



# ANNUAL REPORT

Fiscal Year 2010/2011



*Craven*

*Sun Terminal*



*West Warner*



*West Bowdle*



# FROM YOUR BOARD OF DIRECTORS AND MANAGEMENT

It is a pleasure to report on your cooperative's record breaking fiscal year which ended July 31, 2011. As you can see from the operating statement, the past fiscal year was the most profitable in North Central's history. It was also one of the most challenging. Late 2010 brought a below average harvest and reduced grain handling volumes as a result of the limited acres planted due to a very wet spring. A condensed 2011 spring planting season followed, delaying field work up to two months in most areas, presenting even more challenges to both producers and your cooperative.

We have always been a company that learns from the challenges that present themselves. By addressing and adapting to these challenges, we make ourselves stronger than before. Whether it is adding equipment, facilities, or additional employees, our focus remains on the needs of our customer.

The careful planning set in motion years ago showed its benefits this past May and June, with greater sales volume in virtually all agronomy product lines. In 2007, we initiated a plan to double our agronomy division in five years. Not only have we done that, but we have tripled and even quadrupled most of our agronomy product lines in that time period.

We have successfully built up our working capital over the past few years to a level that allows us to obtain a sufficient operating credit line to handle the large volatile market swings now common to the industry. We did this

while also reducing our local leverage ratio to make sure your cooperative stays strong. As a result of this strength, we have been able to increase our capacity to serve our members as well as expand our reach throughout the territory with new locations and additional key personnel. This achievement is a direct testament to the foresight and planning the Board undertook years ago, as well as to our dedicated employee workforce who successfully implemented it.

Looking forward, prospects are good for the coming year. We have facilities and personnel in place to meet the challenges that lie ahead with a goal set for another successful year for you and your cooperative. We continue to keep our eyes on the future, understanding that anticipating our customer needs means planning and preparing and not simply reacting to situations as they happen.

At North Central, we place customer service as our number one priority above profitability. Our mission is to excel at providing high-quality services and products that grow member and cooperative profitability and success. We never take for granted that we exist to add value to our producer's operations and know that we are not successful unless you are. This is reflected in our customer promise: People and programs dedicated to providing solutions to help you succeed.

A big thank you to all of our customers for your continued support and for the opportunity to earn your business in the coming year.



**Richard Osterday**  
Board President

**Keith Hainy**  
General Manager



**Board of Directors:**

**Left to right - front row:** Derek Merkel, Mike Clements, Quentin Larson  
**Left to right - standing:** Glenn Bode, Phillip Shanley, Rick Osterday, Bryan Bauer, Larry Olson, Ken Olson, Jr., Dale Gill, Larry Vetch, Not pictured, Lynn Deibert



The Stockholders and Board of Directors  
North Central Farmers Elevator  
Ipswich, South Dakota

We have audited the accompanying balance sheets of North Central Farmers Elevator as of July 31, 2011 and 2010, and the related statements of operations, patrons' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects the financial position of North Central Farmers Elevator as of July 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Aberdeen, South Dakota  
October 27, 2011



# BALANCE SHEETS

## JULY 31, 2011 AND 2010

	2011	2010
<b>Current Assets</b>		
Cash on hand and in bank	\$ 3,973,405	\$ 11,367,507
Due from commission company	-	6,780,222
	<u>3,973,405</u>	<u>18,147,729</u>
Cash and cash equivalents	3,973,405	18,147,729
Margins account	13,610,742	1,212,397
Marketable securities	9,936	1,982
Notes receivable	1,524,262	1,031,712
Accounts receivable	13,933,046	7,594,985
Less allowance for doubtful accounts	(90,000)	(1,600,000)
Rebates and other receivables	7,721,450	4,898,256
Patron advances	2,919	5,887
Accrued services	746,993	1,731,138
Delayed pricing receivable	2,194,300	1,567,300
Grain in transit	14,401,712	3,638,540
Grain inventory	41,081,445	27,634,192
Merchandise inventory	23,927,955	15,818,285
Prepaid merchandise	2,741,098	1,893,339
Accrued gain, open contracts	18,243,219	3,374,229
	<u>144,022,482</u>	<u>86,949,971</u>
Total current assets	144,022,482	86,949,971
<b>Property and Equipment</b>		
Land	1,363,907	1,196,406
Plant and equipment	75,608,509	65,740,949
Less accumulated depreciation	(30,770,069)	(26,297,204)
	<u>46,202,347</u>	<u>40,640,151</u>
Net property and equipment	46,202,347	40,640,151
<b>Other Assets</b>		
Unamortized loan fees	80,559	113,859
Debt service reserve account	823,845	714,435
Investments in other cooperatives	7,683,132	7,042,171
Other investments	2,353,068	1,790,291
	<u>10,940,604</u>	<u>9,660,756</u>
Total other assets	10,940,604	9,660,756
	<u>\$ 201,165,433</u>	<u>\$ 137,250,878</u>



	<u>2011</u>	<u>2010</u>
<b>Current Liabilities</b>		
Line of credit - ADM-Benson Quinn	\$ 29,428,320	\$ -
Outstanding checks	8,681,359	9,814,564
Patron deposits	9,222,352	5,680,379
Grain contracts payable	51,977,715	43,422,268
Accrued loss, open contracts	3,318,877	1,798,586
Accounts payable and accrued expenses	8,324,328	6,398,144
Unsettled grain payable	3,851,662	951,462
Notes payable - patrons	6,528,819	4,884,066
Long-term debt, current portion	1,144,337	1,241,980
Income taxes payable	76,250	127,000
Patrons' net proceeds payable	1,144,000	616,700
Deferred payable	231,854	-
Deferred revenue	127,840	115,140
	<u>124,057,713</u>	<u>75,050,289</u>
<b>Long-Term Liabilities</b>		
Grain contracts payable	12,044,400	6,011,735
Notes payable, less current portion	21,869,311	20,511,262
Deferred revenue, less current portion	967,410	725,480
Deferred taxes	491,312	415,906
	<u>35,372,433</u>	<u>27,664,383</u>
<b>Patrons' Equity</b>		
Revolving capital	13,598,105	12,198,454
Capital reserve	28,058,863	22,278,826
Educational fund	78,319	58,926
	<u>41,735,287</u>	<u>34,536,206</u>
	<u>\$ 201,165,433</u>	<u>\$ 137,250,878</u>



# STATEMENTS OF OPERATIONS

## YEARS ENDED JULY 31, 2011 AND 2010

	2011	2010
Sales	\$ 515,184,587	\$ 427,489,924
Cost of Sales	485,377,566	408,897,555
Gross Profit	29,807,021	18,592,369
Other Income		
Freight and trucking	840,697	1,486,119
Grinding	30,224	35,544
Storage and handling	3,329,412	4,586,691
Cleaning and treating	1,000,435	675,607
Drying	1,090,167	5,152,616
Less dryer fuel	(399,684)	(2,856,990)
Spreading	2,016,580	987,626
Spraying	1,927,112	1,271,915
Oil department labor	766,022	643,056
Agronomy services	244,174	94,863
Finance charges	314,196	259,704
Interest income	94,692	94,158
Miscellaneous income	334,927	466,376
Total other income	11,588,954	12,897,285
Gross Profit and Other Income	41,395,975	31,489,654
Expenses		
General expenses	25,496,819	22,794,979
Interest expenses	3,875,076	2,257,066
Depreciation	4,914,970	4,248,057
Amortization	33,300	33,300
Total expenses	34,320,165	29,333,402
Operating Income	7,075,810	2,156,252
LLC investment income	449,131	148,720
Patronage refunds	1,530,509	1,909,307
Income Before Income Taxes	9,055,450	4,214,279
Provision for Income Taxes	369,112	194,481
Net Income	\$ 8,686,338	\$ 4,019,798

### STATEMENTS OF PATRONS' EQUITY

#### YEARS ENDED JULY 31, 2011 AND 2010

	Revolving Capital	Capital Reserve	Education Fund	Net Proceeds	Total
Balance, July 31, 2009	\$ 12,488,358	\$ 18,908,746	\$ 74,675	\$ -	\$ 31,471,779
Revolving capital retired	(280,384)	-	-	-	(280,384)
Adjust prior year allocation	(9,520)	23,801	-	-	14,281
Educational fund paid out	-	-	(72,568)	-	(72,568)
Net income	-	-	-	4,019,798	4,019,798
Educational fund	-	-	56,819	(56,819)	-
Capital reserve	-	3,346,279	-	(3,346,279)	-
Patrons' net proceeds - cash	-	-	-	(616,700)	(616,700)
Balance, July 31, 2010	12,198,454	22,278,826	58,926	-	34,536,206
Revolving capital retired	(315,354)	-	-	-	(315,354)
Adjust prior year allocation	(995)	32,018	-	-	31,023
Educational fund paid out	-	-	(58,926)	-	(58,926)
Net income	-	-	-	8,686,338	8,686,338
Educational fund	-	-	78,319	(78,319)	-
Capital reserve	-	5,748,019	-	(5,748,019)	-
Patrons' net proceeds	1,716,000	-	-	(2,860,000)	(1,144,000)
Balance, July 31, 2011	\$ 13,598,105	\$ 28,058,863	\$ 78,319	\$ -	\$ 41,735,287

# STATEMENTS OF CASH FLOW

## YEARS ENDED JULY 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Operating Activities		
Net income	\$ 8,686,338	\$ 4,019,798
Adjustments to reconcile net income to net cash from (used for) operating activities:		
Depreciation	4,914,970	4,248,057
Amortization	33,300	33,300
Gain on disposal of fixed assets	(234,436)	(109,295)
Noncash patronage refunds	(947,751)	(1,187,452)
Noncash investment income	(449,131)	(148,720)
Deferred taxes	75,406	(246,151)
Deferred revenue	254,630	272,080
Changes in assets and liabilities:		
Receivables	(45,841,649)	3,441,564
Prepaid merchandise	(847,759)	(1,566,790)
Inventories	(21,556,923)	(552,857)
Payables	17,375,832	(4,532,460)
Long-term grain contracts	6,032,665	866,239
Educational fund paid out	(58,926)	(72,568)
Net Cash from (used for) Operating Activities	<u>(32,563,434)</u>	<u>4,464,745</u>
Investing Activities		
Purchase of property	(10,536,504)	(7,561,481)
Proceeds from sale of property	409,936	158,610
Payment (advances) on notes receivable	(492,550)	239,263
Payments on debt service reserve	(109,410)	(107,967)
Purchase of investments	(249,272)	-
Distributions and retirement of investments	434,462	774,346
Net Cash used for Investing Activities	<u>(10,543,338)</u>	<u>(6,497,229)</u>
Financing Activities		
Net borrowing on short-term debt	31,073,073	1,320,512
Proceeds from long-term debt	-	4,500,000
Payments on long-term debt	(1,239,594)	(6,191,174)
Patronage dividends paid	(585,677)	(1,485,719)
Purchase of stock and patrons' equity	(315,354)	(280,384)
Net Cash from (used for) Financing Activities	<u>28,932,448</u>	<u>(2,136,765)</u>
Net Change in Cash and Cash Equivalents	(14,174,324)	(4,169,249)
Cash and Cash Equivalents, Beginning of Period	<u>18,147,729</u>	<u>22,316,978</u>
Cash and Cash Equivalents, End of Period	<u>\$ 3,973,405</u>	<u>\$ 18,147,729</u>
	<u>2011</u>	<u>2010</u>
Supplemental Disclosure of Cash Flow Information		
Cash payments for:		
Interest	\$ 3,373,139	\$ 2,257,066
Income taxes	<u>344,456</u>	<u>449,632</u>
Supplemental Disclosure of Investing and Financing Activities		
Patronage dividends payable	<u>\$ 1,144,000</u>	<u>\$ 616,700</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Long term debt financing included in other receivable	\$ 2,500,000	\$ -
Accounts payable incurred for property acquisitions	116,162	83,119
CHS, Inc. stock received as an equity retirement	<u>-</u>	<u>110,896</u>

# NOTES TO FINANCIAL STATEMENTS

## JULY 31, 2011 AND 2010

### NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

North Central Farmers Elevator (the Cooperative) is an agricultural cooperative organized for the purpose of marketing grain, supplying merchandise and providing service to its patrons. Revenues consist of grain sales and services (75-80%), agronomy (12-18%), petroleum sales and services (5-6%) and other (2%).

#### Cash and Cash Equivalents

The Cooperative considers checking, money market funds, deposits with the commission company, and all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant accounting estimates reflected in the Cooperative's 2011 and 2010 financial statements include the following:

**Grain Inventories.** - Grain inventory quantities are based on measurements. Grain inventory is priced at local market including adjustment to market for estimated quality. These methods are consistent with acceptable industry practices. These estimated amounts may change materially within the near term.

#### Concentration of Credit Risk

Due to the nature of its business operation, the Cooperative grants unsecured credit to its customers, substantially all of whom are local residents engaged in agri-business.

The Cooperative maintains its cash balances in several financial institutions. The balances in the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time the Cooperative's bank balances exceed this limit.

#### Receivables and Credit Policies

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days of the invoice date. Unpaid trade receivables with invoice dates over 30 days old bear interest at 1.5% per month. Payments for trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to earliest unpaid invoices.

Trade receivables are stated at the amount billed to the customer plus any accrued and unpaid interest. Customer account balances with invoices dated over 120 days old are considered delinquent. Interest continues to accrue on delinquent accounts until payment on the account is received. At July 31, 2011 and 2010, accounts receivable with balances greater than 90 days old were \$257,883 and \$1,672,127, respectively.

The carrying amount of trade receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management reviews all trade receivable balances that exceed 120 days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected.

#### Derivative Instruments and Hedging Activities

The Cooperative recognizes all derivatives on the balance sheets at fair value. Derivatives that are not formally designated for accounting purposes as hedges are adjusted to fair value through income. If derivatives are designated as hedges, depending on the nature of the hedge, changes in the fair value of the derivatives are either offset against the change in fair value of assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings.

#### Inventories and Related Contracts

The Cooperative enters into exchange-traded futures contracts to reduce price risk caused by market fluctuations. By using exchange-traded futures contracts the Cooperative minimizes risk from market price fluctuations of grain inventories, forward cash purchase and sales contracts.

Grain inventories are stated at year end market bid price to producers. Exchange-traded futures contracts, forward cash purchase contracts, and forward cash sales contracts are valued at market price.

Changes in the market value of grain inventories, forward cash purchase and sales contracts, and exchange-traded futures contracts are recognized in earnings immediately. Unrealized gains on forward cash purchase contracts and forward cash sales contracts are classified on the Cooperative's balance sheets as current assets. Unrealized losses on forward cash purchase contracts and forward cash sales contracts are classified on the Cooperative's balance sheets as current liabilities. Net unrealized gains and losses on exchange-traded future contracts are included with margin account cash on deposit, and shown as "Margin account equity" on the balance sheets. The margin account equity is classified on the Cooperative's balance sheets as a current asset.

The Cooperative values merchandise inventories at the lower of cost or market with cost determined on the first-in, first-out (FIFO) basis.

#### Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful life of the units of property and equipment. Expenditures for maintenance and repairs are charged to income as incurred. Additions and betterments are capitalized. The cost and related accumulated depreciation of property and equipment sold or otherwise disposed of are removed from the accounts and gain or loss is reported as current year's revenue or expense. The range of estimated useful lives is as follows:

Descriptions	Estimated Useful Lives
Buildings	7 - 40 years
Equipment	5 - 20 years
Vehicles	4 - 10 years

#### Investments

Investments in cooperatives held by the Cooperative are stated at cost and consist primarily of stock and deferred equities. The Cooperative believes it is not practical to estimate the fair market value of such investments.

The Cooperative has ownership interests in agriculture-related limited liability companies or partnerships. The investment in these entities is reported using the equity method, which is the Cooperative's original cost plus the proportionate share of undistributed earnings and losses, less cash distributions received.

## Income Taxes

Deferred income tax assets and liabilities are determined using the liability method. Under this method, the net deferred income tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

The Cooperative has adopted the provisions of FASB Accounting Standards Codification Topic ASC 740-10 (previously Financial Interpretation No. 48, Accounting for Uncertainty in Income Taxes). The Cooperative will recognize future accrued interest and penalties related to the unrecognized tax benefits in income tax expense if incurred. The Cooperative is no longer subject to federal tax examinations by tax authorities for year before 2007 and North Dakota state examinations for years before 2007.

## Fair Value Measurements

The Cooperative determined the fair value of certain assets in accordance with the provisions of FASB Accounting Standards Codification Topic ASC 820, Fair Value Measurements, which provides a framework for measuring fair value under generally accepted accounting principles.

Fair value is defined as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. It is required that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The standard also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the related asset. Level 3 inputs are unobservable inputs related to the asset.

## Presentation of Taxes

The State of South Dakota and cities within the State impose a sales tax on certain sales to non-exempt customers. The Cooperative collects that sales tax from customers and remits the entire amount to the State. The Cooperative's accounting policy is to exclude the tax collected and remitted to the State from revenue and cost of sales.

## Employee Lease

At times during the year, the Cooperative leased employees to companies of which the Cooperative has an invested interest. The lease includes employees' salaries, taxes and employee benefits. Employee lease income for the years ended July 31, 2011 and 2010 was \$257,765 and \$287,491, respectively.

## Advertising

Advertising costs are expensed as incurred. The advertising cost was \$419,875 and \$346,284 for the years ended July 31, 2011 and 2010, respectively.

## Loan Fees

Other assets subject to amortization include loan fees. Loan fees are being amortized on a straight-line basis over the life of the related loan.

## Debt Service Reserve

The Cooperative maintains a debt service reserve account in accordance with loan agreements. The Cooperative is required to make one payment of \$100,000 per year.

## Pension Plan

The Cooperative participates in a multi-employer defined benefit and 401(k) pension plans covering all eligible employees. Contributions to the plan are administered by an independent trustee and are charged to expense as payments are made to the fund.

## Subsequent Events

The Cooperative has evaluated subsequent events through October 27, 2011, the date which the financial statements were available to be issued.

## NOTE 2 - NOTES RECEIVABLE

Notes receivable are due from the following:

	2011	2010
Prescription Agronomics, LLC, 6% note due December 31, 2011	\$ 1,524,262	\$ 1,031,712
Total	\$ 1,524,262	\$ 1,031,712

## NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable aging analysis:

	2011	2010
0-30 days	\$ 12,294,563	\$ 4,443,041
31-60 days	1,156,134	693,641
61-90 days	224,466	786,176
Over 91 days	257,883	1,672,127
Total	\$ 13,933,046	\$ 7,594,985

## NOTE 4 - INVENTORIES

The major classifications of the grain and merchandise inventories are:

	2011	2010
Grain:		
Wheat	\$ 11,789,753	\$ 13,909,893
Other small grains	27,920	56,491
Corn	26,703,509	14,000,469
Soybeans	12,425,952	8,659,537
Sunflowers	101,019	72,841
	51,048,153	36,699,231
Storage Liability	(9,966,708)	(9,065,039)
	41,081,445	27,634,192
Merchandise:		
Agronomy department	18,662,179	12,098,282
Feed department	2,886,419	2,209,302
Oil department	2,610,377	1,707,921
	24,158,975	16,015,505
Less merchandise reserve	(231,020)	(197,220)
	23,927,955	15,818,285
Total	\$ 65,009,400	\$ 43,452,477

# NOTES TO FINANCIAL STATEMENTS

## JULY 31, 2011 AND 2010

### NOTE 5 - MARKET POSITION

The net cash position consists of the following:

Wheat (bu)	Oats (bu)	Corn (bu)	Soybeans (bu)	Sunflowers (cwt)
47,804	5,554	34,368	4,267	3,523

The net basis position consists of the following:

Wheat (bu)	Corn (bu)	Soybeans (bu)
1,267,863	766,968	(913,963)

### NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2011	2010
Land	\$ 1,363,907	\$ 1,196,407
Building	34,344,247	30,642,447
Equipment	31,260,987	26,951,245
Vehicle	10,003,275	8,147,256
	<u>\$ 76,972,416</u>	<u>\$ 66,937,355</u>

The following construction in progress is included with buildings:

	Paid to Date	Estimated Cost to Complete	Estimated Total Cost
Fertilizer plant upgrades	-	\$ 850,000	\$ 850,000
Grain scales and probes	87,100	22,900	110,000
Office buildings	106,800	2,193,200	2,300,000
Other	134,200	984,800	1,119,000
Total	<u>328,100</u>	<u>\$ 4,050,900</u>	<u>\$ 4,379,000</u>

### NOTE 7 - INVESTMENTS

The Cooperative has the following investments in other organizations:

	Owner %	Investment 7/31/2010	Undistributed Income (Loss)	Contributions (Distributions)	Investment 7/31/2011
Dakotaland Feeds, LLC	23.00%	\$ 891,849	\$ 154,540	\$ (115,000)	\$ 931,389
Prescription Ag, LLC	50.00%	54,874	255,268	(12,672)	297,470
North Star Energy, LLC	47.46%	602,276	48,292	1,539	652,107
Other	Varies	241,292	(8,969)	239,779	472,102
Total		<u>\$ 1,790,291</u>	<u>\$ 449,131</u>	<u>\$ 113,646</u>	<u>\$ 2,353,068</u>

The Cooperative has the following investments in other cooperatives:

	Investment 7/31/2010	Additions	Retirements	Investment 7/31/2011
CHS, Inc.	\$ 4,680,765	\$ 308,786	\$ (118,044)	\$ 4,871,507
Land O'Lakes, Inc.	2,167,441	631,473	(184,108)	2,614,806
Other	193,965	7,492	(4,638)	196,819
Total	<u>\$ 7,042,171</u>	<u>\$ 947,751</u>	<u>\$ (306,790)</u>	<u>\$ 7,683,132</u>



### NOTE 8 - MORTGAGES AND NOTES PAYABLE

Short-term debt is as follows:

	2011	2010
Patron demand notes (unsecured), 2% - 2011 and 2010	<u>\$ 6,528,819</u>	<u>\$ 4,884,066</u>

Long-term debt is as follows:

	Payment Schedule	Payment Amount	Maturity	Interest Rate	2011	2010
Farm Credit Services of America	Quarterly	\$ 37,197	3/31/2011	4.95%	\$ -	\$ 105,048
Farm Credit Services of America	Quarterly	193,703 (plus interest)	1/1/2017	4.73%	3,644,668	4,196,825
Farm Credit Services of America	Quarterly	89,065	6/30/2012	6.27%	-	267,575
Farm Credit Services of America	Quarterly	105,351	8/1/2018	4.63%	2,500,000	-
Dakotas II, LLC - term note A	Balloon	-	2/1/2014	7.04%	7,075,000	7,075,000
Dakotas II, LLC - term note B	Balloon	-	2/1/2037	6.30%	2,425,000	2,425,000
ABC Regional Rail Authority	Yearly	268,525	1/1/2017	4.50%	1,391,319	1,588,489
Rural Electric Economic Development	Quarterly	33,047	12/25/2016	5.75%	611,776	705,399
Dakotas III, LLC	Balloon	-	2/1/2015	3.75%	5,320,000	5,320,000
Toyota Financial Services	Monthly	1,422	9/14/2013	0.90%	36,991	54,062
Toyota Financial Services	Monthly	572	11/14/2012	0.90%	9,094	15,844
Total					<u>23,003,668</u>	<u>21,753,232</u>
Less current portion					<u>1,144,337</u>	<u>1,241,980</u>
					<u>\$ 21,869,331</u>	<u>\$ 20,511,262</u>

The mortgages are all secured by real estate, buildings and fixtures owned by the Cooperative. All property securing mortgages are in Edmunds and Faulk Counties, South Dakota.

Long-term debt maturities are as follows:

2012	\$ 1,144,337
2013	1,278,956
2014	8,403,472
2015	6,715,143
2016	1,468,211
Thereafter	4,003,529
	<u>\$ 23,013,648</u>

Significant covenants of the Farm Credit Service of America agreement are as follows:

**Working Capital:** The Cooperative shall maintain a working capital (current assets minus current liabilities) of \$7,500,000 at year-end.

**Debt Coverage Ratio:** The Cooperative shall maintain a debt coverage ratio of 1.25 to 1 at year-end.

## NOTE 9 - LINE OF CREDIT

The Cooperative has the following line of credit, which comes due every March 31 and can be renewed annually. The credit line has a variable interest rate, currently 2.5%, and is payable upon demand. In addition, there is a term line of \$1,000,000, which expires on March 31, 2013. The Cooperative has pledged all Cooperative current assets as collateral and agreed to maintain working capital amounts to secure and maintain the line of credit. The provisional overline portion can only be drawn upon after approval from ADM-Benson Quinn. Terms are as follows:

	<u>2011</u>	<u>2010</u>
ADM-Benson Quinn		
Seasonal operating line	\$ 50,000,000	\$ 50,000,000
Provisional overline	50,000,000	25,000,000
	<u>\$ 100,000,000</u>	<u>\$ 75,000,000</u>
Term note due date	<u>3/31/2013</u>	<u>3/31/2012</u>

There was an outstanding advance of \$29,428,320 on the line of credit at July 31, 2011. There were no advances on the line of credit at July 31, 2010. Significant covenants of the agreement are as follows:

**Working Capital:** The Cooperative shall maintain a working capital (current assets minus current liabilities) of \$7,500,000.

**Local Net Worth:** The Cooperative, shall at all times, maintain a local net worth (total net worth less any investments and equities in other corporations, partnerships or cooperatives) of no less than \$15,000,000.

## NOTE 10 - GRAIN CONTRACTS PAYABLE

The Cooperative has the following current credit-sales contracts outstanding:

	<u>2011</u>	<u>2010</u>
Deferred payment, interest at 2% short-term and 4% long-term	\$ 33,782,116	\$ 26,002,235
Delayed pricing	17,655,904	16,367,871
Basis fixed	539,695	1,052,162
	<u>\$ 51,977,715</u>	<u>\$ 43,422,268</u>

## NOTE 11 - GRAIN CONTRACTS PAYABLE - DEFERRED

The Cooperative has the following long-term credit-sale contracts outstanding with a due date greater than one year.

Due in the Year Ended July 31:	
2013	\$ 9,199,115
2014	1,741,047
2015	525,630
2016	145,152
2017	112,363
Thereafter	321,093
	<u>\$ 12,044,400</u>

## NOTE 12 - CONDO STORAGE

The Cooperative has entered into two 15 year condo storage contracts with patrons. These contracts lease storage space to patrons for a total fee \$1.45 and \$1.70 per bushel with \$0.08 and \$0.05 per bushel fee per year. This storage space currently can only be used for corn, soybeans and wheat. Residual guaranteed buy back value after 5 years will be \$0.80 and \$0.85 per bushel, reduced by \$0.08 and \$0.05 per year thereafter.

Condo Storage Contracts	<u>2011</u>	<u>2010</u>
Total storage space leased - bushels	1,275,000	1,170,000
Total income recorded from contracts	\$ 381,880	\$ 254,040
Total deferred revenue	\$ 1,095,250	\$ 840,620

## NOTE 13 - FAIR VALUE MEASUREMENT

The following table presents assets and liabilities included in the balance sheets that are recognized at fair value on a recurring basis and, indicates the fair value hierarchy utilized to determine such fair value. Assets are classified, in their entirety, based on the lowest level of input that is a significant component of the fair value measurement.

Fair Value Measurements at July 31, 2011				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Exchange-traded commodity instruments	\$ 4,188,525	\$ -	\$ -	\$ 4,188,525
Grain inventories	-	41,081,445	-	41,081,445
Forward contracts, gain	-	18,243,219	-	18,243,219
Liabilities:				
Forward contracts, loss	-	3,318,877	-	3,318,877

Fair Value Measurements at July 31, 2010				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Exchange-traded commodity instruments	\$ 5,247,853	\$ -	\$ -	\$ 5,247,853
Grain inventories	-	27,634,192	-	27,634,192
Forward contracts, gain	-	3,374,229	-	3,374,229
Liabilities:				
Forward contracts, loss	-	1,798,586	-	1,798,586

# NOTES TO FINANCIAL STATEMENTS

## JULY 31, 2011 AND 2010



### NOTE 14 - PENSION PLANS

The Cooperative participates in a defined contribution thrift plan (401(k)). Under the terms of the plan, qualifying employees may elect to contribute to the plan a percentage of their compensation; such contributed compensation may be partially matched by the Cooperative up to the maximum of 2%. The Cooperative contributed to the thrift plan for the years ended July 31, 2011 and 2010.

The Cooperative participates in the Co-op Retirement Plan, which is a multiple-employer defined benefit plan that covers substantially all of their employees. The Cooperative made contributions and paid administration costs for the years ended July 31, 2011 and 2010.

Cooperative contributions and costs on behalf of its employees for years ended July 31, 2011 and 2010 were \$1,127,047 and \$1,081,414, respectively.

### NOTE 15 - INCOME TAXES

The Cooperative pays income taxes on savings that are not allocated to patrons. The provision for income taxes consists of the following:

	2011	2010
Taxes currently payable:		
Federal	\$ 293,706	\$ 440,631
Deferred income taxes	75,406	(246,150)
<b>Total provision for income taxes</b>	<b>\$ 369,112</b>	<b>\$ 194,481</b>

Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to the depreciation of property and equipment using the straight-line method for financial statement reporting and the use of federal income tax lives and methods that are primarily shorter and allow for the use of accelerated methods like bonus depreciation and the cost of capitalized inventory. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

The deferred tax assets and liabilities in the accompanying balance sheets include the following components as of July 31, 2011 and 2010.

	2011	2010
Deferred tax assets	\$ 181,983	\$ 207,582
Deferred tax liabilities	(673,295)	(623,488)
<b>Deferred tax asset (liability)</b>	<b>\$ (491,312)</b>	<b>\$ (415,906)</b>

The following is a reconciliation between income tax expense at the statutory rate applied to income before income tax and income tax expense are recorded in the statements of operations:

	2011	2010
Statutory rates applied to income before taxes	\$ 3,079,000	\$ 1,432,300
Reduction for income allocated to patrons	(972,400)	(209,678)
Reduction for domestic production activities deduction	(1,356,000)	(1,311,000)
Reduction of tax depreciation in excess of depreciation for financial reporting	(266,000)	(347,099)
Addition/Deduction for allowance for doubtful accounts	(544,000)	544,000
Others	353,106	332,108
	<b>\$ 293,706</b>	<b>\$ 440,631</b>

### NOTE 16 - PATRONS' NET PROCEEDS PAYABLE

Patrons' net proceeds are debts which were unconditionally payable to patrons in cash and were current liabilities on the balance sheet dates. Each patron had subscribed an equal amount to the revolving capital and the Board of Directors, in their sole discretion, can accept up to 80% of the subscriptions and collect them by setting off each subscriber's debt to the Cooperative for his subscription against the debt to him. Because current liabilities will thus be reduced and the revolving capital increased by the Board approved percent of the patrons' proceeds payable in equity, that amount has been excluded. The Board of Directors approved that 60% and 0% of the subscriptions should be offset against the debt for the years ended July 31, 2011 and 2010, respectively.

### NOTE 17 - PATRONS' EQUITY

Organized Without Capital Stock

At a special meeting on February 7, 2006, the members of the Cooperative approved restated articles of incorporation and by-laws changing to a membership cooperative association organized without capital stock.

#### Revolving Capital

The revolving capital account was established for the purpose of acquiring non-stock capital. The revolving capital credits are non-dividend bearing. The Cooperative maintains a record of the holders of these credits and amounts allocated to each holder. The principal source of additions to the revolving capital credits is the contribution by each patron of his share of the patrons' net proceeds. Revolving capital credits may be retired at any time by the discretion of the Board of Directors. Revolving capital credit retired during the periods ended 2011 and 2010 was \$315,354 and \$280,384, respectively. The Cooperative holds a first lien on each revolving capital credit for any indebtedness of the holder to the Cooperative.

#### Capital Reserve

The capital reserve account was established for the purpose of providing a reserve against which this Cooperative may charge losses and other charges which properly could be charged against the surplus of a business corporation for profit. In accordance with the Cooperatives' by-laws, an amount was determined by the Board of Directors for the 2011 and 2010 net proceeds and all of the non-patron net proceeds were deducted from the net proceeds and transferred to the capital reserve.

### NOTE 18 - LEASES

The Cooperative has entered into several agreements to lease equipment and real estate. These leases are based upon scheduled terms of one to five years with options of renewal on certain leases. Several of the leases provide for buy-out provisions at the end of the lease term. Lease and rent expense under terms of the leases and operating rentals was \$2,250,820 and \$1,181,279 for 2011 and 2010, respectively.

Future minimum lease payments are as follows:

2012	\$ 1,537,173
2013	1,314,744
2014	1,127,344
2015	859,537
2016	290,354
	<b>\$ 5,129,152</b>



**NOTE 19 - COMMITMENTS AND CONTINGENCIES**

The Cooperative is contingently liable for the grain stored for others at its facility. The Cooperative guarantees the quantity and quality of all grains stored to be the same as when the grain was received. Stored grain consists of warehouse receipts, grain bank, and open storage.

A contingency exists for either gains or losses on exposed market positions resulting from market price or basis changes, either up or down, from prices at the balance sheets date. Grain market positions are affected by buying and/or selling actual grain commodities or grain contracts. The market position indicates the Cooperative's position at the close of business on the balance sheets date.

The Cooperative is contingently liable for any tax assessments that may arise regarding returns which have not had final acceptance by tax authorities.

The Cooperative is contingently liable for any future costs which may arise by directive of federal and state regulatory agencies, relating to air, water and waste management in the handling of agricultural products.

The Cooperative is the general partner of several limited partnerships. The purpose of the limited partnerships is to own grain storage facilities adjacent to and utilize the elevating, handling and related facilities of the Cooperative. The partnership leases unto the Cooperative and the Cooperative rents the facility with conditions and terms set forth. The partnerships have borrowed funds from Farm Credit Services of America, Omaha, Nebraska. The limited partners are obligated for their share of their investment. As a guarantor of the indebtedness owed on July 31, 2011 and 2010 in connection with the financing arrangement, the Cooperative is contingently liable for \$895,192 and \$75,006, respectively.

The Cooperative guarantees to Farm Credit Services of America notes, indebtedness, and liability incurred by Prescription Agronomics, LLC, Ipswich, South Dakota, of which the Cooperative is a 50% owner. The operating line of credit available is \$300,000 with an outstanding balance on July 31, 2011 and 2010 of \$299,985 and \$299,900, respectively. The long-term note balances as of July 31, 2011 and 2010 were \$151,871 and \$246,574, respectively. The Cooperative is contingently liable for the above balances with their unlimited guarantee.

The Cooperative guarantees to Farm Credit Services of America, payment due on that certain note, indebtedness and liability incurred by North Star Energy, LLC; Selby, South Dakota of which the Cooperative is a 47.46% owner. Their operating line of credit available is \$250,000. There was no outstanding balance on the line of credit as of July 31, 2011 and 2010. The long-term note balance as of July 31, 2011 and 2010 was \$58,714 and \$76,781, respectively. As a guarantor of the indebtedness owed in connection with the financing arrangement, the Cooperative is contingently liable up to the maximum amount of 59% of the term loan. The contingent liability as of July 31, 2011 and 2010 was \$34,642 and \$45,554, respectively.

Montana Dakota Utilities Company, Bismarck, North Dakota, is the beneficiary of a \$386,191 irrevocable letter of credit issued by Dacotah Bank, Aberdeen, South Dakota. Montana Dakota Utilities Company installed infrastructure to distribute natural gas to North Central Farmers Elevator at the West Bowdle location. For a term of five years, Montana Dakota Utilities Company has the ability to draw on the line of credit to recoup costs associated with the infrastructure additions if certain projected consumption targets are not met. The letter of credit has an expiration date of October 1, 2015. The amount of the letter of credit may reduce annually dependent upon consumption of natural gas. A certificate of deposit for \$200,000 issued by Dacotah Bank has been pledged as security. No amounts had been drawn on the letter of credit as of July 31, 2011.

Montana Dakota Utilities Company, Bismarck, North Dakota, is the beneficiary of a \$1,700,000 irrevocable letter of credit issued by Dacotah Bank, Aberdeen, South

Dakota. Montana Dakota Utilities Company installed infrastructure to distribute natural gas to North Central Farmers Elevator at the Craven and Sun Terminal locations. For a term of five years, Montana Dakota Utilities Company has the ability to draw on the line of credit to recoup costs associated with the infrastructure additions if certain projected consumption targets are not met. The letter of credit has an expiration date of February 1, 2017. The amount of the letter of credit may reduce annually dependent upon consumption of natural gas. A certificate of deposit for \$500,000 issued by Dacotah Bank has been pledged as security. No amounts had been drawn on the letter of credit as of July 31, 2011.

The aggregate amount of required payments for the purchase of natural gas at July 31, 2011 is as follows:

2012	\$ 17,853
2013	171,356
2014	171,356
2015	171,356
2016	368,901
2017	1,853,503
<b>Total</b>	<b>\$ 2,754,325</b>

The Cooperative has entered into an agreement with the Cooperative Finance Association, Inc. (CFA) to provide financing to certain patrons of the Cooperative for purchases of goods and services from the Cooperative. The loan fund available to the Cooperative is \$7,500,000. The Cooperative guarantees for non-collectable patron loan amounts at one of the three levels, 0%, 10%, 30%, or 100%. The amount of aggregate guarantee at any one time is not to exceed \$1,200,000. As a guarantor of the indebtedness owed in connection with the financing arrangement, the Cooperative is contingently liable for the \$857,771.

**NOTE 20 - RELATED PARTY TRANSACTIONS**

The Cooperative conducts business with three of the companies in which it is an owner. The transactions are made at arm's length through the normal course of business. The details of accounts and dollar amounts involved as of and for the years ended July 31, 2011 and 2010 are as follows:

	2011	2010
<b>Purchases</b>		
North Star Energy	\$ 255,113	\$ 1,360,093
Prescription Agronomics, LLC	1,627,859	348,087
Dakotaland Feeds, LLC	129,534	88,603
	<u>\$ 2,012,506</u>	<u>\$ 1,796,783</u>
<b>Sales</b>		
North Star Energy	\$ 15,782	\$ 11,703
Prescription Agronomics, LLC	3,350,183	2,829,580
Dakotaland Feeds, LLC	2,750,149	1,504,013
	<u>\$ 6,116,114</u>	<u>\$ 4,345,296</u>
<b>Accounts Payable</b>		
Prescription Agronomics, LLC	\$ 8,497	\$ (26,858)
Dakotaland Feeds, LLC	-	276
	<u>\$ 8,497</u>	<u>\$ (26,582)</u>

# NOTES TO FINANCIAL STATEMENTS

## JULY 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Accounts Receivable		
North Star Energy	\$ 3,451	\$ 188
Prescription Agronomics, LLC	66,100	54,291
Dakotaland Feeds, LLC	<u>261,312</u>	<u>127,596</u>
	<u>\$ 330,863</u>	<u>\$ 182,075</u>
Notes Receivable		
Prescription Agronomics, LLC	<u>\$ 1,524,262</u>	<u>\$ 1,031,712</u>
Employee Lease		
Prescription Agronomics, LLC	<u>\$ 225,319</u>	<u>\$ 273,850</u>
Interest Income		
Prescription Agronomics, LLC	<u>\$ 82,905</u>	<u>\$ 82,640</u>

### NOTE 21 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial instruments classified as current assets and liabilities, such as cash, receivables, accounts payable and short-term notes and other obligations approximate fair value due to the short-term maturity of these instruments.

The Cooperative's investments in other cooperatives are stated at cost. There is no established market for these investments and it is not otherwise practical to determine the fair value of investments in other cooperatives.

The Cooperative's other investments are accounted for on the equity method. There is no established market for these investments and it is not otherwise practical to determine the fair value of these investments.

The fair value of long-term borrowings is \$22,518,000 and \$21,986,526 as of July 31, 2011 and 2010, respectively. Fair value has been determined based on the net present value of the future cash flows of the fixed rate notes based on current rates for similar instruments.

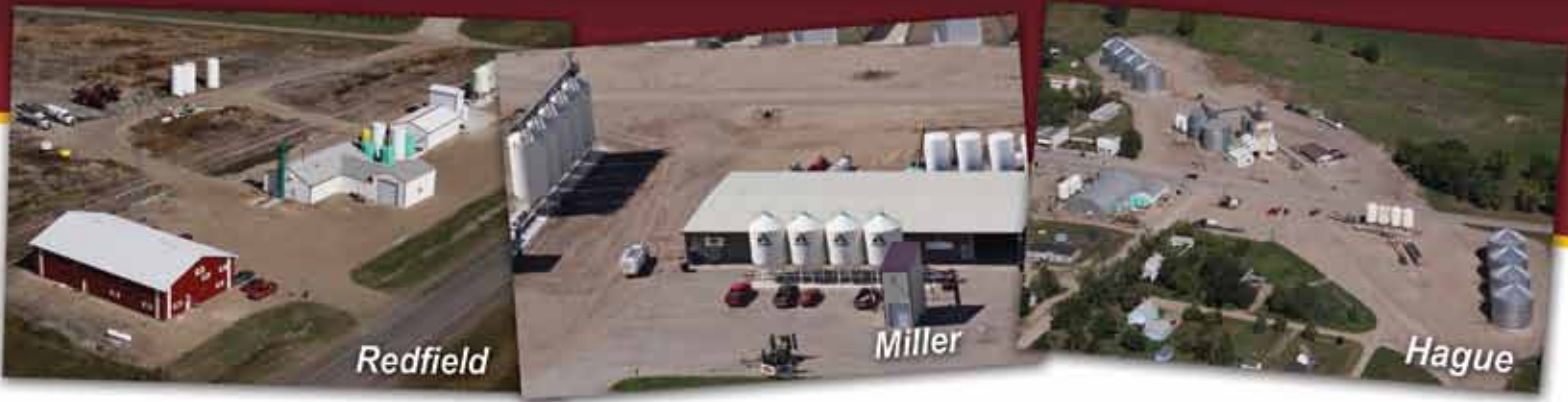
### NOTE 22 - CONTINGENCIES

As a result of an incident involving an employee of the Cooperative at its Warner, South Dakota location, the U.S. Occupational Safety and Health Administration (OSHA), conducted an investigation and subsequently assessed civil penalties in the amount of \$378,000. The Cooperative has appealed the proposed penalties.

The appeal is expected to be resolved in the near term, but because the Cooperative is unable to predict the final outcome with certainty, the entire amount has been recorded as a liability in the accompanying financial statements. Any penalty actually paid by the Cooperative, would not be covered by insurance nor would it be deductible for federal income tax purposes.

## SCHEDULES OF RECEIPTS & SALES: YEARS ENDED JULY 31, 2011 AND 2010

	<u>2011 Receipts</u>	<u>2010 Receipts</u>	<u>2011 Sales</u>	<u>2010 Sales</u>
Grain Department				
Spring Wheat	12,533,755	13,347,821	13,416,280	13,220,009
Winter Wheat	2,782,095	3,635,443	3,183,702	2,479,696
Rye	(44)	9,517	5,256	4,355
Oats	158,920	189,161	168,463	197,081
Corn	24,126,931	30,885,468	24,984,532	31,479,672
Soybeans	11,216,515	16,154,333	11,286,118	16,284,049
Millet	9,688	(460)	9,840	22,894
Sunflowers	<u>1,489,290</u>	<u>1,383,010</u>	<u>1,500,380</u>	<u>1,522,519</u>
Total grain department (bu.)	<u>52,317,150</u>	<u>65,604,293</u>	<u>54,554,571</u>	<u>65,210,275</u>
Screenings (tons)			<u>811</u>	<u>570</u>
Agronomy Department				
Dry fertilizer			83,135	54,897
Liquid fertilizer			<u>32,496</u>	<u>26,766</u>
Total agronomy department (tons)			<u>115,631</u>	<u>81,663</u>
Feed Department				
Feed (tons)			<u>10,940</u>	<u>10,153</u>
Oil Department				
Gasoline (gallons)			2,640,300	2,171,406
Fuels (gallons)			7,226,597	5,590,710
Kerosene (gallons)			648	1,021
Oils (gallons)			46,861	42,649
Anti-freeze (gallons)			3,097	3,266
Grease (pounds)			4,913	4,112
Tires (units)			255	2,735
Tubes (units)			914	1,010
Batteries (units)			567	541
Filters (units)			3,780	3,762



**AGRONOMY:**

A winter with above normal snowfall gave way to a very short planting window this past spring, presenting a number of challenges that we worked hard to address. Timelines were condensed when it came to inputs and many growers were forced to rethink earlier planting plans. As a result, your cooperative focused its attention to helping our patrons revise their crop plans.

We are pleased to report that we are seeing tremendous growth within our agronomy division. Not only did that growth take place in our core business territory, but also in new areas where we added assets to serve a new customer base.

In 2011, we saw impressive increases in all areas, including fertilizer, seed and chemical, as well as in spreading and spraying acres. For the first time, North

Central’s fertilizer volumes topped 100,000 tons and seed sales surpassed \$20 million, both impressive milestones for your organization.

Strides to better serve our patrons continue by adding application equipment, additional blending capability and liquid fertilizer storage. We are excited to begin a new venture in an aerial LLC, offering another service to provide solutions to make our producers successful in their operations. We are also proud to expand the ranks of skilled staff, which reinforces the commitment we have to investing in our communities as a local employer.

At North Central we are always looking to provide you, the customer, with the resources you need to drive profitability. As your agronomy partner, we take pride in the trust you offer to us and we look forward to working for you each and every day.

**ENERGY:**

Just as it was in 2010, 2011 brought similar growth within North Central’s energy division with sales of refined fuels outpacing the previous year. Final totals indicate we fell just shy of 10 million gallons, with diesel volume up 29% over the last year. As it is every year, fuel market volatility remains high and we have taken steps to manage that risk, especially when handling the amount of gallons that we do.

During the last fiscal year, we successfully introduced and implemented the Level Management System, or “LMS” program, giving customers alternatives to our existing fuel service and allowing more options when it comes to pricing. Expansion in our energy department includes the addition of trucks to our existing fleet, two large storage facilities, as well as additional energy specialists that are available to help customers with marketing advice and product service.

**FEED/FARM SUPPLY:**

2010-2011 was a very successful year for North Central’s feed division. Significant increases in feed tons and product variety have put us on track to reach our goal of becoming a gold level Land O’ Lakes dealer.

Our Farm Supply division is pleased to offer our patrons a number of new products including flatbed, utility, and enclosed trailers. Westfield augers, livestock equipment, as well as Traeger grills are all products we carry, and we look forward to expanding into new product lines.

Our successful partnership in Dakotaland Feeds, an LLC 23% owned by North Central, continues to serve producers throughout the region, providing quality, competitive feeding solutions for their livestock. Our team of experts is available to assist producers and provide rations and nutritional advice for their operation.

Your business is what keeps North Central successful. We want to thank our area producers for their continued support as we provide them with the very best products and service for their farming and ranching operations.

## A YEAR IN REVIEW



### GRAIN:

Grain sales of \$387 million from a handle of 54.5 million bushels proved to be very successful with a profit of over \$4 million in your cooperative's grain division. Even though we faced a reduction in grain handle of 10 million bushels because of spring 2010 prevented planted acres, we were able to meet or exceed handling margins for each commodity.

Another year of extreme market volatility brought on because of increased demand and world grain production problems brought huge price swings to the grain markets. Higher prices gave opportunity for producers to price grain at very profitable levels. These higher prices were met with farmer selling, resulting in the largest hedged grain positions in our history. The strength in the grain market also brought the challenge of managing cash flow. Margin calls from rising market

prices resulted in the use of borrowed funds of up to \$100 million. The strength of NCFE's balance sheet and the long term relationships we have with our financial partners brought us through the challenging time.

Investments made the past few years in increased storage, faster receiving and larger dryers have and will continue to prove beneficial in the coming years. Additional investments will need to be made in the near future as we continue to see the expansion of corn acres across our trade territory.

Our business is built on service to you, the customer/owner. We thank you for that business and even though we had a great 2011, we know that we can't rest on our laurels. We will continue to work hard to earn your business each and every day.