2016

CALAMCO ANNUAL REPORT

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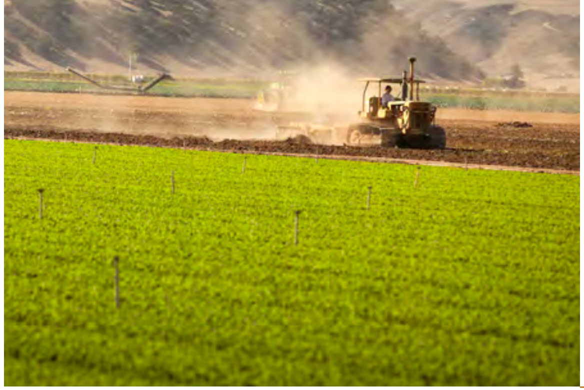


MESSAGE TO **SHAREHOLDERS**

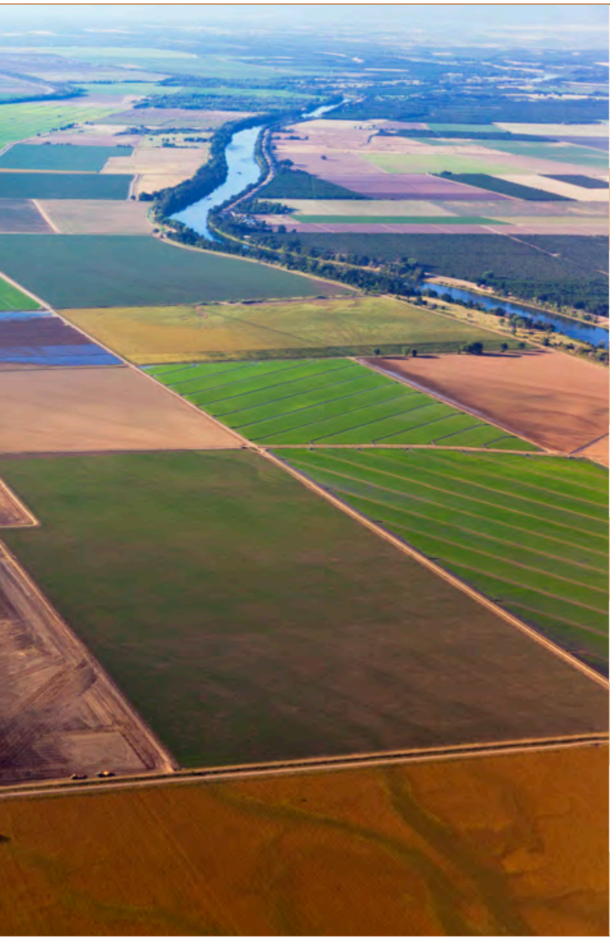
In 2016, CALAMCO became the only ammonia terminal in the state of California.

For years, CALAMCO has been one of two terminals in California that handles anhydrous ammonia. Effective January 2016, the facility located in West Sacramento was sold. The company that purchased the facility discontinued the use and distribution of anhydrous ammonia at this location, making CALAMCO the only ammonia terminal in the state.

Over the years, we have been successful in growing our market share. The facility in West Sacramento utilized the bulk of their ammonia to manufacture upgraded fertilizer products. We have continued to work with Cal Tank/Chemical Transfer, along with our sub-hauler, to ensure timely delivery to our customers throughout the state. We completed our 2016 fiscal year with exceptional service to our customers, and on-time deliveries during our busy season.

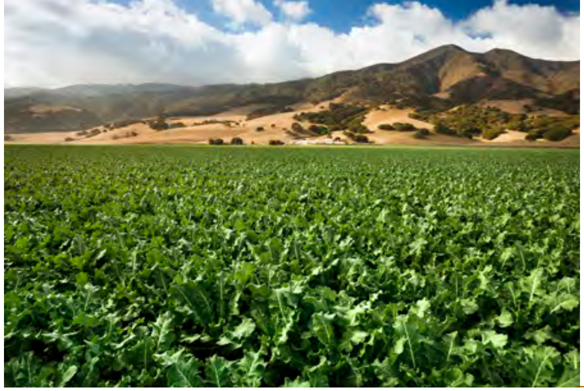
During 2016, we continued to receive deliveries of ammonia by both rail and vessel under separate contracts with CF Industries and Koch Nitrogen. A total of 10 vessels arrived at the Port of Stockton with product from Trinidad, and approximately 375 railcars brought product produced in Canada.

The end of 2016 marked the end of our three year rail contract with CF Industries, and the beginning of a new, two-year contract with Koch Nitrogen. ■



FINANCIAL **HIGHLIGHTS**

	2016	2015
Total Revenue	$ 89,201,795	$ 112,151,831
Cash Patronage Allocated to Participating Shareholders	$ 12,052,006	$ 12,225,728
Cash Patronage Dividend per Ton of Ammonia	$ 53.50	$ 54.58
Net Working Capital	$ 12,079,015	$ 15,324,450
Property, Plant and Equipment, Net	$ 7,505,597	$ 8,179,437
Long Term Debt	$ 0	$ 0
Shareholders' Equity	$ 23,941,227	$ 23,904,667
Number of Shareholders	1,132	1,150
Shares Outstanding at Year-End	2,071,626	2,071,903



SALES AND **MARKETING**

Multiple factors put pressure on nitrogen demand and pricing in 2016.

Throughout the past two years, the cost for fertilizer continued to decline. The price for anhydrous ammonia averaged over $150 per ton lower in 2016 vs 2015. The decline in price is primarily contributed to lower natural gas cost, which reduces the cost for producers to manufacture ammonia. In addition, lower commodity prices have reduced the demand for fertilizer inputs as growers cut back on what they spend per acre. This combination has put pressure on nitrogen demand and pricing.

Total patronage for distribution in 2016 was down only slightly from our 2015 fiscal year; however, rebatable tons reported were 1,087 tons of NH3 equivalent more than 2015. Cash patronage allocated to participating shareholders is divided among the total rebatable tons. We were able to return a dividend of $53.50 per ton of ammonia equivalent to qualifying members for our 2016 fiscal year, which equates to a 40% return on investment for stock purchased at $20 per share. ■

COMPANY **OPERATIONS**

Improved efficiencies and new equipment allowed CALAMCO to ship more product in 2016.

2016 was the second year that CALAMCO partnered with CalTank/Chemical Transfer to transport ammonia. It was also the first year for a single ammonia terminal to service the entire state. In the previous five years combined, there was only one day that we shipped in excess of one hundred loads of anhydrous ammonia within a 24-hour period. In 2016, there were seven days that we shipped in excess of one hundred loads per day; four of those days were consecutive.

Prior to our Spring season, we installed the first of four mass-flow meters on our load-out stations at the Port of Stockton. The mass-flow meter and weight capture software reduces load time and congestion during peak shipping periods. Weights, truck information and other pertinent data are moved from the mass-flow meter at the load-out station to the accounting system software and generate electronic invoices to the customer.

Continued emphasis on improved efficiencies at the terminal, in transportation and data management, enables CALAMCO to meet the time constraints of our customers. ■

COMPANY **SAFETY**

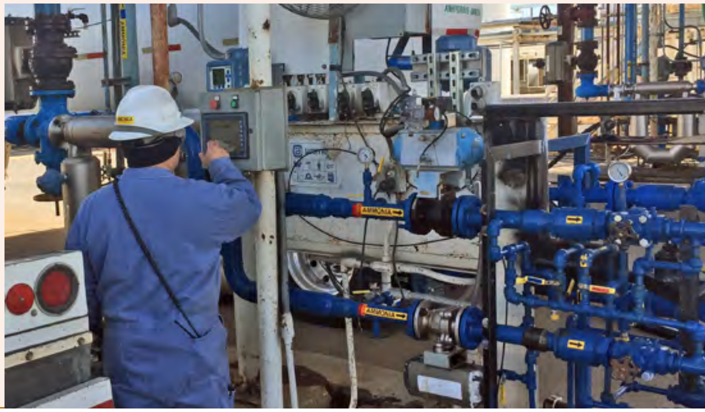
In 2016, CALAMCO received Union Pacific's Pinnacle Award for 2015 in recognition of our consistent focus on the safe handling and transportation of anhydrous ammonia railcars through our facility without an incident. This award was also earned in 2016. This is the sixth time we received this award from Union Pacific.

The award recognizes Union Pacific customers that implemented successful prevention and corrective plans and achieved a rate of zero non-accident releases (NARs) for regulated hazardous materials shipments.

CALAMCO operations and transportation of product require a deep commitment and respect for our responsibility to the public, the environment, and our customers. CALAMCO employees receive on-going safety training, are encouraged to communicate observations, and perform inspections. We conduct crew briefings on the safe operation of processes and procedures on a weekly basis, in which employee involvement and feedback has been extremely positive. It is vital to have an open forum for employees to ask questions, share experiences and make safety suggestions. Investing in the growth of employee safety knowledge through training and open communication will continue to grow an overall culture of performance excellence.

Safety training does not end with our employees. CALAMCO continues to provide safety training to customers and emergency response personnel all over California. We interact with seven to eight-hundred agricultural industry employees, firefighters, law enforcement, local, state, and federal employees, as well as attendees at national safety and security conferences around the country.

In addition, CALAMCO is very active in the Safety Committee that is part of the insurance captive we participate. This committee has representatives from all captive members who are responsible for health and safety, human resources, security, and risk management. ■



FINANCIAL **OUTLOOK**

CALAMCO revenues for 2016 were $89.2 million compared to $112.2 million for 2015. Total cost of materials and expenses were $77.2 million compared to $99.7 million for 2015, leaving a consolidated net margin for 2016 of $11.9 million compared to $12.5 million for 2015. The Board of Directors declared a distribution of patronage income of $12.1 million which was paid out to members based on 221,244 tons of qualifying ammonia equivalent.

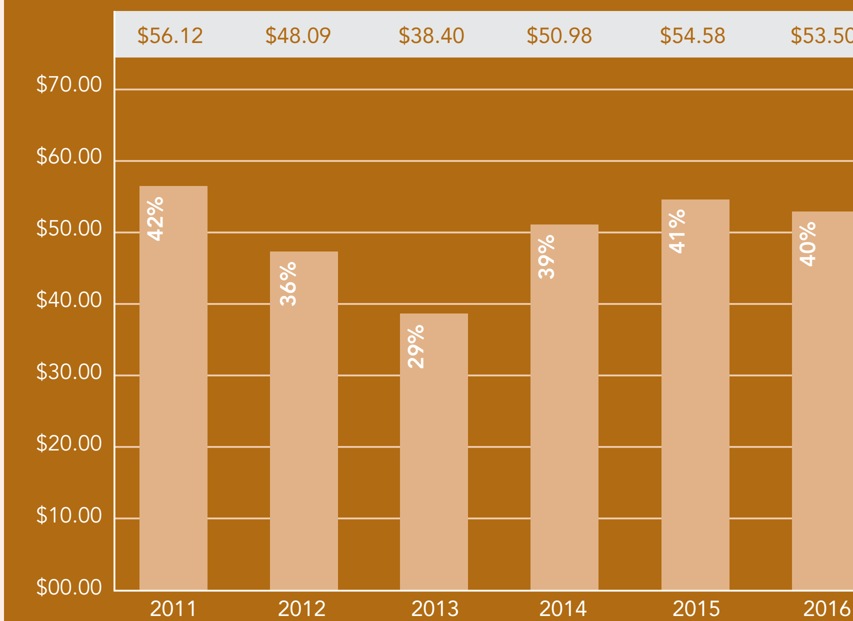
Shareholder equity of $23.94 million reflects an increase of $0.04 million from our 2015 fiscal year. The company's $5 million available line of credit had no outstanding balance at year end.

CALAMCO's on-going financial strength is reflected in the following financial statements.

Robert C. Brown
President, Chief Executive Officer

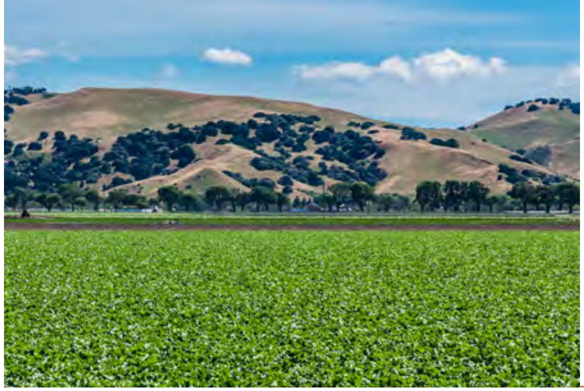
Case Van Steyn
Chairman of the Board

AVERAGE SIX-YEAR RETURN: 38%

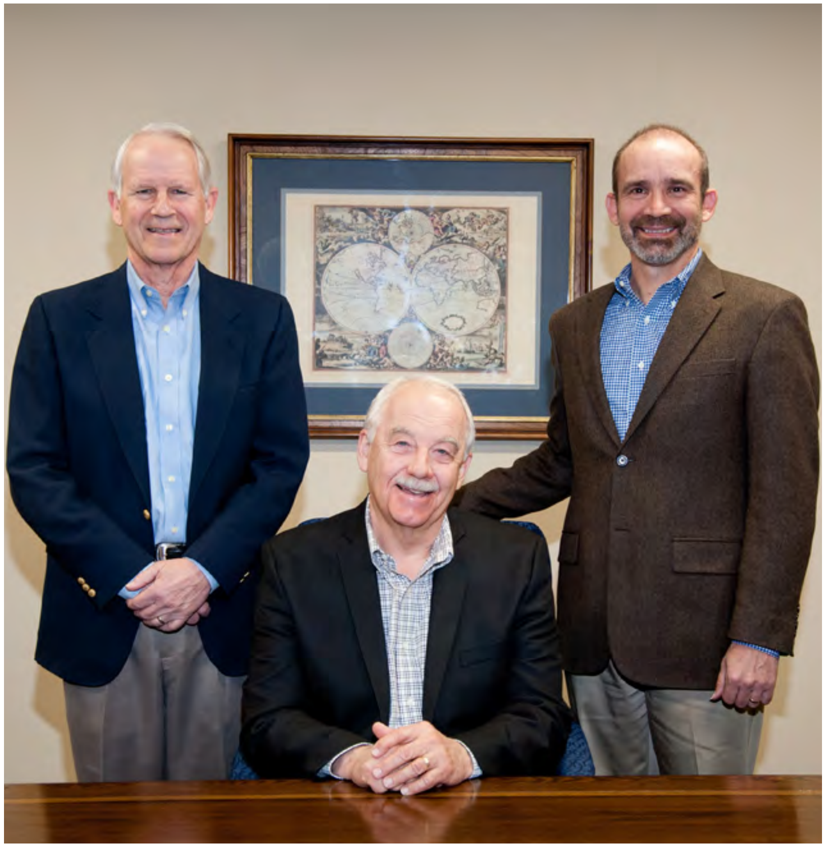


REBATE PER TON

Percentages are return on investment based on $20 per share purchase price.



BOARD OF DIRECTORS **AND MANAGEMENT**



LEFT TO RIGHT: Lee Gardiner, VP Operations; Robert Brown, President and CEO; Dan Stone, Vice President and CFO

BACK ROW LEFT TO RIGHT: Alan Freese, District 1; Doug DeVaney, District 3, Bardin Bengard, District 4; Darron Page, J.R. Simplot Company

FRONT ROW LEFT TO RIGHT: Doug Stone, J.R. Simplot Company; Case Van Steyn, District 2; John Malinowski, J.R. Simplot Company

INDEPENDENT **AUDITORS REPORT**

TO THE BOARD OF DIRECTORS
AND SHAREHOLDERS
OF **CALAMCO**
Stockton, California

We have audited the accompanying financial statements of CALAMCO, which comprise the balance sheets as of October 31, 2016 and 2015 and the related statements of net margin and distribution of net margin, shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Roseville, California
December 29, 2016

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CALAMCO as of October 31, 2016 and 2015 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. ■

BALANCE **SHEETS**

ASSETS

	YEARS ENDED OCTOBER 31, 2016	2015
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,972,879	$ 10,302,930
Certificates of deposit	7,017,107	4,001,007
Accounts receivable (net of allowance for doubtful accounts of $287,259 and $287,259 in 2016 and 2015, respectively)	3,987,968	4,425,548
Inventory	9,088,716	12,510,264
Prepaid expenses and deposits	912,912	599,502
TOTAL CURRENT ASSETS	23,979,582	31,839,251
PROPERTY AND EQUIPMENT, net	7,505,597	8,179,437
INVESTMENTS:		
LLC [1]	2,000,000	2,000,000
NH3 plant [1]	3,000,000	-
Insurance program [1]	875,272	1,147,571
Deferred compensation plan investments [9]	598,279	398,464
TOTAL INVESTMENTS	6,473,551	3,546,035
TOTAL ASSETS	$ 37,958,730	$ 43,564,723

LIABILITIES AND SHAREHOLDERS' EQUITY

	2016	2015
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 3,121,759	$ 9,109,622
Income taxes payable	800	800
Patronage dividend due to shareholders	8,778,008	8,849,783
TOTAL CURRENT LIABILITIES	11,900,567	17,960,205
Deferred tax liability	112,956	21,195
Deferred revenue	1,317,359	1,089,094
Deferred compensation	686,621	589,562
TOTAL LIABILITIES	14,017,503	19,660,056
COMMITMENTS AND CONTINGENCIES [10]		
SHAREHOLDERS' EQUITY:		
Common stock	5,178,522	5,179,215
Additional paid-in capital	11,043,185	10,953,312
Retained earnings	7,771,079	7,893,598
Common stock subscriptions	(51,559)	(121,458)
TOTAL SHAREHOLDERS' EQUITY	23,941,227	23,904,667
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 37,958,730	$ 43,564,723

See accompanying notes

STATEMENTS OF **NET MARGIN AND DISTRIBUTION**

	YEARS ENDED OCTOBER 31, 2016	2015
REVENUES:		
Sales	$ 86,391,900	$ 109,339,979
Terminaling	2,481,444	2,298,443
Interest income and other	328,451	513,409
TOTAL REVENUES	89,201,795	112,151,831
COSTS AND EXPENSES:		
Cost of materials, operations, and distribution	74,219,828	96,194,761
Selling, general, and administrative expenses	2,837,731	3,248,937
Interest expense and other	130,720	291,310
TOTAL COSTS AND EXPENSES	77,188,279	99,735,008
NET MARGIN BEFORE TAXES	12,013,516	12,416,823
INCOME TAX EXPENSE (BENEFIT):	84,029	(80,335)
NET MARGIN	$ 11,929,487	$ 12,497,158
DISTRIBUTION OF NET MARGIN:		
Net margin from member business	$ 12,052,006	$ 12,225,728
Net margin from non-member business	(122,519)	271,430
NET MARGIN	$ 11,929,487	$ 12,497,158

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STATEMENT OF **SHAREHOLDERS' EQUITY**

YEARS ENDED OCTOBER 31, 2016 AND OCTOBER 31, 2015

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	COMMON STOCK SUBSCRIPTIONS	SHAREHOLDERS' EQUITY
BALANCES AT NOVEMBER 1, 2014	2,071,268	$ 5,177,628	$ 10,917,570	$ 7,622,168	$ (256,214)	$ 23,461,152
Issuance of common stock	12,950	32,375	226,625	-	(7,500)	251,500
Retirement of common stock	(12,315)	(30,788)	(190,883)	-	-	(221,671)
Payments received on common stock subscriptions	-	-	-	-	142,256	142,256
Distributions declared	-	-	-	(12,225,728)	-	(12,225,728)
NET MARGIN	-	-	-	12,497,158	-	12,497,158

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	COMMON STOCK SUBSCRIPTIONS	SHAREHOLDERS' EQUITY
BALANCES AT OCTOBER 31, 2015	2,071,903	$ 5,179,215	10,953,312	$ 7,893,598	(121,458)	$ 23,904,667
Issuance of common stock	47,083	117,707	823,953	-	(26,250)	915,410
Retirement of common stock	(47,360)	(118,400)	(734,080)	-	-	(852,480)
Payments received on common stock subscriptions	-	-	-	-	96,149	96,149
Distributions declared	-	-	-	(12,052,006)	-	(12,052,006)
NET MARGIN	-	-	-	11,929,487	-	11,929,487
BALANCES AT OCTOBER 31, 2016	2,071,626	$ 5,178,522	$ 11,043,185	$ 7,771,079	$ (51,559)	$ 23,941,227

See accompanying notes

STATEMENTS OF **CASH FLOWS**

	YEARS ENDED OCTOBER 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin	$ 11,929,487	$ 12,497,158
Adjustments to reconcile net margin to net cash provided by operating activities		
Depreciation	1,330,373	1,328,154
Deferred compensation	97,059	267,290
Deferred revenue	228,265	414,589
Deferred taxes	91,761	(139,753)
Gain on investments, net	(83,207)	(274,625)
(Gain) loss on sale of equipment	3,027	(23,373)
Effect of Changes in:		
Accounts receivable	437,580	474,112
Inventory	3,421,548	(1,495,369)
Prepaid expenses and other	(313,410)	370,965
Prepaid income taxes and income tax payable	-	165,800
Accounts payable and accrued expenses	(5,987,863)	289,472
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,154,620	13,874,420
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(659,560)	(1,365,865)
Maturities of certificates of deposit	4,483,900	13,770,224
Purchases of certificates of deposit	(7,500,000)	(9,010,988)
Investments	(3,000,000)	(2,000,000)
Purchase of membership interest in insurance program	-	(30,000)
Proceeds from sale of property, plant, and equipment	-	26,939
Distribution from equity method investment	355,506	46,322
Cash funded into cash surrender value insurance policy	(199,815)	(76,192)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(6,519,969)	1,360,440
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	915,410	251,500
Retirement of common stock	(852,480)	(221,671)
Payments received on common stock subscriptions	96,149	142,256
Distributions to members	(12,123,781)	(12,028,879)
NET CASH USED IN FINANCING ACTIVITIES	(11,964,702)	(11,856,794)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,330,051)	3,378,066
CASH AND CASH EQUIVALENTS, beginning of year	10,302,930	6,924,864
CASH AND CASH EQUIVALENTS, end of year	$ 2,972,879	$ 10,302,930
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 53,398	$ 47,283
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Common stock subscriptions issued	$ 26,250	$ 7,500
Accrual of patronage dividend due to shareholders	$ 8,778,008	$ 8,849,783

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following items comprise the significant accounting policies of CALAMCO (the Company). The policies reflect industry practices and conform to accounting principles generally accepted in the United States of America.

COMPANY'S ACTIVITIES

CALAMCO, located in Stockton, California, is a non-exempt agricultural cooperative that sells and transports anhydrous ammonia and related fertilizer products to its members. The Company also provides terminaling services for outside companies. These operations are considered non-member business. Patronage retains are levied and remitted to members at the discretion of the Board of Directors.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid instruments with a maturity, at date of purchase, of three months or less to be cash equivalents.

CERTIFICATES OF DEPOSIT

The Company holds certificates of deposit totaling $7,017,107 and $4,001,007 at October 31, 2016 and 2015, respectively. The certificates bear interest ranging from 0.40% to 0.94% and have maturities of five to six months.

INVENTORIES

Inventories, which consist primarily of anhydrous ammonia and aqua ammonia, are carried at the lower of cost (first-in, first-out method) or market.

EXCHANGED INVENTORY

The Company has agreements with other ammonia suppliers whereby product is loaned between the Company and the other suppliers. These loans are denominated in ammonia and are utilized to minimize shipping costs for both parties. The net receivable was valued at $1,082,220 and net payable was valued at $548,135 for the years ended October 31, 2016 and 2015, respectively. The net payable and the accompanying offsetting inventory are recorded net in the accompanying financial statements.

PROPERTY AND EQUIPMENT

Property, plant, and equipment is stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of assets, which range from 3 to 50 years. Periodically, the Company assesses the recoverability of its long-lived assets to determine if assets have been impaired. Any impairment loss would be measured at the excess of the carrying amounts of assets over their fair value.

INVESTMENTS

A) Insurance Program

The Company became a member of a multi-provider captive insurance company (the Captive) for general liability, auto, and workers' compensation insurance in 2006. The Company's investment for the membership interest is included in investments and accounted for using the equity method. The investment balances, which reflect the expected future payouts from the dividend pool, were $875,272 and $1,147,571 as of October 31, 2016 and 2015, respectively.

The Captive agreement provides for specific deductibles, a risk sharing pool, and layers of indemnity coverage. The Company amortizes the premiums paid to the Captive over the policy year. At October 31, 2016 and 2015, the Company has a $315,039 letter of credit available for possible claims. Management estimates any contingent liabilities under the Captive agreement are not material.

Summarized financial information is based upon the most recent financial reports available for the Captive at September 30, 2016 and December 31, 2015 is as follows:

	Unaudited 2016	Audited FS 2015
Total assets	$ 76,169,940	$ 61,202,258
Total liabilities	59,942,959	48,641,038
Net income (loss)	(243,224)	2,157,969

B) LLC Investment

During 2015 the Company purchased 25,000 Class A shares in an Arizona Limited Liability Company (the LLC) for the total sum of $2,000,000 for an 8.5% stake. The LLC is in the business of developing next generation nitrogen fertilizer production technology and has a patent pending for a zero emissions combined fertilizer and thermal power plant. The Company's interest in the investment is accounted for using the cost method.

C) NH3 Plant Investment:

During 2016 the Company purchased 30,000 units (share equivalents) in a Delaware Limited Liability Company (DLLC) for the total sum of $3,000,000 for a 4.11% stake. The DLLC plans to build a NH3 Plant that will produce nitrogen based fertilizer using next generation production technology. The Company's interest in the investment is accounted for using the cost method.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. There were no impairment losses recognized for long-lived assets as of October 31, 2016 and 2015.

INCOME TAXES

Under the federal tax code, the Company is a non-exempt cooperative association. Non- exempt cooperatives accrue income taxes on net non-patronage proceeds. No provision for taxes is made for net patronage proceeds paid or allocated to members as qualified notices of allocation.

Deferred tax assets and liabilities are calculated by applying applicable tax rates to the non-patronage differences between the financial statement basis and tax basis of assets and liabilities currently recognized in the financial statements. The accounting standard for uncertain tax positions prescribes a recognition threshold and measurement process for accounting and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. The Company does not have any entity level uncertain tax positions.

It is the Company's policy to include interest and penalties related to unrecognized tax benefits within the provision for income taxes on the statement of net margin. No amounts were recognized for interest and penalties related to unrecorded tax benefits during fiscal years 2016 or 2015.

INCOME TAXES, CONTINUED

In November 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. Current generally accepted accounting principles require an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. The amendments in ASU 2015-17 simplify the presentation of deferred income taxes by requiring that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. For entities that are not public business entities, ASU 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2017, with earlier application permitted. The amendments in this Update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company has elected to adopt ASU 2015-17 for its year-ended December 31, 2015 and has applied its provisions retrospectively. Accordingly, the Company's deferred tax liabilities and assets have all been reported as long-term in the accompanying balance sheets as of October 31, 2016 and 2015.

PATRONAGE RETAINS

Net margin may be retained or distributed to members at the option of the Board of Directors. The Board annually determines whether additional retains are needed. No amounts were retained from fiscal year 2016 or 2015.

MEMBER DISTRIBUTIONS

Net margins from member business are distributed on the basis of patronage, not to exceed a calculation based on the number of shares of common stock owned by the individual member.

REVENUE RECOGNITION

Substantially all revenue is recognized when products are shipped and the customer takes ownership and assumes risk of loss, collection is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Product revenue and trucking income is recognized as product is shipped. Terminaling income is recognized as product is shipped from the terminal.

RECLASSIFICATION

Certain prior year amounts have been reclassified for current year financial statement presentation purposes.

ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fair Value Measurements Topic of the Financial Accounting Standards Board Codification establishes a framework for measuring fair value under generally accepted accounting principles. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The Company's financial instruments include cash and cash equivalents, certificates of deposit, accounts receivable, accounts payable and accrued expenses and deferred compensation plan assets and liabilities. The fair value of short-term financial instruments at October 31, 2016 and 2015 approximates carrying values due to their short-term duration. The estimated fair value of equity securities and mutual funds related to deferred compensation plan (see Note 9) have been determined using Level 1 inputs, including quoted market prices from active markets.

2 PROPERTY AND EQUIPMENT

Property and equipment as of October 31, 2016 and 2015 consists of the following:

	2016	2015
Land	$ 70,000	$ 70,000
Plant equipment	32,786,607	32,068,408
Construction in progress	997	65,205
Total	32,857,604	32,203,613
Less accumulated depreciation	25,352,007	24,024,176
Property and equipment, net	$ 7,505,597	$ 8,179,437

Depreciation charged amounted to $1,330,373 and $1,328,154 for the years ended October 31, 2016 and 2015, respectively.

3 INCOME TAXES

The components of the provisions for income taxes for the years end October 31, 2016 and 2015 are as follows:

	2016	2015
Federal:		
Current tax expense	$ -	$ 58,618
Deferred tax expense (benefit)	57,147	(88,301)
	57,147	(29,683)
State:		
Current tax (benefit) expense	(7,732)	800
Deferred tax expense benefit	34,614	(51,452)
	26,882	(50,652)
Total tax expense (benefit)	$ 84,029	$ (80,335)

The components of net deferred tax assets (liabilities) as of October 31, 2016 and 2015 are as follows:

	2016	2015
Deferred tax assets (liabilities):		
Accruals	$ 8,664	$ 13,115
Allowance for doubtful accounts	20,849	26,774
Deferred compensation	49,835	17,811
Other	3,843	28,570
Depreciation	(196,147)	(247,821)
Net operating loss carry-forwards	330,686	140,356
Valuation allowance	(330,686)	-
Net deferred tax liabilities	$ (112,956)	$ (21,195)

The Company has total deferred tax assets of $413,877 and $226,626 at October 31, 2016 and 2015, respectively. Deferred taxes relate primarily to federal and state net operating loss carry-forwards. The net operating loss carry-forwards expire in fiscal years beginning 2034.

The valuation allowance for deferred tax assets as of October 31, 2016 and 2015 was $330,686 and $0, respectively. The net change in the total valuation allowance was an increase of $330,686 and $0 for the years ended October 31, 2016 and 2015, respectively. The valuation allowance relates to uncertainties about the ability to realize the net operating loss carry-forwards as a result of the Company's current operating performance related to non-patronage business. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

4 LEASES

The Company leases administrative offices, railcars, and certain other equipment under operating lease agreements. Port terminal space is also leased under an agreement that expires, following a 20-year extension, in December 2041. All ammonia is delivered through this port.

Future minimum lease payments for noncancellable operating leases with terms in excess of one year as of October 31, 2016 are as follows:

Year Ending October 31:	
2017	$ 913,350
2018	914,744
2019	884,899
2020	710,611
2021	620,961
Thereafter	9,253,057
	$ 13,297,622

LEASES, CONTINUED

The port lease agreement also entitles the Company to receive a wharfage credit against the lease expense based on a tonnage delivered to the port. The lease agreement provides that the Company may be required to remove improvements to the property at its cost at the conclusion of the lease. The Company estimates that the present value of any removal costs is not material. Rental expense incurred under operating leases (including month-to-month rentals) was $837,843 and $839,823 for the years ended October 31, 2016 and 2015, respectively.

On March 13, 2014 the Company entered into a sublease agreement for a portion of the land from the port. The sublease agreement is between the Company (sublessor) and Crowne Cold Storage LLC (sublessee). The specific terms of the sublease agreement call for $500,000 to be paid by the sublessor to the sublessee in the first three years of the lease, after which the payments decrease to $40,000 per year for all years after December 31, 2016. Future minimum expected lease receipts are as follows:

Year Ending October 31:	
2017	$ 100,000
2018	40,000
2019	40,000
2020	40,000
2021	40,000
Thereafter	880,000
	$ 1,140,000

The Company recognizes rental income under the straight line method and has recorded a deferred rent liability of $258,321 within deferred revenue on the balance sheet as of October 31, 2015. Rental income recognized for the year ended October 31, 2015 was $46,027.

5 BANK FINANCING

On October 19, 2015 the Company entered into a credit agreement which had an available borrowing limit of $10,000,000 at October 31, 2015. The Company's line of credit is limited to the lesser of combined totals of 65% of inventories and 80% of eligible accounts receivable or a fixed amount as defined in the line of credit agreement. The fixed amount fluctuates from a minimum of $5,000,000 to a maximum of $13,000,000 over the life of the agreement. At October 31, 2016 the maximum line of credit available amounted to $5,000,000. The line of credit accrues interest at LIBOR Daily Floating Rate plus 1.375% (1.81% at October 31, 2016) and expires on October 1, 2020. No balance was outstanding at October 31, 2016 and 2015.

The Company has available letters of credit that may not exceed $1,000,000. The letter of credit in the amount of $315,039 was outstanding at October 31, 2016 and 2015. The letter of credit matures on October 1, 2020. The Company must pay a non-refundable fee equal to 1.375% per annum of the outstanding undrawn amount of each standby letter of credit, payable annually in advance, calculated on the basis of the face amount of outstanding on the day the fee is calculated.

Under the line of credit agreement, the Company has a second line of credit facility in the amount of $15,000,000 that is available as of January 10, 2016. The line of credit accrues interest at LIBOR Daily Floating Rate plus 1.375%. The line shall reduce by $750,000 commencing on the last day of the first full fiscal quarter following the consummation of a specific investment transaction, and on the last day of each fiscal quarter thereafter ending on October 1, 2020 (the credit facility expires March 31, 2016 if the investment transaction is not consummated), at which time the entire remaining principal and unpaid interest shall become due and payable. The Company did not enter into the specific investment transaction by March 31, 2016 and the outstanding balance and unpaid interest amounted to $0 on March 31, 2016. The second line of credit facility has been cancelled as of October 31, 2016. No balance was outstanding at October 31, 2015.

Under the line of credit agreement, the Company has a third line of credit facility in the amount of $12,000,000 that is available as of January 2, 2016. The line of credit accrues interest at LIBOR Daily Floating Rate plus 1.375%. Commencing on the last day of the fourth full fiscal quarter following the initial advance, and on the last day of each fiscal quarter thereafter and ending on October 1, 2020 (the credit facility expires August 31, 2017, if a specific investment transaction is not consummated) the available balance of the line shall reduce by an amount equal to one sixteenth of the aggregate principal amount of all advances made under the line prior to the first anniversary of the initial advance under the line. In addition, the available balance of the line shall be reduced further on the last day of the ninth full fiscal quarter following the initial advance on the line, and on the last day of each fiscal quarter thereafter ending on October 1, 2020, by an additional amount equal to one twelfth of the difference of $12,000,000 minus the aggregate principal amount of all advances made under the line prior to the first anniversary of the initial advance under the line. No balance was outstanding at October 31, 2016 and 2015.

All three credit facilities are subject to an unused commitment fee of .20% per year based on the daily amount of credit outstanding. In the event the Company does not need the full amounts of credit, the Company may lower the upper limits in the existing agreements.

The Company's bank financing is collateralized by substantially all the Company's accounts receivable, inventory, and equipment.

6 COMMON STOCK

Common stock consists of the following:

	October 31, 2016	2015
Class A, par value $2.50 per share, 1,200,000 shares authorized; 1,092,991 and 1,115,118 shares issued and outstanding at October 31, 2016 and 2015, respectively.	$ 2,732,191	$ 2,787,252
Class B, par value $2.50 per share, 1,250,000 shares authorized; 978,635 and 956,785 shares issued and outstanding at October 31, 2016 and 2015, respectively.	2,446,331	2,391,963
	$ 5,178,522	$ 5,179,215

Class A shareholders are entitled to elect at least a simple majority of directors. Class B shareholders are entitled to elect at least one director. 79% of the Class B common stock is owned by Cal Ida Chemical Co. (Cal Ida), a wholly-owned subsidiary of J.R. Simplot Co. (see Note 11).

7 EMPLOYEE RETIREMENT PLAN

The Company has a defined contribution retirement plan covering employees meeting eligibility requirements. Employees are eligible to participate on the first day of the plan year in which they complete 12 months of employment, provided that they have worked at least 1,000 hours during that period. Minimum annual contributions to the plan are based upon 6% of annual compensation. Additional amounts may be contributed at the discretion of the Company's Board of Directors. The plan has an indefinite expiration date. Contributions to the plan were $376,730 and $318,364 for the years ended October 31, 2016 and 2015, respectively.

8 SAVINGS PLAN

The Company has a 401(k) savings plan. Employees are eligible upon date of hire. Matching contributions are made at the discretion of the Board of Directors. All other contributions are made at the discretion of the Board of Directors. All contributions vest immediately. The Company contributed $84,204 and $83,905 for the years ended October 31, 2016 and 2015, respectively.

9 DEFERRED COMPENSATION PLAN

The Company maintains an unfunded non-qualified deferred compensation plan whereby certain eligible employees can defer their compensation. The plan is funded from the general

DEFERRED COMPENSATION PLAN, CONTINUED

assets of the Company as needed. The Company is the owner and beneficiary of certain life insurance policies, held in a Rabbi Trust, to provide the Company with a source of funds to assist in meeting the liabilities under the plan. The Trust is subject to claims of Company creditors in the event of insolvency of the Company. Included in investments on the balance sheets as of October 31, 2016 and 2015 are funded balances of $598,279 and $398,464, respectively, which represent the Cash Surrender Value of the life insurance policies. Also, included on the balance sheets as of October 31, 2016 and 2015 are liabilities of $686,621 and $589,562, respectively. These liabilities consist of participating employee deferrals adjusted for unrealized gains and losses on employee-directed investments in various equity securities and mutual funds which are recorded at fair value.

10 COMMITMENTS AND CONTINGENCIES

The Company has a long-term agreement in which it will purchase 2,000 tons of ammonia a month from one vendor. The Company has a second long-term agreement with a separate vendor in which it will purchase any additional required ammonia above 2,000 tons from February through June and 55% of any additional required ammonia from July through January. Both agreements expire December 31, 2016. The Company purchases primarily all of its ammonia from these vendors. Management believes that alternate vendors are available, if necessary.

11 RELATED PARTY

The Company has an agreement with J.R. Simplot Co. and affiliates (collectively Simplot), a 37% shareholder, under which Simplot has agreed to purchase all of their anhydrous ammonia manufacturing needs in California from the Company. Under this agreement, the Company's price for anhydrous ammonia to Simplot is the Company's best dealer price less discounts (as defined in the agreement). Simplot receives an estimated patronage refund at the time of purchase. However, this amount is adjusted to actual monthly and Simplot pays interest on the amount of any patronage refund received in advance. Simplot also manufactures AN20 for the Company in exchange for a toll price.

During 2011, the Company entered into an agreement with Simplot, under which the Company agreed to supply Simplot with a minimum of 3,000 short tons of R-Grade ammonia each year and to provide Simplot with exclusive sales and marketing rights to all CALAMCO generated R-Grade ammonia. As a result of the agreement, the Company increased their capacity to store R-Grade ammonia. The agreement has a five-year term with Simplot having the right to exercise seven consecutive five-year options to extend the term. Per the agreement the contract was canceled as of October 31, 2016 and a new three year agreement was entered into by Simplot and CALAMCO after year end. (See Note 13)

In 2012, the Company completed construction and placed into service a new storage tank dedicated to terminaling Urea Ammonium Nitrate (UN32). The Company has entered into an agreement with Simplot to terminal UN32. The Company does not take possession of or sell the product on behalf of Simplot, but merely stores the product for Simplot and charges a related terminaling fee. The agreement has a five-year term with Simplot having the right to exercise seven consecutive five-year options to extend the term.

The total UN32 terminaling revenue includes handling fees and recovery of construction costs for the tank placed into service in 2012. The Company is due to recover $2,020,000 for the cost of constructing the storage tank from Simplot within the first five years of the agreement. Management has deferred recognizing the recovery over a ten-year term under the assumption that Simplot will exercise its first option to extend the terminaling agreement for an additional five-year term.

The following amounts relate to transactions with Simplot:

	Years Ended October 31,			
	2016	% of Total	2015	% of Total
Sales	$ 37,010,731	43%	$ 50,282,264	46%
Accounts receivable	$ 2,302,866	58%	$ 938,846	21%
Tolling costs incurred through Simplot	$ 5,582,166		$ 6,254,331	
UN32 terminaling revenue	$ 2,056,951		$ 1,926,734	
UN32 deferred revenue realized	$ 182,240		$ 202,295	
UN32 deferred revenue	$ 1,059,040		$ 876,800	
Accounts payable	$ 650,343		$ 1,211,031	

12 CONCENTRATION OF CREDIT RISK AND UNCERTAINTIES

Financial instruments that potentially subject the Company to credit risk are funds held by depository institutions and customer trade accounts receivable generated in the normal course of business.

The Company maintains funds at depository institutions, including balances in short-term investment accounts, that periodically exceed the FDIC insurance limits, or in the case of the short-term investments, are not insured. The Company has not experienced any credit losses on these funds held at depository institutions.

As discussed in Note 1, the Company sells anhydrous ammonia and related fertilizer products primarily to agricultural distributors and retailers located throughout California and the western United States; therefore, a portion of its customers' ability to service their obligations is dependent on the agribusiness sector of the economy. Accounts receivable are recorded at the original invoiced amount and are written off against the allowance account when deemed uncollectible by management. While management believes that its security as a creditor is adequate and that the allowance for doubtful accounts is sufficient to provide for potential uncollectible receivables, it is possible that future write-offs could exceed the current allowance. Historical losses and current aging trends have been and are within management's expectations. Management determines the allowance for doubtful accounts based on the evaluation of individual accounts and historical write-offs. The Company does not have a policy for placing trade receivables on non-accrual status and does charge 1.5% interest on past due balances over 30 days.

13 SUBSEQUENT EVENTS

The Company has evaluated subsequent events through December 29, 2016, the date the financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure, except as stated below.

On November 1, 2016, the Company entered into an agreement with Simplot, under which the Company agreed to supply Simplot with a minimum of 4,500 short tons of R-Grade ammonia each year and to provide Simplot with exclusive sales and marketing rights to all CALAMCO generated R-Grade ammonia. The agreement has a three year term, which will automatically renew for one additional year unless either party notifies the other of its intention not to renew after the initial three year term.

CALAMCO

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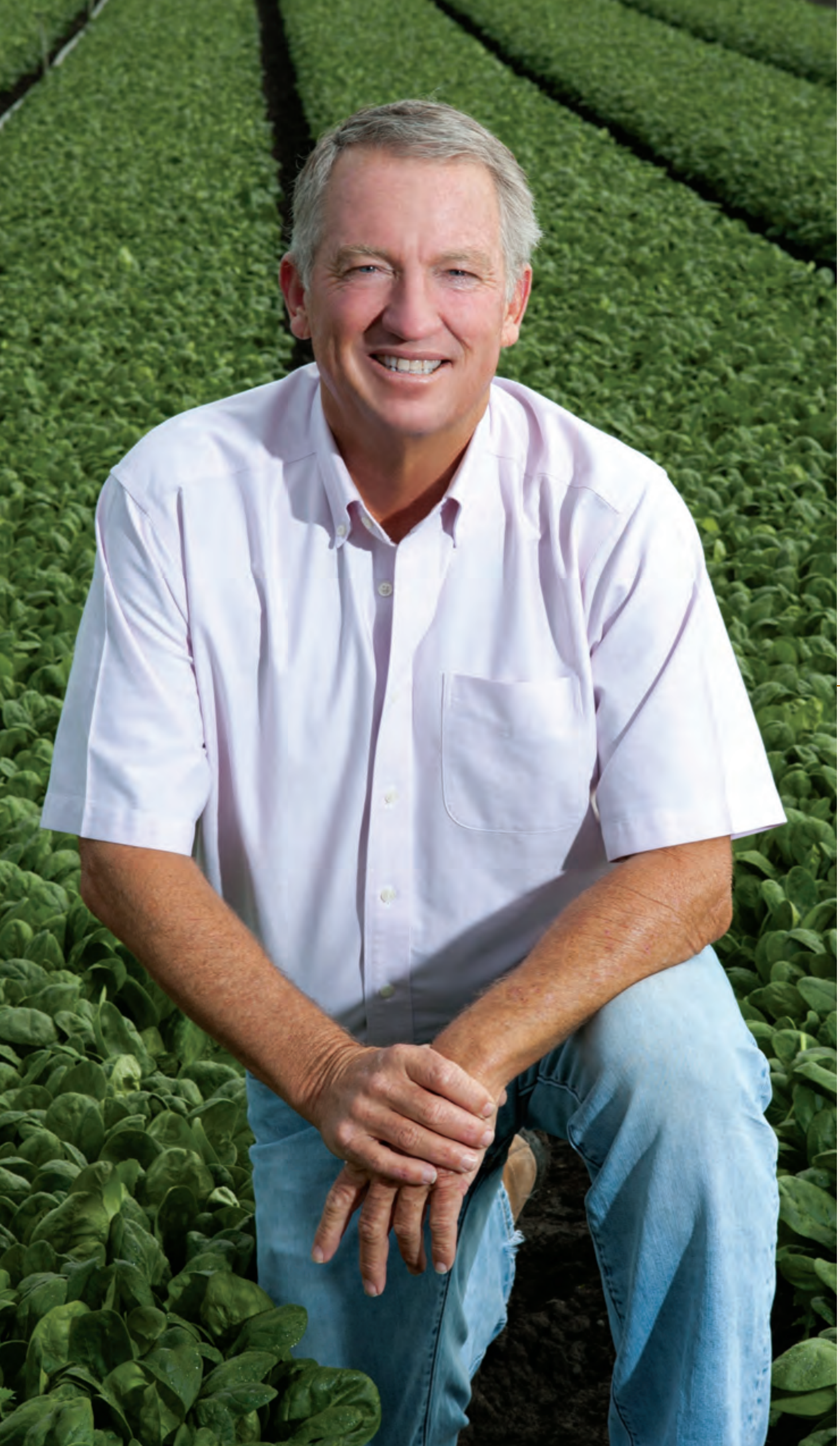

IN **MEMORIAM**

DAVID **MARTELLA**

MARCH 3, 1959 – SEPTEMBER 13, 2016

David Martella was a grower and owner of Martella Farming Company, Inc. He graduated from Fresno State University with a degree in Ag Business, and returned to Salinas to work on the family ranch. David married the love of his life Melissa, and together they raised two sons, Ki and Blackie in the traditions of their ancestors, participating in the Rodeo, and planning family vacations around growing seasons.

David served as a director on CALAMCO's board since April 2013. He was a tremendous asset to our board, and will be truly missed.

IT IS IN HIS MEMORY THAT WE DEDICATE OUR 2016 ANNUAL REPORT.

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