

# THE KENTUCKY COOPERATOR

Volume 3, Issue 2

April - June 2005

KENTUCKY CENTER FOR COOPERATIVE DEVELOPMENT

## KCCD Hosts 5th Cooperative Winter School



KCCD held its annual Cooperative Winter School February 24-25, 2005 in Bowling Green, Kentucky. This year's theme was "Improved Decisions for a Better Tomorrow". There were organizations from Kentucky, Indiana, Tennessee, and Mississippi in attendance. A "Cooperatives 101" session was included as a pre-conference workshop for the second consecutive year. The diversified audience ranged from existing agricultural cooperatives to associations, to groups in the process of deciding on a business structure.

The two day conference began with an overview of the current state of the U.S. economy,

as well as an outlook of the economy for 2005. Participants were updated on Kentucky's agricultural impacts in 2004. The remainder of the first day was devoted to a case study involving a cooperative in Colorado that faced several hardships and then went out of business. Participants had an opportunity to review the circumstances surrounding the entire time line of the business from concept to closure and offer suggestions as to what went wrong and what could have been done differently.

The following day brought a presentation on challenges and opportunities for Kentucky Cooperatives. The presentation was made by CoBank Business Advisory Services who have worked with cooperatives in and out of Kentucky, thereby having a broad perspective to make comparisons. The final

presentation was from a board chairman at an ethanol cooperative in Illinois. The speaker offered his perspectives on how to incorporate business principles into building a sustainable business.

A total of 34 participants and speakers were in attendance. KCCD would like to thank all of the cooperative leaders for their attendance. KCCD would especially like to thank the following speakers for the time and efforts to help further the success of the Cooperative Winter School: Craig Infanger, Steve Isaacs and Lionel Williamson, University of Kentucky; Jim Crandall, Nebraska Cooperative Development Center; Mary Holmes, Illinois Value Added Rural Development Center; Bill Wilson, CoBank Business Advisory Services; and Raymond Defenbaugh, Big River Resources Ethanol Plant.

*The Road to Success is Always Under Construction*

*- Unknown*

### 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.



411 RING ROAD  
ELIZABETHTOWN, KY 42701  
PHONE: (270) 763-8258  
FAX: (270) 763-9927  
WEBSITE: [www.kccd.org](http://www.kccd.org)

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## From the Executive Director

*The new tax modernization plan recently adopted by the Kentucky State Legislature changes the way some cooperatives will pay state taxes in the future. Prior to the adoption of the new corporate state tax laws, Kentucky required that cooperatives pay a Corporate License Tax (Franchise Tax) based upon the amount of average net capital the cooperative employed to operate the business during the tax year. Cooperatives were not required to pay state taxes on taxable net income. The new corporate tax laws require that cooperatives now pay state taxes on taxable net income (some service cooperatives may be exempt). I encourage Co-op Managers and Board of Directors of Kentucky Cooperatives to become familiar with the changes in the Kentucky Corporate Tax Laws affecting your business. Ask your accountant/ accounting firm for information and advice as to how your cooperative should plan for the changes in the state tax laws.*

Larry K. Snell, Executive Director

## Cooperative Development in KY: Part 4 KCCD Cooperative Education Programs

KCCD's operations plan is divided into three programmatic areas: cooperative development, cooperative maintenance and cooperative education. Parts 1 through 3 of this series introduced KCCD's philosophy, cooperative development and cooperative maintenance programs. Part 4 completes the series by outlining cooperative education programs KCCD conducts to carry out the Center's philosophy, mission and objectives.

Education does not end at graduation. Regardless of one's knowledge, good leaders have continuous desire to improve their skills. In many professions, conferences are held annually to improve the current ways of doing things and to present new ideas in the field of work. Part of KCCD's mission is to provide those same opportunities for employees and boards of directors for Kentucky cooperatives.

Two education programs recently held by KCCD are discussed in this newsletter: the Annual Cooperative Winter School and the Board Leadership Training (BLT) Program. While the Winter School has been an annual event focused on cooperative manager and board education, 2005 was the first BLT held which focused on education for cooperative board chairs and vice chairs. Other programs that KCCD works to incorporate are education programs for both the employees (other than the manager) and the grower-members of cooperatives.

KCCD is always open to suggestions for education topics that are desired by those associated with a cooperative. If there is a particular need that you feel should be addressed, please do hesitate to contact the KCCD staff regarding the matter.

## KCCD Provides BLT to Cooperative Leaders



KCCD hosted its first BLT for its cooperative clientele. Not a bacon, lettuce and tomato sandwich, but a Board Leadership Training Program. This BLT was served up on April 26, 2005 in Elizabethtown, Kentucky. This training was developed based on a perceived desire for additional training of those serving as chairs or vice chairs of cooperatives around Kentucky. Five participants from three cooperatives attended the training.

The small number of participants lead to a tremendous amount of dialog between the speakers and participants. The training kicked-off with a refresher course on the 7 cooperative principles. During this session, participants were also given a history lesson of the cooperative actions during America's colonization period. Following, was a session titled "Steps for a Successful Cooperative Business Meeting", where the participants discussed what should happen before, during, and after a board meeting to increase the chances that it will be a successful business meeting.

There was also a presentation focused on

experiences from a board member who has served on boards that has had to make difficult decisions. Arguably, the true measure of success for any board of directors is how well do they work through and make the difficult decisions they have to make. When the decisions that have to made are easy, there is no challenge. However, when times are tough, the true measure of character is revealed in how those situations are handled.

The final session focused on the fiduciary responsibilities of cooperative boards of directors. The three fiduciary responsibilities of cooperative boards are the duty of obedience (board obeys their legal documents and manages responsibly); duty of loyalty (the director acts honestly and in good faith); and duty of care (decisions are made in the best interest of the cooperative).

The Kentucky Center for Cooperative Development would like to extend their thanks and appreciation to the following who contributed their time and talents to make this a successful training program: Patsy Whitehead, Nolin Rural Electric Cooperative (Elizabethtown, KY); Faye Lowe and Mark Haney, Kentucky Farm Bureau; and Sam Hinkle, Stoll Keenon and Park, LLP.

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## The Cooperative Principles: Principle #1 (part one of seven part series)

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Cooperatives must function as a business. Revenues must be greater than expenses. This is fundamental to all businesses in the world. So, what is so different about cooperatives as compared to traditional corporations? Cooperatives operate daily with basic philosophies and principles while conducting business. Principles are guidelines to put ideas and values into practice. Cooperatives are to be economically viable and socially responsible while conducting business activities. Cooperatives are formed because their founders believe in the 7 Cooperative Principles and desire to fulfill them in the course of operating a successful business.

The first Cooperative Principle is "Voluntary and Open Membership". This means that "cooperatives are voluntary organizations, open to all persons able to use their services and willing to

accept the responsibilities of membership, without gender, social racial, political or religious discrimination."

Individuals should join the cooperative to become active and responsible members. They should not be forced into cooperation. Members' participation should be based on a clear understanding and acceptance of the cooperative's values and responsibilities. Membership is open, but if an individual does not accept the cooperative's responsibilities and values, membership can be denied. These responsibilities may include adhering to production recommendations and volume restrictions, honoring membership contracts, following disciplinary responsibilities or other responsibilities the cooperative may impose to meet its mission and goals.

## Co-op Principle #1 (continued)

Principle number one also recognizes that some cooperatives may close their membership due to market constraints, facility and equipment constraints, or other constraints that may jeopardize the organizational mission and goals. Membership can be accepted or denied based on certain rules and regulations, but it should not be because of social prejudice or injustice.

*In this age, which believes that there is a short cut to everything, the greatest lesson to be learned is that the most difficult way is, in the long run, the easiest.*

*-Henry Miller*

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

411 Ring Road  
 Elizabethtown, KY 42701