



FIVESTAR

COOPERATIVE

2020

FINANCIAL REPORT

Letter from our **Board President**

Without you, there is no local cooperative.



2020 is a year we will never forget. Covid-19 brought on gathering restrictions, mask requirements, and social distancing. These things were unheard of before, and I hope they will all soon be in the rear-view mirror. Zoom and other virtual style meetings like this one are now commonplace but they don't have the same impact in person meetings do. It is hard to beat personal interaction and the networking that you experience in person. Thanks for bearing with us as we do our first virtual annual meeting.

On the farming side of things, spring planting went very well. Many finished a month earlier than 2019. This planting timeliness made spraying and side dressing a little challenging with so much going on at once. The same thing happened in the fall with corn and soybeans coming out of the field at record pace. These things put a strain on employees and facilities. It is in times like these that investments in facilities, equipment, and people pay off. It truly takes a team effort to make all this happen.

2020 was a very busy, challenging, exciting year at Five Star Cooperative. The new feed mill was built, Lawler expansion was completed, many zero entry sweeps were installed in bins, and agronomy equipment was added. All this was done in the midst of a pandemic that forced us all to adjust our lifestyle and interaction with others. Thankfully the cooperative is considered an essential business so for the most part operations were able to be executed in a pretty normal manner.

Five Star Cooperative is blessed with dedicated, hardworking employees. They do what it takes to get the job done. It is a process from the first sale of the season through the completion of the job then finished up in the billing process. At times, the team, equipment, and facilities feel the pressure to get the job done. Areas of improvement arise quickly and need to be addressed just as quick. Problems are challenging when they occur, but also rewarding when things get fixed. Many thanks to the employees and management team for all their efforts to get the work done efficiently.

The cooperative had another good year financially. Local earnings of \$1.6 million and regional income of \$5 million allowed the cooperative to pay \$1.7 million in deferred equity to members in July and current year dividends paid in cash was \$873,000. The Board is dedicated to continuing member paybacks when conditions allow for it. It is a balancing act between spending money on assets and repaying members.

As I conclude my comments, I would like to thank management team, full time employees, part time employees, and fellow Board members, and our regional cooperative partners for making Team Five Star a success in 2020. And lastly the board would like to thank you, the members, for your past, present, and future business.

- Tom Shatek



Note from our CEO

We had a good year. Good days are ahead.



Let me start by thanking you for your business and loyalty. I would also like to thank our employees for their continued efforts to serve and find ways to improve. I believe our financial results reflect our success in executing our core strategies of Customer Experience, Employee Experience and Operational Excellence.

These strategies have helped us grow. We experienced a significant increase in our grain volumes and revenue. We had significant growth in our propane business and revenue. We saw growth in feed tons produced and delivered.

These results enable us to invest and improve. Over the past 18 months, we have invested in strategic capital improvements totaling more than \$16 million. An investment of this level allows us to more efficiently serve our customers, create safer work environments for employees, and enhances both the customer's and the cooperative's returns. For this fiscal

year, we had a new feed mill in New Hampton, a grain expansion in Lawler, three new 60,000-gallon LP tanks, eight grain sweeps, and various agronomy application equipment upgrades throughout our territory.

These results help us allocate patronage and pay deferred equity to our members. Over \$2.4 million of allocated patronage this year and over \$1.7 million of deferred patronage redeemed this year.

We continue to deliver value to our customers. One opportunity that we created to add value back to the agronomy sales experience is NexStar™, a cooperative-owned brand of crop input and additives that remove links from the product supply chain. We can source these high-quality products in a manner that is price friendly and in-turn will enhance customer profitability.

We have navigated through our fair share of challenges this year and found paths to succeed. I am impressed with our team's ability to get the work done and do it safely. I am thankful for our customers and the relationships we have developed together.

- Ken Smith

CUSTOMER EXPERIENCE

We are here to serve. We want our members and customers to have a positive and predictable experience across business units and locations. We want to deeply understand our customer needs, and make sure we are placing assets, people, and services around those needs. We must execute our mission statement.

EMPLOYEE EXPERIENCE

Our team is our most important asset. Nothing is more important than our team going home safely. We will continue to stay focused, be aware of surroundings, execute our training, and look out for one another. We will continue to develop and grow our team.

OPERATIONAL EXCELLENCE

How we execute will be a critical aspect of our long-term success. Striving to be more efficient and effective can't stop. Standardizing processes that produce superior results will have meaningful impact to our members. Areas that we are putting emphasis on include Area Management, Centralized Logistics, Preventative Maintenance and Grow Out Plans.



Income Statement

Year-End August 31, 2020

	2020	2019
Sales	\$315,254,155	\$284,391,873
Cost of Goods Sold	\$297,284,466	\$265,705,494
Gross Savings on Sales	\$17,969,689	\$18,686,379
Other Operating Revenue	\$20,772,802	\$19,998,930
Total Gross Revenue	\$38,742,491	\$38,685,309
Operating Expenses, Including Interest	\$37,103,992	\$35,540,945
Operating Savings	\$1,638,499	\$3,144,364
Investment Income	\$15,488	\$16,430
Patronage Dividend Income	\$5,071,695	\$4,205,181
Savings Before Income Taxes	\$6,725,682	\$7,365,975
Income Taxes	\$183,185	\$(41,735)
Net Savings	\$6,542,497	\$7,407,710

Distribution of Savings

Cash 35%	\$1,621,092	\$1,584,332
Patronage Dividends	\$872,896	\$853,102
Deferred 65%	\$2,493,988	\$2,437,434
Retained Savings	\$4,048,509	\$4,970,276
	\$6,542,497	\$7,407,710



Balance Sheet

Year-End August 31, 2020

	2020	2019
Current Assets		
Cash	\$20,236	\$91,534
Receivables	\$4,139,903	\$4,769,075
Margin Deposits	\$4,941,368	\$-
Inventories	\$25,391,316	\$29,198,496
Deposits on Future Purchases	\$4,709,905	\$3,802,348
Prepaid Expenses	\$93,563	\$43,183
Total Current Assets	\$39,296,291	\$37,904,636
Property, Plant and Equipment		
Land	\$1,561,081	\$1,561,081
Net Buildings & Equipment	\$37,173,260	\$26,882,949
Other Assets	\$824,911	\$688,135
Equity in Other Organizations	\$24,177,891	\$23,868,373
Total Assets	\$103,033,434	\$90,905,174
Current Liabilities		
Checks in Excess of Bank Balance	\$1,373,989	\$4,013,557
Current Maturities of LT Debt	\$143,629	\$140,086
Other Payables	\$15,930,029	\$10,499,647
Margin Account	\$-	\$1,218,041
Accrued Expenses	\$3,410,274	\$3,062,759
Allocated Patronage Dividends	\$872,896	\$853,102
Total Current Liabilities	\$21,730,817	\$19,787,192
Long Term Notes Payable	\$7,410,736	\$1,628,127
Accrued Pension Costs	\$6,643,702	\$5,032,735
Total Liabilities	\$35,785,255	\$26,448,054
Members' Equity		
Stock	\$17,068,042	\$16,907,782
Allocated Patronage Dividends	\$1,621,092	\$1,584,332
Other Equity/Comprehensive Income/Loss)	\$(10,188,045)	\$(8,726,009)
Retained Savings	\$58,747,090	\$54,691,015
Total Members Equity	\$67,248,179	\$64,457,120
Total Liabilities and Members' Equity	\$103,033,434	\$90,905,174

Board of Directors



Tom Shatek

Board Chairman
11 Years on the Board
East Region



Steve Breitbach

Board Vice Chairman
3 Years on the Board
East Region



Terry Thomas

Board Secretary
19 Years on the Board
Central Region



Leon Zeien

23 Years on the Board
East Region



Casey Schlichting

5 Years on the Board
Central Region



Steve McGrath

5 Years on the Board
Central Region



John Eichenberger

18 Years on the Board
East Region



Larry Eden

15 Years on the Board
West Region



Randy Grieman

14 Years on the Board
West Region



Department **Managers**

Laura Schwickerath

CFO

19 Years of Service

Laura.Schwickerath@FiveStar.coop

Olin Amundson

Agronomy Department / Assistant Manager

24 Years of Service

Olin.Amundson@FiveStar.coop

John Winter

Feed Department Manager

33 Years of Service

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Bruce Halverson

Petroleum Department Manager

18 Years of Service

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Gina Fangman

Hardware Department Manager

3 Years of Service

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Rylan Zwanziger

Grain Originations Manager

1 Year of Service

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Ben Thomas

West/Central Regional Operations Manager

17 Years of Service

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Tony Myers

East Regional Operations / Safety Manager

6 Years of Service

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Five Star Cooperative **Locations**

Burchinal • Clear Lake • Dougherty • Galbraith • Hanlontown • Ionia • Joice
Klemme • Lake Mills • Lawler • Mason City • Nashua • New Hampton
North Washington • Rockwell • Scarville • Sheffield • Swaledale • Ventura



Our Mission

To provide quality products and services to our customers which enhance their opportunity to be profitable while sustaining Five Star Cooperative's financial strength.

Our Vision

Equitably serving our customers by providing total farm solutions to grow and profit together.

Our Values

Customer Experience | Employee Experience | Operational Excellence

Here to Serve.

HERE TO STAY.



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