

---

---

**STAFF MEMORANDUM REGARDING FARMERS COOPERATIVE ELEVATOR**

---

---

**TO:** COMMISSIONERS AND ADVISORS  
**FROM:** GRAIN WAREHOUSE PROGRAM STAFF  
**RE:** GW21-002, In re Farmers Coop Elevator of Avon, SD  
**DATE:** July 8, 2021

---

Commission Staff (Staff) submits this Memorandum to provide further explanation regarding the licensing and financial status of Farmers Cooperative Elevator (FCE), located in Avon, South Dakota.

Staff first became concerned with FCE's ability to remain solvent in or around March of 2019. At that time, Staff began working closely with FCE and the local bank, with whom FCE did business. In July of 2019, FCE, through its board president, agreed to a number of provisions and requirements. This agreement was attached to Staff's Petition as Attachment 6. As part of that agreement, Staff has continued monthly monitoring of FCE to date. Also, as part of the agreement, FCE restructured debt to improve its financial position.

Working with Staff over the last three years, FCE improved its financial position and greatly reduced the risk to producers. As can be seen by comparing the numbers from Attachment 2 to the Petition to those current numbers in Attachment 4 to the Petition, the progress made has been significant. However, as Staff continues weekly monitoring, in recent weeks, working capital has begun to quickly decline, and FCE was not able to obtain a bond in order to qualify for a license for the licensing year, which began July 1, 2021. Therefore, FCE is without a grain buyer or grain warehouse license as of that date.

Because of the rate at which FCE has been losing money in recent weeks, Staff believed it imperative to act quickly and seek receivership in order to secure the assets before FCE's cash working capital declined further.

For the license year ending June 30, 2021, FCE has a grain buyer bond of \$250,000 and a \$632,000 warehouse bond.