



# Cooperative Notes

## Northeast Cooperative Council

Information Education Collaboration

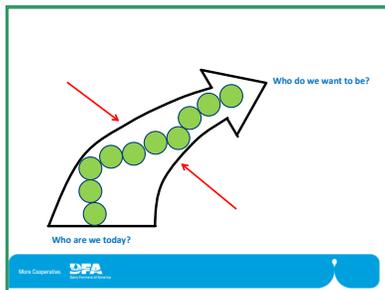
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### GOING GLOBAL: PRACTICAL CONSIDERATIONS AND RISK MANAGEMENT OPTIONS FOR U. S. COOPERATIVES

In his presentation at the 65th NECC Leaders Forum **Jay Waldvogel, Sr. Vice President for Strategy and International Development, Dairy Farmers of America**, introduced his presentation by saying, “Globalization is not new. What you do locally can be applied globally. Do strategic things strategically and opportunistic things opportunisticly.” Culture is important. The stereotypes already possessed can be useful. People are people and values across culture and organizations matter. It is important agree upon who are we today before deciding who do we want to be in the future.



A board of directors needs to set the guardrails to achieve the goal and allow management to move inside the guardrails to achieve the outcome. It is important to determine the true need of the project to achieve the desired goal versus what is wanted. Know how the project will impact cooperative members. Expectations usually run high. Decisions need to be made with logic not with emotion. Outcomes need to be clarified so that they can be measured.



When starting a project identify the goal and determine what is an acceptable level of risk. Know what drives your partners. Partners can have different objectives. Assume nothing. It is important to have objectives aligned between the entities involved. Find the path of least resistance, but recognize that it may not be low cost. It is a way to get started and a foundation from which to expand. Don't outsmart yourself. Don't think it has to be complicated. Partners in any agreement change through time as does the global economy. Know when and how to exit. Start by knowing the desired end state and have a defined exit strategy. Problems will arise. “We cannot predict the unpredictable.”

*NOTE: Slides shared in this publication were taken from the presentations made at the 65th NECC Leaders Forum.*

### TARGETING MESSAGES FOR COOPERATIVE MEMBERS

**Bob Wellington Sr., Vice President of Economics and Communications, and Legislative Affairs, Agri-Mark, Inc.**, was adamant that one size messaging to members does not fit all. It is important to be loud to be heard and understood but not so loud that it becomes annoying as members will stop listening. What is emotionally important to the board and to management may not be emotionally important to the members. If a cooperative over-communicates with its members and a problem arises it may not get the attention it deserves because members have tuned out.



Wellington stressed that cooperatives not assume they know who their members are. Agri-Mark's field staff surveyed its members. From the survey Agri-Mark found that the average member has been with the co-op for 24 years but 20 percent of members have been with the organization for less than 5 years. A quarter of the membership is less than 40 years old. Members have a hierarchy of priorities— 1. Family, 2. Business, 3. Cooperative, and 4. Community.



Communications need to be respectful to members time and intelligence. The communication needs to state the reason for the message along with how the member will benefit or what that impact of the information might be to the member farm. A cooperative needs to earn the attention of its members, keep their attention and retain their attention. Information needs to be strait forward, interesting, and easily understood. Sad messages need to be tempered with future opportunities. Numerous communication platforms should be used. Agri-Mark has found that a check letter sent to a member is posted in the barn then read by employees and by agri-service providers. They are utilizing electronic technology but will use live calls and subsequent recordings to inform members about a new program on milk pricing and hedging. Personal visits by field staff remain important.

## STRATEGIC SUCCESSION MANAGEMENT IN COOPERATIVE BUSINESSES

At the 65th NECC Leaders Forum, **Jay Lux, Vice President, Talent Management for FCC Services, Inc.** addressed the



concerns of cooperative business about who will lead these organizations into the future. A significant number of companies have formal succession plans in place. Results of several studies shared by Lux reveal that developing top talent and filling 'mission-critical' positions is an ongoing challenge. Hiring a CEO is one of the most important obligations of a cooperative board. Andy Grove, former

CEO and current Intel Chair said, "[The Board's role is to]...ensure that the success of the company is longer lasting than any CEO reign, than any market opportunity, than any product cycle."

A business plan identifies the goals of the business and implementation strategies to achieve those goals. Key to the success of the business plan is the talent of current employees and the qualities of future employees who will ultimately carry out the plan. Thus a human resource plan should not be separate from the business plan. FCC Services approach is to:

- ◆ Begin with a review of organization strategy.
- ◆ Identify key roles critical to that strategy.
- ◆ Define the competencies (skills) needed to perform effectively in the key roles identified.
- ◆ Leaders observe, evaluate, and compare the individual's proficiencies and potential to the desired competencies. (Note: 360° reviews are 86% accurate.)
- ◆ Key leaders will discuss the evaluations with the respective employee. A professional development plan is developed to build skills along with a timeline for completion and a process to measure improvement.

Jay suggested that a Succession Plan should start with senior level management and should be shared with the board of directors. Succession planning is critical. Statistically only 20 percent of employees are ready for mid-management positions and only 4% are ready for CEO responsibilities. It is important to develop the talent inside the company. A CEO hired from outside a company has an average tenure of 3 years. Approximately 70 percent of employee development comes through experiences in the workplace. People are usually promoted because of their technical expertise. As management responsibilities increase, the need for leadership skills increases and the need for technical knowledge decreases. Research suggests that 40% of employees promoted to management do not work out.

## CRITICAL DECISION MAKING LESSONS LEARNED FROM THE SASKATCHEWAN WHEAT POOL

**Murray Fulton, Professor, University of Saskatchewan** shared his observations of the Saskatchewan Wheat Pool. At its height

the Saskatchewan Wheat Pool was one of the 3 largest cooperatives and one of the largest 50 companies in Canada with a 60% market share. His remarks focused on the actions of board and management between 1996 and 2000. Prior to 1996 the cooperative had a traditional equity structure. In 1996 the cooperative issued tradable shares on the Toronto Stock Exchange. Many farmers



cashed in their equity reducing the member equity stake in the cooperative. Investment funds coupled with co-op profitability secured additional capital from commercial lenders. SWP made significant investments in grain terminals, grain processing, farm inputs, hog production, processing and foreign investments. Long-term debt increased from \$93.6 million in 1996 to more than \$518.7 million in 1999. Meanwhile grain handling market share in Saskatchewan fell from 61% to 33% between 1993-2003. In 2005 the board of directors approved a recapitalization plan that transformed SWP from a cooperative to a business corporation.

Fulton identified two key factors responsible for the downfall of SWP—overconfidence of senior management and lack of effective oversight by the board of directors. There is a large body of business literature that shows:

Overconfident managers/CEOs will overstate their ability and will see themselves as above average; underestimate the role of luck and attribute positive outcomes to themselves and negative outcomes to outside events. They have a tendency to pay too much for acquisitions and make poor investment decisions, especially when excess cash is available. They develop business plans without considering the competition. Culture of the organization can develop such that naysayers can be shunned.

SWP directors were overwhelmed with the information provided by management and the exponential pace of change. Members had less incentive to monitor the co-op's performance because they had proportionately less equity than outside investors. Outside investors had no legal means to influence the board.

Observations by those involved included, "[The volume of proposals and expected promptness for decisions to be made] would have been difficult, even for a competent Board to stay abreast and do a fair job of assessing what was coming in." "The Board of Directors did not have the makeup or the people on it that would normally have served as the check and balance to senior management."

## NECC ELECTION RESULTS

The Northeast Cooperative Council board of directors held its reorganization meeting following the Association's 65th Leaders Forum.

**Cynthia Van Lieshout** was elected President. Cyndy currently serves on the Upstate Niagara Cooperative Inc. Board of Directors, a position that she had held for over 10 years. She serves on the Quality and Hauling Committee and Milk for Health Committee. She farms with her family on a dairy farm located in Albion, NY.

**Michael Oleksak** was elected Vice President for the coming year and re-elected to the board to serve a 3-year term. Michael is an Assistant Vice President—Relationship Manager with CoBANK. He has been with CoBANK since 2008. He is a Lead NY graduate.

**Stephen Tudhope** was re-elected Treasurer for the coming year and re-elected to the board to serve a 3-year term. He is employed by Farm Credit East, ACA (Batavia, NY) as a Loan Officer. He has been with Farm Credit since 2007.

### ELECTED TO THE BOARD OF DIRECTORS:

**Jacques Parent**—Jacques currently serves as Vice Chair of St. Albans Cooperative Creamery and on the board of Dairy Marketing Services, Inc. He and his family operate a 900 cow, 1,300 acre dairy farm in Swanton, VT.

**Craig Pollock**—Craig is a Vice President of Farm Credit East, ACA providing direction and guidance for 3 branch offices in NYS.

**Eric Zuber**—Eric serves on the O-AT-KA Milk Products Cooperative Board of Directors. He farms with his brother and nephew on a 2,000 cow dairy and crop farm located in Byron, NY.

**Gordon Hoover**—Gordon serves as the Director of Land O'Lakes Member Services. Before coming to Land O'Lakes, he and his family owned and operated Welsh-Vista dairy farm in Gap, PA. In the mid-1990s he served on the Atlantic Dairy Cooperative Board of Directors prior to the merger with Land O'Lakes, Inc.

**Celeste Kane-Stebbins**—Celeste serves as a Director of Yankee Farm Credit, ACA. At Yankee she serves on the Audit Committee and chairs the Compensations Committee. She farms with her family on a 450-head dairy operation in West Enosburg, VT.

## 65TH LEADERS FORUM PRESENTATIONS

### AVAILABLE AT:

<http://cooperatives.aem.cornell.edu/necc/index.php>

## PRESIDENT'S COLUMN



Thank you for the opportunity to serve you as President of the Northeast Cooperative Council. Also, my thanks to Mike Oleksak for accepting the Vice President's chair. We welcome Celeste Kane-Stebbins from Yankee Farm Credit, ACA and Gordon Hoover from Land O'Lakes, Inc. to the board. On behalf of the Council I extend my thanks to Sandy Stauffer and Paul Saenger for their years of service and dedication. Your insight will be missed. The NECC board is also appreciative to Craig Pollock for all his efforts as President for the past two years.

The 65th Annual Meeting and Leaders Forum is behind us. From my vantage point, key to the success of the event was excellent work by NECC Executive Secretary, Bobbie Severson and the Annual Meeting Planning and Director Development Committee. If you were not able to attend, mark your calendar for March 16-17, 2015 in Syracuse, NY. The event will be even better yet.

As we begin 2014 we have a list of projects we need to review. First is completing the memorandum of understanding between Cornell University and NECC by June 2015. We will be reviewing the membership dues structure. The merger of several Northeast cooperatives will impact the Council's revenue stream. The Membership committee is launching a marketing campaign for new Associate members to boost awareness and outreach.

The Council is also investigating a means to allow funds from the Cooperative Leadership Fund to be dispersed to initiatives outside of Cornell that meet the following goals of the fund:

- ◆ Provide quality educational opportunities for undergraduate and graduate students to study cooperative businesses;
- ◆ Provide world class outreach programs that deliver a high level of expertise to further the growth and performance of cooperative businesses;
- ◆ Provide a superior learning environment that inspires the development of cooperative leaders.

Last but not least is the biennial Future Cooperative Leaders Forum will be held the summer of 2015. It is my pleasure to announce that AgChoice Farm Credit, ACA and Land O'Lakes, Inc. will host the conference. The event is an outstanding opportunity for young leaders to develop and hone their skills. With the reviews in hand from the 2013 meeting, we hope to improve the 2015 event.

The Council's board of directors meets quarterly: July 10th 8am in Enfield, CT - Sept 9th telecom - Dec 8th @ 1pm in Ithaca. Feel free to contact any board member or myself at 585-590-7503. Have a fantastic planting season and we will talk soon.

Sincerely,  
Cyndy Van Lieshout

**Table 1. PATRONAGE DIVIDENDS AND REFUNDS RECEIVED FROM COOPERATIVES**

USA, NORTHEAST, SELECTED STATES	U. S.	NE*	CT	ME	MA	NH	NY	PA	VT
Total Farms (2012)	2,109,303	128,480	5,977	8,173	7,755	4,391	35,537	59,309	7,338
Total Farms (2007)	2,204,792	131,708	4,916	8,136	7,691	4,166	36,652	63,163	6,984
Farms reported receiving dividends & refunds (2012)	332,054	12,927	318	345	540	150	3,914	6,849	811
Farms reported receiving dividends & refunds (2007)	288,196	10,970	225	257	407	145	3,692	5,505	739
Change in number of farms reported receiving dividends and refunds	33,858	1,957	93	88	133	5	222	1,344	72
Percent of farms receiving dividends & refunds (2012)	15.74	10.06	5.32	4.22	6.96	3.42	11.01	11.55	11.05
Percent of farms receiving dividends & refunds (2007)	13.07	8.33	4.58	3.16	5.29	3.48	10.07	8.72	10.58
Total dividends & refunds (\$000) (2012)	1,160,550	58,423	1,238	604	7,381	534	28,579	15,985	4,102
Total dividends & refunds (\$000) (2007)	854,995	40,828	678	405	9,534	420	16,393	11,074	2,324

\* NE is Northeast states by summation and does not include Rhode Island, Delaware, New Jersey.

Source: United States. Department of Agriculture. National Agricultural Statistics Service. *2012 Census of Agriculture*. Vol. 1, Table 7. Washington, DC

The USDA National Statistics Service released the complete 2012 Agriculture Census on May 2, 2014. The Census is tabulated every five years. The timing of the data collection reflects the strong prices paid to producers in 2007 and again in 2012. The data does not reflect the economic downturn of 2008-09. Between 2007 and 2012 the number of U. S. farms declined by 4.3 percent and land in farms decreased by less than 1 percent. In the states listed above, the total farm numbers decreased by 2.23 percent while the number of acres of land in farms decreased by 6.3 percent. Census data shows there was 3.34 million farm operators in 2007 and 3.23 million farm operators in 2012. Total farm operators in the U. S. decreased by 3.1 percent while total operators in the selected states listed above remained flat with 204,000 total operators. Additional data is collected on one primary operator of each farm business. In 2012, 48 percent of these operators reported that farming was their primary occupation compared to 45 percent in 2007.

The table shows the total number of farms and the number of farms reported receiving cooperative dividends or refunds. Overall a higher percentage of farms in the U. S. reported receiving dividends and refunds compared to Northeastern states. Total dividends and refunds reported by farmers exceeded \$1.1 billion in 2012, up \$305.5 million or 36 percent from 2007, mostly attributable to strong grain prices. In the Northeast refunds reported in 2012 equaled \$58.4 million, up 17.6 million or 43 percent.

# MARKETING OPERATIONS OF DAIRY COOPERATIVES 2012 (Research Report 230)

## USDA Rural Development , Rural Business-Cooperative Programs

- ◆ USDA Rural Development Cooperatives Program released a 5-year comparison of dairy cooperatives and their marketing and processing activities of 2007 and 2012. Calculations for the report were made by the USDA National Agricultural Statistics Service.
- ◆ Dairy cooperatives marketed 161.2 billion lbs. of milk (5.7% increase from 2007), which accounts for 80.9 percent of all milk marketed by farmers nationally, but a decrease from 82.6 percent in 2007.
- ◆ Four largest cooperatives marketed 38.7 percent of total U. S. milk volume; eight largest cooperatives 49.9 percent, 20 largest 68.3 percent
- ◆ Number of dairy cooperatives between 2007 and 2012 decreased from 155 to 132. There were 47 cooperatives with processing and manufacturing plants (184 plants owned and operated) and 85 with no milk handling facilities.
- ◆ Three billion pounds of organic milk was marketed through 24 cooperatives.
- ◆ In the North Atlantic States 10,693 producers sold 2.2 billion pounds of milk (8 percent increase over 2007) through their cooperatives for 80 percent of the regional market share, up from 76 percent in 2007.

## NECC Membership

At the Council's annual meeting, President Craig Pollock and Membership Chairman Michael Oleksak encouraged members to reach out to cooperatives and to others they do business to promote membership to the organization. As Bob Ludwig of The Hale Group notes, *"I value the NECC because it enables me to be engaged with my clients on the topics of high importance to them. Furthermore the annual meeting allows me to catch up in person with several of them at one time in one place."* [Membership applications](#) are available via the NECC website.

## Upcoming Events

June 9-11, 2014 [National Council of Farmer Cooperatives, Annual Washington Conference](#), Hyatt Regency on Capitol Hill, policy sub-committee meetings, visits to Capital Hill, new program for Young Cooperators.

July 10, 2014 **NECC Board of Directors Meeting**, Enfield, CT

July 13-18, 2014 [Cornell University 2014 Food Executive Program](#), Ithaca, NY. Interaction with world-class instructors on retail industry issues that impact profitability of food industry firms. <http://fimp.dyson.cornell.edu/executive-programs/foodExec/>

August 5-7, 2014 [North American Ag & Food HR Roundtable](#) For human resource and university professionals with presentations focused on staff recruitment in the ag and food sectors. Post-conference track on compensation and benefits. Event organized by AgCareers with support by NECC members CHS, Inc. and Land O'Lakes, Inc.

## In Vermont

The National Association of State Departments of Agriculture lead by Chuck Ross, Secretary of the Vermont Agency of Agriculture, Food and Markets will host the organization's annual meeting September 10-13, 2014 in Burlington, VT. The event provides a tremendous opportunity for the host state to showcase the diversity and abundance of the farm and food sector.



## In Florida

The Welcome Center on I-95 in Northern Florida has a venue where samples of orange and grapefruit juice are offered to tourists to showcase the state's citrus industry. Part of the display includes a video about production of oranges and processing of the fruit into juice. Florida's Country Natural juice was being offered.