2017 ANNUAL REPORT

CALAMCO

CELEBRATING 60 YEARS OF PARTNERSHIP

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MESSAGE TO SHAREHOLDERS

PICTURED LEFT TO RIGHT:
Robert Brown, President and CEO; Steve Burgin, VP Operations; Dan Stone, Vice President and CFO

2017 marks the 60th Anniversary of CALAMCO
Over our unique 60-year history, CALAMCO has been fortunate to have dedicated employees, management, and a Board of Directors that has continued to focus on the vision of founder, Lowell Barry, who was the President and CEO of The Best Fertilizers Company.

CALAMCO originated in 1957 as a joint effort between many key California growers and The Best Fertilizers Co., to develop a dependable supply of ammonia-based fertilizers at the lowest possible cost to its shareholders. In 1963, Occidental Chemical purchased Best's interest in CALAMCO. On December 31, 1982, the J.R. Simplot Company purchased Occidental's interest in CALAMCO as well as the remaining fertilizer assets in California owned by Occidental.

During this transition, CALAMCO assumed all general and administrative responsibilities for itself. CALAMCO administrative headquarters relocated to Stockton, with management and staff in place. Employees at Hanford and the Port of Stockton were now directly employed by CALAMCO. A Marketing Agreement between the J.R. Simplot Company and CALAMCO continued until November 1, 1985, when CALAMCO took over the marketing of its own products.

Your management, staff, and directors have remained focused on the original Mission Statement, which read: "To provide a reliable and low-cost supply of ammonia (nitrogen fertilizers) to California agriculture". Over the past 60 years, CALAMCO has continued to evolve and flourish, and we have done so because we have remained true to the principles on which this company was founded, along with the continued loyalty and support of our members. ■

FINANCIAL HIGHLIGHTS

	2017	2016
Total Revenue	$ 75,568,034	$ 89,201,795
Cash Patronage Allocated to Participating Shareholders	$ 12,523,154	$ 12,052,006
Cash Patronage Dividend per Ton of Ammonia	$ 59.15	$ 53.50
Net Working Capital	$ 11,047,721	$ 12,079,015
Property, Plant and Equipment, Net	$ 7,079,647	$ 7,505,597
Long Term Debt	$ 0	$ 0
Shareholders' Equity	$ 23,989,562	$ 23,941,227
Number of Shareholders	1,112	1,132
Shares Outstanding at Year-End	2,071,366	2,071,626

ABOVE LEFT (L-R): Dianna Marland, Controller; Davina Escalante, Customer Service; Cindy Chanhnoy, Accounts Payable; Tanya McKennee, Accounts Receivable & Human Resources; Gary Babcock, Network Administrator (seated)
ABOVE RIGHT (L-R): Lanie Beliso Gil and Francine Cabrera, Terminal Administrative Assistants

SALES AND MARKETING

After several years of drought, which had reached extremely severe conditions throughout most of the state, precipitation in 2017 exceeded our expectations.

Though the water was greatly needed, and certainly did improve the severe drought situation we were experiencing, the impact of winter storms continued to linger in northern California well into our typical spring planting season.

Our busiest months of the year are generally April and May, however cooler weather and intermittent storms continued well into April. Unfortunately, this also reduced the window for planting rice, which was condensed from a two-month to a one-month time frame, and affected total sales volumes.

Even though total sales and revenue were down from 2016, our overall cost and expenses were also down in 2017.
At the end of 2016, we exited a high-cost supply agreement with CF Industries, which supplied a portion of our product by rail. An increase in the production of anhydrous ammonia, due to the development of new facilities, led to a greater interest by suppliers to compete for our business. As a result, we were able to negotiate a new two-year supply agreement with our long-term supplier, Koch Nitrogen, which was significantly better than our previous supply agreement.

The added savings, a property tax rebate, and reduced property taxes contributed to increased net margins for 2017 compared to 2016. In addition, rebatable tons claimed in 2017 were down from our previous year, resulting in slightly higher patronage returns. ■

PICTURED LEFT TO RIGHT:
Pam Martin, Executive Assistant; Natalie Foss, Regional Manager; Alice Inderbitzin, Director of Marketing

COMPANY OPERATIONS

ABOVE (L-R): Rick Wise, Leadman; Dale Thigpin Terminal Manager; Trent Patterson, Loader A; Alex Mesquita, Leadman in Training; David Croce, Vacation Relief; Shawn Madave, Loader B (Not pictured: Leadmen Bobby Byers, Shane Cartwright and Mike Jones; Loader A Billy Beasley and Abel Gutierrez; Loader B Sal Aguilar and Zahoor Anwar; Drivers Joey Rubalcaba, Alan Sifford and Manny Silva)
BELOW RIGHT: Ruben Bravo, Driver

At one time, there were as many as eight anhydrous ammonia production facilities located throughout California, and CALAMCO owned two of them. As economics forced the closure of production facilities, our management and Board of Directors had the foresight to position CALAMCO as an importer of product by constructing the ammonia terminal at the Port of Stockton. We have been importing product through this facility since 1978.

CALAMCO's Stockton facility now serves as the only operating ammonia terminal importing anhydrous ammonia in the state. This year, we continued to upgrade the Stockton Terminal with mass-flow meters at the loading stations, which is a significant improvement to our loading process. Weights, truck information, and other pertinent data are moved from mass-flow meters at the load-out station to the accounting system software, and generate electronic invoices to the customer. This allows for significant time savings and provides our customers with faster access to critical data and billing information. 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 2017, CALAMCO received Union Pacific's Pinnacle Award for 2016 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 for 2017. 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 requires 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 routinely 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 development of employee safety knowledge through training and open communication will continue to build 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 throughout California. We interact with seven to eight-hundred agricultural industry employees, first responders, law enforcement, local, state, and federal emergency preparedness staff, as well as Coast Guard and Highway Patrol. CALAMCO also attends national safety and security conferences around the country. In addition, we are very active in the Safety Committee that is part of the insurance captive in which we participate. This committee has representatives from all captive members who are responsible for health and safety, human resources, security, and risk management. ■

ABOVE LEFT (L-R): Ron Maddock & Jeff Warrick, Terminal Maintenance
ABOVE CENTER: Scott Johnson, Driver
ABOVE RIGHT (L-R): Martin Jeppeson, Director of Regulatory Affairs and Ajay Tejpal, Environmental Health & Safety Manager

FINANCIAL OUTLOOK

CALAMCO revenues for 2017 were $75.6 million compared to $89.2 million for 2016. Total cost of materials and expenses were $63.2 million compared to $77.2 million for 2016, leaving a consolidated net margin for 2017 of $12.5 million compared to $11.9 million for 2016.

The Board of Directors declared a distribution of patronage income of $12.5 million which was paid out to members based on 208,278 tons of qualifying ammonia equivalent. We returned a dividend of $59.15 per ton of ammonia equivalent to qualifying members for our 2017 fiscal year, which equates to a 44% return on investment for stock purchased at $20 per share.

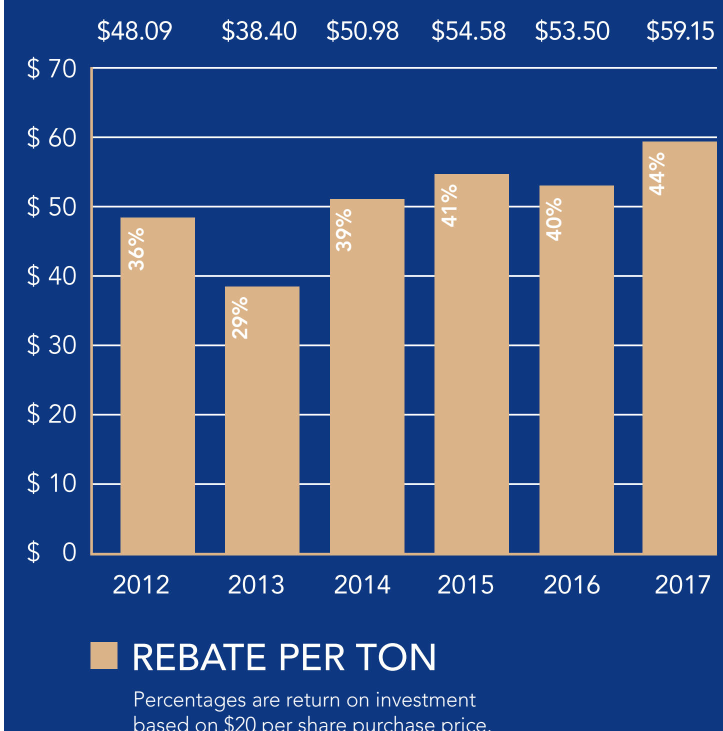
Shareholder equity of $24.0 million reflects an increase of $0.05 million from our 2016 fiscal year. The company's $8 million available line of credit had no outstanding balance at year end.

2017 marks the 60th anniversary of CALAMCO, and we are proud to conclude this milestone as one of the most profitable years in your cooperative's history. The financial condition of CALAMCO remains as strong as ever. CALAMCO's on-going financial strength is reflected in the following financial statements. ■

Robert C. Brown
President, Chief Executive

Case Van Steyn
Chairman of the Board

AVERAGE SIX-YEAR RETURN: 38%



BOARD OF DIRECTORS

PICTURED LEFT TO RIGHT: Bardin Bengard, District 4; Alan Freese, District 1; Chairman Case Van Steyn, District 2; Klaas Hutter, J.R. Simplot Company; Doug Stone, J.R. Simplot Company; Doug DeVaney, District 3 (NOT PICTURED: Darron Page, 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, 2017 and 2016, 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.

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 the 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 audit. We conducted our audit 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, 2017 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTER

The 2016 financial statements were audited by GALLINA LLP, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2017, and whose report dated December 29, 2016, expressed an unmodified opinion on those financial statements. ■

Roseville, California
December 15, 2017

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
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BALANCE SHEETS

	YEARS ENDED OCTOBER 31, 2017	2016
CURRENT ASSETS		
Cash and cash equivalents	$ 4,406,728	$ 2,972,879
Certificates of Deposit	12,542,417	7,017,107
Accounts receivable (net of allowance for doubtful accounts of $287,259 for 2017 and 2016, respectively)	2,050,790	3,987,968
Inventory	5,480,561	9,088,716
Prepaid expenses and deposits	730,141	912,912
TOTAL CURRENT ASSETS	25,210,637	23,979,582
PROPERTY AND EQUIPMENT, NET	7,079,647	7,505,597
INVESTMENTS		
LLC [1]	2,000,000	2,000,000
NH3 Plant [1]	4,382,929	3,000,000
Insurance Program [1]	805,849	875,272
Deferred compensation plan [9]	626,571	598,279
TOTAL INVESTMENTS	7,815,349	6,473,551
TOTAL ASSETS	$ 40,105,633	$ 37,958,730
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 4,792,612	$ 3,121,759
Income taxes payable	800	800
Patronage dividend due to shareholders	9,369,504	8,778,008
TOTAL CURRENT LIABILITIES	14,162,916	11,900,567
Deferred tax liability	-	112,956
Deferred revenue	1,151,571	1,317,359
Deferred compensation plan	801,584	686,621
TOTAL LIABILITIES	16,116,071	14,017,503
COMMITMENTS AND CONTINGENCIES [10]		
SHAREHOLDERS' EQUITY		
Common Stock	5,177,872	5,178,522
Additional paid-in capital	11,075,155	11,043,185
Retained earnings	7,771,079	7,771,079
Common stock subscriptions	(34,544)	(51,559)
TOTAL SHAREHOLDERS' EQUITY	23,989,562	23,941,227
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 40,105,633	$ 37,958,730

See accompanying notes

STATEMENTS OF NET MARGIN AND DISTRIBUTION

	YEARS ENDED OCTOBER 31, 2017	2016
REVENUES		
Sales	$ 71,771,474	$ 86,391,900
Terminaling	3,315,043	2,481,444
Interest income and other	481,517	328,451
TOTAL REVENUES	75,568,034	89,201,795
COSTS AND EXPENSES		
Cost of materials, operations, and distribution	60,057,104	74,219,828
Selling, general, and administrative expenses	2,874,036	2,837,731
Interest expense and other	225,896	130,720
TOTAL COSTS AND EXPENSES	63,157,036	77,188,279
NET MARGIN BEFORE TAXES	12,410,998	12,013,516
INCOME TAX EXPENSE (BENEFIT)	(112,156)	84,029
NET MARGIN	$ 12,523,154	$ 11,929,487
Net margin from member business	$ 12,647,784	$ 12,052,006
Net margin from non-member business	(124,630)	(122,519)
NET MARGIN	$ 12,523,154	$ 11,929,487

PICTURED ABOVE: Darin Peterson, Manager Sycamore Facility

STATEMENT OF SHAREHOLDERS' EQUITY

YEARS ENDED OCTOBER 31, 2017 AND OCTOBER 31, 2016

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	COMMON STOCK SUBSCRIPTIONS	SHAREHOLDERS' EQUITY
Balances at November 1, 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
	COMMON STOCK SHARES	**COMMON STOCK AMOUNT**	**ADDITIONAL PAID-IN CAPITAL**	**RETAINED EARNINGS**	**COMMON STOCK SUBSCRIPTIONS**	**SHAREHOLDERS' EQUITY**
Balances at October 31, 2016	2,071,626	5,178,522	11,043,185	7,771,079	(51,559)	23,941,227
Issuance of common stock	18,000	45,000	315,000	-	-	360,000
Retirement of common stock	(18,260)	(45,650)	(283,030)	-	-	(328,680)
Payments received on common stock subscriptions	-	-	-	-	17,015	17,015
Distributions declared	-	-	-	(12,523,154)	-	(12,523,154)
NET MARGIN	-	-	-	12,523,154	-	12,523,154
Balances at October 31, 2017	2,071,366	$ 5,177,872	$ 11,075,155	$ 7,771,079	$ (34,544)	$ 23,989,562

See accompanying notes

STATEMENTS OF CASH FLOWS

	YEARS ENDED OCTOBER 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net margin	$ 12,523,154	$ 11,929,487
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation	1,215,949	1,330,373
Deferred compensation	86,671	114,744
Deferred revenue	(165,788)	228,265
Deferred taxes	(112,956)	91,761
Gain on investments, net	(123,898)	(83,207)
Loss on sale of equipment	3,847	3,027
Effect of changes in:		
Accounts receivable	1,937,178	437,580
Inventory	3,608,155	3,421,548
Prepaid expenses and deposits	182,771	(313,410)
Accounts payable and accrued expenses	1,670,853	(5,987,863)
Net cash provided by operating activities	20,825,936	11,172,305
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant, and equipment	(793,846)	(659,560)
Maturities of certificates of deposit	11,976,278	4,483,900
Purchases of certificates of deposit	(17,501,588)	(7,500,000)
Investments	(1,382,929)	(3,000,000)
Distribution from equity method investment	193,321	355,506
Cash funded into cash surrender value insurance policy	-	(217,500)
Net cash used in investing activities	(7,508,764)	(6,537,654)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	360,000	915,410
Retirement of common stock	(328,680)	(852,480)
Payments received on common stock subscriptions	17,015	96,149
Distributions to members	(11,931,658)	(12,123,781)
Net cash used in financing activities	(11,883,323)	(11,964,702)
Net change in cash and cash equivalents	1,433,849	(7,330,051)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,972,879	10,302,930
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,406,728	$ 2,972,879
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for income taxes	$ 800	$ 800
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Common stock subscriptions issued	$ -	$ 26,250
Accrual of patronage dividend due to shareholders	$ 9,369,504	$ 8,778,008

NOTE 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 $12,542,417 and $7,017,107 at October 31, 2017 and 2016, respectively. The certificates bear interest ranging from 1.25% to 1.39% and have maturities of three months to seven months.

ACCOUNTS RECEIVABLE

Receivables are carried at the original invoice amount and are written off to expense in the period in which they are deemed uncollectible. The Company provides for estimated losses on accounts receivable based on historical bad debt experience and a review of existing customer receivables. Past due status is based on the terms of each sale. Management's evaluation of accounts receivable resulted in an allowance of $287,259 for the years ended October 31, 2017 and 2016, respectively. The Company charges 1.5% interest per month on past due balances over 30 days.

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 year-end position (payable or receivable) and offsetting inventory are recorded net in the accompanying financial statements.

PROPERTY AND EQUIPMENT

Property 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 $805,849 and $875,272 as of October 31, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and December 30, 2016 is as follows:

	Unaudited 2017	Audited 2016
Total assets	$ 91,663,587	$ 73,364,956
Total liabilities	64,405,720	55,320,947
Net income	3,714,602	993,274

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. During 2017 the Company purchased an additional 13,829 units in the DLLC for $1,382,929 increasing its stake to 5.89%. 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, 2017 and 2016.

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

NOTE 1: Continued

INCOME TAXES

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 2017 or 2016. 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 elected to early adopt ASU 2015-17 for its year-ended October 31, 2016 and 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, 2017 and October 31, 2016.

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. Net margins of $124,630 and $0 were allocated to offset non-member operating results from fiscal years 2017 and 2016, respectively.

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, 2017 and 2016 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.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018, or the Company's fiscal year ending October 31, 2020. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016. The Company has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, or the Company's fiscal year ending October 31, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the effects adoption of this guidance will have on its financial statements.

NOTE 2: Property and Equipment

Property and equipment as of October 31, 2017 and 2016 consist of the following:

	2017	2016
Land	$ 70,000	$ 70,000
Plant equipment	32,954,871	32,786,607
Construction in progress	-	997
Total	33,024,871	32,857,604
Less accumulated depreciation	25,945,224	25,352,007
Property and equipment, net	$ 7,079,647	$ 7,505,597

Depreciation expense amounted to $1,215,949 and $1,330,373 for the years ended October 31, 2017 and 2016, respectively.

NOTE 3: Income Taxes

The components of the provisions for income taxes for the years end October 31, 2017 and 2016 are as follows:

	2017	2016
Federal:		
Current tax expense	$ -	$ -
Deferred tax (benefit) expense	(95,650)	57,147
	(95,650)	57,147
State		
Current tax expense (benefit)	800	(7,732)
Deferred tax (benefit) expense	(17,306)	34,614
	(16,506)	26,882
Total Tax (benefit) expense	$ (112,156)	$ 84,029

The components of net deferred tax assets (liabilities) as of October 31, 2017 and 2016 are as follows:

	2017	2016
Deferred tax assets (liabilities):		
Accruals	$ 4,674	$ 8,664
Allowance for doubtful accounts	14,071	20,849
Deferred compensation	39,266	49,835
Other	2,593	3,843
Depreciation	(286,587)	(196,147)
Net operating loss carry-forwards	421,540	330,686
Net deferred tax assets	195,557	217,730
Valuation allowance	(195,557)	(330,686)
Net defferred tax assets (liabilities)	$ -	$ (112,956)

The Company has total deferred tax assets of $482,144 and $413,877 at October 31, 2017 and 2016, 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 2033.

The valuation allowance for deferred tax assets as of October 31, 2017 and 2016 was $195,557 and $330,686, respectively. The net change in the total valuation allowance was a decrease of $135,129 and an increase of $330,686 for the years ended October 31, 2017 and 2016, 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.

NOTE 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, 2017 are as follows:

Year Ending October 31:	
2018	$ 917,890
2019	881,275
2020	701,594
2021	601,283
2022	549,150
Thereafter	8,766,687
	$ 12,417,879

The port lease agreement also entitles the Company to receive a wharfage credit against the lease expense based on 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 $917,490 and $837,843 for the years ended October 31, 2017 and 2016, 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:	
2018	$ 40,000
2019	40,000
2020	40,000
2021	40,000
2022	40,000
Thereafter	840,000
	$ 1,040,000

The Company recognizes rental income under the straight line method and has recorded a deferred rent liability of $304,342 and $258,321 within deferred revenue on the balance sheets as of October 31, 2017 and 2016, respectively. Rental income recognized for the years ended October 31, 2017 and 2016 was $53,976 and $46,027, respectively.

NOTE 5: Bank Financing

On October 19, 2015, the Company entered into a credit agreement which had an available borrowing limit of $5,000,000 at October 31, 2016. 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, 2017, the maximum line of credit available amounted to $8,000,000. The line of credit accrues interest at LIBOR Daily Floating Rate plus 1.375% (1.19% at October 31, 2017) and expires on October 1, 2020. No balance was outstanding at October 31, 2017 and 2016.

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, 2017 and 2016. 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.

The 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 of the Company's accounts receivable, inventory, and equipment.

NOTE 6: Common Stock

Common stock consists of the following:

	October 31, 2017	2016
Class A, par value $2.50 per share, 1,200,000 shares authorized; 1,077,731 and 1,092,991 shares issued and outstanding at October 31, 2017 and 2016, respectively.	$ 2,694,041	$ 2,732,191
Class B, par value $2.50 per share, 1,250,000 shares authorized; 993,635 and 978,635 shares issued and outstanding at October 31, 2017 and 2016, respectively.	2,483,831	2,446,331
	$ 5,177,872	$ 5,178,522

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. J.R. Simplot Co. and affiliates are a 37% shareholder of the Company. 76% 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).

NOTE 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. The employee retirement plan expense was $377,489 and $376,730 for the years ended October 31, 2017 and 2016, respectively.

NOTE 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 $97,788 and $91,067 for the years ended October 31, 2017 and 2016, respectively.

NOTE 9: Deferred Compensation Plan

The Company maintains a non-qualified deferred compensation plan whereby certain eligible employees

NOTE 9: Continued

can defer their compensation. The plan is governed by the Internal Revenue Code and qualifies under the Employee Retirement Income Security Act of 1974. The plan is funded from the general 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, 2017 and 2016 are funded balances of $626,571 and $589,279, respectively, which represent the Cash Surrender Value of the life insurance policies. Also, included on the balance sheets as of October 31, 2017 and 2016 are liabilities of $801,584 and $686,621, 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.

NOTE 10: Commitments and Contingencies

The Company has a long-term agreement in which it will purchase 100% of ammonia from one vendor. The agreement expires on December 31, 2018. Management believes that alternate vendors are available, if necessary.

The Company is occasionally involved in litigation matters that arise in the ordinary course of business. There are no pending significant legal proceedings to which the Company is a party for which management believes the ultimate outcome would have a material adverse effect on the Company's financial position.

NOTE 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 and/or procures AN20 for the Company in exchange for a toll price.

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.

In 2012, the Company completed construction and placed into service a second 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,			
	2017	% of Total	2016	% of Total
Sales	$ 30,088,657	42%	$ 37,010,731	43%
Accounts receivable	$ 733,827	36%	$ 2,302,866	58%
Tolling costs incurred through Simplot	$ 4,896,659		$ 5,582,166	
UN32 terminaling revenue	$ 2,637,665		$ 2,056,951	
UN32 deferred revenue realized	$ 211,812		$ 182,240	
UN32 deferred revenue	$ 847,229		$ 1,059,040	
Accounts payable	$ 571,110		$ 650,343	

NOTE 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.

Concentration of Credit Risk and Uncertainties, continued: 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.

NOTE 13: Subsequent Events

The Company has evaluated subsequent events through December 15, 2017, 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.

As previously indicated on note 1, the Company owns 43,829 units in a DLLC. On June 22, 2017, the Company entered into the Release and Indemnity Agreement with the DLLC which grants the DLLC the option to repurchase the units held by the Company at a $100 per unit. Subsequent to October 31, 2017, the DLLC has entered into a letter of intent with an unrelated investor, who intends to purchase the Company's units in the DLLC.


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