

cooperative notes

COOPERATIVE LEADERS FORUM Building Opportunity Through Change March 11-12, 2013 • Doubletree Hotel, Syracuse, N.Y.

You are invited to attend the 63rd Cooperative Leaders Forum. A dynamic program has been planned with the focus on adapting and thriving in the changing world in which we live and do business. The Leaders Forum is held in conjunction with the CoBank regional customer meeting.



Kelly McDonald of McDonald Marketing, Inc. will jump start the meeting. With her energetic speaking style, Kelly will address ***Changing Demographics and How This Affects Your Business, Today and Tomorrow***. McDonald will share the five biggest findings from the U. S. Census and what they mean for your cooperative and your members right now. She will address the values, differences, and expectations of key market segments, which

will allow businesses to better understand and communicate with diverse customers and employees. These differences will ultimately impact services expected and products provided to consumers and terms of employment of cooperative employees. She will deliver insights into the implications for cooperative businesses, along with suggested do's and don'ts for success. Kelly's client list includes AgChoice Farm Credit, Toyota, Kimberly-Clark, Nike, and Harley Davidson. Advertising Age twice named her company as one of the top ad agencies in the U. S. She has been featured on CNBC, in BusinessWeek, and on CNNMoney.



Marci Rossell, former CNBC Chief Economist and Co-Host of SQUAWK BOX will provide an ***Economic Update*** speaking on the intersection of economics, politics, culture and the media. Marci takes complex economic issues and makes them understandable and relevant to people's lives, families, and careers. Prior to her career in broadcast journalism she served as Corporate Economist and Investment Spokesperson for Oppenheimer Funds. She

began her career as an economist with the Federal Reserve Bank of Dallas and has served as a visiting professor at DePaul University. Rossell brings a world of experience – from Main Street to Wall Street – when discussing the U.S. economy, international events, and movements in capital markets. Her innovative, thought provoking commentary will ring in your ears well after her presentation.



James Conway, 34th Commandant, United States Marine Corps (retired) was a member of the Joint Chiefs of Staff between 2006 and 2010. General Conway will be speaking on ***Beyond Rural America: U. S. Global Interests in the Coming Decade and How to Adapt***. He was commissioned as an infantry officer in 1970 and his first assignment was to command a rifle platoon with the 3rd Battalion, 1st Marines based in Camp Pendleton. He served

in the Gulf War and the Iraq War. Through a series of promotions he achieved the rank of Lieutenant General and assumed command of the Marine Expeditionary Force in 2002. He led the MEF through two tours in Iraq with over 60,000 troops under his command. As Commandant, General Conway was responsible for the organization, training and equipping of over 250,000 active duty, reserve, and civilian personnel throughout the United States and overseas, as well as management of a \$40 billion annual budget.



Archie Manning, former NFL Pro Bowl Quarterback and NFL League MVP, will present on: ***Setting Goals and Team Management***. Flexibility and good leadership coupled with the ability to depend on others are critical keys to building good teams and strong businesses. Manning will share some real life experiences from an industry in which most of us are spectators with enlightenment and humor. Archie grew up on the Mississippi Delta and

was the starting quarterback for the University of Mississippi for 3 years. Twice he was named to the All-Southeast Conference football team. In 1969 he was named Mississippi Sportsman of the Year and MVP of the Southeast Conference. In spite of being drafted by the Atlanta Braves, Chicago White Sox, and Kansas City Royals to play baseball, he started his professional football career and played for the New Orleans Saints for ten seasons. He also played for the Houston Oilers and Minnesota Vikings. His presentation style allows him to bring experiences from the football field and apply them to real life in a manner in which we can all identify with.

CoBank directors will be hosting a reception following the Tuesday afternoon program. The evening program will feature remarks by Archie Manning.

COOPERATIVE LEADERS FORUM Cont.



Kevin Natz, Vice President, National Council of Farmer Cooperatives will provide a ***Washington Update: Policy and Regulatory Issues Affecting Farmer Cooperatives.*** Changing government policies and regulations were identified as critical concerns by a national panel of cooperative managers, researchers, and academics. Natz's focus at the NCFC is on the Commodity Futures Trading Commission (CFTC), international trade, and

transportation. Responsibilities for CFTC include representing farmer cooperatives' interests before Congress and the Administration relating to the implementation of the derivatives title of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Prior to his position at NCFC, Natz served as Senior Advisor to the Under Secretary of Farm and Foreign Agricultural Services at the USDA. He was also Director of Trade Policy for the U. S. Grains Council in Washington, D. C. specializing in international market access, disputes and negotiations. He was also with the Sparks Companies as an economic and policy analyst.



Michael Patterson, Chief Financial Officer and Assistant Treasurer, O-AT-KA Milk Products Cooperative, Inc. will address ***Opportunities in the Global Marketplace, A Case Study of O-AT-KA's Business Relationship with Creamy Creation.*** In 1993 O-AT-KA Milk Products, Batavia, N.Y. and Creamy Creation, a business unit of Friesland Campina of the Netherlands began an agreement to bottle liquor based dairy products for the

consumer beverage market. Since then the relationship and breadth of products has grown significantly. This presentation will provide background of the agreement between the two companies along with the strategies to overcome the obstacles that arise in the process of building relationships such as this. Michael will share the current status of the relationship with Creamy Creation, its development over the years and the opportunities for the future. Patterson is a Certified Public Accountant specializing in cooperative finance and banking with nearly 25 years' experience at Upstate Niagara Cooperative Inc. and O-AT-KA Milk Products, Inc. This past year he achieved the professional designation as a Chartered Global Management Accountant.



Phil Kenkel, Professor and Bill Fitzwater Cooperative Chair, Agricultural Economics Department, Oklahoma State University will speak to the issue of ***Directing Change Through Governance.*** The business environment for agricultural cooperatives is rapidly changing. Cooperatives face unprecedented challenges as well as new opportunities. The board of directors has a critical role in developing strategy and monitoring the

cooperative's performance. Cooperative boards, like boards of investor owned firms are receiving increased scrutiny. Historically, board education programs focused on developing basic competencies. In today's environment, a necessary competency is business alignment. Board alignment encompasses various dimensions including alignment with the CEO, alignment with the

overall business strategy and alignment with the economic interests of members. This presentation will discuss the concept of board alignment and will illustrate how a fully aligned board can guide organizational change through the governance process. In 2011 Kenkel managed a national project identifying critical issues facing agricultural cooperatives which resulted in seminars for the House and Senate staff in Washington, D.C.

The Cooperative Leaders Forum will wrap up with ***Round Table Discussions for Directors and Managers.*** These sessions have become very popular and allow leaders from across the Northeast to discuss current issues and share strategies. For more information about the meeting schedule and conference registration, visit the following website <http://cooperatives.dyson.cornell.edu/events.htm> or contact Bobbie Severson at 607/255-1987 or email rmh27@cornell.edu.

MEMBER HIGHLIGHT CHS, INC.

NECC member, Cenex Harvest States, Inc. or CHS Inc. is a Fortune 100 company with assets over \$13.4 billion. In November 2012 the cooperative reported record net income of \$1.26 billion from revenues of \$40.6 billion derived from 14 business units. During fiscal 2013, CHS will return an estimated \$600 million of its fiscal 2012 earnings to its owners in cash.

The cooperative supplies energy, crop nutrients, grain marketing services, and livestock feed to farmer members and customers. CHS owns and operates a 55,000 barrel-per-day refinery in Laurel, MT and is in a phased purchase of an 85,000 barrel-per-day refinery, related pipelines, and storage in McPherson, KS. Both facilities are in the process of being upgraded. Fuel is sold through 1,350 stores in the Cenex® retail system. A new rail terminal is under construction in Biddeford, Maine to expand the propane market area and build customer relationships in the Northeast. CHS is one of the nation's



largest suppliers of ethanol-enhanced gasoline, the largest retailer of E85 ethanol in the U. S., and a leading marketer of biodiesel products.

CHS moves more than one billion bushels of grain domestically and internationally to 60 countries throughout the world and is the largest cooperative grain marketer in the U. S. Rail and barges are used to move 90 million bushels of soybeans for processing and seven million tons of crop nutrients for North American customers. The cooperative is a leading soybean crusher and refiner and among the world's largest confection sunflower processors. CHS produces specialty soy proteins and isoflavones and is in partnership with Horizon Milling, North America's largest wheat milling business. Through Ventura Foods, LLC a 50/50 joint venture with Mitsui Co. Ltd, the cooperative produces and sells oils used in salad dressing, mayonnaise, soup and flavor bases. CHS supplies about 35 percent of domestic and international in-shell sunflower market.

This past year the Country Operations division rolled out YieldPoint™, a proprietary precision agriculture service that will combine soil and plant tissue sampling, crop production recommendations, mapping, and variable-rate application to enhance farmer member productivity and profitability.

SURVEY SAYS!



Three hundred young farmers attended the New Leaders Conference prior to the CHS annual meeting in early December. CHS like other cooperatives seeks to answer the question, "Are we relevant to the next generation of farmers?" One of the events included breakfast with President and Chief Executive Officer, Carl M. Casale.

In his introductory remarks, he noted the margins on farms had not necessarily changed that much but the dollars to create those margins were significantly larger.

He asked the audience, "What do you value about your co-op?" Two-thirds of the young farmers indicated access to the expertise of local CHS employees was most important to them followed by quality service – 20 percent, receiving a patronage refund – 12 percent and pride in ownership – 2 percent.

"What is your biggest barrier to success?" Forty-one percent of those who responded indicated that price of inputs was the biggest barrier followed by the desire to spread the business around – 16 percent, good service – 12 percent, and location/convenience of service centers – eight percent. Seventeen percent indicated that they did not have any substantial barriers. Casale recognized farmers are interested in price discovery. His goal is that CHS would capture 80 percent of an individual farmer's business.

"What are the two most important reasons to do business with CHS?" About one-third of the respondents indicated an important reason to do business with CHS, Inc. is the relationship with local employees who are seen as trusted experts. Other important reasons identified by approximately 25 percent of the group included sharing in the profits along with the idea that CHS is farmer-owned with decisions made in the best interests of farmer members.

CHS recognizes the cooperative has to change in order to remain competitive and be relevant to the businesses of its farmer members and customers. Good employees will be critical to that success along with appropriate investments in facilities and strategic alliances to strengthen the cooperative in the future.



PRESIDENT'S COLUMN

Mark your calendars for the 2013 NECC Annual Meeting, Cooperative Leaders Forum and the CoBank Customer Meeting to be held on March 11-12 at the Doubletree Hotel in Syracuse, N.Y. The theme for the Forum this year is "Building Opportunity Through Change". The NECC planning committee,

along with the Cornell Cooperative Enterprise Program and CoBank, have once again assembled a number of top notch speakers from a variety of disciplines. We very much appreciate CoBank's continued affiliation with the NECC; their contributions to us and our forum are highly valued. Please join us to learn from the speakers and each other while renewing acquaintances.

During our Board meeting in December, Bobbie Severson and Todd Schmit shared with us their plans for delivering additional value to you in 2013. Their thoughts and ideas included efforts aimed at getting college students involved with your cooperatives, governance research and teaching. It was great to hear all the potential topics that Bobbie and Todd are considering for delivery in the future. Also, we will hold our Future Leaders Conference this summer, July 17-19, in the Batavia, N.Y. area.

Reflecting back on 2012, it was eventful ... as always ... and optimism seemed to be more prevalent. Agriculture has been a bright spot amid the woes of our general economy. For example, the New York state government hosted a yogurt summit, food processing facilities are being built here in the Northeast and I see more young people getting into agriculture. Opportunities are presenting themselves and cooperatives can leverage those opportunities for their members, especially by working together. Fortunately, we are blessed with strong cooperative directors and management in our corner of this great nation to make it happen.

I want to thank NECC members for their tremendous support in a variety of ways. Finally, wishing you, your families and your producers good health and profitability in 2013. We look forward to seeing you in March.

Sincerely, Craig Pollock

EVENTS

National Council of Farmer Cooperatives 84th Annual Meeting

February 6-8, 2013 Westin Kierland, Scottsdale, Ariz. includes Directors Education Conference for all directors, Government Affairs, Legal, Tax and Accounting meetings focusing on anti-trust litigation impacting farmer cooperatives, potential implications of Congressional tax reform efforts. For more information:

<http://www.ncfc.org/events/2012-annual-meeting>



NECC Cooperative Leaders Forum and Annual Meeting

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For more information and online registration:

<http://cooperatives.dyson.cornell.edu/events.htm>. Or contact Bobbie Severson at 607/255-1987 or email rmh27@cornell.edu

Northeast Cooperative Council Board of Directors Meeting

March 11 at 7:00 a.m. at the Doubletree Hotel, Syracuse, N.Y.

The Northeast Cooperative Council

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CHS, Inc. Inver Grove Heights, Minn.
CoBank, ACB Enfield, Conn.
Cooperative Feed Dealers Conklin, N.Y.
Dairy Farmers of America East Syracuse, N.Y.
Dairylea Cooperative Inc East Syracuse, N.Y.
Dairy One Ithaca, N.Y.
Farm Credit of Maine, ACA Auburn, Maine
Farm Credit East Enfield, Conn.

Genex Cooperative, Inc. Ithaca, N.Y.
Land O' Lakes St. Paul, Minn.
Lowville Farmers Cooperative, Inc. Lowville, N.Y.
National Grape Cooperative Association, Inc. Westfield, N.Y.
New York State Rural Electric Association Hartwick, N.Y.
Ocean Spray Cranberries, Inc. Lakeville-Middleboro, Mass.
O-AT-KA Milk Products Cooperative Inc Batavia, 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.

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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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