



Cooperative Notes

Northeast Cooperative Council

Information Education Collaboration

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ELECTION AND VOTING POLICIES OF AGRICULTURAL COOPERATIVES

We hear frequent reports of declining farm numbers and aging farmers, and increasing consolidation within the ag sector. This leads to concerns about finding the most qualified persons to lead the cooperative enterprise. Decreases in farm numbers or fewer members can lead to 'right-sizing' the board. Larger organizations constructed through

mergers or encompassing larger geographical areas can mean increasing the size of the board. In 2004 the USDA released a study of 437 agricultural cooperatives examining board size and tenure. Table 1 shows that the prevalent board size is 7 members. Sixteen of 80 cooperatives with over 3,000 members had 9 or more directors, ranging from 10 to 51 members. Few cooperatives had 6 or 8 directors as the numbers can lead to tie-votes and board deadlock.

Table 1. Size of board of directors in 2003

Number of directors on respondent boards (N=437)						
Members	5	7	9	6 or 8	>9	Cooperatives (N)
<800	13%	52%	19%	6%	10%	144
800 – 1,499	10%	35%	23%	10%	22%	107
1,500 – 2,999	8%	26%	25%	6%	35%	106
>3,000	9%	17%	29%	15%	39%	80
Total	11%	35%	22%	8%	24%	437

Table 2. shows the length of board terms ranged from 1 to 7 years with the most frequent term being 3 years. Three-year terms are especially important for new directors as it may take between 1 to 2 years to become knowledgeable about the operations of the cooperative and familiar with the issues addressed by the board. Terms of 7 years were

Table 2. Length in years of an elected term to the board (N=434)

Term length (years)	1	2	3	4	5	6	7
Number of cooperatives (N)	19	12	382	9	4	1	7

reported by cooperatives in Tennessee, suggesting a state statute at time of organization specified the term length. Cooperatives often grapple with loosing a thoughtful, dedicated, decisive director due to term limits. The USDA conducted a study in 1949 of 76 cooperatives.

At that time only 8 percent utilized term limits. In 2003, 154 of the cooperatives or 35% surveyed utilized term limits and 65% of the cooperatives (281) did not. Of the 31 respondents in Table 2 with term lengths of 1 to 2 years, all incumbents were allowed to run for an unlimited number of terms. At the other end of the spectrum, cooperatives with 7-year terms did not allow the director to seek re-election following the first term.

Table 3 shows that number of consecutive terms directors were allowed to hold. As noted in the table, 4 of the cooperatives prohibit consecutive terms. For the six cooperatives that limit directors to 5 or 6 terms, term of office was for 3 years. Many cooperatives allow directors who 'term out' to seek election after they have been off the board for one term. More recently term limits are coupled with the age of the director at the time of election.

Table 3. Single term and consecutive terms that directors can serve on a board (N=149)

Number of terms	1	2	3	4	5	6
Number of cooperatives (N)	4	17	90	32	5	1

Multiple persons running for a director position is mixed. One-third of the cooperatives in the study required two or more people to run for an elected position. Others reported that two persons running for a board seat is not required but extra effort is made to recruit additional candidates. More people tend to run for position when the incumbent director does not seek re-election. One cooperative volunteered that they had rescinded the policy of two candidates running for a board position as “members got tired of getting beat.”

Representing differences between members is becoming an increasing concern to cooperative leadership as co-ops consider proportional voting versus one-member, one-vote. Table 4 shows that even though the size of the 2 groups is lopsided (27 vs. 352), directors from larger farms tend to be elected.

Table 4. Percent of directors in farm size quartiles by

	Proportional or weighted voting (N=27)	One member, one vote (N=352)
	Percent	Percent
1 st quartile (small farm)	9	12
2 nd quartile	17	25
3 rd quartile	37	37
4 th quartile (large farm)	<u>37</u>	<u>26</u>
	100%	100%
Smallest half	26	37
Largest half	<u>74</u>	<u>63</u>
	100%	100%

Bruce Reynolds, USDA Economist says, “It can also be more demanding when members take it upon themselves to design a system that reflects their values and, more specifically, try to balance attributes that while creating some friction, can induce more pressures for superior leadership. Election and voting policies usually try to offer members good choices and enough influence from voting so that elected directors will represent their interests. But an equally important trade-off is to have a board that can pursue independent deliberations, and not simply deliver mandates from their supporters or districts.” Nomination, election, and voting policies need to support the development of strong team-building on the board. “Yet, when brought to an extreme, a cohesive team can be complacent and unreceptive to new ideas that challenge the status quo. Election and voting policies used most frequently are not necessarily the best. The evaluation has to be made in the context of each individual organization. When members are involved with designing or revising their policies, a fresh and creative approach can make the difference between the merely functional and the achievement of excellence in the governance of cooperatives”

Sourced from: Reynolds, Bruce J. Nominating, Electing and Compensating Co-op Directors. USDA Rural Development /RBS. Washington, D.C. Cooperative Information Report 63, December 2004.

PRESIDENT’S COLUMN



The Northeast Cooperative Council will convene its 67th Annual Meeting and Leaders Forum, March 2, 2017 at the Doubletree by Hilton, E. Syracuse, NY. The event’s planning committee has been hard at work as it considered the important topics facing today’s agriculture and Farm Credit Associations along with the evaluations of past conferences to organize a program relevant to today’s cooperative leaders. This year, topics will focus on cooperative leadership’s roles and responsibilities to manage risk and expand the conversation on product attributes to attract the millennial generation. The event will be held in conjunction with the Co-Bank Northeast Customer Meeting, March 3. More details will follow. The NECC is appreciative of the support provided by CoBank. The registration site is live via CoBank website, Events & Meetings tab.

Also in 2017, look for the biennial Future Cooperative Leaders Conference. This will be held during the summer in Upstate New York. It’s never too early to identify and nominate those future leaders to attend. After attending this event, one young leader said, “Members opinions do make a difference.” Another said, “I need to become more involved.”

On behalf of the entire Northeast Cooperative Council board of directors, I would like to wish everyone a safe and happy holiday season and prosperous New Year.

Rob Smith

“There are no presumed advantages or disadvantages of directors having either large or small farms. Above all, electing the best directors possible is the key task.” -



Bruce Reynolds, Economist, USDA

I NOMINATE....

Most years the cooperative board of directors will be tasked with electing the person who will serve as chairman or president of the organization. This person will play a key role in leading board discussions, interacting with the CEO and serving as the face of the organization. Who should the new chair be... the longest tenured director? ... the sitting vice president?...a standing committee chair? ... the most outspoken?...the least outspoken? How does one consider who is best suited for the position? The candidate for the chairmanship should:

1. Understand the business. An exceptional chairman understands the cooperative's market, operations, values, and member expectations. (S)he is knowledgeable of the environment in which the organization operates and can draw upon accumulated life experiences to effect change. Who is most qualified to lead the strategic plan?
2. Be committed. The chairman will need to have the time necessary to devote to the position and the resources and plan in place so the home business does not suffer.
3. Have the ability to create an environment of culture and respect that allows other board members to feel genuinely valued for their contributions. Encourage discussion. (S)he will bring focus and clarity to the debate and have the skills necessary to lead the group to a final decision.
4. Be courageous to operate under stressful conditions and have integrity and reputation beyond reproach. Be unafraid of tough decisions or adversity. Who is most talented to lead through conflict and challenge?
5. Build a positive and enthusiastic working relationship with the CEO. Ensure mutual trust and respect to encourage two-way communication that allows the CEO to approach the chairman with the confidence that views and concerns will be heard and given due consideration. A chairman should have sufficient knowledge of the business to challenge operational decisions without undermining the chief executive.
The person needs to be able to differentiate between the role of chairman and the role of the CEO. Inability to build trust with the chief executive can result in the CEO being less open and frank with the board, potentially leading to ill-informed decisions, and damaging to the business.
6. Be able to set the cultural tone for the board of directors by articulating and living the organization's cultural values to build trust and mutual respect to energize outstanding performance. An infectious energy creates a sense of confidence and 'can-do' mentality among the board of directors transcending to membership, management, and employees throughout the organization.
7. Be humble or low-key to not allow his or her personality to dominate until visibility is needed. (S)he has the ability to take an inclusive approach to their board but are willing to be challenged for their own preconceptions and enjoy open and rigorous debate.
8. Be highly effective communicators, foster communication to build confidence with a wide range of stakeholders.



Adapted from Characteristics for Consideration in Nominating a Potential Chairman, THECOOPERUNION and "What Makes an Exceptional Chairman? Required Qualities for Challenging Times—Research Report by Alvarez & Marsal

THE INVISIBLE #3

A Google search results in 630,000 hits on the topic of the “Aging American Farmer.” The figure most quoted in the media is the average age of the first or principal operator. Who defaults as the principal operator? A grandparent or parent? The oldest sibling? This can skew the results. It is appropriate to dig a bit deeper into the data. The table to the right shows that average age of the first operators by state in the Northeastern U.S. ranges from 57.0 to 58.7 years of age. The age of the second operator is 4 to 6 years younger than the first. Note, there is a significant difference between the average age of the first operator and third operators. The average age of third operators is approximately 14 to 16 years younger than the first operators.

Some farms have multiple operators—younger siblings, next generation family or non-family members, employees. Who attends the cooperative annual or regional meeting, or summer picnic? Is the default the “primary or the second operator”? The third operator may be at home, on the farm, highly-qualified but not as visible to cooperative leadership as other members of the farm’s operating team. The third operator maybe a highly qualified candidate for a cooperative leadership position. They just need to be found and they need to be encouraged to participate.

<u>STATE</u>	<u>All Operators</u>	<u>First Operator</u>	<u>Second Operator</u>	<u>Third Operator</u>
Connecticut	56.3	58.7	53.7	44.5
Maine	55.1	57.0	53.0	44.4
Massachusetts	55.7	57.8	53.5	43.7
Pennsylvania	53.7	56.1	50.4	42.5
New Hampshire	55.7	57.8	53.9	42.4
New York State	54.8	57.1	52.0	43.9
Vermont	55.1	57.3	53.1	43.5

Source: U.S. Census of Agriculture 2012, Table 55.

UPCOMING EVENTS

January 5 NYS Agricultural Society Meeting, Liverpool, NY

January 6-14 Pennsylvania Farm Show, Harrisburg, PA

January 10-12 Main Agriculture Trade Show, August, ME

January 17-19 Empire State Producers Expo, Syracuse, NY

January 21 Maple Syrup Producers Association of Connecticut Pre-Season Meeting, Lebanon, CT

January 24 Cornell University Agricultural and Food Business Outlook Conference, Warren Hall, Ithaca, NY

January 31, Feb. 1-2 Vermont Farm Show, Essex Junction, VT

February 15-17 National Council of Farmer Cooperatives Annual Meeting, Marriott Harbor Beach, Ft. Lauderdale, FL

February 23-25 New York Farm Show, Syracuse, NY

March 2-3 Northeast Cooperative Council Leaders Forum and Annual Meeting and CoBank Northeast Customer Meeting, Doubletree by Hilton Hotel, E. Syracuse, NY

LEAD NY SEEKS CLASS 17 APPLICATANTS

LEAD NY inspires and develops leaders for food, agriculture and natural resource industries. Since 1985, over 400 people have completed the LEAD NY Program. Between 25 to 30 people participate in a first year Leadership Fundamentals program with 3-day seminars held from October through April. Participants must be at least 25 years old. The first year program raises participants self-awareness, builds essential leadership skills, and improves knowledge of industry issues. The second year, LEAD Fellows program includes trips to Canada, Washington DC and an international study tour. Lead Fellows focuses on global issues, development of critical thinking and analysis skills, and refining personal leadership style and philosophy. **Applications for Class 17 will be available in January 2017. For more information—www.leadny.org**

