



SPECIAL EDITION
ANNUAL REPORT 2007
NEWSLETTER

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Official Notice
of the
Thirty-fourth Annual
Stockholders' Meeting

Sublette Cooperative, Inc.
Thirty-fourth Annual Meeting
March 29, 2007

The Annual Stockholders' meeting of the Sublette Cooperative, Inc. will be held Thursday, March 29, 2007, at 7:00 p.m. in the main office building on West Highway 56 in Sublette, Kansas.

The purpose of this meeting is to present the financial report for the year ending January 31, 2007, receive reports of officers and management, the election of two directors, and conduct other business that may come to the floor. The director terms expiring at this meeting are Steve Hammer and Pete York.

Your Board of Directors encourages you to attend and take part in this meeting.

Sincerely,

Steve Hammer, Secretary



Agenda:

- Declaration of a quorum
- Call to order
- Invocation
- Welcoming of guests
- Proof of Due Notice of Meeting
- Minutes of Thirty-third Annual Meeting
- Financial report
- Board report
- Manager's report
- Old business
- New business
 - Election of directors:
 - Director qualifications
 - Terms expiring:
 - Steve Hammer
 - Pete York
- Drawing for \$1,000 of Early Equity Redemption
- Drawing for Gift Certificates
- Adjournment

We will have refreshments and gifts after the meeting.

Sublette Cooperative, Inc.
Thirty-third Annual Meeting Minutes
March 23, 2006

The thirty-third annual meeting of the Sublette Cooperative, Inc. was held March 23, 2006 at 7:00 p.m. in the office basement. President York declared that there was a quorum present and called the meeting to order at 7:05 p.m.. There were a total of 48 voting members, guests, and employees in attendance.

The invocation was given by Jim Creeden, retired Farm Supply Department manager. President York recognized and welcomed the guests. Secretary, Steve Hammer, read the Proof of Due Notice of the meeting as mailed to voting members March 11, 2006. The minutes of the thirty-second annual meeting were approved as mailed. Motion to accept minutes was made by Eugene Ochs and seconded by Jr. Leonard. Motion carried.

Ed Michel was introduced to present the 2006 audit report. Ed reported that the cooperative had a very good year financially and had a net savings of \$847,362.14 and a local savings of \$263,072.61. He also reported that the cooperative had total assets of over \$13,000,000.00 and total liabilities of just over \$7,000,000 leaving over \$6,000,000 in member equity. He concluded that the Sublette Cooperative, Inc. is in excellent financial condition and that the cooperative will make a \$370,384 patronage allocation to its members. He also reported that all financial ratios of the Sublette Cooperative meet or exceed industry standards.

Pete York presented the board report. He thanked the current board members for their support of the cooperative and thanked Wilferd Nichols and Chris Hammer for their service to the cooperative as president and secretary, respectively. He also thanked the employees for their service to the cooperative.

Several questions were asked by Wilferd Nichols and Chris Hammer which were answered by President York concerning accounts receivable and board participation with the cooperative.

President York then called Gaylord Sanneman, general manager, for the manager's report.

Sanneman thanked the members for their support of the cooperative and the financial success that the cooperative had. He also reviewed the past year history with the members concerning the numerous personnel changes that had occurred and thanked Bill Miner and Jim Creeden for their years of service to the cooperative. He also reminded the membership of the sudden loss of Ellen Archer as an employee of the cooperative. He reviewed some of the major financial investments that the cooperative had made the past year

with the joining of Southwest Nutrients, LLC and Kansas Safety & Compliance West, LLC. He reviewed the additions and changes of rolling stock and assured the membership that their facilities are kept in the best physical condition possible. He announced that within a short time span the service station will be remodeled with two fuel islands added on the west side of the station and that an E85 fuel pump will be included. He also reported that he and the board had reviewed the charge account policy of the cooperative and that they found the policy has served the cooperative well in the past years and no changes needed to be made. He concluded his report by recognizing Andy Eckley for his twenty years of service to the cooperative as an employee.

There was no old business.

New business included the election of directors, one for a three-year term, and one for a two-year term.

Hammer read the qualifications of a director as required by the by-laws.

York reported from the nominating committee comprised of John Phoenix, Preston Withers, and himself, that they place into nomination the following members: Rick Koehn, Lynn Leonard, Rusty Sherwood, and Keith Williamson. York then asked for nominations from the floor. Henry Miller made motion that nominations cease and seconded by Allen Zimmerman. Motion carried. Ballots were passed out to the voting membership and York asked Ed Michael, Gene Ochs, and John Phoenix to act as tellers. York announced that Lynn Leonard won the three-year term. He then called for nominations from the floor for the two-year term. Jr. Leonard made motion nominations cease and seconded by Mark McLain. Motion carried. Nominated for the two-year position were Rick Koehn, Rusty Sherwood and Keith Williamson. Ballots were passed out to the voting members. There was a tie between Rusty Sherwood and Keith Williamson. A second ballot was then distributed with Rusty Sherwood being elected.

Drawing for the gift certificates was completed with Phyliss Leonard and Lynn Leonard each winning a \$50 certificate. Mike Nightengale and Larry Winter won the \$100 certificates. Jim Axtell won the \$1,000 early equity retirement and Travis Leonard won the flower arrangement.

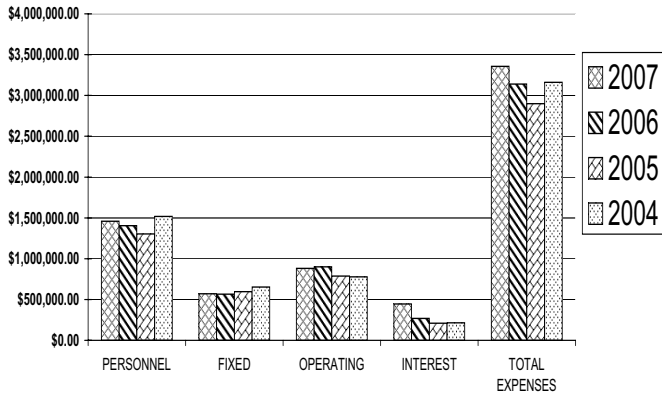
Mickie Powell made motion to adjourn and seconded by Gene Ochs. Motion Carried.

Refreshments were served and distribution of patronage and equity retirement checks were made available.

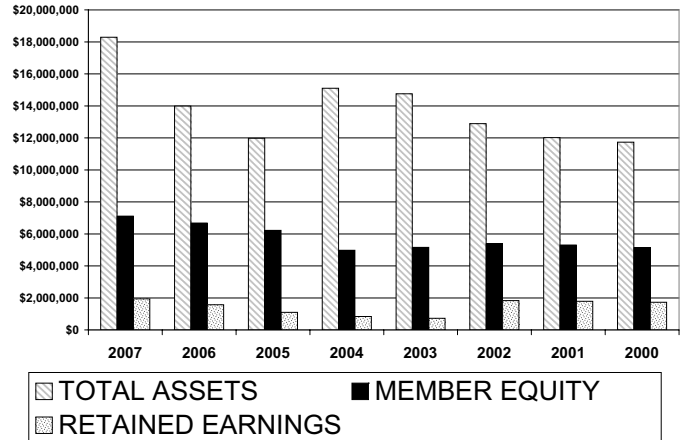


Steve Hammer, Secretary/gks

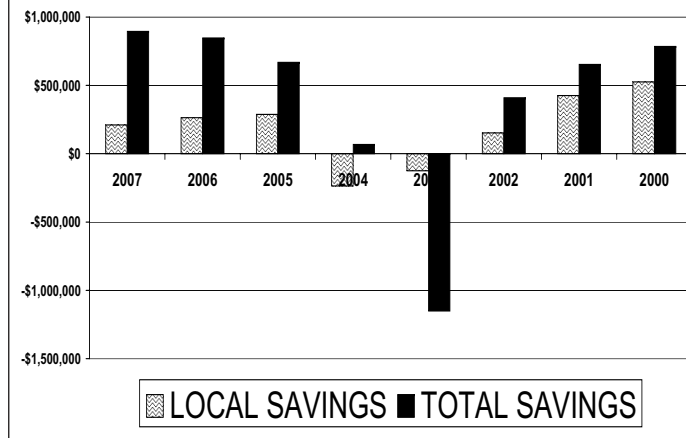
EXPENSES



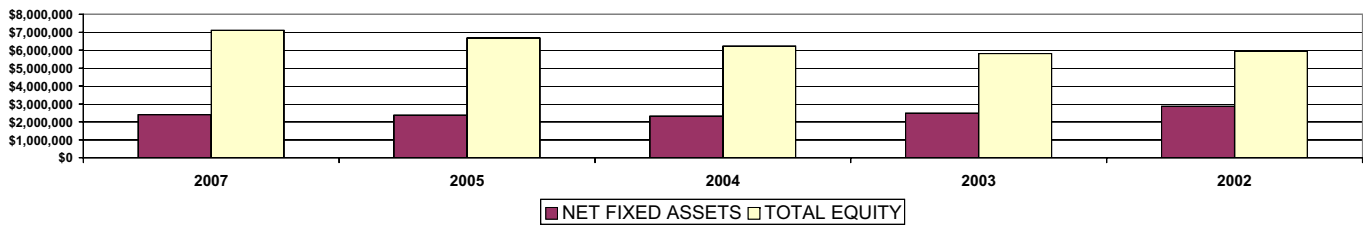
TOTAL ASSETS



EARNINGS HISTORY



FIXED ASSETS



CURRENT DISTRIBUTION OF PATRONAGE DIVIDENDS

PATRONAGE COMMODITY	UNITS	MEMBER VOLUME	2007 RATE	AMOUNT ALLOCATED
GRAIN	BU/CWT	3,454,126	\$0.103	\$357,094.00
STORAGE	DOLLAR	\$190,509	14.950%	\$28,487.30
CROP PRODUCTION	DOLLAR	\$3,819,812	0.000%	\$0.00
FARM SUPPLY	DOLLAR	\$3,787,288	2.830%	<u>\$107,006.30</u>
SEMI LOAD FUEL	DOLLAR	\$2,895,145	1.050%	<u>\$30,308.60</u>

Financial Review for the year 2007

Your cooperative completed another outstanding year financially in spite of the difficulties we faced with drought and higher energy prices. Total savings of your cooperative were \$894,521.40 with \$210,471.72 generated from local operations. Your cooperative received \$556,574.36 from regional cooperatives – Co-Bank, Cenex and Serv-Tech. In addition, \$23,127.50 dividends were received from Kansas Farmers Service and FC Stone. The cooperative's investments in LLC's added \$113,524.10 coming primarily from Windriver Grain.

Receipts of grain were reduced significantly due to the drought. However, the company was able to make up some of the loss of grain margins with grain-carry economic opportunities. In order for the company to take advantage of these financial opportunities, it requires dedicated employees to make sure the grain is conditioned properly and remains in good condition. It also requires good facilities and financial support to achieve these goals.

The crop production department comprised of fertilizer and chemicals sales, continues to operate in a highly competitive market. In addition, with the fluctuation of the market prices of fertilizer the first half of the year, it cost your company almost a \$200,000 loss just in inventory valuation with the drop of market prices. Our custom application acres and income increased over last year because of the expertise of our application and support personnel. With the crop year of 2006 behind us, we are looking for a better crop year in 2007. One of the unknowns at this time is the drastic changes that might take place in the crop production industry.

The farm supply department posted a overall net savings of \$319,405 with Cenex patronage providing the major financial support. We continue to make enhancements in plant and equipment in this department making our volume sales continue to increase. We leased our first vehicle, a tire-service truck

Management of your cooperative continues to monitor expenses with careful diligence. Each expense invoice over \$50 is approved by the general manager and then passed on to the department manager for approval. In addition, revenue items are under constant review to maintain competitive price comparisons and proper margins.

This is the sixth year of the seven-year, membership-approved plan for equity retirement. Total equity retirement of estates and the revolving plan will be about \$125,000 with a 5% return to every member who has a balance in the old equity account. This will bring our total equity payout to almost \$250,000.

The cooperative will also be returning to its owners \$522,896.20 in patronage refunds. This amount is made up of \$209,158.48 in cash and \$313,737.72 in deferred stock or ledger equity revolving credits. Cash patronage will be paid at the 40% level.

The financial picture of your cooperative remains excellent with another profitable year completed. Even with all the challenges it faces, your cooperative continues to meet or exceed most of the financial ratios and comparative efficiency ratios of the industry as presented by the independent auditing firm your board of directors retains.

This year's financial results could not have been achieved without the strong support of members, employees and community non-member customers. The cooperative thanks you for that continued confidence and we will work hard to earn your business again this fiscal year.

Board of Directors

Peter York	President
Rex Brown	Vice President
Steve Hammer	Secretary
Lynn Leonard	Director
Rusty Sherwood	Director
Rick Koehn	Associate Director

Employees

Years of service
(as of 1-31-07)

Administration Department:

Gaylord Sanneman , General Manager	22
Jane Bailey , Accounts Payable	27
Joy Rice , Accounts Receivable	19
Mikela Wedel , Custodian	2

Grain Department:

Lawrence Baxa , Department Manager	3
Glenda Woods , Grain Accountant	
Andy Eckley , Elevator Superintendent	21
Ignacio Franco , Asst. Elevator Superintendent	15
Ramon Soto , Elevator Maintenance	1

Farm Supply Department:

Terry Presley , Department Manager	1
Bev Kerr , Store Manager	1
Don Corn , Refined Fuel Driver	19
Mike Priddy , Refined Fuel Driver	25
Patrick Phoenix , Service Supervisor	5
Alene Fosler , Store Clerk	4
Brian O'Keefe , Auto & Tire Service	2
Moses Aranda , Auto & Tire Service	

Crop Production Department:

Kent Ochs , Department Manager	15
Mark Horinek , Sales Manager	13
Allen Avritt , Operations Manager	33
Rex Mata , Applicator Driver	14
Todd Phoenix , Fertilizer Driver	1
Doug Long , Applicator Driver	
Guillermo Padilla , Applicator Driver	

Seasonal Employees:

Dwayne Watson	5
Roy Pywell	1

Northeast Branch:

Ron Isenberg , Branch Manager	1
Rod Lamberson , Fertilizer Driver	1

Seasonal Employee:

Evangelyn Nightengale	1
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SUBLETTE COOPERATIVE, INC.
Sublette, Kansas

BALANCE SHEETS
January 31, 2007 and 2006

ASSETS

	2007	2006
CURRENT ASSETS		
Cash	\$ 79,168.09	\$ 145,095.89
Accounts receivable - trade	1,011,663.75	1,087,170.19
Allowance for doubtful accounts	(110,000.00)	(110,000.00)
Grains receivable - trade	729,259.36	255,259.15
Grain storage receivable	58,953.88	184,582.82
Margin deposits	1,263,166.17	377,999.29
Other receivables	214,672.64	118,902.21
Inventories	9,493,779.44	6,440,342.29
Prepaid commodities and expenses	823,020.80	1,175,365.22
TOTAL CURRENT ASSETS	13,563,684.13	9,674,717.06
INVESTMENTS		
Corporate stock and equity	1,537,643.28	1,181,282.56
Limited liability companies	789,112.47	755,605.81
TOTAL INVESTMENTS	2,326,755.75	1,936,888.37
PROPERTY, PLANT, AND EQUIPMENT		
Cost	10,141,340.98	9,985,661.55
Accumulated depreciation	(7,738,102.02)	(7,609,519.76)
NET PROPERTY, PLANT, AND EQUIPMENT	2,403,238.96	2,376,141.79
TOTAL ASSETS	\$ 18,293,678.84	\$ 13,987,747.22

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES		
Accounts payable	\$ 592,479.20	\$ 419,662.23
Collections received in advance	148,186.66	112,905.69
Current maturities of notes payable	8,155,902.32	5,290,882.56
Capital lease obligations	8,554.11	-0-
Current maturities of patron notes	1,267,700.00	920,700.00
Patronage dividends payable	209,158.48	148,153.84
Equity retirements payable	248,582.95	144,057.44
Income taxes payable	16,625.48	5,757.20
TOTAL CURRENT LIABILITIES	10,647,189.20	7,042,118.96
LONG-TERM LIABILITIES, excluding current maturities		
Capital lease obligations	50,471.52	-0-
Patron notes	489,000.00	260,000.00
Other	-0-	7,861.29
TOTAL LONG-TERM LIABILITIES	539,471.52	267,861.29
MEMBERS' EQUITY		
Common stock	1,483,550.00	1,495,350.00
Participating stock	292,700.00	289,700.00
Stock credits	60,108.45	59,959.03
Patronage ledger credits	2,451,608.24	2,447,730.54
Revolving fund credits	810,171.30	735,682.55
Deferred patronage dividends	313,737.72	222,230.76
Provision for equity retirements	(248,582.95)	(144,057.44)
Retained savings	1,943,725.36	1,571,171.53
TOTAL MEMBERS' EQUITY	7,107,018.12	6,677,766.97
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 18,293,678.84	\$ 13,987,747.22

These statements do not contain all the necessary disclosures to be considered in conformity with accounting principles generally accepted in the United States of America. A short-form report containing the required disclosures is on file at the general office.

SUBLETTE COOPERATIVE, INC.
Sublette, Kansas

STATEMENTS OF OPERATIONS
For Years Ended January 31, 2007 and 2006

	2007	2006
SALES		
Grain	\$ 11,725,449.16	\$ 11,559,731.31
Supply	12,825,443.67	11,816,653.69
Discounts on supply sales	(225,108.44)	(247,950.62)
TOTAL SALES	24,325,784.39	23,128,434.38
COST OF SALES		
Grain	9,902,262.59	10,291,359.63
Supply	11,711,817.71	10,315,926.47
TOTAL COST OF SALES	21,614,080.30	20,607,286.10
GROSS MARGINS ON SALES	2,711,704.09	2,521,148.28
OTHER OPERATING INCOME		
Storage and handling	248,373.27	431,025.34
Dryer income	51,620.85	56,445.91
Service income	92,360.51	72,679.77
Fertilizer application	329,595.30	250,308.99
Finance charges	70,994.62	37,546.00
Interest	5,660.91	4,975.39
Sundry	56,578.50	29,444.50
TOTAL OTHER OPERATING INCOME	855,183.96	882,425.90
GROSS INCOME FROM LOCAL OPERATIONS	3,566,888.05	3,403,574.18
OPERATING EXPENSES		
Personnel costs	1,459,494.97	1,404,538.14
Fixed expenses	1,015,364.13	835,818.38
Other operating expenses	881,557.23	900,145.05
TOTAL OPERATING EXPENSES	3,356,416.33	3,140,501.57
SAVINGS FROM LOCAL OPERATIONS	210,471.72	263,072.61
OTHER SAVINGS		
Patronage dividends	556,574.36	318,994.58
Dividends on stock	23,127.50	11,881.20
Investment income	113,524.10	259,500.32
TOTAL OTHER SAVINGS	693,225.96	590,376.10
SAVINGS BEFORE INCOME TAXES	903,697.68	853,448.71
INCOME TAX EXPENSE	(9,176.28)	(6,086.57)
NET SAVINGS	\$ 894,521.40	\$ 847,362.14
DISTRIBUTION OF NET SAVINGS		
Patronage dividends	\$ 522,896.20	\$ 370,384.60
Retained savings	371,625.20	476,977.54
TOTAL	\$ 894,521.40	\$ 847,362.14

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