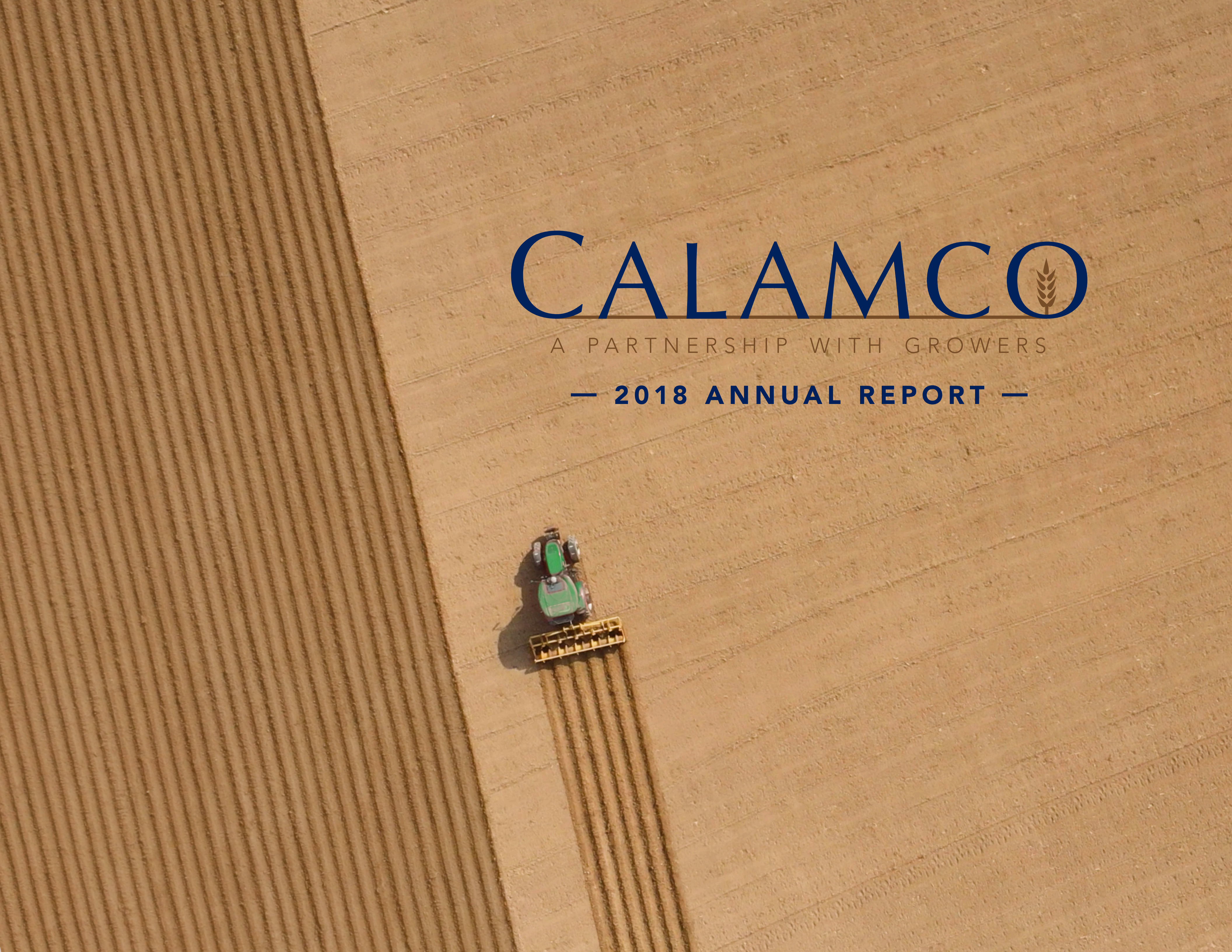


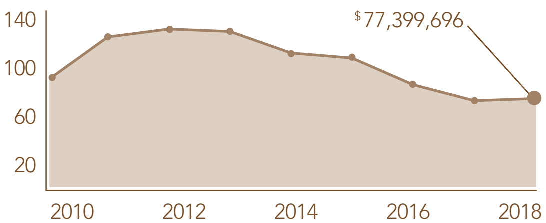
CALAMCO

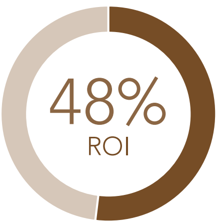
A PARTNERSHIP WITH GROWERS

— 2018 ANNUAL REPORT —

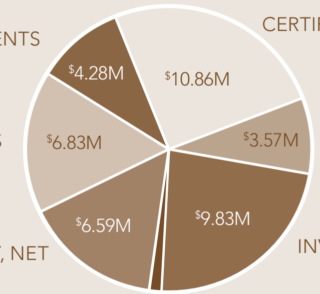
FINANCIAL HIGHLIGHTS

TOTAL REVENUE (2010 - 2018 IN MILLIONS)





ASSETS AT YEAR END: $42,652,906



$ 13.80M
Cash Patronage Allocated to Participating Shareholders

$ 12.19M
Net Working Capital

$ 23.98M
Shareholders Equity

CALAMCO

A PARTNERSHIP WITH GROWERS

CALAMCO is a California-based cooperative made up of approximately 1100 grower-members from throughout California, as well as fertilizer dealers and our industry partner, the J. R. Simplot Company. Since its inception in 1957, CALAMCO shareholders have been enjoying the benefits their stock has entitled them.

TABLE OF CONTENTS

TO OUR SHAREHOLDERS

2018 was one of the most profitable in CALAMCO's 61-year history with almost $14 million in total net income.

CALAMCO paid out a dividend of $64.44 per ton of ammonia equivalent in fiscal year 2018. That equates to a 48% return on investment for those members who purchased stock at $20 per share. Total tons shipped were 154,000 compared to 143,000 in 2017.

There were a few "one-time" factors that contributed to the excellent return this past year.

DAN STONE, President and CEO and
ROBERT BROWN President and CEO, *Retired*

First, we received a rebate of $520,000 in 2018 from Terra, our insurance captive, for our excellent safety and claims record. CALAMCO ranks at the top of our self-insured group of thirty-three companies with a loss ratio of only seven percent. The company that ranked second recorded a 20% loss ratio, and the average loss ratio of the group is 72%.

Second, CALAMCO challenged the San Joaquin County's property tax assessment for the terminal at the Port of Stockton. After review, the County agreed to a property tax adjustment along with a refund of $386,000.

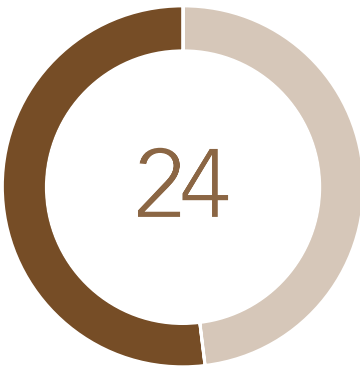
Additionally, after completing a routine tax audit the IRS issued a refund to CALAMCO for $104,000 which was recorded in 2018.

Effective in 2018, the UAN32 payment rebate factor was seven percent. All other payment rebate factors remained the same. This means members received less patronage rebate for UAN32 purchases and more patronage rebate for buying Ammonia, Aqua Ammonia, AN-20 and Simplot produced ammonia-based products.

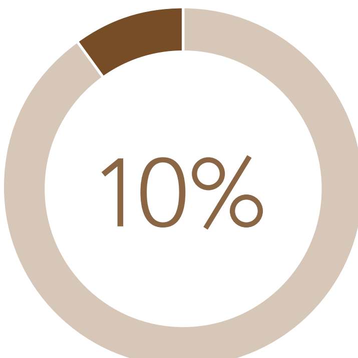
The entire CALAMCO staff is important to the health and strength of this great company. Most of our staff have been employees for many years, dedicating themselves to achieve the common goal of success. In 2018, we celebrated the retirement of a few valued, long-time employees, including Robert (Bob) Brown, who's departure capped nearly 12 years as CALAMCO's President and CEO and 45 years in the industry.

CALAMCO remains committed to delivering stockholder value responsibly and safely.

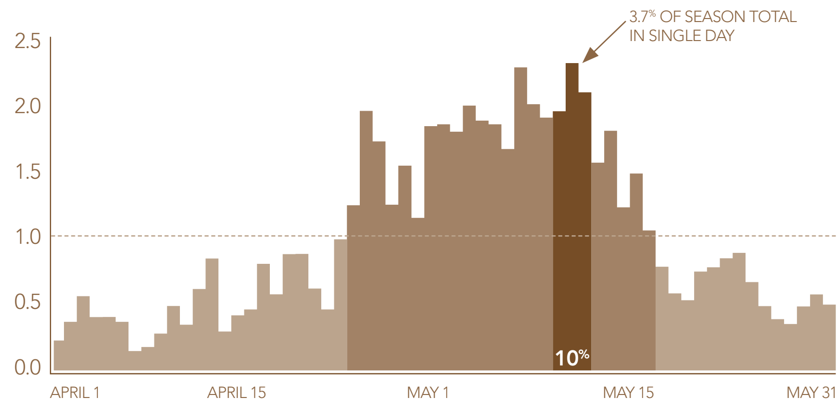
The efforts and commitment of the entire CALAMCO staff and management team continue to reinforce the strength of our company. On behalf of the management and directors, thank you for investing in CALAMCO. ■



PEAK SHIPPING
DAYS IN 2018



ANNUAL TONNAGE SHIPPED
IN 3 CONSECUTIVE DAYS



TONNAGE PER DAY (IN THOUSANDS)
APRIL—MAY, 2018

PEAK SHIPPING DAYS: Peak shipping days consist of days that we ship over 1,000 tons of NH_3 through our terminal. Over the past several years, the average peak shipping period during the April–May time frame would last an average of twenty-eight days. This year we shipped over 1,000 tons per day for twenty-four consecutive days. Eighteen of those days were over 1,500 tons per day, and twelve days were over 1,800 tons. We had three days that we shipped over 2,000 tons of product. Our maximum day alone accounted for 3.7% of the total April-May tonnage, and the peak three days in a row account for over 10 percent.

SALES AND MARKETING

This year was the closest we've come to what we would consider a normal year in quite a while.

Our Spring season began mid-April and we hit our peak shipping period a week later. It was a smooth run the entire season, without the intermittent rain that can be common this time of year. As the northern California planting season began to wind down, the southern part of the San Joaquin Valley picked up, creating a smooth transition for trucking. Product shipped through our terminal during the April-May time frame accounts for one-third of our total annual sales.

A one-year extension to our supply agreement with our long-term supplier, Koch Fertilizer, was negotiated in 2018. Our current supply contract with Koch will expire in December 2019. With the addition of ammonia plants being built in North America, the pressure on pricing has continued to decline from what was experienced in 2014 to 2015. In addition, lower natural gas prices, along with a decrease in the price of corn, continue to add pressure to domestic nitrogen prices. ■

COMPANY OPERATIONS

Each year, CALAMCO dedicates about $700,000 in capital improvement projects at the port of Stockton.

We consider this normal maintenance to ensure our terminal is up-to-date and safe. This past year we completed a full interior inspection on all four UAN32 tanks, making minor repairs as needed.

The construction of our second co-generation unit began in 2018 and is to be completed in early 2019. The unit converts natural gas to electricity, saving your cooperative nearly $80,000 per year (nearly two-thirds of our total PG&E expense). With the addition of our second co-gen unit, CALAMCO could essentially become completely self-sufficient and no longer require electricity delivery from PG&E. The co-gen unit not only provides savings on power cost, it also provides the facility with the warm water needed to heat the ammonia from the storage temperature of -28°F to the 30°F required to load trucks.

In 2018 we resurfaced the roads and parking area of the entire facility. We have also been replacing old valves on an as-needed basis. The new valves are "Control Valves" which are integrated into the controlled automation system. This new automation makes the terminal safer and more efficient.

In addition, manufacturing improvements have been made to R-Grade (refrigeration-grade) production and supply. This higher-grade product is specific for industrial (non-agriculture) use and demands a higher price-point than our C-grade (commercial-grade) product. ■

COMPANY SAFETY

CALAMCO had no incidents, neither from an employee safety issue, nor from a transportation point of view in our 2018 fiscal year.

When we consider how many miles our drivers travel on extremely busy highways and farm roads, how many hours our employees work on twelve-hour rotating shifts, and how much important product we ship to customers, it is impressive to have such an impeccable safety record.

We trained approximately 700 employees, customers, regulators, law enforcement, and emergency responders. This helps solidify relationships with all those we interact with; it also provides them with a source to go to when they need help or advice. CALAMCO has always held "customer service" to a high standard and this is one of the ways in which we accomplish that. ■

NEW CONTROL VALVES: The new valves are "Control Valves" which are integrated into the controlled automation system. This new automation makes the terminal safer and more efficient.

MILESTONES

In 2018, CALAMCO celebrated the careers of these valued employees:

ROBERT (BOB) BROWN retired in December 2018 after serving nearly 12 years as CALAMCO's President and CEO. His prior years of experience in supply and distribution, labor relations, and the development of a joint venture with an international company were key elements that prepared him for his career as President of CALAMCO. His retirement capped an impressive forty-five year career in the agriculture industry. ■

JEFF WARRICK was with CALAMCO for almost 27 years when he retired in June of 2018. Jeff's career began in 1991 as a temporary fork-lift operator before transitioning to a Dome Operator in the controlled atmosphere Cold Storage Facility. He later transitioned to the ammonia terminal, becoming a Lead-Man, before moving to Plant Maintenance 12 years ago. ■

LARRY LUIS retired in January of 2018, on his 31st anniversary with CALAMCO. In January of 1987, CALAMCO entered the trucking business, and Larry was hired as one of the initial four drivers. After spending several years as a driver, Larry transitioned to the Stockton terminal becoming a loader before moving up to a Lead-Man position. We could always count on Larry to cover relief and vacation shifts. ■

BOARD OF DIRECTORS

PICTURED LEFT TO RIGHT: **ALAN FREESE** (District 1), **DOUG STONE** (J.R. Simplot Company), **CHAIRMAN CASE VAN STEYN** (District 2), **DOUG DEVANEY** (District 3), **DARRON PAGE** (J.R. Simplot Company), **KLAAS HUTTER** (J.R. Simplot Company).
NOT PICTURED: **BARDIN BENGARD**, District 4

FINANCIAL OUTLOOK

The financial condition of CALAMCO remains as strong as ever. CALAMCO's on-going financial strength is reflected in the following financial statements.

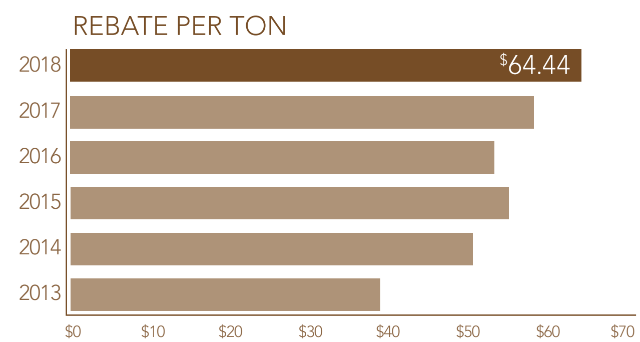
In summary, CALAMCO's revenues for 2018 were $77.4 million compared to $75.6 million for 2017. Our total annual cost of materials and expenses were $63.6 million compared to $63.2 million for 2017, leaving a consolidated net margin for 2018 of $14 million compared to $12.5 million for 2017.

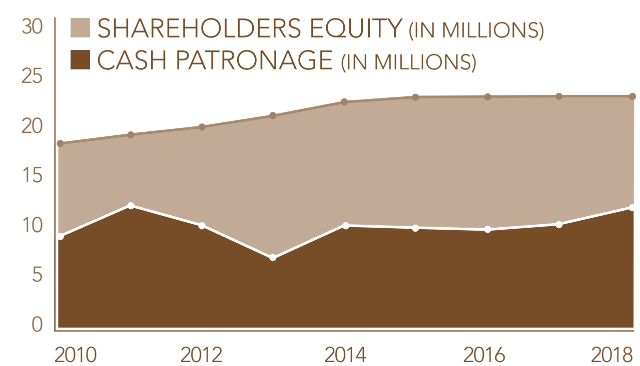
The Board of Directors declared a distribution of patronage income of $13.8 million which was paid out to members based on 210,144 tons of qualifying ammonia equivalent. We returned a dividend of $64.44 per ton of ammonia equivalent to qualifying members for our 2018 fiscal year, which equates to a 48% return on investment for stock purchased at $20 per share.

Shareholder equity of $24 million remained the same as our 2017 fiscal year. The company's $3.5 million available line of credit had no outstanding balance at year end. ■

DAN STONE
President, Chief Executive Officer

CASE VAN STEYN
Chairman of the Board





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, 2018 and 2017, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP | Roseville, California | December 14, 2018

www.CLAconnect.com

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, 2018 and 2017, 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

CURRENT ASSETS FOR YEARS ENDED OCTOBER 31,	2018	2017
Cash and cash equivalents	$ 4,289,848	$ 4,406,728
Certificates of deposit	10,862,685	12,542,417
Accounts receivable (net of allowance for doubtful accounts of $287,259 for 2018 and 2017, respectively)	3,574,856	2,050,790
Inventory	9,834,042	5,480,561
Prepaid expenses and deposits	672,295	730,141
TOTAL CURRENT ASSETS	29,233,726	25,210,637
PROPERTY AND EQUIPMENT, NET	6,590,286	7,079,647
INVESTMENTS		
LLC[1]	2,000,000	2,000,000
NH_3 plant[1]	4,382,929	4,382,929
Insurance program[1]	445,965	805,849
Deferred compensation plan[9]	-	626,571
TOTAL INVESTMENTS	6,828,894	7,815,349
TOTAL ASSETS	$ 42,652,906	$ $40,105,633

CURRENT LIABILITIES AND SHAREHOLDERS' EQUITY FOR YEARS ENDED OCTOBER 31,	2018	2017
Accounts payable and accrued expenses	$ 7,288,081	$ $4,792,612
Income taxes payable	800	800
Patronage dividend due to shareholders	9,752,379	9,369,504
TOTAL CURRENT LIABILITIES	17,041,260	14,162,916
Deferred revenue	925,783	1,151,571
Deferred compensation plan	705,020	801,584
TOTAL LIABILITIES	18,672,063	16,116,071
COMMITMENTS AND CONTINGENCIES[10]		
SHAREHOLDERS' EQUITY		
Common stock	5,172,040	5,177,872
Additional paid-in capital	11,082,693	11,075,155
Retained earnings	7,928,904	7,771,079
Common stock subscriptions	(202,794)	(34,544)
TOTAL SHAREHOLDERS' EQUITY	23,980,843	23,989,562
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 42,652,906	$ 40,105,633

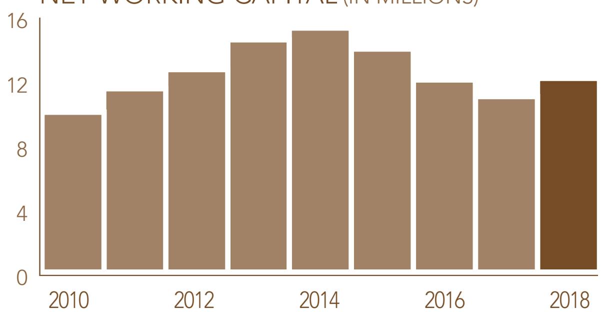
See accompanying notes

STATEMENTS OF NET MARGIN AND DISTRIBUTION

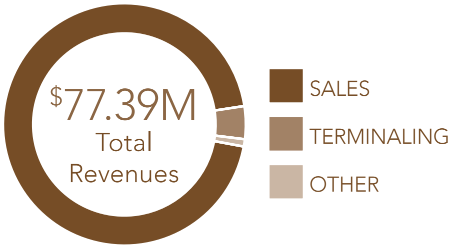
REVENUES FOR YEARS ENDED OCTOBER 31,		2018		2017
Sales	$	73,451,466	$	71,771,474
Terminaling		3,402,939		3,315,043
Interest income and other		545,291		481,517
TOTAL REVENUES		77,399,696		75,568,034
COSTS AND EXPENSES FOR YEARS ENDED OCTOBER 31,		**2018**		**2017**
Cost of materials, operations, and distribution		60,446,726		60,057,104
Selling, general, and administrative expenses		2,994,875		2,874,036
Interest expense and other		168,789		225,896
TOTAL COSTS AND EXPENSES		63,610,390		63,157,036
NET MARGIN BEFORE TAXES		13,789,306		12,410,998
Income tax benefit		(163,693)		(112,156)
NET MARGIN	$	13,952,999	$	12,523,154
Net margin from member business	$	13,795,174	$	12,647,784
Net margin from non-member business		157,825		(124,630)
NET MARGIN	$	$13,952,999	$	12,523,154

See accompanying notes

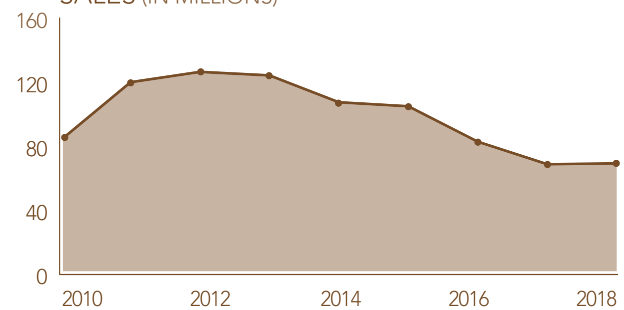
NET WORKING CAPITAL (IN MILLIONS)



TOTAL REVENUES (IN MILLIONS)



SALES (IN MILLIONS)



STATEMENT OF SHAREHOLDERS' EQUITY

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	COMMON STOCK SUBSCRIPTIONS	SHAREHOLDERS' EQUITY
	SHARES	AMOUNT				
BALANCES AT NOVEMBER 1, 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

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	COMMON STOCK SUBSCRIPTIONS	SHAREHOLDERS' EQUITY
	SHARES	AMOUNT				
BALANCES AT OCTOBER 31, 2017	2,071,366	$ 5,177,872	$ 11,075,155	$ 7,771,079	$ (34,544)	$ 23,989,562
Issuance of common stock	21,850	54,626	382,375	-	(236,000)	201,001
Retirement of common stock	(24,483)	(60,458)	(374,837)	-	-	(435,295)
Payments received on common stock subscriptions	-	-	-	-	67,750	67,750
Distributions declared	-	-	-	(13,795,174)	-	(13,795,174)
NET MARGIN	-	-	-	13,952,999	-	13,952,999
BALANCES AT OCTOBER 31, 2018	2,068,733	$ 5,172,040	$ 11,082,693	$ $7,928,904	$ (202,794)	$ 23,980,843

See accompanying notes

$23.9M SHAREHOLDERS' EQUITY

1,105 NUMBER OF SHAREHOLDERS

$13.95M NET MARGIN

STATEMENTS OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES FOR YEARS ENDED OCTOBER 31,	2018	2017
Net margin	$ 13,952,999	$ 12,523,154
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation	1,213,958	1,215,949
Deferred taxes	-	(112,956)
Gain on investments, net	(162,479)	(123,898)
Loss on sale of equipment	-	3,847
Effect of changes in:		
Accounts receivable, net	(1,524,066)	1,937,178
Inventory	(4,353,481)	3,608,155
Prepaid expenses and deposits	57,846	182,771
Deferred compensation	(96,564)	86,671
Deferred revenue	(225,788)	(165,788)
Accounts payable and accrued expenses	2,495,469	1,670,853
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,357,894	20,825,936
CASH FLOWS FROM INVESTING ACTIVITIES FOR YEARS ENDED OCTOBER 31,	**2018**	**2017**
Purchases of property and equipment	(724,597)	(793,846)
Maturities of certificates of deposit	17,179,716	11,976,278
Purchases of certificates of deposit	(15,499,984)	(17,501,588)
Investments	-	(1,382,929)
Distribution from equity method investment	522,363	193,321
Cash received from cash surrender value insurance policy	626,571	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	2,104,069	(7,508,764)
CASH FLOWS FROM FINANCING ACTIVITIES FOR YEARS ENDED OCTOBER 31,	**2018**	**2017**
Proceeds from issuance of common stock	201,001	360,000
Retirement of common stock	(435,295)	(328,680)
Payments received on common stock subscriptions	67,750	17,015
Distributions to members	(13,412,299)	(11,931,658)
NET CASH USED IN FINANCING ACTIVITIES	(13,578,843)	(11,883,323)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(116,880)	1,433,849
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,406,728	2,972,879
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,289,848	$ 4,406,728
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION FOR YEARS ENDED OCTOBER 31,	**2018**	**2017**
Cash paid for income taxes	$ 800	$ 800
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES	**2018**	**2017**
Common stock subscriptions issued	$ 236,000	$ -
Accrual of patronage dividend due to shareholders	$ 9,752,379	$ 8,778,008

See accompanying notes

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 $10,862,685 and $12,542,417 at October 31, 2018 and 2017, respectively. The certificates bear interest ranging from 2.20% to 2.46% and have maturities of six months to ten 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, 2018 and 2017, 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 net realizable value.

EXCHANGED INVENTORY

The Company has agreements with another ammonia supplier whereby product is loaned between the Company and the other supplier. These loans are denominated in ammonia. 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. Costs of repairs and maintenance are charged to expense. 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 Captive agreement provides for specific deductibles, a risk sharing pool, and layers of indemnity coverage. Any surplus or deficit of the Risk Pool in respect of a policy year after meeting the attributable claims and expenses shall be credited or debited to the dividend pool balances of the shareholders in accordance with their risk pool allocations. The investment balances, which reflect the expected future payouts from the dividend pool, were $445,965 and $805,849 as of October 31, 2018 and 2017, respectively.

The Company amortizes the premiums paid to the Captive over the policy year. At October 31, 2018 and 2017, 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 June 30, 2018 and December 30, 2017 is as follows:

	Unaudited 2018	Audited 2017
Total assets	$ 102,464,185	$ 89,637,868
Total liabilities	75,405,898	59,226,423
Net income	1,884,392	5,718.300

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 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) NH_3 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 NH_3 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, 2018 and 2017.

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

NOTE 1: Continued

INCOME TAXES

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 2018 or 2017.

The Company has adopted FASB Accounting Standards Update No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes. The amendment simplifies 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.

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 $0 and $124,630 were allocated to offset non-member operating results from fiscal years 2018 and 2017, 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.

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, 2018 and 2017 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 Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the entity for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual periods beginning after December 15, 2019. Management is evaluating the effect of the amended revenue recognition guidance on the entity's 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. 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, 2018 and 2017 consist of the following:

	2018	2017
Land	$ 70,000	$ 70,000
Plant equipment	33,669,468	32,954,871
Construction in progress	10,000	-
Total	33,749,468	33,024,871
Less accumulated depreciation	27,159,182	25,945,224
Property and equipment, net	$ 6,590,286	$ 7,079,647

Depreciation expense amounted to $1,213,958 and $1,215,949 for the years ended October 31, 2018 and 2017, respectively.

NOTE 3: Income Taxes

The components of the provisions for income taxes for the years end October 31, 2018 and 2017 are as follows:

	2018	2017
Federal:		
Current tax expense (benefit)	$ (104,378)	$ -
Deferred tax (benefit) expense	-	(95,650)
	(104,378)	(95,650)
State:		
Current tax expense (benefit)	(59,315)	800
Deferred tax (benefit) expense	-	(17,306)
	(59,315)	(16,506)
Total Tax (benefit) expense	$ (163,693)	$ (112,156)

The Company recognized a $104,378 Federal and a $60,115 State tax refund during 2018 related to prior period amended tax returns.

The components of net deferred tax assets (liabilities) as of October 31, 2018 and 2017 are as follows:

	2018	2017
Deferred tax assets (liabilities):		
Accruals	$ 3,582	$ 4,674
Allowance for doubtful accounts	10,146	14,071
Deferred compensation	24,901	39,266
Other	1,911	2,593
Depreciation	(256,167)	(286,587)
Net operating loss carry-forwards	443,347	421,540
Net deferred tax assets	227,720	195,557
Valuation allowance	(227,720)	(195,557)
Net deferred tax assets (liabilities)	$ -	$ -

The Company has total deferred tax assets of $483,887 and $482,144 at October 31, 2018 and 2017, 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, 2018 and 2017 was $227,720 and $195,557, respectively. The net change in the total valuation allowance was a increase of $32,163 and a decrease of $135,129 for the years ended October 31, 2018 and 2017, 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.

TAX CUTS AND JOBS ACT

On December 22, 2017, the Tax Cuts and Job Act (the Act) was signed into United States tax law. As a result, certain provisions this Act effect the taxes payable, deferred tax assets and liabilities, and the current and deferred tax expense, of the Company as of and for the year ended October 31, 2018.

EFFECT OF REDUCED FEDERAL CORPORATE TAX RATE

The Act reduces the US federal corporate tax rate from a graduated rate up to 35% to a flat rate of 21%. The Company has adjusted its deferred tax assets and liabilities at October 31, 2018 to reflect the Act's reduction of corporate income tax rates which are expected to be in effect in future years as the deferred tax assets and liabilities are realized. The effect of this adjustment has been recognized as a decrease in the deferred provision for income taxes and valuation allowance of $85,935.

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, 2018 are as follows:

Year Ending October 31:	
2019	890,601
2020	863,203
2021	762,935
2022	708,258
2023	637,447
Thereafter	8,419,211
	$ 12,281,655

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 $922,419 and $917,490 for the years ended October 31, 2018 and 2017, 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:	
2019	40,000
2020	40,000
2021	40,000
2022	40,000
2023	40,000
Thereafter	800,000
	$ 1,000,000

The Company recognizes rental income under the straight line method and has recorded a deferred rent liability of $290,366 and $304,342 within deferred revenue on the balance sheets as of October 31, 2018 and 2017, respectively. Rental income recognized for the years ended October 31, 2018 and 2017 was $53,976, 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 $2,500,000 to a maximum of $6,500,000 over the life of the agreement. At October 31, 2018, the maximum line of credit available amounted to $3,500,000. The line of credit accrues interest at LIBOR Daily Floating Rate plus 1.375% and expires on October 1, 2020. No balance was outstanding at October 31, 2018 and 2017.

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, 2018 and 2017. 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, 2018	October 31, 2017
Class A, par value $2.50 per share, 1,200,000 shares authorized; 1,074,098 and 1,077,731 shares issued and outstanding at October 31, 2018 and 2017, respectively.	$ 2,685,709	$ 2,694,041
Class B, par value $2.50 per share, 1,250,000 shares authorized; 994,635 and 993,635 shares issued and outstanding at October 31, 2018 and 2017, respectively.	2,486,331	2,483,831
	$ 5,172,040	$ 5,177,872

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 $370,134 and $377,489 for the years ended October 31, 2018 and 2017, 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 $90,582 and $97,788 for the years ended October 31, 2018 and 2017, respectively.

NOTE 9: Deferred Compensation Plan

The Company maintains a non-qualified deferred compensation plan whereby certain eligible employees 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, 2018 and 2017 are funded balances of $0 and $626,571, respectively, which represent the Cash Surrender Value of the life insurance policies. During the year ended October 31, 2018 the related life insurance policy was surrendered for cash and payments of $132,406 was made to participants during 2018. The remainder is included in cash as of October 31, 2018. Also, included on the balance sheets as of October 31, 2018 and 2017 are liabilities of $705,020 and $801,584, 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 effectively 100% of ammonia from one vendor. The agreement expires on December 31, 2019. 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. As of the year ended October 31, 2018, CALAMCO has notified Simplot of its intent not to renew.

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 recovered $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,			
	2018	Total %	2017	Total %
Sales	$ 30,124,432	41%	$ 30,088,657	42%
Accounts receivable	$ 1,351,846	38%	$ 733,827	36%
Tolling costs incurred through Simplot	$ 3,835,321		$ 4,896,659	
UN32 terminaling revenue	$ 2,654,945		$ 2,637,665	
UN32 deferred revenue realized	$ 211,812		$ 211,812	
UN32 deferred revenue	$ 635,417		$ 847,229	
Accounts payable	$ 77,150		$ 571,110	

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.

The Company has a labor union contract for its Stockton Port employees with International Longshore and Warehouse Union. The contract expires on June 30, 2019. The union employees are covered through the Calamco Employee Retirement Plan.

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 14, 2018, 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 DLLC. On December 10, 2018, the Company entered into a share repurchase agreement to sell 10,000 shares to DLLC for $1,000,000 at $100 per unit. In connection with the agreement, the Company intends to extend the termination date of its supply agreement option with DLLC to December 31, 2019. ■

1
3
0
0
R4
40,405 gallons
INSTALLED 03/2015
REPLACE BY 02/2020

CALAMCO
A PARTNERSHIP WITH GROWERS
1776 West March Lane, Ste. 420
Stockton, CA 95207