



RockyTalk

FOOD FOR THOUGHT INFORMATION FOR BUSINESS

Terry Sweeney

FISCAL YEAR 2024 – THE YEAR IN REVIEW

BY BRAD GJERMO, CEO

On Wednesday, June 19th, Rocky Mountain Supply held its 24th Annual Meeting. We had the pleasure of reporting to our members in attendance information about another successful year for your cooperative! Sales for the year ended at \$148,742,524, which is the second highest total in Rocky Mountain Supply's history.

This is down about \$35 million from FY 2023 as the result of a significant decrease in the commodity prices of fuel (gasoline & diesel) as well as fertilizer. Fuel gallons were down about 10% mainly the result of reduced wholesale gallon sales, but fertilizer tons were up about 20%. Local net income ended at \$1,388,795, which is down \$3,388,023 from FY 2023. This is primarily the result of reduced margins in both fuel and fertilizer. The sale of the old Townsend retail store property significantly contributed to our local net income in FY 2023. When adding in regional cooperative patronage dividends as well as the earnings from Montana Energy Alliance, pre-tax net income ended at a company best \$9,517,974, which is almost \$2

million more the FY 2023. In particular, we received strong patronage dividends from our primary regional cooperative partner CHS. Our propane joint venture with Vigilante Electric Cooperative, Montana Energy Alliance, had another strong year contributing a record amount of earnings to Rocky Mountain Supply's bottom line.

Cash Returns

With the strong financial performance that Rocky Mountain Supply experienced in fiscal year 2024, we again will return a record amount of cash to our members! We will be distributing an estimated \$3,186,542 in total patronage dividends back to our members

this year. This is the first time we will exceed \$3 million in total patronage dividends distributed! The cash portion will be a record as well at an estimated \$1,761,406. The balance of \$1,425,136 will be distributed as equity in member's names, with the equity portion that is distributed to ranch and farm members will again be non-qualified equity. I remind you that the non-qualified equity does not carry the tax obligation at the time it is issued to the member. The members will pay the tax on these distributions when they are received as cash in a future year. Our normal cash patronage rate will again be 40% with those who have had their equity retired by age in a previous year receiving 100% cash.



BRAD GJERMO

We again plan to distribute \$1.25 million in equity retirement payments during calendar year 2024. Our intent is to retire the equity of individual members born in 1953 of which we have record. We also plan to do another significant

equity retirement based on the age of equity. We plan to distribute all the equity earned by members from the year 2000 through and including 2007. This will allow us to achieve our goal of not having any equity on the books older than 20 years. Our objective is to keep doing this going forward even though we do have some years coming up where there is significant equity to be retired.

Thank you to all of you for your contribution to our continued success! Without your loyalty and commitment, Rocky Mountain Supply could not be the successful cooperative it is! Last, but certainly not least, thank you to all our employees! They are the ones who show up every day to make it happen. It takes each and every one of them to make it happen successfully in this cooperative!

Other Updates

I would like to draw your attention to Jason Rorabaugh's article in this issue about the re-opening of the Ennis convenience store. This is a significant upgrade from what we previously had at this location. We re-opened to the public on Friday, May 17th just in time for the busy traveler season.

We have also made a change in the leadership team of Rocky Mountain Supply. Bill Balliet, our former Retail Division Manager, decided in March to pursue other career opportunities. This provided us with the opportunity to explore the possibility of restructuring our Senior Leadership Team. As many of you know, Jason Rorabaugh has led our Energy Division for the last 20 years. During this time, he has helped this division grow significantly! In the last 10 years, we have doubled our bulk gasoline and diesel sales and local

net income in this area has tripled. Jason has expressed the desire to continue to grow and develop in his cooperative career. This spring Jason also assumed the responsibility of leading our Retail Division along with his duties with the Energy Division. With this comes a change in title for him. He is now the Chief Operating Officer for Rocky Mountain Supply. During his brief time in this role, he has very much embraced the opportunity and is setting the right tone and expectations for our Retail team. Jason will also be assisted by Terry Sweeney, Rocky Mountain Supply's CFO, in the operation of the "convenience store" aspects of our retail stores. Terry has extensive experience and background in these product categories of our retail stores and very much has a passion for it. We look forward to what both key employees can do to lead our Retail Division to successfully serve our members and customers!

KEEPING UP WITH A CHANGING DEMAND

BY LUKE NEAL, AGRONOMY DIVISION MANAGER

It is no surprise to someone to hear the agriculture industry has changed over the years. Fertilizers like Ammonium Nitrate and Anhydrous Ammonia are becoming nearly impossible to get, and many chemicals that were once heavily used are no longer on the market. These changes took time and happened over several years. Over those same years, new products have slowly found their way into the markets to replace the demand left by the old products.



LUKE NEAL

The rapid change happening today happens at a pace that has not been seen before. I believe the reason for the pace and the number of new products coming to light can be placed on information being distributed and found online. As well as access to online information being available on someone's phone. In the last few years, there

has been a large amount of interest in new products, and my team and I are continuously researching new information. The change is not a bad thing. For years, the Ag industry would get their information at Ag update meetings and distribute it to the growers. Now, there is information coming in on products from the growers that we often comb through. There are so many different products out there, many of which have a lot of value. Our job is sorting through and finding the ones we believe hold the most value for our area. The next phase would be to test them in the field. After the results are in, and we agree on what products have performed the best, we begin to market them and supply an inventory.

Another challenge today is the supply of new products. Often, we are asked for a specific product.

If common or known suppliers produce the product, we frequently have to reach out to the manufacturers and discuss how we can be a supplier or how we can receive this product if it is labeled in the State of Montana. If it is arranged and the quantity is less than truckload amounts, the cost of freight getting the product from many states away can often be the deciding factor in the grower's choice.

Rocky Mountain Supply is ultimately committed to researching, testing, and supplying quality products that we believe will benefit your crop and return on investment.

Luke Neal

Agronomy Division Manager

Rocky Mountain Supply

406 660 0098

RMS PATRONAGE AND EQUITY MANAGEMENT PROGRAMS ARE THRIVING

BY TERRY SWEENEY, CFO

Your local co-op. Earning patronage and equity in your local co-op is the backbone of the cooperative structure. You have ownership, you elect your own Board of Directors, you have a voice. These are some of the key attributes that differentiates Rocky Mountain Supply from the other suppliers in our trade areas. Earning equity and ownership is definitely one of the key benefits of doing business with your local cooperative, but having that equity retired out to you on a regular basis is just as rewarding.

Rocky Mountain Supply patronage and equity management programs continue to evolve and prosper for the co-op's owners / members. The equity retirement



TERRY SWEENEY

strategy put in place by the Rocky Mountain Supply Board of Directors in 2018 regarding a Dual Equity Retirement plan has thrived. The growth of business has bolstered the patronage program leading to more money in the pockets of the core customers of the cooperative: the farmers and ranchers.

I have compiled a recap of Patronage and Equity Retirements since 2018 that demonstrates the financial benefit that RMS provides to the local community. RMS has been sending many of you long term equity owners two checks a year for the past 6 years (patronage dividend and equity retirement) and it is continuing to ramp up.

PATRONAGE

	Cash	Stock / Equity	Total Dividend
2018	\$491,009	757,690	1,248,700
2019	453,254	757,519	1,210,773
2020	482,554	779,792	1,236,902
2021	835,704	1,313,280	2,148,984
2022	745,394	1,177,365	1,922,760
2023	1,424,668	1,527,577	2,952,245
2024	1,761,405	1,425,136	3,186,542

(estimated)

Patronage Pool. The 2024 RMS Patronage is based primarily on Local Savings, Regional Patronage (CHS and Land O' Lakes) as well as earnings from Montana Energy Alliance LLC. The Local Savings is basically the bottom line for Retail, Bulk Fuel, and Agronomy.

The diversity of RMS has allowed us to benefit and then distribute back to the patrons. Recent years have shown an increase in what we would call consumer sales. Some examples would be increases in Grocery, Pet and Sporting Goods. Not only has this new business allowed RMS to grow and expand, but it also has benefited Farmers and Ranchers thanks to this pool. By being able to collect our funds in the 'Patronage Pool', it has allowed RMS to spread patronage percentage returns in categories that may have challenging market conditions. (i.e. Agronomy)

EQUITY / STOCK RETIREMENTS

	Age 71+	Based on Year Equity was Earned	Total Retirement
2018	\$187,045	216,977	404,022
2019	215,466	196,667	412,133
2020	310,187	124,574	434,761
2021	347,263	396,863	744,126
2022	379,512	352,514	732,026
2023	353,032	917,057	1,270,089
2024	350,000	900,000	1,250,000

(budgeted)

Non-qualified equity. 2024 will mark the fourth year that RMS will distribute non-qualified equity to the Farm and Ranch accounts. You only pay tax on the cash portion of your patronage distribution! This is only available to the farmers and ranchers a.k.a. producer accounts.

Stock / Equity Retirements. The Board of Directors has earmarked \$1,250,000 to be retired out in 2024. The RMSI board and management team will strive to continue sending more and more cash back to you, the owners/members, so you can realize the value of your local cooperative and the positive impact it has on your community. As your ag-based local co-op, RMS has designed and modified the patronage and equity management programs to directly benefit you the Farmer and Rancher.

HOW TO CHOOSE THE RIGHT GREASE

BY SCOTT FEDDES, CERTIFIED ENERGY SPECIALIST

Before taking this position at Rocky, I thought grease was grease. Now I know that is not the case. Using the right grease can extend the life of your equipment and enhance your operational efficiency. So, how do you know which grease is right for your operation? There are many factors to consider when selecting grease, and it's often a more complex decision than you might think. Here are a couple of the most important questions to consider when choosing your grease. How will it be used? Are the greases you're choosing compatible with each other?

My goal for this article is to give you the knowledge to make the right choice to protect your investments. Not all lubricants are created equal, and this holds true when it comes to grease. Greases have different properties based on their chemistry, so it's important to remember grease's role and how it's used in your operation. On most farms and ranches, there are two types of grease that are needed. One is a high-speed grease bearing and the other is a chassis grease which can also be used for pins and bushings.

Base oils in grease are similar to the base oils in diesel engine oils and tractor hydraulic fluids, but it is the thickener that sets grease apart. Metallic soap thickeners, such as lithium, lithium complex, or polyurea, are the most common thickeners used in grease and work to hold the product's base oils and additives together. Think of the thickeners as a sponge. The thickener holds the oil and additives where you need them, when you need them. But mixing two of the wrong thickeners together can cause you problems.



SCOTT FEDDES

First, we must consider which grease we are currently using or maybe what grease is in this "new to me" piece of equipment. Most of the OEMs are using polyurea grease at the factory. This is a great grease for many applications but does not play well with other thickeners. I heard a story about a new air seeder that, after two seasons of use, every bearing in each one of the openers had to be cleaned out with a chisel. The grease was as "hard as plastic" in them. Surely, this was from using two incompatible types of grease thickeners. As you can see on the chart, some greases play well together, and others don't.

Now, let's talk specifically about Cenex grease. Your best bet for an all-around (plays well with most other grease) is a lithium complex thickener. Cenex's Blue Gard 500+ is a great grease with this thickener. Red Protect is also in this group and has a little more tackiness. Going back to my comment about having two types of grease on hand, my picks are the Poly-Xtreme and the HD Moly Xtreme. These two grease thickeners play well together, so if you accidentally mix them, you will not have issues.

The OEMs use polyurea grease for a reason: it is a great all-around grease. Perfect for bearings, pto shafts, and things of this nature. I use the Poly-Xtreme in my boat trailer's wheel bearings. The HD Moly Xtreme is great for pins and bushings. Reduces squeaking and chatter, which extends the life of the parts. Loader pins and the pivot pin on the front axle of an MFWD loader tractor are great places for this moly grease. However, you don't want to use moly grease on bearings because it will "cake". Caking is when layers of moly build-up, which can cause a failure. Also, remember that grease can come in a #1 or a #2, just like diesel fuel. The #1 is for cold weather applications such as a snow blower.

A couple of final thoughts. The color of grease doesn't matter other than identification. Some construction companies use a blue colored grease in the shop and a red colored grease in the field. Doing this lets them know if the equipment is getting greased properly after leaving the shop. Cenex grease is also offered in synthetic base oils with their Maxtron FS and EP grease. Much like synthetic engine oil, this grease flows more easily and lasts longer. I will discuss synthetic oils' true advantages in my next article.

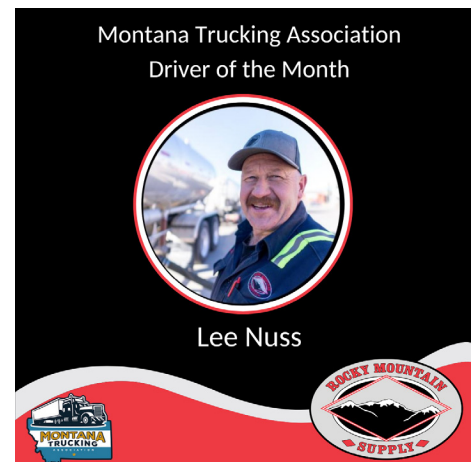
Compatibility of Greases

THICKENER	Aluminium Complex	Hydrated Calcium	Anhydrous Calcium	Calcium Complex	Calcium Sulfonate Complex	Clay	Lithium	Lithium Complex	Polyurea
Aluminium Complex		✗	✓	●	✗	✗	✗	✓	●
Hydrated Calcium	✗		✓	✗	✓	●	●	✓	●
Anhydrous Calcium	✓	✓		●	●	✓	✓	✓	✗
Calcium Complex	●	✗	●		✓	●	✗	✓	✓
Calcium Sulfonate Complex	✗	✓	●	✓		✗	✓	✓	✓
Clay	✗	●	✓	●	✗		●	✗	●
Lithium	✗	●	✓	✗	✓	●		✓	●
Lithium Complex	✓	✓	✓	✓	✓	✗	✓		✗
Polyurea	●	●	✗	✓	✓	●	●	✗	

Note: Grease compatibility studies have been done and the most incompatible were aluminium complex, calcium complex, clay and polyurea-thickened greases. The most common effect was substantial softening, however, lithium grease sometimes hardened. It is important to note that even if thickeners are generally compatible, two greases may contain clashing base oil or additive formulations.

KEY:

✓	●	✗
Compatible	Requires Testing	Incompatible



Lee Nuss has been named Truck Driver of the Month by the Montana Trucking Association.

Lee has been serving Rocky Mountain Supply patrons and customers with quality service since 2019!

Congratulations Lee, we're lucky to have you apart of the team!



ENNIS STORE REMODEL PROJECT UPDATE

BY JASON RORABAUGH, COO

As many of you are aware, our Ennis location has undergone a significant transformation over the past several months. This endeavor was a collective effort, with construction commencing last fall and progressing as planned throughout the winter and spring. We temporarily closed the store to all business March 1, but thanks to our dedicated team, we reopened on Friday, May 17, with everything running smoothly.

The Ennis store was purchased in 1999 by the former Gallatin Farmers Company, which is now part of Rocky Mountain Supply. In the early days, the store operated as a convenience store and carried farm and ranch items such as feed and fencing. We also operated a bulk fuel delivery truck out of Ennis as well. We realized sometime in the early 2000s that the store wasn't large enough to serve the Ag community how we desired. The farm and ranch items were removed, and the store has been operating as a C-store only for the last 20 years. We did a minor remodel in 2015, moving the checkout counter to the front of the store and adding a deli area. As much as we hated to remove the ag items, we found that the market has been better served as a convenience store.

The 2015 Ennis remodel began a ten-year process of remodeling or rebuilding all our retail stores. Dillon and Belgrade received complete remodels, and our Townsend location was a completely new build in 2022. The significant investments in these locations have proven very popular with our local communities and tourists alike. There-



JASON RORABAUGH





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fore, a multi-million-dollar project in Ennis would be a good investment. Hence, the 2024 remodel.

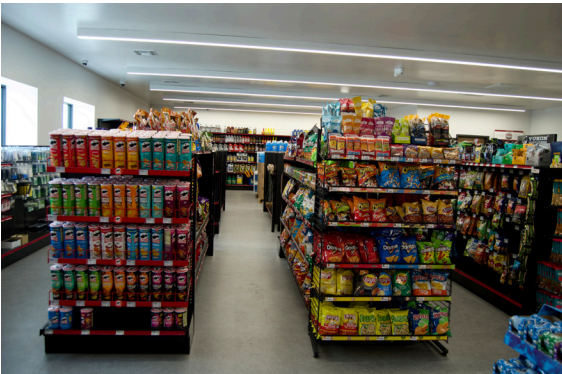
The Ennis remodel consisted of two phases. Phase one included the addition of 2,500 square feet of new space on the north side of the old building, as well as entirely new diesel fueling islands and fuel storage tanks. This new building addition includes a two-sided entry vestibule, a new checkout area, a new deli area, and a new coolers and beer cave. Once the new side was completed, phase two was initialized

by closing the entire operation (March 1) and moving the equipment from the old side to the new side; the old area was completely gutted, restrooms remodeled, and then the new employee breakroom and manager office installed. The gasoline fuel islands were removed, re-piped, and new dispensers were set. Phase two was considerably quicker, and we were able to resume business operations within 11 weeks. The remodel has allowed us to nearly triple the retail floor space inside as well as increase the fuel offering outside. The number of fueling positions has gone from eight to twenty-two, and we have four grades of gasoline, five types of diesel, and bulk DEF.

Our Management and Board are deeply committed to



enhancing our services and expanding our reach. This commitment is evident in our strategic investments, including store remodels, new fertilizer plants, and the acquisition of new fuel trucks. We have also broadened our product offerings and service area through strategic acquisitions. These investments reflect our dedication to staying relevant in a dynamic world and continuing to serve you, our valued stakeholders. We sincerely appreciate your ongoing support, which has been instrumental in our success!



Retail Store Hours

Mon-Sat: 6:00 AM – 9:00 PM

Sunday: 7:00 AM – 8:00 PM