

*To defend, protect and enhance the agricultural cooperative movement through pro-active programs in education, legislation, government affairs, communication, and regulatory issues. To defend, protect and enhance the agricultural cooperative movement through pro-active programs in education, legislation, government affairs, communication, and regulatory issues.*

# **Nebraska Cooperative Council**

**2012-13**

*Annual Report*



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## NCC Mission Statement:

To defend, protect, and enhance the agricultural cooperative movement through pro-active programs in education, legislation, government affairs, communication, and regulatory issues.

## Cooperative Principles:

- Voluntary and Open Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy and Independence
- Education, Training & Information
- Cooperation among Cooperatives
- Concern for Community

## Nebraska Cooperative Council

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## Council Communications

The Council continues to modify the methods we use to communicate with our membership. This past year, we moved to providing more concise newsletters that are intended to be more reader friendly.

Because of the numerous updates that we are emailing to members regarding legislative, regulatory, and educational programs, a shorter, more concise newsletter is more appropriate for today's technology. Our intent is to provide you with information on the issues we are addressing in small bites. Hopefully this makes our newsletter more reader friendly while still providing our members with the information they need.

Our Annual Report is presented on the following pages and will continue to provide a comprehensive background on the Council's programs for the past fiscal year.

We welcome any feedback on the new style of our newsletter. Feel free to contact Ed Woepfel at [edw@nebr.coop](mailto:edw@nebr.coop) with any comments you have.

# Chairman & President's Message



**NCC President Robert Andersen and Board Chair David Briggs**

In 1945, a group of 20 Nebraska cooperative leaders met in Lincoln to discuss forming an organization of local cooperatives. At that time, local cooperatives in Nebraska and nationwide were under severe attack from a group called the National Tax Equality Association which had organized a national campaign advocating that cooperatives were receiving unfair tax advantages. Those cooperative leaders were visionary as they understood that Nebraska needed to have a voice in the public discussion if they were to have a future. As a result, the Nebraska Cooperative Council was formally organized in 1945. Incorporated into the Council's Articles of Incorporation as one of the five organizational purposes is the charge that the Council is "to do any and all things necessary to defend, protect and enhance the agricultural cooperative movement for the mutual benefit of the members of the Council."

Since the 1940s, agriculture and cooperatives in Nebraska have experienced a great transformation. In 1993, the Council had 124 local supply/marketing cooperative members, in 2003 we had 59, and today with the redeployment of cooperative assets there are 40. However, it is important

*As we chart our future path, we intend to maintain the principles that have served cooperatives well over the years and remember that the roots of our organization are the local cooperatives that serve rural Nebraska.*

to note that these 40 members operate over 350 branch operations statewide. Stated differently, while there is a significant reduction in the number of member cooperatives, the number of communities and farmers served has remained high, and the market share for cooperatives continues to grow.

As we share this background, we are reminded of the words of French Author Victor Hugo. He said, "Change your opinions, keep to your principles; change your leaves, keep intact your roots." As we chart our future path, we intend to maintain the principles that have served cooperatives well over the years and remember that the roots of our organization are the local cooperatives that serve rural Nebraska.

The Council's Board of Directors and staff are committed to ensuring that we are positioned to provide effective leadership in director education, legislation, and regulatory issues—stated differently, to ensure that the Council is a valued leader in these areas.

The Council remains committed to developing and providing quality cooperative training programs for cooperative directors. Our goal is to develop and deliver educational opportunities that allow cooperative management teams to best meet the challenges of a competitive agribusiness environment and potential alternatives to minimize risk in an ever-changing and complex business climate. Indicative of this, two

years ago, the Council's Board of Directors and Excellence in Cooperative Education Committee made the strategic decision to elevate the quality of the Council's director education programs. Since that time, we have incorporated nationally recognized experts from various land grant universities and industry and financial leaders into our programs. This move by the Board has been well received by the members.

Our education program includes youth education for high school, community college, and UNL students. In 2011/12, we introduced our "Co-ops 101" program at community colleges in Nebraska. This program has been a great success and continues to grow. The Council, via the NCC Education Foundation, provided 4 scholarships totaling \$3,900 for the 2013/14 academic year, bringing our total to 153 scholarships totaling \$118,600 since 1993. In addition to the scholarships, we are also exploring opportunities to incorporate more cooperative content into the UNL curriculum. We want to thank the membership who graciously participated in this year's Nebraska Cooperative Council Education Foundation Capital Campaign. Due to same, over \$300,000 in pledges were generated which will be paid over the next several years. This will allow the

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## Chairman & President's Message

(continued from page 1)

Foundation to better position its assets and fund the scholarship program.

The Council remains committed to enhancing both our governmental affairs and regulatory issues programming. These two areas consume both personnel time and funding but are increasingly of growing importance to our members. Your Council stands as an important and respected legislative leader in representing cooperatives before our elected state and federal legislators, as well as the state and federal governmental departments. This is demonstrated by the number of legislative and regulatory issues addressed in this Annual Report.

Legislatively, this past session, 661 bills were introduced, and your Council was involved, both directly and indirectly, in more than 50 of these bills. Several issues were of specific interest to the Council: LB 140 - Airport Zoning Act; LB 210 - unauthorized filing of financing statements; LB 636 - restrictions on the application of certain herbicides; and LBs 405 and 406 which would have eliminated certain sales tax exemptions and provisions. Each of these proposals would have had significant impact on cooperatives and their member patrons. A more complete summary of legislative action is provided on page 6.

The Council's Political Action Committee, established in 1999, continues to be important in our outreach to urban and rural state senators alike. It has allowed for stronger communication with all senators and has also increased the understanding by urban legislators regarding cooperatives and the importance of cooperatives to not only their producer-owner members but to Nebraska's economy.

In the area of regulations, this year we developed and provided the membership with the Uniform Commercial Code (UCC) Guide to ensure member compliance by the July 1, 2013 deadline required by LB 90 as passed in 2011 by the Nebraska Legislature. Several provisions of Article 9 of the Nebraska UCC were amended by LB 90 including requiring more specificity on the names of debtors and creating new financing statements, addendums, etc. to perfect and maintain a security interest in debtor property under the UCC or a statutory agricultural lien.

The Council has continued its challenge of the Nebraska Department of Revenue's position concerning its interpretation of the sales tax exemption on energy used for the processing of grain per both drying and maintenance of same. This has been financed by members who provide the funding, on a voluntary basis, to be utilized specifically for this challenge.

In addition to these important functions, the Council has continued

to pursue and maintain a working relationship with other stakeholders. The Council works with the various farm and commodity organizations, business organizations, industry trade groups, the National Council of Farmer Cooperatives, the Nebraska Rural Radio Network, and the University of Nebraska to maintain a positive line of communication.

As you review this year's Annual Report, the issues before cooperatives today are very different than they were in 1945; yet, the Council's organizational mission of 1945 remains intact today with the program charge "to defend, protect, and enhance agricultural cooperatives in Nebraska."

Your continued support is both valued and appreciated.

In the cooperative spirit, we remain...



David Briggs Robert Andersen

*"Success is not measured by what you accomplish, but by the opposition you have encountered, and the courage with which you have maintained the struggle against overwhelming odds."*

- Orison Swett Marden

*"Someone's sitting in the shade today because someone planted a tree a long time ago."*

- Warren Buffett

# 2012/13 Council Leadership

## Board of Directors



**Dave Beckman**  
Central Valley Ag Co-op N/S  
O'Neill



**David Briggs (Bd Chair)**  
WESTCO  
Alliance



**Bruce Favinger (Secretary)**  
Cooperative Producers Inc  
Hastings



**Ron Heerten**  
Farmers/Ranchers Co-op  
Ainsworth



**John Oehlerking**  
Midwest Farmers Co-op  
Elmwood



**Randy Robeson (Vice Chair)**  
Frontier Co-op Co  
Brainard



**Dave Schneider**  
Farmers Co-op Co  
Waverly



**Dean Thernes**  
Battle Creek Farmers Co-op N/S  
Battle Creek



**Mike Hechtner**  
CoBank  
Omaha

## Committees

### Legislative Advisory Committee

Robert Andersen..... Nebraska Cooperative Council (*Co-chair*)  
Randy Robeson ..... Frontier Co-op Co, Brainard (*Co-chair*)  
Don Anthony..... CHS Inc, Lexington  
Carl Dickinson ..... United Farmers Co-op, York  
Ron Heerten..... Farmers/Ranchers Co-op, Ainsworth  
Duane Keller ..... Aurora Co-op Elevator Co  
John Oehlerking ..... Midwest Farmers Co-op, Elmwood  
Dave Schneider..... Farmers Co-op Co, Waverly  
Ed Woll ..... AGP, Omaha  
David Briggs ..... WESTCO, Alliance (*ex-officio*)

### NCC-Political Action Committee

Randy Robeson ..... Frontier Co-op Co, Brainard (*Chair*)  
Britt Anderson ..... All Points Co-op, Gothenburg  
Doug Derscheid ..... Central Valley Ag Co-op N/S, O'Neill  
Dale Dueland..... Frenchman Valley Farmers Co-op, Imperial  
Bob Fifield..... Cooperative Producers Inc, Hastings  
Ron Hunter ..... Ag Valley Co-op, Edison  
Mary Kay Lyon ..... CHS Agri Service Center, Holdrege  
John Moore..... United Farmers Co-op, York  
Bill Schuster ..... Aurora Co-op Elevator Co  
Ron Velder ..... Farmers Cooperative, Dorchester  
David Briggs ..... WESTCO, Alliance (*ex-officio*)

### Excellence in Cooperative Education Committee

Bruce Favinger ..... Cooperative Producers Inc, Hastings (*Chair*)  
Dave Beckman ..... Central Valley Ag Co-op N/S, O'Neill  
Deb Brauer..... Crossroads Co-op Assn, Sidney  
Jay Geu..... Frenchman Valley Farmers Co-op, Imperial  
Tom Houser..... CoBank, Omaha  
Monty Johnson..... Southeast Nebraska Co-op Co, Beatrice  
Galen Kuska..... Farmers Cooperative, Dorchester  
Dean Thernes ..... Battle Creek Farmers Co-op N/S  
Vacant ..... Participating Member  
David Briggs ..... WESTCO, Alliance (*ex-officio*)  
Dr. Larry Van Tassel.... University of Nebraska-Lincoln (*ex-officio*)  
Ed Woepfel..... Nebraska Cooperative Council

### Hall of Fame Committee

Daryl Erickson..... Greenwood (*Chair*)  
Bob Brass ..... Lexington (*Vice Chair*)  
Jerrell Dolesh ..... Tilden  
Doug Nuttelman ..... Stromsburg  
Don Wiseman ..... Fairbury  
David Briggs ..... WESTCO, Alliance (*ex-officio*)  
Robert Andersen..... Nebraska Cooperative Council (*ex-officio*)

## Staff

Robert Andersen..... President  
Ed Woepfel..... Education & Program Director

Glenda Gaston..... Office Manager/Admin Assistant  
Deb Mazour ..... Program Coordinator/Admin Assistant



# Director Education

Two years ago, the Council's Board of Directors and Excellence in Cooperative Education Committee spent a significant amount of time evaluating Council educational programs and discussing options for future programming.

As a result of this evaluation, Council education programs changed greatly these past two years with the inclusion of many more nationally recognized experts. Based on the evaluations from last year's programs, it appears these changes were embraced by our members.

As we moved into the third year of enhanced programming, you will see that once again a number of new presenters will be involved in the programs.

Overall attendance for our core educational programs was outstanding with 74% of our members participating in at least one program. Total attendance for the programs was 380. You would have to go back to 2001 when we had 40% more members to match that attendance total.

*"Outside people bring a different perspective that we don't usually see. As co-ops, we sometimes develop tunnel vision and need to get ideas from a different slant."*

*- D/M Workshop evaluation comment*

*"Excellent program. Gave things that need to be thought about. A lot of things hit close to home."*

*- CIS evaluation comment*

## Director/Manager Workshop

Director/Manager Workshops were held on Dec 13 and 14 in Ogallala and York, respectively. A total of 113 directors, managers, and cooperative staff members attended the workshops.

The theme of this year's program was "Strategic Positioning." During the program, we heard from Mark Zenuk, Managing Director of NGP Global Adaptation Partners which is a global investment firm that has a \$9 billion agribusiness fund that invests in storage, processing and transportation of ag commodities. Mark provided a big picture view of shifting agricultural production worldwide and how that shift impacts everyone in the agricultural supply chain.

We followed up with "Strategic Positioning" led by Brian Barnett of McClean, VA. He has worked with agribusinesses and ag producers worldwide to develop strategic thinking skills which leads to creating highly successful strategic plans. Items addressed were maintaining economic viability, yield curve implication, and developing strategic positions to allow cooperatives to enhance their competitive advantage over others in the market.

## Director Certification Program

DCP was conducted at the Kearney Holiday Inn on January 3&4 with 84 phases completed.

The four phases of this program cover all aspects of directors' responsibilities to help them deal with the challenges they face as decisionmakers. DCP is designed to accelerate the process by which directors become active, effective board members.

Facilitating the four phases were Ed Woepfel, Council staff (Ph 1&4);

Roger Ginder, retired, Iowa State University (Ph 2&3); Tom Houser, CoBank (Ph 2&3); Rocky Weber, Crosby Guenzel LLP law firm in Lincoln (Ph 1); and Don Wiseman, retired manager (Ph 4).

## Cooperative Issues Symposium & Cooperatives For Tomorrow Seminar

The CIS and CFT were held in Lincoln on January 30-31, respectively, to allow directors to attend two programs in one trip away from home, providing more value for the time invested.

**Cooperative Issues Symposium...** The CIS addresses specific cooperative issues each year. The delivery of the program is designed to provide attendees with balanced indepth information as well as current developments relating to the topic.

This year, the focus of CIS was on cooperative equity and evolving business models used by cooperatives.

Sixty (60) cooperative directors, managers, and employees attended.

To address these issues, we had the following presenters:

- Dr. Mike Boland has done considerable research into how cooperative equity programs all across the country have been established and how these programs have evolved to what they are today. During his presentation Dr. Boland also discussed developing a philosophy on equity management that is easy to communicate to members, is aligned on a firm strategy, and is linked to sound cooperative finance.

- Dr. Allan Gray's research focus has been on agribusiness management, strategic planning, and decision making in uncertain environments. During his presentation, Dr. Gray addressed changing business models to meet



**Our education programs had excellent attendance this year showing the importance cooperatives are placing on director education. Above are Director/Manager Workshop participants at York.**

the needs of growing companies and the process of determining whether a new or different model brings value to a cooperative and how LLCs, joint ventures, or other models should be evaluated to determine if a new model is appropriate for the cooperative.

- Attorney Rocky Weber and Dr. Gray closed the program with a panel discussion evaluating how new or different business models could impact cooperatives both positively and negatively. They discussed the use of LLCs, joint ventures, and other models that are being used in today's environment.

**Cooperatives for Tomorrow Seminar...** CFT features a variety of speakers and presenters that normally would not be available to local directors in Nebraska. We utilize nationally known speakers from both the academic and cooperative systems to provide local directors with the opportunity to obtain a different viewpoint on issues facing their cooperative.

CFT is intended to be thought provoking and to challenge local directors to think in a broad sense when determining the correct strategic position for the cooperative.

Ninety-three (93) cooperative directors, managers and employees attended the program.

Featured speakers included:

- Lowell Catlett...is a Regent's Professor in Agricultural Economics and the Dean of the College of Agriculture

at New Mexico State University. He is an exciting futurist whose knowledge of technologies and their implications on the way we will live and work is addressed in his varied and upbeat presentations. He is internationally known as an expert in commodities futures markets and is in demand as a speaker and consultant on predicting and planning for near- and long-term futures.

- Jason Henderson...is the Vice President and Omaha Branch Executive for the Federal Reserve Bank of Kansas City. He serves as the Bank's regional economist and representative in the state of Nebraska, works closely with the Branch's board of directors, and is responsible for briefing the Kansas City Fed's president on economic and business activity in the state. In addition, his articles on the rural economy have been cited by policy officials, researchers, and various media outlets including The Wall Street Journal, The New York Times, The Financial Times, and USA Today.

- Ernie Goss...is the Jack A. MacAllister Chair in Regional Economics at Creighton University. He has published over 80 research studies focusing primarily on economic forecasting and on the analysis of business and economic data. Dr. Goss produces a monthly business conditions index for the 9 state Mid-American region and the 3 state Mountain region. He initiated a survey of bank CEOs in rural portions of

8 states. Results from the 3 surveys are cited each month in approximately 100 newspapers. Each month 75-100 radio stations carry his Regional Economic Report.

- Ray Wyse...is the Senior Director of Trading and Economic Research at The Gavilon Group, LLC, wholly owned of Marubeni Corporation. His depth and breadth of experience in the agriculture industry spans more than 20 years and includes management of trading and processing operations in the United Kingdom, Germany, Netherlands, United States, and Canada, and risk management in the agriculture, energy and foreign exchange markets.

### Board Officer Seminar

Board officers assume all the normal duties and responsibilities that any board member must fulfill. They also have a leadership role with other members of the board, the manager, members, and business/civic leaders within the community. The BOS provides additional training for current and future officers to help them carry out their function as leaders of the board.

With 30 current and prospective officers attending, BOS was held on March 4 the day preceding the start of CoBank's customer meeting in LaVista. The Council's Excellence in Cooperative Education Committee recommended scheduling BOS in conjunction with another statewide meeting to maximize travel time for board officers.

The morning session featured the ever-popular open forum with Attorney Rocky Weber. This discussion is always far ranging and challenging for board leaders. Many topics are covered that board leaders need to be aware of.

After a quick lunch, participants toured the Claas North American production facility in Omaha. Participants had the opportunity to see Lexion combines being built during the tour.

# State Legislation - 2013 Session



There are many legislative and regulatory issues that we monitor every year, as evidenced by the information in this section of the Annual Report. While these change annually, there are six issues that we continually monitor because of the importance these issues have on local cooperatives. These core issues are:

- Mandatory Equity Redemption
- Cooperative Securities
- Patronage Dividends
- Interest on Members Equity
- Cooperative Quorum and Voting Requirements
- Capper-Volstead Act

These “cooperative specific” issues are the core of our outreach efforts to policy leaders. While other issues are of importance to cooperatives, these “cooperative specific” issues are the fundamental basis for the continued operation of cooperatives.

In each of these areas we are proactive to ensure that state policy leaders understand the importance of these issues and that nothing is done legislatively or by regulation that will inhibit the ability of cooperatives to remain competitive.

After completing its 90-day session, the 103rd Legislature adjourned on June 5th.

During the 2013 session, 220 bills became law (either with or without the Governor’s approval) and over 400 bills/resolutions will be carried over to the 2014 session. Listed below are issues that the Council was involved in this session.

## SIGNED INTO LAW

### LB 7 - Engineers and Architects Regulation Act

*Position: Support*

LB 7 became effective September 6, 2013. It changed provisions to allow for electronic signatures under the Engineers and Architects Regulation Act.

### LB 34 - Nebraska Advantage Act

*Position: Neutral*

LB 34 became effective September 6, 2013. It amended the Nebraska Advantage Act to redefine terms and change provisions relating to applications, credits, and transfers of incentives. LB 34 removed the identifiers of “any corporation, partnership, limited liability company, cooperative, including a cooperative exempt under section 521 of the Internal Revenue Code of 1986, as amended, limited cooperative association of joint venture” from the definition of taxpayer.

The Council had concerns regarding cooperative eligibility under LB 34. However, during the public hearing, Nebraska Tax Commissioner Doug Ewoldt responded to a question and reaffirmed that exempt cooperatives were not being removed from eligibility provisions. Based upon same, we believe that an enforceable “legislative history” has been created.

### LB 35 - Federal Motor Carrier Safety Regulations

*Position: Neutral*

LB 35 adopts the latest Federal Motor Carrier Safety regulations. It became effective on February 16, 2013.

### LB 67 - Nebraska Milk Act

*Position: Support*

LB 67 became effective on March 8, 2013. It updated and changed provisions of the Nebraska Milk Act to bring it in line with federal regulations. The bill also defined the sanitary standards required for interstate shipments.

### LB 70 - Nebraska Dairy Industry Development Board

*Position: Support*

LB 70 became effective on March 21, 2013. It changed membership provisions of the Nebraska Dairy Industry Board including the qualifications for members and appointments due to vacancy from the board. The bill was introduced on behalf of the Nebraska State Dairy Association to clarify and simplify board appointments as the dairy industry evolves.

### LB 140 - Airport Zoning Act

*Position: Support as passed*

LB 140 became effective September 6, 2013. It restricts development in certain areas identified as airport hazard areas as it includes approach and take-off zones, turning zones, etc. within a 3-mile radius of the ends of the runways at regulated airports across the state.



The Council worked very closely with Senator Krist to amend the bill so that cooperatives with structures within a 3-mile radius of airports could rebuild



facilities if necessary. Under LB 140 as introduced, no structure would have been able to be built which would have extended into these hazard zones with a permit and variance. For instance, at 3 miles, no structure would have been permitted to exceed 150 feet in height. Existing structures are grand fathered.

The bill was amended to provide the following:

- If a nonconforming structure is destroyed by fire, explosion, act of God, or the common enemy a cooperative would not need to get a permit or meet the new requirement as long as the nonconforming structure would not be built higher.

- If the cost of repairs does not exceed 60% of the fair market value of the non-conforming structure, a cooperative would not need to get a permit.

A permit would be required for replacement, alteration, repair, or reconstruction of a non-conforming structure, where the cost of repairs exceeds 60% of fair market value. However, the new language states that: Such permit shall be granted provided the applicant makes a showing that there will be no increase in height and that the repaired structure will not become a greater hazard to air navigation than when the regulation was adopted.

### LB 210 - Uniform Commercial Code / Secured Transactions

*Position: Support as passed*

LB 210 became effective on September 6, 2013. It was introduced to address problems created by the filing of fraudulent financing statements. The Council worked closely with Senator Burke Harr to amend LB 210 to protect the interests of cooperatives regarding filing financial statements.

Apparently some individuals have been filing fraudulent financing statements against public officials for the purpose of harassing them. LB 210 authorizes the victims of fraudulent

filings to file affidavits with the filing office which identify the fraudulent filing. Once the filing office receives such an affidavit, it can then file a termination statement so the fraudulent filing is no longer effective. LB 210 provides that the creditor named on the alleged fraudulent filing could then petition a court to seek an order that the financing statement was proper, in which case the filing would be retroactively reinstated.

As amended, LB 210 includes a “good faith buyer” provision which provides that a buyer of collateral would not be subject to the financing statement and would take the collateral free and clear of the lien asserted in such a financing statement if the buyer purchased the collateral in good faith in between the time the termination statement was filed and the time of its reinstatement by a court.

For example, if a producer does not understand why a cooperative filed a lien against his crop or otherwise believes he should not be subject to the lien, the producer could unilaterally file an affidavit claiming that the cooperative wrongly filed the lien. The Secretary of State’s office would then file a termination statement and notify the cooperative, after which it could go to a court and obtain an order reinstating the lien. However, during the period between the termination statement and the court’s order, the producer could sell his grain to a good faith purchaser who relied upon the termination statement and who would in such case take the grain free and clear of the cooperative’s lien. Cooperatives could similarly end up purchasing grain in reliance upon a termination statement, which could result in a bank or other lien holder filing suit in an attempt to reclaim the grain or its value.

## CARRIED OVER TO THE 2014 SESSION

### LB 81 - Dividend Payments from Corporate Income

*Position: Support*

LB 81 is being held in committee and would allow for the deductibility of corporate dividends from state income tax. Many of our grain and supply cooperatives are considering the possibility of raising additional equity capital through the issuance of non-voting preferred stock to augment their equity capital positions and increase their borrowing power. Such preferred stock would carry a dividend that by state law is restricted to 8% or less. These dividends would currently be taxable under federal and state tax codes. The provisions of LB 81 allowing for the deductibility of such dividends at the state level would be an important tool in leveling the playing field for Nebraska’s farmer and rancher owned grain and supply cooperatives.

### LB 174 - Rules of the Road / Load Contents and Spillage

*Position: Monitor*

LB 174 is on General File. It would amend the Nebraska Rules of the Road to change provisions relating



to load contents and spillage. If passed, it would be a Class IV misdemeanor with a minimum fine of at least \$250 if “any vehicle that contained livestock, but still contains the manure or urine of livestock, on any highway located within the corporate limits of a city of the metropolitan class, shall spill manure or urine from the vehicle.” Under Nebraska statutes, “metropolitan class” is any city with a population of 300,000 or more so as currently written, only Omaha would be affected by the bill.

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## State Legislation

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This issue has been a significant problem in south Omaha. The challenge is finding a compromise that solves the south Omaha problem while not impeding the movement of livestock statewide.

### LB 248 - Employment Security Law / Seasonal Employees

*Position: Support*

LB 248 is being held in committee and would amend the Employment Security Law to provide for seasonal employers and when benefits are paid to seasonal employees. Under the bill, an employer would need to file an application for a seasonal determination with the commissioner who would, within 90 days of the filing, determine if the employer is a seasonal employer and if so, the normal seasonal period or periods of the employer and if the seasonal employer designation applies to all or to a portion of the employer's business.

Many cooperatives could potentially have aspects of their business qualify as seasonal. LB 248 could result in lower employment tax rates for seasonal employers.

### LB 249 - Motor Carrier Provisions

*Position: Support*

LB 249 is on General File. It would allow Nebraska farmers to take advantage of the new Commercial Drivers License (CDL) exemptions put into place by the new federal highway bill; to amend the definition of "commercial motor vehicle" to exclude "covered farm vehicles" traveling within Nebraska; and to add an exemption to hours of service requirements for transport of agricultural commodities or farm supplies within 150 miles of the source.

### LB 272 - Nebraska Chemigation Act

*Position: Neutral as amended*

LB 272 is on General File. As introduced, it would allow the Nebraska Environmental Quality Council (EQC) to set fees for chemigation permits with a cap of no more than \$250 for new, special or renewal permits. An emergency permit would be \$500. The bill outlines that no more than 20% of the fee shall go to the department. The intent of the bill is to increase fees for the chemigation program to offset the cost of administering the program and costs of the annual inspection programs.

The fees for chemigation permits have not changed since the Nebraska Chemigation Act was put into effect in 1986. Current fees are \$30 for new and special permits (\$25 to the NRD and \$5 to the NDEQ); \$10 for renewals (\$8 to the NRD and \$2 to NDEQ); and \$100 for emergency permits (\$80 to NRD and \$20 to NDEQ).

Concerns were raised by farm groups on the size of the fee increases. The farm groups understood the need to raise fees; however, they thought the amount of the fee increase was too much.

The committee advanced LB 272 to General File on March 5 with AM433. It replaces the \$500 emergency permit fee with a fee cap of \$500; reinstates the existing fee portions to be paid to the DEQ; allows NRDs to establish permit fees, which are to be sufficient to cover the reasonable ongoing administrative and inspection program costs; and sets permit fee caps at \$150 for regular and special permits and \$100 for renewal permits.

### LB 358 - One-Call Notification Act (Diggers Hotline)

*Position: Oppose*

LB 358 is being held in committee and would amend the One-Call Notification System Act to require that cooperatives would need to call the One-Call hotline two days prior to the soil sampling of their farmer patrons if a fee is charged.

Presently "the tilling of soil and gardening for seeding and other agricultural purposes" is not considered excavation and does not require that you call the One-Call center.

Soil sampling, according to the Nebraska Attorney General's office statement of March 25, 2011, is considered tillage and therefore the Attorney General would not prosecute those taking routine soil samples.

LB 358 would amend the One-Call Notification System Act by indicating soil sampling done by a third party (not the owner or tenant) would be considered tillage if no fee is charged. If a fee were charged, the person doing the soil sampling would be required to call the One-Call system prior to taking soil samples.

The Council, Nebraska Agribusiness Association, and the Nebraska Independent Crop Consultants coordinated efforts to oppose the bill.

### LB 373 - Nebraska Construction Prompt Payment Act

*Position: Oppose*

LB 373 is on General File. It would amend the Nebraska Construction Prompt Payment Act which sets forth the payment obligations of owners to contractors and contractors to subcontractors on construction projects. This Act covers all persons, entities, and political subdivisions in the State of Nebraska except the state itself.

The bill provides a statutory definition of "substantially complete" to mean when sufficiently complete in accor-

dance with the contract to be used for its intended purpose.

The Council is seeking to have the retainage percentage amended to be subject to mutual negotiation.

### LB 531 - Build Nebraska Act / Sales Tax for Roads Funding

*Position: Oppose*

LB 531 is being held in committee and would repeal Nebraska's 2011 roads funding bill (LB 84). LB 84 as passed represents the most significant roads funding law in many years, and it provides a reliable funding method for new roads and infrastructure improvements in a time of declining state fuel tax. LB 84 is estimated to generate \$60-\$70 million annually in the next two decades. Over the next 20 years, it is estimated Nebraska will need about \$9.2 billion for highway construction and upkeep; with inflation, this figure could increase to \$13.2 billion. Under LB 84, 60% will be dedicated for state priority projects and at least 25% used for construction of the expressway system and federally designated high-priority projects. Cities and counties will use the remaining 15% for local roads projects.

### LB 636 - Restrictions for Application of Certain Herbicides

*Position: Oppose*

LB 636 is being held in committee and was introduced on behalf of the Nebraska Grape Growers. It would place restrictions on the use of 2,4-D (2,4-Dichlorophenoxyacetic acid) or any phenoxy herbicide outside of city limits from April 15 to September 15.

Under the bill, in order to apply 2,4-D, a person would have to:

1. Notify the Department of Ag in writing 72 hours prior to each application.

(continued on page 10)



Nebraska Grape Growers. It would place restrictions on the use of 2,4-D

(2,4-Dichlorophenoxyacetic acid) or any phenoxy herbicide outside of city limits from April 15 to September 15.

## Tax Bills & Resolutions

A number of bills affecting taxes were also introduced this session. The key bills are summarized below:

### LBs 405 & 406 - Governor's Tax Proposals

*Position: Oppose*

LBs 405 and 406 would have provided the most significant changes in tax policy since 1967. Both bills were designed to be revenue neutral.

LB 405 would have provided the more significant change of the two. Under LB 405, both individual and corporate income taxes would be eliminated. In order to be revenue neutral, many sales tax exemptions would be removed including railroad rolling stock, hospital rooms, dorm rooms, medical equipment and medicine. Specific ag items that would lose exemptions are mineral oil used for dust suppression, artificial insemination, seeds for commercial use, ag machinery, ag chemicals, and energy used in ag.

In total, \$2.6 billion of the current \$5 billion in sales tax exemptions would remain.

LB 406 would have eliminated corporate income tax and exempted retirement income from state income taxation. To be revenue neutral, fewer items currently exempt would lose their exemption.

Under LB 406, ag machinery would not lose its sales tax exemption; however, seeds, chemicals, and energy would all lose sales tax exemption.

To compare the two bills, of the current \$5 billion in sales tax exemptions, LB 406 would eliminate \$400,000 in exemptions and LB 405 would eliminate \$2.4 billion.

On February 20, the Revenue Committee killed LBs 405 and 406 at the Governor's request.

It should be noted that there continues to be significant interest in reforming tax policy. The question is how to best study this issue. See LB 613 and LR 155 which follow.

### LB 613 - Tax Modernization Commission

*Position: None*

LB 613 as originally introduced would have created a Tax Modernization Commission to lay the groundwork for tax reform discussions. The bill would have required the Commission to consider fairness, competitiveness, simplicity and compliance, stability, adequacy, and complementary tax systems as it evaluates Nebraska's current tax structure. A preliminary report would need to be submitted to the Legislature and the Governor no later than December 15, 2013, and a final report would be due by November 15, 2014.

The aforementioned intent of LB 613 was stripped from the bill and incorporated within LR 155 (see below).

### LR 155 - Tax Modernization Committee

*Position: None*

On May 31, the Legislature adopted LR 155 which created the Tax Modernization Committee with the expectation that they will reform the system in 2014. LR 155 was introduced by Senator Chambers of Omaha and passed on a vote of 40-0. The 15-member committee will have three subcommittees to focus upon property, income and sales taxes. The Committee is to report their findings and recommendations to both the Legislature and the Governor no later than December 15, 2013.

## State Legislation

(continued from page 9)

2. Only make applications within 4 miles of susceptible crops when the wind is blowing at least 2 miles per hour away from the susceptible crop

3. Have a buffer zone of 4 miles for aerial application and 1 mile for ground application

4. Only make applications if the owner/tenant obtains a waiver from all the producers of susceptible crops in the buffer zone

Susceptible crops would include grapes and other organic broadleaf crops.

### LB 637 - DEQ Economic Impact Analysis

*Position: Support*

LB 637 is on General File. It would require the DEQ to prepare an economic impact statement for any rule or regulation that the Department intends to adopt that is different than federal regulation or increases cost on regulated persons or entities. The statement would have to include an analysis of less intrusive or less costly alternatives, less stringent compliance and deadlines, and consolidation and simplification of compliance.

The bill would make it more difficult for the DEQ to promulgate costly rules and regulations that could impact business operations, including cooperatives.

## NCC Political Action Committee

The NCC Political Action Committee continues to be a significant part of the Council's overall legislative program. The NCC-PAC was established in 1999 to help gain access to legislators from urban and rural areas of the state through voluntary contributions from members.

As the urban areas of the state continue to grow in population, it is important that the Council has access to the state senators serving those areas.

Through the PAC, the Council has the opportunity to communicate with and educate state senators regarding issues that are important to cooperatives and rural Nebraska.

As we have transitioned into the era of term limits, the ability to update and educate senators has become even more crucial. As senators move in and out of leadership positions much more rapidly, maintaining open communication has become much more critical.



*...to the members listed below who provided voluntary contributions to the NCC-PAC for the 2012/13 fiscal year:*

Ainsworth - Farmers/Ranchers Co-op Assn	Hemingford - Farmers Co-op Elevator Co
Alliance - Panhandle Rural Electric Membership	Henderson Community Co-op Assn
Alliance - WESTCO	Holdrege - CHS Agri Service Center
Aurora Co-op Elevator Co	Imperial - Frenchman Valley Farmers Co-op
Battle Creek Farmers Co-op N/S	Lindsay - Farmers Co-op Assn
Beatrice - Southeast Nebraska Co-op Co	O'Neill - Central Valley Ag Co-op N/S
Big Springs - Farmers Co-op Elevator Assn N/S	Scottsbluff - Panhandle Co-op Assn
Blue Hill - Glenwood Telephone Membership Corp	Sidney - Crossroads Co-op Assn
Brainard - Frontier Co-op Co	Spalding - Country Partners Co-op
Cedar Bluffs - Farmers Union Co-op Assn	Wausa - CHS Inc
Clarkson - Farmers Union Co-op Supply Co	Waverly - Farmers Co-op Co
Columbus - Husker Co-op	York - United Farmers Co-op
Dodge - Cooperative Supply Inc N/S	Ag Processing Inc
Dorchester - Farmers Cooperative	Ag States Group, LLC
Edison - Ag Valley Co-op N/S	Austin Mutual Insurance Co
Elmwood - Midwest Farmers Co-op	Capital Recovery, Inc
Elsie - Hi-Line Co-op Inc	CHS Inc
Fairfield N/S Co-op Fertilizer	Land O'Lakes Inc
Friend - Farmers Union Co-op Co	Milliman, Inc.
Gothenburg - All Points Co-op	Nebraska Rural Radio Assn (KRNV-KNEB-KTIC)
Hastings - Cooperative Producers Inc	Stevenson & Associates CPAs



## STATE

### PSC Schedule “A” and “E” Rates

The Nebraska Public Service Commission voted in May to extend the current A&E rates for one more year. These schedules govern the maximum rates for state licensed grain warehouses for receiving and handling grain, as well as storage and insuring.

The Council, the Nebraska Grain & Feed Association, and the Nebraska Farm Bureau, supported this action.

### Energy Source Exemption Update

In the fall of 2010, the Council created a “restricted” fund for the purpose of challenging the Nebraska Department of Revenue (DOR) with respect to the energy exemption. Council members provided voluntary contributions to the fund. The purpose of the fund is to bring cases before the DOR and challenge its positions on the energy exemption, through litigation and appeals if necessary. Once this issue is resolved, any balance in the fund will be refunded to contributors proportional to their contributions. At the time this fund was created, we alerted our members that resolving the matter through litigation could be a 3-4 year process.

Nebraska law provides a sales and use tax exemption for energy when more than 50% of the amount purchased is used for processing or manufacturing. Historically, this exemption has applied to the energy utilized in grain handling to dry grain for storage. By regulation, the DOR has recognized the exemption’s application to the process of drying grain.

As many of the Council’s members are aware, the application of the energy use exemption to grain drying has been in limbo since 2008. In the fall of 2008, DOR audited a cooperative located in western Nebraska and assessed sales and use taxes on payments for electricity which was used to run fans on storage bins. The DOR refused to accept that the fans were drying grain and therefore denied that processing of the grain was occurring. This case was brought to the attention of the Council, and upon investigation, it was abundantly clear that use of the energy exemption by the grain handling industry was in jeopardy.

From 2008 to 2010, through numerous communications with the DOR, the Council and its legal counsel determined that the DOR’s interpretation of the energy exemption was likely to curtail its use to such a degree that the Council’s members likely would derive little benefit from the exemption. Based upon feedback from the DOR, there was so much uncertainty surrounding when and under what circumstances the exemption would apply that providing meaningful guidance to the Council’s members was impossible. After consulting with its members, the Council organized a concerted effort to challenge the DOR and its interpretations of the energy exemption.

In October and November 2010, numerous sales tax refund claims, or test cases, were filed utilizing the energy consumption and payments from a member cooperative’s grain handling sites in eastern Nebraska. Legal counsel and an energy auditor compiled and filed approximately 11 refund claims relating to gas used for drying grain and approximately 15 refund claims relating to electricity used for drying



grain. The DOR quickly determined that there was no legitimate basis to deny the refund claims relating to natural gas. Each of the gas refund claims arose from sites where the gas was used solely in a grain dryer. As such, the DOR processed and approved the gas refund claims fairly quickly. However, the refund claims for taxes paid in connection with electricity have not been processed and are still pending with the DOR.

There are numerous questions being litigated in connection with the electricity claims. For example, the level of accounting detail for energy used by equipment at a particular site is being contested. The DOR is demanding such a high level of detail in the accounting that the costs involved in taking the exemption would exceed the benefit of taking the exemption. Additionally, the DOR is questioning whether “processing” is actually occurring during many of the periods that fans are operating in grain bins. Nebraska law provides that any time one is changing the quality or state of a product, processing is occurring. We firmly believe we can prove that processing is occurring any time aeration fans and drying fans are operating because the state of kernels of grain is changing any time moisture changes. While the DOR denies this, we believe it is based upon erroneous perceptions about grain handling. Another issue we are challenging is the DOR’s stance

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## State & Federal Regulations

(continued from page 11)

that blending, sorting and cleaning of grain does not constitute processing.

While not binding on the Nebraska DOR, it is noteworthy that the Kansas Supreme Court has ruled on many of these issues and determined that the Council's positions are correct. As such, the Council intends to continue litigating these issues and, if necessary, seek a final determination from Nebraska's appellate courts so as to obtain clear guidance for the industry in utilizing the energy exemption.

At this point, we are waiting for the DOR to set the matter for hearing. The Council is somewhat disappointed that the matter has not progressed further since the litigation commenced; however, progression of the litigation before the DOR is solely determined by the DOR. Unfortunately, it is common for litigated matters to be pending before the DOR for several years.

We believe a hearing will be set in the near future and the matters will proceed forward to a decision before a DOR hearing officer. Once that decision is handed down, the matter likely will be appealed to the District Court of Lancaster County and, if necessary, the Nebraska appellate courts. Fortunately, the timeline for litigation in the district and appellate courts is typically shorter and much more predictable. However, we still anticipate that a final decision is at least a year away.

As a final note, from the outset the Council has looked at resolving this matter through means other than litigation if possible. To that end, the Council has attempted to work with the DOR to develop some common sense policies that clearly lay out when the energy exemption is applicable. So far, efforts in this regard have not been fruitful. However, the Council remains open to such a resolution to the extent

the DOR demonstrates a willingness to work together towards implementation of policies that work for the Council's members. Lastly, the Council is continuously looking at legislative options for addressing issues affecting its members and, while the legislative environment has not been ripe in recent years for amending sales tax exemption statutes, the Council will continue to assess the situation and seek legislation to address this matter if and when it is feasible.

## FEDERAL

### Oil Spill Prevention, Control and Countermeasure (SPCC) Program

In 2009, EPA finalized regulations that will require any farm with above-ground oil storage capacity of greater than 1,320 gallons to have a Spill Prevention Control and Countermeasure (SPCC) plan in place. In 2011, the EPA provided a two-year compliance delay for farmers and ranchers of May 10, 2013. Congress has recently extended this deadline to September 30, 2013.

You need an SPCC plan if:

- An oil spill from your farm could reach water
- You have oil (such as diesel, gasoline, hydraulic oil, lube oil, crop oil, or vegetable oil, etc) storage capacity of 1,320 gallons or more

### Farm Bill

The Council has joined with several other groups to urge Congress to take action regarding reauthorization of the Farm Bill.

In September of 2012, we joined with several Nebraska agricultural groups to urge both the Senate and



House to renew efforts to complete a new five-year Farm Bill which would include livestock disaster assistance. This effort was undertaken due to the extreme drought conditions that affected the entire state in 2012.

Due to lack of action by Congress, the Council signed onto a letter that was sent to each member of the House on June 11, 2013. This letter was signed by over 150 agricultural organizations from all across the country.

### National Council of Farmer Cooperatives

The Council continues to work closely with NCFC to address national issues that would impact Nebraska cooperatives.

In recent years, the Council has partnered with NCFC to raise the awareness level of cooperatives. The Council was very active in the effort to inform congressional leaders regarding the value of the Capper-Volstead Act for farmer-owned cooperatives. In addition to a variety of materials that we provided to Nebraska cooperatives, we also contributed to the national awareness campaign of NCFC.

This past year, the Council also contributed to the NCFC "Providing for America" campaign. This campaign is designed to inform federal policy makers regarding the uniqueness and value of farmer-owned cooperatives. By providing federal leaders with positive messages regarding cooperatives, perhaps challenges to legislation such as Capper-Volstead can be avoided in the future.

# Cooperative Hall of Fame

Gerald Gangwish of Sutton and Terry Rowe of Smithfield were inducted into the Nebraska Cooperative Council Cooperative Hall of Fame on November 16, 2012. The induction ceremony was held in conjunction with the Council's Annual Meeting luncheon in Kearney.

Gerald and Terry became the 56th and 57th members to be inducted into this distinguished group of cooperative leaders. Both Gerald and Terry received a framed certificate commemorating their induction into the Hall of Fame. In addition, they will be recognized with a plaque detailing their contributions to cooperatives which will be permanently displayed at the Council's office.

Their accomplishments are:

**Gerald Gangwish...** Gerald began his cooperative career by serving as General Manager at Shelton, Nebraska in 1971. He served as Assistant Manager at Juniata for a brief period before becoming the General Manager of the Sutton Cooperative Grain Company in 1972.

Gerald served as General Manager of the Sutton Co-op until his retire-

ment in 1998. During that time frame, company sales increased from \$6.4 million in 1972 to more than \$39 million in 1998. Grain storage capacity increased from 500,000 bushels in 1972 to 6.5 million bushels in 1998. During that same time period, employment at the cooperative increased from 10 employees to 35 employees. Gerald also helped form and served as a director for CPI, a group of 6 cooperatives that came together to add value to their individual cooperatives.

One of the reflections we received regarding Gerald's career was "Gerald's actions always commanded the respect and admiration of all the patrons and employees he associated with, and he thoroughly embraced cooperative principles throughout his career."

**Terry Rowe...** Terry began serving on the board of the Lexington Co-op Oil Company in 1973. His service continued through 2001 and included the merger with All Points Co-op. During that time frame, he served as vice chair of the board for one year and chair of the board for five years. In addition to his service on the local co-op board, Terry also served as a director

for the Federal Land Bank from 1981-1987, which was a very stressful time for the entire Farm Credit System.

As a board leader, Terry was involved in several mergers and the creation of joint ventures that created value for the local patrons. Terry was also a firm believer in board member and patron education, and he encouraged board members to take advantage of educational opportunities.

Terry was also active within the Nebraska Cooperative Council. He served on the NCC Board from 1994-1999 and 2000-2001. While on the NCC Board, Terry served on the Educational Advisory Committee from 1996-1999 serving as committee chair from 1997-1999.

A comment that we received regarding Terry's career perhaps sums up his contributions best: "Terry has always put the interests of the cooperative's patrons first when making decisions while serving in various cooperative capacities. Terry's integrity, business skills, people skills, and honest critical thinking skills have been a tremendous asset to enhancing the cooperative system. Without question, Terry has been a great ambassador and promoter of the cooperative system for many years."



**NCC Board Chair David Briggs (far right) presents Gerald Gangwish with his Hall of Fame certificate as Gerald's wife Marge and NCC President Bob Andersen look on.**



**Hall of Fame inductee Terry Rowe shares some light-hearted moments with attendees.**



# Youth Education



**1st Place Winner of the 2013 State FFA Cooperative Speaking Contest - Samantha Sattler, Stuart FFA Chapter**

The winner of the 2013 contest was Samantha Sattler (pictured at left) from the Stuart FFA Chapter. She received a trophy, first place medal, and a check for \$100 from the Nebraska Cooperative Council. Second place went to Samantha Vaverka from the Milford FFA Chapter, and third place went to Rachel Sorensen of the Plainview FFA Chapter.

Other medal winners in alphabetical order were:

**Gold** - Emily Brichacek, Howells-Dodge-Clarkson; Megan Hamling, Seward; McKenzie Nielsen, Southern Valley; Jill Rocheford, Howells-Dodge-Clarkson; and Taylor Walter, Perkins County

**Silver** - Emmet Caldwell, Sandy Creek; Caitlin Collins, Aurora; Cody Gugel, Amherst; Nicolette Larsen, Waverly; Erica Lewis, Wisner-Pilger; Emily Ludwig, Wisner-Pilger; Miranda Pierce, Sumner-Eddyville-Miller; and Kora Schott, Ravenna

**Bronze** - Tylii Muncie, Scottsbluff; Zack Nelson, Boone Central; Courtney Ostermiller, Perkins County; Brant Pavel, Chambers; Dalton Swiercek, Syracuse; Rachel Towne, Medicine Valley; and Cody Trump, Cody-Kilgore

## FFA Cooperative Speaking Results

For the 62nd consecutive year, the Nebraska Cooperative Council has provided support for statewide FFA activities. With support from the CHS Foundation, the Council once again sponsored the state FFA Cooperative Speaking Event, held in conjunction with the State FFA Convention on April 3-5 in Lincoln.



The Cooperative Speaking Event provides students with the opportunity to research and develop a speech that focuses on any topic relating to cooperatives. Through participation in this event, students learn how cooperatives function and the principles that cooperatives are founded on.

Seventy-five (75) students from across the state participated in the District contests. Of these, 24 students qualified for the State contest with 23 students actually participating.

## Co-ops 101

For this past year we have continued our Co-ops 101 offering for college students. The program consists of an hour-long presentation that highlights the cooperative principles, the difference in business models, and how patronage and equity are handled in the cooperative business model. During the presentations, we also utilize a local cooperative manager to share some of the current issues facing cooperatives and the career opportunities within cooperatives for students.

For the 2012/13 academic year, we have provided the following programs:

Sept. 13, 2012 -- CCC, Columbus	Jan. 14, 2013 -- NCTA, Curtis
Sept. 26, 2012 -- NCC, Norfolk (3 classes)	March 14, 2013 -- CCC, Hastings
Oct. 17, 2012 -- CCC, Hastings	April 2, 2013 -- NCTA, Curtis
Nov. 8, 2012 -- UNL Entomology Class (graduate level)	April 17, 2013 -- CCC, Columbus
Nov. 14, 2012 -- SCC, Beatrice (3 classes)	May 23, 2013 -- SCC, Beatrice

Since the inception of the Co-ops 101 classes with college students, we have received grants from the CHS Foundation to cover the costs associated with the presentations.

We have been very pleased with the reception we have received from the colleges. From the numbers below, you can see that the colleges have embraced this program:

2011/12 academic year: 6 classes for 131 students/instructors  
 2012/13 academic year: 14 classes for 255 students/instructors

**Doug Ohlson, Manager of Frenchman Valley Farmers Co-op of Imperial, speaks to students at the NE College of Technical Agriculture-Curtis about employment trends and opportunities at cooperatives.**





# Annual Meeting

On November 16, 2012, the Nebraska Cooperative Council hosted its 67th Annual Meeting at the Holiday Inn & Convention Center in Kearney.

Attendance at this year's meeting was up from recent years with 198 people attending the meeting and Hall of Fame luncheon.

For the third consecutive year, the Council held a reception on Thursday evening, prior to the Annual Meeting, for members and guests. The reception proved to be an excellent opportunity for Council members to gather and network with their peers from all across the state. The Council hosted this event with beverage sponsorship provided by partners of the Crosby Guenzel LLP law firm.

The opening speaker for the morning session of the Annual Meeting was Colonel Steve Russell. Col. Russell was involved in the capture of Saddam Hussein. He is the author of the book *"We Got Him!: A Memoir of the Hunt and Capture of Saddam Hussein."* The compelling story that Col. Russell told not only revealed his love for his country but also his strong loyalty to those brave men and women under his command. His presentation was a stirring mix of heroism, loyalty and respect for our country and the people that protect us.

The business meeting of the Council followed with Board Chair David Briggs, manager of WESTCO in Alliance, providing the Chairman's report as well as the PAC report. Bruce Favinger, board chair of Cooperative Producers Inc of Hastings, provided the Excellence in Cooperative Educa-

tion Committee report and Council President Bob Andersen provided the financial report and President's report.

Wrapping up the reports for the morning session was NCC Education Foundation Board member Gerald Schmidt of Jansen. Gerald provided an update on the fundraising campaign that the Foundation has announced to increase funding for the scholarship program.

During the voting delegate caucus, delegates elected two new board members—Dean Thernes, manager of Battle Creek Farmers Co-op N/S, and David Beckman, board chair of Central Valley Ag Co-op N/S in O'Neill. They were elected to fill the positions of outgoing board members Jim Chism and Jerrell Dolesh, both of whom did not run for re-election.

The morning session concluded with the Legal, Tax & Accounting Workshop which was presented by Rocky Weber and Bill Kutilek, partners in the Crosby Guenzel LLP law firm.

The final event of the Annual Meeting was the Hall of Fame luncheon. During the luncheon two new members were inducted into the NCC Cooperative Hall of Fame. In addition, the group had the opportunity to hear from Senator Mike Flood of Norfolk, Speaker of the Legislature. Senator Flood's address touched on a number of issues that the Legislature accomplished this past year as well as challenges that will be facing the state in the upcoming year.



Senator Mike Flood (right) spoke at the noon luncheon.



Attorneys Bill Kutilek (standing) and Rocky Weber (seated) update the membership on recent legal issues.



Colonel Scott Russell was the keynote speaker for the Annual Meeting.



NCC Education Foundation Board member Gerald Schmidt (at podium) spoke to the membership about the Foundation's fundraising campaign.



Meeting attendees enjoy time for fellowship at the noon luncheon.

# 2012/13 Financial Statements

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Financial statements will be provided to members at the Annual Meeting on November 22, 2013. They are also available for members by contacting the Council office at 402/475-6555.

# 2012/13 Membership

## SUPPLY/MARKETING COOPERATIVES

Ainsworth - Farmers/Ranchers Co-op Assn  
Alliance - WESTCO  
Aurora Co-op Elevator Co  
Battle Creek Farmers Co-op N/S  
Beatrice - Southeast Nebraska Co-op Co  
Big Springs - Farmers Co-op Elevator Assn N/S  
Brainard - Frontier Co-op Co  
Brule - Farmers Co-op Assn  
Cedar Bluffs - Farmers Union Co-op Assn  
Clarkson - Farmers Union Co-op Supply Co  
Columbus - Husker Co-op  
Dodge - Co-op Supply Inc N/S  
Dorchester - Farmers Cooperative  
Edison - Ag Valley Co-op, N/S  
Elmwood - Midwest Farmers Co-op  
Elsie - Hi-Line Co-op Inc  
Eustis - Farmers Co-op Assn  
Fairfield N/S Co-op Fertilizer Assn  
Friend - Farmers Union Co-op Co  
Gering - Stateline Producers Co-op  
Gothenburg - All Points Co-op  
Hastings - Cooperative Producers Inc  
Hayes Center - Hayes County Farmers  
N/S Co-op  
Hemingford - Farmers Co-op Elevator Co  
Henderson Community Co-op Assn  
Holdrege - CHS Agri Service Center  
Imperial - Frenchman Valley Farmers Co-op  
Lindsay - Farmers Co-op Assn  
O'Neill - Central Valley Ag Co-op N/S  
Pilger - Farmers Co-op  
Ravenna - Farmers Co-op Assn  
Schuyler Co-op Assn  
Scottsbluff - Panhandle Co-op Assn  
Sidney - Crossroads Co-op Assn  
Spalding - Country Partners Co-op  
Talmage - Farmers Co-op Co  
Wauneta Co-op Oil Co  
Wausa - CHS Inc.  
Waverly - Farmers Co-op Co  
York - United Farmers Co-op

## RURAL ELECTRIC COOPERATIVES

Alliance - Panhandle Rural Electric  
Membership Assn  
Grant - Midwest Electric Co-op Corp  
O'Neill - Niobrara Valley Electric Membership  
Corp

## TRANSPORT COOPERATIVES

Grand Island - Central Co-op N/S  
Transport Co

## TELEPHONE COOPERATIVES

Blue Hill - Glenwood Telephone  
Membership Corp

## OUT-OF-STATE SUPPLY/ MARKETING COOPERATIVES

Hiawatha KS - Ag Partners Co-op, Inc

## LIVESTOCK MARKETING AGENCY

Producers Livestock Marketing

## PARTICIPATING MEMBERS

Ag Processing Inc  
Associated Milk Producers, Inc  
Austin Mutual Insurance Co  
CHS Inc  
CoBank  
Dairy Farmers of America, Inc  
Farm Credit Services of America  
Four Points Federal Credit Union  
GROWMARK, Inc  
Land O'Lakes Inc  
United Suppliers, Inc

## SUPPORTING MEMBERS

ADM (Archer-Daniels-Midland)  
Ag States Group, LLC  
Associated Benefits Corp  
Berkley Agribusiness Risk Specialists  
Capital Recovery, Inc  
CliftonLarsenAllen CPAs  
EBM Construction, Inc  
Farm Credit Counseling Services  
Frisbie Construction Co, Inc  
Gardiner Thomsen CPAs  
Howalt+McDowell Insurance  
Inspro Inc  
Integris USA, LLC  
INTLFCStone, LLC  
KFSA  
Lincoln Inspection Service  
McPherson Concrete Storage  
Systems, Inc  
Mid States Millwright & Builders, Inc.  
Milliman, Inc  
Monsanto  
Nationwide Agribusiness Insurance Co  
Nebraska Corn Board  
Nebraska Ethanol Board  
Nebraska Rural Radio Assn (KRVN, KNEB, KTIC)  
Olsson Associates  
Pawling, Finn & Torell, CPAs LLC  
RBH Mill & Elevator Supply, a Lewis-  
Goetz Company  
Stevenson & Associates CPAs  
Triangle Insurance  
VistaComm

# Tracing Our History

## *Rochdale Pioneers*

The Rochdale Pioneers are regarded as the prototype of the modern co-operative society and the founders of the Cooperative Movement.

In 1844 a group of 28 artisans working in the cotton mills in the town of Rochdale, in the north of England established the first modern co-operative business, the Rochdale Equitable Pioneers Society. The weavers faced miserable working conditions and low wages, and they could not afford the high prices of food and household goods. They decided that by pooling their scarce resources and working together they could access basic goods at a lower price. Initially, there were only four items for sale: flour, oatmeal, sugar and butter.

The Pioneers decided it was time shoppers were treated with honesty, openness and respect, that they should be able to share in the profits that their custom contributed to and that they should have a democratic right to have a say in the business. Every customer of the shop became a member and so had a true stake in the business. At first the co-op was open for only two nights a week, but within three months, business had grown so much that it was open five days a week.

- reprinted from the website of the International Co-operative Alliance



*Rochdale Pioneers*

The Rochdale Pioneers also developed the principles which cooperatives continue to use today. Those principles are listed on the inside front cover of this report.



## In Nebraska

The Nebraska Cooperative Council was officially established on December 28, 1945. Earlier that fall a group of 20 people attended a meeting in Lincoln to discuss an organization for local cooperatives.

The reason the initial meeting was organized was because of attacks on cooperatives by the National Tax Equality Association. The NTEA felt that cooperatives were unfairly subsidized through favorable tax treatment. The 20 cooperative leaders felt it was imperative that cooperatives respond to these attacks or the cooperative movement could suffer a huge set back.

The taxing issues carried on almost annually through the 1950's, 60's and 70's, and were revisited in 1982 and 1989. While no specific legislation has been introduced recently, it is ironic that the topic of cooperative taxation still seems to come up every two to three years among state policy leaders.

The issues that the Council addresses each year are much broader than just taxation; however, our mission has not changed. While the world is very different today than it was 68 years ago when the Council was formed, the Council has remained true to its mission *“to defend, protect, and enhance the cooperative movement.”*



*First NCC Board of Directors -1946*

(Back row) R.H. Wenzlaff, Wahoo; I.A. Burns, Grant; Bob Skinner, Herman; Jay Person, Wauneta - President  
(Front row) E.G. Havekost, Scribner - Vice President; Fred Hansen, Aurora;  
D.O. Stelk, Grand Island

*To defend, protect and enhance the agricultural cooperative movement through pro-active programs in education, legislation, government affairs, communication, and regulatory issues. To defend, protect and enhance the agricultural cooperative movement through pro-active programs in education, legislation, government affairs, communication, and regulatory issues. To defend, protect and enhance the agricultural cooperative movement through pro-active programs in education, legislation, government affairs, communication, and regulatory issues. To defend, protect and enhance the agricultural cooperative movement through pro-active programs in education, legislation, government affairs, communication, and regulatory*

