



B R I G H T H O R I Z O N S



2009 Annual Report

## TO AURORA COOPERATIVE SHAREHOLDERS

AS FINANCIAL GIANTS TUMBLED OVER THE LAST year, the Aurora Cooperative – your cooperative – performed at a remarkable level, delivering record local earnings in fiscal 2009 and the second-highest total earnings in history.

These results would not have been possible without the support

Without your support in our efforts and your backing of critical decisions over the last two years, it would have been difficult for the Aurora Cooperative to respond so quickly to the global financial situation and unprecedented movements in grain markets, crop input prices, and energy markets. Our ability to prepare early and react quickly allows positive results to even be a possibility.



*Thank you*

and dedication of our owners/patrons, and for that we must say thank you. Your support and encouragement are vital as we grow and change to meet the demands of today and the future. Make no mistake – a sea of volatility in the financial sector remains – and we must continue to proactively steward your company through this reality for the foreseeable future.

For fiscal 2009, sales and related income totaled \$676 million, with your cooperative's core businesses – grain, agronomy, feed, and energy – each performing soundly during the year.

Total earnings from core businesses and other ventures totaled \$17.35 million, the second-highest in history, while local earnings before taxes/distribution totaled \$8.53 million, the most in the 102 years of your company's existence.

Through these positive results, more than \$6 million in long-term debt was paid down during the year, and by working with our lender-partners, we increased our working capital to \$51.8 million. This working capital figure is important because it is used to leverage and access a robust line of credit that allows your cooperative to operate efficiently and manage everyday risks that come with fluctuating markets.

By stepping back and looking at the last year, it becomes clear that it was a year of challenges and opportunities – perhaps one of the most so in our history. Yet your company’s philosophy of staying focused on the long-term through principles that have served us well for 102 years kept us on the right road.

Certainly this road curves, goes through valleys, and, sometimes, is flanked by dangers. Yet focus, hard work, and determination see us through, often with better results than one would expect – just as it did in 2009.

For your confidence and faith in our efforts, and the efforts of all Aurora Cooperative employees, we thank you. 🌟



**George Hohwieler**  
President & CEO



**Bill Schuster**  
Board Chairman

*George Hohwieler* *Bill Schuster*



## MANAGING MARKETS YIELDS GOLDEN RESULTS

GRAIN STORED ON THE GROUND IS GRAIN AT RISK – AND your cooperative’s ability to improve the velocity of grain movement is one way to protect the bottom line. Although that may sound simple, during years of bumper crops, the countryside is awash in grain, and the Grain Division is charged with managing not only grain flows but futures markets to provide fair prices to customers while safeguarding the cooperative’s exposure.

Meanwhile, the ethanol industry saw some plants temporarily shutdown and restructured. The ethanol sector is an important grain customer for your company; we supply grain to several production facilities in the trade area. Our risk management policy, however, ensured the company was paid for every bushel delivered, protecting company earnings and standing in the gap for the Aurora Cooperative patron when ethanol market obligations waived.



*grain division*

A year ago volatility was unprecedented – but fiscal 2009, while not as dramatic, certainly posed its own set of challenges. Grain markets today simply move more often and in a wider trading range. With millions of bushels of grains and oilseeds moving through the Aurora Cooperative’s facilities, wildly fluctuating markets must be managed.

While markets test the company’s trading and risk management philosophies daily, your Grain Division successfully managed the situation while maintaining volumes. Having a proven, solid plan backed by experience provides the stability required by patrons.

Aurora West remained a huge asset for the company, providing multiple marketing opportunities in biofuels and national/international grain markets. Note that each unit train moves 390,000 to 440,000 bushels of grain, delivering patrons’ production to key markets across the country and around the world. More markets and improved market access means better returns.

The company’s other rail assets at Grand Island and Sedan also provide important unit train market access and are scheduled for major upgrades in the near future. 🌻

## CUSTOMIZED SOLUTIONS SHINE THROUGH

UPGRADES AT YOUR COOPERATIVE'S FEED MILL IN GRAND Island over the last year improved the Feed Division's pelleting capacity and increased its overhead storage, expanding its capability to handle a more diverse list of feed ingredients. It also gives your company an edge in delivering the highest quality bagged and bulk feeds – from predetermined formulas to those developed specifically to match an individual customer's needs.

products that benefit customers – and provide options and opportunities. For your company, this expertise and a positive track record allowed the division to again grow its ethanol co-products market share.

Your company's Feed Division also offers a variety of premium show feeds for a wide range of animals – from hogs to horses. These feeds are ideal for



While these improvements enhanced the company's capabilities, challenges remained for customers in the livestock sector.

Livestock producers faced a difficult market, and our Feed Division partnered with producers to analyze rations and develop practical solutions that would maximize their feed investment and their animals' performance. In some cases, corn co-products like distillers grains and gluten feed were part of the solution – and helped lower feed costs.

In fact, the Feed Division's knowledge of and experience with ethanol co-products is one of its strengths. Relationships with multiple ethanol plants allow the company's experts to source consistent, high quality

those looking to get the ultimate performance from their animals. These premium feeds are made with the highest quality ingredients available and, like other bagged products, are available at a number of locations across the Aurora Cooperative network.

During the year, your Feed Division also continued its drive towards improving efficiencies without sacrificing quality. Efficient operation of the feed mill, and quick response by personnel who live and work in the area, allow the Aurora Cooperative to better meet challenges – and provide custom solutions for individual customers. ☀



## YOUR COMPANY'S RISING STRENGTH

THE UNPRECEDENTED RUN-UP – AND SUBSEQUENT CRASH – of fertilizer prices over the last year certainly created some challenges for your Agronomy Division. Fortunately, proactive management minimized the negative impact this development had on the business.

The Aurora Cooperative's "Economy of Scale" is a real and present strength

In addition to knowledgeable and hard-working personnel, equipping them with the best equipment in the business is important as we strive to provide great delivery and application services. Results of these efforts are evident when looking at the number of custom application across your Agronomy Division managed last year – more than 1 million.



*agronomy division*

of the company. It allows optimal buying on behalf of our patrons and has become a major differentiator in the market.

An additional strength in the Agronomy Division is centered in the expertise of our employees. The ability to evaluate, test, and objectively deliver the best technology offered in the market is vital to the long-term success of our patrons. We accept this challenge.

Your cooperative also made an investment this past year by acquiring an agronomy facility in Grant, Nebraska. This was a great opportunity for your company. Our facility in Grant offers seed and a wide variety of crop inputs. It also offers aerial applications – a first for your cooperative.

Industry experts now view the Aurora Cooperative Agronomy Division as one of the premier class-leading agronomy businesses in the nation. This last year proved the value of this division – the future shines bright on this enterprise. 🌻

## POWERING PROGRESS BEYOND DAYBREAK

WHILE FUEL AND ENERGY PRICES AVOIDED A MAJOR PRICE run-up over the last year, pricing remained difficult across the board because markets continued to move in a range that was beyond historical norms.

Your Energy Division's ability to purchase in quantity and successfully hedge its needs helped reduce the risks involved for the company – and

hedge and manage risk. This is good for the company and our patrons. It is a practice we have employed with success for many years.

An important goal of your company's Energy Division is to manage costs and become more efficient. We recognize that people have choices and that petroleum products are an expense. This is why we closely manage



soften the turbulence for those that rely on the company for everything from diesel to bulk oil to propane. The division also continued to offer a variety of contracts, allowing customers to lock in a maximum price while taking advantage of a market downturn.

The largest customer of your cooperative's Energy Division just happens to be the Agronomy Division. Other important customers include the Aurora Cooperative's Feed and Grain divisions.

By combing all of your company's energy and petroleum needs through the Energy Division, it increases our buying power and improves our ability to

inventories, make efficient use of equipment, and insist upon great service to back it up.

At the same time, we continue to look for new ways to offer convenient, responsive service – such as improved options for bulk petroleum products or additional locations for 24-hour fueling stations located throughout our territory. It's about continuous improvement with an eye on what is best for our customers' bottom lines. ☀



# AURORA COOPERATIVE ELEVATOR COMPANY

## BALANCE SHEETS AS OF AUGUST 31, 2009 AND 2008

	<b>2009</b>	<b>2008</b>		<b>2009</b>	<b>2008</b>
<b>ASSETS</b>			<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>CURRENT ASSETS:</b>			<b>CURRENT LIABILITIES:</b>		
Cash and cash equivalents	\$4,206,309	\$2,732,719	Outstanding check liability	-	\$345,561
Accounts, notes, and other receivables — net	55,274,816	63,822,178	Notes payable:		
Advances on inventory	31,176,978	31,227,914	Line of credit	\$93,740,347	209,205,814
Inventories:			Current portion of term debt	6,491,524	4,860,563
Grain	16,019,024	26,399,653	Accounts and other payables	21,380,669	32,037,189
Merchandise	61,571,783	87,933,878	Unearned revenue	-	75,800
Deferred income taxes	168,890	301,058	Accrued expenses	5,070,695	7,941,627
Prepaid expenses and other current assets	11,709,197	70,796,188	Cash patronage refunds	1,649,499	2,707,760
<b>Total current assets</b>	<b><u>180,126,997</u></b>	<b><u>283,213,588</u></b>	<b>Total current liabilities</b>	<b><u>128,332,734</u></b>	<b><u>257,174,314</u></b>
<b>INVESTMENTS :</b>			<b>LONG-TERM LIABILITIES:</b>		
Investments in other cooperatives	22,094,740	17,255,520	Notes payable	43,538,063	29,603,249
Other investments	3,582,318	5,641,354	Compensation liability	827,714	632,083
<b>Total investments</b>	<b><u>25,677,058</u></b>	<b><u>22,896,874</u></b>	<b>Total long-term liabilities</b>	<b><u>44,365,777</u></b>	<b><u>30,235,332</u></b>
<b>PROPERTY AND EQUIPMENT:</b>			<b>Total liabilities</b>	<b><u>172,698,511</u></b>	<b><u>287,409,646</u></b>
Land	2,508,387	1,912,795	<b>COMMITMENTS AND CONTINGENCIES</b>		
Buildings, equipment, and vehicles	90,755,595	87,639,173	<b>MEMBERS' EQUITY:</b>		
Construction in progress	-	394,461	Capital stock	53,375	54,650
	93,263,982	89,946,429	Members' equity credits	46,321,658	40,146,574
Accumulated depreciation	(50,761,763)	(47,260,534)	Retained earnings	32,137,501	23,048,639
<b>Net property and equipment</b>	<b><u>42,502,219</u></b>	<b><u>42,685,895</u></b>	<b>Total members' equity</b>	<b><u>78,512,534</u></b>	<b><u>63,249,863</u></b>
<b>OTHER ASSETS:</b>			<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b><u>\$251,211,045</u></b>	<b><u>\$350,659,509</u></b>
Notes receivable	1,682,119	548,856			
Prepaid expenses	64,862	71,458			
Goodwill and intangible assets	1,131,277	1,199,804			
Deferred income taxes	26,513	43,034			
<b>Total other assets</b>	<b><u>2,904,771</u></b>	<b><u>1,863,152</u></b>			
<b>TOTAL ASSETS</b>	<b><u>\$251,211,045</u></b>	<b><u>\$350,659,509</u></b>			

The Balance Sheets and Income Statement included here were derived from financial statements audited by Deloitte and Touche LLP upon which there was an unqualified opinion.

**STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008**

<b>SALES:</b>	<b>2009</b>	<b>2008</b>
Grain marketed	\$384,435,542	\$465,779,138
Merchandise sales	269,669,218	273,805,843
Other operating revenue	<u>21,852,303</u>	<u>16,045,005</u>
<b>Total sales</b>	<b>675,957,063</b>	<b>755,629,986</b>
COST OF GOODS SOLD	<u>600,526,278</u>	<u>675,329,154</u>
GROSS MARGIN	75,430,785	80,300,832
GENERAL AND ADMINISTRATIVE EXPENSES	(58,039,966)	(56,757,908)
RETIREMENT WITHDRAWAL EXPENSE	<u>—</u>	<u>(5,174,247)</u>
<b>OPERATING INCOME</b>	<b>17,390,819</b>	<b>18,368,677</b>
OTHER INCOME (EXPENSE):		
Interest income and finance charges	1,033,814	1,275,502
Interest expense	(9,896,418)	(13,746,302)
Investment income	<u>8,822,016</u>	<u>8,096,248</u>
<b>Total other income (expense) — net</b>	<b>(40,588)</b>	<b>(4,374,552)</b>
INCOME BEFORE INCOME TAXES	17,350,231	13,994,125
INCOME TAX EXPENSE (BENEFIT)	<u>107,767</u>	<u>(615,669)</u>
<b>NET INCOME</b>	<b><u>\$17,242,464</u></b>	<b><u>\$14,609,794</u></b>
DISTRIBUTION OF NET INCOME:		
Cash patronage	\$1,649,499	\$2,707,760
Members' equity credits	<u>6,597,994</u>	<u>10,831,039</u>
<b>Total patronage refunds</b>	<b>8,247,493</b>	<b>13,538,799</b>
RETAINED EARNINGS	<u>8,994,971</u>	<u>1,070,995</u>
<b>NET INCOME</b>	<b><u>\$17,242,464</u></b>	<b><u>\$14,609,794</u></b>

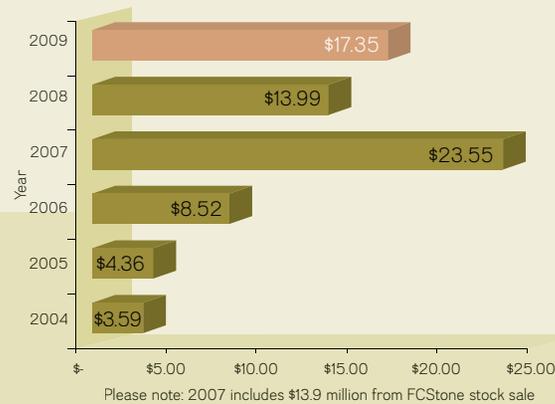


# AURORA COOPERATIVE ELEVATOR COMPANY

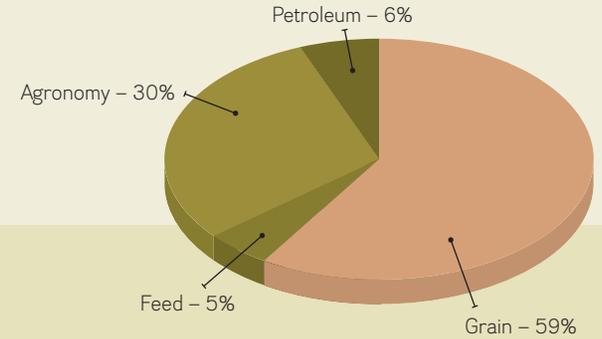
**LOCAL EARNINGS BEFORE TAXES/DISTRIBUTION**  
(\$ x 1 million)



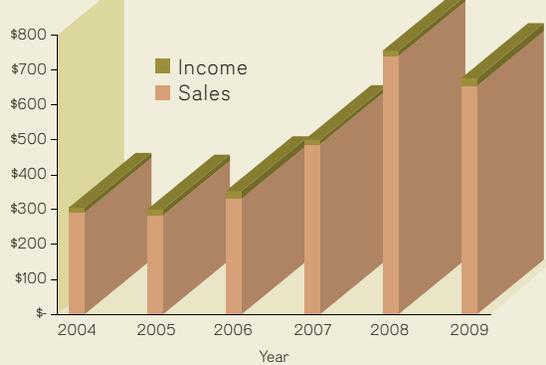
**TOTAL EARNINGS BEFORE TAXES/DISTRIBUTION**  
(\$ x 1 million)



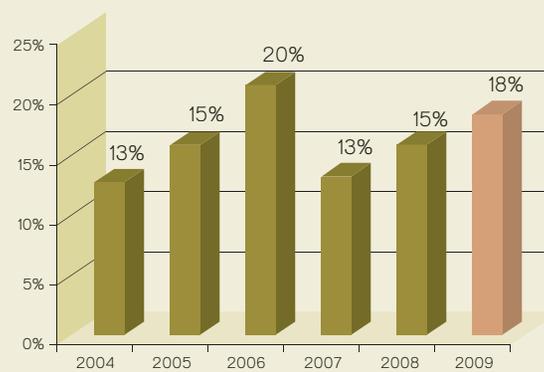
**2009 SALES SUMMARY**



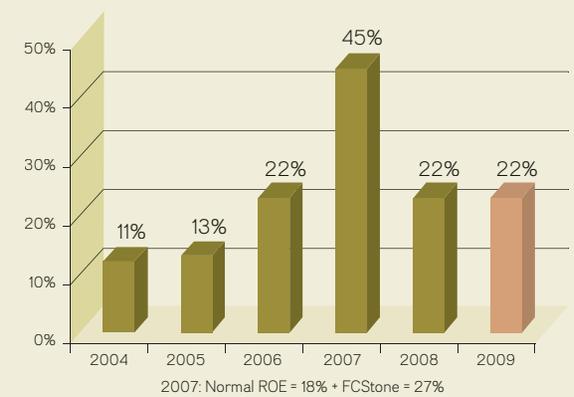
**SALES + OTHER INCOME (COMPANY)**  
(\$ x 1 million)



**LOCAL EARNINGS TO MEMBERS EQUITY**



**TOTAL EARNINGS TO TOTAL EQUITY**



**BOARD TERMS**

Chairman	Bill Schuster	2012
Vice Chairman	Duane Keller	2011
Sec/Treasurer	Les Simonsen	2010
Director	Barry Handrup	2011
Director	Curt Carlson	2010
Director	Evan Brandes	2012
Director	Roy Stoltenberg	2011
Director	Danny Janzen	2010
Director	Paul Mumm	2012
Director	Scott Elting	2012
Director	Robin Bochart	2010
Director	John Willoughby	2010
Director	Steve Olson	2012
Director	Craig Grams	2011



Back row from left:  
 Steve Olson, Duane Keller,  
 Bill Schuster, Curt Carlson,  
 Paul Mumm, Evan Brandes,  
 Danny Janzen  
 Front row from left:  
 Roy Stoltenberg, Barry Handrup,  
 Les Simonsen, John Willoughby,  
 Robin Bochart, Craig Grams  
 (not pictured Scott Elting)

**MANAGEMENT LIST**

George Hohwieler	President & CEO
Bob Brown	Chief Financial Officer
Chris Vincent	Chief Operating Officer
Alan Hagemeyer	Vice President of Grain Marketing/ Merchandising/Transportation
Mark Cleveland	Grain Operations
Jeff Bart	Employee Services
Kelly Grossnicklaus	Credit Services
Chris Decker	Vice President of Agronomy Services
Carl Smith	Finance (Operating Divisions)
Gerald Painter	Finance (Corporate)
Chad Carlson	Corporate Operations





## AURORA COOPERATIVE

Established in 1908, the Aurora Cooperative is a world-class, multi-purpose agricultural cooperative that provides service and expertise in grain, agronomy, feed, and energy. The company is headquartered in Aurora, Nebraska, and serves customers and patrons from locations in 38 communities in Nebraska and northern Kansas.

### **Aurora Cooperative**

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