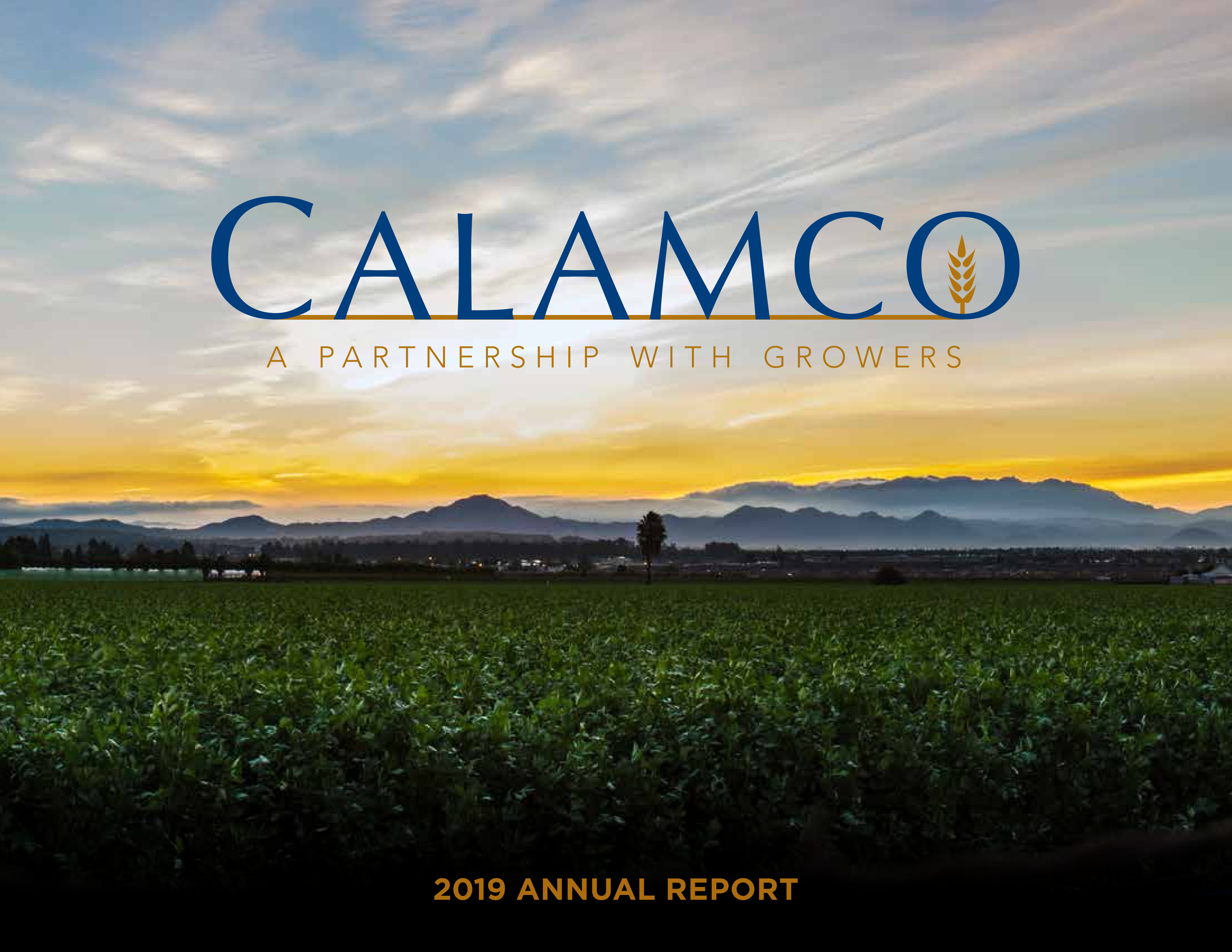


CALAMCO

A PARTNERSHIP WITH GROWERS

2019 ANNUAL REPORT

CALAMCO

A PARTNERSHIP WITH GROWERS

CALAMCO is a California-based cooperative made up of 1,028 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

Dan Stone | President and CEO

CALAMCO's Mission Statement reads: "To Provide a Reliable and Low-Cost Supply of Ammonia (Nitrogen Fertilizers) to California Agriculture." The dividend to our members averaged in the $10-15 per ton range from the 1960's through the 1990's. The average rebate from 2000-2010 grew to the $30 range, and since 2010 has averaged over $50 per ton.

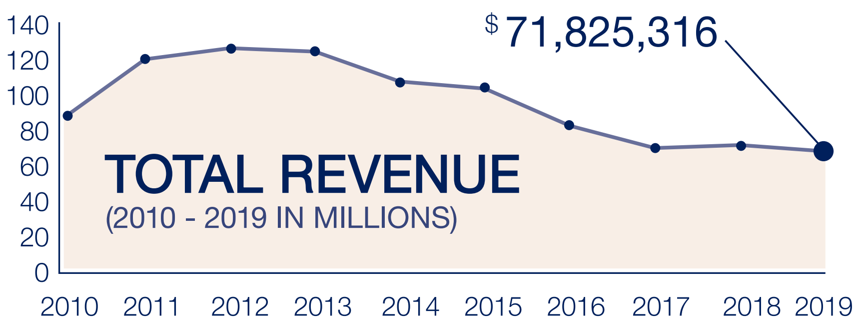
In 2019, our goal was to lower the up-front purchase price for product, while continuing to provide a great return on investment. The intent was to achieve a rebate in the $40 per ton range, with an average ROI in the 30% range. We concluded our 2019 fiscal year with almost $9 million in total patronage. This put us on target with our goal by paying a base rebate of $41.49 per ton to participating members, with a ROI of 31% based on $20 per share purchase price.

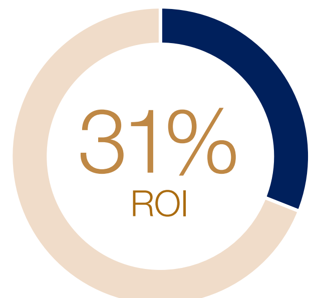
We are pleased with the increase in members using the online Product Usage Portal, which was double the number that had reported on-line last year, and accounted for over 60% of the total use reports received. Growers who opted to report online were able to increase the dividend earned by an additional $1 per ton.

In addition, growers who signed up to be paid via direct deposit increased from less than 10%, to over 50%. Growers receiving their dividend payment via direct deposit received an additional $1 per ton. Thus, growers were able to increase dividends from $41.49 per ton, to a potential $43.49 per ton, and ROI of 33%. Opting for direct deposit and reporting on-line streamlines the overall patronage process and provides real savings for the cooperative.

In early 2019, CALAMCO unveiled a new ePay customer portal. In an effort to further streamline processes, customers can now view invoices, history, bills of lading, and make payments all in one convenient place. The best part is customers who elect to pay invoices via ePay, and by the due date, receive a 1% discount.

2019 FINANCIAL SNAPSHOT





2.06M
Shares Outstanding

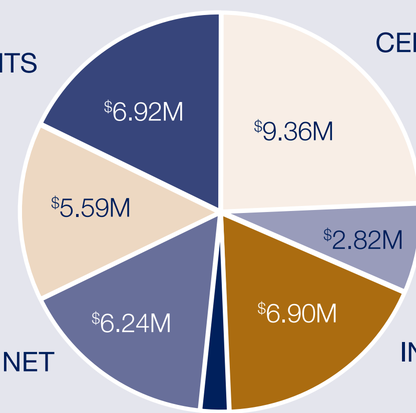
1,028
Shareholders

$ 8.93M
Cash Patronage Allocated to Participating Shareholders

$ 13.90M
Net Working Capital

$ 24.44M
Shareholders Equity

ASSETS AT YEAR END: $38,725,005



COMPANY OPERATIONS

In 2019, CALAMCO navigated many positive staffing changes; some well-deserved retirements, and some new additions that helped position us for the years ahead. A strong focus was made on operator training, procedure review, and truck driver safety.

CALAMCO also continues to identify and complete facility improvements wherever there is an identifiable cost savings, and/or an increase in plant reliability or personnel safety.

CALAMCO successfully installed a second cogeneration unit ("Cogen Unit 2") at the Stockton Terminal. This generator provides approximately $80,000 a year in savings by allowing the facility to avoid PG&E peak day pricing scenarios. The exhaust cooling has been upgraded as well to allow the generators to run continuously through the hot summer, eliminating the need to reduce electrical load on the system. Lastly, this second unit allows maintenance and service of "Cogen Unit 1" with minimal impact to operations.

CALAMCO also upgraded the aging electrical infrastructure at the Stockton Terminal to ensure compliance with the highest standards of reliability and safety. The main primary panel, automatic transfer switch, and UAN32 feeder panel were replaced this year. This new switchgear minimizes direct operator interaction with circuit breakers by monitoring incoming power quality and allowing the automatic transfer and line up to our generators in the event of a power failure.

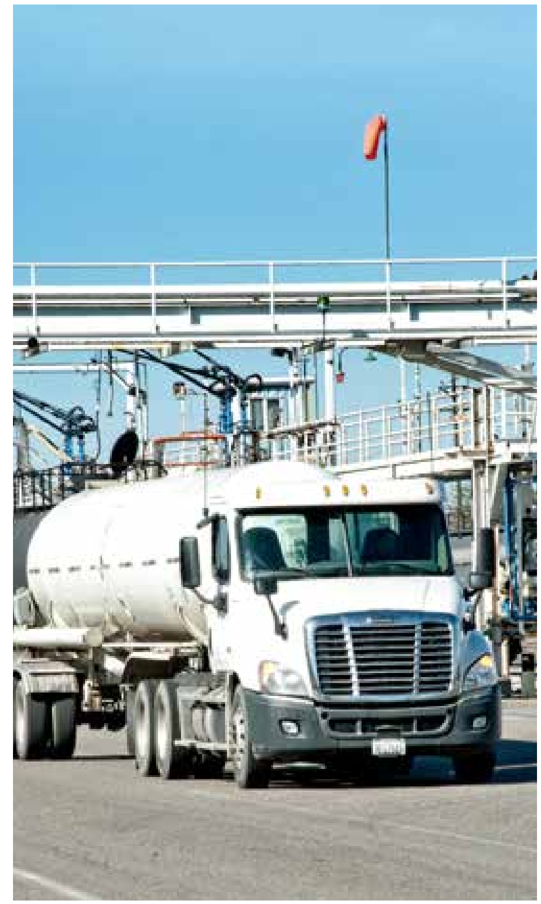
COMPANY SAFETY

From January 1, 2016 thru December 31, 2019 CALAMCO had no transportation incidents or accidental releases of Anhydrous Ammonia at any of our delivery sites.

Each year, our Insurance Captive provider, Terra, hires a Risk Management group to conduct routine safety inspection or "Loss Control Evaluation" at each of the captive member facilities. There are a variety of areas that are covered, including safety programs, emergency response procedures, vehicle inspections and maintenance, risk exposure, and preventative maintenance to name a few. The evaluation is conducted using a point system, 100 representing a perfect score. Each year CALAMCO ranks at the top amongst our fellow captive members, historically obtaining 99 out of 100 points possible. On our last evaluation, CALAMCO was proud to receive a perfect score of 100 points on our evaluation summary.

From January 1, 2016 through December 31, 2019 CALAMCO has had zero transportation accidents or accidental releases of Anhydrous Ammonia at any of our 110+ delivery sites. CALAMCO Customer sites include locations in California, Nevada, Oregon, Washington, Utah and Arizona.

We are extremely proud of the dedication and efforts of our employees, who continue to strive for excellence. The report sited that CALAMCO has a comprehensive program which complies with Federal, State and local regulatory requirements of OSHA, EPA, Cal-OSHA and DOT. Our employees are very well trained, and management is committed and strives for continuous improvement. The report sited that long-term management experience and dedication make CALAMCO a valued member of the Captive.



Though we did expect a slight reduction in direct dealer sales, we ended our year down only 3% overall from our projected budget.

SALES AND MARKETING

Though we were relieved to finally receive much needed rain over the winter months, this year it seemed as if it would never end. The unusually wet weather delayed spring planting in Northern California. Our busy season finally began in early May, and we were off to a great start. Unfortunately, we were cut short seven to ten days by more rain. We did continue to have some product movement late in the season, but it was less than it would have been if we had been able to keep up the momentum without the disruption of additional rain.

The unusually cool, wet weather also delayed planting in the southern San Joaquin Valley. Though we did expect a slight reduction in direct dealer sales, we ended our year down only 3% overall from our projected budget.

In mid-2019, a long-term agreement to supply Koch Nitrogen with anhydrous ammonia for industrial accounts through our Stockton Terminal came to an end. At the same time, we also concluded a long-term supply agreement with the J.R. Simplot Company for the exclusive supply of refrigeration grade anhydrous ammonia, used in the Industrial market.

CALAMCO has now recognized those customers that are established distributors of Industrial anhydrous ammonia accounts and are now selling both R-Grade (refrigeration grade) and C-Grade (commercial grade) ammonia directly to those accounts. We are very excited about the opportunity this has brought to CALAMCO for growth; not only in direct ammonia sales, but the potential for stock sales as well..

2019-2020 BOARD OF DIRECTORS

ALAN FREESE
District 1

CASE VAN STEYN
District 2

DOUG DEVANEY
District 3

BARDIN BENGARD
District 4

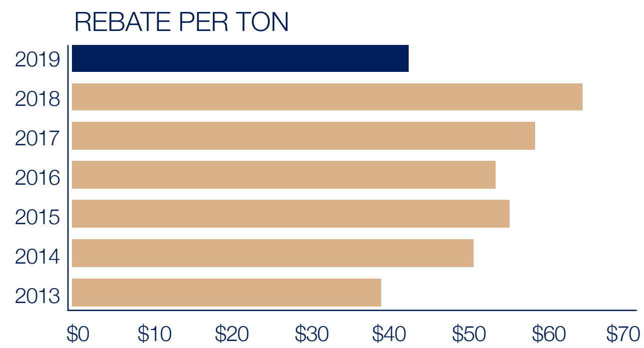
DAVE DUFAULT
J.R. Simplot Company

RICHARD SUNDERLAND
J.R. Simplot Company

G. REY REINHARDT
J.R. Simplot Company

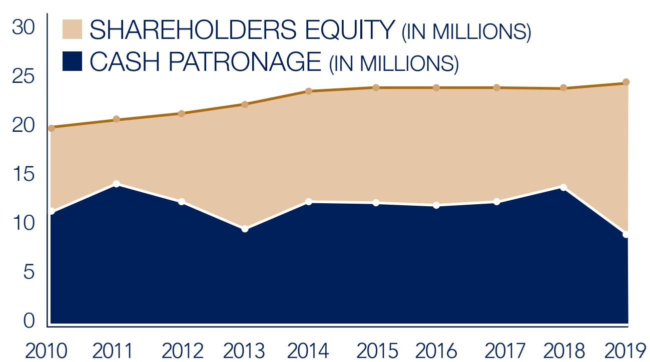
FINANCIAL OUTLOOK

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



CALAMCO's revenues for 2019 were $71.8 million compared to $77.4 million for 2018. Total cost of materials and expenses were $62.8 million compared to $63.6 million for 2018, leaving a consolidated net margin for 2019 $9 million compared to $14 million for 2018. The Board of Directors declared a distribution of patronage income of $8.9 million which was paid out to members based on 204,102 tons of qualifying ammonia equivalent. We returned a base dividend of $41.49 per ton of ammonia equivalent to qualifying members for our 2019 fiscal year, which equates to a 31% return on investment for stock purchased at $20 per share.

Shareholder equity of $24.4 million is up slightly from $24 million in our 2018 fiscal year. The company's $2 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

WE HAVE AUDITED THE ACCOMPANYING FINANCIAL STATEMENTS OF CALAMCO, WHICH COMPRISE THE BALANCE SHEETS AS OF OCTOBER 31, 2019 AND 2018, 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 16, 2019
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, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BALANCE SHEETS

ASSETS AS OF OCTOBER 31,	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ 6,915,337	$ 4,289,848
Certificates of deposit	9,357,726	10,862,685
Accounts receivable (Net of allowance for doubtful accounts of $50,000 and $287,259 for 2019 and 2018, respectively)	2,820,566	3,574,856
Inventory	6,899,495	9,834,042
Prepaid expenses and deposits	896,389	672,295
TOTAL CURRENT ASSETS	26,889,513	29,233,726
PROPERTY AND EQUIPMENT, NET	6,243,089	6,590,286
INVESTMENTS		
LLC [1]	2,000,000	2,000,000
NH3 plant [1]	3,382,929	4,382,929
Insurance program [1]	209,474	445,965
TOTAL INVESTMENTS	5,592,403	6,828,894
TOTAL ASSETS	$ 38,725,005	$ 42,652,906

LIABILITIES AND SHAREHOLDERS' EQUITY AS OF OCTOBER 31,	2019	2018
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 7,200,623	$ 7,288,081
Income taxes payable	800	800
Patronage dividend due to shareholders	5,783,197	9,752,379
TOTAL CURRENT LIABILITIES	12,984,620	17,041,260
Deferred revenue	699,995	925,783
Deferred compensation plan	604,458	705,020
TOTAL LIABILITIES	14,289,073	18,672,063
COMMITMENTS AND CONTINGENCIES [10]		
SHAREHOLDERS' EQUITY		
Common stock	5,179,873	5,172,040
Additional paid-in capital	11,297,384	11,082,693
Retained earnings	8,050,729	7,928,904
Common stock subscriptions	(92,054)	(202,794)
TOTAL SHAREHOLDERS' EQUITY	24,435,932	23,980,843
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 38,725,005	$ 42,652,906

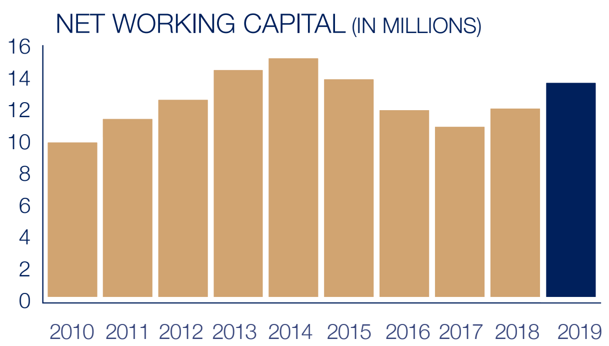
See accompanying notes to the Financial Statements

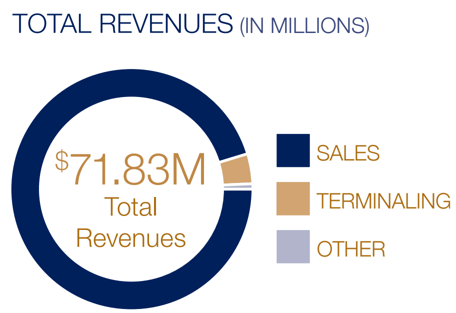
STATEMENTS OF NET MARGIN AND DISTRIBUTION OF NET MARGIN

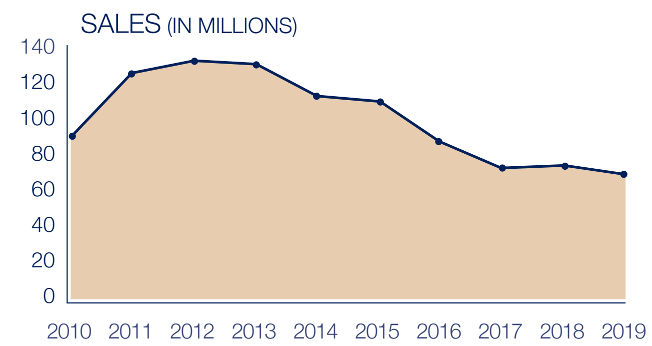
REVENUES FOR YEARS ENDED OCTOBER 31,	2019	2018
Sales	$ 68,442,274	$ 73,451,466
Terminaling	2,868,705	3,402,939
Interest income and other	514,337	545,291
TOTAL REVENUES	71,825,316	77,399,696

COSTS AND EXPENSES FOR YEARS ENDED OCTOBER 31,	2019	2018
Cost of materials, operations, and distribution	60,135,614	60,446,726
Selling, general, and administrative expenses	2,485,641	2,994,875
Interest expense and other	155,793	168,789
TOTAL COSTS AND EXPENSES	62,777,048	63,610,390
NET MARGIN BEFORE TAXES	9,048,268	13,789,306
Income tax expense (benefit)	800	(163,693)
NET MARGIN	$ 9,047,468	$ 13,952,999
Net margin from member business	$ 8,925,643	$ 13,795,174
Net margin from non-member business	121,825	157,825
NET MARGIN	$ 9,047,468	$ 13,952,999

See accompanying notes to the Financial Statements







STATEMENT OF SHAREHOLDERS' EQUITY

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	COMMON STOCK SUBSCRIPTIONS	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT				
BALANCES AT NOVEMBER 1, 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
	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	COMMON STOCK SUBSCRIPTIONS	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT				
BALANCES AT OCTOBER 31, 2018	2,068,733	5,172,040	11,082,693	7,928,904	(202,794)	23,980,843
Issuance of common stock	32,350	80,875	566,125	-	(10,000)	637,000
Retirement of common stock	(37,977)	(73,042)	(351,434)	-	-	(424,476)
Payments received on common stock subscriptions	-	-	-	-	120,740	120,740
Distributions declared	-	-	-	(8,925,643)	-	(8,925,643)
NET MARGIN	-	-	-	9,047,468	-	9,047,468
BALANCES AT OCTOBER 31, 2019	2,063,106	$ 5,179,873	$ 11,297,384	$ 8,050,729	$ (92,054)	$ 24,435,932

See accompanying notes to the Financial Statements

$24.4M SHAREHOLDERS' EQUITY

1,028 NUMBER OF SHAREHOLDERS

$9.05M NET MARGIN

STATEMENTS OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES FOR YEARS ENDED OCTOBER 31,	2019	2018
Net margin	$ 9,04,7468	$ 13,952,999
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation	1,234,707	1,213,958
Gain on investments, net	(86,646)	(162,479)
Effect of changes in:		
Accounts receivable, net	754,290	(1,524,066)
Inventory	2,934,547	(4,353,481)
Prepaid expenses and deposits	(224,094)	57,846
Deferred compensation	(100,562)	(96,564)
Deferred revenue	(225,788)	(225,788)
Accounts payable and accrued expenses	(87,458)	2,495,469
NET CASH PROVIDED BY OPERATING ACTIVITIES	13,246,464	11,357,894
CASH FLOWS FROM INVESTING ACTIVITIES FOR YEARS ENDED OCTOBER 31,	**2019**	**2018**
Purchases of property and equipment	(887,510)	(724,597)
Maturities of certificates of deposit	22,532,845	17,179,716
Purchases of certificates of deposit	(21,027,886)	(15,499,984)
Distribution from equity method investment	323,137	522,363
Proceeds from sale of investment	1,000,000	-
Cash received from cash surrender value insurance policy	-	626,571
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,940,586	2,104,069
CASH FLOWS FROM FINANCING ACTIVITIES FOR YEARS ENDED OCTOBER 31,	**2019**	**2018**
Proceeds from issuance of common stock	637,000	201,001
Retirement of common stock	(424,476)	(435,295)
Payments received on common stock subscriptions	120,740	67,750
Distributions to members	(12,894,825)	(13,412,299)
NET CASH USED IN FINANCING ACTIVITIES	(12,561,561)	(13,578,843)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,625,489	(116,880)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,289,848	4,406,728
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,915,337	$ 4,289,848
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION FOR YEARS ENDED OCTOBER 31,	**2019**	**2018**
Cash paid for income taxes	$ 800	$ 800
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES FOR YEARS ENDED OCTOBER 31,	**2019**	**2018**
Common stock subscriptions issued	$ 10,000	$ 236,000
Accrual of patronage dividend due to shareholders	$ 5,783,197	$ 9,752,379

See accompanying notes to the Financial Statements

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. 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 $9,357,726 and $10,862,685 at October 31, 2019 and 2018, respectively. The certificates bear interest ranging from 1.80% to 2.81% and have maturities of one to twelve 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 $50,000 and $287,259 for the years ended October 31, 2019 and 2018, 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) and net realizable value.

EXCHANGED INVENTORY

Prior to May 31, 2019, the Company had agreements with another ammonia supplier whereby product was loaned between the Company and the other supplier. These loans were denominated in ammonia. The year-end position (payable or receivable) and offsetting inventory were recorded net in the accompanying financial statements. As of the year ended October 31, 2019, this agreement had been terminated.

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 $209,474 and $445,965 as of October 31, 2019 and 2018, respectively.

The Company amortizes the premiums paid to the Captive over the policy year. At October 31, 2019 and 2018, 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, 2019 and December 30, 2018 is as follows:

	Unaudited 2019	Audited 2018
Total assets	$ 107,845,274	$ 92,730,419
Total liabilities	73,279,879	63,060,105
Net income	7,474,236	6,258,669

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%. In 2019, the Company sold 10,000 units of its investment in DLLC for $1,000,000. 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, 2019 and 2018.

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.

NOTE 1: INCOME TAXES (CONTINUED)

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

It is the Company's policy to include interest and penalties related to unrecognized tax benefits within the provision for income taxes on the statement of net margin. No amounts were recognized for interest and penalties related to unrecorded tax benefits during fiscal years 2019 or 2018.

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.

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, 2019 and 2018 approximates carrying values due to their short-term duration.

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 October31, 2020. The Company has not yet selected a transition method and is currently evaluating the effect that the standard will have on the consolidated 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, 2020, including interim periods within those fiscal years, or the Company's fiscal year ending October 31, 2022. The Company is currently evaluating the effects adoption of this guidance will have on its consolidated financial statements.

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment as of October 31, 2019 and 2018 consist of the following:

	2019	2018
Land	$ 70,000	$ 70,000
Plant equipment	34,332,165	33,669,468
Construction in progress	41,571	10,000
Total	34,443,736	33,749,468
Less accumulated depreciation	28,200,647	27,159,182
Property and equipment, net	$ 6,243,089	$ 6,590,286

Depreciation expense amounted to $1,234,707 and $1,213,958 for the years ended October 31, 2019 and 2018, respectively.

NOTE 3: INCOME TAXES

The components of the provisions for income taxes for the years ended October 31, 2019 and 2018 are as follows:

	2019	2018
Federal:		
Current tax expense (benefit)	$ -	$ (104,378)
Deferred tax (benefit) expense	-	-
	-	(104,378)
State:		
Current tax expense (benefit)	800	(59,315)
Deferred tax (benefit) expense	-	-
	800	(59,315)
Total Tax (benefit) expense	$ 800	$ (163,693)

The Company recognized a $104,378 Federal and a $60,115 State tax refund during 2018 related to prior period amended tax returns. The related State tax refund was received in 2019 while the Federal tax refund is included in accounts receivable as of October 31, 2019.

The components of net deferred tax assets (liabilities) as of October 31, 2019 and 2018 are as follows:

	2019	2018
Deferred tax assets (liabilities):		
Accruals	$ 988	$ 3,582
Allowance for doubtful accounts	656	10,146
Deferred compensation	7,933	24,901
Other	487	1,911
Depreciation	(242,636)	(256,167)
Net operating loss carry-forwards	416,314	443,347
Net deferred tax assets	183,742	227,720
Valuation allowance	(183,742)	(227,720)
Net deferred tax assets (liabilities)	$ -	$ -

The Company has total deferred tax assets of $426,378 and $483,887 at October 31, 2019 and 2018, 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, 2019 and 2018 was $183,742 and $227,720, respectively. The net change in the total valuation allowance was a decrease of $43,978 and an increase of $32,163 for the years ended October 31, 2019 and 2018, 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, 2019 and 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, 2019 are as follows:

Year Ending October 31:		
2020	$	922,531
2021		822,600
2022		773,127
2023		724,277
2024		676,248
Thereafter		8,440,352
	$	12,359,135

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 $957,097 and $922,419 for the years ended October 31, 2019 and 2018, 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:		
2020	$	40,000
2021		40,000
2022		40,000
2023		40,000
2024		40,000
Thereafter		760,000
	$	960,000

The Company recognizes rental income under the straight line method and has recorded a deferred rent liability of $276,390 and $290,366 within deferred revenue on the balance sheets as of October 31, 2019 and 2018, respectively. Rental income recognized for the years ended October 31, 2019 and 2018 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 $2,000,000 to a maximum of $3,500,000 over the life of the agreement. At October 31, 2019, the maximum line of credit available amounted to $2,000,000. The line of credit accrues interest at LIBOR Daily Floating Rate plus 1.375% and expires on October 1, 2022. No balance was outstanding at October 31, 2019 and 2018.

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, 2019 and 2018. The letter of credit matures on October 1, 2022. 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, 2019	October 31, 2018
Class A, par value $2.50 per share, 1,200,000 shares authorized; 1,052,314 and 1,077,314 shares issued and outstanding at October 31, 2019 and 2018, respectively	$ 2,630,785	$ 2,685,709
Class B, par value $2.50 per share, 1,250,000 shares authorized; 1,019,635 and 994,635 shares issued and outstanding at October 31, 2019 and 2018, respectively	2,549,088	2,486,331
	$ 5,179,873	$ 5,172,040

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. 74% 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 $378,770 and $370,134 for the years ended October 31, 2019 and 2018, 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 $109,320 and $90,582 for the years ended October 31, 2019 and 2018, 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. Historically investments had included life insurance policies recorded at their cash surrender value. During the year ended October 31, 2018 the related life insurance policy was surrendered for cash and payments of $166,261 and $132,406 were made to participants during the year ended October 31, 2019 and 2018, respectively. The remainder is included in cash as of October 31, 2019. Also, included on the balance sheets as of October 31, 2019 and 2018 are liabilities of $604,458 and $705,020, respectively. These liabilities consist of participating employee deferrals adjusted for 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, 2021. 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. In February 2019, the Company also entered into an agreement with Simplot in which Simplot manufactures and/or procures AN20 for the Company in exchange for a toll price. This tolling agreement requires Simplot to supply the Company with a minimum of 20,000 short tons of AN20 a year for 5 years. The agreement will automatically renew for one additional year unless either party notifies the other its intention not to renew.

Prior to October 31, 2019, the Company operated under 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 had a three year term, which ended October 31, 2019.

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,			
	2019	% of Total	2018	% of Total
Sales	$ 29,902,567	44%	$ 30,124,432	41%
Accounts receivable	$ 611,411	22%	$ 1,351,846	38%
Tolling costs incurred through Simplot	$ 4,358,407		$ 3,835,321	
UN32 terminaling revenue	$ 2,454,102		$ 2,654,945	
UN32 deferred revenue realized	$ 211,812		$ 211,812	
UN32 deferred revenue	$ 423,605		$ 635,417	
Accounts payable	$ 221,584		$ 77,150	

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, 2023. 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

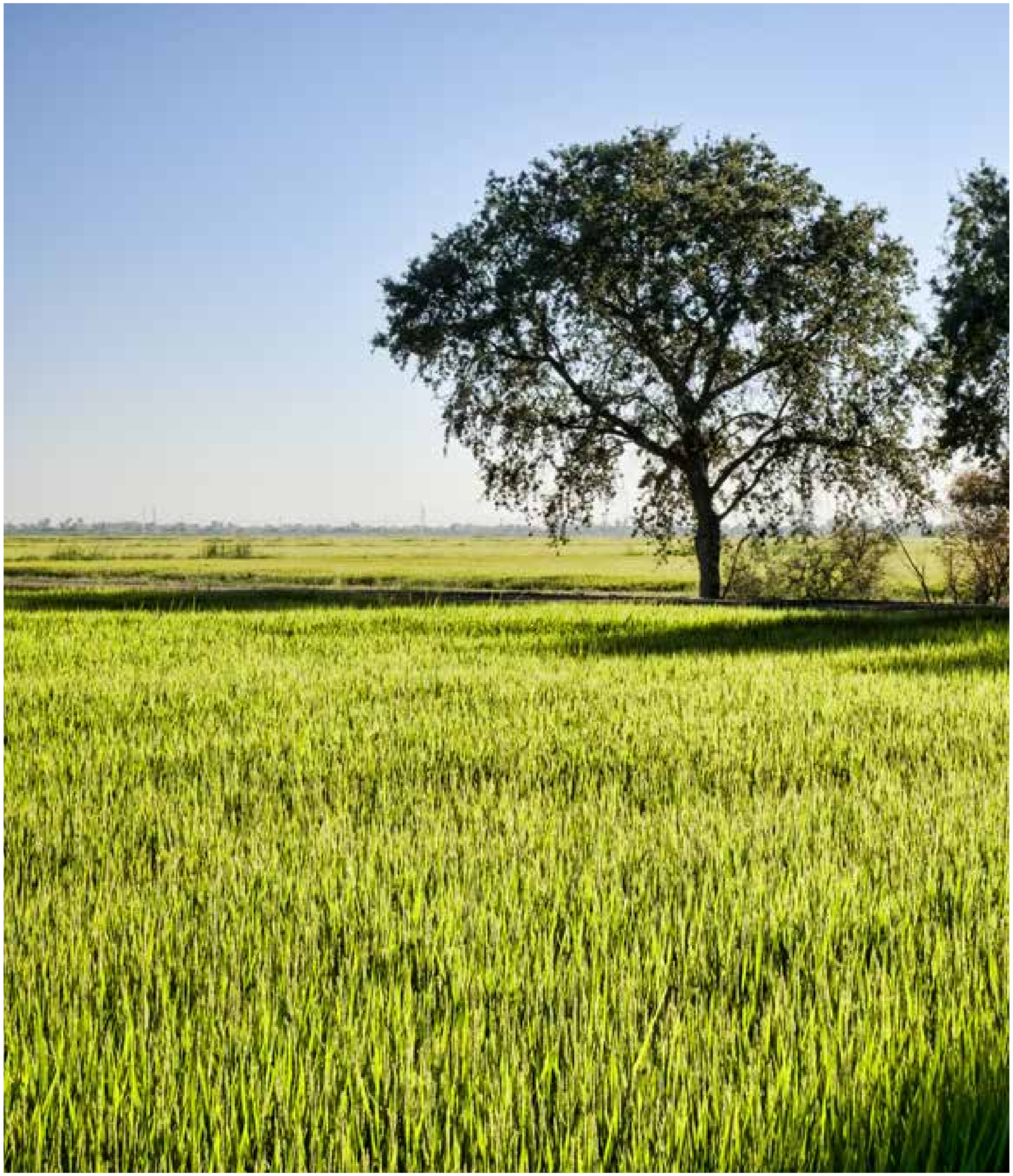
The Company has evaluated subsequent events through December 16, 2019, the date the financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure, except as stated below.

On October 16, 2019, the Company entered into an agreement giving DLLC the option to repurchase 1,500 shares for $150,000 at $100 per unit. In connection with the agreement, the Company intends to extend the termination date of its Ammonia Agreement (supply agreement) option with DLLC to March 31, 2020. The agreement also gives DLLC the option to repurchase an additional 300 shares on or before the last day of each month for a sum of $30,000 extending the termination date of the supply agreement by one month.

MILESTONES

RON MADDOCK had a 35-year career with CALAMCO, retiring on March 29, 2019. Ron had previous experience as a truck driver, and shop maintenance prior to coming to CALAMCO. Ron took a position as a loader at the Stockton terminal in 1984. He moved up to Lead-Man, then transitioned to Plant Maintenance in 2002.

RICK WISE retired on February 27, 2019 after serving 27 years with CALAMCO. Rick began his career with CALAMCO in 1992 working part-time as a fork-lift driver in the Cold Storage Facility. In 1994 he was offered a full- time job as a truck driver. He was a driver for eight years before transitioning to a loader, then to a Lead-Man position.



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