The Northeast Cooperative Council

MEMBERS

Lowville Farmers Cooperative, Inc. ................. Lowville, N.Y.
National Grape Cooperative Association, Inc. ....... Westfield, N.Y.
New York State Rural Electric Association ............ Hartwick, N.Y.
O-AF-KA Milk Products Cooperative Inc. ........... Batavia, N.Y.
Pro-Fac Cooperative ..................................... Rochester, N.Y.
St. Albans Cooperative ................................. St. Albans, Vt.
Stamford Farmers Cooperative ...................... Stamford, N.Y.
Upstate Niagara Cooperative ....................... Buffalo, N.Y.
Yankee Farm Credit, ACA ............................. Williston, Vt.

ASSOCIATE MEMBERS

Jeffrey Fetter ...............Socora, Shulman, Cohen, Fetter & Burstein P.C. ..........Syracuse, N.Y.
Norrei Giszpenc ............. Cooperative Development Institute ........ Greenfield, Mass.
David Hayes ................. Bond, Schoeneck and King, PLLC ............. Syracuse, N.Y.
Gary Beckman ............... AgChoice Farm Credit ...................... Mechanicsburg, Penn.
Jay McWatters .................. Dophin and Co., LLP ................. Williamsville, N.Y.
Charles Sullivan .............. Bond, Schoeneck and King, PLLC ....... Syracuse, N.Y.
Bill Wilson ...................... FFC Services ............................ Denver, Colo.

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NECC

FORUM FOCUSES ON “CONTEMPORARY ISSUES”

THE NORTH EAST COOPERATIVE COUNCIL HELD ITS COOPERATIVE LEADERS FORUM AND 61ST ANNUAL MEETING ON MARCH 27-28 AT THE DOUBLETREE HOTEL IN SYRACUSE, N.Y. THE FORUM WAS HELD IN CONJUNCTION WITH THE REGIONAL CUSTOMER MEETING OF COBANK.

JEFF LAKNER KICKED OFF THE FORUM ON TUESDAY WITH AN ADDRESS ON “COORDINATE STRATEGIES FOR A GLOBAL MARKET.” LAKNER IS A FARMER DIRECTOR SERVING ON THE BOARD OF SOUTH DAKOTA WHEAT GROWERS. LAKNER HAS BEEN A MEMBER OF THE WHEAT Growers board for over 6 years, and farms 2,500 acres of corn, soybeans and hay in Wessington, S.D. He is a fourth generation farmer who has farmed for nearly 30 years. Jeff was the recipient of the 2011 Farmer Cooperative Director of the Year Award from the National Council of Farmer Cooperatives.

He described the operations and scope of business for the South Dakota Wheat Growers. The name of the cooperative is a bit dated, given the cooperative’s geography and crop mix has expanded beyond South Dakota and wheat. Their planted acres for 2011 were approximately 1.7 million acres. The cooperative is preparing for the future by making significant investments in grain receiving and drying capacity as well as shuttle train loading facilities.

He reviewed the experience of the cooperative becoming the subject of a Harvard Business school (HBs) case study. The HBs asked several strategic questions:

- What SWDG management and board wrestled with how to govern members as owners while at the same time satisfying their diverse needs as customers.

He ended his presentation with suggestions for “re-wiring” your cooperative which included:

- Streamlining your governance
- Shoring up your balance sheet
- Understanding and practicing risk management
- Downsizing your board and increasing director development
- Developing more effective communication with management
- Keeping pace with and embrace new technology

The next speaker was Brian Henehan, Senior Extension Associate in the Charles H. Dyson School of Applied Economics and Management in the College of Agriculture and Life Sciences at Cornell University and NECC Secretary, he offered “Observations on Successful Cooperatives.” He reviewed a range of applied research over the 27 years of his career focused on cooperative governance, management and economic performance that contribute to success. He discussed some of the challenges in defining and measuring success for cooperatives. The success measures vary by type of cooperative; gauges of success can change over time, and member’s perceptions of success can be fluid. As market conditions change, metrics of today can be obsolete tomorrow.

His presentation relied primarily on previous studies and publications (an extensive list of publications and articles is archived on the NECC website). Although some work was performed a number of years ago, many results stand the test of time. His analysis utilized organizational performance as a key indicator of success. Most financial performance measures are already well understood. He reviewed the general situation of cooperatives in the Northeast when he arrived at Cornell in 1985. The situation for a number of major agricultural marketing cooperatives was somewhat grim. A major dairy marketing cooperative, NEDCO failed leaving behind several millions of dollars in unpaid milk checks to farmers. A number of other major dairy cooperatives were experiencing financial difficulties.

The major supply cooperative was starting to experience financial difficulties as well. In 1987, New York farmers had mixed views of doing business with cooperatives as identified in a study of farmer attitudes. (They may have some of the same negative views today)

Henehan reviewed a number of critical measures of organizational success starting with a member base and include boards of directors, management, and sources of capital. He discussed how each of the “key constituencies” potentially interacts for the benefit of the total membership. He outlined a number of critical issues for future success that he suggests cooperatives should be evaluating within their own operating environment including:

- Attracting and recruiting the most talented members to serve on boards.
- Leveraging the relationship of the “Team at the Top” (CEO and Board Chair)
**NECC Elected Directors & Officers for 2012**

NECC, held its sixty-third annual meeting and Cooperative Leaders Forum in Syracuse, New York on March 28-29. This year’s theme for the Forum co-sponsored by CoBank and Cornell Cooperative Extension was “Contemporary Cooperative Issues.” Over 20 cooperative leaders from across the Northeast and U.S. attended the conference held on March 28-29. The Council announced the 2012 election of directors. Four directors were elected or re-elected to serve on the 12 member board.

**Neviews**

- Eric Zuber, a CNBC Chief economist and Co-Host of “Creating Knowledge with a Public Perspective.” He discussed the unprecedented volatility in the global dairy market over the past three years. He presented a summary of trade agreements that have had an impact on global dairy trade. He emphasized the importance of value-added products in achieving good returns. He described how Fonterra manages very high customer expectations and the importance of consistency.
- John Hofmeister, the founder and CEO of Citizens for Affordable Energy, as the keynote address is a former CEO of Shell Oil Company, the Texas-based subsidiary of Royal Dutch Shell.
- Dr. Marci Rossell, a CNBC Chief economist and Co-Host of “The Amazing Power of Cooperatives” and “The Amazing Power of Cooperatives,” discussed the unprecedented volatility in the global dairy market over the past three years. She reviewed the history and scope of Fonterra operations. The cooperative is owned by 10,500 farmer-members and processes over 20 billion liters of milk per year. It was created in 2001 from a merger of cooperatives with over 100 years of history. Fonterra has grown into one of the world’s leading dairy exporting companies with over $10 billion in exports. It is the world’s largest dairy exporter. The dairy industry in 1980 resulted in some turmoil (land and livestock prices, farm exits, etc.). Since then, the dairy industry has prospered since subsidies were lifted. Hofmeister discussed the unprecedented volatility in the global dairy market over the past three years. He presented a summary of trade agreements that have had an impact on global dairy trade. He emphasized the importance of value-added products in achieving good returns. He described how Fonterra manages very high customer expectations and the importance of consistency.

**THEME:**

- **CONTEMPORARY ISSUES** continued

- **Effective cultivation of sources of capital**
- **Supporting organizational learning at all levels** (boards, management, staff, members)
- **Developing greater capacity to “mine” and analyze member data** (location, leadership potential, future viability, production/purchasing patterns, etc.)
- **The impact of climate change on their members and operations**
- **For cooperatives to succeed in the future, they will need supportive managers who understand the value created, the most qualified board of directors, talented management and the ability to obtain the best knowledge and information available.**

**PRESIDENT’S COLUMN**

As the incoming NECC President, I want to thank the NECC Board of Directors for a job well done this past year. I continue to be impressed by the hard work and dedication of the Board, and I appreciate the confidence and trust they have placed in me.

Special thanks are due to Eric Zuber for his leadership as our NECC President the past two years. During Eric’s tenure, NECC entered into a new Memorandum of Understanding between our cooperative affiliation, with Cornell University and a fund-raising effort was launched. Also, Cornell University created a new program to support cooperative leadership education. Finally, Eric is a member and/or Director of a number of cooperatives in the Northeast. We will appreciate Eric’s continued service on the NECC Board.

The recent 2012 Annual Meeting & Cooperative Leaders Forum was another success. We very much appreciate being able to team up with CoBank. The result is diverse and knowledgeable persons with unique and individual perspective. The evolution results were strong and we are already planning for the 2013 event.

The NECC will have change to deal with during the next year starting with Brian Henchman’s retirement effective June 30. Brian, has been in the heart and soul of the NECC for many years as Executive Secretary. We considered that, as we hosted the 2012 International Summit of Cooperatives in Washington, D.C., we would not be in the front seat if we were without Brian. Best wishes Brian, in your retirement.

With change, comes opportunity. As I write, a job posting is in circulation, for Brian’s eventual successor. Our current funding fundraising effort in honor of Brian, afforded us the potential to provide additional educational benefits to our NECC members. Changes in agriculture, whether it be technology, marketing, pricing, market consolidation, or policy, will present both challenges and benefits to cooperative members. The strong agricultural economy of the past couple years and a renewed interest in the cooperative structure will result in new opportunities for our NECC members.

As always, thank you for your support of the Northeast Cooperative Council. Your feedback and suggestions are important. Please offer them to me or my fellow Board Members.

Sincerely,

Craig Pollock

Upstate Niagara Cooperative. Paul Saenger was re-elected to represent Yankton Farm Credit. Rob Smith was elected to represent National Grape Cooperative in Napa Valley by Hardenburg who is elected from National Grape Cooperative and from the Council board. Officers were elected at the Council board’s reorganization meeting.

Craigh Pollock, Branch Officer Manager with Farm Credit East, was re-elected President. Craig Farmer, who was recently elected Vice-President. Stephen Tudhope with Farm Credit East was elected to serve as Treasurer. Brian Henchman, Senior Extension Associate at Cornell University, was appointed as interim Secretary given that he is retiring from Cornell on June 30.

**INTERNATIONAL YEAR OF COOPERATIVES**

In July 2011, the U.S. Senate passed a resolution declaring 2012 to be the International Year of Cooperatives (IYC) to recognize and celebrate the benefits cooperatives of all types deliver to the communities they serve. The Senate’s action came on the heels of the United Nations General Assembly passing a resolution proclaiming the year 2012 as the International Year of Cooperatives. The National Council of Farmer Cooperatives is celebrating 2012 as the Year of the Farmer Co-op. Over the course of the year, NCFC will highlight the role farmer-owned co-op play in giving family farmers across the country an ownership stake in the food and agriculture system from the farm to the grocery store shelves. A new video emphasizing these points can be found on the NCFC website at http://www.ncfc.org/news/year-of-the-farmer-co-op.

**INTERNATIONAL SUMMIT OF COOPERATIVES**

To mark the United Nations’ International Year of Cooperatives, decision-makers and influential Figures from the international cooperative and mutualist community will be meeting in Quebec City, Canada, to participate in the 2012 International Summit of Cooperatives. The theme is “The Amazing Power of Cooperatives” and it is focused on the role cooperatives play in the economic growth and performance of cooperatives and mutuals worldwide.

The role of cooperatives and mutuals in the global economy

It is crucial to demonstrate the reach and influence of cooperatives and mutuals with economic data and perception surveys in order to establish a factual basis about them. Where exactly do cooperatives and mutuals stand? What role do they play on the global economic stage today? What should their role be?

The Summit will include a round table on: The role of cooperatives and mutuals in the socio-economic impact of an unknown business model

Preliminary results of Imagine 2012, the official pre-summit and performance of cooperatives and mutuals worldwide.

Events

- Association of Cooperative Educators (ACE) Institute is June 24-27 in Montreal, Quebec. cooperativeeducators.com/the-ace-institute/
- NSAC Tax & Accounting Conference for Cooperatives on Aug. 5-8 at The Paris Hotel, Las Vegas, Nev. www.coopnsac.org/
- National Extension Conference and meeting of community of practice on Oct 3-7 at the University of Wisconsin, Madison, Wis. about.extension.org/2012/04/coop-evo-the-evolution-of-extension-2012/
- International Summit of Cooperatives in Quebec City, Canada on October 8-11. www.cooperative.coop/conference-quebec-2012