



Cargill signs five year lease with ProGold that includes option to purchase ACSC's interest



ProGold announced on Monday, April 10th that a new lease agreement has been reached with Cargill, Inc. to be effective as of January 1, 2018. The prior lease will remain in effect until then.

While prior leases were 10 years in length, this lease is a five-year commitment with an optional 6th year.

Base rent for the lease is as follows:

- 2018-9 - \$17,000,000
- 2020 - \$16,000,000
- 2021-2 - \$15,500,000
- 2023 - \$14,000,000 (optional 6th year)

In order to maintain the condition of the plant, ProGold agreed to fund a minimum of \$750,000 for infrastructure maintenance each year of the lease.

ProGold may also be required to pay additional sums in order to make certain capital improvements in a manner similar to how the cooling tower replacement occurred in 2015.

The agreement includes an option for Cargill to purchase 50% interest in ProGold from American Crystal Sugar Company (ACSC). If Cargill exercises the option, GGC would purchase ACSC's remaining 1%, to become a 50% owner of ProGold. GGC and Cargill have agreed to a general framework for a future partnership, with a detailed partnership agreement to be completed prior to Cargill exercising its option.

"The evolution of the corn wet milling industry was an important aspect of our discussions," stated GGC Chairman Mark Harless. *"We believe this lease is a reasonable bargain for the near term. It also holds out a possibility of a long term future for the ProGold plant."*

Chairman Harless: Knowing Where We Stand

Golden Growers Chairman Mark Harless recounted history from twenty years ago when the ProGold plant opened. *"The first shipment of HFCS 42 occurred in December and they anticipated reaching the plant's full grind capacity by late February or early March of 97."*

Overcapacity, lack of domestic growth, and a trade dispute with Mexico combined for prices for HFCS prices one third lower than anticipated. Markets were in disarray and the ProGold plant was grinding at 60% of capacity midway through 1997. With losses mounting, the ProGold board reached an agreement with Cargill to lease the plant starting in 1998.

Harless highlighted where the ProGold plant stood within the wet milling industry. *"As a percent of grind among existing corn wet milling plants ProGold constitutes 1.7% of front end grind capacity. The ProGold plant is slightly less than 5% of total HFCS capacity and approximately 20% of Cargill's HFCS network,"* said Harless.

Transitioning to the current situation, Harless relayed how HFCS domestic consumption continues to decline between 2 and 3% per year, a loss equivalent to one Wahpeton plant every two or three years. Trade disputes with Mexico also threaten to place HFCS in the crosshairs of market retaliation.

Despite these difficult situations, Harless said that the GGC Board remains optimistic. *"ProGold debt is retired, 170% of the GGC members' original investment has been repaid, and we have survived."*

Harless also highlighted three companies that have the potential to utilize corn starches and sweeteners for the production of renewable and unique products. Of the companies highlighted, two have strategic relationship with Cargill, Inc.

"The important takeaway from these companies and a host of others is that they all use sugars as a feedstock to make renewable products. And when it comes to feedstock, corn sweetener has a competitive advantage over other sugar sources," stated Harless.

According to Harless, member survey results indicated how members remain willing to pursue alternative or niche markets and invest in the future of corn the ProGold plant.

Managers Report

Executive VP, Scott Stofferahn discussed changes in cooperative operations during the prior year. "We have been a single employee operation for six months now. This was made possible by contracting bookkeeping with Eide Bailly," said Stofferahn. Administrative costs declined again in 2016 by \$46,000 and the 2017 budget indicates further reductions.

Stofferahn explained that a new online method of drafting and editing SEC documents appears to be reducing confusion, time, and money.

As of February 1st, the Corn Wet Milling Market Analysis and Valuation Study was completed. A copy of that report is posted on the Golden Growers Website. The next step is to build upon that research using Value Added Producer Grant funding obtained from USDA's Rural Development. Kyle Althoff of Equinox will lead that project in the coming months.

Richard Bot - GGC's Newest Board Member



Rick Bot was elected to represent the SE District on the GGC Board at the March 23rd Annual Members meeting. Rick and his brother raise corn and soybeans near Minneota, MN. He has been active on the Yellow Medicine Watershed Board and currently served as clerk of Westerheim Township.

Rick is also very active in Rotary, serving as club President and District Assistant Governor. Rick recently returned from a mission trip to Guatemala sponsored by Rotary and Hope Haven Ministries International. Rick and his wife Ruth have four daughters, two sons, and five grandchildren. He enjoys golf and coin collecting. Richard and Ruth have been GGC members since 2002.

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Board members elected at the Annual Meeting

- * Glenn Johnson of Mayville, ND (NW District)
- * Shaun Beauclair of Steven, MN (NE District)
- * Chris Johnson of Wahpeton, ND (SW District)
- * Richard Bot of Minneota, MN (SE District)
- * Mark Harless of Borup, MN (EC District)

2016 Member Survey Results Online

Complete results from the 2016 member survey were presented at the Annual Meeting by Executive Vice President Scott Stofferahn. **Results are available on the Golden Growers website (www.goldengrowers.com).**

Important Dates:

June 5, 2017—Last day to submit transfer requests
June 15, 2017—Board of Directors Meeting
September, 14, 2017—Board of Directors Meeting
December 8, 2017—Board of Directors Meeting
March 28, 2018 - Board of Directors Meeting
March 29, 2018 - Golden Growers Annual Meeting

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