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Premier CONNECTION

WWW.PREMIERCOOPERATIVE.NET



Solid Performance Yields Patronage Reward

BY JIM DETERS,
CFO, PREMIER COOPERATIVE

By now, you should have received your patronage refund for fiscal 2009. All three companies that have come together to form Premier Cooperative had stellar performances in their final fiscal year. In total, the following amount of cash has been paid to our patrons:

Cash Patronage	\$1,741,150
Additional Cash Patronage	668,248
Total Cash Patronage	2,409,398
Dividends on Preferred Stock	21,583
Stock and Allocated	
Equity Redemptions	1,090,719
Total Cash to Members	\$3,521,700

In addition to these cash payments, the companies that formed Premier spent \$3,702,501 in capital improvements in their final fiscal year, demonstrating the commitment each of the companies had toward its patrons. These expenditures will benefit Premier patrons for many years to come. As we move forward, Premier will strive to maintain this level of commitment. ○

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Investing in Capacity

BY ROGER MILLER, GENERAL MANAGER

As Louie said in our last newsletter, we learned a lot last fall. Since harvest, the Premier Cooperative board of directors has been very busy deciding how best to improve our facilities to prepare for the 2010 harvest. They've evaluated needs at our locations, and have decided to replace three grain drivers and add two storage bins. We'll also be installing the necessary legs, conveyors, and other support equipment needed for these new additions to perform at capacity.

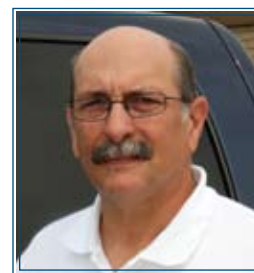
Major repairs will also be made to improve the performance of our dry and wet grain legs at Dewey and Thomasboro. In total, the price tag for these improvement will approach \$7 million. The good news is that your cooperative is able to pay for these expenditures using working capital and without increasing term debt. You can read more about these capacity expansion projects on page 3.

Premier also recently purchased a bank—actually, just the building. The Dewey State Bank building, which is attached to our Dewey office, became available when the bank relocated. In mid-March, we acquired the building. The opportunity to purchase this property and secure some land around our office was a step that made sense as we looked to the future.

CASHING IN

Most, if not all, of you have recently received your patronage checks from fiscal 2009. Originally, the direc-

tors of Grand Prairie and Fisher Farmers Grain and Coal approved patronage of 5¢ per bushel on grain sales and 15% on drying and storage. This was to be paid as 50% cash and 50% allocated retained earnings. However, the Premier board recently voted to increase the cash percentage to 70% for the 2009 fiscal year.



As you know, the coop received an unanticipated tax deduction due to the domestic production activities rulings implemented by the IRS. The board decided to pass this tax savings on to our patrons this year by increasing the percentage of patronage paid as cash.

We are expecting a very good year in fiscal 2010. Our storage revenue is up due to the high grain volumes we experienced last fall, and the fact that most of that grain came in at high moisture increased our drying revenues.

Those earnings will be reinvested into the company to make our cooperative stronger operationally in the future. Yields are projected to go nowhere but up in

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Information Key Input in Your Operation

BY MAYNARD BIRKEY, CUSTOMER SERVICE MANAGER



Modern agriculture runs on information—so much so that it's now a basic input on a par with seed, fertilizer, and crop protection chemicals. That's the reason why we're making a concerted effort at Premier Cooperative to determine how to get the information you need to you as efficiently as possible.

Information technology takes many forms. I like to joke with my customers that I hope they can't farm without my business card in their pocket. The telephone is now the traditional way to stay in touch and on top of the latest offers and market trends. It also keeps information exchange personal—something we never want to lose. It's the next best thing to a face-to-face conversation.

At the same time, we want to make efficient use of your time. Newer technology—specifically e-mail and text messages—fit that bill. They're great ways to get timely information, like cash bids, out to many customers at once. Our network of patrons who stay on top of fast moving input and grain markets electronically is constantly expanding.

We're also using our Web site, *www.premiercooperative.net*, as a way to make information available quickly. As we've watched more of our customers access our site as a resource, we've made a continuous

effort to expand the information available online.

Our goal with all of our information resources is that by next harvest, the flow of information to our customers will be efficient and beneficial. We appreciate your input. And I want to stress that we want technology to be a helpful resource for you, not a replacement for the personal relationships we've developed with you.

MANAGING THE MARKETS

We're also working to spread the word about the tools we have available to assist you with your marketing efforts. Through an agreement with AgriVisor,[®] we have access to some specialized marketing tools that a number of our producers have found beneficial. Or, you can utilize a variety of contract offers and option-based contracts in your plan.

When it comes to marketing, whether it's using the AgriVisor products, contract offers, or option-based contracts, our goal is really to understand the needs of the individual producer. We don't take a shotgun approach and assume that what is best for one is best for someone else.

Bottom line is that we work hard to help you develop a marketing plan, so that in a business where so many things are out of your control—like the weather, the prices, and world events—you can get a handle on the things you can do something about. Give your location a call, and let's get started on a marketing plan that puts you in control. ○



Investing in Capacity

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the years ahead, and increased capacity is crucial if we are to provide the level of service you need.

NEW TRUCK PAYING OFF

The new tandem fuel delivery truck we purchased last fall has already proven its value, allowing us to expand our fuel delivery territory. I'm happy to report that United Prairie is now being served by Premier's fuel department. The purchase of the larger tandem vehicle gave us the capacity to handle a large account like United Prairie. The Premier Cooperative board has formed a committee to determine how we can further expand our fuel department into the southern region of our cooperative.

We'll continue to invest in resources that improve our ability to serve you. And we are committed to maintaining the balance between a sound financial foundation and infrastructure growth. This is your cooperative,

and we're managing it to serve you for decades to come.

COOPERATIVE FUTURE

You may have heard that the U.S. Departments of Justice and Agriculture are conducting a series of joint workshops on competition in the farm industry. The first was held March 12, 2010 in Ankeny, Iowa. There are several others planned for the remainder of 2010.

There is concern among cooperatives serving the agricultural industry that the Capper-Volstead Act of 1922—the basic legal document that allows farmers to band together to purchase inputs and market their products—may come under attack. As patrons and owners of Premier Cooperative, it's important to be informed on this issue. This link, <http://www.rurdev.usda.gov/rbs/pub/cir35.pdf>, will provide more information. ○

It's Construction Season at Premier Cooperative

Four Premier Cooperative locations will be the beneficiaries of needed capacity upgrades during the spring and summer months, and work is already well underway on several of the projects. New dryers are going in at Dillsburg, Galesville, and Tolono. Dillsburg will also have more storage when harvest rolls around, as will Ivesdale.

The Dillsburg project is the most extensive, not just because it involves both a dryer and a bin, but because of all the other improvements that will be made so the new equipment can perform. The addition of a new dump pit and 15,000-bushel/hour leg last year was an important step in that direction.

"The biggest project this year is the construction of a 691,000-bushel bin," states Regional Operations Manager Mike Nugent. A new 15,000 bushel/hour conveyor will replace an existing 5,000-bushel unit and take grain up to a second new 15,000 bushel/hour conveyor for the trip out to the new bin—which will be located where the ground pile sits now.



A new Zimmerman dryer will replace an old Delux model. "It's rated at 4,000 bushels/hour and is a blended fuel drier," Mike explains. "It will run what it can on natural gas, and we have a propane tank out here to pick the rest up."

A new probe will also be installed at the scale house and two legs in the driveway will be torn out and replaced with one. A pad mount transformer will be put in, enabling the new wiring to be buried underground—a significant safety upgrade. "We're going to have a really nice grain handling facility here when all the work is done," Mike concludes.

BIGGER AND BETTER

In Ivesdale, the big project this spring is the construction of a 730,000-bushel bin, coupled with a new dump pit and 15,000-bushel/hour leg. "When the project is completed, it will bring our total capacity to 2.4 million bushels," notes location manager John Flavin. "Last fall, we wound up short on storage space. This will go a long way toward meeting our storage needs and keeping us open during harvest."

Concrete work is taking place this month, and the bin crew is slated to begin work on June 1, with construction to be completed before harvest.

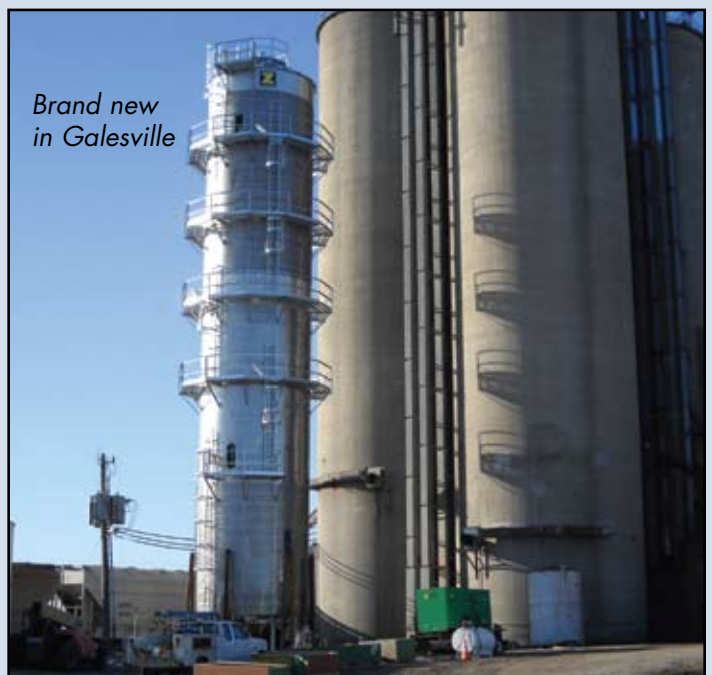


In Galesville and Tolono, it's been down with the old and up with the new. Both locations are receiving new grain dryers. At Galesville, the new Zimmerman dryer is already in place, replacing a vintage unit that was new in 1976.

"On a good day, the old dryer would handle about 2,000 bushels/hour," says location manager Julie Baker. "The new dryer is rated at 4,750 bushels/hour. This is one of those improvements that you hope you won't have to use a lot, but is really nice to have when you do need it."

At the Tolono facility, two dryers also dating to the 70s have been removed, and a new Zimmerman 6,000 bushel/hour unit will soon take their place.

All told, Premier Cooperative will add more than 1.4 million bushels of storage and almost 15,000 bushels/hour of drying capacity—a significant commitment to meeting the needs of our customers come harvest. ○





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A Solid Start for One Earth Energy

As a significant investor in One Earth Energy, we've followed the progress of the ethanol plant closely at Premier Cooperative. The plant started grinding corn and creating ethanol on June 20, 2009. Since startup, the plant has been using 100,000 bushels of corn each day to produce, on an annualized basis, 100 million gallons of ethanol per year.

Crush margins to this point have exceeded our expectations. Looking ahead, we see good margins for at least the next two quarters of this year, barring an unforeseen event that would drive corn prices higher or ethanol prices lower.

We currently hold \$1,855,000 of stock in One Earth, and our investment is showing solid returns. That was confirmed for those of you who invested in One Earth Energy and recently received a K-1 form, which showed that your stock value has increased over the past year.

One Earth has also found a profitable niche market for the DDGs produced by the plant. The vast majority of their DDGs are now loaded into containers at the plant and shipped to China and other overseas markets. By containerizing the DDGs, they have been able to increase the value of these byproducts. ○



Containerized DDGs have proven profitable for One Earth Energy.