



Garden City Co-op, Inc.

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Dear Garden City Co-op Members,

Your Co-op has remained profitable and strong through the recent upheavals in the agricultural commodity markets. We have maintained that strength through a sizable capital base, good facilities, and foremost, a committed membership. It is fortunate that we had such a strong base from which to grow. In the last two years we have seen our seasonal operating loan limits increase from \$19 million to a high of \$110 million. Our interest expense grew from \$1.6 million in 2006 to over \$5.3 million last year. Working capital grew from \$2.5 million in 2006 to \$8.5 million last year. It is a good thing we had such a rapid growth in our working capital given the large demand for operating money we have experienced.

It has always been important for our Co-op to be focused on serving its members in their farming operations. The recent volatility and huge capital demands have made that focus even more critical. While the Garden City Co-op remains strong and able to set our own course, we also realize that we are fortunate for now, but our financial stability must be protected for the future.

We want to keep you informed of the priorities that we have set for the Co-op and its management. The first priority is business done with and for our members. We understand that we need to be a competitive provider of products and services or it will be difficult for you to remain committed to your cooperative. We will continue in pursuing business done with non-members only when it creates a competitive advantage allowing us to benefit our members. If we do not constantly review our enterprises to make sure they meet that requirement, then we are taking money from you to subsidize a business better done by another community member.

We have identified three financial goals that we feel will be the most important to improve service to you. First we will continue to improve our financial strength. We are anticipating returning to a position of generating excess capital in the next few years. When we do, the first use of the money will be to retire term debt. We are not carrying much long term debt now, but that is truly our "savings account" to insure that we can meet whatever demands the future may bring. Without our predecessors disciplined approach to debt, we could not have weathered this recent storm so effectively. We will remain disciplined in our approach so that none of us ever has to worry about the ability of our Co-op to live up to our commitments.

The second use for excess capital, as we can generate it, is to continue to modernize and expand grain storage and handling. We have not defined the scope of those projects yet because we are not in the position to move forward. We do realize that continuous improvement of our grain handling facilities is important as we handle more grain at an increasing pace.

The third use is to live out the promise of the cooperative principles and return the money earned back to you through equity retirements. We have appreciated your patience as we have built

our balance sheet to accommodate these recent challenges. We have never forgotten that you need to be rewarded for your committed patronage, so equity retirements remain the third priority.

Over the years the old Garden City Co-op and the partners we have recently merged with have entered a variety of businesses. Every one of those enterprises was started for valid reasons and has provided necessary services. Over time things change and we think it is part of our responsibility to review every enterprise frequently to make sure it is not only a profitable contributor, but also the best use of our member's cash to meet our member's needs. Then we are faced with the difficult decision of how to either continuously improve the enterprise or decide if it is a better fit somewhere else in the community.

This review of enterprises will be uncomfortable and we may all wish that things could just go back to the way they were. The strength of the Garden City Co-op has historically been that we were innovative and unafraid to try new things. We were also disciplined and when something wasn't working or no longer fit, we made the tough call. We, as your elected representatives, promise to continue to have high expectations and execute that disciplined approach. We have directed management to carry out our priorities and efficiently and profitably meet our needs as farmers.

In the spirit of cooperation,
The Garden City Co-op Board of Directors