ANNUAL REPORT 2007

For Fiscal Year
2006 - 2007

Wheat GROWERS
Connecting Solutions

Wheat Growers is a cooperative with 4,000 active customer-owners. It operates in North Dakota and South Dakota. Service facilities stretch from Interstate 90 in South Dakota to Interstate 94 in North Dakota and from west of the Missouri River to Interstate 29 on the East. Wheat Growers is headquartered in Aberdeen, South Dakota. Wheat Growers' primary focus is grain and agronomy. It provides grain marketing and storage, custom application, precision agriculture service, agronomy consultation and fertilizer, chemical and seed sales with the goal of creating value for member-owners and their operations.

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Connected by Producer Ownership and Control

Wheat Growers is a producer-owned and controlled cooperative. The Board of Directors is comprised of active producers. In addition, Delegates provide additional input to Directors and Management. Wheat Growers' Directors and Delegates at the end of fiscal year 2007 were:

District 1 Sub-District A:
Director: Steve Hansen, Ludden, ND. **Delegates**: Chad Brandt, Oakes, ND; Jeff Forward, Oakes, ND; and Paul Roney, Oakes, ND.

District 1, Sub-District B:
Director: Lance Hanson, Columbia, SD. **Delegates:** Shad Albrecht, Columbia, SD; Michael Daly, Columbia, SD; and Brian Dennert, Columbia, SD.

District 1, Sub-District C:
Director: Joel Erickson, Langford, SD. **Delegates:** Travis Olson, Langford, SD; Paul Mathews, Cogswell, ND; and Jerrod Sandness, Gwinner, ND.

District 2, Sub-District A:
Director: Gary Rau, McLaughlin, SD. **Delegates:** Ernest Jochim, Selfridge, ND; William Plush, McLaughlin, SD; and Paul Soebbing, Watauga, SD.

District 2, Sub-District B:
Director: Val Goetz, Onaka, SD. **Delegates:** Evan Beyers, Roscoe, SD; Mark Meier, Roscoe, SD; and Wesley Schaible, Hosmer, SD.

District 3, Sub-District A:
Director: Arlye Crawford, Aberdeen, SD. **Delegates:** Gaylon Anderson, Aberdeen, SD; Kirk Schaunaman, Aberdeen, SD; and Harlan Young, Aberdeen, SD.

District 3, Sub-District B:
Director: Todd (Swede) Hanson, Bath, SD. **Delegates:** Gregg Erickson, Aberdeen, SD; Brian Sharp, Bath, SD; and Scott Sperry, Bath, SD.

District 3, Sub-District C:
Director: Terry Leonhardt, Groton, SD. **Delegates:** T. J. Harder, Groton, SD; Jesse Howard, Groton, SD; and Torre Raap, Andover, SD.

District 3, Sub-District D:
Director: Matt Johnson, Webster, SD. **Delegates:** Jon Raap, Bristol, SD and Neil Warrington, Bristol, SD.

District 4, Sub-District A:
Director: Dave Thorson, Mansfield, SD. **Delegates:** Mark Boekelheide, Northville, SD; Tim Toennies, Cresbard, SD; and Randy Wiedebush, Mansfield, SD.

District 4, Sub-District B:
Director: Hal Clemensen, Conde, SD. **Delegates:** Roger Halvorson, Mellette, SD; Lannie Mielke, Mellette, SD; and Rory Troske, Turton, SD.

District 4, Sub-Disrict C:
Director: Charles Hahler, Ashton, SD. **Delegates:** David Jessen, Redfield, SD; Dave Jandel, Redfield, SD; and James Schroeder, Redfield, SD.

Districr 4, Sub-Districrt D:
Director: Jerry Mason, Frankfort, SD. **Delegates:** Doug Boomsma, Frankfort, SD; Brian Johnson, Frankfort, SD; and Mike Lambert, Frankfort, SD.

District 5, Sub-District A:.
Director: Todd Bushong, Tulare, SD. **Delegates:** Wayne Binger, Tulare; SD Tim Jungwirth, Tulare, SD; and Warren Lewis, Tulare, SD.

District 5, Sub-District B:
Director: Mark Bushfield, Hitchcock, SD. **Delegates:** Ron Gilbert, Hitchcock, SD; Kirk Olson, Hitchcock, SD; and Terry Wieting, Hitchcock, SD.

District 5, Sub-District C:
Direcror: Jeff Lakner, Wessington, SD. **Delegates:** Daniel Jensen, Huron, SD; Andrew Boomsma, Wolsey, SD; and Eric Zell, Cavour, SD.

District 5, Sub-District D:
Director: Wallace Knock, Willow Lake, SD. **Delegates:** Terry Evenson, Willow Lake, SD; Claude Glanzer, Carpenter, SD; and Galen Waldner, Carpenter, SD.

District 6:
Directors: Dale Swanson, Pukwana, SD. **Delegates:** Phillip Edwards, Wessington Springs, SD; Jim Ketelhut, Pukwana, SD; Lowell Swanson, Pukwana, SD;

Directors-At-Large:
Ron Prien, Stickney, SD; and David Salmen, Wessington Springs. **Delegates:** Dennis Feistner, Woonsocket, SD; Dave Artz, Plankinton, SD; Scott Feenstra, Corsica, SD; and Sheldon Tobin, Plankinton, SD.

Your Wheat Growers Board of Directors

Wheat Growers Board of Directors pictured beginning from top left are:
Row One: Joel Erickson, Langford, SD; Charles Hahler, Ashton, SD; Ron Prien, Stickney, SD. Board President Hal Clemensen, Conde, SD; Wallace Knock, Willow Lake, SD; and Lance Hanson, Columbia, SD.
Row Two: Dale Swanson, Pukwana, SD; David Salmen, Wessington Springs, SD; Jeff Lakner, Wessington, SD; Todd (Swede) Hanson, Bath, SD; and Steve Hansen, Ludden, ND.
Row Three: Gary Rau, McLaughlin, SD; Arlye Crawford, Aberdeen, SD; Terry Leonhardt, Groton, SD and Matt Johnson, Webster, SD.
Row Four (front): Jerry Mason, Frankfort, SD; Board Vice President Dave Thorson, Mansfield, SD; Board Secretary Todd Bushong,Tulare, SD; Mark Bushfield, Hitchcock, SD; and Val Goetz, Onaka, SD.

Not pictured are Brad Wedel, Yale, SD and Chris Eymer, Reliance, SD, who joined the Board after the end of the 2006-2007 fiscal year.

Connecting Solutions

As a producer-owned agricultural cooperative business, we exist to connect our customers with solutions that will create value for their farming operations and their investment in their cooperative.

Wheat Growers creates value for customer-owners in grain by accessing the best markets which allow the opportunity to offer better prices for the grain producers grow. Your cooperative has access to several different railroads and markets grain directly to wheat mills to the East, the shuttle export market through the Pacific Northwest, ethanol plants and livestock markets. In agronomy, value is created by helping customer-owners to grow a better crop at a lower cost.

Hal Clemensen, Wheat Growers Board President and Dale Locken, Wheat Growers Chief Executive Officer.

Connecting Solutions to Meet Challenges

Wheat GROWERS Connecting Solutions

Wheat Growers Core Values

Integrity in business dealings with stakeholders

Provide superior service to our customers

Focus on present and future customer needs

Remain financially strong

Maintain progressive leadership for our company

As the fiscal year began in August 2006, a large number of Wheat Growers' customer-owners were dealing with a severe drought. This resulted in either greatly reduced yields or no crop at all for many producers. This also greatly reduced the bushels of grain received at grain elevators in the summer and fall of 2006. During harvest, Wheat Growers handled about 37 percent less grain than the prior year.

Faced with less grain, Wheat Growers Management and the Board asked employees to find solutions that would help producers and their cooperative deal with the drought. Wheat Growers' employee team responded with programs and a marketing effort that created solutions for producers and helped your cooperative to minimize the impact of the drought on its operations. The spring of 2007 again brought weather challenges to many producers as untimely rains drowned out newly planted fields and prevented timely planting of some crops. Again, Wheat Growers' employee team and customer-owners worked together to adjust. The ability to move equipment around the Wheat Growers trade area did not solve all the challenges created by the weather delays, but it did help to alleviate some of the stress created by Mother Nature.

Connecting More Producers to Solutions

While there were challenges in 2006-2007, there were also opportunities to add value for producers through several unifications. Several businesses approached Wheat Growers to pursue joining together to create value for producers. In November 2006, Amkota Cooperative of Wessington Springs unified with Wheat Growers. In May 2007, the Aurora Cooperative Oil Company of Stickney unified with Wheat Growers and at the end of June Wheat Growers acquired the Scoular Grain operations in Alpena. Since the end of the fiscal year, Wheat Growers has also unified with the Yale Farmers Cooperative and Farmers Union Cooperative Elevator of Kennebec. As the magnitude and pace of change within the agricultural industry continues, we anticipate there will be opportunities to work with other companies to connect producers to solutions for their operations. The guiding factor in deciding whether to unify is if it will create value for customer-owners of both businesses.

Wheat Growers Mission

To provide, with integrity, our customers with reliable markets, services and quality products through a profitable and innovative organization.

Connecting Solutions in Agronomy

Producers are looking for ways to improve their farming operations in light of rising input costs and technological advances. The market environment for agronomy is constantly changing as agronomics change. Wheat Growers is able offer a staff of 30 highly trained agronomists, precision ag services and a full array of agronomic products and services to keep pace with change.

Wheat Growers Agronomy Division continues to build on programs such as variable rate application, double shot and strip-til services. In fiscal year 2006-2007, your cooperative custom applied over 1.7 million acres and chemical sales increased by 15 percent over the previous year. With increased corn production, producers' demand for more fertilization grew. Wheat Growers responded with 34,000 more tons of fertilizer sold over the prior year. More producers are continuing to look to Wheat Growers for their seed needs. Your cooperative's seed sales have increased each year in recent years and increased again in 2006-2007 to $26.7 million, a $4.7 million increase.

Connecting Solutions in Ethanol and Increased Corn Production

The agricultural industry is undergoing dramatic change, spurred in large part by the growth of the ethanol industry. Wheat Growers has been studying the impact of ethanol on its operations for several years and in 2006-2007 your cooperative help connect producers to new opportunities.

In November 2007, Wheat Growers exchanged its interest in Heartland Grain Fuels, LP, ethanol plants for cash and equity in Advanced BioEnergy. Wheat Growers continues to supply corn to Heartland Grain Fuels plants at Huron and Aberdeen through a supply agreement with Advanced BioEnergy.

The Wheat Growers Board of Directors has made strategic decisions to re-invest capital in grain and agronomy facilities to help producers meet the increased demand for corn due to ethanol expansion. Wheat Growers' members provide input to strategic direction, not only through the leadership of its producer-controlled Board of Directors and Delegate Group, but also through patron meetings and customer needs surveys.

Customer input told us that producers expect speed and efficiency for their harvest operations. Speed and efficiency were key elements in the design of harvest storage facilities built in 2007 at two strategic locations. Nearly seven million bushels of new storage was constructed in 2007 near Hecla and Cresbard. These facilities only operate during harvest and are intended to allow producers to get back to their combines quickly. Corn taken at these harvest facilities can be shipped to ethanol plants as the plants need it. In addition, your cooperative made improvements at its Redfield and Willow Lake locations and began improvements at the West Terminal in Aberdeen.

To further address the need for more grain storage with increased corn production as a result of increased ethanol production in the region, your cooperative introduced a On-Farm Bin Building Partnership. In exchange for a five-year grain marketing commitment, Wheat Growers helps connect producers to a resource for building bins at very attractive interest rates.

Connecting Solutions with Financial Strength

Wheat Growers' financial strength enables your cooperative to create value and find solutions for producers in a number of ways. As agriculture production has changed, producers are requiring more of their agronomy and grain marketing providers, which requires large volumes of capital. Your cooperative is able to invest capital in the resources necessary to keep pace with change because of its financial stability. In 2006-2007 it generated net savings of $11.4 million, even though the impact of the drought in 2006 resulted in reduced local savings from previous years. The $4.3 million in local savings exceeded projections because of the loyal support of customer-owners and the extra effort of the employee team to control expenses and increase efficiency. Wheat Growers continues to maintain a very strong balance sheet evidenced by year-end working capital of $30 million. This enabled your cooperative to return $4.1 million in cash to customer-owners in patronage, deferred equity and estate payments in 2006-2007 fiscal year.

Wheat Growers' vision is to be our customers' partner in production and link to the market. Delivering on this vision takes a team of engaged employees who connect customers to the programs and solutions that bring value to their operations. Wheat Growers exists to create value for its customer-owners by helping to connect them to the best solutions for their farming needs in grain and agronomy.

Hal Clemensen
Board President

Dale Locken
Chief Executive Officer

South Dakota Wheat Growers Association
Five-Year Financial Highlights
in Millions of Dollars

	2002-03	2003-04	2004-05	2005-06	2006-07
Total Assets	119	136	157	177	316
Members' Equity	55	59	66	72	86
Sales	317	386	447	435	459
Working Capital	15	15	25	11	30
Local Savings	3.5	6.7	8.2	7.5	4.3
Savings Before Taxes	4.2	9.3	12.7	12.6	13.4
Cash Returned To Members	2.8	2.7	3.6	4.6	4.1

Gardiner Thomsen
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
South Dakota Wheat Growers Association
Aberdeen, South Dakota

We have audited the accompanying consolidated balance sheets of South Dakota Wheat Growers Association, Aberdeen, South Dakota, as of July 31, 2007 and 2006, and the related consolidated statements of savings, members' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of South Dakota Wheat Growers Association, Aberdeen, South Dakota, as of July 31, 2007 and 2006, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of South Dakota Wheat Growers Association and all of its subsidiaries as of July 31, 2007 and 2006, and the related statements of savings, members' equity and cash flows for the years then ended (none of which is presented herein), and we expressed an unqualified opinion on those financial statements. Such consolidated financial statements are the general-purpose financial statements of South Dakota Wheat Growers Association and its subsidiaries.

November 28, 2007

Gardiner Thomsen, P.C.

CONSOLIDATED BALANCE SHEETS
July 31, 2007 and 2006

ASSETS

	2007	2006
CURRENT ASSETS		
Cash and Cash Equivalents	**$ 163,087**	$ 2,942
Marketable Securities	**3,262,018**	0
Receivables		
Notes and Contracts	**20,880,382**	8,394,887
Trade – Net of Allowance for Doubtful Accounts of $1,000,000 and $1,066,000	**10,172,707**	5,615,570
Grain in Transit	**13,762,741**	6,835,341
Unadvanced Loan Commitment	**0**	2,000,000
Other	**12,349,586**	1,828,405
Margin Account	**10,450,214**	2,351,564
Inventories		
Grain	**103,141,047**	31,191,572
Merchandise	**16,173,450**	13,747,623
Prepayments on Inventory	**1,762,457**	4,516,099
Prepaid Expenses	**1,628,882**	2,856,687
Deferred Income Taxes	**317,821**	720,251
Total Current Assets	**194,064,392**	80,060,941
PROPERTY, PLANT AND EQUIPMENT		
Land	**3,021,235**	2,309,153
Buildings and Equipment	**140,187,810**	112,466,577
	143,209,045	114,775,730
Accumulated Depreciation	**(69,585,177)**	(63,173,622)
Undepreciated Cost	**73,623,868**	51,602,108
Construction in Process	**18,471,521**	11,631,691
Net Property, Plant and Equipment	**92,095,389**	63,233,799
OTHER ASSETS		
Notes and Contracts	**824,692**	846,656
Organizational and Finance Costs	**302,301**	0
Total Other Assets	**1,126,993**	846,656
INVESTMENTS		
Equity in Other Cooperatives	**18,588,409**	16,872,571
Investment in Other Companies	**9,737,803**	16,187,613
Total Investments	**28,326,212**	33,060,184
TOTAL ASSETS	**$315,612,986**	$177,201,580

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEETS
July 31, 2007 and 2006

LIABILITIES AND MEMBERS' EQUITY

	2007	2006
CURRENT LIABILITIES		
Checks in Excess of Bank Balance	**$ 5,352,198**	$ 4,051,923
Current Maturities of Long-Term Debt	**5,743,182**	2,983,186
Notes Payable	**61,000,000**	0
Payables		
Trade	**5,172,521**	5,831,256
Unpaid Grain	**70,264,807**	44,274,968
Patron Credit Balances	**5,060,081**	1,561,507
Other	**4,023,367**	288,029
Accrued Expenses		
Property Taxes	**751,951**	689,802
Interest	**2,107,536**	1,517,642
Compensated Absences	**781,243**	658,187
Other	**2,091,908**	4,105,436
Equity Redemption Provision	**613,493**	1,895,922
Patronage Dividends Payable	**1,128,000**	1,414,000
Total Current Liabilities	**164,090,287**	69,271,858
LONG-TERM LIABILTIES		
Notes and Contracts	**46,559,961**	19,819,861
Unpaid Grain	**6,382,863**	4,753,958
Deferred Compensation	**776,518**	782,120
Total Long-Term Liabilities	**53,719,342**	25,355,939
OTHER LIABILITIES		
Condo Storage	**3,407,499**	3,635,606
Contingency Reserve	**6,993,000**	6,301,000
Deferred Income Taxes	**1,097,264**	670,702
Total Other Liabilities	**11,497,763**	10,607,308
MEMBERS' EQUITY		
Patrons' Reserve	**33,862,229**	30,099,308
Retired Patrons' Reserve	**2,890,341**	2,835,594
Accumulated Other Comprehensive Income	**2,963,380**	320,082
Reserve Capital	**46,589,644**	38,711,491
Total Members' Equity	**86,305,594**	71,966,475
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$315,612,986**	$177,201,580

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF SAVINGS
Years Ended July 31, 2007 and 2006

	2007	2006
Sales and Service Income	**$458,742,763**	$434,622,460
Cost of Goods Sold	**418,326,119**	394,916,960
Gross Savings on Sales and Service Income	**40,416,644**	39,705,500
Other Revenue	**7,791,870**	6,768,064
Total Gross Revenue	**48,208,514**	46,473,564
Operating Expenses, Including Interest	**43,873,642**	38,991,601
Operating Savings	**4,334,872**	7,481,963
Gain on Sale of Property, Plant and Equipment	**149,536**	346,190
Income from Investments	**6,839,416**	3,957,057
Patronage Dividend Income	**2,814,378**	2,131,022
Contingency Reserve	**(692,000)**	(1,304,000)
Savings before Income Taxes	**13,446,202**	12,612,232
Income Taxes	**2,022,329**	3,030,910
Net Savings	**$ 11,423,873**	$9,581,322

DISTRUBUTION OF NET SAVINGS

Patronage Dividend Provision		
Cash – 30%	**$ 1,128,000**	$ 1,414,000
Deferred – 70%	**2,633,200**	3,297,900
	3,761,200	4,711,900
Capital Reserve	**7,662,673**	4,869,422
	$ 11,423,873	$ 9,581,322

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
Years Ended July 31, 2007 and 2006

	Total	Patrons' Reserve	Retired Patrons' Reserve	Accum. Other Comprehensive Income	Reserve Capital
Balance – July 31, 2005	$65,787,097	$29,201,816	$2,435,183	$320,082	$33,830,016
Net Savings	9,581,322	0	0	0	9,581,322
Redemptions and Revolvements	(1,137,838)	(534,971)	(602,867)	0	0
Equity Transfers and Corrections	72	(1,003,278)	1,003,278	0	72
Equity from Acquisition	1,039,150	1,039,150	0	0	0
Income Tax Adjustments	4,147	0	0	0	4,147
Over Accrual of Prior Year Dividends	2,447	(5,387)	0	0	7,834
Equity Redemption Provision	(1,895,922)	(1,895,922)	0	0	0
Patronage Dividend Provision					
Current	(1,414,000)	0	0	0	(1,414,000)
Deferred	0	3,297,900	0	0	(3,297,900)
Balance – July 31, 2006	71,966,475	30,099,308	2,835,594	320,082	38,711,491
Net Savings	11,423,873	0	0	0	11,423,873
Other Comprehensive Income					
Sale of Stock	(48,013)	0	0	(48,013)	0
Market Value Adjustment	2,948,572	0	0	2,948,572	0
Deferred Income Taxes	(257,261)	0	0	(257,261)	0
Net Comprehensive Income	***14,067,171***				
Redemptions and Revolvements	(840,700)	(346,053)	(494,647)	0	0
Equity Transfers and Corrections	(1,130)	(548,470)	549,394	0	(2,054)
Equity from Acquisition	2,649,080	2,649,080	0	0	0
Income Tax Adjustments	198,697	0	0	0	198,697
Over Accrual of Prior Year Dividends	7,494	(11,343)	0	0	18,837
Equity Redemption Provision	(613,493)	(613,493)	0	0	0
Patronage Dividend Provision					
Current	(1,128,000)	0	0	0	(1,128,000)
Deferred	0	2,633,200	0	0	(2,633,200)
Balance – July 31, 2007	$86,305,594	$33,862,229	$2,890,341	$2,963,380	$46,589,644

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended July 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Savings	**$ 11,423,873**	$ 9,581,322
Adjustments to Reconcile Net Savings to Net Cash Provided by (Used in) Operating Activities		
Depreciation & Amortization	**9,071,293**	8,337,403
Bad Debt Income	**(248,752)**	(70,658)
Gain on Sale of Property, Plant & Equipment	**(149,536)**	(346,190)
Patronage Dividend Income Received as Equity	**(1,349,321)**	(1,377,526)
Income from Investments	**(6,839,416)**	(3,957,057)
Contingency Reserve	**692,000**	1,304,000
Deferred Compensation Plan	**(5,602)**	113,452
Deferred Income Taxes	**581,162**	(55,906)
Change in Assets and Liabilities		
(Increase) Decrease in Receivables	**(18,144,878)**	3,164,393
(Increase) Decrease in Margin Account	**(8,098,650)**	3,123,928
Increase in Inventories	**(72,853,291)**	(14,174,622)
Decrease in Prepayments on Inventories	**2,753,642**	225,826
(Increase) Decrease in Prepaid Expenses	**1,247,988**	(1,128,157)
Increase in Payables	**31,626,866**	9,367,980
Increase (Decrease) in Accrued Expenses	**(1,375,935)**	460,844
Net Cash Provided by (Used in) Operating Activities	**(51,668,557)**	14,569,032
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Property, Plant & Equipment	**178,746**	564,577
Additions to Property, Plant & Equipment	**(37,205,723)**	(22,669,043)
Cash from Merger Acquisitions	**18,703**	191,295
Increase in Notes and Contracts	**(12,765,832)**	(1,880,196)
Equity in Other Organizations Redeemed	**642,693**	938,352
Capital Distributions from Investments	**12,932,767**	1,422,126
Capital Contributions to Investments	**(5,000)**	(500,000)
Net Cash Used in Investing Activities	**(36,203,646)**	(21,932,889)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Checks in Excess of Bank Balance	**1,300,275**	$4,051,923
Net Borrowings (Repayments) Under Line-of-Credit Agreements	**59,841,122**	(449,998)
Increase (Decrease) in Long-Term Grain Contracts	**1,628,905**	(1,086,924)
Additional Long-Term Borrowings	**43,215,302**	887,712
Retirement of Long-Term Debt	**(13,779,588)**	(2,111,120)
Increase in Condo Storage	**(228,107)**	452,372
Redemption of Members' Equity	**(2,736,622)**	(2,969,838)
Tax Adjustments	**197,567**	4,219
Allocated Patronage Dividends Paid in Cash	**(1,406,506)**	(1,681,553)
Net Cash Provided by (Used in) Financing Activities	**88,032,348**	(2,903,207)

	2007	2006
Net Increase (Decrease) in Cash and Cash Equivalents	**160,145**	(10,267,064)
Cash and Cash Equivalents – Beginning of Year	**2,942**	10,270,006
Cash and Cash Equivalents – End of Year	$ **163,087**	$ 2,942
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	**$ 6,720,325**	$ 3,333,936
Income Taxes	**2,913,287**	2,157,314
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES		
Allocated Patronage Dividends	**$ 3,761,200**	$ 4,711,900
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES		
Assets & Liabilities from Merger Acquisition:		
Receivables	**$ 1,612,088**	$ 398,153
Inventories	**1,522,011**	495,074
Prepaid Expenses	**20,183**	30,166
Deferred Income Taxes	**9,431**	6,950
Property, Plant & Equipment	**756,369**	258,221
Equity in Other Organizations	**1,009,210**	1,092,814
Seasonal Debt	**(1,158,878)**	(449,998)
Payables	**(938,150)**	(197,937)
Accrued Expenses	**(137,506)**	(17,002)
Term Debt	**(64,382)**	(693,586)
Contingency Fund	**0**	(75,000)
Members' Equity	**(2,649,080)**	(1,039,150)

The accompanying notes are an integral part of the financial statements.

Consolidated Notes to Financial Statements

Wheat Growers Leadership Team from left: Roger Krueger, Vice President of Grain; Richard Bentley, Chief Operating Officer; Dale Locken, Chief Executive Officer; Scott Hier, Vice President of Agronomy, and Bob Porter, Chief Financial Officer.

Note 1: Organization and Nature of Business

The Association is a South Dakota corporation operating as a cooperative for the mutual benefit of its members. The Association operates a licensed public grain warehouse; provides grain marketing services; and supplies feed, fertilizer, chemicals and other types of merchandise for its members, primarily, in and around Dickey and Stutsman Counties in North Dakota and Aurora, Beadle, Brown, Brule, Clark, Corson, Day, Edmunds, Faulk, Jerauld, Marshall, Sanborn and Spink Counties in South Dakota.

Approximately 36% of the Association's total gross revenue was generated by grain marketing and related services and the remaining 64% was from retail sales and services.

Note 2: Summary of Significant Accounting Policies

The significant accounting practices and policies are summarized below.

PRINCIPALS OF CONSOLIDATION AND BASIS OF PRESENTATION

The consolidated financial statements includes the accounts of South Dakota Wheat Growers Association and its' wholly owned subsidiaries, McLaughlin Terminal, LLC and Cresbard Terminal, LLC, but does not include the subsidiary, James Valley Grain, LLC. In consolidation all significant intercompany accounts and transactions have been eliminated from the financial statements.

FINANCIAL STATEMENT RECLASSIFICATION

For comparability, certain amounts in the prior year's financial statements may have been reclassified, where appropriate, to conform with the current year's financial statement presentation.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, the Association considers all highly liquid debt instruments purchased with a maturity date of twelve months or less to be cash equivalents.

MARKETABLE SECURITIES

Marketable securities include equity securities classified as available-for-sale, as discussed in Note 5, and are recorded in the financial statements at fair market value, in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Unrealized gains and losses on these investments, are included as a separate component of accumulated other comprehensive income.

Realized gains (losses) on available-for-sale securities are included in current earnings and, when applicable, are reported as a reclassification adjustment in other comprehensive income. Realized gains or losses on sale of securities are based on the average cost of securities sold.

DERIVATIVE FINANCIAL INSTRUMENTS

The Association has only limited involvement with derivative financial instruments and does not use them for trading purposes. They are used to manage well-defined commodity price risks. The Association may use futures, forward, option and swap contracts to reduce the volatility of grain. These contracts permit final settlement by delivery of the specified commodity. These contracts are not designated as hedges under Statements of Financial Accounting Standards No. 133 “Accounting for Derivative Instruments and Hedging Activities”. These contracts are marked to market each month and the unrealized gains or losses are recognized in earnings.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Bad debts are provided for on the reserve method based on historical experience and management’s evaluation of outstanding receivables at the end of the year.

GRAIN IN TRANSIT

In accordance with industry practice, expected proceeds on grain sales, which are subject to final grade and weight determination at the destination point, are consistently estimated and recorded at the time grain is shipped.

HEDGING

The Association generally follows a policy of hedging its grain transactions to protect gains and minimize losses due to market fluctuations. Gains and losses from these hedge transactions are reflected in the sales of the respective commodity.

INVENTORY VALUATIONS

Grain inventories are valued on the basis of current local market prices with appropriate adjustment for freight, test weights, discounts and other differentials.

Merchandise and petroleum inventories are valued at the lower of cost (first-in, first-out method) or market price.

LONG-LIVED ASSETS

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held or used are recognized based on the fair value of the asset and long-lived assets to be disposed of are reported at the lower of their carrying amount or their fair value less selling costs.

PROPERTY, PLANT AND EQUIPMENT

Land, buildings and equipment are stated at cost. Depreciation methods and estimated useful lives of assets are discussed in Note 6.

Maintenance and repairs are expensed as incurred. Expenditures for new facilities and those which increase the useful lives of the buildings and equipment are capitalized. When assets are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and gains or losses on the dispositions are recognized in earnings.

ADVERTISING

The Association expenses advertising costs as they are incurred, which amounted to $316,664 and $169,356 for the years ended July 31, 2007 and 2006, respectively.

ENVIRONMENTAL EXPENDITURES

Environmental compliance costs would include ongoing maintenance, monitoring and similar costs. Such costs will be expensed as incurred. Environmental remediation costs would be accrued, except to the extent costs can be capitalized, when environmental assessments and/or remedial efforts are probable, and the cost could be reasonably estimated. Environmental costs which improve the condition of the property as compared to the condition when constructed or acquired and creates future revenue generation are capitalized.

PATRONAGE DIVIDEND INCOME

Patronage dividend income from other cooperatives is recognized as income in the year the Association receives formal notification from the distributing cooperative.

INCOME TAXES

The Association, as a non-exempt cooperative, is taxed on non-patronage earnings and any patronage earnings not paid or allocated to patrons.

DEFERRED INCOME TAXES

Deferred income taxes are reported using the asset and liability method. Deferred tax assets and liabilities may be reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of the deferred tax assets and liabilities will not be realized.

DISTRIBUTION OF NET SAVINGS

In accordance with the Association's articles and bylaws, the Association may allocate net savings, after provisions for reasonable and adequate reserves, to patrons on a patronage basis, based on taxable income. Such allocations are at the discretion of the Association's Board of Directors and may be made in the form of cash and allocated equities in such proportion as determined by the Board of Directors.

Note 3: Significant Concentrations of Risk

CREDIT RISK - FINANCIAL INSTITUTIONS

The Association maintains cash balances with the local and national financial institutions, which may at times exceed the $100,000 coverage by the U.S. Federal Deposit Insurance Association (FDIC). At July 31, 2007, cash balances exceeded FDIC coverage by $9,597,355.

CREDIT RISK - MARGIN ACCOUNTS

The Association maintains cash balances with brokerage firms, which may at times exceed the $100,000 coverage by the Securities Investor Protection Corporation (SIPC). At July 31, 2007, cash balances exceeded SIPC coverage by $15,762,727.

CREDIT RISK - RECEIVABLES

The Association issues credit to local patrons in and around various communities located in South and North Dakota, under industry standard terms without collateral in most cases. As these receivables are concentrated in an agricultural area and industry, collection on these receivables may be dependent upon economic returns from farm crop and livestock production.

CREDIT RISK - SUPPLIERS

The Association historically prepays for or makes deposits on undelivered inventories. Concentration of credit risk with respect to inventory advances, are primarily with a few major suppliers of petroleum products and agricultural inputs.

Note 4: Related Party Transactions

The Association, organized on a cooperative basis, conducts a substantial portion of their operations with the members (owners) of the Association and has ownership interest in various regional cooperatives from whom they purchase products for resale.

The Association sells products and provides services to the board of directors and certain employees. The aggregate of these transactions is not significant to the financial statements.

The Association currently provides payroll services or employees on a contract basis to James Valley Grain, LLC and is reimbursed for all costs involved.

For the convenience of its customers, the Association provides credit to qualified patrons. Directors and employees may qualify to use the Association's credit programs, however, they are subject to the same credit and repayment terms as all other patrons.

The Association sells products and services to, purchases products and services from, has receivables due from, and payables due to the companies that the Association has investments in. The related party transactions between the companies and the Association are summarized on the next page.

Company	Sales To	Purchases From	Receivables Due From	Payables Due To
2007				
Advanced Bioenergy, LLC	$45,962,219	$0	$1,478,322	$0
Dakotaland Feeds, LLC	43,018	200,710	1,274	14,763
James Valley Grain, LLC	49,277	0	8,580,395	0
Petroleum Partners, LLC	36,859	913,298	2,299	143,245
	$46,091,373	$1,114,0080	$10,062,290	$158,008
2006				
Heartland Grain Fuels, LP	$15,879,569	$ 2,281	$397,369	$0
Dakotaland Feeds, LLC	26,651	117,013	912	6,961
James Valley Grain, LLC	236,866	3,556	70,547	0
Petroleum Partners, LLC	39,104	1,318,677	2,291	24,228
Hi-Plains Agronomy, LLC	1,051,251	0	203,004	0
	$17,233,441	$1,441,527	$674,123	$31,189

Note 5: Marketable Securities

The Company has been issued marketable equity securities from FCStone Group, Inc. with restrictions on when these securities can be offered for sale by the Company. FCStone Group, Inc. (FCSX) stock is currently traded on the NASDAQ with a current market price of $48.05 per share as of July 31, 2007 and are summarized as follows.

FCStone Group, Inc. Common Stock	Number Of Shares	Available For Sale	Acquired Cost	Gross Unrealized Gains	Fair Value Current Asset	Long-Term Asset
Class I	33,944	09-17-07	$20,689	$1,610,320	$1,631,009	$ 0
Class II	33,944	03-15-08	20,688	1,610,321	1,631,009	0
Class III	33,941	09-11-08	20,682	0	0	20,682
	101,829		$62,059	$3,220,641	$3,262,018	$20,682

Gross unrealized gains on these securities, which were added to Accumulated Other Comprehensive Income in Members' Equity, amounted to $2,948,572 and $0 for the years ended July 31, 2007 and 2006, respectively.

Results of operations included a income of $48,013 and $0 from prior year for unrealized gains recognized on the sale of marketable securities with gross sales proceeds of $399,416 and $0, for the years ended July 31, 2007 and 2006, respectively.

Note 6: Property, Plant and Equipment

Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets. The cost and estimated useful lives of depreciable assets is as follows:

	Life in Years	2007	2006
Buildings and Equipment	10-39	$ 82,351,239	$ 64,015,618
Machinery and Equipment	5-10	47,691,072	39,031,231
Transportation Equipment	3-5	10,145,499	9,419,728
		$140,187,810	$112,466,577

Depreciation expense for the years ended July 31, 2007 and 2006 amounted to $9,071,293 and $8,337,403, respectively.

Construction in process at July 31, 2007 and 2006 consisted of the following:

Projects	Costs To Date	Total Estimated Cost
2007		
3,148,000 Bu. Grain Facility – Cresbard	$ 6,630,588	$ 9,200,000
3,827,000 Bu. Grain Facility – Hecla	8,084,927	11,350,000
Dust System for Dump Pits	319,360	525,000
(2) 683,000 Bu. Steel Bins – Redfield	2,710,242	2,925,000
(1) 469,000 Bu. Steel Bin – Willow Lake	536,362	1,625,000
Other Various Projects	190,042	233,000
	$18,471,521	$25,858,000
2006		
Grain Facility next to Heartland Grain Fuels (Huron)	$ 6,947,884	$ 8,290,000
107,000 Bu. Steel Grain Bin – Mansfield	235,180	263,700
110 Shuttle Grain Facility – McLaughlin	4,426,189	7,900,000
Other Various Projects	22,438	81,000
	$11,631,691	$16,534,700

Note 7: Equity in Other Cooperatives

Equities in other cooperatives are recorded at cost, plus unredeemed patronage dividends received in the form of capital stock and other equities, less any loss allocation or impairments recognized. Most cooperative stocks are not transferable, thereby precluding any market value, but they may be used as collateral in securing loans. Any impairment of equities normally is not recognized by the Association until formal notification is received or can be reasonably estimated. Redemption of these equities is at the discretion of the various organizations. A substantial portion of the business of these cooperatives is dependent upon the agribusiness economic sector.

CHS, Inc. has issued marketable securities to the Company in exchange for their non-marketable preferred stock. The Company has elected to show these securities at cost. The unrecognized market gain or loss on these securities at July 31, 2007 and 2006 were not significant to the financial statements.

At July 31, 2007 and 2006, the Association had equity in other cooperatives as follows:

	2007	2006
CHS, Inc.	$10,510,099	$ 9,462,683
CHS, Inc. (Marketable Securities)	858,672	439,092
CoBank, ACB	2,592,939	2,371,928
Land O' Lakes, Inc.	3,259,517	2,454,867
Ag Processing, Inc.	687,109	839,565
Country Hedging, Inc.	335,786	364,038
FCStone Group, Inc.	20,682	378,745
Cenex Finance Association	178,926	104,300
All Others – Net of Acquisition Discount	144,679	457,353
	$18,588,409	$16,872,571

Note 8: Investment in Other Companies

Investments in other companies are reported using the equity method, which is the Association's original cost plus the proportionate share of undistributed earnings or losses. At July 31, 2007 and 2006, the Association had investments in other companies, as follows:

Company	Ownership Percentage	Investment Contribution/ (Redemption)	Investment Income/ (Loss)	Ending Balance
2007				
Advanced Bioenergy, LLC		$ 449,780	$ 0	$ 449,780
Heartland Grain Fuels, LP	47.898%	(12,359,527)	5,688,990	0
James Valley Grain, LLC	64.055	(916,049)	1,017,442	7,200,172
Hi-Plains Agronomy, LLC	50.000	(250,000)	(238,274)	0
Dakotaland Feeds, LLC	33.000	0	248,910	1,141,628
Petroleum Partners, LLC	34.974	0	(29,775)	442,051
Dakota Fuels, Inc.	51.000	(218,431)	155,326	0
Redfield, Energy, LLC	1.224	0	(1,651)	498,349
Coteau Hills Proc., LLC	4.000	5,000	(1,552)	5,823
		$(13,289,227)	$6,839,416	$9,737,803
2006				
Heartland Grain Fuels, LP	47.898%	$ (574,776)	$1,822,389	$6,670,537
James Valley Grain, LLC	64.055	(701,370)	1,960,786	7,098,779
Hi-Plains Agronomy, LLC	50.000	0	(13,436)	488,274
Dakotaland Feeds, LLC	33.000	(165,000)	177,883	892,718
Petroleum Partners, LLC	35.078	0	19,480	471,825
Dakota Fuels, Inc.	51.000	(4,172)	15,873	63,105
Redfield, Energy, LLC	1.224	500,000	0	500,000
United Energy, LLC		0	(23,193)	0
Coteau Hills Proc., LLC	4.000	0	(2,725)	2,375
		$ (945,318)	$3,957,057	$16,187,613

The condensed financial information for the material investment in other companies as of July 31, 2007 and 2006 is as follows:

	Heartland Grain Fuels, LP		James Valley Grain, LLC	
Period Ended	11-08-06	12-31-05	7-31-07	7-31-06
Sales and Service Income	$46,036,138	$36,500,936	$80,466,673	$64,961,223
Cost of Sales	34,752,037	33,453,134	74,318,524	60,396,663
Gross Income	11,284,101	3,047,802	6,148,149	4,564,560
Other Income	746,742	765,168	595,191	1,530,788
Expenses	(241,905)	(147,725)	(5,299,723)	(3,235,180)
Patronage Dividend Income	88,365	139,482	86,617	45,960
Net Income	$11,877,303	$3,804,727	$1,530,234	$2,906,128
Balance Sheets				
Assets				
Current Assets	$8,547,447	$2,747,942	$20,719,900	$12,422,768
Property, Plant & Equip.	44,696,979	19,604,110	14,188,332	13,995,883
Other Assets	1,200,559	1,137,076	191,298	138,713
	$54,444,985	$23,489,128	$35,099,530	$26,557,364
Liabilities & Partners Capital				
Current Liabilities	$19,398,540	$2,606,766	$18,037,701	$9,946,697
Long-Term Liabilities	18,000,000	5,755,820	6,110,806	5,759,789
Partners' Capital	17,046,445	15,126,542	10,951,023	10,850,878
	$54,444,985	$23,489,128	$35,099,530	$26,557,364

Note 9: Financing Arrangements

Long-term financing arrangements at July 31, 2007 and 2006, are as follows:

Lender	Interest Rate	Balance 2007	Balance 2006
Notes and Contracts			
CoBank, ACB			
Omaha, Nebraska			
Term (B109T01) – Revolving term loan with a $5,000,000 commitment reduction on 10-01-2007, then $6,000,000 annually thereafter, with balance due on 10-01-15			
Fixed Interest Rate	6.73%	$33,500,000	$19,000,000
Unadvanced Commitment	7.35%*	0	2,000,000
Rural Electric Economic Development, Inc.			
Madison, South Dakota			
Monthly payments of $3,886, includes interest, balance due 07-01-09	5.00%	83,235	124,573
ABC Regional Railroad Authority			
Pierre, South Dakota			
Wolsey 110 – Annual payment of $140,500, includes interest with balance due on 04-01-09	5.00%	$235,868	$358,445
Mellette 110 – Annual payment of $130,750 includes interest with balance due on 10-01-09	5.00%	356,592	464,136
Grebner 110 – Annual payment of $69,850 includes interest with balance due on 08-01-10	6.50%	216,370	216,370
Klose Farmers Elevator			
Eldridge, North Dakota			
Investment in Mainline Agronomy division per operating agreement	N/A	134,881	134,881
Tri-County Farm Service			
Woonsocket, South Dakota			
Paid in full	0.00%	0	25,000
First National Equipment Financing			
Omaha, Nebraska			
Capital Lease – Semi-annual payment of $3,366 includes interest with balance due on 03-29-09	Imputed 6.50%	15,792	21,373
Joy Wiedebush & Coral Freeman			
Mellete, South Dakota			
Deed contract – Annual payment of $66,479 includes interest with balance due on 03-01-11	6.00%	230,321	280,000

** – Denotes Continuously Variable Interest Rate*

Lender	Interest Rate	Balance 2007	2006
Northwestern Energy Huron, South Dakota Natural Gas Service Contract – Monthly payment of a set rate per actual usage until paid in full (Annual usage estimated to be 235,000 "therm" units)	0.00%	94,644	178,269
Dakotas I, LLC Denver, Colorado Term Note A – Due 02-15-14	5.41%	$6,651,000	$ 0
Term Note B – Due 02-15-37	5.41%	2,279,000	0
RDP 4, LLC Mason City, Iowa Term Note A – Due 07-17-14	5.80%*	5,455,442	0
Term Note B – Due 07-17-37	5.80%*	1,951,547	0
Farm Credit Leasing Minneapolis, Minnesota Capital Lease – Monthly payment of $2,058, includes interest with balance due on 01-01-08	Imputed 4.50%	49,657	0
McLaughlin Corson Reg. Railroad Authority Pierre, South Dakota Promissory Note - $2,480,000 Commitment, $317,285 annual payment starting 02-01-08, includes interest, balance due on 02-01-17	4.75%	1,048,794	0
Unpaid Grain	5.25%*	6,382,863	4,753,958
Deferred Compensation Plan	N/A	776,518	782,120
		59,462,524	28,339,125
Less: Current Portion		5,743,182	2,983,186
Total Long-Term Liabilities		$53,719,342	$25,355,939

** – Denotes Continuously Variable Interest Rate*

The term note (B109T01) with CoBank, ACB is a long-term revolving note that the Association may borrow against and repay at their discretion, but may not be reduced to an amount lower than the note's balance that has fixed interest rates. The Company has fixed interest rates ranging from 5.787% to 7.94% for various lengths of time during the term of the note with a weighted average interest rate of 6.73%.

In addition, the Association had term and seasonal lines of credit available at July 31, 2007, as follows on the next page:

Lender	Expires	Interest Rate	Commitment	Balance
CoBank, ACB				
Omaha, Nebraska				
Seasonal (B109S01)	08-31-2008	7.15%*	$55,000,000	$11,000,000
Seasonal (B109S02)	08-31-2008	6.95%*	50,000,000	50,000,000
			$105,000,000	$61,000,000
Wells Fargo Bank South Dakota, N.A.				
Aberdeen, South Dakota				
Commercial Note	03-15-2008	8.25%*	$ 2,000,000	$ 0

** – Denotes Continuously Variable Interest Rate*

Seasonal and term notes with CoBank, ACB are secured by a first mortgage lien covering certain specified real property owned by the Association, together with a security agreement under the Uniform Commercial Code covering substantially all personal property owned by the Association, including receivables, inventories, and equipment. The Association also has $2,592,939 of equity in the bank at July 31, 2007, which is held as additional collateral.

Restrictive covenants on the loan agreements with CoBank, ACB provide, among other things, (1) restrictions on incurring additional indebtedness, (2) restrictions on assumption or guarantee of indebtedness of patrons, (3) a required minimum working capital balance of $16,000,000 at fiscal year end, and (4) restrictions on loan commitments to and investments in other companies.

The loan agreement with Rural Electric Economic Development, Inc. is secured by the land and buildings located in Wolsey, South Dakota.

The loan agreements with ABC Regional Railroad Authority and the State of South Dakota is secured by the railroad track that is located in Wolsey, Mellete and Grebner, South Dakota. The State of South Dakota retains ownership of the railroad tracks until the loans are paid off. The loans bear interest at this stated rate for 5 years and then will be adjusted according to the interest rate on a 5-year Federal Treasury Bill.

The contract with Klose Farmers Elevator, Eldridge, North Dakota is secured by an operating agreement in regards to the assets of the Mainline Agronomy Division. Per the operating agreement, all assets of the Mainline Agronomy Division are the property of the Company with Klose Farmers Elevator receiving a 5% allocation of the division's profit or loss for their investment.

The capital lease with First National Equipment Financing is secured by a first security interest in a 1997 Volvo Truck.

The deed contract with Joy Wiedebush and Coral Freeman is secured by a first mortgage lien on the land purchased.

The natural gas service contract with NorthWestern Energy is secured by a first security interest in the natural gas facilities. If the Company discontinues operations at these facilities, the costs remaining shall be immediately due and payable.

Term notes with Dakotas I, LLC are secured by a first mortgage lien covering certain specified real property owned by McLaughlin Terminal, LLC, together with a security agreement under the Uniform Commercial Code covering substantially all personal property owned by McLaughlin Terminal, LLC, including receivables, inventories, and equipment.

Term notes with RDP 4, LLC are secured by a first mortgage lien covering certain specified real property owned by Cresbard Terminal, LLC, together with a security agreement under the Uniform Commercial Code covering substantially all personal property owned by Cresbard Terminal, LLC, including receivables, inventories, and equipment.

The capital lease with Farm Credit Leasing is secured by a first security interest in a Loral Spreader.

The promissory note with McLaughlin Corson Regional Railroad Authority and the State of South Dakota is secured by the railroad track that is located in McLaughlin, South Dakota.

The Company instituted a deferred compensation plan in order to facilitate and help retain current employees. The plan accrues a "retention" bonus at the end of each year based off the current years' performance. The accrued bonus is payable to the employee only after three years of continued employment.

Aggregate annual maturities of the long-term debt outstanding at July 31, 2007, are as follows:

Maturity Date – Year Ending July 31,	Notes and Contracts	Unpaid Grain	Deferred Compensation	Total
2008	$ 5,743,182	$ 0	$ 0	$ 5,743,182
2009	5,599,583	4,638,116	279,635	10,517,334
2010	5,466,431	1,182,289	296,269	6,944,989
2011	5,329,898	251,883	200,614	5,782,395
2012	5,192,179	128,573	0	5,320,752
2013 & Thereafter	24,971,870	182,002	0	25,153,872
	$52,303,143	$6,382,863	$ 776,518	$59,462,524

Total interest expense charged to operations amounted to $6,445,727 and $3,358,252 for the years ended July 31, 2007 and 2006, respectively.

Total interest expense capitalized toward construction projects amounted to $864,492 and $0 for the years ended July 31, 2007 and 2006, respectively.

Note 10: Grain Payables

The Association has brought all open derivative type contracts to market by recording the unrealized gains or losses. Unrealized gains or (losses) of $(5,512,513) and $1,668,006 and on futures and option contracts traded on the commodity markets and unrealized gains or (losses) of $9,349,716 and $(103,029) on patron and terminal cash contracts were recognized and recorded to their respective commodity's sales or cost of sales as of July 31, 2007 and 2006, respectively.

Unpaid grain at July 31, 2007 and 2006 consisted of deferred payment contracts, delayed pricing contracts, delayed pricing basis contracts and priced not paid contracts. Deferred payment contracts and priced not paid contracts represent grain whose title has passed to the Association where the final price has been established with payment to be made at a specified or later date. Delayed pricing contracts and basis contracts represent grain on which title has passed to the Association with a price to be fixed at a later date. The Association includes these bushels as purchases and reflects the corresponding liability based on the local bid price at July 31. The contracts are summarized as follows:

	2007	2006
Deferred Payment Contracts	$ 28,737,353	$ 26,142,910
Classified as Long-Term Liabilities	(6,382,863)	(4,753,958)
Advances	(279,204)	(298,952)
	22,075,286	21,090,000
Delayed Pricing Contracts	21,374,824	16,199,169
Priced Not Paid Contracts	26,959,475	7,124,135
Advances	(144,778)	(138,336)
	26,814,697	6,985,799
	$ 70,264,807	$ 44,274,968

Note 11: Condo Storage

The Association has entered into 5 or 20 year condo storage contracts with patrons. These contracts lease storage space to patrons for an annual fee of 6¢ per bushel and a total fee of $0.30

to $1.50 per bushel, depending on the contract year and length of contract. This storage space currently can only be used for corn, soybeans or wheat. Additional storage charges of 1/2 ¢ per month are charged over the actual time the grain is in storage.

Condo Storage Contracts	2007	2006
Total Storage Space Leased – Bushels	3,875,000	3,833,000
Total Income Recorded from Contracts	$516,005	$547,281
Total Receivables	$558,650	$762,315
Total Deferred Revenue	$3,407,499	$3,635,606

Note 12: Members' Equity

The Association is organized without capital stock on a membership basis. Memberships in the Association may be issued to or held only by (i) producers, (ii) who reside in the territory served by the Association and (iii) who patronize this Association by doing not less than $5,000 in business during the year. Voting rights are limited to a one-vote premise. The balance of patrons' and retired patrons' reserve represents accumulated patronage dividends allocated to patrons but not paid in cash.

The Company has $2,963,380 and $320,082 of accumulated other comprehensive income as of July 31, 2007 and 2006, respectively. This income was created when FCStone Group, Inc. converted from a cooperative to a regular corporation in 2005 and then became a publicly traded company on the NASDAQ stock exchange in 2007. The net comprehensive income adjustment for the years ended July 31, 2007 and 2006 amounted to $2,643,298 and $0, respectively.

The Association has a program to pay to its retired patrons their accumulated patronage over a 10-year period after the patrons reach their 70th birthday. It is anticipated that this program, based on present applications, will require the following estimated annual payments.

2008	$392,334
2009	340,428
2010	283,457
2011	249,961
2012	333,117

Note 13: Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of estimated taxes currently due. Deferred taxes generally are recognized for the differences between the basis of assets and liabilities for financial statement and income tax purposes. These differences relate primarily to depreciable assets (use of different lives for financial statement and income tax purposes), allowance for doubtful accounts, accrued compensated absences, accrued property taxes, gains and losses on investments, and inventory capitalization (not deductible or includable for income tax purposes).

Components of the provision for income tax expense for the years ended July 31, 2007 and 2006, were as follows:

	2007	2006
Federal Tax Expense	$ 1,418,832	$3,059,617
State Tax Expense	22,335	27,199
Deferred	581,162	(55,906)
	$2,022,329	$3,030,910

Total income tax expense for the years ended July 31, 2007 and 2006, was less than the normal amount computed by applying the U.S. federal income tax rate to savings before income taxes for the following reasons:

	2007	2006
Computed "Expected" Tax Expense	$ 4,571,709	$ 4,288,159
Increase (Reduction) in Taxes Resulting from:		
Patronage Dividend Provision	(1,278,808)	(1,602,446)
Alcohol Credits - Minimum Tax	(718,470)	(718,470)
State Income Taxes, Net of Federal Benefit	14,741	17,951
Book to Tax Adjustments		
Obsolescence Reserve	(578,000)	479,740
Investment Income	125,030	378,493
Property, Plant & Equipment	(682,482)	(311,195)
Condo Storage	(8,310)	17,010
Contingency Reserve	235,280	443,360
Deferred Income Taxes	581,162	(55,906)
Other	(239,523)	94,214
	$ 2,022,329	$ 3,030,910

The Company has excluded allocated patronage dividends from its taxable income as provided under Section 1382 of the Internal Revenue Code. In order to utilize this exclusion, at least 20% of the patronage dividends, amounting to $752,240 and $943,280, must be paid in cash by April 15, 2008 and 2007, respectively. The Association intends to pay 30% of the allocation in cash, amounting to $1,128,000 and $1,414,000 for the years ended July 31, 2007 and 2006, respectively.

Deferred tax assets and liabilities consisted of the following:

	2007	2006
Current Asset		
Allowance for Doubtful Accounts	$ 80,000	$ 85,280
Accrued Compensated Absences	62,499	52,655
Accrued Bonus Retention	62,121	62,570
Self-Funded Insurance Reserve	5,787	30,247
Accrued Obsolescence Reserve	328,080	464,080
263(a) Inventory Capitalization	36,595	25,419
Accumulated Comprehensive Income	(257,261)	0
	$ 317,821	$ 720,251
Non-Current Asset (Liabilities)		
Property, Plant & Equipment (Net)	$ (1,189,196)	$ (786,153)
Investments in Other Companies	(140,465)	(119,434)
Condo Storage	227,908	229,863
Goodwill	4,489	5,022
	$ (1,097,264)	$ (670,702)

Note 14: Pension Plans

The Association participates in a defined contribution thrift 401(k) plan. Under the terms of the plan, qualifying employees may elect to contribute to the plan a percentage of their compensation, such contributed compensation may be partially matched by the Association, up to a maximum of 3%. The Association contributed $418,056 and $221,381 to the thrift plan for the years ended July 31, 2007 and 2006, respectively.

The Association participates in the Co-op Retirement Plan, which is a multiple-employer defined benefit plan that covers substantially all of their employees. The Association made contributions and paid administration costs of $885,715 and $996,380 for the years ended July 31, 2007 and 2006, respectively.

The Association intends to participate in the plan indefinitely; however it may voluntarily discontinue the plan at any time. The plan, which has no funding deficiencies, uses the aggregate cost method of valuation. Under this method, the normal cost is adjusted each year to reflect the experience under the plan, automatically spreading gains or losses over future years. The relative position of each employer associated with the plan, with respect to the actuarial present value of accumulated benefits, is not determinable.

Note 15: Operating Leases

The Association has certain cancelable and non-cancelable operating leases and rental agreements on property and equipment. The rental expense was $1,483,629 and $1,492,369 for the years ended July 31, 2007 and 2006, respectively.

The future required minimum annual lease payments are as follows:

2008	$ 998,920
2009	744,233
2010	10,254
2011	9,665
2012	6,367
2013 & Thereafter	46,750
	$1,816,189

Note 16: Merger Acquisitions

On November 1, 2006, the Association acquired assets of $2,727,622 and assumed the liabilities of $2,095,419 and patron's equity of $632,204 of the Amkota Co-op of Wessington Springs, South Dakota. The acquisition was accounted for as a purchase acquisition.

On June 1, 2007, the Association acquired assets of $2,220,373 and assumed the liabilities of $203,497 and patron's equity of $2,016,876 of the Aurora Cooperative Oil Company of Stickney, South Dakota. The acquisition was accounted for as a purchase acquisition.

Note 17: Contingencies and Commitments

a. The Association may provide financing and guarantee commitment packages to the companies that it has invested in. Current commitments and guarantees in effect as of July 31, 2007, are as follows:

	Commitment	Balance
Promissory Note from – James Valley Grain, LLC	$20,000,000	$8,445,000

b. The Association is contingently liable for any weight or grade deficiencies that may occur at time of delivery on the following grain in storage under warehouse receipts or awaiting disposition at July 31, 2007.

Commodity	Storage Obligation	Market Value
Spring Wheat – Bushels	1,094,988	$ 6,077,183
Winter Wheat – Bushels	597,552	3,316,414
White Winter Wheat – Bushels	1,349	7,487
Oats – Bushels	16,864	35,414
Corn – Bushels	630,138	1,959,729
Soybeans – Bushels	727,742	5,276,130
		$16,672,357

c. The Association will be required to comply with various governmental laws and regulations incident to its normal business operations. In order to meet its compliance requirements, remediation of identified issues would be included as an expense. Cost for matters which may be identified in the future cannot be determined at present; while the resolution of any such matters may have an impact on the Association's financial results for a particular reporting period, management believes any such matters will not have a material effect on the financial position of the Association due to the contingency reverse fund as established by the board of directors.

d. The Association has elected, by a board resolution, to set aside a maximum of 0.30% of sales for 2006 and .15% of sales for 2007 to establish and finance a contingency reserve fund for the possibility of the aforementioned contingencies. The contingency reserve set aside charged to operations amounted to $692,000 and $1,304,000 for the years ended July 31, 2007 and 2006, respectively. The balance of the contingency reserve fund amounted to $6,993,000 and $6,301,000 as of July 31, 2007 and 2006, respectively.

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