



GATEWAY NEWS

Manager's Column

This month's Manager's Column is comprised of excerpts from the 2010 Gateway FS, Inc. Annual Report.

Earnings:

2010 Earnings were the second best ever for Gateway FS. For the fiscal year ending July 31, 2010, net earnings were \$3.9 million on sales of \$191 million. This compared to record earnings of \$5.2 million on sales of \$217 million in 2009. Sales were down due to lower grain volume and lower prices in LP, Fertilizer, and grain. Compared to 2009, net earnings increased in Stations, Structures, and Crops while decreasing in Petroleum, LP, Feed, Fast Stop and Grain. Operating income (income before patronage income and interest expense) was \$1.7 million compared to \$1.8 million last year. Patronage refunds received (mostly GROWMARK) were \$1.7 million, down \$1.9 million from a year ago. Expenses of \$12.5 Million were \$771,000 more than last year with increases in retirement, repairs, utilities, insurance, depreciation and credit card fees on higher volume. Interest expense (some seasonal borrowing for fertilizer and grain) dropped from \$75,000 last year to only \$23,000 this year. For most of the year Gateway actually had considerable money invested. Unfortunately, interest rates on secure investments were negligible and interest earned totaled only \$15,500.

Energy Department:

Net earnings decreased to \$700,000 from \$1.3 million last year due to competitive pricing, contract position losses and lower patronage refunds. As a result, operating income was significantly lower in both Petroleum and LP Gas. Positive earnings at the Fuel 24s in Sparta and Prairie du Rocher were higher than in 2009. Waterloo automotive

was closed during the year and is currently operated by a lessee. Petroleum earnings include income from record paint sales of \$97,000 and service income of \$126,000. Net earnings were: Petroleum--\$665,000; Sparta Fuel 24--\$51,000; Prairie du Rocher Fuel 24--\$52,000; and LP Gas--\$14,000.

Fast Stop:

The new Waterloo Fast Stop opened in October 2009. Sales quickly exceeded targets, but earnings were wiped out by an extended gas war which lingered into the new year. Earnings decreased from a record \$195,000 last year to a loss of (\$127,000). Gasoline volume nearly doubled to 4.3 million gallons but margins were less than half of normal. Diesel volume was also up by 50%, but here too margins were cut in half. Inside-sales at the convenience store grew by \$500,000 to \$1.7 million. Earnings there were up more than 50%, but that was not enough to offset the losses in fuel. Customers have expressed how much they like the new store, particularly the employees, the excellent location and the easy access with plenty of room.

Crops Department:

Crops Department net earnings increased to \$1.1 million from \$814,000 in 2009. Excellent performance drove operating income up \$1.1 million over the prior year. The offset was that patronage refunds received were down \$845,000. Gateway won top awards in sales of FS Corn, HiSoys, Soybeans, Field Seeds and Alfalfa. Record sales volume placed FS, Asgrow, Dekalb and NK seeds on more than 75,000 acres. Custom application also produced another new record reaching 135,000 acres. In the new year Gateway will offer cell-based RTK GPS with always-on, subscription-based real-time kinematic positioning and wireless Internet access. With sub-inch accuracy and two-way signals, farmers will be able to affordably progress with the latest in precision farming.

Grain Department:

Grain Department earnings were down \$700,000 to \$2.1 million. While margins per bushel were equal to last year's, the total volume of 22.4 million bushels was below last year's 25.8 million. Last year's volume was the company's second highest ever. Expenses were lower for the year due to lower repair costs and less barge-rent expense on the lower volume. Construction of a new 500,000 bushel grain bin was begun in early summer at Chalfin Bridge and is expected to extend open storage well into harvest.

Feed & Livestock:

The Feed Department had a \$28,000 increase in operating income, but with \$38,000 less patronage refunds received, the earnings were down \$10,000 to a loss of (\$11,500).

Volume continues to grow as more livestock producers switch from milling feed to having complete feed delivered direct to their farms from our LOL central mill in Nashville. This eases their workload, improves feed quality and improves profitable results.

Structures:

The Structures Department recorded record net earnings of \$102,000 last year, but beat that record this year with new record earnings of \$207,000. Sales reached a record level as well reaching \$3.1 million compared to \$2.3 million last year. Operating income increased \$140,000 plus patronage refunds received went up \$40,000 to \$126,000. Sales volume included Buildings at \$610,000 and Bins and Equipment at \$2.5 million. Additionally, service income grew from \$604,000 last year to a record \$701,000 this year. Besides retail sales and service, Gateway's structures department provides construction and service of Gateway facilities.

Financial Condition:

Fiscal 2010 Net Worth includes \$6.8 million of Capital Stock, an increase of \$600,000. Retained Earnings increased \$2.8 million to \$16.6 million. Retained earnings were increased pending outcome of new tax calculations used. Patronage refunds of \$1.3 million were paid to members. Stock redemptions totaled \$80,000. The cooperative invested \$3.5 million in new fixed assets during the year and borrowed no long-term debt. As a result, working capital decreased slightly to \$7.0 million from last year's record \$7.3 million, but remains near ideal standards and includes no long-term debt. The cooperative is very strong financially.

Balance Sheet

CURRENT ASSETS

Cash and Cash Equivalents	\$ 552,000
Net Receivables	12,581,000
Inventories	10,472,000
Prepaid Expense	2,121,000
Income Taxes Receivables	828,000
Deferred Income Taxes	532,000

Total Current Assets

\$ 27,086,000

Investments	5,329,000
Net Property, Plant & Equipment	11,011,000
Long-Term Deferred Income Taxes	820,000
Other Assets	399,000

Total Assets

\$ 44,645,000

LIABILITIES

Accounts Payable	\$ 11,745,000
Patronage Refunds Payable	679,000
Accrued Expenses	1,329,000
Short Term Notes Payable- CoBANK	6,249,000

Total Current Liabilities

\$ 20,002,000

Long-Term Liabilities

Accrued pension Liability	3,876,600
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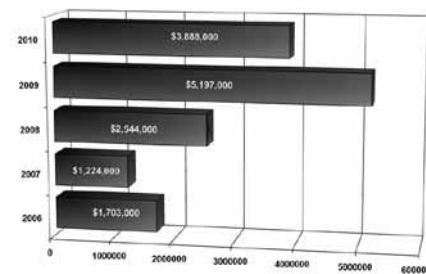
Total Long-Term Liabilities

3,876,000

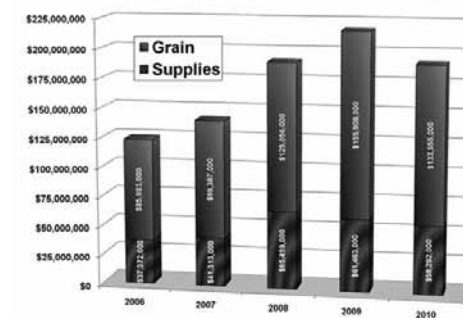
Total Liabilities

\$ 23,878,000

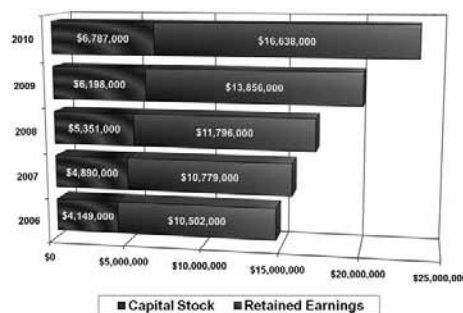
Net Earnings History



Total Sales \$ History



Shareholders' Equity



As of July 31, 2010



Employee of the Month

Jon Harbaugh is the featured employee this month. He has been a Gateway FS employee for 10 years, seven in the Structures Department and the past three in the LP Department.

Jon and his wife, Amber, have two children: Lyndsey, 11, and Hailey, 6. They reside in Sparta. Jon farms part-time, and enjoys hunting and spending time with his family.

(Balance Sheet continued on page 2)

GATEWAY FS, INC.**MANAGEMENT STAFF:**

General Manager.....Mike Kuhn
 Grain Manager.....Dwight Asselmeier
 Assistant Grain Manager.....David Rohlfing
 Crops Dept. Manager.....Jerry Roosevelt
 Petroleum Dept. Manager.....Dan Rieckenberg
 Controller.....Dennis Ernsting
 Operations & Structures Manager.....Greg Birchler

LOCATIONS:

Baldwin.....785-2650
 Evansville - Steven Walter, Manager.....853-2211
 Chalfin Bridge Facility - Ronald
 Rodenberg, Manager.....458-6588
 Kemper's Landing - Randy Braun, Manager.....458-6466
 Prairie du Rocher - Jim Reinhold, Manager.....284-7200
 Percy - Lester Kothe, Manager.....497-2135
 Red Bud - Jim Reinhold, Manager.....282-2646
 Red Bud Structures.....282-3454
 Red Bud Structures Toll free Number.....866-551-3454
 The menu options are:
 For Parts & Service....."Press 3"
 For Construction & Overhead Door Sales....."Press 4"
 For Paint Service....."Press 5"
 For Personal Assistance....."Press 6"
 The extension numbers are:
 Karen....."10"
 Greg....."12"
 Brian....."15"
 Glen....."16"
 Jarret....."18"
 Sparta Facility Lester Kothe, Manager.....443-2181
 St. Mary's, MO LP Sales - Eric Moll, Salesman.....1-573-543-5145
 Steeleville - Petroleum - Ron Yesley, Manager.....965-9435
 Tilden - Cathy Pannier Manager.....587-4009
 Warnock NH3 Plant - Kevin Byer.....281-4396
 Waterloo Elevator- Randy Floarke, Manager.....939-6151
 Waterloo Fast Stop - Cheryl Sullivan, Manager.....939-4979
 Waterloo Fertilizer Plant - Ronald
 Rodenberg, Manager.....939-8237
RED BUD OFFICE.....282-4000

Web site: gatewayfs.com
 E-mail: mailus@gatewayfs.com

Balance Sheet (continued from page 1)**STOCKHOLDERS' EQUITY**

Capital Stock & Stock Credits	\$ 6,787,000
Other Accumulated Comprehensive Loss	(2,658,000)
Retained Income	16,638,000
Total Stockholders' Equity	\$ 20,767,000
Total Liabilities & Stockholders' Equity	\$ 44,645,000

Statement of Income As of July 31, 2010**SALES**

Petroleum Department	\$ 18,461,000
LP Department	4,132,000
Stations Department	1,489,000
Feed Department	4,279,000
Structures Department	3,110,000
FAST STOP Department	7,235,000
Crops Department	19,586,000
Grain Department	132,555,000

Total Sales	\$190,847,000
Cost of Sales	178,937,000

Total Gross Trading Income	11,910,000
Service Income	2,279,000

Total Gross & Service Income	14,189,000
Operating Expenses	12,486,000

Net Operating Income	\$ 1,703,000
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Other Income

Patronage Refunds (GROWMARK, CoBANK, etc.)	\$ 1,653,000
Other Misc. Income (Interest, Dividend, Rental, Gain on sale of assets, etc.)	554,000

Total Other Income	2,207,000
Interest Expense	23,000

Income Before Income Taxes	\$ 3,887,000
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Check your lubricants and filters inventory

Now that harvest and field work is done, it's time to think about getting ready for spring. Gateway FS reminds you to check your lubricant and filter inventory and to take advantage of our pre-season booking program. You may not know that your Energy Specialist can take care of your oil analysis needs too; ask for a free demonstration.

Today's diesel engines exhibit extremely tight tolerances and intense operating temperatures, making them highly susceptible to damage from increases in soot, oxidation and oil shearing. To combat these extreme conditions, look to Suprex Gold® ESP and Suprex Gold®. In exceeding OEM specifications for oil volatility, valve train wear and oil thickening, Suprex Gold ESP and Suprex Gold offer enhanced equipment protection and performance capability to improve service uptime. The proof? The Suprex Gold product family – designated with Super Premium status – is built on a TBN technology platform that delivered 2.5 trillion miles of engine protection over more than 25 years of real-world field miles! The field proven Suprex Gold Series with Super Premium status outperforms conventional engine oils... We have the proof!

Suprex Gold ESP**Exceeds API CI-4 requirements**

Provides 10 Total Base Number (TBN), among the industry's highest levels. Delivers double the soot handling capacity of API CI-4 oils* with proprietary dispersant

technology. Excellent capability to neutralize acids, guarding against corrosive wear. Affords superior soot-induced wear protection, meeting the stringent requirements of the Mack T-12 test. Offers exceptional shear stability and stay-in-grade viscosity well beyond provisions of the API CJ-4 performance category.

* Based on Mack T-11 soot-handling performance in an EGR environment

Suprex Gold**Exceeds API CI-4 PLUS requirements**

Outstanding protection against soot build-up and oxidation. Surpasses the shear stability requirements of API CI-4 PLUS. Promotes cleaner-running and longer engine life. Available in SAE 15W-40, 10W-30 and 30 viscosity grades.

FS Power Fluid

FS Power Fluid offers exceptional performance for your equipment. It is a universal fluid formulated specifically for tractors using a centralized system to lubricate the transmission, differential, wet brake, power steering and hydraulic systems.

FS Power Fluid is formulated using high-viscosity index base oils and a state of the art additive system that provides anti-wear properties, the ability to carry heavy differential gear loads, resistance to oxidation-stress from high temperatures and the special balance of frictional properties required to prevent wet brake chatter and give

smooth operation.

Minimizing Viscosity Variation: FS Power Fluid resists the buildup of sludge and varnish in the transmission and hydraulic components which results in increased operating efficiency of the equipment and long life protection of components.

Advanced Gear Protection: FS Power Fluid minimizes and reduces wear on the final drive, transmission and differential gears.

Eliminates Chatter: FS Power Fluid suppresses brake chatter without sacrificing PTO clutch performance. Provides continuous friction-reducing lubrication capable of withstanding the excessive heat generated by today's wet brake systems.

Excellent Corrosion Protection: FS Power Fluid provides greater corrosion protection for the copper containing metals on hydraulic pump parts.

FS Power Fluid is field proven and delivers superior performance with extended equipment life for optimum return on your investment.

Who else, but your local energy specialist brings you quality products like Suprex Gold? The fact is, your local energy specialist is uniquely qualified with the knowledge and expertise needed to help you make smarter decisions, improve profits, and cut downtime and maintenance expenses. For solutions to improve the success of your operation, contact your Gateway FS Energy Specialist today!

**When you count on your equipment to keep your operation running, count on FS to keep it running.**

Your equipment is vital to the success of your operation. When it runs well, your business tends to run well, too. And to keep it running well you need to give it all the protection you can.

FS Suprex and FS Suprex Gold® motor oils give your engines the highest level of protection against soot and oxidation. They also provide peak resistance to viscosity breakdown, for better oil economy and longer engine life. And our FS Power Fluids are hydraulic-transmission fluids specially formulated to help increase both pump and fluid life. So when you count on outstanding performance from your equipment, count on Gateway FS to help deliver it.

Check your inventory and contact your petroleum salesman for pre-season booking specials.

Dale Heller, EMS Ron Schleifer Marty Ernst



Merry Christmas

from Gateway FS, Inc. and Staff

FS SEED HARVEST REPORT

Plot Management

Member Co-op Gateway FS

Cooperator Scott Limestone

City Waterloo

County Monroe

Year 2010 Plot No. _____

Crop Specialist Randy Osterhage

Agronomist Kevin Guebert

Planting Information

Crop Planted Beans

Previous Crop Corn

Planting Date 5/27/10

Planting Population 185,000

Row Width 15

Irrigation? No

Herbicide Applied _____

Insecticide Applied _____

Fertilizer Used _____

Comments _____

Soil Information

Texture Silt Loam pH 6.4

Tillage No till CEC 11

P₁ Test 50 K Test 330

Org Matter 2.3 SCN? None

Harvest Information

Harvest Date 10/5/10

Drying Charge _____

Selling Price _____

FS SEED HARVEST REPORT

Plot Management

Member Co-op Gateway FS

Cooperator Gary Brandt

City CB

County Monroe

Year 2010 Plot No. _____

Crop Specialist Randy Osterhage

Agronomist Kevin Guebert

Planting Information

Crop Planted Beans

Previous Crop Corn

Planting Date 5/27/10

Planting Population 175,000

Row Width 15

Irrigation? No

Herbicide Applied _____

Insecticide Applied _____

Fertilizer Used _____

Comments _____

Soil Information

Texture Silt Loam pH 6.6

Tillage Conv. CEC 14

P₁ Test 60 K Test 410

Org Matter 2.3 SCN? None

Harvest Information

Harvest Date 10/6/10

Drying Charge _____

Selling Price _____

Harvest Data										
Variety	✓	Harvest Population	Lodging Score	Test Weight	Row Length	Harvested Rows	Harvested Feet	Harv. Weight	Moisture	Yield
NK 42-T4	✓			57.5	505	10		540	10.3	64.03
AG 3830				57.2	505	11		600	10.3	64.68
NK XR3806				57.7	505	11		530	9.9	57.39
FS 39R70				56.7	505	11		620	9.7	67.28
AG 4005				56.7	505	11		710	9.5	77.22
FS 40A02				56.8	505	10		600	10.1	71.31
AG 4130				57.6	505	11		640	9.8	69.38
FS 42A02				56.6	505	11		640	10.3	68.99
FS 4366				56.8	505	11		650	10	70.30
AG 4303				57.2	505	11		650	10.2	70.15
FS 44A02				57.2	505	11		620	10.4	66.76
FS 45A02				57.4	505	11		700	10.3	75.46
FS 45T70				57.6	505	11		690	10.1	74.55
AG 4606				56.9	505	11		680	10.4	73.22
FS 47A02				56.6	505	11		680	12.1	71.83
NK 47-R3				54	505	11		820	17.9	80.91
FS 47A91				57.5	505	11		680	11.5	72.32
NK 48-C9				56	505	11		680	12	71.91
FS 48R70				55	505	11		710	14.7	72.78
NK 42-T4	✓			57.4	505	11		630	10.6	67.69

Harvest Data										
Variety	✓	Harvest Population	Lodging Score	Test Weight	Row Length	Harvested Rows	Harvested Feet	Harv. Weight	Moisture	Yield
FS 45T70	✓			55.8	500	11		700	11.8	74.94
FS 37A02			6	54.1	500	11		590	12.7	62.52
AG 3803			7	56.7	500	11		602	11.9	64.38
FS 38R80			7	55.7	500	11		590	12.5	62.66
FS 38A02			5	57	500	11		624	11.5	67.03
FS 39R70			7	55.8	500	11		590	12	63.02
FS 39A02			3	56.3	500	11		600	12.1	64.02
S 39-A3			5	55.1	500	11		580	12.5	61.60
P 94Y01			4	55.5	500	11		618	11.9	66.09
AG 4005			5	56.1	500	11		640	11.6	68.67
FS 40A02		Ditch miss	3	54.9	500	11		500	12.6	53.04
FS 42A02			5	53.4	500	11		540	12.1	57.61
FS 44A02			4	56.5	500	11		578	11.7	61.95
P 94Y60			3	55.3	500	11		530	11.8	56.74
FS 45T70			4	56.8	500	11		606	11.3	65.24
FS 45A02			7	52.7	500	11		640	12.3	68.13
FS 47A02			3	54.7	500	11		598	13.3	62.93
FS 47A91			4	55.4	500	11		570	12.4	60.61
FS 48R70			4	55.9	500	11		552	13	58.29
FS 45T70	✓			55.5	500	11		650	11.2	70.06

FS SEED HARVEST REPORT

Plot Management

Member Co-op Gateway FS

Cooperator DON SCHRADER

City WATERLOO

County MONROE

Year 2010 Plot No. _____

Crop Specialist DAVE RIPPELMAYER

Agronomist KEVIN GUEBERT

Planting Information

Crop Planted Beans

Previous Crop CORN

Planting Date 5/26/10

Planting Population 189,000

Row Width 15

Irrigation? NO

Herbicide Applied _____

Insecticide Applied _____

Fertilizer Used N _____ P₂O₅ _____ K₂O _____

Comments _____

Soil Information

Texture _____ pH _____

Tillage _____ CEC _____

P₁ Test _____ K Test _____

Org Matter _____ SCN? _____

Harvest Information

Harvest Date 10/5/10

Drying Charge _____

Selling Price _____

FS SEED HARVEST REPORT

Plot Management

Member Co-op Gateway FS

Cooperator Tim Wild

City Waterloo

County Monroe

Year 2010 Plot No. _____

Crop Specialist Randy Osterhage

Agronomist Kevin Guebert

Planting Information

Crop Planted Beans

Previous Crop Corn

Planting Date 5/26/10

Planting Population 175,000

Row Width 8

Irrigation? No

Herbicide Applied _____

Insecticide Applied _____

Fertilizer Used _____

Comments _____

Soil Information

Texture Silt Loam pH 6.4

Tillage No till CEC 12

P₁ Test 55 K Test 375

Org Matter 2.5 SCN? None

Harvest Information

Harvest Date 10/4/10

Drying Charge _____

Selling Price _____

Harvest Data										
Variety	✓	Harvest Population	Lodging Score	Test Weight	Row Length	Harvested Rows	Harvested Feet	Harv. Weight	Moisture	Yield
FS 37A02	✓			56.8	413	22		942	10.4	62.01
FS 38R80				55.5	412	22		952	10.6	62.68
FS 38A02				55.5	410	22		946	9.8	63.15
FS 39R70				56.5	408	22		970	10.1	64.86
FS 39A02				56.1	408	22		954	10.4	63.57
P 94Y01				56.5	408	22		948	9.8	63.60
FS 42A02				56.2	406	22		896	10.5	59.94
FS 44A02				56.3	404	22		950	10.7	63.72
FS 45T70				55.8	403	22		930	10.5	62.67
FS 45A02				56	402	22		928	10.7	62.55
FS 47A02				55.9	402	22		888	10.9	59.72
FS 47A91				56.4	400	22		990	10.9	66.92
FS 48R70				55.2	399	22		758	12.8	50.27

Harvest Data										
Variety	✓	Harvest Population	Lodging Score	Test Weight	Row Length	Harvested Rows	Harvested Feet	Harv. Weight	Moisture	Yield
FS 45T70	✓			57	336	22		510	11.8	76.17
AG 3803				57.5	336	22		490	11.2	73.68
FS 38R80				57.5	335	22		480	12	71.74
NK 38-H8				57.9	335	22		480	12.2	71.58
AG 3830				57.8	334	22		500	12.1	74.87
FS 39R70				57.1	334	22		500	11.7	75.21
AG 4005				57.3	333	22		500	11.5	75.61
AG 4130				56.6	333	22		450	12.3	67.43
NK 42-T4				57.3	332	22		460	11.7	69.61
FS 44A02				57	332	22		460	12.5	68.98
AG 4303				57.8	331	22		470	11.9	71.18
FS 45A02				57.7	331	22		460	12.2	69.42
FS 47A02				57.6	330	22		470	12.3	71.07
FS 47A91				57.5	330	22		450	12.3	68.04
NK 48-C9				55.4	329	22		460	13.6	68.73
FS 48R70				57.1	329	22		490	12.9	73.81
FS 45T70	✓			57.5	371	22		560	12.2	75.40

