

CALAMCO

progress

SUMMER 2021

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MESSAGE TO SHAREHOLDERS

As you may be aware, we have had to delay our planned UAN project. We are involved in legal disputes with Simplot which will take time to resolve. One relates to the 2011 Storage and Handling Agreement between CALAMCO and Simplot and the 2020 Amendment. We asked the San Joaquin County Superior Court to interpret the language of the Agreement and the Amendment. Simplot has threatened additional legal disputes beyond these – which we will manage as they appear.

Resolving these legal issues takes time and money – for both Simplot and CALAMCO. While impossible to accurately estimate the final legal costs, they will likely be substantial. The eventual spending is entirely contingent on Simplot's actions. An additional question is whether either side is entitled to recover its attorneys' fees from the other, and the court will decide this issue as well.

CALAMCO has taken steps to try to mitigate the litigation costs and still expects to deliver on the \$35/ton 2021 patronage target. We are also working on correcting the historical imbalance in the Simplot-Calamco Master Agreement. CALAMCO has serviced Simplot's UAN business since 2002. Simplot acquires and markets the product for its own financial benefit. CALAMCO only owns and operates the Stockton storage and handling facility, pays the Port of Stockton for services – and receives a small fee from Simplot in return. As communicated in the Fall 2020 Quarterly Newsletter, CALAMCO is no longer paying patronage on Simplot's UAN.

CALAMCO remains interested in offering UAN to our shareholders and our aim is to enter the market at the earliest

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Daniel Stone
President / CEO

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A PARTNERSHIP WITH GROWERS

CALAMCO AWARDS FOUR \$1000 SCHOLARSHIPS

This year we are pleased to award \$1000 scholarships to four, well deserving, graduating seniors. Each of these scholarship recipients has demonstrated outstanding achievements throughout his/her academic years and has expressed a desire to further their education in order to pursue a career in agriculture.



BLAKE IVERSON: Blake is a 2021 graduate of Palma High School in Salinas, graduating with a whopping 4.7 cumulative GPA average, ranking 1st in his graduating class. While in high school Blake was active in student government, Blessed Edmund Rice Society, NHS,

Soccer, track and field, 4-H, and Jr. Fair board, to name a few. In his spare time, Blake enjoys hunting and fishing. One of his many accomplishments was winning an essay contest for California Department of Fish and Wildlife titled "Passing on the Tradition".

Blake plans to attend Cal Poly, San Luis Obispo this fall, majoring in Agricultural Business. His goal is to work in agricultural management or crop consulting, in order to make ranches as productive and profitable as possible. He is excited to learn more about new technologies, and hopes to either help run his family farming operation one day, or embark on his own.



MORGAN DENNIS: Morgan is a 2020 graduate of Maxwell High School, graduating with a 3.98 GPA, ranking 2nd in her class. While in school, Morgan was active in volleyball, basketball, softball, FFA, and Future Business Leaders of America, holding leadership positions

in both FFA and FBLA. In addition, she has been very involved volunteering within her community.

Morgan will be attending Oklahoma State University this fall where she will major in Agribusiness. Her plan after college is to branch out on her own to gain hands

on experience with a career in agriculture. She aspires to one day return to help manage her family business with the knowledge she gains from college and her work experience.



NOELLE FAGUNDES: Noelle is a 2020 graduate of Chowchilla Union High School, graduating with a 3.9 grade point average. Growing up, Noelle was involved with 4-H holding a variety of leadership positions, including serving as President 2019-2021. Noelle was also involved in FFA

throughout high school. She owns a small herd of cattle which she has shown at county fairs and jackpots since the age of 10.

Noelle plans to attend the University of Arizona this fall, majoring in Agribusiness Economics & Management. Her preferred career path would be to one day work as an Ag Loan Officer or Ag appraiser.



ROBERT VAN DYKE: Robert is a 2020 graduate of East Nicolaus High School, graduating with a 3.58 grade point average. In high school, he was involved in football, trap shooting, and FFA, serving as Chapter President. He loves to hunt, fish, and has enjoyed helping within his

community.

Robert plans to attend Montana State University (Bozeman), majoring in either Ag Business or Crop Science. He hopes to one day get a job that helps to further his knowledge in agriculture. ■

MESSAGE TO SHAREHOLDERS, CONTINUED FROM PAGE 1

opportunity. The business case is based on these simple points: 1. Ammonia usage continues to decline across the state and costs will go up if we don't generate more volume; 2. UAN usage is very large; 3. UAN is a strategic fit – as it's imported on ships, stored in large tanks, and shipped on trucks; 4. The Co-op system provides a competitive advantage – as we make no profits, pay no taxes and include all the primary dealers as partner-shareholders. We recognize it's a competitive market with supply challenges but feel these are manageable with the right plans and execution. We will continue to work on this, while at the same time working to favorably resolve the Simplot legal disputes. ■

REDEMPTION OR CANCELLATION OF SHARES

CALAMCO By Laws – Section 3 reads: “If a shareholder has not purchased anhydrous ammonia or other nitrogenous fertilizer manufactured by the corporation for a period of three (3) consecutive years, the corporation may elect, by approval of the Board of Directors, to proceed to redeem or cancel such shareholder’s shares...”, CALAMCO has sent written notice to such members, who then have three years to respond and request redemption. If the shareholder does not respond within the allocated time, then the shares shall be cancelled. CALAMCO initiated the first notice to inactive members in 2011.

To date, 14,495 shares held by 61 members have been cancelled. Over the past two years, 48 members have been notified, of which 16 were undeliverable, and 22 were delivered with no response to date. Eight members have listed stock for sale, and two have returned to active status. We continue to reach out to inactive members, who have the option to redeem their stock by listing it for sale (as long as they are able to provide the proper documentation to do so) or return to active status by submitting a fertilizer use report. ■

SEASON UPDATE AND PROJECTED REBATE

Lack of rain this past winter created yet another season of drought throughout California. This spring, state and federal allocations of surface water were slashed to a trickle due to low snowpack in the Sierra Nevada, forcing some growers to utilize well water as an additional source of water, in some cases - just to keep permanent crops alive.

Water curtailments along with water sales created a large reduction in planted rice acreage in the northern California region this spring. In an average year there would be 500-550 thousand acres of rice planted. Early projections were that 450-470 thousand acres of rice would be planted this spring. However, the USDA just released their reports on acres planted for 2021 and we ended the season with 417 thousand acres planted.

Other results for California are as follows (in thousand acres planted):

	2020	2021
Corn	440	470
Wheat	385	355
Cotton	181	140

Year to date, total sales in 2021 have hit a new record low – down 9% compared to our 2020 fiscal year. This includes

total anhydrous ammonia equivalent in CALAMCO direct sales, manufacturing tons and industrial sales combined. Despite these circumstances, we are still on target for our projected \$35 per ton rebate at year-end. ■



HAZARD RECOGNITION, CONTINUED FROM PAGE 4

REMEMBER: Every year, the third week of September is National Farm Safety and Health Week. This week is dedicated to preventing illnesses, injuries, and deaths among workers in agriculture as the fall harvest approaches. Encourage employees to recognize and report unsafe conditions before the mishap or injury occurs. **Live and Work SAFE!** ■

HAZARD RECOGNITION AND PERSONAL PROTECTIVE EQUIPMENT (PPE)

CALAMCO's concerted focus area is not only the safety of our employees, but on our Agricultural and Industrial customers and their employees. With the conclusion of the COVID-19 Pandemic, the importance of taking "proactive lessons learned" about "spread prevention" must be transitioned into our workplace day-to-day operations.

Valuable prevention efforts during the Pandemic included:

- Hazard recognition, monitoring, and willingness to report increased
- Systematic and regular messaging and communication about hazards and remedies
- Increased employee engagement about everyone's level of protection

Both Agricultural and Industrial day-to-day operations need the same level of employee engagement and concentrated focus of continuous monitoring and reporting of hazardous conditions.

The Bureau of Labor Statistics (BLS) reported 574 private sector agricultural workers fatally injured on the job in 2018. Transportation incidents resulted in 274 deaths. These include 104 deaths involving land vehicles in non-roadway areas and 94 in roadway areas. In addition, agricultural workers suffered 17,390 nonfatal occupational injuries and illnesses in 2018, resulting in days away from work.

With continuous emphasis on employee safety and wellness, we must remember that agricultural and industrial workers routinely use machinery with implements, hand tools, cutting tools, work on ladders, or use powered equipment in their shops. These simple tools can be hazardous and can cause severe injuries when used or maintained improperly. Improper use includes not wearing the proper protective equipment for the work activity.

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Questions or comments can
be forwarded to CALAMCO
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