

Country Connections

CUSTOMER NEWSLETTER



A Partnership of Equals

By Kent Mulder, General Manager



When strong, healthy organizations decide to join forces, the logical question may be, “Why change when things are going well?” In truth, that is the best time to take action—when both partners are operating from a position of strength. The

unification of CHS Eastern Farmers and CHS Marshall was a very practical decision that arose both from our previous experiences working together and discussions between me and Chuck Miller. I’ll let him tell that story in his article on page 2.

This unification of equals was a logical move. You can see from the map on page 5 how well our two companies fit together. The fact that we had worked well together in the past made the decision to unify even easier.

While this was a practical decision, it was first and foremost a business decision. We anticipate this unification will drive cost out of the business. This will inevitably benefit our patrons, and has obvious value in this current environment of extremely tight margins. Additionally, we are already seeing operational benefits in two key areas—personnel and facility utilization.

Right people, right places

As Chuck notes, our unification conversation began in earnest due to some current and planned personnel transitions. As we looked at the situation, we realized we could address immediate and future needs without replacing those who were leaving. Each organization had very experienced people in place ready to address the needs of the combined cooperative.

Not only did this allow us to maintain our management team at a high level, but it gave us the opportunity to create a needed new position. Though it may not be the most exciting feature of a cooperative to an outside observer, the safety and regulatory component of our business constantly becomes more complex and important. We’ve brought in Brock Dexter, who comes to us from CHS Insurance, as our safety director. The opportunity to consolidate vacant key positions through unification enabled us to create and staff this important position.

There is also a benefit for our employees in the unification. A larger organization provides opportunities for staff members to advance their careers. There will be bigger positions and new specialties to fill. Our best employees

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Exiting On a High Note

Chronologically, Chuck Miller brought a long and successful ag industry career to a close when he retired on December 1. Mileage-wise, however, his journey has been a short haul.

"I went to work as an applicator for an independent ag retailer in Garretson in 1981, straight out of school," Chuck recalls. "After three years, I moved over to the Garretson Co-op. That co-op, in turn, became part of Eastern Farmers Co-op in 1990, which became part of Harvest States in 1995 and CHS in 1998. I haven't gotten very far—only 11 miles."

Chuck became general manager of CHS Eastern Farmers in 2009 when Bud Hippe retired. Clearly, he's experienced a lot of organizational change since his applicator days. But one more was in store before he finished his professional journey.

"In April, Kent Mulder gave me a call," Chuck relates. "His energy manager had resigned, and knowing that I had a very experienced energy

manager, he wondered if we could work something out. I was headed through Marshall the next day, so I stopped in. The ideas started flowing, and an hour and a half later, we both saw the writing on the wall that this unification made a lot of sense.

"As management, we looked at unification as a way to take some cost out of the organization while still providing the same, or a higher, level of service," he continues. "Most of our customers haven't experienced a change day to day—they're working with the same faces in the same places."

As Chuck handed the reins over to Kent Mulder, he was able to do so with confidence that he was leaving a strong cooperative heading in a positive direction. He notes that it is the people he will miss—many of whom he's known for generations.

"I have an employee who's close to 40 now, and when I first called on his father, as a sales rep, he was in preschool," Chuck says.



Chuck Miller

"Randy Kringen, our Baltic location manager—his mom makes the best apple pie! It's those relationships that I'll miss."

Chuck does have plans, though. "Anyone who knows me well knows that my passion is pheasant hunting," he states. "Until now, I was different from most hunters in that I had more places to hunt than days to go, just because of our fall schedule. Well, this December I have 30 days to hunt, and I plan to use every one of them."

A Partnership of Equals

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will not have to go elsewhere to significantly expand their horizons.

Resources equal leverage, service

A second immediate benefit lies in the ability to utilize our facilities even more efficiently and further raise the level of service we can provide our patrons. With more than 26 million bushels of grain storage, three shuttle loading facilities on the BNSF mainline, two propane offload facilities on rail and more than one-million gallons of propane storage, eight agronomy centers (two with shuttle unloading capabilities) and two high-capacity feed mills, we are in a very favorable position.

This fall provided the perfect illustration of the benefits of scale. Propane supplies in our part of the country were, at times, extremely tight during the harvest season. Because we have rail offload sites and bulk plants throughout our territory, we have significant storage capacity. This enables us to use our size and

scale to our advantage to effectively serve our patrons.

Though propane was in short supply, our customers were never aware of the situation. With ample storage and 10 propane drivers, we were able to keep everyone supplied. If we needed to move propane from Hurley, South Dakota, to Ruthton, Minnesota, to keep a grain dryer running, we could do it.

Going forward, we're going to see other benefits like this throughout our organization. With our expanded feed staff and territory, we will be able to make good use of the capacity we have at our second feed mill in Tracy.

This won't just be true for existing customers. In the past, we have been very respectful of each other and careful not to market into each other's territory. As a consequence, we believe there are areas between Brandon and Marshall that have been underserved. We will be working to find those customers in the days ahead.

I believe these are only the first of many opportunities that lie ahead for your cooperative. I look forward to working with you as we move forward together.

Unification Benefits Evident to Board

While the idea to pursue unification came first from the general managers of CHS Eastern Farmers and CHS Marshall, it was the boards of both cooperatives that sorted through the pros and cons of the move. We spoke with current board chair Doug Brake and vice chair Tom Versaevel (formerly CHS Marshall board chair) about that process. We asked what they—as producers and co-op members—anticipated as benefits from the unification, and what they’ve seen thus far.

“The idea to unite was initially brought to our boards by our two general managers who’d been discussing ways to partner,” Doug says. “Our board room discussions revealed much greater advantages with a full unification.”

“Both operations were financially strong,” Tom adds. “But we felt that our combined size and scope would strengthen things like our risk management of market positions and our leverage with suppliers, for example. We would be able to reach efficiencies and enhance service levels together that we could not achieve individually.”

The advantages appeared significant enough that after careful deliberation about how best to serve Minnesota and South Dakota producers for the long-term, both boards voted unanimously to unify their operations into one new business unit within CHS Country Operations.

Chuck Miller, the general manager for CHS Eastern Farmers, was chosen to lead the new operation as general manager until his retirement on December 1, 2017. At that point, Kent Mulder assumed the general manager role.

“That was a big plus—the fact that Kent in Marshall had also worked for CHS Eastern Farmers for many years,” Doug notes. “He was completely familiar with our company, and he helped us become familiar with CHS Marshall.”

It’s early, but...

Though the unification became final only a few months ago on September 1, both Doug and Tom agree the benefits could already be seen this fall.



Unification allows us to utilize facilities like our Worthing, South Dakota, agronomy center even more efficiently.

“As Kent mentions in his article, our combined propane capacity, and the ability to move it throughout our system, was very important this fall,” Tom stresses. “We had the freedom to pull product from several sources to keep all the dryers going on the farms this fall and our residential customers supplied. No one, to my knowledge, ran short.”

“We were able to move propane we had on rail up to Marshall to meet their needs,” Doug adds. “I heard of elevators to the east of us that ran out of propane and had to quit drying grain for a couple of days.”

The efficiency of fall fertilizer application was also enhanced by the capacity of two large fertilizer facilities and a larger pool of people and application equipment that could be moved to the area of greatest need.

“That will be a plus next year, too,” Tom adds. “We stretch enough north and south that planting times will be a little different, and we can move people and equipment to match the pace of planting.”

“Two more areas where we’ll be able to increase our efficiency are fuel delivery and feed,” Tom continues. “Our fuel trucks used to meet each other in the country because our routes overlapped. We’ll be able to streamline that. And we have excess capacity at the Tracy feed mill that we expect to put to use as we combine our sales forces and add customers.”

Though still in its early stages, what both board members have seen from the unification serves as confirmation that the decision they made was the right one for both patrons and the cooperative.

“When we sat down and looked at this in our boardrooms, the two companies were so similar in the services we provided that there was no big change anyone had to make in the process of coming together,” Doug summarizes. “It just made a lot of sense to unify. We’ve seen the benefits this fall, and we’ll see more advantages in the future.”



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“Our board room discussions revealed much greater advantages with a full unification”
”
Doug Brake,
board chair



LOCATIONS

1. **Marshall, MN** 507-532-3246
2. **Tyler, MN** 507-532-3246
3. **Balaton, MN** 507-532-3246
4. **Tracy, MN** 507-629-3780
5. **Ruthton, MN** 507-658-3450
6. **Elktion, SD** 605-542-2371
7. **Pipestone, MN** 507-825-4256
8. **Jasper, MN** 507-348-3911
9. **Colton, SD** 605-446-3400
10. **Baltic, SD** 605-529-5432
11. **Garretson, SD** 605-594-3415
12. **Brandon, SD** 605-582-2415
13. **Luverne, MN**
Feed/Grain 507-283-4418
Energy 507-283-9571
14. **Magnolia, MN**
Grain 507-283-4418
Agronomy 507-283-2431
15. **Kanaranzi, MN** 507-283-8989
16. **Ellis, SD** 605-325-8881
17. **Worthing, SD**
Agronomy 605-372-3700
18. **Worthing Downtown**
Grain 605-372-4132
19. **Canton, SD** 605-987-2714
20. **Hurley, SD** 605-238-5281
21. **Davis, SD** 605-238-5311

Combined Board Continues Transition

As a part of the unification process, the producer boards of CHS Marshall and CHS Eastern Farmers transitioned from a total of 21 members down to 15. The board is also determined to further reduce that number to 11 members in no more than three years, to enable more efficient decision-making while maintaining adequate regional representation.

At a recent board meeting, the board approved new regions for the cooperative.

Here are your current board members and their area of residence.

Doug Brake — Chair	Worthington, MN
Tom Versaevel — Vice Chair	Marshall, MN
Jonathan Hagena — Secretary	Lennox, SD
Dan Burns	Baltic, SD
Jerry Ellefson	Flandreau, SD
Steve Enger	Sioux Falls, SD
Shawn Feikema	Luverne, MN
Bryce Hansen	Elktion, SD
Dale Long	Harrisburg, SD
Steve Meyer	Tracy, MN
Mike Olson	Garvin, MN
Dave Poppens	Lennox, SD
Jordan Qualm	Sherman, SD
Steve Verkinderen	Marshall, MN
Merle Zeinstra	Holland, MN



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26033 482nd Avenue
Brandon, SD 57005

ANNUAL MEETING

of the former CHS Marshall

FRIDAY, FEB 23

5:30 P.M.

*THE CABOOSE
1045 Craig Ave.
Tracy, MN 56175*

ANNUAL MEETING

of the former CHS Eastern Farmers

MONDAY, MAR 26

5:30 P.M.

*BEST WESTERN PLUS
RAMKOTA HOTEL
3200 W. Maple
Sioux Falls, SD 57107*

Mulder Brings Unique Perspective to GM Role

Having grown up in eastern South Dakota and worked for both of the organizations involved in the recent unification, Kent Mulder is well-suited to manage CHS Brandon. After graduating from South Dakota State University, the Canton, South Dakota, native began his agricultural career in 1991 as a crop consultant in southern Nebraska.

He next managed the agronomy division for Huntting Elevator Co. in Iowa, but always maintained a strong desire to return to the Canton area. Huntting had a facility in Canton, and Kent was able to fulfill a long-time desire and manage that facility. That business came together with CHS in 2000, and Kent's responsibilities continued to grow.

"I never quit a job, but instead my position evolved through mergers and acquisitions," Kent comments. As the grain business expanded for CHS Eastern Farmers, Kent went from managing the Canton location to overseeing five grain locations. Ultimately, he became the grain department manager, with responsibility for 12 grain locations and two feed mills. Then, in 2015, he accepted the general manager position at CHS Marshall.

Now, he has returned to the Brandon office as general manager of the unified cooperative. "We've enjoyed good success along the way," Kent says. "Having worked for both parties in this unification, I do bring a unique perspective. I'm familiar with the facilities and the people throughout



the combined organization. I know the potential we have, and I'm very excited about what the future holds for this cooperative."