



on the farm - in the market - working together

Equity Cooperative Livestock Sales

PO Box 1003 – Baraboo, WI 53913
800.362.3989 | www.equitycoop.com

2020 Annual Report

Risk Management
Livestock Marketing
Credit Corporation
Field Services

From the Chairman of the Board

Les Danielson As we entered 2020 our Cooperative exhibited strong volumes in January and February. With the arrival of March began the onset of the global pandemic, and the impact to our way of business. Your Cooperative quickly adapted to ensure the delivery of our marketing services. Our management team, staff, and truckers worked endlessly to ensure our markets met the needs of our producers and provided support to the food supply chain.

Navigating the year required us to execute solutions to keep our employees safe, healthy and employed. This was key in the continued operation of the markets. The Cooperative applied and received Paycheck Protection Program (PPP) funds totaling just over \$1.5 million. The funds were utilized for payroll and employee benefits, and the Cooperative received notice in early 2021 that the loan was approved for forgiveness.

The Cooperative showed a loss of \$445,229 for 2020, although this is a substantial loss, the PPP loan is reflected as a debt until it is officially forgiven. Your Board of Director's determined to allocate the loss to the Cooperative's general reserve and not reduce patron credits.

A global pandemic, market volatility, growing social and political turmoil made 2020 challenging and many feeling the impact on their daily life. I am honored to say that your Cooperative remained focused on its principles, stood up for the importance of the essential role our markets have to the food supply chain, and in the end, met the needs of producers! As we go forward in 2021, your Cooperative will continue to strive to execute solutions and insights that drive success for our producers.

On behalf of your Board of Directors, I would thank the management team, staff and truckers for the incredible work that they all contributed in 2020, which helped us keep the markets operating during a time of crisis. Just as important, is the support and trust that our patrons provided in 2020 – thank you and we look forward to providing service to you in 2021.



From the President & CEO

Curt Larson What a rollercoaster year 2020 was! The year started out very strong before the COVID-19 pandemic threatened to shutdown the livestock auction markets. Equity Cooperative Livestock staff was able to secure an "essential" status for livestock auction markets and continue operating through the pandemic. Meat processing plants across the country struggled to remain open, many closing for a period of time, and some experiencing difficulty resuming operations. By the end of the year, however, meat processors had resumed a stable volume and the cooperative was marketing more normal volumes.

I want to thank all our hardworking, faithful employees and partner truckers for their efforts, sacrifices, and patience throughout this year. They continued to serve our patrons even with all the restrictions and requirements placed on them. Many employees traveled to help other markets who were short on employees, some traveling long distances on short notice. Their loyalty and dedication may be second only to that of our member patrons who continued feeding the world through this pandemic.

This past year really demonstrated how Equity Cooperative Livestock Sales Association represents our member producers and advocates for agriculture. Initially livestock markets were not deemed essential and told to shut down as part of the COVID shutdowns. Realizing this would leave producers with no price discovery and their only option would be to deliver livestock directly to the packer at whatever the packer was willing to pay, your management team immediately reached out to regulators and elected officials. These regulators and elected officials already knew who we were and what we do because of our ongoing involvement in advocating for agriculture, both at home and in Washington DC. With their support it did not take long to get essential status for livestock markets.

After nearly 100 years Equity Cooperative Livestock Sales Association has many resources that producers do not realize. We are not just a sale barn anymore. I encourage producers to look for more information on our website, follow us on social media, reach out to their local market, or contact our Baraboo Office for more information.



2020 Financial Report Highlights

The Cooperative's 2020 year end financial statements have been audited by CliftonLarsonAllen LLP. They found no issues and rendered an unqualified opinion on the fairness of these statements, which is the highest rating an auditor can issue on financial statements.

It is important to understand 2020 started out very strong with larger than average volumes throughout January and into February. Beginning in March the Cooperative's business was drastically affected by the COVID-19 pandemic. Our volumes plummeted with many packing plants being affected by reduced labor due to quarantines, school and day care closures, and some positive COVID tests.

Although Equity did see some recovery in volumes by the end of year, it came much slower than we had hoped and was not enough to make up for the middle part of the year.

2020 Financial Statement

Assets

	2020	2019
Current Assets	\$20,686,230	\$17,182,709
Property and Equipment	5,710,084	5,666,590
Investments and Other Assets	1,823,391	2,607,177
TOTAL ASSETS	\$28,219,705	\$25,456,746

Liabilities and Patron Equities

Current Liabilities	\$15,910,302	\$13,324,962
Long Term Debt, Less Current Maturities	3,440,156	2,403,959
Minimum Pension Liability	1,033,914	982,133
TOTAL LIABILITIES	\$20,384,372	\$16,711,054
Patron Equities	7,835,333	8,745,422
TOTAL LIABILITIES & PATRON EQUITIES	\$28,219,705	\$25,456,476

Consolidated Statements of Operation

Gross Operating Revenues	\$386,869,128	\$425,434,931
Payment to Producers	(375,162,277)	(411,999,825)
NET OPERATING REVENUES	11,706,851	13,435,106
Operating Expenses	12,103,228	13,029,652
NET PROCEEDS FROM OPERATIONS	(396,377)	405,454
Non-Operating Income/(Expenses)	(48,849)	(94,457)
NET PROCEEDS BEFORE INCOME TAX	(445,226)	310,997
Credit For Income Taxes	0	(21)
NET PROCEEDS	\$(445,226)	\$311,018

Overview of Financial Statement

Looking at the Consolidated Statement of Operations, the Cooperative ended the year with Gross Livestock Sales just shy of \$387 million which is down 9% from the prior year. We believe this number is still considerably strong since our total livestock volume marketed was down 13%. This means the average animal marketed in 2020 sold for about 5% more than the average animal in 2019, which is more impressive when you realize our auction calf volume was down less than 9%, leaving auction cattle down over 17%. In general, the beef industry saw much heavier cattle throughout the second half the 2020 which would contribute to higher average value per animal.

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The payments to producers were also down 9%. This left the Cooperative with Net Operating Revenues of \$11.7 million for \$1.7 million less than 2019.

Management worked hard to hold expenses while maintain a near normal sale schedule and incurring additional expenses for masks, sanitizers, additional cleaning of offices and arenas, and other COVID related expenses. We ended the year at \$12.1 million in expenses, representing a reduction of \$926,424. Nearly all categories of expenses were down from 2019, Employee Expenses were down \$400,000 (about half payroll and half benefits), Field Expenses down \$100,000 with almost no travel for part of year and very limited travel for the rest of the year. Supplies, Repairs, and Maintenance were down more than \$100,000 with decreased volumes.

Non-Operating Income/(Expense) was an expense again this year but less than last year. This was a combination of lower interest expense and larger gain on disposal of assets when four aged skid steers were replaced.

Net Proceeds show a loss of \$445,226 compared to profit of \$311,018 in 2019. This is a significant loss, but the Cooperative received a Payroll Protection Program loan in 2020 totaling just over \$1.5 million. We have filed the forgiveness application on this loan and just recently received preliminary approval of forgiveness.

Assets

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In review of the Balance Sheet, it starts out strong with Current Assets near \$20.7 million for an increase of \$3.5 million, which is in cash and we will look at why we have more cash on December 31st in just a moment. You will also see property and equipment at \$5.7 million for an increase of almost \$45,000 and that was because of the new skid steers we mentioned earlier.

Investments and Other Assets totaled \$1.8 million, a decrease of \$783,786. This is mostly due to the restructure of a participation agreement our credit corporation did with one of our partner institutions that made the credit corporation the servicing agent (no longer any recourse to the credit corporation), not the lender so the loan no longer needs to be recorded on our books.

The Cooperative then has total assets of \$28.2 million compared to \$25.5 million for a \$2.7 million increase or 10.9% increase in total assets.

Liabilities

	2020	2019
Current Liabilities	\$15,910,302	\$13,324,962
Long Term Debt, Less Current Maturities	3,440,156	2,403,959
Minimum Pension Liability	1,033,914	982,133
TOTAL LIABILITIES	\$20,384,372	\$16,711,054

Looking at the Liabilities and Patron Equity section, we start with the current liabilities which ended the year at \$15.9 million, for an increase of almost \$2.6 million or 19.4%.

Review of the current liabilities shows deferred livestock payments up \$2.1 million from 2019.

This means the increase in cash discussed above is still on the books because producers have asked Equity to wait until January to issue their checks. Our custodial payable to producers is also up by \$900,000 over 2019, this is a timing issue at year end with outstanding checks, and at the end of 2020 \$900,000 more in uncashed checks than 2019.

The next line is the long-term debt at \$3.44 million for an increase of \$1 million, however, we did continue to pay down debt in 2020. What you are seeing here is the \$1.5 million Payroll Protection Program loan which is required to be recorded as a loan until officially forgiven.

Finally, we see the Minimum Pension Liability at slightly over \$1 million for a slight increase. This is a complicated calculation preformed by our actuarial firm on our defined benefit pension plan, this plan was frozen back in 2001 with no additional benefits accrued and no additional employees admitted to the plan.

Total liabilities end slightly less than \$20.4 million which is an increase of almost \$3.7 million or 22%. Traditionally it is not favorable to see the liabilities increase more than my assets but remember it is expected to have \$1.5 million Payroll Protection Program loan removed from liabilities after it is officially forgiven.

Overview of Financial Statement

Our total patron equities of \$7.8 million is \$900,000 less than 2019. The biggest part of that was the \$445,226 loss for 2020 the Board of Directors allocated to the general reserve instead of reducing the allocated patron credits. There are several categories of patron equities, including the common and preferred stock as well as the allocated patron credits. We also have an accumulated other comprehensive loss which is part of that complicated pension calculation I mentioned earlier, for 2020 that account recognized \$315,000 loss, mostly due to some changes in assumptions and discount rates.

In conclusion, the Liabilities and Patron Equities totaled \$28.2 million for 2020 and \$25.5 million for 2019, Balancing to our total Assets as they should!

Patron Equities

	2020	2019
Patron Equities	\$7,835,333	\$8,745,422

Liabilities and Patron Equities

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Board of Directors



DAN LEISCHER
DISTRICT I



DAVID WILKE
DISTRICT II
VICE CHAIRMAN OF THE BOARD



STEVE SCHREIS
DISTRICT III
SECRETARY/TREASURER



PETE KLEIMAN
DISTRICT IV



ALLAN CHIAR
DISTRICT V



LES DANIELSON
DISTRICT VI
CHAIRMAN OF THE BOARD



KARL MEROW
DISTRICT VII
ASSISTANT SECRETARY/TREASURER



DWIGHT TRUTTMAN
DISTRICT VIII



BRAD SOLCHENBERGER
DISTRICT IX



ADAM QUANDT
DISTRICT X

Management Team



CURT LARSON
PRESIDENT AND CEO



TODD FLEMING
EXECUTIVE VICE PRESIDENT
OF MARKETING & COO



NANCY BILZ
VICE PRESIDENT OF
FINANCE & CFO



DAVID JOHNSON
VICE PRESIDENT OF MARKETING



GARY WILLIAMS
VICE PRESIDENT OF
CREDIT SERVICES



ROB MEIER
VICE PRESIDENT OF
INFORMATION SYSTEMS

