Despite a volatile fertilizer situation, Grainland Cooperative, in its second year of operation, came close to meeting the dollar numbers projected for the fifth year after the unification of Holyoke Co-op, Amherst Co-op and Grainland Co-op of Haxtun and Fleming, which occurred Feb. 1, 2007.

President/CEO Harlan Stern noted his pride in that accomplishment as he addressed the Co-op membership at its annual meeting Tuesday, June 2, in the HHS auditorium.

Last week's meeting was also an opportunity for members to acknowledge Stern's 31-year leadership as president of Holyoke Co-op and CEO of the new Grainland Cooperative. He will be retiring July 1, and Rick Unrein will assume the top management position. Unrein started with Farmers Cooperative of Fleming 27 years ago, was president/CEO of the Haxtun-Fleming Grainland Co-op and has served the last two years as Chief Operations Officer of the new Grainland.

Board chairman Bob Schaefer reported Grainland's financial strength was tested with the rapid rise and record-setting price levels of commodities early this past fiscal year.

"When 'new world' levels of daily margin calls were required to hedge grain positions, we were able to count on our great relationship with CoFina Financial, Grainland's lender, and the financial strength afforded Grainland through unification to get us through this unprecedented time," noted Schaefer. He pointed out those events would have been devastating to each of the coops prior to unification.

Those events, along with the high price levels of fertilizer last fall, created a lot of board discussion about risk management, said Schaefer, adding such discussion will continue.

"The board and management constantly monitor the cooperative's financial position to make certain the funding for capital needs is always available to maintain adequate levels of working capital, to fund current operations, high-priced inventories, term debt reduction and maintenance of a strong balance sheet," said Schaefer.

He noted the coop also strives to maintain a level of local net savings that maintains fixed asset base requirements and retires deferred equity.

Small focus group meetings with members will be scheduled by the board and management

throughout the next year in an effort to help everyone become more aware of various business models of the coop's producers and to discuss how adjustments might be made, said Schaefer.

Past year reviewed

Reviewing Grainland's past year's high points and challenges, Stern noted the second year as a unified cooperative was a record-setter. He added it was also one of the most volatile and difficult years seen in many years.

In terms of sales, local net profit and total net profit, Grainland far exceeded the projections made at the time of unification Feb. 1, 2007. Sales for the fiscal year ending Jan. 31, 2009 were a record $191.8 million, and local savings were also up sharply, to a record $5.8 million, said Stern, reiterating auditor Kurt Micek's earlier report.

However, the local net profit wasn't close to the $5 million figure. "That's the result of what was probably the greatest challenge we faced last season—the wild fluctuation in fertilizer prices," said Stern.

In order to keep members supplied with fertilizer when they needed it, Grainland started purchasing in the spring of 2008, which they've historically done to guarantee supply and timely delivery. However, when prices fell off the edge, Grainland and virtually all other ag retailers were left with some high-priced inventory. Market value fell below costs.

Obviously an adjustment had to be made, and Stern pointed out it was fortunate excellent earnings from Grainland's grain division provided income to offset the fertilizer issues.

Required to value their inventory at market levels resulted in a substantial inventory write-down of more than $4.8 million. Taking this into account, Grainland's final local net savings was $959,630.

"I'm very proud of the fact we were able to take a hit of that size and still come close to meeting the numbers we projected for the fifth year after the unification in just our second year of operation as Grainland Cooperative," said Stern.

Adding $2.1 million in patronage income and $607,000 in investment income to the local net savings brought the total net savings for 2009 to $3.6 million. As a result, Grainland was able to stay on target with equity retirement and estates, according to the formula established at the time of unification.

Patronage refunds totaling $1,729,232 were distributed by Grainland, 50 percent of that in cash, and $484,186 in stock and patronage retirement for a total cash return of $1,348,802.

Input volatility and sourcing sufficient inventory will continue to be a challenge, noted Stern. He added the cooperative will also be affected, to some degree, by the soft world economy. A relatively new administration will also bring some uncertainties.

Stern noted this is a time of economic and possibly social change, and no one is sure what the future will look like. "As I've said before, if you find a path without obstacles, it probably doesn't lead anywhere," added Stern.

He expressed confidence that Grainland Cooperative will continue to enjoy success under the excellent leadership Unrein and the board will provide.

Stern retirement acknowledged

A spontaneous standing ovation at the conclusion of Stern's last report as CEO of Grainland Cooperative spoke volumes for the 31 years of dedicated service he gave to the local coop.

Stern detailed his 40-year career which started in 1969 with Farmland Industries and moved to Holyoke in March of 1978. This information will be included in a retirement story to appear in

an upcoming edition of The Holyoke Enterprise.

Assuring members he's looked into opportunities for retirement income while on his travels over the years, Stern said he's got his business plan in place and equipment lined up. "So you don't need to worry about me," he added, drawing chuckles when a picture of him with a horse and wagon appeared on the wall behind him.

Board member Ernie Krogmeier led the portion of Tuesday's annu al meeting which recognized Stern for his years of service. He noted there was anxiety on the board, when before talk of unification or the extreme volatility in the markets, the directors all wondered when Stern would retire.

"Harlan's track record is well known… and we would have the task of replacing a tried and true CEO that if you referred to his time managing our cooperative as successful, it would be an understatement," said Krogmeier.

"Harlan Stern put his heart and soul into this cooperative. His life's work for 31 years was to make our cooperative the best it could possibly be. Harlan treated this cooperative as though it was his very own, and for that, we certainly say thank you," said Krogmeier.

Board members serving during Stern's tenure as president/CEO of Holyoke Co-op/Grainland joined him on stage Tuesday night. In those 31 years, there has been 10 board presidents and 35 other directors.

These include board presidents Richard Lebsack, Clyde Einspahr, Delmer Schlachter, Garry Saylor, Harvey Colglazier, Brad Brackhan, Steve Lindgren, Bob Koberstein, Shawn Dalton and Bob Schaefer.

And other directors Roy Koberstein, Clint Keasling, Richard Einspahr, Roger Kramer, Art Klute, Gary Sperber, Robert Timm, Riley Dubbert, Art Young, Jerry Cox, Russell Sprague, Jack Kennedy, Robert Gerk, Harry Brinkema, Eldon Heermann, Delmer Moss, Marc Newman, Steve Schlachter, Steve Hayes, Rocky Bieber, Aaron Worley, Richard Hielscher, Leroy Michael, Casey Gerk, Ernie Krogmeier, Steve Boerner, Gary Carper, Mark Gueck, Joe Hofmeister, Mark Lutze, Dan Ortner, Les Peterson, Paul Schmidt, Rick Wernsman and Brad Young.

Krogmeier noted the past and present board members, as well as others from Holyoke, Fleming, Haxtun, Amherst and the old Grainland who served as directors, represent the cooperative's greatest asset—its patron members. "Harlan has always said these patron members are where a cooperative draws its strength."

Clyde Einspahr was a member of the board of directors when Stern was hired 31 years ago. He delighted the audience in sharing a couple of stories from the good old days. He included the time Stern went through the interview process for rehiring after he'd resigned to accept another position in 1979.

Einspahr was board president at that time, and Stern acknowledged Tuesday night it would have been a terrible mistake to have left, as this has been a wonderful place to work and a wonderful group of people to spend a career with.

Krogmeier noted in 1978 when Stern started in Holyoke, he managed the Holyoke cooperative with annual sales of $8.9 million. This past year, he managed Grainland Cooperative with annual sales of $191.8 million.

Noting that Stern had earlier said the most successful people were good at plan B, Krogmeier said he wasn't paying very close attention back in 1978, and he doesn't even know what plan A was. "But something tells me that during the past 31 years, we may have seen a pretty good plan B … once or twice."

Krogmeier presented Stern with a plaque acknowledging his 31 years of service and also a

travel certificate to Harlan and his wife Mona noting the sacrifice required of those closest to you when devoting 31 years to a career such as this.

Other company representatives also presented gifts and farewell wishes to Stern. “Words can’t express all the appreciation I have for all of you,” said Stern at the end.

Unrein looks forward to being part of the team to lead Grainland into the future. “You’re only as good as the team around you,” he said. “I’m very fortunate to be surrounded by great people.”

Carper honored; directors elected

Gary Carper, who served on the Holyoke Co-op and Grainland boards of directors for nine years, chose not to seek election to another Grainland board term. He was recognized at last week’s meeting for his service.

Elected to the board for three-year terms were Ernie Krogmeier and Les Peterson in District 1 and Steve Boerner in District 2.

Ventriloquist Greg Classen and his little friends provided fun entertainment Tuesday night. Door prizes were awarded at the end of the meeting, and a meal was served prior to the program.

Stern has become a craftsman of clocks, and two beautiful pieces that he’d built were on stage Tuesday night. One was in an employee drawing and the other in a member drawing. Lucky winners were employee Ohlee Bergner and member Vern Rafert.