

The Northeast Cooperative Council

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To learn more about NECC or read past issues of *Cooperative Notes*, visit the NECC web pages at: www.cooperatives.dyson.cornell.edu/

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FORUM FOCUSES ON "CONTEMPORARY ISSUES"

The Northeast Cooperative Council held its Cooperative Leaders Forum and 62nd 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 "Cooperative 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:

"...SDWG management and board wrestled with how to engage members as owners while at the same time satisfying their diverse needs as customers."

"How could the CEO and board make sure SWDG not only survived, but also continued to provide industry leadership and ensure the producer was effectively represented in the global food system?"

The cooperatives interaction with Harvard faculty and staff conducting the study resulted in the board and cooperative taking a closer look at strengths, weakness and their sustainable advantage. The process of developing the case study stimulated a discussion about the role the cooperative should play in the future. The SDWG future should remain strong if run as the best agribusiness in the area and continues to provide value to larger scale farmers. Some of the issues identified that the Board should be concerned about included:

- ✓ The cyclical nature of the business
- ✓ Need means to transfer stock from older patrons to younger ones
- ✓ Understand outside threats from other firms
- ✓ Flexibility of the business and board to quickly respond to change

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 in a cooperative. The success measures can 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)

"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 members who understand the value created, the most qualified board of directors, talented management and the ability to obtain the best knowledge and information available. Henehan will be retiring as NECC Secretary and Senior Extension Associate in the Charles H. Dyson School of Applied Economics and Management at Cornell University at the end of June.

Dr. Marci Rossell presented an "Economic Outlook." Rossell, a CNBC Chief Economist and Co-Host of SQUAWK BOX, takes complex economic issues, often dull in the button-down business press and makes them relevant to people's lives, families, and careers.



She described a slow economic recovery. Housing values are modestly rebounding, consumer savings are increasing, and exports have increased. We should all be concerned about the size of the Federal deficit. Given this is an election year, don't look for policy makers to take much action on addressing this critical issue.

John Hofmeister addressed the subject of "How the U.S. Achieves Both Energy Security and Affordability." Hofmeister is the Founder and CEO of Citizens for Affordable Energy as well as former CEO of Shell Oil Company, the Texas-based subsidiary of Royal Dutch Shell. After retiring from Shell in 2008, Mr. Hofmeister founded Citizens for Affordable Energy, a national not-for-profit organization promoting sound U.S. energy policies and public education on energy issues.

He is concerned the U.S. does not have a clear energy policy to move the country effectively into the future. Key leaders don't seem to appreciate the need for such a policy. We should all be concerned about the lack of a coherent policy and encourage our elected leaders to develop such a comprehensive energy policy.

The Tuesday afternoon program was followed by a reception hosted by CoBank directors. The program for the evening annual banquet included celebrations of the careers of Bob Egerton, with CoBank and Brian Henehan who are both retiring.

The Forum continued on Wednesday with a presentation by **Mark Piper** on "Taking Milk to the World." Piper is Vice President for Sourcing, Fonterra (USA) Inc. He was born in New Zealand and spent

a number of years moving around the country as his parents ran various hotels and wineries across New Zealand. During the 19 years with Fonterra, Mark has worked in the manufacturing of casein and cheese, coordinated supply chain activities for sales into Japan and Korea, managed a technical team for Fonterra Japan, and served as Product Group Manager for Fonterra's global cheese business.

He presented a country comparison of the USA and New Zealand. While the USA has the world's largest economy, New Zealand has the highest animal to human ratio. In the U.S., eighteen percent of dairy output exported. While in New Zealand, ninety-five percent of dairy output is exported.

Mark 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 dairying tradition. Fonterra has grown into one of the world's leading dairy exporter accounting for a third of global dairy trade with total revenues in 2010 of over \$16.6 billion. Fonterra's payout to farmers for 2011 was \$8.25 per kgs. (or USD \$25/cwt.). Although the lifting of New Zealand government subsidies to the dairy industry in 1985 resulted in some turmoil (land and livestock prices, farm exits, etc.). Since then, the dairy industry has prospered since subsidies were lifted.

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 quality and value-added products in achieving good returns. He described how Fonterra manages very high customer expectations and the importance of consistency.

Professor Max Pfeffer addressed "Creating Knowledge with a Public Purpose." He serves as Associate Dean for the College of Agriculture and Life Sciences at Cornell University.

He reviewed some of the history the College has with cooperatives in the region and the U.S. Various faculty and former Deans including Liberty Hyde Bailey, H.E. Babcock and W. I. Myers, recognized the importance of the cooperative business model and interacted directly with cooperatives.

The College entered into a new three-year Memorandum of Understanding with the Council spelling out the relationship moving past the June 30, 2012 termination date of the current MOU.

The Forum ended with round table discussions for directors and managers. These sessions allow leaders from across the Northeast to discuss current issues and share strategies. For more information on the presentations or the conference, visit the following website: <http://cooperatives.dyson.cornell.edu/>

Upstate Niagara Cooperative. **Paul Saenger** was re-elected to represent Yankee Farm Credit. **Rob Smith** was elected to represent National Grape Cooperative replacing Jay Hardenburg who retired from National Grape Cooperative and from the Council board.

Officers were elected at the Council board's reorganization meeting. **Craig Pollock**, Branch Officer Manager with Farm Credit East, was elected President. **Cyndy VanLieshout**, dairy farmer, was elected Vice-President. **Stephen Tudhope** with Farm Credit East was elected to serve as Treasurer. **Brian Henehan**, Senior Extension Associate at Cornell University, was appointed as interim Secretary given that he is retiring from Cornell on June 30.



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 ensuring our continued affiliation with Cornell University and a fundraising effort was launched. Also, Cornell University will create a new course regarding the cooperative structure to be offered in 2013. 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 presenters providing tremendous expertise and perspective. The evaluation 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 Henehan's retirement effective June 30. Brian has been the heart and soul of the NECC during his many years as Executive Secretary; we would not be in the fine state we are 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 fundraising effort in honor of Brian affords us the potential to provide additional educational benefits to our NECC members. Changes in agriculture, whether it be technology, marketing, production or value-added, 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 members for us along with an increased demand for "cooperative knowledge."

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. I look forward to serving you over the next two years.

Sincerely,
Craig Pollock

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-ops play in giving family farmers across the country an ownership stake in the food and agriculture system from the farm gate all the way to 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 its mission is to offer solutions to promote the development 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 some preliminary facts 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 cooperative model, the socio-economic impact of an unknown business model
- ✓ Preliminary results of Imagine 2012, the official pre-Summit event addressing cooperative economics
- ✓ The perception of members and the public with regard to cooperatives and mutuals – a global perspective

To remain viable, cooperative and mutual businesses must achieve and maintain the delicate balance growth levers are available to cooperatives and mutuals?

EVENTS

Association of Cooperative Educators (ACE) Institute is June 24-27 in Montreal, Quebec. coopeducators.com/the-ace-institute/

NSAC Tax & Accounting Conference for Cooperatives on Aug. 5-8 at The Paris Hotel, Las Vegas, Nev. www.nsacoop.org/

National eXtension Conference and meeting of community of practice on cooperatives – Sept. 30-Oct. 3 in Oklahoma City, Okla. about.extension.org/2012/05/04/spur-on-the-evolution-of-extension-nexc2012/

International Summit of Cooperatives in Quebec City, Canada on October 8-11 www.sommetinter2012.coop/site/home

NECC ELECTED DIRECTORS & OFFICERS FOR 2012



VanLieshout, V.Pres.; Tudhope, Treas.; Pollock, Pres.

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 200 cooperative leaders from across the Northeast and U.S. attended the conference held on March 27-28 in Syracuse, N.Y.

The Council announced the 2012 election of directors. Four directors were elected or re-elected to serve on the 12 member board.

Ed Schoen was re-elected to represent Dairy Farmers of America Cooperative. **Cyndy VanLieshout** was re-elected to represent