

CHS leverages partnerships

By ANDY VANCE

TWICE in the past two months, cooperative giant CHS Inc. announced partnerships with local co-ops to build facilities and expand business opportunities.

Based on comments CHS chief executive officer Carl Casale made at the International Food & Agribusiness Management Assn. World Forum June 18 in Atlanta, Ga., such partnerships are likely to become even more common.

“Cooperatives have traditionally been very independent,” he explained, joking that a co-op might build a facility next door to another co-op’s “just because we can.”

Nonetheless, he said that mindset is changing quickly as co-ops get better at becoming interdependent, leveraging shared assets to improve individual businesses and improve service to owner-customers.

One example is a deal announced in early May in which CHS and Aurora Cooperative formed a limited liability company to build and operate a high-speed shuttle loading facility near Superior, Neb.

Superior East LLC will be home to a 1.25 million bu. grain storage facility with a 120-car circle track on the BNSF Railway. The location will handle corn, soybeans and hard red winter wheat and will also feature a grain ground piling system and a 10,000-ton liquid fertilizer storage unit.

The Superior East project was formed under the recently introduced CHS Partnered Equity Program, a unique venture that allows CHS owners

Key Points

- Co-ops becoming more interdependent.
- CHS and Aurora to build Nebraska shuttle facility.
- CHS and Elburn co-op launch agronomy retail venture in Illinois.

to unlock a portion of their equity in the co-op to fund capital expansion projects. Participating co-ops use their equity in CHS as a contribution to a CHS venture focused on helping the local cooperative grow its business.

“By using a portion of our CHS equity, along with additional CHS capital, to build a next-generation ag multiplex, we will be able to provide the Aurora Cooperative farmer-owners in southern Nebraska and northern Kansas with additional access to world grain and fertilizer markets via the BNSF system,” Aurora CEO George Hohwieler said.

Superior East will operate as a 50/50 joint venture with a governing board comprised of representatives from both co-ops. Aurora will operate the physical facility.

Because of its size and reach into so many different business segments, CHS is poised to seek out and broker such deals. Casale noted that his co-op is currently number 69 on the Fortune 100 list of the nation’s largest companies and said the co-op operates in 14 different business areas.

“There aren’t many companies involved in producing salad dressing and owning a petroleum refinery,” he quipped. “We have 14 differ-

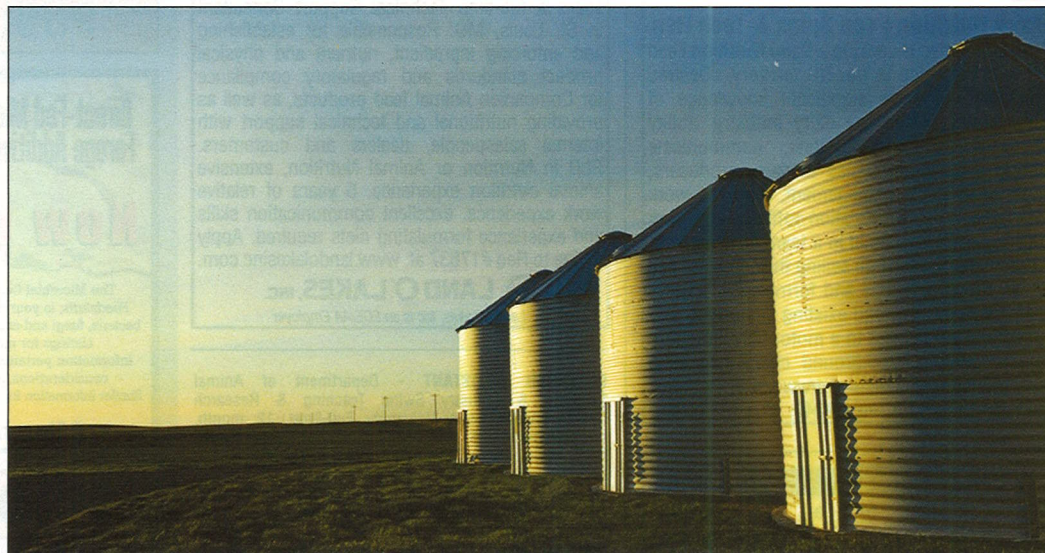


Photo: CHS Inc.

LEVERAGING ASSETS: Because of its size and reach into so many different business segments, CHS is poised to seek out and broker deals that leverage shared assets to improve individual businesses and service.

ent P&Ls to manage.”

One of those key business units is its Country Operations business, featuring agronomy services and retail sales. CHS announced June 13 that it will partner with Elburn Cooperative of Sycamore, Ill., to establish a joint agronomy retail venture.

The new company will be

based out of the existing CHS crop nutrient operation in Crescent City, Ill., and CHS will continue to operate its wholesale fertilizer business from that facility.

With additional staffing and facility modifications, the new venture will be ready to serve farmer-customers by September.

CHS and Elburn will modify the loadout capacity at Crescent City to accommodate retail operations and will also acquire custom application equipment and product inventory to stock the new business.

Elburn operates 12 locations in north-central Illinois and south-central Wisconsin. ■