



RockyTalk

FOOD FOR THOUGHT. INFORMATION FOR BUSINESS.



Careful Acquisition Fits Growth Strategy

BY BRAD GJERMO, ROCKY MOUNTAIN SUPPLY, CHIEF EXECUTIVE OFFICER



The big news for this issue, from my perspective, is RMSI's acquisition of Townsend Seed. They've been a premium supplier of quality seed in Montana for more than 30 years. You can read more about the company in Randy Craig's article on page 4.

Townsend Seed is the first acquisition we've made in quite awhile. With that fact in mind, I want to talk about our philosophy of acquisitions and, on a broader scale, what part they play in our overall growth strategy. When we look at an opportunity like Townsend Seed, it has to be something that will support our established core businesses. It also has to be located with, or adjacent to, our trade area. And it has to be the kind of business that we have the expertise to manage successfully.

If those criteria are met, we'll visit with the potential acquisition's current owner to gain their perspective, then review financial information on the business in depth. While past performance is no guarantee of future success, we do gain a sense of how the business has performed under the current management structure. We'll determine whether it will perform even better under our umbrella.

Next, we'll create several financial models based on conservative and aggressive scenarios to help determine how we can expect the acquired business to perform in

the future. Several criteria that must be met: Will this business make us more efficient? Is it self-supporting? Or will it create a financial burden on the rest of our operation and balance sheet?

All this information is ultimately presented to the board in a form that makes their job easier. Also, we won't take anything to the board that we as management don't support.

There are always opportunities to be considered, but we don't look at everything and we don't expect to make an acquisition every year. When the fit is right, acquisition can be a good complement to organic sales growth as we add new customers and increase the business that we do with our existing patrons. The truth is, if you're not growing, your ability to succeed long-term is significantly diminished. Therefore, we will continue to pursue all viable avenues of growth.

Congratulations, scholars

We launched a scholarship program earlier this year. I would like to congratulate our first four scholarship recipients. Our objective is to get quality applicants, and we certainly achieved that this year. The Rocky Mountain Supply program is different than most in that the recipients must be in their junior year of college. You can read

Continued on page 2

The RMS CARDTROL CARD Puts the Customer in CONTROL



BY TERRY SWEENEY, CHIEF FINANCIAL OFFICER

Having trouble keeping track of your fuel purchases? Do your drivers continually forget to get receipts? Or if they do get a receipt, do they forget to turn them in? If you answered “yes” to any of

the above, then perhaps the Rocky Mountain Supply CARDTROL card is your solution. The CARDTROL card is the RMSI in-house charge card that helps you track your fuel purchases, whether you have a whole fleet to juggle or just a few drivers in the family.

Once a customer has established a Rocky Mountain Supply charge account, whether it’s a personal or business account, they become eligible to use the CARDTROL system and all the benefits the system offers. The card is used primarily at the fuel pumps. You can have as many cards issued as you need. Each card has a specific card number assigned. If a card is lost or stolen, or you have an employee change, contact us and we can inactivate that specific card in the database. That way your business never skips a beat.

DATE	REFER	DEPT	DESCRIPTION	QUANTITY	UNIT PRICE	AMOUNT
***** BEGINNING BALANCE *****						
12/05	350936	BS	50301 HOSE SHUT OFF ZINC			4.49
12/05	350936	BS	50301 HOSE SHUT OFF ZINC			4.49
12/07	45013	BC	DIESEL #2 CLEAR CARD 9565 @ 10:14	19.89		45.73
12/12	130414	BS	LIGNETICS WOOD PELLETS 40#			244.50
12/12	351966	BS	ICEWAY MAX GREEN 50LB	2.00		24.40
12/16	45575	BC	DIESEL #2 CLEAR CARD 9565 @ 12:41	19.42		44.45
12/16	352735	BS	LIGNETICS WOOD PELLETS 40#			52.90
12/16	352735	BS	GELATIN CAP #7 1.5 OZ			1.05
12/16	352735	BS	ASPEN MAXI DOSE+E *300GN			19.99
12/16	352735	BS	PRAIR CITY DONUT HOLE ORI			2.29
12/18	45671	BC	DIESEL #2 CLEAR CARD 1133 @ 11:16	25.34		58.00

Using the CARDTROL card also ensures that your purchase gets posted to your account. This is critical for the purposes of earning patronage, because credit card purchases at the pump do not provide that benefit. In today’s world with hectic schedules to maintain, there are times you just want to get fuel and get going. The CARDTROL card gives you that freedom. Of course, once you’re done fueling and want to pick up snacks, or need some hardware or feed, just come on in to the store.

The monthly statements you receive are mailed from our corporate office in Belgrade. We’ve included a few excerpts from monthly statements on this page to show how you can track your purchases.

The first example above is from a local farming operation. This owner knows who filled up which truck on which date and time based on the different card numbers. He also gets a detailed description of all his hardware, animal health and feed purchases, as well as a product summary listed at the bottom of the statement (see below).

This second example at left shows a true fleet account that has more than 25 different drivers at any given time. The owner of this company loves the fact he knows exactly when his drivers are filling up and which vehicles were on the road that day.

If you already have a charge account established with Rocky Mountain Supply, but are not utilizing the CARDTROL Card system, we encourage you to do so. If you have been a cash customer of RMS and want to take advantage of the flexibility and control that the CARDTROL Card system offers, please contact Credit Manager Sherry Shaw at our corporate office. 406-388-4008. ◆

DATE	REFER	DEPT	DESCRIPTION	QUANTITY	UNIT PRICE	AMOUNT
***** BEGINNING BALANCE *****						
01/01	46530	BC	UNLEADED E10 CARD 1108 @ 00:45	11.75		25.00
01/01	46532	BC	UNLEADED E10 CARD 1108 @ 05:30	6.29		13.72
01/01	46533	BC	UNLEADED E10 CARD 1116 @ 05:40	16.69		36.37
01/01	46534	BC	UNLEADED E10 CARD 1102 @ 05:58	14.96		32.59
01/01	46535	BC	UNLEADED E10 CARD 1120 @ 05:59	15.23		33.19
01/01	46536	BC	DIESEL #2 CLEAR CARD 1109 @ 06:50	5.96		14.30
01/01	46540	BC	UNLEADED E10 CARD 1119 @ 09:37	6.91		15.05
01/01	46543	BC	UNLEADED E10 CARD 1114 @ 11:04	11.98		26.10
01/01	46544	BC	UNLEADED E10 CARD 1120 @ 11:07	6.48		14.12
01/01	46546	BC	UNLEADED E10 CARD 1117 @ 11:45	20.01		43.61

----- PRODUCT SUMMARY -----		
THANK YOU		(-1,988.17)
MID-GRADE UNLEADED	9.73	24.41
DIESEL #2 CLEAR TAXABLE	48.17	117.66
SPORTING GOODS		99.99
HARDWARE SALES		245.37
WOOD PELLETS		307.98
GROCERY		1.99
FEED SALES	1050.00	432.85
BULK FEED - POUNDS	7.19	2,586.07
ANIMAL HEALTH & ACCESS SALES		158.70

Careful Acquisition...

Continued from page 1

about this year’s recipients on the back page of this newsletter.

The scholarship program is essentially producer funded through uncashed patronage and checks. We intend to offer the scholarships next year, so watch for details in the October issue of *Rocky Talk* and on our website. Applications will also be available at all of our locations.

Finally, Jan. 31 marked the end of our fiscal year. Strong sales and solid local earnings should make last year one of our two best years ever—surpassed only by the year before.

We’ll present all the finalized financial information, discuss our year and future plans, and elect two board members at our annual meeting on Thursday, April 13 at the Grand Tree Best Western Hotel in Bozeman. Official notices will be mailed at the beginning of March, so be sure to RSVP. ◆



All Diesel Is Not Created Equal



BY JASON RORABAUGH, PETROLEUM DIVISION MANAGER

Whether hauling cattle to market, putting your crop in the ground or harvesting wheat, you need your diesel engine to perform at its best. That's why we offer the finest diesel fuels on the market—Cenex® Premium Diesel Fuels. Both Ruby Fieldmaster® dyed fuel and Roadmaster XL® clear diesel contain the most complete additive packages in the industry. Here's what makes Cenex fuel so different.

Detergent/Anti-fouling—Laboratory and field tests confirm that Cenex premium diesel fuels meet or exceed requirements to maintain and clean fuel systems. Cenex premium diesel fuels meet and exceed both the DW10 and XUD-9 engine tests, which measure the rate of the fuel's ability to effectively prevent and remove the build-up of carbonaceous deposits. In addition, Cenex premium diesel fuels are designed specifically to meet and exceed the current and future demands of original equipment manufacturers (OEM).

Demulsifiers/Moisture Control—One of the most problematic sources of mechanical and filter failure is water. It is critical to separate and remove water from the fuel system. Cenex premium diesel fuel contains demulsifiers that force water to the bottom of the fuel tank for easy removal. Both new and old equipment contain a water release valve intended to remove water from fuel storage tanks. Engine manufacturers recommend this to reduce and eliminate moisture contaminants in fuel from passing through the combustion chamber.

Competing products may claim that emulsifiers are better at controlling moisture than demulsifiers. Emulsifiers just "break-up" the water to pass through the fuel system instead of forcing it to the bottom for removal. Modern diesel engines that utilize high-pressure common rail technology have enormous heat and pressure build up. Forcing heated water into a fuel system that can generate over 35,000 psi causes damage to engine components.

Upgraded injection stabilizer—Injectors are a major source of potential problems in today's common-rail engines, which operate at temperatures and pressures that can literally cook typical #2 diesel. This results in fouled fuel that recirculates in the fuel system and can damage engine parts. Labora-

tory tests have confirmed that the upgraded injection stabilizer in Cenex Premium Diesel Fuels addresses this issue and helps prevent two major sources of injector problems.

Nozzle coking deposits occur in the injector nozzle tip. These orifices spray microscopic fuel droplets into the combustion chamber and, because they are so finite, they can become clogged by even the smallest amount of deposits. These deposits may only be a stain or varnish; however, they can lead to power deficiencies and decreased fuel efficiency.

Internal diesel injector deposits (IDID) are of critical concern with high-pressure injection engine technologies. Unlike conventional deposits, IDID form deep inside the high-precision injectors, causing havoc due to tight tolerances. These deposits can appear suddenly inside the injector and can significantly reduce power, fuel economy and, in some cases, can result in injector failure.

Fuel-filter plugging—Preventing thermal fuel decomposition, fuel fouling and deposits also addresses another issue that affects high-pressure injection (HPI) systems—premature fuel filter plugging. Fuel filters capture unwanted contaminants from the fuel. Left unchecked, this results in fuel filter plugging. As the flow of the fuel through the fuel filter becomes restricted or plugged, a loss of power will result.

Black sludge, a common problem, is a critical issue in high pressure common-rail (HPCR) engines operating at high temperatures, where contaminants from unburned fuel and combustion soot combine to further diminish performance.

Terminal injection—Cenex premium diesel fuel is injected directly into the fuel stream at the terminal level. Terminal injection provides the quality assurance, proper treat rate and blending accuracy needed to produce consistently high-quality premium diesel fuel. Splash blending reduces the accuracy of proper blend rates required to produce a high-quality premium diesel along with increasing the risk of debris, dirt and water contamination.

See why you need Cenex Premium Diesel Fuels? We offer Roadmaster XL at the islands at all four of our retail locations, and both Roadmaster XL and Ruby Fieldmaster in bulk. ◆

Townsend Seed a Welcome Addition



BY RANDY CRAIG, AGRONOMY DIVISION MANAGER

As Brad Gjerme mentioned in his article, we are excited to announce the acquisition of Townsend Seed. The company has been a premier seed facility in Montana since 1983, when Townsend Seed was established by Harry Johnson and Dan Place. Kim Martinson and Dennis Sweitzer bought the company in 2001. John Schutter bought into the facility some time later, then purchased the business in its entirety three years ago.

The main seed plant consists of a cleaning, treating and bagging operation. Three warehouses will also be acquired in this acquisition, as well as multiple bins for bulk seed storage. Townsend Seed purchases seed from area producers, then cleans, bags and resells the seed to retail customers and other suppliers. Mick Samuel Moos will take over as seed plant operations manager.

Dan Place will also be around this spring to help customers with seed and chemical questions. Producers will still be able to get Montech and WestBred seed.

Patron opportunities

Townsend Seed will give RMSI a presence in both the wholesale and retail small grain seed market, and will increase our market potential in alfalfa, grass seed and chemicals.

The investment will also create another value-added market for RMSI producers' seed grain, and patrons will be eligible to receive a patronage dividend on their seed purchases. In the future, RMSI customers will have a more convenient location to pick up seed in Belgrade and Dillon. Our plans call for the addition of a bulk-bin storage system to handle bulk grains.

In the future, we plan to hire a sales person to help with our customers' seed needs. For Townsend Seed customers who do not have an account with RMSI, we will be contacting you to get these accounts set up. If you are a dealer or producer and have a prepaid or verbal commitment for your spring needs with Townsend Seed, RMSI intends to honor those agreements.

Townsend Seed adds another dimension to our agronomy department, and we're looking forward to servicing your seed needs. ◆



FILL SOON FOR SMALL ENGINES



We want to remind you that on June 1, our stations will be going back to E-10 premium unleaded for the summer. So, if you prefer to use non-ethanol premium fuel in your mowers, trimmers and other small engines, stop in and stock up before June 1.

SAVE TIME! Pay Your Bill Online

Due to the merchant agreement between Visa®/Mastercard® and Rocky Mountain Supply, effective April 1, 2017, RMS will no longer be able to accept credit card payments to pay monthly statement balances. Credit card payments can only be made on point-of-sale purchases.

Fortunately, there is a convenient alternative. Online payments are set up as ACH checking-to-checking account transactions. You don't have to write, deliver or mail a check—the funds come directly out of your account.

If you have questions about ACH payments, give our accounting office a call at 406-388-4008. ◆

Liquid Fertilizer a Tool to Consider



BY ZACH CRAIG, SOUTHWEST REGION AGRONOMY MANAGER

With tight margins and the uncertainty of input prices, efficient fertilizer use is more important than ever. That's the reason I'm such an advocate for liquid fertilizer use in alfalfa production.

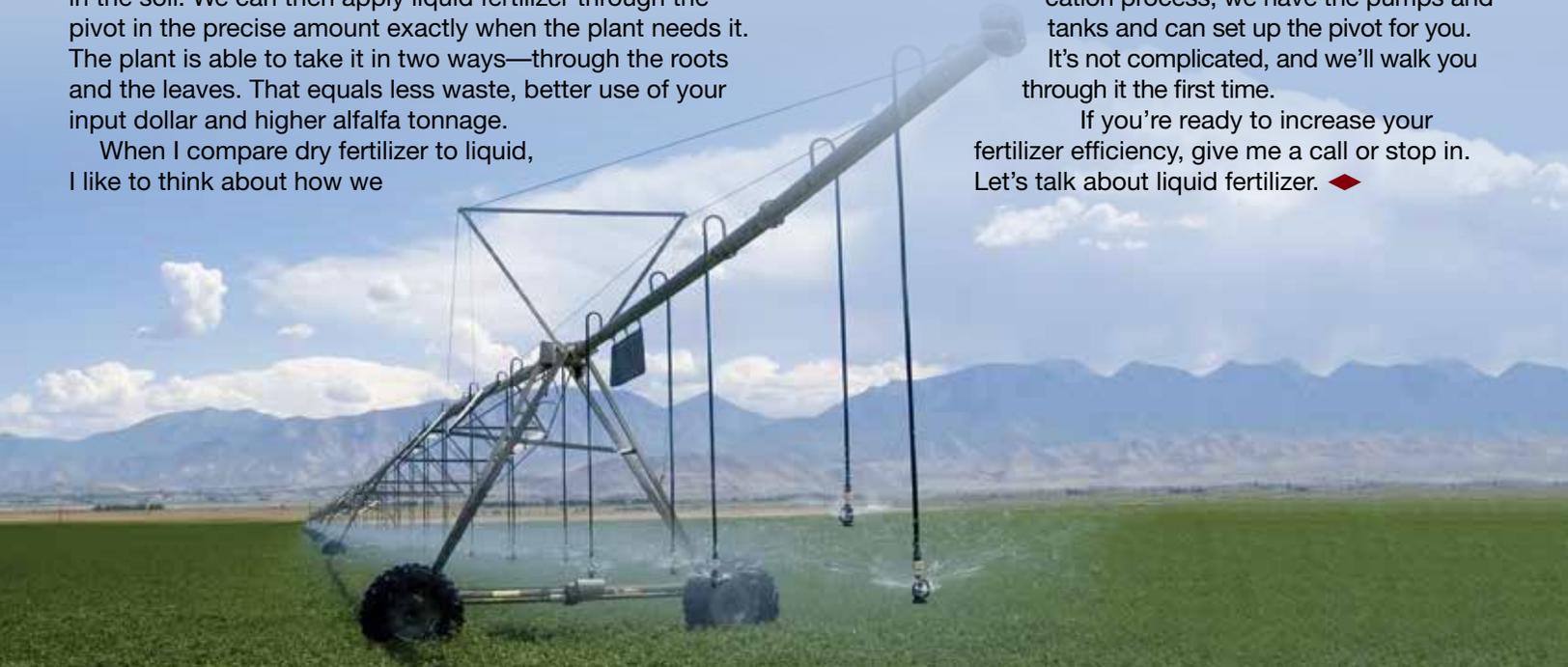
The fact that so many of our valley acres in the Dillon area are irrigated makes the case for liquid fertilizer even stronger. With today's technology, we can tissue sample the alfalfa plant and determine precisely what they need, not what's in the soil. We can then apply liquid fertilizer through the pivot in the precise amount exactly when the plant needs it. The plant is able to take it in two ways—through the roots and the leaves. That equals less waste, better use of your input dollar and higher alfalfa tonnage.

When I compare dry fertilizer to liquid, I like to think about how we

eat our meals. With dry fertilizer, you have a huge breakfast and don't eat for the rest of the day. With liquid fertilizer, you eat when you're hungry. You're giving the plant the same nutrients whether dry or liquid, but the liquid is simply more efficient.

Liquid fertilizer is just another tool to consider as you work to make your operation as efficient as possible. I think it's a no-brainer for alfalfa. And if you're concerned about the application process, we have the pumps and tanks and can set up the pivot for you. It's not complicated, and we'll walk you through it the first time.

If you're ready to increase your fertilizer efficiency, give me a call or stop in. Let's talk about liquid fertilizer. ♦



Experience a Great Fit in Belgrade

Though he's a long way from home, our Belgrade store manager, LaVon Wagler, is right where he belongs. He grew up on a dairy farm in West Virginia, which transitioned to an all-natural grass-fed operation during his time there. He later worked in the beef industry, ultimately managing a 150-head ranch in Idaho, and also worked in commercial swine and poultry operations. Prior to joining the Rocky Mountain team, he managed a grain elevator in Wolf Point. LaVon brought his wife, Grace, along with their two children, Anah (6) and Kaden (2), to the Gallatin Valley.

"All of that experience comes into play as I manage this store," LaVon says. "We have the dairies in the Bozeman area, the commercial operations and grain growers, as well as the all-natural, organic producers. My

background allows me to understand each of these customers, so when a patron comes in with a particular need, I have a good idea what they are looking for, why they need it and what to recommend."

LaVon continues to broaden his horizons. As part of the second class in the REAL (Resource Education and Agriculture Leadership) Montana program offered through Montana State University Extension, he's learning how the natural resource industries so important to the Montana economy can better work together to face current and future challenges. "I see this program as crucial to my leadership development," LaVon states. "Our state economy is built almost entirely on natural resources, so we need to find ways to work together."

LaVon notes that his transition to store management has been relatively smooth, and he has goals in mind for the Belgrade store.

"I intend to improve our employee education and product knowledge so we are better able to help our patrons find exactly what they need for their operation," he says. "We'll also be adding products to give us a more complete feed line for ranchers."

"As a retailer, I'm always looking at the trends, trying to determine what our customers want rather than offering what we've had because we've always had it," LaVon concludes. "We have a few exciting changes coming up soon, so be on the lookout for those." ♦



LaVon Wagler,
Belgrade store
manager



ROCKY MOUNTAIN SUPPLY INC.
350 JACKRABBIT LANE
P.O. Box 129
BELGRADE, MT 59714-0129

PRSRT STD
U.S. POSTAGE
PAID
VISTACOMM

*Striving to be the
primary supplier of
products and services
to our customers
through a financially
sound cooperative.*

MAIN OFFICE

406.388.4008
800.750.3008

Petroleum Office 406.388.6116

BELGRADE

MAIN: 406.388.4008
TOLL-FREE: 800.750.3008
FERTILIZER PLANT: 406.388.6242

DILLON

MAIN: 406.683.2308
TOLL-FREE: 800.750.2308
FERTILIZER PLANT: 406.660.3124

ENNIS

MAIN: 406.682.4315

TOWNSEND

MAIN: 406.266.3456
TOLL-FREE: 800.696.3455
FERTILIZER PLANT: 406.266.3422

2017 Scholarship Winners Announced

Four college students received \$1,000 scholarships in the inaugural year of the Rocky Mountain Supply Scholarship Inc. Program. The recipients and their families were honored at the inaugural Rocky Mountain Supply Scholarship luncheon on Jan. 6 in Manhattan.

Applicants for the Rocky Mountain Supply Scholarships must be in their junior year and attending an accredited four-year college or university in the U.S. They must have also maintained a cumulative minimum 3.0 GPA on a 4.0 scale. The applicant's parents, guardians or applicants themselves must be active members of Rocky Mountain Supply. Applicants intending to pursue a career in an agricultural-related field are preferred. Four-\$1,000 scholarships are planned to be presented to qualified candidates each year.

This year's recipients were:

Regan Wubben – Attends the University of Montana Western majoring in Business Administration and minoring in Small Business Management. Regan's parents are Greg and Jamie Wubben of Manhattan.

Barry Francis – Attends Montana State University-Northern majoring in Agricultural Operations Technology and Diesel Tech Equipment Management. Barry's parents are Scott and Ginny Francis of Manhattan.

Bailey Escott – Attends the University of Great Falls majoring in Accounting and minoring in Business Administration. Bailey's parents are Shane and Dana Escott of Twin Bridges.

Kasee Clark – Attends Montana State University-Northern and majors in Agriculture Operations Technology and minors in Business Technology. Kasee's parents are Aaron and Debbie Clark of Townsend.

“Rocky Mountain Supply is committed to supporting today's youth who have an interest in pursuing a career in agriculture, which will help support the small communities like those served by Rocky Mountain Supply,” says Chuck Kohlbeck, Board Chairman for Rocky Mountain Supply. Kohlbeck went on to say, “We had many very qualified applicants, but this group stood out.” ◆

www.rmsi.coop