

2017 ANNUAL REPORT

EXECUTE WITH EXCELLENCE



GROWMARK

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COMMENTS FROM OUR LEADERSHIP

What does it mean to execute with excellence? It means adhering to core values yet adapting to market changes when necessary. It means having strong leadership and engaged employees. And it means developing and implementing a strategic plan in a well-reasoned, yet timely fashion.

You can't execute with excellence if you're not aligned with the mission, vision, and values of the organization. No matter how large an organization GROWMARK is, or how profitable we are, we are only truly successful if we have helped our member-owners succeed.

We were founded 90 years ago to serve our farmer-owners. Throughout the decades our industry has changed, and so have we. We have challenged and modified our strategic plan, resulting in expanded territories, different product offerings, and new ways of doing business.

Our strategy will continue to evolve but our core principles won't change. The System was built on a three-way partnership between GROWMARK, our members, and their farmer-owners. That fact remains true today and will into the future. With a compelling vision and a mission to help improve our members' long-term profitability, the GROWMARK System will continue executing with excellence.



John Reifsteck

John Reifsteck
Chairman of the Board
& President



Jim Spradlin

Jim Spradlin
Chief Executive Officer

BOARD OF DIRECTORS

John Reifsteck - Chairman of the Board and President

John Reifsteck became Chairman of the Board and President of GROWMARK, Inc. in August 2013. He operates a grain farm in western Champaign County, Illinois. John is a graduate of the University of Illinois at Urbana-Champaign where he received a bachelor of science degree in agriculture economics and education.

John has served on the GROWMARK Board since 1993, holding leadership roles including Vice Chairman of the Board and Chairman of the Budget/Audit Committee. Throughout his career, John has served on the boards of numerous agricultural organizations. He is past president of the Illini FS Board of Directors and the Champaign County Farm Bureau, and is a current participant in the University of Illinois Chinese Leadership Program. John has been honored as Director of the Year by the National Council of Farmer Cooperatives, Master Farmer by Prairie Farmer magazine, and Farm Leader of the Year by the Champaign-Urbana News-Gazette. Reifsteck also received the 2018 University of Illinois College of ACES Alumni Association Award of Merit.

John and his wife Nancy have two grown sons.



Rick Nelson - Vice Chairman of the Board

Rick Nelson of Paxton, Illinois, has served on the GROWMARK Board since 1990. He was elected Vice Chairman in 2004. He and his wife Pat operate a 2,100-acre cash grain farm. He is treasurer of the Heritage FS Board and is also president of the Ludlow Cooperative Elevator Board.



Chet Esther - Vice Chairman of the Board

Chet Esther of Frederick, Illinois, has served on the GROWMARK Board since 1994. He and his wife Lori, along with their two sons, operate a 4,700-acre grain farm. He currently serves as Vice President of the Board of Prairieland FS.



Bob Phelps - Secretary of the Board

Bob Phelps of Rockton, Illinois, has served on the GROWMARK Board since 1997. He was elected secretary in 2013. He and his wife Amy operate a 2,000-acre family farm partnership.



Kim Fysh

Kim Fysh was elected to the GROWMARK Board in 2011. He has been a member of AGRIS Co-operative in Chatham, Ontario, since 1995, and served as the co-op's board president from 1996 to 2006. Kim and his wife Merry, along with Kim's brother, operate an 1,100-acre cash crop and vegetable farm outside Thamesville.



Matt Heitz

Matt Heitz of Farley, Iowa, was elected to the GROWMARK Board in 2004. He has been a member of the Three Rivers FS Board of Directors since 1985. Matt and his wife Marna farm 300 acres.



Kevin Herink

Kevin Herink and his wife Tammy operate a 1,500-acre family farm in Clutier, Iowa. They also market 5,000 head of hogs annually, and keep a small herd of Gelbvieh cows. He was elected to the Board in 2010, and currently is vice president of the New Century FS Board.



Warren Jibb

Warren Jibb joined the GROWMARK Board in 2013. He operates a 750-acre dairy and crop farm with his brother and family members near Sunderland, Ontario. He is president of Sunderland Co-operative.



Kevin Malchine

Kevin Malchine operates a 2,100-acre farm near Waterford, Wisconsin, in partnership with his brother and nephew. Kevin and his wife Kelly have three daughters. He was elected to the GROWMARK Board in 2012 and serves on the board of Conserv FS.



Jack McCormick

Jack McCormick of Ellis Grove, Illinois, was elected to the GROWMARK Board in 2011. He has served on the board of Gateway FS since 2006. Jack and his wife Stacy operate a grain and livestock farm in partnership with Stacy's parents.



Dennis Neuhaus

Dennis Neuhaus farms near Hoyleton, Illinois, on a fifth generation family farm that includes dairy and beef cattle, and 1,300 acres of row crops. He and his wife, Pam, have three daughters. Dennis was elected to the GROWMARK Board in 2012, and is vice president of the Gateway FS Board of Directors.



Ron Pierson

Ron Pierson and his wife Cari operate a 1,500-acre grain and cattle farm near Walnut, Illinois. He was elected to the GROWMARK Board in 2013, and serves as president of Ag View FS.



Allen Tanner

Allen Tanner of Creston, Iowa, joined the GROWMARK Board in 2004. He has served on the board of AGRILAND FS and its predecessor companies since 1989. Allen and his wife Candi farm 2,000 acres and manage a cow-calf operation.



Brad Temple

Brad Temple of Serena, Illinois, was named the at-large director representing Farm Bureau on the GROWMARK Board in 2015. He raises corn, soybeans, seed corn, oats, hay, sheep, and cattle in LaSalle County.



David Uhlman

David Uhlman farms near Tremont, Illinois, with his brother and son. They raise row crops, canning pumpkins, and have a cow-calf herd. David and his wife, Joan, have three children. David was elected to the GROWMARK Board in 2012, and serves on the Ag-Land FS Board of Directors.



David Watt

David Watt of Murrayville, Illinois, has served on the GROWMARK Board since 2002. He and his family farm 1,200 acres. He also has a grain hauling operation. David is a director on the board of Prairieland FS.

YEAR IN REVIEW

Sales for the fiscal year are \$7.3 billion, and audited pretax income is \$91 million.

Collective efforts resulted in patronage refunds of \$59 million, distributed in a combination of cash and stock, followed by stock redemption. The effective cash ratio of the combined cash patronage and stock redemption is 79 percent. GROWMARK is a leader among cooperatives in delivering cash returns to its members and maintaining its outstanding stock equity in current status.

Over the past 10 years, GROWMARK has distributed \$976 million in patronage earnings (cash plus stock) to members. In the same 10-year period, GROWMARK distributed \$815 million in cash (or 84 percent effective cash) to members in the form of cash patronage and stock redemption.

The fiscal year was not without its challenges, with economic conditions putting continued pressure on farm net incomes. Warm winter weather lowered demand for home heat, and the challenges of Hurricane Harvey on the energy supply chain impacted energy results. Crop Nutrients endured a devaluation of nitrogen products during the peak spring season. Crop Protection and Seed had record, or near record, results. Retail Supplies and Grain had improved operations year-over-year.

A strong balance sheet remains one of GROWMARK's greatest assets. GROWMARK's ability to withstand stress and volatility is due to high liquidity, which further allows us to take advantage of downturn acquisition opportunities to grow our business.

As we enter the next operational year, GROWMARK continues to focus on inspiring the members of the GROWMARK System to collaborate on implementing new ideas that support the long-term profitability of our member-owners, and exceed customers' expectations with excellence in service, response, and support.



AGRONOMY

The Seed Division continued its focus on supporting members by leveraging industry-leading seed and seed care products, winning marketing programs, and highly-skilled seed professionals. System seed acres remained relatively flat; soybean sales increased and corn sales declined compared to 2016.

The Crop Protection Division recorded record chemical sales dollars. Adjuvant and nitrogen stabilizer sales were up substantially compared to 2016. Crop Protection continues to focus on increasing market share in the eastern region and reported significant growth in Michigan, Indiana, and Ohio. Approval of dicamba's registration presented robust training opportunities for crop specialists, applicators, and other technicians throughout the System.

In conjunction with its FS member cooperatives, GROWMARK launched the FS Applicator Simulator. The simulator is a progressive and advanced approach to meet the ongoing needs for training on safe and efficient in-field product application. The technology is believed to be the first of its kind in agriculture used to train applicators.

Construction of a 272,000-gallon crop protection bulk storage facility in Alpha, Illinois, will help members through repacking of mid-range volume products. This will free up members' storage assets and improve in-season supply management.

The Crop Nutrients Division recorded record sales volumes for the sixth time in the last seven years. Volumes were led by best-in-history shipments of phosphate and potash. Overall, nitrogen sales were off compared to the previous year due to a reduction in planted corn acreage and a wet spring. GROWMARK-owned crop nutrient terminals operated the entire year without a lost time accident, and customer satisfaction was 99 percent from those facilities.



ENERGY AND LOGISTICS

The Energy Division's sales volumes were up compared to 2016 and the third highest on record, led by increases in distillates and propane. GROWMARK celebrated the 65th anniversary of Dieslex® Gold, the company's high-performance, proprietary diesel fuel, and took control of the packaging process this year.

GROWMARK acquired propane terminals in New Hampton, Iowa, and Plattsburg, Missouri. The company also added a propane rail loading terminal in Moravia, Iowa, to primarily serve customers in southern Iowa and northern Missouri. GROWMARK operates 14 propane terminals in six states, serving customers in 10 states.

GROWMARK also purchased an idled petroleum terminal located near Amboy, Illinois.

GROWMARK's purchase of Suncor's share of UPI Energy resulted in full ownership of the Ontario-based company, which rebranded to UPI Energy FS.

GROWMARK Tank and Truck Center opened a brand new facility in Morton, Illinois, and expanded its operations by acquiring the assets of L.T. & E., Inc. in Arcola, Illinois.

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GRAIN

Retail Grain Units reported record-high bushel volume and improved earnings compared to 2016. GROWMARK is involved in four retail grain partnerships: Great Lakes Grain in Ontario, Canada, and Total Grain Marketing, WESTERN GRAIN MARKETING, and FS GRAIN in Illinois. Together they operate 85 locations, with 125 million bushels of storage, and have total volume of 230 million bushels. Total Grain Marketing (TGM) acquired the assets of the Scotts Prairie Elevator in Hillsboro, Indiana, expanding TGM into a new geography.

MID-CO COMMODITIES declared \$300,000 in all cash patronage. This is the 31st consecutive year MID-CO COMMODITIES has paid patronage.

AgriVisor, a partnership with Illinois Farm Bureau, marketed 15 million bushels of grain.

Facility Planning generated \$31 million in sales.



RETAIL AND PARTNERSHIPS

GROWMARK celebrated 15 years of retail business in 2017. Retail propane, refined fuel, crop protection, and crop nutrient sales volumes all increased compared to 2016.

GROWMARK partnered with Illinois Farm Bureau, Illinois county Farm Bureaus, and FS cooperatives to create and implement 4R4U, a partnership demonstrating and investigating 4R Nutrient Stewardship practices at the local level. 4R Nutrient Stewardship involves using the right source of nutrient, at the right time, at the right rate, and in the right place. The 4R field demonstration program brought added use, awareness and knowledge of the 4R approach. Eleven FS cooperatives coordinated projects with 14 county Farm Bureaus.

Illini FS launched a local stewardship initiative, focusing on nutrient management. It includes over 140 testing sites, including 21 sites in Edgar County, Illinois. Forty students from Paris High School are working with Illini FS to test and evaluate nutrient movement within Edgar County. Illini FS also successfully acquired the refined fuel assets of Voigt Oil in Chrisman, Illinois.

Insight FS began construction of a new feed mill in Brandon, Wisconsin. Insight FS also partnered with GROWMARK, the Wisconsin Farm Bureau, and local farmers for the Sustainable 4RWI initiative, an on-farm demonstration of nutrient management practices helping inform legislators and government officials.

Six New Century FS facilities completed and passed the Responsible Ag Audit. The Responsible Ag audit is a checklist of federal regulatory requirements applicable to the storage and handling of fertilizer products. The checklist contains more than 320 imperatives.

SEEDWAY reported increases across the board in seed sales compared to 2016.

Legacy Farmers Cooperative officially joined the GROWMARK System as an FS member cooperative. The Findlay, Ohio-based cooperative is the first FS-affiliated company from the Buckeye State and first new FS member since 1994.

FS Agri-Finance generated a record amount of approved loans in 2017 with \$820 million in the United States and \$41 million in Canada.

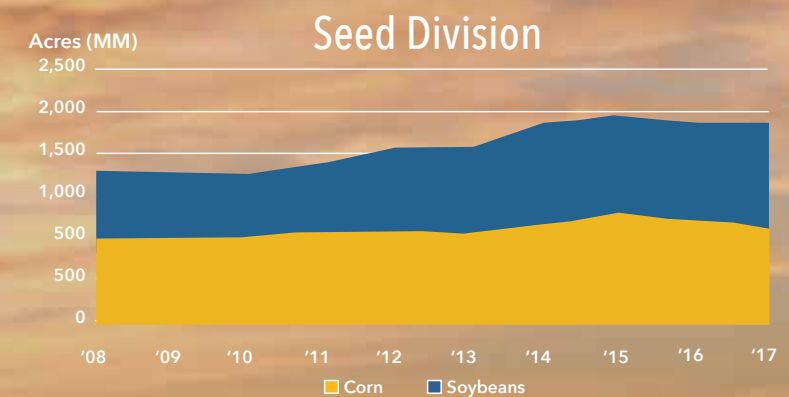
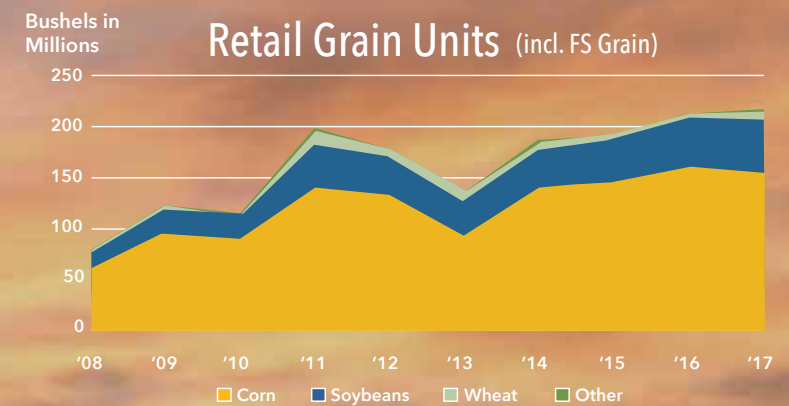
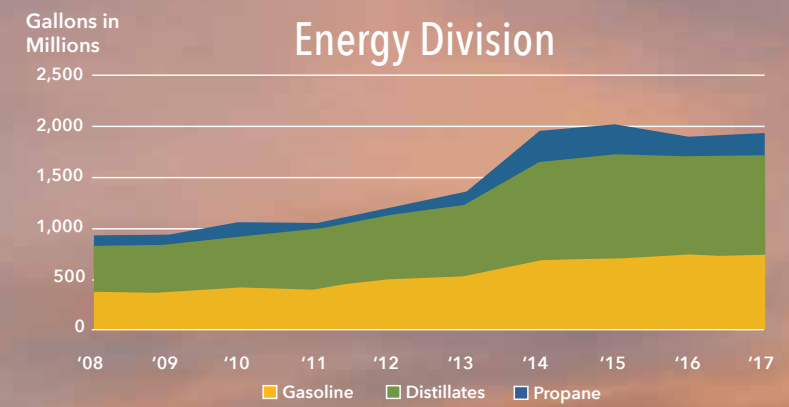
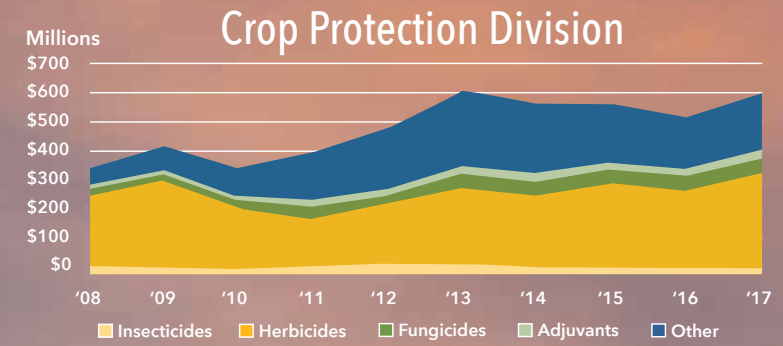
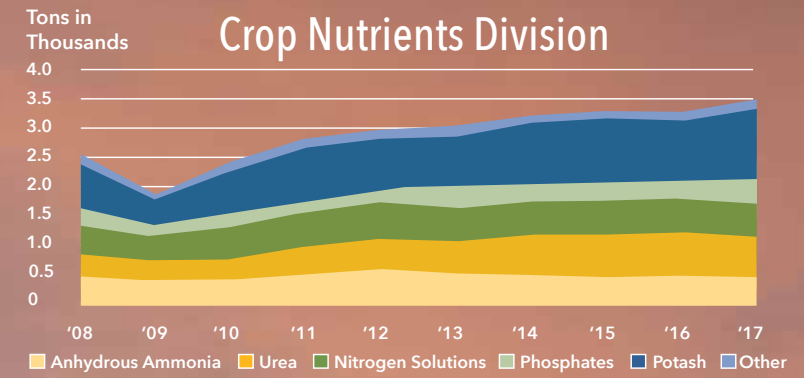


FINANCIAL SUMMARY

Five-Year Comparison (\$ in thousands)	2017	2016	2015	2014	2013
Net Sales	\$ 7,291,180	\$ 7,031,159	\$ 8,727,163	\$ 10,372,292	\$ 10,171,211
Net Income Attributable to GROWMARK	\$ 108,810	\$ 97,353	\$ 102,359	\$ 164,246	\$ 185,967
Patronage - Cash	\$ 39,593	\$ 38,480	\$ 44,882	\$ 60,197	\$ 73,449
- Stock	\$ 19,362	\$ 23,571	\$ 31,832	\$ 51,464	\$ 71,886
Total Patronage Refunds	\$ 58,955	\$ 62,051	\$ 76,714	\$ 111,661	\$ 145,335
Working Capital	\$ 738,409	\$ 818,434	\$ 960,075	\$ 837,611	\$ 750,059
Ownership in cooperatives & others	\$ 137,686	\$ 199,976	\$ 127,562	\$ 276,477	\$ 345,590
Property, plant & equipment - net	\$ 458,491	\$ 422,828	\$ 416,854	\$ 408,435	\$ 390,713
Total Assets	\$ 2,301,928	\$ 2,245,853	\$ 2,313,439	\$ 2,459,226	\$ 2,365,821
Long-Term Debt	\$ 236,200	\$ 244,062	\$ 264,913	\$ 267,331	\$ 271,221
Capital Stock	\$ 316,014	\$ 319,866	\$ 388,004	\$ 393,025	\$ 396,798
Retained Earnings and Other Comprehensive Income	\$ 770,866	\$ 701,779	\$ 702,140	\$ 724,690	\$ 692,614
Non-GROWMARK Ownership in Subsidiaries *	\$ 87,592	\$ 82,988	\$ 91,847	\$ 87,037	\$ 86,907
Total Shareholders' Equity	\$ 1,174,471	\$ 1,104,633	\$ 1,181,991	\$ 1,204,752	\$ 1,176,319

SALES VOLUME GROWTH

One of the metrics GROWMARK utilizes to evaluate real business growth is by unit sales volume. Unit volumes generally provide a more realistic look at organizational growth by comparing changes in year-to-year sales quantities. Sales dollars are not typically a measure of organizational growth due to the great variability of uncontrollable commodity prices. These charts provide a ten-year comparison of wholesale and retail unit sales volumes from key business drivers as GROWMARK continues to build for the future.





GROWMARK

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