

Primeland Perspective

CUSTOMER NEWSLETTER



Forward thinking and focused

What a year. We've been buffeted by all the aspects that make agriculture a challenging business to be in: fickle weather, depressed grain prices, rising tariffs, consolidating farms, shrinking towns, migration of our young people to larger towns and cities. But in the midst of it all, you and your cooperative have looked forward, rather than back, and focused on those aspects of our businesses we do best.

Market forces have made all of us sit up and take notice, to really look at our assets and business locations, to rigorously evaluate returns and long-term viability. To analyze how we can be more efficient, offer the products, prices and performance our growers

expect. To be forward thinking and focused on making the best decisions for tomorrow's customers and producers.

In this issue, you'll see examples of how we're doing this: realigning our assets, finding creative solutions for pricing transparency and co-existing with e-commerce, along with transferring one business from co-op ownership to local ownership.

What will our future look like? We'll be: doing what we're best at; charging a fair, appropriate price; ensuring customers receive value from doing business with us; and looking beyond today to tomorrow.



*By Ken Blakeman,
general manager, CHS Primeland*

See you at grower meetings!

Plan to attend one of CHS Primeland's grower meetings. All meetings run from 8 a.m. to noon. Here's the schedule:

Thursday, Jan. 10:
Walla Walla, Wash., Fairgrounds

Tuesday, Jan. 15:
Spokane, Wash., Mirabeau Hotel

Wednesday, Jan. 16:
Greencreek, Ida., Community Center

Thursday, Jan. 17:
Lewiston, Ida., Lindsay Creek Winery

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What's up in the Walla Walla area?

By Ken Blakeman, general manager, CHS Primeland

A lot! Over the past few months, this location has undergone some major changes that exemplify how your cooperative is focusing on our key businesses and what we do best.

Sale of tractor store. As of November 5, our former tractor store has a new name and new owners. The name is Walla Walla Farm Center, and it's owned and operated by two CHS Primeland alumni — Steve Bughi, the store's manager, and Guy Bernier, former retail division manager. We're excited to transfer ownership to people with a passion for the business, while sharpening our focus on our core operations.

Sale of Kennewick location. Over the past year, the CHS Primeland board and management team have evaluated the Kennewick location, as well as many other assets. Together as a team, we decided that the best course of action was to sell the Kennewick location.

When this location was built, it was on the outskirts of town. Today, it's being encroached on by suburbs, schools, restaurants, strip malls, and access from the freeway has

become much more difficult. As development edged in, the farming in the area changed, too. More growers began putting their non-irrigated acres into the CRP program. With the location becoming more inconvenient to reach, we have found new ways to serve our growers, in many cases, providing direct-to-the-farm service.

While it's difficult to see this evolution in our operations, in order to maximize the returns to our patrons, the best option was to sell this asset. We have signed an earnest money agreement on the property and will be notifying affected customers of the timeline for complete closure of the site.

Search for new manager. Following the departure of Jud Hedine, who decided to work in his family's business, we initiated the search for a new location manager. That search has been successful! Please see the story on page 3 introducing Walla Walla's new manager.

If you have questions or would like further clarification about these changes, please feel free to contact me.



Congratulations to Steve, Guy and crew on their new business venture, Walla Walla Farm Center!

Co-existing with e-commerce

How the world buys products has undergone a seismic change. With a simple click, growers can order just about anything their operation needs, while sitting at the café or waiting to deliver grain.

In 2017, USDA reports purchases of crop inputs (seed, crop protection and crop nutrition) hit nearly \$52.7 billion, which makes this segment of the ag market a pretty tempting target for e-commerce companies. More than 15 different businesses already offer products online.

The market is really complicated right now because e-commerce in ag is just taking off and everyone is trying to find their place in this new landscape. That includes your cooperative.

We strongly believe there's still a place for full-service, hands-on expertise in this market segment. Online purchasing is convenient and offers price transparency, but it still comes with some "buyer beware" warnings. You may not get exactly the product you thought you were ordering,

which could potentially damage your crops. If that happens, there isn't much recourse or help with resolving the problem.

For CHS Primeland, the solution to this changing sales environment may be a marriage of the two: e-commerce coupled with personal, customized service. We're already working on making our pricing more transparent, which you can read about in Stacy Beckman's article.

And we'll continue to connect and communicate with growers to better help them understand the value we offer through the expertise and insights of our employees, along with the superior products we provide.



*By Ken Mingo, manager,
Seed and Agronomy division*

2018 year-end financials at a glance (August 31, 2018)

Net Income: \$2,066,346, down from \$4,969,742 in 2017.

Off budget due to smaller crop from previous year, very challenging production conditions, loss of acres from preventive plantings, switch to pulse crops, and challenges with accounts receivable.

Agronomy: Below budget, experienced operating losses affected by low cereal grain prices, changes in crop rotations and evolving competitive markets.

Energy: Performed well, on budget.

Grain: Profitable, but below budget due to many of the same issues faced by Agronomy.

Retail: Small loss, stores challenged by declining sales in our small communities.

Seed: Consistent performer, on budget.

CHS, Inc.: Year-end very positive; net income of \$775 million, up significantly from \$71.5 million in 2017; patronage numbers not released yet, but look favorable.

Four months into the new year, we're slightly behind budget. We're optimistic that the course changes we've made will bring us back on budget for a positive year that's more in line with our past performance over the last 10 years.

New manager hired

It's our great pleasure to announce that Josh Williams has accepted the position of Walla Walla location manager. He starts in his new role this month.

After graduating from Washington State University in 2009 with a Bachelor of Science degree, Josh joined Walla Walla Farmers Co-op as a service technician in September 2010. He served in that role until May 2014, when he accepted a position as an agronomist at another company. Just a few months later, he rejoined Walla Walla Farmers Co-op as an agronomist. He's held that position since October 2014.

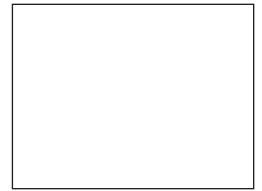
Josh has been instrumental in helping grow our business in the Walla Walla area and will continue to call on some of his growers.

Please join us in congratulating Josh on his new position with CHS Primeland.



PRIMELAND

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Menu pricing rolling out this winter

This winter, growers will be introduced to a new pricing format for agronomy products at all 10 CHS Primeland locations where they are sold. CHS Primeland's traditional three-tier pricing structure will move to a menu-pricing format, which will allow customers to choose just the services they want and clarifies the price they pay. This allows you to create a customized service/price combination that best fits your needs



*By Stacy Beckman,
sales manager*

The CHS Primeland Agronomy sales staff will be spending time throughout the next few months showing and explaining to customers the value and benefits behind this new format.

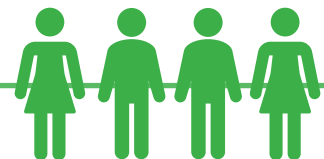
For 15 years, this menu pricing format has been in place in Walla Walla. It's been well accepted and popular with growers. We hope you'll embrace it, as well.



It's a New Year!

Thank you for your support and patronage in 2018. We look forward to providing the quality products and services you need in 2019.

The best to you and your families from all of us at CHS Primeland!



Always looking for good employees

Do you know some good people looking for work? Send them to our careers page at chsprimeland.com, or have them talk with one of us! We appreciate the referral.