

# THE KENTUCKY COOPERATOR

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KENTUCKY CENTER FOR COOPERATIVE DEVELOPMENT

## Cooperative Development in Kentucky - Part II

Part I of this series introduced KCCD's cooperative development philosophy. Part II begins to outline the mission and objectives KCCD uses to carry out its philosophy. KCCD's operations plan is divided into three programmatic areas: cooperative development, maintenance, and education. This article discusses KCCD's cooperative development approach and programs.

KCCD's primary objective is the development of sustainable business. Our primary concern for the type of business structure is not *what* it is (LLC, corporation, or cooperative) but that it is the appropriate structure for the goals and objectives of the interest group. Throughout the development process, KCCD adheres to the Madison Principles. The Madison Principles are professional standards developed by a group of cooperative development professionals. Key phrases found throughout the Madison Principles include highest level of ethics, trustworthy leadership, social empowerment, and market-driven

approach.

When new groups emerge and begin the process of business development, KCCD strives to overcome particular challenges that can hinder the development process. Those potential challenges include:

- ◆ The existence or development of a project champion
- ◆ Educational requirements for production of the goods or services
- ◆ Education requirements of the business structure
- ◆ Capitalization of the project (grower equity, loans, grants)
- ◆ The hiring of quality management
- ◆ Identifying board leadership
- ◆ Potential legal issues
- ◆ Proper and thorough planning through a solid business plan and feasibility study

KCCD provides technical assistance with all of these challenges, and when necessary (as in the case of legal issues), finds competent resources to help address the issues.

For effective business development the following must be accomplished: completion of all necessary homework (feasibility of the proposed business, capitalization requirements, etc), matching the business structure to the goals and objectives of the interest group, and matching the right people to the right jobs (from board leadership to management and staff). Nonetheless, one must keep in mind, that even with proper business development practices, external forces may hinder the business development process. However, without accomplishing the above development tasks, the chances of realizing a successful business are lessened greatly.

"IN THREE WORDS I CAN SUM UP EVERYTHING I'VE LEARNED ABOUT LIFE:  
IT GOES ON."

- ROBERT FROST

### Our Newsletter

Look for The Kentucky Cooperator quarterly in your mailbox. We hope you find the newsletter to be informative. We invite all suggestions towards its format and/or material. If you have suggestions or need to be added to our mailing list, please call us at (270) 763-8258.



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## From the Executive Director

October is National Co-op Month and communities across our country celebrate it by recognizing the many contributions cooperatives make to their individual communities. Cooperatives: owned by our members, committed to our communities is the theme this year. Why are cooperatives so involved in their communities? Largely it is because cooperative businesses are owned by investors who live and work in the communities that the co-op business serves. Individuals from the community own, manage and benefit from co-op services. Cooperatives improve economic conditions by creating jobs, income and opportunity in their communities every day. Cooperatives are community based and are very unlikely to relocate the business just to increase profits. Cooperatives serve all of us in ways that touch our lives on a daily basis. They provide markets, supplies, energy, good distribution, credit and banking services, transportation, housing, healthcare, telecommunications, and so on. Cooperatives are committed to creating opportunity and enhancing quality of life in the communities in which their members live and work. They do make a difference in the daily lives of citizens on a local, state and national basis everyday.

*Larry K Snell*



## Update on Kentucky Co-op's

Kentucky agriculture cooperatives had a difficult time in reaching the sale goals outlined in their business plans for 2004. Most were well managed and efficiently run businesses that had established markets to sell to; so what went wrong? A hint - Agriculture involves risk. While risk can and should be managed, not all risk in agriculture can be eliminated entirely. Agriculture cooperatives depend on member/owners to produce crops or livestock to be marketed as value-added products to customers. Weather related damage to member's production adversely im-

pacts the bottom line of the cooperative. Many areas of our state this summer experienced multiple storms involving straight-line winds exceeding 80 miles per hour, hail and inches of driving rain that flooded fields. Acres of crops were lost altogether and in other cases yields and quality of the crop suffered. The result was that the cooperatives received much less marketable product from members as much of it was of lower quality or smaller size. The end result was less marketable product to sell through the cooperative and this prevented it from reaching its sales goals for the year.

## A Bigger Picture of Cooperatives for National Cooperative Month

The Kentucky Center for Cooperative Development focuses its energy working with new, start-up cooperatives in Kentucky. Our primary clientele have sales totaling approximately \$10-\$15 million. Though many of these cooperatives are small in comparison to their big brothers and sisters, many of the top 100 cooperatives were fledgling cooperatives in their beginnings as well.

What do cooperatives look like in the bigger picture? The National Cooperative Bank publishes the Co-op 100 showing the top cooperatives in the United States. For National Cooperative Month let's take a look at the cooperative picture on a national scale. Revenues are provided from year 2003.

Total revenues for the top 100 cooperatives are \$117.5 billion. Leading the way is CHS Cooperatives (MN) with \$9.4 billion in sales. Dairy Farmers of America (MO) is second with \$6.93 billion in sales. Wakefern Food Corp. (NJ) with \$6.6 billion, Land O'Lakes, Inc. (MN) with \$6.3 billion, and TOPCO Associates, LLC round out the top 5 cooperatives in the US.

Agriculture leads the annual NCB list with 39 cooperatives totaling \$52.8 billion in sales, followed by

grocery cooperatives (\$28.1 billion), energy and communication (\$10.7 billion), finance cooperatives (\$9.9 billion), and hardware and lumber cooperatives (\$8.9 billion).

Other cooperatives of interest in Kentucky making the list are ACE Hardware (7), Do-It-Best Corporation. (9), True Value Corporation (11), Gold Kist, Inc. (15), CoBank (21), Ocean Spray (30), Sunkist Growers (34), Recreational Equipment, Inc. (aka REI) (42), and Piggly Wiggly (62). Two cooperatives based in Kentucky made the list as well. East Kentucky Power Cooperative with \$458 million in revenue was ranked 78. Kenergy Corporation with \$280 million in revenue came in at number 100.

Cooperatives play a pivotal role in our everyday lives in our local communities, in Kentucky, our nation, and our world. It is rewarding to occasionally step back and realize the economic and social impact of cooperatives.

For more information about the National Cooperative Bank's Cooperative 100 visit [www.co-op100.coop](http://www.co-op100.coop).

*"When one door closes another door opens; but we so often look so long and so regretfully upon the closed door, that we do not see the ones which open for us."*

*-Alexander Graham Bell*

## Kentucky Center Hosts CooperationWorks! Retreat

CooperationWorks! (CW) is a national organization of cooperative development centers. Its current membership includes 18 centers (of which KCCD is one) with three additional centers in consideration for membership. Although the idea of CW began in 1989, it wasn't formed until 1997.

Earlier in 2004, the CW leadership felt the need for the member centers to come together to do what CW was organized to do: network and share cooperative development ideas among current members and potential new members centers. The leadership also wanted to use this time for possible re-

visioning of CooperationWorks!. KCCD was asked to host this first retreat of CW, and we were happy to do so!

The CW retreat was held at General Butler State Park in Carrollton, Kentucky, October 6 through 8. The timing ended up perfect as fall was in full bloom in the state! There were 32 people in attendance representing the following states: Arkansas, Colorado, Georgia, Illinois, Indiana, Iowa, Kentucky, Massachusetts, Minnesota, Mississippi, Missouri, Montana, Nebraska, North Dakota, Ohio, Pennsylvania, Virginia, Washington, Washington D.C., and Wyoming.

### CW Retreat (continued)

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The meeting was very eventful and was a great opportunity to see what cooperative development activities are occurring in other states. As a result of this retreat, KCCD has been invited to share some of our programmatic activities with other cooperative development centers that are just getting started.



CW Retreat Participants

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**The Kentucky Center for Cooperative Development**  
"Cooperative Development for the Commonwealth and Beyond"

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