

**Jennifer Griesel**

Internship Report

Andale Farmers Cooperative  
Summer 1997

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This summer I was employed with Andale Farmers Cooperative for my internship, which was arranged through the Arthur Capper Cooperative Center at KSU. Andale Co-op has its headquarters in Andale, Kansas which is located approximately 10 mile northwest of Wichita. The co-op has five branch locations including, Andale, Colwich, Furley, Sedgwick, and Valley Center. All of these branches are located in a 40-mile radius, so the co-op services a broad area. Andale Co-op has a yearly average of 1100 voting members and has an annual company sales volume of approximately \$40 million. The co-op has 54 full-time employees and hires several part time summer help for the harvest season. The co-op is split into five divisions also which include grain, feed and merchandise, crop production, accounting and petroleum. The General Manager, Ed Bosanko is at the top of the authority pyramid with the five staff members next, followed by the two area managers.

As a summer intern at Andale Co-op, I was rotated through the co-op weekly with different areas of expertise. I spent one week at each of the five branches and a week with each of the divisions, this gave me 10 weeks and the last two weeks were spent with the General Manager, Ed Bosanko, and working on my special project. Through the 12-week period, I attended staff meetings once a week and Board of Director meetings once a month. Besides observing the normal routines at the branch locations and the divisions, I was involved in one of the greatest wheat harvests in the history of the co-op. This internship gave me a broad perspective of the co-op, and I feel that I learned a lot from this experience.

## Week 1

The first week was spent with the Grain Marketing Division, which is controlled by Bryan Reimer. Bryan's job consists of mainly buying and selling grain from the producers through the co-op system into the company manufacturers. The main buyers of Andale Co-op's grain are Cargill, High Plains Ethanol Plant, Circle E Feedlot, and Farmland. This week I mainly observed Bryan as he did his daily tasks, and he informed me on the co-op's grain marketing strategies, which I found really interesting. I also put together a Grain Marketing Survey which we sent out to members of the co-op to decide whether the co-op could benefit customers by reporting daily grain markets on a phone hotline, through the newspapers, radio or television. Also, I helped set up some spreadsheets for Bryan to calculate storage charges and grain contracts for his records.

## Week 2

This week was spent with Greg Patry, the feed and merchandise division head. He monitors the inventory of feed, seed and merchandise in the co-op's five branches. He also works with the advertising and promotion of products. We counted inventory at several of the branches and delivered feed, seed, and some merchandise a couple of days. He showed me all of his weekly tasks and we worked closely with the branch managers in the sales of their products. Greg and I went around to Wichita one day to scope out a new location for a possible lawn and garden store for the co-op to invest in for the suburban demand of these products. I also learned how to drive a forklift and moved many pallets of feed and some seed once I learned.

## Week 3

The chemical and fertilizer division kept me busy this week. Allan Mayeske, the head of this division showed me the paperwork side of ordering and shipping chemicals and fertilizer. Also, we went through many of the rules and regulations that must be met

by the co-op when handling and selling these chemicals. The rest of the week I spent with Darrell and Mel, the two Agronomists. We got down and dirty as we checked fields for insects, weeds and disease damage. This was a nice change as we got to visit with many farmers and spent some long days out in the sun and sometimes rain checking fields. We took soil samples, recommended pesticides, herbicides, and insecticides for alfalfa, Milo, soybeans and even some wheat fields.

#### Week 4

This week I spent with Max Steuver in the Accounting Division. We worked in the office all week as we prepared statements, payroll and entered data into the computer. I helped send out 2000 statements at the end of the month, worked on preparing the payroll for employee, including myself, and I helped organize and enter files into the main system. Andale Co-op uses a Farmland system called Solutions for all of their records. They have four main line computers and 10-12 “dummy” terminals located at all of the branches. Therefore, if one of the computers has problems, the entire system at all of the branches must be taken down and rebooted. All accounts are kept in the system so that every transaction that is made is automatically updated on the customer’s account. This was an interesting week, and I learned a lot of accounting concepts for real life activities.

#### Week 5

This was my first week working at a branch location, and the Colwich branch was a great place to start. This location is the main merchandise branch, as they handle a majority of all the products in the co-op system. After learning the point of the sale system for entering and making sales behind the counter, I was put right to work helping customers. However, this was the first week of wheat harvest, which started officially on June 17<sup>th</sup>. Harvest hit hard and I worked some long days and nights. Each day an

average of 80-100,000 bushels came in the co-op at this location. We worked several days from 7 am - 11 pm. The wheat was having average tests weights of 60-66 lbs/bushel and yields of 70-80 bushel per acre, therefore the farmers were extremely happy. I tested the grain as I ran it through the moisture tester, test weight and dockage machines. I also probed the trucks using the new electronic probes. Also, entering the information into the computers and running tickets out to the farmers were sometimes my responsibility. This was definitely a busy week.

#### Week 6

This week was spent at the Furley Branch, which is located the furthest from the Andale location at 40 miles Northeast of Andale. Harvest kept me busy most of the time, although some rainy days gave me the opportunity to help in the elevator cleaning bins, filling semi's to ship wheat out and unloading some small trucks bringing wheat in. However, this facility is a brand new building as a tornado took out the old co-op five years ago. It is definitely the best facility in the co-op system as it is the newest.

#### Week 7

The Andale location is where I returned this week to help them finish up harvest, and spend some time learning some of the location managers' responsibilities. This week I spend with the location manager and he showed me a lot about the chemical and fertilizer details, the elevator (top and bottom), and I got the opportunity to ride in one of the spray rigs. The TerraGator as it is called is what I got to ride in and even dive a little as we sprayed chemical on several Milo fields.

#### Week 8

The Sedgwick branch location is very similar to the Andale location other than it is not the headquarters. Here I helped send out some proof of yield sheets to farmers as harvest was now over. I also worked behind the counter and did some miscellaneous jobs

around the place such as cleaning, organizing, filing, ect. This location is the main office of the three northern locations including Valley Cener, Sedgwick and Furley.

#### Week 9

This week I spent with the Petroleum Division of the co-op, mainly with the petroleum division head, Tom Strunk. I spent most of my time riding around with the fuel and propane truck drivers. We delivered fuel and propane to customers across a broad area. Tom and I also delivered some 55-gallon drums of oil to Farmland Foods in Wichita, and I also got a tour of the hot dog manufacturing plant. We also got the opportunity to do some manual labor, as we installed some propane tanks and checked some tanks at various customers' houses and irrigation pumps. My special project involves this area of the co-op so I paid special attention to the comments that were made pertaining to the Propane plant in Valley Center.

#### Week 10

The Valley Center Branch location was the last location for me to work at. This location services mainly the suburban customers out of Wichita, which buy pet foods, birdseed and lawn and garden supplies. This is a slow time of the year so we weren't too busy, however I kept myself busy stocking shelves and counting inventory. I also rearranged products and prepared for inventory, which is next week. This branch sells a lot of pet foods, birdseed, water softener salts, and lawn and garden supplies. Also, horse feed and some pig feed is sold in small quantities.

The last two weeks of the internship were spent working on my special project of which my report in included. The project included analyzing the profitability and efficiency of a newly built propane satellite plant in the Valley Center area. Through some research and looking over the details, I made a report for the co-op board on how useful this new plant will be.

My internship at Andale Co-op had been extremely beneficial to me. I have seen the inside of how a co-op of this size and scope operates and I have observed the duties and responsibilities of every worker. I believe that you must know the duties of every worker from the lowest paid to the highest paid in order to really understand how a business system operates. Now I can say that I have seen it. The co-op did get some work out of me, especially during harvest, however their intentions were to educate me and not to use me as a hired hand. I did learn a lot and I sincerely appreciate getting this experience. The real life experiences such as this are often more helpful to my preparation for a future career than many of the college courses that I could take. Hopefully the co-op will find my special project on the propane plant useful, and I will be working on an Equity Redemption project this coming semester with Dr. Barton, which will serve as my honors project at KSU. I would definitely recommend this internship program for all Agribusiness students and I would also recommend Andale Farmers Co-op as a great place to gain some experience in a successful cooperative.

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Internship Project Report  
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### **Valley Center LP Plant**

Andale Co-op has completed the installation of a new LP satellite plant in the Valley Center area to service customers with greater efficiency and profitability. The plant covers a 1 1/3-acre area, however the co-op leases a 5-acre plot. The propane tank will hold 18,000 gallon. Also, there is a bottle fill shed located near the tank, which will service Valley Center, Sedgwick, and Furley customers who use the 20# LP bottles. The plant has a lot of room for additions, if the co-op ever decides to move Anhydrous tanks or bulk fertilizer tanks into the plant area. This is a nice location back from the road, yet accessible to semi-trucks and co-op trucks. After analyzing the finances of this plant, I have seen several ways that this cooperative will benefit from their decision to build a plant in this area. I plan to elaborate on these areas in this report, and provide informative figures to support my findings.

The Board of Directors budgeted \$45,000.00 back in 1995 for the installation of the LP plant in Valley Center. The cost of this plant can be seen in detail on the expense sheet included. The final cost of the plant was \$84,396.68, which was \$39,396.88, over the budget amount. Several different reasons are to blame for these extra expenses. The road that had to be built to the plant cost \$8,400.00, which was not included in the previous bid. Also, extra rock was needed which amounted to \$13,000.00. This is due to the need for deeper application of rock in the plant area, and rock was used to cover a wider area than first thought necessary. Rock was applied in the entire 1 1/3-ace area to between 6 in. – 1 ft. deep. The pumping system also cost more than expected due to new rules and regulations, which required additional costs amounting to \$8,000.000 over the projected cost.

As we begin to analyze the initial need for the new plant in the Valley Center area, it is helpful to know the scope of the use of propane in this area. The company wide average for propane sales is 800,000 gallon per year, according to Tom Strunk, the petroleum division head. Approximately 35% of the co-op's propane is sold to customers in the Valley Center area. This amounts to 280,000 gallons of propane per year. Andale Co-op takes a margin of \$.20 per gallon on propane sold. Therefore, the Valley Center customers buy propane, which gives the co-op a margin value of \$56,000.00 per year. This shows us that this is definitely an area with a wide potential to make some changes and increase the margins.

The current LP plant is located in Andale, which is located 15 miles one-way from customers in the Valley Center area. Approximately 133 loads are made to Andale each year to service the customer's need for propane in V.C. With the newly built plant, drivers can save 4,000 miles of driving back and forth to Andale to fill their trucks. At a cost of approximately \$1.00 per mile, this will save the co-op \$4,000.00 per year.

Drivers can have a more efficient and profitable year, by using 133 hours of driving to service more customers. At a rate of servicing two customers per hour, this allows the propane truck to fill 266 additional tanks per year. Each customer takes an average of 250-gallon of propane per delivery, allowing for the sale of 66,500 gallon of propane per year. This can be figured into additional margin profit by taking that 66,500-gallon and \$.20 per gallon margin to get a additional margin value of \$13, 300.00 per year. At this margin increase, the plant will pay for itself in approximately 5 years including the \$4,000.00 saved from driving and the \$13,300 additional propane margin.

Another area of savings can be figured using the opportunity cost of the propane drivers. At an hourly wage of \$8.75 and an overtime wage of \$13.12, the driver will draw almost half of his wages on overtime driving back and forth to refill his truck. By

saving the driving time, each hour of delivery will make the co-op a margin of \$100.00. The alternative of driving to Andale actually cost the co-op \$30.00 for the trucks trip as well as the drivers overtime wage. It is simple to say that the driver is actually making the co-op some additional margins instead of costing the co-op transportation costs. This makes each driver's wages per hour much more efficient and profitable to the co-op.

After analyzing this new plant, I feel that this will be a profitable addition to the co-op. This new plant will be able to service more customers more efficiently. By placing a sign at the highway, this plant can serve as a source of advertisement to the public. Many residents of the area may not know the Andale Co-op carried propane. I think that possibly this plant can draw in some new customers, as well as service the current customers quicker and more efficiently. According to Tom Strunk, the propane business is growing at a rate of approximately 10% per year. With this expansion of the business, there may be an even greater advantage to having this plant in the Valley Center area than there is today. With the availability of propane out of this plant, the plant should pay for itself in 5-6 years, as well as utilize driver's time more to the benefit of the company and make the petroleum division more profitable.

## Data Sheet

A) Board budget for Valley Center LP plant	\$ 45,000.00
Actual costs of V.C. Propane plant	\$ 84,396.88
Difference in cost projection	\$(39,396.88)
*Reasons for extra expenses	
Road =	\$ 8,400.00
Rock (over projected amount) =	\$ 13,000.00
Pumping system (over projected amount) =	\$ 8,000.00
Extra Costs =	\$ 9,996.88
Total additional costs =	\$ 39,396.88
B) % of customers in the Valley Center Area	35%
Gallons of propane delivered company wide per year	800,000 gal/yr.
Gallons of propane delivered to V.C. customers per year	280,000 gal/yr.
Marginal value taken by co-op on propane per gallon	\$.20 /gallon
Total marginal dollars earned from V.C. customers	<b>\$56,000.00</b>
C) Distance from Andale plant to V.C. customers	15 miles (one way)
Loads hauled per year to V.C. customers from Andale	133 loads
Miles of driving that could be saved per year	4000 miles
Costs of driving truck per mile	\$1.00 per mile
Amount saved by avoiding trips to dill in Andale	<b>\$4,000.00</b>
D) Time taken to drive for propane in Andale	133 hours
Tanks that can be filled in 133 hours	266 tanks
Gallons of propane per year that could be delivered	66,500 gallon
Additional margin made on the extra gallon delivered	<b>\$13,300.00</b>
E) Wages of propane driver	\$8.75
Overtime wages of driver	\$13.12
Marginal profit that can be made by driver per hour	\$100.00
Driving an hour prior and costing the co-op =	\$30.00 driving expenses
	\$26.24 drivers wages

F)

Year	Gallons of LP	Margin Taken	Marginal \$	Travel Expense	Total Marginal \$	Difference
1996	280,000	\$.20 /gal.	\$56,000.00	\$4,000.00	\$52,000.00	
1998	346,500	\$.20 /gal.	\$69,300.00	\$0.00	\$69,300.00	\$17,300.00

# Expense Sheet

## 1995 Expenses

<u>Company</u>	<u>Service</u>	<u>Cost</u>
Mid-Continent	Tank	\$10,000.00

## 1996 Expenses

<u>Company</u>	<u>Service</u>	<u>Cost</u>
EJ's Flatwork	Concrete Work	\$3,435.09
Westhusing's Inc.	Pumping System	\$19,740.00
Landwehr Elevator	Tank Installation	\$4,097.27
Mt Hope Trucking	Tank Installation	\$400.00
Lies Ready Mix	Tank Installation	\$216.04
Dolse Bros. Co.	Tank Installation	\$147.47
SW Butler Quarry LLC	Rock	\$1,885.82
SW Butler Quarry LLC	Rock	\$1,617.70
Kenco Trucking	Rock Hauling	\$728.88
Kenco Trucking	Rock Hauling	\$1,984.45
Kenco Trucking	Rock Hauling	\$337.10
BC Harders	Rock Leveling	\$200.00
Bob Bell	Tank Expense	\$504.26
		\$35,294.08

## 1997 Expenses

<u>Company</u>	<u>Service</u>	<u>Cost</u>
Kenco Trucking	Rock	\$10,377.58
SW Butler Quarry LLC	Rock	\$8,444.38
Linnebur Electric	Electric expense	\$3,473.41
Royal Fence	Fence	\$6,069.13
Landwehr Elevator	Bottle Fill Shed	\$1,271.85
BC Harders	Rock Leveling	\$985.00
Pearson Dozer Services	Road expenses	\$8,481.25
		\$39,102.60

## Total Expenses 1995-1997

1995	\$10,000.00
1996	\$35,294.08
1997	\$39,102.60
	\$84,396.68

# Expense Chart

