



Golden Growers
Cooperative

Memberandum

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GGC Board Approves Distribution of \$0.14/bushel

On June 10th, the Golden Growers Board of Directors approved a distribution of \$2,168,667 to member of record as of June 1, 2019. This distribution retires an additional portion of 2017 allocated income and is to be issued no later than June 30th. This distribution authorized by the Board will result in a remaining equity credit balance of \$5,547,469 or \$0.36/bushel.

Golden Growers has issued payments to members totaling \$107,567,048 or 199.3% of the original investment in the ProGold plant.

The GGC Board made a decision to build a reserve in preparation for capital expenditures like major repair of the finish dryer or the replacement of the Distributive Control System. GGC must also be prepared for the potential that Cargill may exercise its option to purchase 50% interest in ProGold.

Executive VP's Annual Meeting Report includes discussion of Administrative Operations and Common Questions

According to Stofferahn, administrative costs are down for the 5th year in a row. 2018 cost reductions are primarily related to reduced legal expenses (SEC related). "Direct Deposit of distribution payments has also been very helpful in allowing a more efficient refocusing of time to more important tasks."

Stofferahn addressed additional questions often asked by members:

Question: *What are my membership Units worth?*

Answer: GGC does not place a value on Units. The best option is to review recent transactions at the www.fncagstock.com website. It is important to understand that Units are very thinly traded. "Arms-length transfers (sales) peaked in 2010 at 1.75% of total Units. In most recent years, however, sales have always accounted for less than 1% transferred per year. Values through FNC peaked in 2014 slightly above \$6.00, but more recently have been closer to the \$3.00 range."

Question: *Why can't I receive my GGC K-1 sooner?*

Answer: First of all, a K-1 is not a 1099 which can be printed shortly after the first of the year. The K-1 requires GGC to: 1) Close our books for the year (mid Jan); 2) Satisfy our Auditor (late Jan); 3) Have our accountant prepare an income estimate (late Jan); 4) Allocate income through Board motion (early Feb); and 5) Have our Accountant determine ND income tax withholding (early Feb). **Finally**, the K-1 is processed, printed, and mailed (mid Feb). Because many of our members need to file their taxes by the end of February, we proceed as fast as we possibly can. It is not possible to speed up the schedule by cutting corners or ignoring critical process. It is also not legally possible for GGC to change our tax year. IRS rules require our tax year to be the same as the majority of our partners, which is the calendar year.

Question: *What are Transfer Requirements?*

Answer: At the conclusion of a transfer, the resulting Member(s) must hold a minimum of 4,000 Units. We also require delivery to be completed before a transfer is approved. For Method A pool participants, this means bushels of corn delivered for the year must be equal to or greater than the number of Units to be transferred. For Method B pool participants, the Agency fee of \$0.02/bushel must be paid so that GGC can acquire and deliver corn on the member's behalf. New members must complete a new Uniform Member Agreement (UMA) and a new Annual Delivery Agreement (ADA). Existing members acquiring Units must complete a new ADA to include all Units the member owns.

Question: *If I sell my Units, what would be my tax basis?*

Answer: GGC does not offer tax advice. You must talk to your tax advisor. When it comes to basis, every member's situation is different. GGC does provide important information to members or their tax advisors that may be necessary for basis calculations. It is important to recognize that a taxable event occurred when GGC converted from a ND Cooperative to a MN 308B Cooperative in 2009. Units were appraised to have a value of \$2.86/Unit. For some, this was a taxable loss, for others it was a taxable gain. Distributions issued to members since that time (available on the GGC website) also have an impact on the tax basis. Generally, partnership distributions (characterized as a refund of equity) have the impact of reducing basis. Allocations of income, that have not yet been retired, generally have the impact of increasing basis. Basis is also tied to when a member acquired Units and how much the member paid for them or valued them at the time. GGC may provide information from an individual member's file to indicate when Units were acquired along with any sales data that may have been involved. Once again, it is best to consult with your tax advisor.

GGC Board Chair relays the importance of Trade and Biofuels

On May 9th, Chairman Mark Harless was among a group of farmers who met with Vice President Pence near Glyndon, MN. Mr. Pence was promoting the passage of USMCA trade agreement. Harless stressed the importance of the Mexican market for black beans and HFCS. He explained how HFCS has a very fragile supply/demand balance. "We can't afford to lose any customers. We need to pass USMCS to keep those trade lanes open." Steel and Aluminum tariffs that were a sticking point on Congressional approval were lifted on May 17th. Within days, however, threats to impose escalating tariffs on Mexico over border security were announced.

Those tariffs appear to be set aside at least for now.



Harless also had the opportunity to participate in a June 6th biofuels discussion in Moorhead, MN organized by Minnesota Senator Amy Klobuchar. Harless thanked her for her efforts in making E-15 available for sale year-round and her continued efforts to resolve the small refiner ethanol waivers issued by the EPA that have reduced demand for ethanol by 2.6 billion gallons. "We are on the cusp of many new uses for corn due to technological breakthroughs like CRISPR-Cas9. We need to keep the regulatory environment friendly to these new developments," Harless concluded.



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June 2019 Memberandum Newsletter



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Cost to repair finish dryer at ProGold plant estimated to be over \$2 million.

Recently, Cargill informed ProGold that repairs to the finish dryer at the plant would occur in 2020 at a cost of over \$2 million. These repairs will consist of the replacement of the tube sheet, tubes and significant shell reinforcement. The fiber finish (tube sheet) dryer, is a last stage dryer for corn gluten feed shipped as a dry product. Over the past several years, efficiency and reliability has declined as 20% of steam tubes became worn out and were capped. Repair of the fiber finish dryer was an anticipated capital expenditure during the term of the current lease.

Notify GGC of Changes!

Please remember to notify GGC immediately of address, phone number changes, or to report the death of a member. Call us at 701-281-0468 or email scotts@goldengrowers.com.

Important Dates:

September 2 - Last day to submit transfer requests
September 12 - GGC Board Meeting
October 15 - 2020 Annual Delivery Election in Mail
December 15 - Deadline for 2020 Annual Delivery Elections
March 25, 2020 - GGC Board Meeting
March 26, 2020 - GGC Annual Meeting

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