

RockyTalk

FOOD FOR THOUGHT INFORMATION FOR BUSINESS



FY 2023 Year in Review

BY BRAD GJERMO, CEO

Fiscal Year 2023 is another year that everyone associated with Rocky Mountain Supply should be proud of! Again, we faced many headwinds, like extremely high and volatile energy and fertilizer prices, but your cooperative again persevered through it all to have another great year! Sales ended at a record \$184,006,531 which was an increase of over \$48 million from fiscal year 2022. It was our second consecutive year of sales over \$100 million. Local net earnings finished at \$4,776,818, an increase of over \$1.8 million over last year. This is partly the result of the sale of the old Townsend store property as we were able to achieve a significant gain on this sale. This being said, our local net earnings would have still been over \$1 million greater than FY 2022. As years in past, all operating divisions of Rocky Mountain Supply contributed to this success! Our total earnings before taxes finished at \$7,521,352. Our propane joint venture with Vigilante Electric Cooperative, Montana Energy Alliance, contributed significantly to our overall earnings.



BRAD GJERMO

Sales continue to Grow

As you can see, Rocky had another successful sales year! We had particularly strong sales in refined fuels (gasoline & diesel fuel) selling over thirty-two million gallons total. This is the second time topping thirty million gallons in sales. We also had record sales years in in-store sales within our retail stores as well as seed sales within our Agronomy division. In-store sales exceeded \$22 million for the first time and seed sales approached \$4 million. As I continually tell our team, our cooperative's growth is not optional for us to succeed. Growth in our business has been and will always be key to our success. Costs to do business will continue to rise and one of the few ways we have to offset these costs is to grow our business.

Cash Returns

With the strong financial performance, we had in 2023, will transition into significant patronage dividends and equity retirement payments back to our members. We will be distributing an estimated \$2,914,742 back to our members in patronage dividends in 2023. Of this amount, \$1,528,223 will be distributed in the form of

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NEAL ARTICLE

BY LUKE NEAL, AGRONOMY DIVISION MANAGER

I would like to begin by thanking everyone for their understanding this spring. As we all know it was a very condensed spring. We had everyone wanting their fertilizer at the same time so they could get water on the field or seed in the ground. Our crews handled this in a very professional manner. Our applicators and operation staff had some really long days.

How to prepare next spring

The lesson that I took away from such a condensed spring is for us to try and visit with our producers more about fall and early application to eliminate some of the rush. Alfalfa crops especially are good crops for early application. Phosphorus is primarily applied on alfalfa, and it is not mobile in the soil, so it will stay there and not leach or volatilize away. Having these fields applied in the fall or in an open winter/early spring will make sure when we come

to apply your other fields we can move more quickly through your place and be out of your way. Other ways to have your field applied more quickly and efficiently is to have the fields prepped before the machines arrive to apply. Start by visiting your agronomist, or operations manager and getting them maps of the fields you want applied. This eliminates the applicator having to stop the machine and ride around trying to figure out the fields. Please move your pivots, wheel lines, hand lines, or any other objects in the field. Please make sure any risers or steel post are marked with bright paint, so applicators do not run over them. Please make sure gates are opened if possible and be aware of any muddy spots for the applicators to avoid. All these things can speed up your application and get us out of your way so you can get your water on, or

seeders in the field.

Employee Recognition

Kyle Cerovski, has been a part of Rocky for over eighteen years. When it comes to applying he is as good as they come. Many of you know Kyle personally and he probably knows your fields better than you know him. Kyle was promoted to the fleet Forman due to his mechanical ability and his attention to detail. He is incredibly knowledgeable when it comes to trucks and application equipment. I often find myself calling him in mid-season for help. I know that when he sees my number popping up on his phone he automatically thinks “what did he break now?” but still manages to answer and walk you through the repairs, while keeping calm under extreme work pressure. Rocky Mountain is very lucky to have Kyle as part of the team.



LUNK NEAL

FROM PAGE 1 cash, the balance will be in the form of equity. The Board of Directors made the decision this year, with strong financial performance in combination with a strong balance sheet, to up the percentage of patronage dividends paid in cash from 30% to 40%. This will allow us to get more cash to the country than we ever have before! The board also made the decision about how we will manage the earnings from Montana Energy

Alliance and how it is distributed to our members. Please see Terry Sweeney's article about this topic in this issue of Rocky Talk. We also plan to distribute \$1.25 million in equity retirements in 2023 to those who were born in 1952 or before as well as additional equity to be retired by the year in which it is earned. Our goal over the next couple of years is to not have any active equity on the books older than 20 years. This will allow many of our active patrons to

get two checks per year from us, one for patronage dividends and one for equity retirement.

Thank you to all our employees for their hard and smart work over the last year! It takes both hard work and smart work on their behalf to allow us to be successful. Lastly, thank you to all of you for your support of this great cooperative. You have helped build something you can all be proud to be a part of!



ENERGY ARTICLE

BY SCOTT FEDDES, CERTIFIED ENERGY SPECIALIST

There is a saying in the nursery business that the best time to plant a tree was 20 years ago. The second-best time was yesterday. The same can be said for fuel tanks. Putting off a purchase, or just dealing with the current situation, is not always the best plan. Also, having all the same size tanks typically doesn't work out very well either. One always runs out faster than the rest. Let's take some time now to look at the different factors that play into optimizing your fuel storage.

1. Have fuel when you need it – With all the supply chain disruptions, some things are taking longer to receive than normal, this can also be true in the fuel world. Last fall there was quite a bit of news about the diesel supply in America getting extremely low. A few years ago, the Colonial Pipeline experienced a major shutdown due to a ransomware attack. The truth is there is minimal spare capacity in the refining, pipeline, and storage system, so any disruption can cause an outage. We rarely run out of product, but there are times when we are moving things around to be able to supply your fuel. Making sure you have the “right sized” tanks ensures you have fuel when you need it, and it keeps your operation running smoothly. You may want to consider purchasing a tank that is large enough to hold most of your annual usage. The market typically dips in the winter, so it is a



SCOTT FEDDES

great time to purchase.

2. Discounted Pricing – We set a base price for the fuel we deliver that varies depending on the current spot price and how far we need to haul it. We then offer discounts based on the total volume delivered. For example, let's say the base price for #2 dyed diesel today (delivered in Livingston) is \$3.59.

We offer a 2-cent discount for every 500-gallon increment (our minimum delivery quantity is 200 gallons). This discount applies to the total gallons delivered. For this example, we were able to deliver a combined total of 3000 gallons of gas, clear and dyed. A 12-cent per gal discount would be applied on all the products in that delivery. The price for the dyed diesel would be reduced from \$3.59 to \$3.47. Basically, the more we can deliver, the more you will save.

3. Inflation – Steel prices and the price of tanks were on a steep

steady climb for a couple of years but have now flattened. The truckload of tanks we received this spring came in at the same price as last fall, which is a good thing. But we don't anticipate this to be the case for too much longer. Today might be a good time to look at purchasing a new tank. To make a purchase like this easier on your cash flow, we offer an in-house 3-year, interest-free payment plan on all fuel storage tanks. You pay 25% down at the time of purchase and then we spread the remaining 75% out over the next three years. This has been a very popular program and is a great way to get into a new tank without the large upfront cost.

In 2022, Rocky's Energy Department moved over 30 million gallons of fuel. We have seen some setups that are highly efficient and others that could use a tune up. Is there something about your fuel setup you wished you would have changed 20 years ago? Does it make sense to switch some tanks to a different product? Would getting a larger tank for the product you use the most help your operation? If you want to talk it through, bounce some ideas around, please give me a call. Scott Feddes – CES 406-581-2136 or the Rocky Energy Dept (406) 388-6116.

AG ARTICLE

BY BILL BALLIET, RETAIL DIVISION MANAGER

And so continues our journey into all ways Rocky Mountain Supply is working to meet the needs of our Ag community. In our last edition of Rocky Talk we discussed the value of “People” and all the focus we have put in our Livestock Nutrition Sales Specialist (LNSS) role. Our people are the heart of our business and keeping them trained on all that is current in the Ag industry will always be a main focus of ours.

Second to having a great team comes having the products to help our Ag customers resolve their needs on the ranch. While we would love to carry a full selection of every product line, we do have limited square footage in our stores, and we continue to evaluate product lines and individual selections to help us maximize this space to best suite the overall needs of our customers. We meet often throughout the year and our inventory selection is reviewed to ensure we are doing all we can to keep the products you all need stocked and ready to support your needs.

One of our biggest investments this year is our entry into large-scale buying groups. With this addition we now have access to over 1800 vendors to research products and/or product lines for our stores. This will also provide us with access to product lines that previously may not have been accessible using our current processes for product ordering. We look forward to more on how becoming a buying group member will support your needs as we begin this process this spring/summer.

Carrying the right product to meet customer needs can always be a challenge and once we do find those “right” items, keeping them in stock can be an even larger challenge. I wanted to take a moment to highlight some vendors who have proven themselves over the years along with a new one as well.



BILL BALLIET

CHS Payback Feeds



While we carry many lines of Payback feeds, the lines of cattle feed are predominantly top sellers in all our markets. CHS carefully formulates each line of beef feed to ensure it will improve your herd health, fertility and meat production. If you need any further knowledge on the value of Payback, reach out to our LNSS, Ken Visser, and he will be glad to tell you all about it. Not only does he promote Payback to all his customers, but he is also an end user himself!

Arrowquip Livestock Handling Equipment



Rocky Mountain Supply has carried Arrowquip products for many years now and based on customer feedback we will continue to do so for years to come. Arrowquip focuses its attention on producing cattle handling equipment that makes handling your



herd not only easier and faster but with a focus on keeping users safer while operating. If you are in need of a chute, tub, or alley stop by any of our Farm/Ranch stores and talk to one of our store team members.

FerAppease

FerAppease is a newer product at Rocky Mountain Supply and is a topical treatment used to help aid in stress mitigation. FerAppease can be used any time animals are exposed to stressors such as weaning, branding, transportation, and more. Some of the noted benefits include the following; Increased antibody production after vaccination, fewer cases of morbidity and mortality, increased consumption to improve weight gain. For more of the benefits on FerAppease reach out to Mckenna Anders. Mckenna is our LNSS in Dillon and has done quite the research into this product, so we were able to bring FerAppease on board to serve our customers needs.



This is just a small sampling of some product lines we carry at Rocky Mountain Supply. Our LNSS team is always doing their research to ensure we do all we can to carry the products or product lines to best help you manage your ranch.

In our next issue of Rocky Talk we will wrap up our three part series on or “Focus on Ag” with some discussion on the services we offer at Rocky Mountain Supply to help support our Ag customer.

More to come.....



ROCKY MOUNTAIN SUPPLY ADOPTS NEW PATRONAGE CHANGES

BY CFO TERRY SWEENEY

The Rocky Mountain Supply Board of Directors has decided to increase the cash portion of the RMS Patronage Dividend distributions. The Board has decided to increase the cash portion of the patronage distributions from 30% to 40% cash effective for the fiscal year that began February 1st, 2022 and that ended January 31st, 2023. Patronage distribution is evaluated yearly by the Board.

Traditionally the split was 30% cash / 70% stock (equity).

This year the split will be 40% cash / 60% stock (equity).

M.E.A. Patronage Distribution

Montana Energy Alliance (MEA) is a Propane business whose headquarters reside in Dillon, Montana. MEA

is a joint venture LLC between Rocky Mountain Supply and Vigilante Electric that was formed over 20 years ago, with each entity owning 50% ownership.

Traditionally, Vigilante Electric has utilized their MEA earnings to supplement electric rates for Vigilante Electric customers. Rocky Mountain Supply has distributed the MEA earnings through an annual patronage distribution adding it to the RMS earnings.

The Rocky Mountain Supply Board of Directors has decided that the MEA earnings that RMS distributes as patronage is better to be given back to the RMS patrons.

Rocky Mountain Supply customers will no longer see a separate line item for MEA Propane on their patronage dividend check stubs. Instead, the MEA earnings will be

added to bolster patronage rates on the other Rocky Mountain Supply core categories of Retail, Agronomy and Bulk Petroleum. RMS customers who do purchase propane from MEA will still benefit from the dividend program, if they continue to do business with RMS and qualify for an RMS patronage check.

The other benefit worth mentioning is the amount of time that will now be saved for Patronage Dividend preparation. Traditionally, the data entry from the MEA purchases was cumbersome since RMS and MEA run on two completely different and unique accounting systems. This time savings will result in Patronage Dividend checks hitting your mailbox earlier than usual this year. More details will be coming on this year's Patronage Dividend distribution.

Thank you for your patronage and supporting your local co-op.



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LEAVE YOUR BRAND WITH ROCKY

At our customer appreciation in Dillon we began collecting brands from our Beaverhead and Madison County Patrons. We are asking anyone who would like to participate to stop by our Dillon location to pick up a board to brand. We will be hanging these at our South Counter and would love to see your brand in Rocky!

