

### III. EXPORT AND TRADE POLICIES

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#### A. European Community

Be it resolved that the WCGA be on record urging the Administration, through the National Corn Growers Association, to continue opposing any protectionist efforts by the E.C. that would prove detrimental to the U.S. corn industry.

#### B. Ethanol

The WCGA goes on record in support of the National Corn Growers Association's position that urges the U.S. government to use all existing international agreements under the Gatt and U.S. countervailing duty laws to gain relief from and prevent dumping of subsidized ethanol exports from foreign countries to the United States.

#### C. National Security

Whereas corn producers rely heavily on foreign markets for part of their production sales; whereas food exports have been disrupted from time to time due to defense and national security interest; whereas grain is a strategic commodity; be it resolved that the WCGA supports the concept of having crop adjustment cost partially offset by the Department of Defense.

#### D. Transportation

Whereas the Great Lakes are viewed as an important transportation link between Wisconsin corn producers and potential and existing export markets; whereas the Great Lakes are not navigable on a year-round basis; be it resolved that the WCGA be on record in support of pursuing methods by which to lengthen the navigability season of the Great Lakes for the benefit of Wisconsin's agricultural community.

1994  
WISCONSIN SOYBEAN ASSOCIATION  
RESOLUTIONS

WISCONSIN SOYBEAN ASSOCIATION DEFINITION, PURPOSE, MISSION AND GOALS

DEFINITION (Who we are)

The Wisconsin Soybean Association (WSA) is a non profit, nonpartisan, farm-controlled commodity organization that works to strengthen soybeans as a profitable and viable cropping alternative.

PURPOSE (Why we exist)

The purpose of the Wisconsin Soybean Association (WSA) is to help assure the continued availability of soybeans as an excellent source of nutrition for humans and livestock and to encourage the development and marketing of ecologically sound soy-based alternatives to manufactured products in the public interest.

MISSION (What we do)

The mission of WSA is to strengthen soybeans as a profitable cropping alternative by:

- \* informing members of developments that affect them;
- \* providing representation for soybeans at the local, state and national levels;
- \* fostering research on new uses of soybeans and soy-based products, new varieties and genetics for soybeans;
- \* promoting the use of soybeans and soybean products throughout the state.

## TRADE POLICY

The Wisconsin Soybean Association believes soybean producers should have access to world markets with a minimum of government interference and that oil seeds, oil and meal from other countries should have access to world markets including the United States.

We believe the U.S. should aggressively seek the elimination of export subsidy programs for soybean products and competing products offered by other nations. The U.S. should counter unfair trade practices so the U.S. soybean industry can compete on an equal basis worldwide until the goal of eliminating export subsidies is reached. We support the equal and proportionate application of the export incentive program to all customers, regardless of political status.

We oppose any United States government action placing any embargo or restrictions on exports of soybeans or soybean products for any reason including a supply shortage except in the case of a declaration of war.

The U.S. position at all trade negotiations should be one of minimizing barriers to fair trade. We oppose any attempt to give U.S. industry greater protection from unsubsidized goods manufactured in foreign countries.

We strongly believe that CCC programs to counter foreign export subsidies be funded according to the proportion those products play in the ag economy to include soybeans and soy products.

Title I PL480 funds are available for providing assistance to poorer nations. We believe the administration should increase the amount of soybeans and soybean products to be exported under the PL480 program to its proportionate importance in the agricultural economy and balance of trade.

We oppose cargo preference requirements which jeopardize the U.S. agriculture exports. If the Maritime Service is to be subsidized, it should be at the expense of an appropriate governmental agency and not at the expense of the U.S. farmer.

We oppose any reduction of GSM102 Export Credit Guarantees or any increase in origination fees. We oppose policies and actions by U.S. institutions which harm the U.S. soybean industry by promoting competitive product production in other countries.

We are strongly opposed to the imposition of the fats and oils tax of the European Community.

NO

## RESEARCH

We believe research emphasis should be placed on utilization of soybeans and value-added soybean products, to include more human food uses, various soy oil uses and soybean quality needs for the marketplace both domestic and abroad. Special attention needs to be placed on our domestic markets to stimulate consumer awareness of soy products, thus encouraging U.S. manufacturing capability and employment. Production-oriented research should be continued in areas such as weed, disease, insect control, germplasm studies and variety development, including yield and composition. Other production research should include no-till and narrow row soybeans and the relationship of soybeans to soil conservation and water quality concerns.

No

## AGRICULTURAL POLICY

### BACKGROUND FACTS:

1. U.S. domestic farm policy directly and indirectly impacts profits available to U.S. farmers producing soybeans.
2. U.S. farm policy has caused the U.S. to lose soybean income and export volume in a world market for soybeans and soybean products that is growing 3-5% yearly.
3. U.S. farm policy has resulted in increased income and export volume to foreign soybean producers.
4. Growing public concern about the environment will impact U.S. agriculture through increased regulations.

We favor continued expansion of funding and efforts for market development purposes by Federal funding agencies, host countries and from our own organization.

We believe the federal government has an obligation to maintain an ag credit system.

We stand opposed to any provision of current or future Farm Bill legislation which prohibits, limits or makes impractical the production of conserving crops such as oats, barley, hay or rotation pasture.

We oppose policies or legislation which would artificially or arbitrarily set the price of commodities, goods or services at the state level.

We favor continuation of the Conservation Reserve Program.



## NATIONAL SOYBEAN CHECKOFF

We believe in the producer-funded development and retention of markets for United States soybean products. To that end, we feel it is appropriate for all United States soybean producers to participate by means of the Soybean Promotion and Research Checkoff (SPARC).

We support the nationwide soybean promotion and research program which:

- Is fair to all soybean farmers - all who benefit, invest.
- Is run by soybean farmers.
- Caps administrative costs at no more than 5%.
- Guarantees 50% of the net receipts will be retained under the control of the qualified state soybean boards.
- Is subject to farmer votes to continue or to change the rate. NO
- Does not permit SPARC funds to be used to lobby.

## TAXATION

Whereas soybean producers in Wisconsin are not as competitive with soybean farmers in neighboring states due to high property taxes; and whereas true property tax reform cannot take place unless state and local government spending and education spending is controlled; be it resolved that the Wisconsin Soybean Association strongly supports fundamental property tax reform.

*Ret.* We believe that a program that grants tax deferral rollover treatment and privileges to the farm sale (auction - small businesses) proceeds, such as granted to IRAs, 401Ks, Keough, etc, should be implemented. Limitations: eligible to those who pass the "on hands management test."

## ENVIRONMENT

Research concerning fertilizer and chemical usage on water quality should be accelerated. In addition, this accelerated research should develop new or refine existing agricultural technologies in order to provide agriculturalists with management systems that will reduce or eliminate agricultural pollution.

Restrictions should be based on the best scientific information currently available.

We endorse agricultural practices that keep soil loss at or below the soil loss tolerance for each soil type.

We promote the use of soil conserving practices since adequate tests have proven the effectiveness of these practices in reducing soil losses while still maintaining comparable yields.

Whereas government restriction has caused a reduction in farmable land WSA believes that any further restrictions on agricultural use of wetlands needs to be clearly defined and that proper analysis be given to the impact on agriculture and the environment.

We are strongly opposed to state or local governmental agencies implementing stricter environmental standards than those enforced by federal agencies.

## TRANSPORTATION

**RAILROADS** - In 1981 in Wisconsin, there were over 7500 miles of railroad lines operated by 11 Class One and short line railroad companies. Indications are that railroad mileage in the future in Wisconsin may stabilize. We recommend that the railroad structure in the future be based on providing the most economical transportation to serve farmers and industry needs.

**RURAL ROADS** - Budget and property tax limitations may limit the future condition and mileage of Wisconsin's rural roads and bridges. The governmental units making decisions on rural roads need to utilize information enabling a cost/benefit evaluation as it relates to agriculture and industry.

**WATERWAYS** - Because Wisconsin farmers regard the Great Lakes, Mississippi and Illinois Rivers as vital transportation networks, we support the maintenance and improvement of harbors, shipping channels and loading facilities for the benefit of Wisconsin's agricultural community.

## GENERAL

We believe the Wisconsin Soybean Association and American Soybean Association should put greater public emphasis on Association activities.

We feel that members and non-members, through media coverage, should receive more information on legislative activities in Madison and Washington, D.C.

We feel the Wisconsin Soybean Association should seek more media coverage prior to membership drives in order to help recruit new members.

We believe in cutting federal government expenditures and making every effort to balance the budget. We believe that any budget balancing should be made without agriculture taking a disproportionate reduction in expenditures.

We feel the Federal Reserve Board should be made up of personnel from industry, agriculture and financial backgrounds.

We favor the state of Wisconsin supporting biotechnology research through coordinated efforts and funding by government, universities and agri-business.

We support the promotion for SoyMark for food use and Soy seal for industrial use.

We support ASA's efforts to end the practice of allowing tropical fats (coconut, palm and palm kernel oils) to be labeled as a vegetable oil.

## PROPOSED RESOLUTIONS 1994 WISCONSIN CATTLEMEN'S ASSOCIATION

### DOWNED AND INJURED ANIMAL

WHERE AS, it is almost impossible to care for downed and injured animals when they are being transported, in a humane manner, and,

WHERE AS, humane care of animals is the goal of all cattlemen,

BE IT RESOLVED, that the Wisconsin Cattlemen's Association supports disposal of downed and injured animals in a way other than marketing them.

### GRADING

WHERE AS, it is wasteful, inefficient and costly for producers, packers, and consumers to have fat carcass come to market, and,

WHERE AS, grading changes to encourage carcasses with less fat are needed,

BE IT RESOLVED, that the Wisconsin Cattlemen's Association supports grading changes and paying producers on the cutability of each animal in order to promote less fat on carcasses.

### FEDERAL GAS TAX

WHERE AS, the federal government is may consider an added federal gas tax to lower and pay for the federal debt,

BE IT RESOLVED, that the Wisconsin cattlemen's Association goes on record as opposing this form of tax on production and transportation of food products.

### CRP LAND

WHERE AS, Many acres of CRP land will be coming out of the government program in a few years.

WHERE AS, These additional acres *will probably be put back into crop production and lower farm prices.*

BE IT RESOLVED, That most of the acres be put back in this program or one way *similar to help support farm prices.*

#### **ETHANOL FUEL**

WHERE AS, Ethanol Fuel made from corn can be used for energy fuels and mixed with petroleum gas and used *in cars and trucks*.

WHERE AS, Wisconsin legislature is considering making its use mandatory in official state owned vehicles

BE IT RESOLVED, That the Wisconsin Cattlemen's Association support this program.

#### **ENVIRONMENTAL**

WHERE AS, the 90's will be considered the decade of the environment; and

WHERE AS, the cattle producers of Wisconsin are for the most part good environment stewards;

BE IT RESOLVED, that this meeting of the WCA go on record in favor of sound land and water management practices which go on record in favor of sound land and water management practices which do not unnecessarily impinge on the farmers rights to earn a living; &

BE IT FURTHER RESOLVED, that if legislation impinges on those rights that the state bear the cost of such actions.

#### **QUALITY ASSURANCE**

WHERE AS, the beef industry is dependent on the perceptions and confidence of the consumer; and

WHERE AS, nothing less than the absolute best quality product is acceptable for the market.

BE IT RESOLVED, that every beef producer in Wisconsin become familiar with the WCA/NCA Quality assurance program and implement the *principals learned in his/her operation*.

#### **EXPORT/IMPORT REPORTING**

WHERE AS, the *import and export of cattle, beef, and beef by-products will continue to increase the need for volume and price information*.

BE IT RESOLVED, that the National Cattlemen's Association request the Livestock and Grain Market News / USDA / AMS accelerate import and export market *information*.

**PROPERTY TAX RELIEF**

WHERE AS, the present property tax fails to distribute the tax burden on a just and equitable basis,

WHERE AS, it places an unfair burden on farmers as it has little to do with ability to pay.

BE IT RESOLVED, that there be a REAL and IMMEDIATE need for greater farm property tax equity and the 1994 Wisconsin State Legislature have this as their top priority for this years session, taking much of the school tax off farmers.

**CLEAN WATER ACT**

WHERE AS, the federal clean water act is up for reauthorization this year,

BE IT RESOLVED, that the WCA recommends that Wisconsin in its efforts to ensure a clean source of water will not exceed the current federal guidelines.

**ENFORCEMENT OF ENVIRONMENTAL LAWS**

WHERE AS, the current power of the Department of Natural Resources (DNR) is adequate to enforce the environmental laws which are now in existence and,

WHERE AS, the latest proposal to authorize DNR employees to write tickets on the spot  
could be an unwarranted infringement on private property,

THEREFORE BE IT RESOLVED, that this meeting of the WCA goes on record as being opposed to this piece of legislation to unnecessarily extend the DNR's ticketed writing or fine leveling power.

ANIMAL CARE

Whereas, Fewer and fewer people in the U.S. have an agriculture background it becomes necessary to provide the public with educational information on animal care that is consistent with commercial livestock raising.

Whereas, animal research has proven to be vital to the medical fields in improving the quality of life and to livestock producers and consumers in developing more efficient ways to produce food,

Be it resolved, that the Wisconsin Cattlemen's Association supports appropriate programs and accurate information aimed at schools and the general public to show how people, agriculture and animals, benefit from today's farming methods and animal care.

WETLANDS

Whereas, Wisconsin has more acres devoted to specialty crops (some of which are cultivated on wetlands) than any other state; and

Whereas, this agricultural diversity plays a positive role in Wisconsin's ecology and economy; NOW, therefore, Be it resolved, that any new legislation to regulate wetlands must recognize and allow environmentally sound agricultural practices to continue; and

Be it further Resolved, that the Wisconsin Cattlemen's Association supports wetlands water quality standards which provide objective criteria, recognize litigation, and allow for environmentally sound farming practices to continue and,

Be it further resolved, that we oppose laws expanding DNR authority over agricultural practices in wetlands, and

Be it further resolved, that the federal laws eliminating all farm program benefits whenever any new drainage occurs be made realistic.

## SOIL CONSERVATION

Whereas, preservation of topsoil is of value to all citizens of this state and or Alternate Programs nation; and Whereas, The Wisconsin Conservation Board/has recommended that the legislature adopt statutory state goals of reducing soil erosion to acceptable levels by the year 2000.

Now, therefore, Be it resolved, that Wisconsin Cattlemen's Association encourages the U.S. Congress and the State Legislature to expand the numbers and types of educational and informative materials on soil erosion for farmers, and increase cost-sharing and other programs to promote voluntary participation: and

Be it further resolved, that while we support cross compliance within the federal farm programs, we do not support additional restrictions on existing state farmland preservation participants.

Be it Further Resolved, that when setting pesticide regulations, consideration be made of the affects on soil conservation and erosion.

## CAPITAL GAINS

Whereas; when the 1987 Federal Tax Reform Program was adopted, the Capital Gains credit for farm personal property and real estate was eliminated.

Whereas, this has been very costly for American Farmers who have a life time of farming and have planned on their many years of labor for their retirement,

Whereas, when personal property and real estate of farmers is liquidated, too large a portion has to be paid in taxes,

Be it Resolved, that the Wisconsin Cattlemen's Association recommends that the Federal Government restore the Capitol Gains for agriculture to its status prior to the new law.

## Legislative Report

by R.F. (Dick) Hauser

The non-point source pollution bill is still around. If you would like to get involved or follow it, the part that affects farming is now called the Agricultural Shorelands Management Ordinance and carries the number 92.17. The working committee held its final meeting on January 24th and the next step will be a round of public hearings. In case you would like to attend, the following is a list of the hearings: March 7-Marchfield; March 14-Arthur; March 15-Watertown; March 16-Eau Claire; March 18-Green Bay; March 21-Richland Center. For more information, contact the WCA office.

Another piece of legislation that could be very important to all WCA members is one in which WCA has taken a leadership position. This is the Private Property Rights Bill and carries the numbers AB1185 & SB757. The purpose of this legislation is to ensure that all public agencies take land owner's rights into consideration whenever they will be affected. The teeth in this bill is the imposing of a penalty of three (3) times the value of the land affected against the offending agency.

WCA has gone on record as opposed to the Environmental Warden bill (AB1148). Our feeling is that this could cause excessive burden on many of our members. About eight commodity organizations met with representatives of the DNR and voiced our united dismay. This did not, however, stop the bill from being introduced in committee where WCA again testified against it. Since that hearing, we have been contacted by Rep. Notestein's office with an offer to make some

changes in the bill. As of this writing, we have not seen the final proposal and have made no commitment.

WCA is strongly for property tax relief, however, this is a wait and see as into which boat to jump. If you like to watch a show, stay tuned. Use Value as the basis for assessing land is still around and may have a chance.

Other concerns that need watching include: endangered species, animal rights, cryptosporidium, humane animal treatment, clean water act renewal, coastal zone and CRP.

## Need Help? Job Hunting?

(continued from page 2)

a nationwide employment clearinghouse, recently announced the addition of those three categories to the industry-wide computerized system.

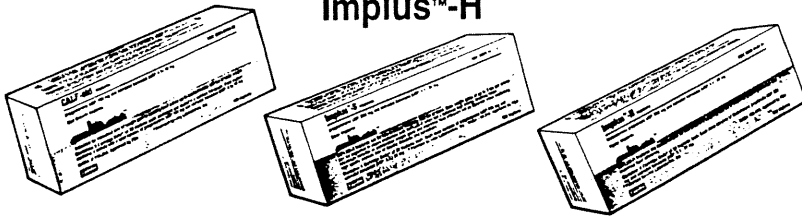
Kenneth Webster, the system's manager, says cattlemen welcome this progress. "The addition of cooks, caretakers, and domestic help to the system came as a result of requests received from both employees and employers for these categories," he added.

Since 1992, Cattleman's Employment Search has been helping match employers and employees in the cattle and farming industries; jobs range from all-around hands to managers. According to company records, the system has already served more than 2,000 cattlemen in 47 states.

For details, employers and potential employees write P.O. Box 433, Garden City, KS 67846; or call 316-275-0303.

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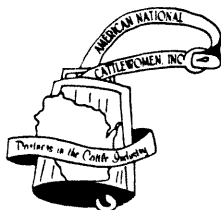
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# H O O F P R I N T S

The Official Newsletter of the Wisconsin Cattlewomen



## Cookoff News

To emphasize beef's variety and versatility, new categories for the 1994 World Beef Expo Cookoff were recently announced by the Wisconsin CattleWomen, coordinators of the event.

The new categories allow different types of beef meals to be emphasized. They also allow less expensive cuts of beef, like ground beef and round steak, to compete with higher value items such as tenderloin and ribeye steaks. The five new categories are: 1) Round (utilizing steaks and roasts); (2) Chuck or Brisket; (3) Ground Beef; (4) Sirloin or Tenderloin (includes loin, ribeye, sirloin and tenderloin); and (5) Beef Soups or Beef Stews (using any cut of beef).

"We wanted to ensure a diverse group of beef meal ideas for today's variety-demanding consumer," said Shirley Raisbeck, World Beef Expo Cookoff co-chair. "Today's families want food that is easy to prepare, offers new, exciting tastes and is something that everyone in the family will enjoy, including children."

One finalist will be chosen from each category, who is eligible to compete in the finalist program on April 14, 1994. The World Beef Expo Cookoff is held during World Beef Expo, April 14-17, 1994, at the Dane County Exposition Center, Madison, Wisconsin.

Entry deadline for the World Beef Expo Cookoff was January 25, 1994. The World Beef Expo Cookoff offers \$5,800 in cash awards and is open to anyone 18 years of age or older with a non-professional status. All recipes must be able to be prepared indoors.

To enter - print this necessary information.

### RULES:

1. Meat used in recipes must be EXCLUSIVELY BEEF.
2. 1 to 5 pounds of beef may be used per recipe.
3. Categories:  Round  
 Chuck or Brisket  
 Ground Beef  
 Sirloin or Tenderloin  
 Beef Soup or Beef Stew
4. One finalist will be chosen from each category for the World Beef Expo Cook-Off Finalist Program.

### METHOD OF COOKING:

Indoor conventional stove

### ELIGIBILITY:

1. \*18 years of age and older
2. \*Non-professional status
3. \*Finalists of the World Beef Expo Cook-Off may not enter for 3 years from the date at which they won the contest.

### REQUIRED RECIPE INFORMATION:

- \*Number of servings
- \*Preparation time
- \*Cooking time

Invitation to Attend: April 14, 1994:

### World Beef Cookoff 1994 Schedule International Contest

Organized and Conducted by  
The Wisconsin CattleWomen

9:30 Five finalists begin cooking. Watch the cooking in

progress. Visit with the five finalists about their winning beef recipe.

### Program: "From the Cookoff to the Kitchen"

9:30 Introduction of the Expo five finalists format of the contest.

9:45 Ann Kaiser from "Country Woman" will speak and also be one of the three judges.

10:00 Break . . . visit with five finalists; beef taste testing; up-date on the progress of the contest cooking.

10:15 Marlys Bielunski, Director of Test Kitchens at the National Livestock & Meat Board — "Skinny Beef."

10:45 "Retooling Your Kitchen for Lowfat Cookery," Virginia Hazlett, C.H.E.; Linda Handel, R.D. American Heart Association demo: Marey Jo Downing, R.D., American Heart Association Wisconsin Affiliate.

11:30 Meat case - showing beef cuts in the 1950s and the 1990s; products of the 1990s. Byproducts of beef - Dr. Dennis Buege.

11:45 Announcement of winners.

1:00 Guided tour of the Expo and watch the judging of the beef cattle.

Also on the morning of April 14, when the cooking is going on and the program is being presented, the Wisconsin CattleWomen will have tables with a Wisconsin CattleWoman in charge - called a "Station."

Station 1: Ann Kaiser wants to bring her Country Woman magazine along for promotion; attendant will pass out this magazine.

Station 2: Marlys Bielunski will bring the Test Kitchens' new cookbook "Skinny Beef;" two people, as this is a for-sale item.

Station 3: Virginia Hazlett and Linda Handel pamphlet on Lowfat Cookery.

Station 4: Heart Association will have a hand-out item.

Station 5: Meat Showcase, Dr. Dennis Buege.

Station 6: Wisconsin CattleWomen will have a packet of promotion items.

Station 7: Expo Cookoff will pass out the current recipes being judged 1994 and also winning recipes from 1993 contest.

Stations 8 and 9: Taste-testing for beef, probably at two tables.

This is the need for people to help on April 14 in the morning only. Then they are free to attend the Expo, judging, etc. Many may be attending and give us the added help we need.

The cooking will begin at 9:30 in the morning as well as the program. During the program, we will give updates as what is going on with the contest cooking with the final item being the announcement of the 5 Finalists and their placing in the contest. Being a finalist already means that you are a winner, however, and you might like to note them as "The Winning Five Expo Beef Cook-Off Finalists."

These are the final figures for the Expo Cookoff for 1994. Entered were 429 recipes from 216 entrants from 32 U.S. States. For judges on April 14th, we have Ann Kaiser, Editor of Country Woman; and Lee Aschoff, Food Editor of the Milwaukee Sentinel; and a third has yet to be chosen. For a copy of the winning recipes, send a self-addressed large size business envelope to Expo Beef Recipes, 8053 Old Potosi Rd., Lancaster, WI 53813.



**Wisconsin Cattlemen's Association**

632 Grand Canyon Dr. • Madison, WI 53719 • (608) 833-0320 • FAX

*Memorandum*

Date 4/25/94

To: Assemblyman Alvin Ott

Fr: R.F. (Dick) Hauser Exec. Dir.

Re: 1994 WCA Resolutions

*Thank-you for asking for our latest copy of Resolutions. If you have any further needs please call.*

*Enclosed:  
Resolutions  
Communicator*

# EQUITY COOPERATIVE LIVESTOCK SALES ASSOCIATION

ANNUAL MEETING  
Stevens Point, Wisconsin  
Saturday, March 19, 1994

## Proposed Resolutions

### 1 - REAFFIRMATION:

We hereby approve the actions of the board of directors and management during 1993 and reaffirm resolutions adopted at the previous annual meeting, except as modified or amended at this annual meeting. In existing resolutions where "University of Wisconsin Extension" is listed as a resource, the underlying meaning includes reference to university extensions in all states where Equity patrons reside.

### 2 - FARMLAND TAXATION:

Whereas, currently Wisconsin farmland is valued significantly higher than its actual farm use value and

Whereas, taxation is based on appraised value; we propose the equalized value should more accurately reflect farmland's actual use value.

We also urge legislators to continue researching school tax funding from other than land in agricultural production.

### 3 - NUTRITIONAL EDUCATION OF OUR SOCIETY:

We commend the Wisconsin Dairy Council, Dairy Nutrition Council, Inc., Wisconsin Livestock and Meat Council, Wisconsin Beef Council, Wisconsin Agri-Business Council, Inc. and all red meat organizations for their successful role in educating and promoting elementary and high school students and the public concerning nutrition. Nutrition is a vital factor in the continuous growth, development and health of our society. We urge parents, teachers, counselors, administrators and school board members to stress the importance of red meat and dairy products' nutritional value by using educational materials and resource people supplied by these organizations.

4 - CALF IDENTIFICATION:

It has been proposed that all young calves be identified by a physical marking system at the time of marketing, to find the number of times the calf has been sold in a public market.

We oppose 1991 WIS Act 201 Calf marking law. We encourage the Assembly Committee on Agriculture, Forestry and Rural Affairs' chairperson to bring Senate Bill 70 forward to the Assembly committee and urge Assembly persons to support Senate Bill 70 which calls for the repeal of the calf marking law.

5 - ENVIRONMENTAL POLLUTION CONTROL:

Whereas a legislative proposal has been considered to allow Department of Natural Resource (DNR) wardens to issue citations for environmental law violations such as chemical spills and other environmental violations, we recommend delegating regulatory authority to the County Land Conservation Committee rather than to the DNR.

6 - AGRI-SCIENCE EDUCATION:

Whereas, Wisconsin economic strength is derived from a strong agriculture and agri-business economy,

We strongly urge Wisconsin school districts to classify appropriate agriculture courses as science-equivalent graduation requirement credits. We also encourage University of Wisconsin system and VTAE schools to accept appropriate agriculture courses as science equivalent entrance credits.

7 - MEAT INSPECTION:

We strongly support enforcement of meat inspection standards. We recommend that the meat inspection program remain under USDA and not be placed with the Food and Drug Administration.

8 - FORWARDING RESOLUTIONS:


We direct Equity's management to bring these resolutions to the attention of our state and federal representatives, agencies and department heads in whose area of responsibility the resolution is directed.

The following resolutions have been adopted and/or reaffirmed and recommended for reaffirmation this year. These resolutions are not read aloud unless a delegate requests a specific clarification or amendment.

1 - CAPPER-VOLSTED ACT VITAL TO FARMERS:

We view any attempts to weaken or amend the Capper-Volsted Act as vicious and unwise. Without the right to ~~organize~~ strong cooperative marketing associations, producers will not be able to compete with organized buyers and service suppliers. The loss of independent farmers, able to do business through their producer cooperatives, will lead to much higher food costs for consumers.

2 - RIGHT TO FARM:

 We urge continued consideration of the need to preserve our food and fiber base which provides us with our most essential needs.

We strongly support further legislation that will protect the right of livestock producers and agriculturalists to farm and continue to have a livelihood providing the food and fiber supply for all. We urge farmers to practice a good neighbor policy with their farming and non-farming neighbors.

3 - APPOINTMENT OF THE SECRETARY OF AGRICULTURE IN WISCONSIN:

We commend the Citizen Board of the Wisconsin Department of Agriculture, Trade and Consumer Protection for their valuable input to the department in Wisconsin's agricultural policies. Rural people have repeatedly stated their belief by their support of numerous resolutions calling for its continuation.

We, therefore, strongly urge the continuation of our state's present system which provides for the appointment of the Secretary of Agriculture by the Citizen Board and recommend that the Citizen Board membership continue to be represented exclusively by persons supportive of agriculture.

4 - COOPERATION BETWEEN LIVESTOCK MARKETING COOPERATIVES:

Whereas, most states in this country have one livestock marketing cooperative, and

Whereas, Wisconsin livestock producers financially support two livestock marketing cooperatives,

Therefore, Be It Resolved that Equity's Regional Board of Directors and Management Team be encouraged to develop joint ventures or study other methods where producers could more effectively and efficiently be served in their livestock marketing needs. New programs would be strongly supported and more effective against corporate competition through joint ventures and joint marketing agreements.

5 - ELIMINATION OF DRUG RESIDUE IN LIVESTOCK:

Federal regulations require that the livestock consigned or offered for marketing, have not been treated, or if treated, proper and accurate withdrawal times have been adhered to. We encourage accurate and detailed, on-farm records be maintained to verify drug type, quantity, treatment date and person(s) administering such drugs to prevent possible producer liability claims.

We urge producers to contact their local veterinarian or the Animal Health Division of the Department of Agriculture, Trade and Consumer Protection with any questions regarding the various types of drugs and their usage.

6 - CENTRAL LIEN FILING SYSTEM:

Whereas, the state of Wisconsin has developed and is currently implementing a central lien filing system for the purpose of recording liens on agricultural commodities, including livestock,

Whereas, the notification system that is now in effect, works extremely well, we therefore support this system in which the lender notifies the marketing agencies. In this system, the borrower, lender and marketing agency share the responsibility, proving it to be most efficient and cost effective. We encourage legislative action allowing for the continuation of the current notification system pertaining to livestock liens.

7 - **INEQUITIES IN PACKER TRUST PROMISION:**

Since 1977, livestock marketing has had protection on livestock sales through bonding and trust requirements enacted by the federal government, and administered by the Packers & Stockyards Administration. This law requires payment for livestock by cash at the point of purchase, or payment must be in the mail within 24 hours of purchase.

Packers and processors are not protected by this law and the capital required for operations, inventories, and accounts receivable, have caused profits to be dangerously low, thus contributing to many packing plant closings.

We therefore, urge legislation be enacted to provide guaranteed prompt payment to packers and processors.

8 - **COMMODITY PROMOTION, EDUCATION AND RESEARCH:**

Whereas, the Pork Promotion, Research and Consumer Information Act and the Beef Promotion and Research Act require assessment on all hogs, cattle and veal marketed for the purpose of promotion, education and research, we commend these organizations for their financial assistance in making possible the program called "Cooperative Meats Education." Through this program, consumers have found it easier to select meat cuts and receive specific nutritional information at the meat case. This program has developed and maintained a close working relationship with meat packers, processors, retailers, nutritionists, dietitians, medical professionals, health organizations and state supporting councils.

9 - **CONTINUED RESEARCH AND EXTENSION NEEDS:**

We believe that state and national governments should respond to the needs for increased operational support of agricultural research and extension programs. We continue to support legislation to insure increased productivity through efficient and effective use of our natural resources.

We encourage support of the animal health educational programs available through the University of Wisconsin Extension. Any major cuts in these programs may drastically affect the educational network relating to our livestock production, marketing and overall management practices.

10 - **ANIMAL DISEASE EDUCATION:**

We encourage all livestock producers to seriously consider the program of Official Calfhood Vaccination with the availability of the reduced dosage vaccine. This will provide flexibility in movement and enhance the marketability of non-slaughter livestock.

We encourage livestock producers with sow herds to seriously consider the advantages of having their herds certified Pseudorabies-free.

Therefore, we urge livestock producers to seek educational opportunities available through the University of Wisconsin Extension services, and to support the testing and enforcement efforts by the Animal Health Division of the Department of Agriculture, Trade and Consumer Protection in their efforts to seek out and eradicate these major livestock diseases.

11 - **SCHOOL LUNCH PROGRAMS:**

In the interest of good nutrition, we encourage governmental assistance to include wholesome red meat and dairy products in public school menus.

12 - **STATE INSPECTED MEAT PACKERS AND INTERSTATE SALES:**

Wisconsin meat slaughterers and processors utilizing the State Meat Inspection Service are prohibited from shipping meat products out of state. Eliminating these regulations would allow smaller state inspected plants to more competitively bid on livestock and expand the national market for Wisconsin's quality meat products. All meat could then move freely in interstate trade like other agricultural products.

We support elimination of this restrictive legislation and amendment of the Meat Inspection legislation. We commend the efforts of USDA, state Departments of Agriculture, the American Association of Meat Processors and federal legislators who have supported these changes.



13 - COOPERATIVE EDUCATION AND VOCATIONAL EDUCATION PROMOTION:

We believe that education pertaining to cooperatives and the cooperative method of doing business should be made available to our youth, young adults, producer members, employees, directors and management.


Whereas, vocational education programs and student organizations provide needed skills for entry level positions at post secondary education,

Whereas the Bureau of Vocational Education needs to support and provide services on a statewide level to keep local vocational programs intact,

Be It Resolved that Equity Cooperative Livestock Sales Association supports adequate staffing of the Department of Public Instruction's Bureau for Vocational Education.


14 - WELFARE OF ANIMALS:

The financial success of the livestock industry depends largely upon the practices used in all facets of management.

 We oppose ~~legislation~~ that would suppress sound livestock management practices under the guise of animal welfare.

As livestock producer-members of this cooperative, let us continue to provide the leadership and guidance necessary to assist the red meat industry to grow and prosper by promoting the production and consumption of safe, wholesome, nutritious, high quality red meat for consumers.

15 - ENERGY SITUATION AND POSSIBLE ALTERNATIVES:

 We encourage the state and federal government to strongly support research, development and the use of alternate energy sources such as methane, wind, hydropower, solar power, alcohol and other techniques.

16 - FUTURE LIVESTOCK MARKETING PROGRAMS:

We commend the development of numerous innovative livestock marketing opportunities for producers by Equity Cooperative.

We urge Equity to develop educational studies for all species bringing them to the attention of their livestock producer-members. These educational tools can assist livestock producers in their livestock production and marketing decisions.

17 - **MARKETING INFORMATION:**

Timely, accurate, marketing information is essential for intelligent livestock marketing. We commend Equity Cooperative Livestock Sales for providing frequent, accurate and complete market news reports and urge the continuation of these efforts to assure meaningful information to producers, which accurately represents marketing transactions. We further express our appreciation to the media for their cooperation in making such information available statewide to livestock producers.

18 - **WISCONSIN HOG MARKETING:**

Whereas, Wisconsin hog producers have faced many challenges, we urge industry leaders to continue to identify and respond to major concerns and issues in all segments of this very important industry to our state.

Equity Cooperative Livestock Sales Association, in conjunction with the Wisconsin Pork Producers, recognizes the necessity for a lean-value pricing/marketing system and urge hog producers to work closely with their Equity Cooperative and support the marketing program which best fits their marketing needs.

# Pork

• RETAIL CUTS •  
WHERE THEY COME FROM  
HOW TO COOK THEM



**LEG/HAM**

- Leg Chulet (Porky, Bacon, Ham, Hamlet)
- Top Leg (Inside) Roast (Roast, Ham)
- Smoked Ham Roast
- Smoked Ham Shank Portion (Roast)
- Smoked Ham Center Slice (Bacon, Hamlet, Porky, Roast)
- Smoked Ham Ramp Portion (Roast)
- Canned Ham (Roast)
- Sliced Ham (Bacon, Porkchop, Ham)
- Boneless Smoked Ham (Roast)

**LOIN**

- Country-Style Ribs (Roast, Bacon, Ham, Country Ham)
- Center Rib Roast (Roast)
- Sirloin Roast (Roast)
- Boneless Subota (Roast)
- Blade Roast (Roast, Bacon)
- Sirloin Cutlet (Roast, Bacon, Hamlet, Porkchop)
- Back Ribs (Roast, Hamlet, Hamlet, Chop, In Roast)
- Tenderloin (Roast, Bacon, Hamlet, Porkchop)
- Boneless Blade Roast (Roast, Bacon)
- Smoked Loin Chop (Roast, Hamlet, Porkchop, Hamlet)
- Canadian-Style Bacon (Roast, Bacon, Porkchop, Porky)
- Top Loin Roast (Double) (Roast)
- Center Loin Roast (Roast)
- Sirloin Chop (Roast)
- Butterfly Chop (Roast, Hamlet, Porkchop, Hamlet)

**SHOULDER**

- White Roast (Roast, Bacon)
- Blade Steak (Roast, Bacon, Hamlet, Porkchop)
- Boneless Blade Roast (Roast, Bacon)
- Boneless Arm Point Roast (Roast, Bacon)
- Smoked Shoulder P.B. (Roast, Bacon, Hamlet, Porkchop)
- Smoked Butcher (Roast, Bacon, Hamlet, Porkchop)
- Smoked Olean (Roast, Bacon, Hamlet, Porkchop)

**SIDE**

- Sparsely (Roast, Bacon, Country Ham)
- Sliced Ham (Bacon, Hamlet, Porkchop, Hamlet)

**OTHER CUTS**

- Rib Chop (Roast, Hamlet, Porkchop, Hamlet)
- Loam Chop (Roast, Bacon, Hamlet, Porkchop, Hamlet)
- Blade Chop (Roast, Bacon, Hamlet, Porkchop)
- Top Loin Chop (Roast, Bacon, Hamlet, Porkchop, Hamlet)



Equity Cooperative Livestock Sales Association

THIS CHART OFFERED BY NATIONAL LIVE STOCK & MEAT BOARD

1993 Annual Report

# *A Message from your Chairman and President*



*Lynn M. Merow & John D. Jenks*

Over the years, Equity Cooperative has consistently reported new records in volume, sales and profitability. This year-end report states even greater achievements. The following records quantify Equity's achievements during 1993 while management is already engineering plans to attain 1994's goals.

Patrons marketed a record 1,603,067 head: 570,807 cattle; 553,704 hogs and feeder pigs; 373,937 calves; and 104,619 lambs, increasing livestock volume 4.6% over 1992.

A record corporate sales value reached \$497,430,899, 8% over 1992. A record profit of \$854,690 is closer to the one million dollar profit goal than we have ever been before.

Equity's solid foundation allows us to design new products and services as producers' needs change. The cooperative's

growth is like a construction project which requires professional planning along with a variety of quality raw materials.

Equity patrons are no strangers to business planning and construction. Over 53,000 patrons worked cooperatively to generate the success we achieved in 1993. Achievements, in addition to those already stated, include patrons increasing hog marketings to over one-half million hogs, increasing cooperative hog volume 12 1/2%. Patrons at Richland Center increased hog marketings by nearly 60%, and total volume by 21 1/2%. Equity Livestock Credit Corporation and subsidiaries contributed over 30% of Equity's overall profits. New divisions including Today's Electronic Auction Market - T.E.A.M. Wisconsin, and Equity Global Agri-Services, Inc. and expanded service in the commodity division all added to the range of services Equity offers.

The phenomenal increase in hog volume is primarily due to Equity's joint venture with IBP. We believe that during the three years we have operated under the IBP joint venture, they have lived up to every clause and condition of the joint venture. The joint venture has made a direct affect on increasing Equity's hog patron profitability, and with increased volume, contributes to overall cooperative profitability. Our 1994 goals include attaining an increasing share of Wisconsin's butcher hog volume.

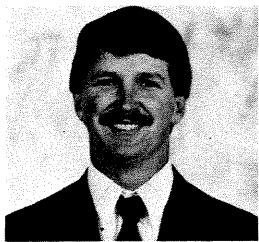
Anyone that wishes to look out our windows for a view of the livestock industry is welcome, however, we seek patrons and business partners who can utilize our services, efficiencies, style and space. We are also interested in qualified personnel who can swing a hammer, yet are just as eager to accept greater challenges.

Equity is excited about the future of the livestock and agricultural industries. Working with producers who participated in the formation of Equity's original by-laws as well as working with the producers who are participating in Equity's electronic auction market services, is an exciting time. We work with the best of both generations, and we hope to capitalize on the expertise of both as we look to provide more of the services and programs that producers need.

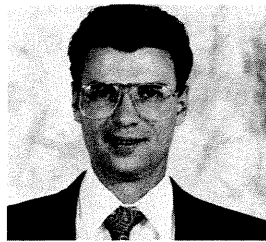
About the cover...

Equity enjoyed hog marketing growth during 1993. The pork retail chart was reproduced courtesy of the National Live Stock and Meat Board.

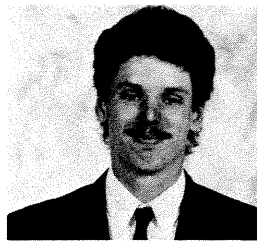
# Equity Hog Buyers Set All Time Record



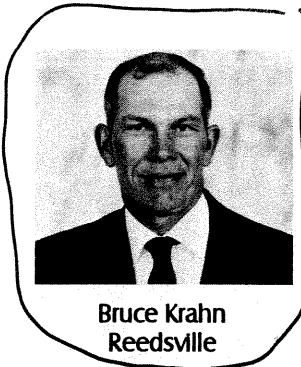
John Norby  
Altoona



Eric Wiese  
Bonduel



Tom Kaltenberg  
Johnson Creek



Bruce Krahn  
Reedsville



Chris Gannon  
Richland Center



Steve Wilke  
Ripon



Terry Sturm  
Sparta



Jim Gunderson  
Stratford



Ed Sandstrom, Sr.  
Arlington/Cambria



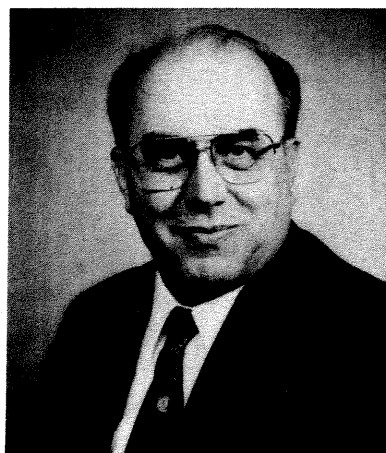
Ed Sandstrom, Jr.,  
Arlington/Cambria

## Equity/IBP Relationship

In January 1990, Equity Cooperative Livestock Sales Association and IBP entered into a joint venture which has allowed the cooperative to become a greater force in the Wisconsin pork industry. The original agreement offered producers shipping to Arlington and Cambria live hog bids based on actual carcass performance data of past marketings.

Patrons benefited from this agreement and encouraged management to pursue additional contracts for other Equity markets. In May 1990 Equity and IBP added joint venture contracts for Ripon, Richland Center, Johnson Creek and Sparta. As the venture progressed, Altoona, Bonduel, Reedsville and Stratford butcher hog contracts were completed in March 1992.

We believe the joint venture has assisted in Equity's growth in hog volume by 50% since 1990. We extend our appreciation of the forthright efforts of IBP during this joint venture.



Gary Machan,  
Vice President Procurement, IBP



Gayle "Porky" Lorenz  
Supervisor Procurement  
Waterloo facility

# Corporate Profile

## Regional Board of Directors



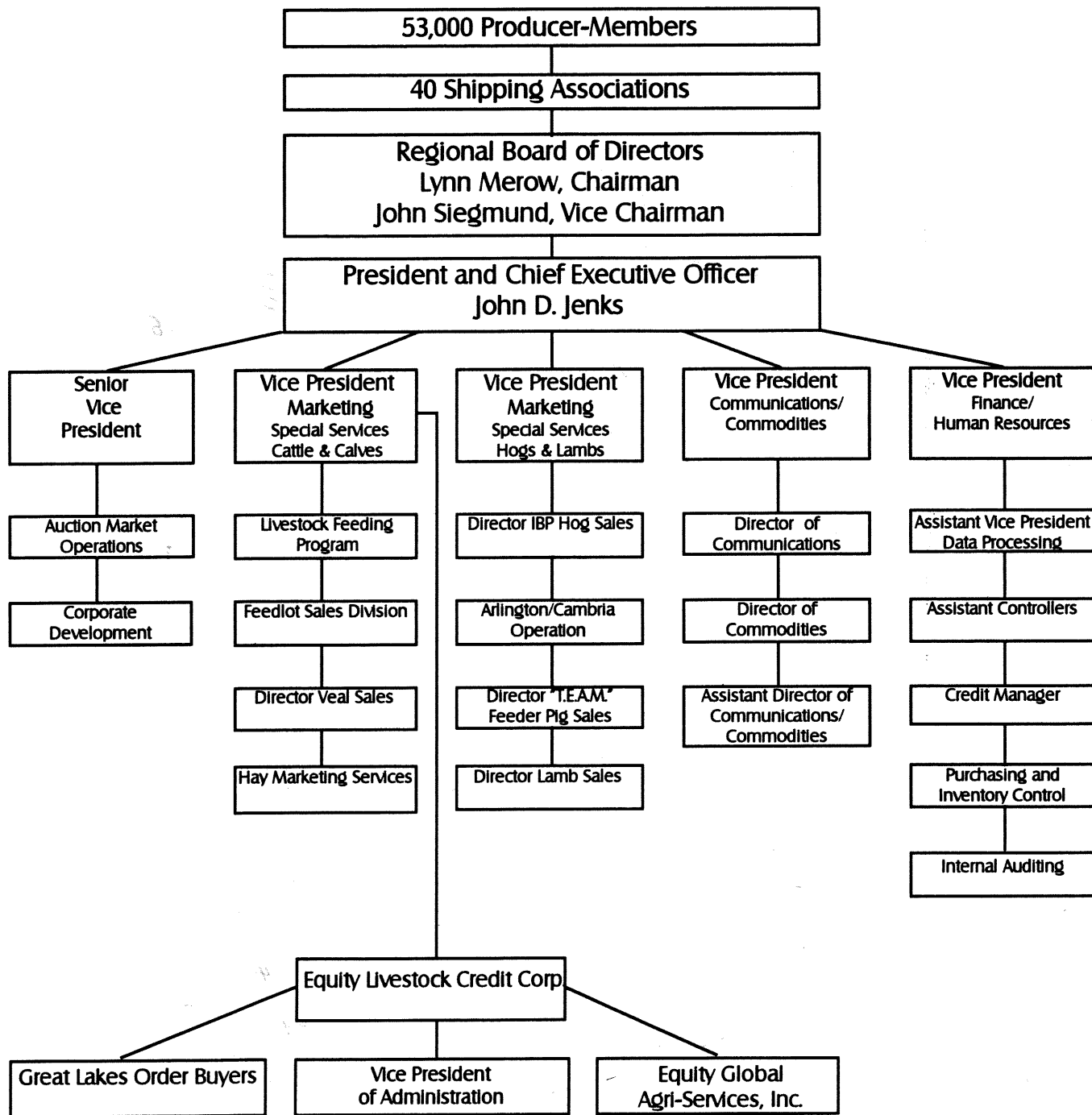
(Standing Left to right) Wayne L. Danielson; John A. Siegmund, Vice Chairman; Leonard L. Nuckles; Lynn M. Merow, Chairman; John D. Jenks, President & C.E.O.; Fred G. Bergman, Secretary/Treasurer; Howard W. Zellmer. (Seated left to right) Lloyd A. Holterman; Thomas W. Thomson; Jerry M. Knoll; Vernon L. Ainsworth.

## Management Action Team



(Standing) C. William Geary, Senior Vice President; John D. Jenks, President & C.E.O.; Alan Buchner, Vice President Communications/Commodity Marketing. (Seated left to right) Jeffrey D. Morton, Vice President Finance/Human Resources; Rebecca J. Knull, Assistant Vice President Data Processing; Scott Gardner, Vice President Marketing/Hogs & Lambs; Richard D. Voltz, Vice President Marketing/Cattle & Calves.

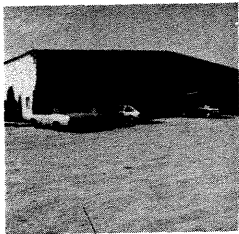
# Corporate Structure





# Auction Market Profiles

Highlights in 1993 are listed according to each market's achievements. As noted in the following summary, Bill Endrulat completed another successful year at Monroe before his retirement in December 1993. Upon Bill's retirement, Dick Zuelke transferred to Monroe from Richland Center. Simultaneously, Chris Gannon was promoted to market manager at Richland Center.



## Altoona:

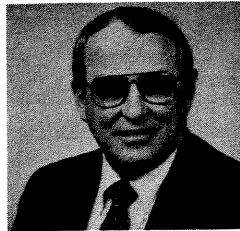
Dave Fishbauger, Manager

1993 Volume:

~~68,463 calves~~ <sup>2</sup>  
 57,844 cattle <sup>2</sup>  
 26,878 hogs & feeder pigs <sup>-6</sup>  
 1,021 sheep

✓ Sales Value: \$47,152,128  
 Total Patrons In District 6: 8,214

- \* Over 3% increase in cattle marketings.



## Bonduel:

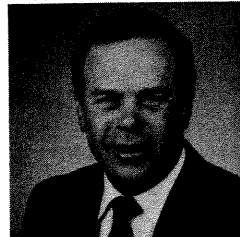
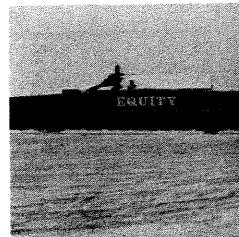
James Esch, Manager

1993 Volume:

~~53,715 calves~~ <sup>3</sup>  
 43,116 cattle <sup>-5</sup>  
 25,250 hog & feeder pigs <sup>-8 7</sup>  
 3,941 sheep

✓ Sales Value: \$36,947,623  
 Total Patrons In District 4: 5,147

- \* 15% increase in hog and feeder pig marketings.



## Johnson Creek:

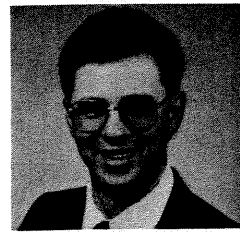
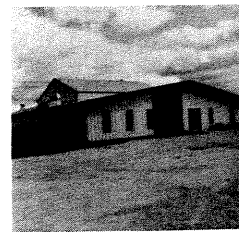
Neale Jones, Manager

1993 Volume:

77,045 hogs & feeder pigs <sup>-2</sup>  
 56,074 cattle <sup>-3</sup>  
~~25,721 calves~~ <sup>-5</sup>  
 7,818 sheep

✓ Sales Value: \$49,315,353  
 Total Patrons In District 1: 6,852

- \* Highest total volume, 7% increase cattle, 3% increase in hogs and feeder pigs.



## Reedsville:

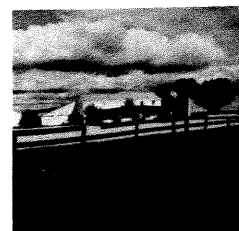
Mike Bourke, Manager

1993 Volume:

~~32,000 calves~~ <sup>-4</sup>  
 20,564 hogs & feeder pigs <sup>-8</sup>  
 17,936 cattle <sup>-9</sup>  
 1,056 sheep

✓ Sales Value: \$18,254,902  
 Total Patrons In District 3: 4,751

- \* Highest hay sales volume, nearly 13% increase in hog and feeder pig marketings.



## Richland Center:

Dick Zuelke, Manager

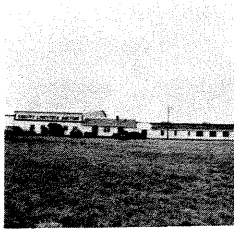
1993 Volume:

72,265 hogs & feeder pigs <sup>-4</sup>  
 40,006 cattle <sup>-6</sup>  
~~20,000 calves~~ <sup>-7</sup>  
 2,528 sheep

✓ Sales Value: \$38,128,239  
 Total Patrons In District 9: 5,380

- \* Highest increase in hog and feeder pig marketing.





**Ripon:**

Chris Koolman, Manager

1993 Volume: 87,934 hogs & feeder pigs <sup>-2</sup>  
27,389 cattle <sup>-7</sup>  
~~11,808 calves~~ <sup>9</sup>  
4,645 sheep

✓ Sales Value: \$31,285,292  
Total Patrons In District 2: 3,281

\* Highest hog and feeder pig volume, up nearly 23%.



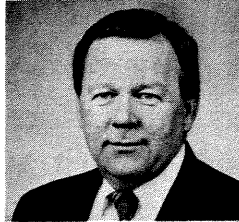
**Sparta:**

Terry Sturm, Manager

1993 Volume: 30,080 hogs & feeder pigs <sup>-5</sup>  
18,051 cattle <sup>-8</sup>  
~~12,032 calves~~ <sup>8</sup>  
2,410 sheep

✓ Sales Value: \$15,530,502  
Total Patrons In District 7: 2,912

\* 8% increase in hogs and feeder pig marketings.



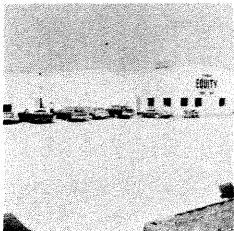
**Stratford:**

Roger Thompson, Manager

1993 Volume: ~~73,551 calves~~ <sup>-1</sup>  
53,574 cattle <sup>-4</sup>  
12,569 hogs & feeder pigs <sup>9</sup>  
3,336 sheep

✓ Sales Value: \$43,266,154  
Total Patrons In District 5: 8,091

\* Highest calf volume, 4% increase in cattle volume.



**Monroe:**

Bill Endrulat, Manager

1993 Volume: 70,661 cattle <sup>-1</sup>  
~~24,687 calves~~ <sup>-6</sup>  
2,064 hogs & feeder pigs <sup>10</sup>  
12,863 sheep

✓ Sales Value: \$61,430,013 ✓  
Total Patrons In District 8: 6,610

\* Highest sales value, cattle and sheep volume.



**Waukon:**

Jerry Sommer, Manager

1993 Volume: 47,251 cattle & calves <sup>10</sup>

✓ Sales Value: \$28,061,346  
Total Patrons In District 10: 1,693

\* Highest feeder cattle volume.



**Arlington:**

Ed Sandstrom, Sr., Manager

1993 Volume: 165,947 hogs & feeder pigs <sup>(-1)</sup>  
3,289 sheep  
2,199 cattle & calves //

✓ Sales Value: \$20,916,868 //  
Patrons are members of District 1

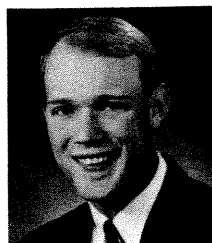
\* Private treaty hog marketing facility leads hog and feeder pig volume, up 4%.

## *Additional Market Centers*



Scott Gardner

*Corn Belt Lamb/Wisconsin Lamb Pool* links lamb producers and packers through a computerized auction marketing program. Equity's lamb division offers pool schedules at Wisconsin locations and accepts partial or whole load consignments from producers in the Midwest.



Joel Bobb

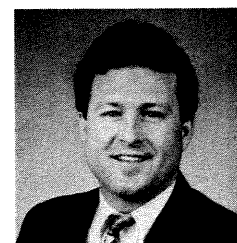
*T.E.A.M. Wisconsin Feeder Pigs*, established in 1993, Today's Electronic Auction Market also uses a computerized auction marketing program. T.E.A.M. Wisconsin's weekly sales offer one-owner feeder pigs from veterinarian scored and qualified herds. This system allows true auction market price discovery along with direct farm to farm delivery.



Kerri Parkhurst

Scott Gardner, Vice President Marketing/Special Services - Hogs & Lambs, manages the divisions with assistance from Joel Bobb, Hog & Lamb Marketing Assistant. Scott Gardner is also the liaison between IBP and Equity hog buyers and works with the livestock feeding program hog accounts. Kerri Parkhurst, Marketing Assistant, is responsible for consignments, computer operations and settlements.

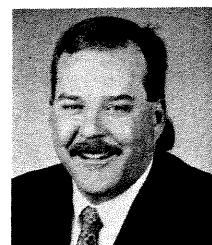
*Commodities* - Equity has offered risk management services since 1985. The division's business at the Baraboo office has steadily grown as producers become more familiar with pricing strategies. Two licensed brokers, Alan Buchner and Lisa Leege, trade all agricultural futures and options. The commodity division also offers forward contracting and feed procurement services.



Alan Buchner

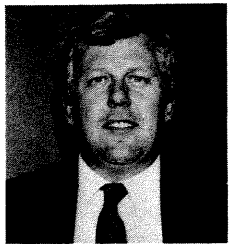


Lisa Leege



Jeff Critser

The *Special Fed Veal* division is based at DePere, Wisconsin and managed by Jeff Critser. The Special Fed Veal division markets for growers directly to packers and monitors veal processing, ensuring producers and buyers accurately graded, priced and represented products.



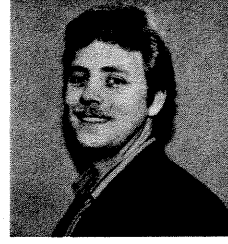
Richard Voltz



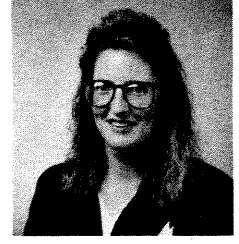
Tod Fleming



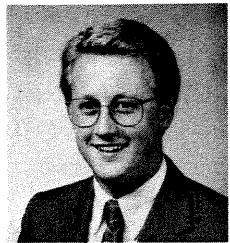
Wayne Ruen



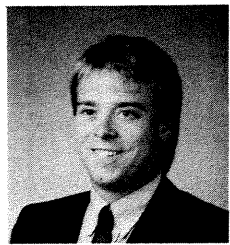
Mark Lecy



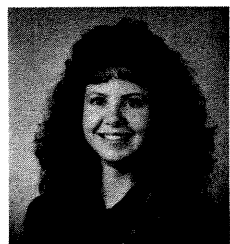
Jill Hanus



Sean McNevin



Mark Zimmerman



Lori Bryan

***Equity Livestock Credit Corporation*** is a wholly owned subsidiary of Equity. The corporation is responsible for obtaining the necessary capital required to fund the livestock feeding program purchases.

***Livestock Feeding Program***, a division of Equity Livestock, began in 1987. The Livestock Feeding Program places, monitors and markets livestock on approved producer feedlots, allowing knowledgeable producers with adequate facilities and feed supply to retain feeding margins above Equity's livestock ownership costs.

***Great Lakes Order Buyers*** is a division of Equity Livestock Credit Corporation. Great Lakes provides order buying services for feeder cattle and replacement calves, and offers direct fed cattle marketing. Great Lakes networks with livestock buyers and sellers across the United States.

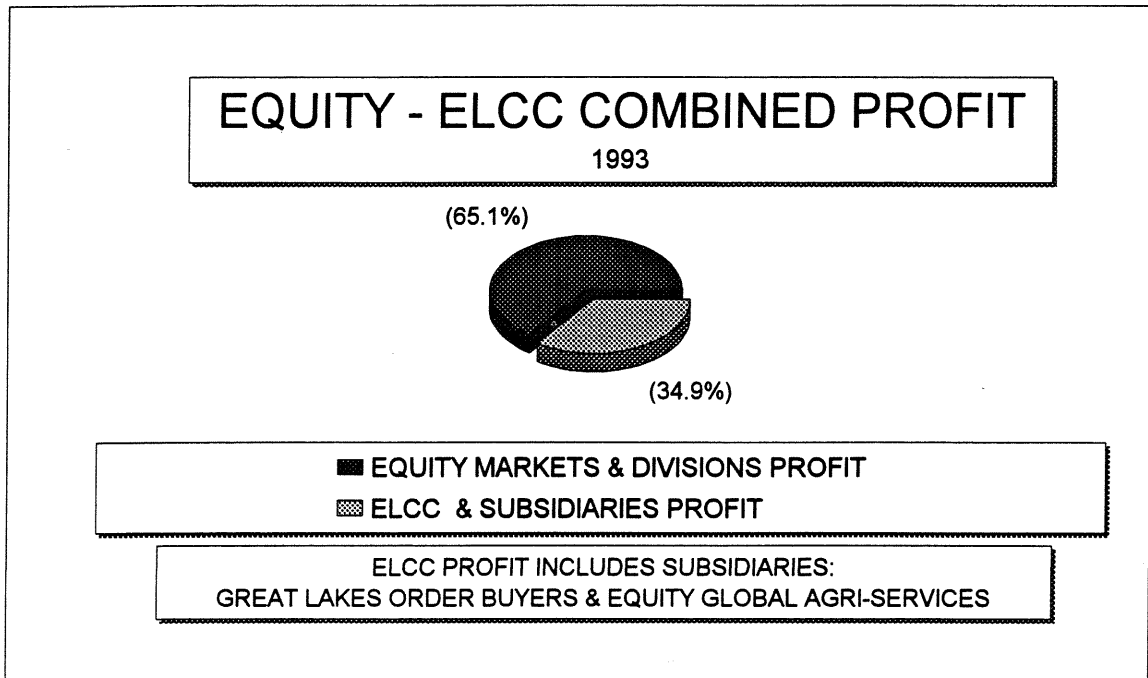
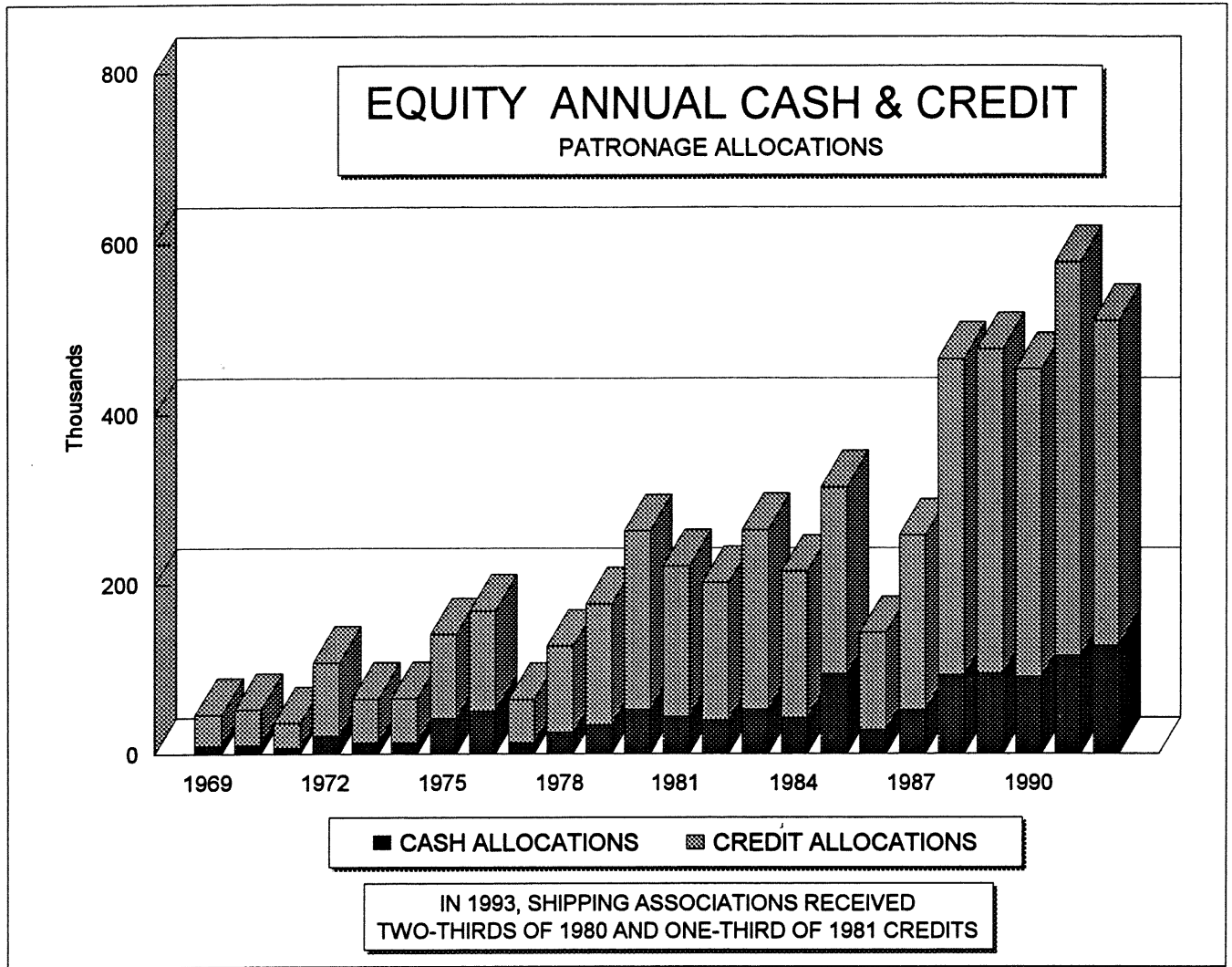
Richard Voltz, Vice President Marketing/Special Services - Cattle & Calves, oversees the divisions. Tod Fleming manages Great Lakes Order Buyers and Livestock Feeding Program marketing. Wayne Ruen and Mark Lecy are Livestock Feeding Program Field Representatives. Jill Hanus is Great Lakes Order Buyers' Office Manager at the Watertown, Wisconsin facility. Sean McNevin administers contractual agreements and fiscal responsibilities for Equity Livestock Credit Corporation with assistance from accountants Mark Zimmerman and Lori Bryan.

***Equity Global Agri-Services***, a newly formed division of Equity Livestock Credit Corporation, offers domestic and overseas producers direct access to veterinary supplies, as well as artificial and embryo transfer supplies. Equity Global is managed by Marge Losch, D.V.M.



Marge Losch, DVM

# Patronage and Profit Review



# *From Our Auditors*

Board of Directors  
Equity Cooperative Livestock Sales Association and Subsidiaries  
Baraboo, Wisconsin

## Independent Auditor's Report

We have audited the accompanying consolidated balance sheets of Equity Cooperative Livestock Sales Association and Subsidiary as of December 25, 1993 and December 26, 1992, and the related consolidated statements of operations, patron equities, and cash flows for the years then ended. These financial statements are the responsibility of the cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Equity Cooperative Livestock Sales Association and Subsidiary as of December 25, 1993 and December 26, 1992, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

*Clifton, Gunderson & Co.*

Tomah, Wisconsin  
January 28, 1994

# Consolidated Balance Sheets

## STATEMENT 1

### ASSETS

December 25, 1993 and December 26, 1992

	<u>1993</u>	<u>1992</u>
CURRENT ASSETS		
Cash	\$ 2,989,586	\$ 3,431,056
Cash - custodial	<u>1,897,328</u>	<u>3,064,239</u>
<b>Total cash</b>	<b>4,886,914</b>	<b>6,495,295</b>
Certificates of deposit	1,175,000	1,175,000
Certificates of deposit - custodial	1,605,000	1,605,000
Feeder Livestock Program investment - net	18,530,444	12,737,902
Receivables	2,672,066	3,632,280
Inventories	176,577	129,657
Prepaid expenses	154,496	139,239
Prepaid and refundable income taxes	<u>30,500</u>	<u>19,443</u>
<b>Total current assets</b>	<b><u>29,230,997</u></b>	<b><u>25,933,816</u></b>
PROPERTY AND EQUIPMENT, at cost	6,967,276	6,668,411
Less accumulated depreciation	<u>3,561,940</u>	<u>3,248,215</u>
<b>Total property and equipment</b>	<b><u>3,405,336</u></b>	<b><u>3,420,196</u></b>
INVESTMENTS AND OTHER ASSETS		
Investments in other cooperatives	1,051,081	800,758
Cash surrender value of life insurance	15,322	13,634
Non-compete covenant, net	23,332	43,333
Organization cost, net	<u>8,250</u>	<u>11,002</u>
<b>Total investments and other assets</b>	<b><u>1,097,985</u></b>	<b><u>868,727</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$33,734,318</u></b>	<b><u>\$30,222,739</u></b>

# Consolidated Balance Sheets

STATEMENT 1  
LIABILITIES AND PATRON EQUITIES  
December 25, 1993 and December 26, 1992

	<u>1993</u>	<u>1992</u>
CURRENT LIABILITIES		
Deferred livestock payments	\$ 1,648,774	\$ 2,161,917
Custodial balances payable to producers	4,662,101	6,015,500
Dealer balances payable to producers	1,147,502	1,657,042
Short-term notes payable	17,355,500	11,913,400
Current portion of long-term debt	562,900	567,900
Accounts payable	340,664	287,007
Accrued expenses	334,213	308,089
Taxes payable other than income taxes	148,088	146,442
Federal income taxes	5,300	-
Patronage refunds payable in cash	101,864	127,317
Other current liabilities	<u>81,784</u>	<u>107,108</u>
<b>Total current liabilities</b>	<b>26,388,690</b>	<b>23,291,722</b>
PENSION LIABILITY	35,854	75,657
LONG-TERM DEBT	<u>1,344,400</u>	<u>1,625,100</u>
<b>Total liabilities</b>	<b><u>27,768,944</u></b>	<b><u>24,992,479</u></b>
PATRON EQUITIES		
Preferred stock	1,083,975	809,775
Common stock	85,150	85,150
Qualified patronage credits	3,165,194	2,983,277
Patronage refunds payable in equities	305,591	381,951
General reserve	<u>1,325,464</u>	<u>970,107</u>
<b>Total patron equities</b>	<b><u>5,965,374</u></b>	<b><u>5,230,260</u></b>
TOTAL LIABILITIES AND PATRON EQUITIES	<b><u>\$33,734,318</u></b>	<b><u>\$30,222,739</u></b>

These consolidated financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to consolidated financial statements.

# *Consolidated Statements of Operations*

## STATEMENT 2

Years Ended December 25, 1993 and December 26, 1992

	<u>1993</u>	<u>1992</u>
<b>OPERATING REVENUES</b>		
Service charge sales	\$ 453,329,078	\$ 428,488,544
Payments to producers	<u>(447,481,024)</u>	<u>(422,762,296)</u>
Net service charges	<u>5,848,054</u>	<u>5,726,248</u>
Livestock sales	53,893,248	44,952,580
Cost of livestock sales	<u>(53,187,499)</u>	<u>(44,311,436)</u>
Net livestock sales	<u>705,749</u>	<u>641,144</u>
Product sales	125,480	-
Cost of product sales	<u>(108,034)</u>	<u>-</u>
Net product sales	<u>17,446</u>	<u>-</u>
Buying commissions and income	540,768	432,130
Service fees - feeding program	1,272,093	925,329
Other	<u>213,609</u>	<u>251,687</u>
<b>Net operating revenues</b>	<b><u>8,597,719</u></b>	<b><u>7,976,538</u></b>
<b>OPERATING EXPENSES</b>		
Salaries and wages	3,261,039	3,066,994
Payroll taxes	269,659	252,498
Employee benefit plans	634,796	599,752
Directors' fees and expenses	40,533	31,586
Feeder program interest expense	713,256	551,768
Field expense	203,141	160,283
Office supplies and postage	311,459	297,608
Utilities	100,146	97,137
Telephone	167,596	174,888
Advertising	249,954	325,930
Insurance and bonds	461,139	412,152
Claims and adjustments	35,216	53,271
Professional fees, dues, and subscriptions	81,153	103,859
District and annual meetings	46,692	49,934
Auctioneer expense	87,968	99,582
Depreciation and amortization	415,618	402,975
Market news service	11,466	15,375
Yard supplies, repairs, and maintenance	387,838	360,916
Property taxes	107,149	112,754
Bad debts expense	83,881	116,300
Facilities expense and rent	148,115	162,707
Miscellaneous	<u>158,350</u>	<u>96,876</u>
<b>Total operating expenses</b>	<b><u>7,976,164</u></b>	<b><u>7,545,145</u></b>
<b>Net proceeds from operations</b>	<b>621,555</b>	<b>431,393</b>
PATRONAGE REFUNDS RECEIVED	140,086	189,493
INTEREST INCOME	260,892	309,229
INTEREST EXPENSE	(169,769)	(250,854)
INCOME TAXES	<u>(13,616)</u>	<u>(27,108)</u>
<b>NET PROCEEDS</b>	<b><u>\$ 839,148</u></b>	<b><u>\$ 652,153</u></b>

These consolidated financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to consolidated financial statements.



# *Consolidated Statements of Patron Equities*

## STATEMENT 3

Years Ended December 25, 1993 and December 26, 1992

	<u>Preferred Stock</u>	<u>Common Stock</u>	<u>Qualified Patronage Credits</u>	<u>Patronage Refunds Payable In Equities</u>	<u>General Reserve</u>	<u>Total</u>
BALANCE, DECEMBER 28, 1991	\$ 459,975	\$ 85,150	\$2,684,027	\$ 462,403	\$ 879,935	\$4,571,490
Patronage refunds from 1991 net proceeds	-	-	462,403	(462,403)	-	-
Sale of preferred stock	422,100	-	-	-	-	422,100
Equities redeemed	(72,300)	-	(163,153)	-	-	(235,453)
1992 net proceeds before allocation	-	-	-	652,153	-	652,153
Portions of 1992 net proceeds allocated to						
Dividends on preferred stock	-	-	-	(52,713)	-	(52,713)
Patronage refunds payable in cash	-	-	-	(127,317)	-	(127,317)
General reserve	-	-	-	(90,172)	90,172	-
BALANCE, DECEMBER 26, 1992	<b>809,775</b>	<b>85,150</b>	<b>2,983,277</b>	<b>381,951</b>	<b>970,107</b>	<b>5,230,260</b>
Patronage refunds from 1992 net proceeds	-	-	381,951	(381,951)	-	-
Sale of preferred stock	303,200	-	-	-	-	303,200
Equities redeemed	(29,000)	-	(200,034)	-	-	(229,034)
1993 net proceeds before allocation	-	-	-	839,148	-	839,148
Portions of 1993 net proceeds allocated to						
Dividends on preferred stock	-	-	-	(76,336)	-	(76,336)
Patronage refunds payable in cash	-	-	-	(101,864)	-	(101,864)
General reserve	-	-	-	(355,357)	355,357	-
BALANCE, DECEMBER 25, 1993	<b><u>\$1,083,975</u></b>	<b><u>\$85,150</u></b>	<b><u>\$3,165,194</u></b>	<b><u>\$ 305,591</u></b>	<b><u>\$1,325,464</u></b>	<b><u>\$5,965,374</u></b>

These consolidated financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to consolidated financial statements.

# *Consolidated Statements of Cash Flows*

STATEMENT 4

Years Ended December 25, 1993 and December 26, 1992

	<u>1993</u>	<u>1992</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers for goods and services	\$ 509,128,635	\$ 474,321,548
Cash paid to producers, suppliers, and employees	(510,040,211)	(471,674,757)
Cash received from Feeder Livestock Program sales	33,353,580	19,969,238
Cash paid for Feeder Livestock Program placements	(39,188,272)	(20,395,671)
Interest paid	(846,013)	(880,460)
Interest and Feeder Livestock Program service fees received	1,425,016	1,346,053
Cash patronage refunds received	40,907	56,083
Income taxes paid	<u>(19,373)</u>	<u>(40,151)</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>(6,145,731)</u></b>	<b><u>2,701,883</u></b>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investment in certificates of deposit	-	30,000
Increase in investment in certificates of deposit - custodial	-	755,000
Investments redeemed by other cooperatives	1,228	710
Investment in other cooperatives	(137,851)	(70,272)
Additions to property and equipment	(395,525)	(591,106)
Sale of property and equipment	42,585	201,614
Organization cost	-	(13,752)
Liquidation of subsidiary	<u>-</u>	<u>26,999</u>
<b>Net cash provided by (used in) investing activities</b>	<b><u>(489,563)</u></b>	<b><u>339,193</u></b>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net short-term bank borrowing (repayments)	5,442,100	(741,600)
Long-term borrowing	42,000	42,000
Principal payments on long-term debt	(327,700)	(419,600)
Patron equities redeemed	(229,034)	(235,453)
Patronage refunds, net of adjustments	(127,317)	(115,601)
Dividends on preferred stock	(76,336)	(52,713)
Invested by patrons	<u>303,200</u>	<u>400,700</u>
<b>Net cash provided by (used in) financing activities</b>	<b><u>5,026,913</u></b>	<b><u>(1,122,267)</u></b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(1,608,381)</b>	<b>1,918,809</b>
CASH, BEGINNING OF YEAR	<u>6,495,295</u>	<u>4,576,486</u>
CASH, END OF YEAR	<b><u>\$ 4,886,914</u></b>	<b><u>\$ 6,495,29</u></b>

# Consolidated Statements of Cash Flows

## STATEMENT 4

	<u>1993</u>	<u>1992</u>
RECONCILIATION OF NET PROCEEDS TO NET CASH USED IN OPERATING ACTIVITIES		
Net proceeds	\$ 839,148	\$ 652,153
Adjustments to reconcile net proceeds to net cash provided by operating activities:		
Depreciation and amortization	415,618	402,975
Increase in cash surrender value of life insurance	(1,688)	(1,491)
Gain on liquidation of subsidiary	-	(2,938)
Non-cash patronage refunds received	(99,179)	(133,410)
Loss on disposal of equipment	2,274	1,887
Changes in operating assets and liabilities:		
Increase in Feeder Livestock		
Program investment	(5,792,542)	(390,433)
Decrease in receivables	960,214	427,340
(Increase) decrease in inventories	(46,920)	7,202
Increase in prepaid expenses	(15,257)	(43,243)
Increase (decrease) in deferred livestock payments	(513,143)	245,986
Increase (decrease) in custodial balances payable to producers	(1,353,399)	1,354,576
Increase (decrease) in dealer balances payable to producers	(509,540)	326,083
Increase (decrease) in accounts payable	11,797	(112,114)
Increase (decrease) in accrued expenses	26,124	(63,725)
Increase in taxes payable other than income taxes	1,646	18,441
Decrease in income taxes	(5,757)	(13,043)
Increase (decrease) in other current liabilities	(25,324)	16,171
Increase (decrease) in pension liability	<u>(39,803)</u>	<u>9,466</u>
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 <u>\$ (6,145,731)</u>	 <u>\$ 2,701,883</u>
 NONCASH DISCLOSURE		
Debt converted to preferred stock	<u>\$ -</u>	<u>\$ 21,400</u>

These consolidated financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to consolidated financial statements.

# Summary of Significant Accounting Policies

December 25, 1993 and December 26, 1992

Equity Cooperative Livestock Sales Association "the cooperative" is a patron owned cooperative incorporated in Wisconsin as a livestock marketing organization. The cooperative's wholly owned subsidiary, Equity Livestock Credit Corporation, is a not-for-profit incorporated in Wisconsin as a livestock financing organization. Equity Livestock Credit Corporation's wholly owned subsidiaries, Great Lakes Order Buyers, Inc. and Equity Global Agri-Services, Inc., were incorporated in Wisconsin to do livestock marketing and retail catalog sales of veterinary supplies, respectively. The major accounting policies that affect the more significant elements of the cooperative's financial statements are summarized below:

## PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Equity Cooperative Livestock Sales Association and its wholly owned subsidiary, Equity Livestock Credit Corporation. The accounts of Equity Livestock Credit Corporation include the accounts of its wholly owned subsidiaries, Great Lakes Order Buyers, Inc. and Equity Global Agri-Services, Inc. All significant intercompany accounts and transactions have been eliminated.

## FISCAL YEAR

The cooperative's fiscal year ends on the last Saturday of the calendar year.

## CREDIT POLICY

The cooperative grants credit to livestock buyers, substantially all of whom are local businesses to their respective branch and are involved in the livestock agribusiness economic sector. The cooperative also grants credit to livestock producers in the feeder livestock program for unpaid service fees. These livestock producers are located throughout Wisconsin, Illinois, Iowa, Minnesota and South Dakota.

## FEEDER LIVESTOCK PROGRAM INVESTMENT

The cooperative purchases livestock for this program and places them with producers for finishing. The cooperative receives the cost of the livestock plus other fees when the livestock is sold. Livestock in the program are carried at cost. The investment in the program is recorded net of a contingency reserve of \$99,047 and \$89,363 at December 25, 1993 and December 26, 1992, respectively, maintained to cover potential losses in the feeder livestock program.

## INVENTORIES

Inventories are valued at lower of cost (first-in, first-out) or market.

## DEPRECIATION

Depreciation is computed on each asset at straight-line or accelerated rates adequate to amortize the cost of the asset over its expected useful life.

## MAINTENANCE AND REPAIRS

Normal maintenance and repair costs are expensed as incurred. Expenditures which materially increase values or extend useful lives of existing fixed assets are capitalized.

## CUSTODIAL ACCOUNTS

The cooperative is regulated by the Packers and Stockyard Administration of the United States Department of Agriculture. Consequently, sufficient proceeds from the sale of consigned livestock must remain in a custodial account for the purpose of payment to the producers. Such funds are restricted and are maintained in savings accounts and certificates of deposit - custodial, and trade accounts receivable which are less than 72 hours old. These accounts are offset by the custodial balances payable to producers in the current liabilities section of the balance sheet.

## INCOME TAXES

The cooperative is subject to Federal and Iowa income tax, and exempt from Wisconsin income tax. The cooperative is permitted a deduction from taxable income for the portion of net proceeds refunded to members.

Great Lakes Order Buyers, Inc. is subject to both Federal and State income taxes, as is Equity Global Agri-Services, Inc.

Equity Livestock Credit Corporation is a not-for-profit corporation and is not subject to income tax.

## INVESTMENTS IN OTHER COOPERATIVES

Investments in other cooperatives are recorded at their original cost, plus the face value of equities received as patronage refunds. The face value of equities redeemed by the other cooperatives is deducted from the investment balance. The investments are not transferable. No cash is received until such time as they are redeemed at the discretion of the other cooperative. Patronage refunds and redemptions are recorded in the year they are received.

## AMORTIZATION

The cost of non-compete covenants have been recorded as assets and are being amortized over the length of each agreement on a straight-line basis.

Organization costs are being amortized over 60 months on a straight-line basis.

This information is an integral part of the accompanying consolidated financial statements.

# Notes to Consolidated Financial Statements

December 25, 1993 and December 26, 1992

## NOTE 1 - RECEIVABLES

Balance sheet totals comprise the following elements:

	<u>1993</u>	<u>1992</u>
Trade accounts	\$2,129,449	\$2,871,320
Accrued service fee	422,597	307,795
Accrued interest	24,273	31,106
Other	<u>95,747</u>	<u>422,059</u>
Total receivables	<u>\$2,672,066</u>	<u>\$3,632,280</u>

## NOTE 2 - INVESTMENTS IN OTHER COOPERATIVES

The investments in other cooperatives are stated at cost plus reinvested patronage refunds. The principal investments were as follows:

	<u>1993</u>	<u>1992</u>
National Livestock Producers Association	\$ 19,978	\$ 19,978
Cooperative Service Center	142,583	142,583
St. Paul Bank for Cooperatives	843,282	598,808
All others	<u>45,238</u>	<u>39,389</u>
Total investments in other cooperatives	<u>\$1,051,081</u>	<u>\$ 800,758</u>

## NOTE 3 - PROPERTY AND EQUIPMENT

The cost of fixed properties, by major classification, is as follows:

	<u>1993</u>	<u>1992</u>
Land, land improvements and leasehold improvements	\$ 438,331	\$ 435,571
Buildings	4,246,853	4,232,453
Machinery and equipment	1,530,144	1,461,561
Vehicles	586,276	538,826
Construction in progress	<u>165,672</u>	<u>-</u>
Total property and equipment	<u>\$6,967,276</u>	<u>\$6,668,411</u>

## NOTE 4 - SHORT-TERM NOTES PAYABLE

Balance sheet totals consist of notes payable to:

	<u>1993</u>	<u>1992</u>
St. Paul Bank (A)	\$16,845,000	\$10,660,000
The Baraboo National Bank (B)	-	112,000
St. Paul Bank (C)	440,500	851,400
Baraboo Federal Bank (D)	70,000	100,000
The First National Bank and Trust Company of Baraboo (E)	<u>-</u>	<u>190,000</u>
Short-term notes payable	<u>\$17,355,500</u>	<u>\$11,913,400</u>

- (A) The balance payable to St. Paul Bank is outstanding on a seasonal line of credit, which at December 25, 1993 was \$20,000,000, expiring June 30, 1994. Outstanding balances bear interest at the bank's variable rate, currently 5.10% and are secured as described in note 5. The cooperative may segregate for interest rate purposes portions of the seasonal line of credit into fixed rate advances. These advances shall have maturities of not less than five days nor more than 240 days from the date of the advance. At maturity, the fixed rate advances shall automatically convert into the variable rate seasonal line of credit. All fixed rate advances shall have a maturity date no later than February 28, 1995. At December 25, 1993, these fixed rate advances totaled \$5,300,000 with maturity dates from January 7, 1994 to April 29, 1994 and fixed interest rates of 5.15% to 5.27%.
- (B) The balance is outstanding on a line of credit, which at December 25, 1993, was \$900,000. Outstanding balances bear interest at the bank's prime rate, 6.0% at December 25, 1993, and are unsecured. The line of credit expires December 8, 1994.
- (C) The balance is outstanding on a seasonal line of credit, which at December 25, 1993 was \$2,000,000, expiring June 30, 1994. Outstanding balances bear interest at the bank's variable rate, currently 5.10% and are secured as described in note 5.
- (D) The balance is outstanding on a line of credit which at December 25, 1993 was \$250,000. The line of credit bears interest at the bank's prime rate, 6.0% at December 25, 1993, and is unsecured. The line of credit expires April 1, 1994.

# Notes to Consolidated Financial Statements

- (E) The balance is outstanding on a line of credit which at December 25, 1993 was \$300,000. The line of credit bears interest at the bank's prime rate (6.0% at December 25, 1993) and is secured by certificates of deposit.

The cooperative also has an unused \$4,000,000 term loan at St. Paul Bank for Cooperatives expiring December 31, 1995. Outstanding balances bear interest at the bank's variable rate (5.75% at December 25, 1993) and are secured as described in note 5.

**NOTE 5 - LONG-TERM DEBT AND PROPERTY PLEDGED**-Long-term debt comprises the following elements:

	<u>1993</u>	<u>1992</u>
Note payable to St. Paul Bank, due in monthly installments of \$6,800 plus interest at the bank's variable rate from time to time (currently 5.75%). Final payment due September, 1998. Secured by facilities.	\$ 383,500	\$ 465,100
Note payable to St. Paul Bank due in monthly installments of \$9,700 plus interest at the bank's variable rate from time to time (currently 5.75%). Final payment September, 1998. Secured by livestock in a livestock feeding program.	548,500	664,900
Note payable to Baraboo National Bank due in monthly installments of \$2,000 plus interest at .75% below the prime rate of interest as described by the First Wisconsin National Bank of Milwaukee (currently at 5.25%). Final payment February, 1994. Secured by real estate.	610,000	634,000
Note payable to Thomas W. Thomson due in annual installments of \$10,000 plus quarterly interest payments at 1% below the floating prime rate at the St. Paul Bank for Cooperatives, currently at 5.0% at December 25, 1993. Final payment March, 1995. Secured by a real estate second mortgage.	20,000	30,000
Note payable to Gerald J. Sommer due in annual installments of \$10,000 plus quarterly interest payments at 1% below the floating prime rate at the St. Paul Bank for Cooperatives, currently at 5.0% at December 25, 1993. Final payment March, 1995. Secured by a real estate second mortgage.	20,000	30,000
Participation Certificates payable on demand at various dates from October, 1991 to April, 1995. Interest paid monthly at 1% below the floating prime rate at the St. Paul Bank for Cooperatives, currently at 5.0% at December 25, 1993. Unsecured.	325,300	347,300
Debentures	-	21,700
	1,907,300	2,193,000
Less current portion	<u>562,900</u>	<u>567,900</u>
<b>Long-term debt</b>	<b><u>\$1,344,400</u></b>	<b><u>\$1,625,100</u></b>
Future maturities of long-term debt are as follows:		
1994	\$ 562,900	
1995	273,800	
1996	238,800	
1997	238,800	
1998	180,800	
Thereafter	<u>412,200</u>	
<b>Total</b>	<b><u>\$1,907,300</u></b>	

Short and long-term debt payable to St. Paul Bank for Cooperatives are secured by a security interest in all facilities and equipment located in Stratford and Eau Claire, Wisconsin and the accounts receivable and inventory of feeder livestock in the livestock feeding program. The loan agreement with the bank requires certain working capital, net worth, and ownership requirements to be maintained, and limits the cooperative's investment in the livestock feeding program to \$24,000,000. The loan agreement also requires the cooperative to purchase bank stock as funds are borrowed. The purchased stock is included in the cooperative's investments.

The cooperative may segregate for interest rate purposes portions of the variable rate term loan into fixed rate advances. At maturity, the fixed rate advances automatically convert into the variable rate term loan unless converted to a new fixed rate advance or repaid. All fixed rate advances shall be repaid upon the same schedule as the variable rate term loans. At December 25, 1993, these fixed rate advance portions of the variable rate term loans totaled \$745,000 with maturity dates from May 2, 1994 to August 1, 1994 and fixed interest rates of 5.25% to 5.55%.

# Notes to Consolidated Financial Statements

The cooperative also has an unused \$1,000,000 term loan at St. Paul Bank for Cooperatives, expiring June 30, 2001. Outstanding balances bear interest at the bank's variable rate (5.75% at December 25, 1993) and are secured as described in note 5.

The cooperative subsequently refinanced the note payable to Baraboo National Bank on a long term basis by using a portion of the \$1,000,000 term loan at St. Paul Bank for Cooperatives described above. Accordingly, \$575,400 of the note payable to the Baraboo National Bank has been classified as long term debt at December 25, 1993.

## NOTE 6 - PENSION PLAN

The cooperative and its consolidated subsidiaries have a defined benefit pension plan covering substantially all employees. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

Net pension cost included the following components:

	<u>1993</u>	<u>1992</u>
Service cost	\$ 192,938	\$ 182,009
Interest cost	278,819	243,462
Actual return on plan assets	(149,751)	(251,978)
Net amortization and deferrals	<u>(113,877)</u>	<u>20,973</u>
<b>Net periodic pension cost</b>	<b><u>\$ 208,129</u></b>	<b><u>\$ 194,466</u></b>

The following sets forth the plan's funded status and amounts recognized in the cooperative's balance sheet.

Actuarial present value of benefit obligation:

	<u>1993</u>	<u>1992</u>
Accumulated benefit obligation including vested benefits of \$2,538,511 in 1993 and \$2,186,730 in 1992	<u>\$ 2,587,003</u>	<u>\$ 2,235,815</u>
Projected benefit obligation	\$ 3,543,468	\$ 3,166,169
Plan assets at fair value	<u>(3,702,080)</u>	<u>(3,483,396)</u>
Unfunded (funded) projected benefit obligation	(158,612)	(317,227)
Net unrecognized assets and deferrals	<u>194,466</u>	<u>392,884</u>
<b>Net pension liability</b>	<b><u>\$ 35,854</u></b>	<b><u>\$ 75,657</u></b>

The weighted average discount rate used to measure the projected benefit obligation is 8%, the rate of increase in the future compensation is 5%, and the long-term rate of return on assets is 8%.

## NOTE 7 - RELATED PARTY TRANSACTIONS

The cooperative has an investment in the Cooperative Service Center (see note 2). During the year, the cooperative received the services of labor and facility use from Cooperative Service Center. Such transactions and balances arising from those transactions are summarized as follows:

	<u>1993</u>	<u>1992</u>
Facilities expense	\$ 70,173	\$ 76,631
Other services	32,978	30,795
Note receivable	12,325	7,582
Accounts receivable	1,618	6,099

## NOTE 8 - PATRON EQUITIES

The following is information pertinent to elements of patron equities:

	<u>Preferred Stock</u>	<u>Common Stock</u>
Par value	\$100	\$50
Shares authorized	18,000	8,800
Aggregate par value authorized	\$1,800,000	\$440,000

None of the cooperative's stock is transferable except as permitted by the cooperative's board of directors. Because the cooperative's stock is not transferable, and all transactions in the stock are at par value, the number of shares issued, redeemed, and outstanding are not recorded in the financial statements.

# Notes to Consolidated Financial Statements

## NOTE 9 - INCOME TAXES

The following is a reconciliation between income tax expense at the statutory rate applied to net proceeds before income tax and income tax expense recorded in the statements of operations:

	<u>1993</u>	<u>1992</u>
Statutory rates applied to net proceeds before income taxes		
Federal and state	\$ 292,168	\$ 230,949
Reduction for net proceeds allocated for patronage refunds	(138,535)	(181,402)
Tax effect of non-taxable equity in net income of subsidiaries	(110,657)	(41,594)
Other	<u>(29,360)</u>	<u>19,155</u>
<b>Income tax expense recorded in the statements of operations</b>	<b><u>\$ 13,616</u></b>	<b><u>\$ 27,108</u></b>

## NOTE 10 - COMMITMENTS AND CONTINGENCIES

Great Lakes Order Buyers, Inc. has entered into contracts to purchase cattle totaling \$177,240. Deposits have been made totaling \$21,255. Corresponding contracts to sell the same cattle have been entered into which total \$177,240.

## NOTE 11 - RECLASSIFICATIONS

Certain amounts within these 1992 financial statements have been reclassified from where they were recorded last year to conform to the presentation of the 1993 financial statements. The reclassifications had no effect on previously reported 1992 net proceeds.

## NOTE 12 - CONCENTRATIONS OF CREDIT RISK

The cooperative maintains its cash and certificates of deposit at several banks local to specific sales markets or to the cooperative's administrative offices in Baraboo, Wisconsin. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. In addition, the cooperative has repurchase agreements with certain banks designed to reduce the risk of loss of funds due to bank failure. Total cash and certificates of deposit held by the banks are as follows:

	<u>1993</u>	<u>1992</u>
The First National Bank and Trust Company	\$ 457,059	\$ 992,228
The Baraboo National Bank	5,760,910	4,380,563
Baraboo Federal Bank	1,989,318	800,857
Waukon State Bank	180,122	754,918
Other - total	<u>357,770</u>	<u>352,061</u>
	<b><u>\$8,745,179</u></b>	<b><u>\$7,280,627</u></b>

This information is an integral part of the accompanying consolidated financial statements.



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*Dedicated to the Memory of*



*Charles E. 'Chuck' Fisher*

*Long time Equity employee, Charles E. 'Chuck' Fisher, passed away at his home in Clam Lake, Wisconsin on February 25, 1994.*

*Chuck began his career with Equity in 1959 as office manager at Altoona. He was transferred to the central headquarters and promoted to Controller in 1964. He served as Vice President of Finance from 1975 through May 1989 and then served as financial consultant until his retirement on May 18, 1990.*

*Chuck will be deeply missed by his friends at Equity.*

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EQUITY COOPERATIVE LIVESTOCK SALES ASSOCIATION

E10890 PENNY LANE  
BARABOO, WI 53913  
608-356-8311



# Change. Growth. Opportunity. It's just like being 31 again.

**R**emember when you were 31? You were full of spark and ideas about how to change your world for the better.

Wisconsin Dairies has just completed its 31st year of operation. As an organization, we haven't hit our prime yet. We're still an emerging company.

In fact, during the last six months, we've felt like we've been in a 31-year-old's shoes. Dramatic change during the last few years has helped us grow in understanding our opportunities as we approach the mid-1990s. We've studied the trends in our industry and done some soul-searching. We now have a clearer picture of what we need to get done.

It's going to take a lot of hard work, but we're ready to pitch in. We're excited about the role we can play in shaping a future for dairy farmers in the Midwest — people like you, who will be able to look back on 1994 as the pivotal year when Wisconsin Dairies and the other dairy cooperatives in the Upper Midwest identified some key opportunities and worked together to take advantage of them.

We've done it before; we can do it again.



FINANCIAL HIGHLIGHTS

For the Year Ended March 31, 1994

Total Revenue .....	\$548,289,000
Net Income .....	7,454,000
Income Allocated .....	6,792,000
Cash Returned to Members.....	5,876,000
Current Assets .....	69,890,000
Working Capital.....	18,630,000
Current Ratio .....	1.36 to 1.00
Total Assets .....	146,101,000
Long Term Obligations .....	20,499,000
Total Members' and Patrons' Equities.....	74,342,000

STATISTICAL HIGHLIGHTS

For the Year Ended March 31, 1994

Producer Milk Received (lbs.) .....	2,690,024,000
Average Number of Farms .....	3,810
Average Milk Per Farm (lbs.) .....	706,043
Average Value of Milk.....	\$93,056
Products Manufactured (lbs.):	
Cheese.....	286,702,000
Butter.....	24,315,000
Nonfat Dry Milk.....	3,544,000
Wholemilk Powder.....	233,000
Whey Products .....	176,122,000

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During fiscal 1994, higher yields from our milk supply (due to higher levels of protein and butterfat levels in the milk and better product accountability at the plant level) improved the financial performance of our cheese operations over the previous year. Fiscal 1994's by-product mix, on the other hand, yielded slim margins because we had fewer opportunities to market value-added products.

That's exactly opposite of what we experienced during fiscal 1993, when the whey side of our business marketed more value-added products and fewer commodity products than ever before.

We paid a competitive price for milk on a 12-month average during the year and allocated nearly \$7 million in patronage dividends to current member-owners at a time when retaining our share of a shrinking milk supply became increasingly more difficult.

During fiscal 1994, we also retired more than \$4 million of current and former members' equity without eroding our net worth or jeopardizing our financial security. We continue to retire our oldest outstanding equity according to an equity revolvment plan that is unique in the dairy industry.

To better serve our customers and reduce our operating costs, we invested \$8.6 million in property, plant and equipment during the year. Major projects included installation of up-to-date equipment for two of our whey processing plants (Plover and Rothschild, WI) and two of our cheese plants (Lancaster and Wilson, WI).

## A Message from Our President and Chairman



From left to right,  
Don Storhoff and Ed Brooks

Wisconsin Dairies has played a major role in restructuring the Midwest's dairy industry through merger, consolidation and acquisition during the past 31 years. In the process, we've re-aligned hauling routes with a hauler buyout program, retro-fitted manufacturing plants with up-to-date equipment and established partnerships with key customers.

In 1969, we decided to become a cheese manufacturer. In 1984, we committed ourselves to develop the potential markets for whey products. Both decisions have proved to be good ones. In both cases, we did some things right as well as made some mistakes in carrying out a set of strategies over quite an extended period of time.

Today, we must manage change in a much shorter response time. We need to have the agility of a 31-year-old and the wisdom only experience brings because dramatic changes now take place every few years or even months instead of every decade or two.

The fast pace of change can easily put us on the defensive, if we're not careful. Being preoccupied with secondary issues such as the use of new biotechnology, the need for dairy product promotion or a competitor's hauling rates steals our time and saps our energy for dealing with more important challenges and opportunities.

How can dairy farmers in the Upper Midwest compete, for instance, on a regional