



FARM SERVICE COOPERATIVE

MOORHEAD
DENISON
DEFIANCE

IRWIN
HARLAN
PORTSMOUTH

SHELBY
OAKLAND
ATLANTIC

Farmline

DECEMBER 2011

WWW.FSCOOP.COM

Successful Year Improves FSC Balance Sheet

BY GARY JAHN, GENERAL MANAGER



The FSC fiscal year ended August 31 and the auditors have reported the finalized numbers to the FSC Board of Directors. An open fall last year, increased volume in almost all categories, and the ability to catch up on a couple

years' worth of lime application were major contributors to record sales slightly over \$95 million.

As a result, the FSC balance sheet shows an impressive improvement in working capital with member equity now the highest in the company's history. And, best of all, these record savings go back to you, the producers who own FSC, in the form of cash and deferred patronage.

We hope you'll plan to attend the annual meeting to see the complete financial report. Your meeting invitation will be mailed in January.

On page 2 you'll find an article urging you to vote on necessary changes to the FSC Articles of Incorporation. It's been some time since we've made changes to the Articles and now some items need to be addressed, mainly authorizing more stock for your cooperative.

You'll find an update on our construction project in Defiance, when you turn to page 3. This project is well underway and the new fertilizer plant will be ready for the 2012 fall season.

Lastly, though many of you are taking advantage of our Connection Central and the ability to review your FSC account activity online, we encourage more customers to use this tool. If you're not presently enrolled and want to take advantage of easy account information access, please see the instructions on the back page of the newsletter.

As always, on behalf of the Board of Directors and employees I'd like to say "Thank You" for your business and for the opportunity to serve you. ♦



Vote on Articles of Incorporation

You recently received a notice asking you to vote on changes to our Articles of Incorporation. This isn't something we do often; in fact, it has been 25 years since we last made changes. Some proposed changes are minor wording changes while others are necessary for continued growth at FSC. Be assured all changes will benefit FSC members.



Probably the most significant item which needs to be addressed is to increase the amount of authorized stock. FSC has two classes of Preferred Stock—Class B and Class C. Class B Preferred represents stock that FSC received from regional cooperatives such as AGP, CHS, CoBank, and Land O'Lakes, all of which we have allocated to our members. Class C Preferred represents earnings FSC generated from its own assets.

Allocating a portion of each year's savings to members in the form of deferred patronage (in the case of FSC—Class B and C Preferred Stock) is how any cooperative operates. In essence, members are re-investing a portion of their earnings back into the company they own, in the same way they invest in their own farming operations.

Currently, Articles of Incorporation authorize FSC to issue up to \$8,000,000 of Class B Preferred Stock (stock earned from regional cooperative savings). To date, \$4,834,000 has been issued. However, to provide for growth in the future, the FSC Board is recommending we set a new limit of \$15,000,000.

The Articles also provide that FSC can issue up to \$4,000,000 of Class C Preferred Stock (stock earned from local savings). To date, \$3,906,000 has been issued. As you can see, FSC is almost to the limit. The FSC Board is recommending the new limit be \$25,000,000.

Needing to increase these limits is good news, which shows your cooperative continues to grow. Increasing these limits will enable FSC to continue allocating savings to members.

FSC bylaws require the majority of a quorum to vote affirmatively in order to make any changes to the Articles of Incorporation. The FSC Board of Directors recommends that you vote **"YES"** for the amendments to the Articles of Incorporation as proposed. ♦



Amended and Substituted Articles of Incorporation of Farm Service Cooperative

To the Secretary of State of the State of Iowa:

Pursuant to the provisions of Chapter 499 of the Code of Iowa, as amended, the undersigned cooperative corporation adopts the following amended and substituted articles of incorporation:

Article 1 Name and Place Business

The name of this corporation shall be Farm Service Cooperative.

The principal office of this cooperative corporation shall be located in the City of Harlan, Iowa, and at such other places as the board of directors may determine.

Fertilizer Plant Construction Progress

Crews from Stueve Construction will continue work on the Defiance fertilizer building project throughout the winter with an expected completion in spring 2012. It's been over 30 years since FSC added new fertilizer storage capacity; meanwhile, our business has grown. Your own farm operations have also expanded and the way fertilizer is stored and distributed also changed.

Decades ago, FSC built fertilizer storage facilities, ranging from 600 to 2,000 tons, at each location. In those days, bulk fertilizer was spread with six-ton spreaders. Today, fertilizer arrives in your fields as 16-ton tender-truck loads (or by the semi load) to supply floaters equipped with dual product boxes. Those big rigs can cover 650 acres in a good day. As a result, some of our fertilizer buildings go empty in a couple of days and the logistics of re-filling those buildings during the season becomes more challenging each year.

Considering the cost of new construction, equipping each original location with new storage facilities

is prohibitive. Therefore, we needed an alternative plan to deal with this issue.

During strategic planning sessions, the Board of Directors and management of FSC discussed what our agronomy division needed to look like in the future in order to best serve our customers. We also considered where we should place different types of facilities and services.

An important part of this discussion included actually mapping the FSC market share by coloring in the acres where we apply product on a map of the entire trade territory. Studying the historical trend of volume by location and viewing our market share map helped us to decide where FSC should make its first move to improve fertilizer storage capacity.

The fertilizer building at Defiance will hold approximately 12,000 tons of fertilizer. This new fertilizer plant will be equipped to receive or load out 200 tons per hour. The building design also allows for another 5,500 tons of storage to be added to the east, when necessary. All soil compaction tests have already been completed. This will be considered a fertilizer hub because any FSC or Leinen branch location will be able to

pull product from this facility. Having this type of storage will be beneficial since we can fill the building off-season and be completely full before fieldwork begins.

Two 30,000-gallon anhydrous ammonia tanks are also being installed at this location; we're moving one tank from Harlan and the other from Tennant. This will be more efficient than the Defiance location's 24,000 gallons of storage currently located a mile north of Westphalia with the scale in Westphalia. There is already a new 80 x 11 truck scale ready to install at the Defiance site.

Future additions planned for this location include an office, a shop, lime storage, bulk chemical storage, and liquid fertilizer storage.

This is only the first phase of facility growth for FSC. Strategic plans include additional dry fertilizer storage, increased anhydrous storage, additional lime buildings, and liquid fertilizer storage. We also intend to respond to the constant demand for more toolbars, nurse tanks, and agronomy tender equipment, along with the need for additional delivery equipment for the feed and energy divisions. ♦





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VOTE ON ARTICLES
OF INCORPORATION
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Access Your Account Online Easily Through Connection Central

You can review your account with FSC anytime, even before you receive your mailed statement at the end of the month. Click on the Connection Central link on our website, www.fscoom.com.

Activity in Connection Central is live, meaning as soon as the transaction is

complete and posted to your account, you can see it online. This information is in a secured file, so you will need a password to access your information.

Call Suzy Wear or Joan Bruck at 800-452-4372. They will provide your password so you can begin viewing your account today! ♦

Account Sign In

Passcode is case sensitive

User Name:

Passcode:

[Forgot User Name or Passcode](#)

Item	Quantity	Unit Price	Amount	Balance	Account
Right					
Full Pallet	10,200.00	1.1712	\$11,948.24		\$11,948.24
Right Payment					
Right Pallet					

