

Crop Risk Management is necessary as you begin
planning for your 2018 input costs...

DO YOU HAVE THE COVERAGE YOU NEED?



Ryan Feist
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