



PROFITABILITY

RETURN ON INVESTMENT

SUSTAINABILITY

GROWTH

COMMITMENT

PARTNERSHIP

The Vision for Our Future



CENTRA SOTA ANNUAL REPORT

2010



A Message to the Members

This annual report will inform you of another good earnings year for Centra Sota Cooperative and its three core businesses: Agronomy, Energy, and Feed. Please see pages 5-8 for details on your company's 2010 performance.

Your company and its core businesses may be compared to a three-legged stool. Just as reinforcing each leg reinforces the entire stool, so improving and strengthening each core business makes our whole company stronger. Here is how we have strengthened our core businesses and plan to do so in the future.

AGRONOMY

We continue to upgrade our agronomy facilities. Nine years ago, we constructed a new agronomy plant at Santiago. Three years ago, we built a new plant at Cokato. In 2011, we plan to upgrade our agronomy facilities at Eden Valley – Watkins. We will invest in the remaining facilities as demand dictates.

Continuing education is important to our agronomy business. That's why we planted the first Answer Plot at Santiago four years ago. We continue to expand that teaching plot as a training tool—both for our agronomists and for you, the producers. One industry leader has predicted

U.S. corn yields will double in 20 years. Cultural practices and seed lines required to achieve that goal can be viewed in today's Answer Plot.

ENERGY

We're dedicated to providing the energy products you need to raise and harvest your crops. In recent years, we've introduced tank monitors, forward contracts, and other risk management options. We've also invested in our delivery fleet and storage facilities, to gain efficiency and to comply with ever-increasing regulation.

You and your neighbors are using less petroleum every year as you purchase bigger, more efficient engines that cover more acres. But you continue to ask for a reliable source of energy products. To remain vital and competitive, your co-op must seriously consider opportunities to grow its energy business.

FEED

Through two recent mergers, Centra Sota Cooperative has acquired two-thirds ownership in New Vision Alliance, a feed manufacturing company based at Albany, MN. This year, we reached a win-win agreement with the remaining owner. As of



Oct. 1, 2010, Centra Sota acquired all shares and full control of this state-of-the-art facility.

Our smaller, outdated mills could not fully provide our livestock producers with everything they needed. Sole-ownership of New Vision Alliance will allow us to achieve the efficiencies available by operating a single distribution system. It will also permit us to invest what is necessary for the future success of this business.

TOWARD THE VISION

Centra Sota Cooperative, its board of directors, management, and employees are dedicated to a single vision.

We've identified at least six principles to keep this vision on track: Profitability, Return on Investment, Sustainability, Growth, Commitment, and Partnership.

The co-op must be *Profitable* to have the capital it requires to serve you. Providing you a *Return on Investment*, through improved services and retired equities, underscores our unique status as a member-owned cooperative. Profit and ROI is also important to the *Sustainability* of this business. We want to be here for your children and grandchildren. At the same time, we reject getting bigger for no good reason. Rather, we look for *Growth* opportunities where they help us provide you the best products and technology at competitive prices. Our ongoing pledge to you, our farmer-members, is a *Commitment* to walk alongside you throughout your farming career.

That's *Partnership*, which brings us to *The Vision*: To be the partner you can count on, providing real solutions for today and tomorrow.

Everything we do, we do with an eye toward advancing this vision. ▶

Doug Triplett
Board Chairman

Jeff Johnson
General Manager

OUR VISION:

To be the partner you can count on, providing real solutions for today and tomorrow.

OFFICERS AND DIRECTORS

DOUGLAS TRIPLETT	CHAIRMAN	ANNANDALE
DAVE RUHLAND	VICE CHAIRMAN	EDEN VALLEY
BILL HOLTHAUS	SECRETARY	BUFFALO
DENNIS LIETHA	DIRECTOR	ST. CLOUD
TOM HAMMER	DIRECTOR	ST. CLOUD
RODNEY DOMJAHN	DIRECTOR	MONTROSE
STEVE SIEVEK	DIRECTOR	BRAINERD
JIM GONDRINGER	DIRECTOR	ALBANY
KEN WELLE	DIRECTOR	LITTLE FALLS
ROGER ROERICK	DIRECTOR	UPSALA
DON THOMES	DIRECTOR	PAYNESVILLE
VERN WILLENBRING	DIRECTOR	ALBANY
JEFF JOHNSON	GENERAL MANAGER	
DAN MALINSKI	CFO	

SERVING THESE LOCATIONS



**OUR VISION: TO BE THE PARTNER
YOU CAN COUNT ON, PROVIDING REAL
SOLUTIONS FOR TODAY AND TOMORROW.**

STATEMENT OF OPERATIONS

	2010	2009
Sales	\$56,703,947	\$59,570,345
Cost of Sales	<u>44,435,017</u>	<u>47,083,209</u>
Operating Revenue	12,268,930	12,487,136
Expenses:		
Employee Expense	5,537,075	5,357,634
Depreciation	1,093,413	1,010,862
Insurance	494,455	490,719
Other Operating Expenses	<u>5,037,508</u>	<u>4,750,194</u>
Total Operating Expenses	<u>12,162,451</u>	<u>11,609,409</u>
Net Operating Margin	106,479	877,727
Other Income (Expense)		
Interest Expense	(187,716)	(347,730)
Collection/Legal Expense	(68,084)	(304,670)
Partnership Income - MLN, LLC.	131,735	40,990
Partnership Income - CSLR, LLC.	(97,846)	31,484
Other Revenue and Expense	<u>1,209,263</u>	<u>824,935</u>
Net Other Income (Expense)	987,352	245,009
Local Net Savings	1,093,831	1,122,736
NVA Income	111,421	333,368
Patronage Income	<u>1,693,264</u>	<u>2,286,114</u>
Net Income Before Taxes	2,898,516	3,742,218
Income Taxes	<u>(573,538)</u>	<u>(682,370)</u>
Net Savings	\$ 2,324,978	\$ 3,059,848

This summarized financial information has been extracted from the complete financial statements and auditor's opinions which are on file in the cooperative's offices.



BALANCE SHEET

ASSETS

	2010	2009
Current Assets:		
Cash	\$ 1,149,958	\$ 629,210
Receivables	6,894,536	6,818,907
Less: Allowance for Doubtful Accounts	(750,930)	(784,145)
Inventory and Other Current Assets	<u>14,268,201</u>	<u>9,772,654</u>
Total Current Assets	21,561,765	16,436,626
Other Assets:		
Fixed Assests	17,818,879	17,162,559
Less: Accumulated Depreciation	<u>(10,676,758)</u>	<u>(10,241,995)</u>
Net Fixed Assets	7,142,121	6,920,564
Investments in Other Cooperatives	13,438,863	12,970,868
Total Assets	<u>42,142,749</u>	<u>36,328,058</u>

LIABILITIES

Current Liabilities:		
Accounts Payable	6,227,993	3,663,139
Patronage Dividends Payable	<u>602,957</u>	<u>668,906</u>
Other Current Liabilities	9,497,074	8,699,448
Total Current Liabilities	16,328,024	13,031,493
Long Term Liabilities	<u>1,121,786</u>	<u>189,535</u>
Total Liabilities	17,449,810	13,221,028

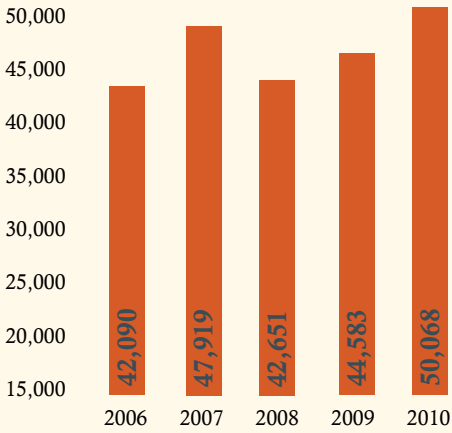
EQUITY

Member Equity	17,518,843	16,816,705
Capital Reserve	<u>7,166,575</u>	<u>6,273,562</u>
Total Patron Equity	24,692,939	23,107,030
Total Liabilities and Patron Equity	<u>\$ 42,142,749</u>	<u>\$ 36,328,058</u>

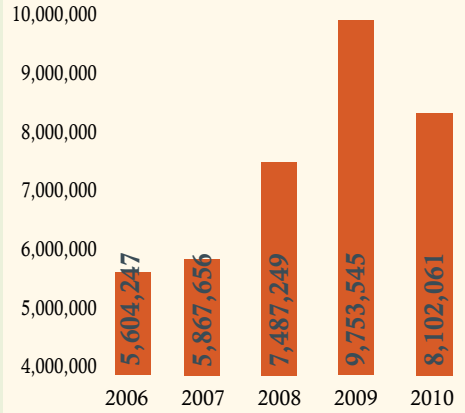


HISTORIC SALES VOLUMES

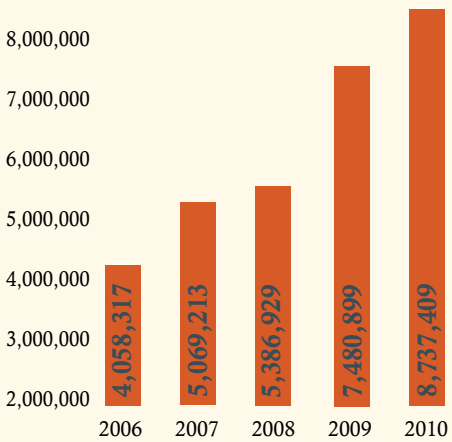
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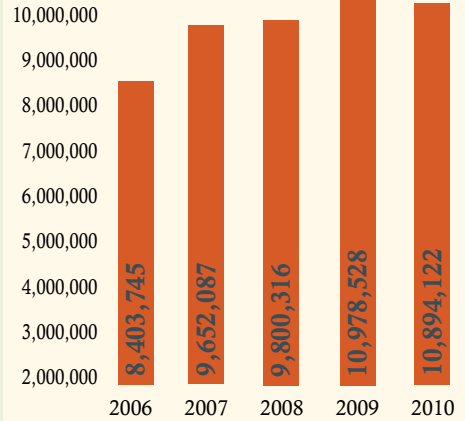
CHEMICAL SALES IN DOLLARS



SEED SALES IN DOLLARS



PETROLEUM SALES IN GALLONS



FIVE-YEAR HISTORICAL INFORMATION

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Sales	\$56,703,947	\$59,570,345	\$48,925,667	\$37,513,891	\$30,994,395
Local Net Savings	\$1,093,831	\$1,122,736	\$848,045	\$726,677	\$611,853
Total Net Savings	\$2,324,978	\$3,059,848	\$1,910,133	\$1,454,114	\$1,351,298
Cash Returned To Members	\$763,006	\$801,031	\$923,780	\$635,637	\$558,790
Working Capital	\$5,233,741	\$3,405,133	\$2,395,601	\$2,390,632	\$1,695,247
Local Return On Local Equity	9.03%	9.99%	8.84%	8.39%	7.85%
Ownership Percentage	58.59%	63.61%	53.40%	70.66%	73.17%
Local Ownership Percentage	46.15%	50.74%	39.07%	56.43%	55.35%
Employee Efficiency Ratio	40.96%	40.01%	38.59%	40.14%	40.09%
Local Return On Sales	1.93%	1.88%	1.73%	1.94%	1.97%



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