

Cooperation in Nebraska

Official publication of the Nebraska Cooperative Council

Volume 55, No. 1 - April 2016

In This Issue...

- OSHA PSM Standard *1*
- Results of Co-op Impact Study *1*
- President's Message *2*
- New Member *2*
- Education Programs *3*
- FFA State Speaking Contest *3*
- 2016 Legis Session Adjourns *4*
- Bob Andersen Retires *4*
- Co-ops 101 *4*
- Winning FFA Contest Speech *5*
- Ad-hoc Committee Formed *6*
- Calendar of Upcoming Events *6*

NCC VISITS WITH CONGRESSIONAL DELEGATION ABOUT OSHA PSM STANDARDS

A delegation of member cooperative managers and producer board members traveled to Washington, DC on March 15-17 to meet with Nebraska's congressional delegation regarding OSHA's decision to revoke 24 years of interpretation and remove the retail exemption for anhydrous ammonia facilities from application of Process Safety Management (PSM) standards which have historically only been applied to manufacturers.

Meetings were held with Senators Fischer and Sasse and Congressmen Fortenberry, Smith and Ashford, and/or their respective staffs. Pictured at left (clockwise from bottom left) are:

Chris Vincent, President, Aurora Cooperative Elevator Co.; Dean Thernes, President, Farmers Pride Cooperative, Battle Creek; Greg Sabata, Board Chairman, Frontier Cooperative Co., Brainard; Rocky Weber, NCC President; Senator Ben Sasse; Ron Velder, President, Farmers Cooperative, Dorchester; Dave Beckman, Board Chairman, Central Valley Ag, York; John Oehlerking, Board Member, Midwest Farmers Cooperative, Elmwood, and Joel Wellum, Senator Sasse's Senior Legislative Correspondent.

Unless Congress acts, or OSHA makes an adjustment to its implementation, OSHA will begin enforcing these new standards October 1, 2016. PSM will require substantial changes to anhydrous ammonia facilities. Data compiled by the
(continued on page 6)



STUDY SHOWS IMPACT OF COOPERATIVES ON NEBRASKA'S ECONOMY

Last July the Council's Board commissioned the University of Nebraska Bureau of Business Research to conduct an economic impact study focused on Nebraska's supply and marketing cooperatives. The study was conducted by Dr. Eric Thompson and Dr. Mitch Herian from UNL.

The results of the study were released on April 21st and, as we expected, they were very significant as indicated by the box at right.

The full report as well as an interview with Dr. Thompson and Council President Rocky Weber can be found on our website at www.nebr.coop.

Study Results of Impact of Nebraska's farmer owned supply/marketing co-ops:

- \$2.2 billion impact on state economy
- Create 13,944 jobs annually via co-op operations, member payments, and investments
- Tax revenue impact of \$117.9 million annually
- Indirect impact of \$127.2 million on the Omaha and Lincoln metropolitan area economies.
- Return nearly \$97 million annually to members in the form of patronage allocations, equity redemptions, and equity redemptions to estates
- Annually invest about \$200 million in new facilities/equipment



PRESIDENT'S MESSAGE

As I sit at the computer to write my first President's Message, I have struggled over just what I could say that would be of interest and value to the members of the Council. While it would be easy to repeat information contained in other parts of this newsletter, it would be of little value for you. You can see for yourself that the Council has had a busy and productive late Winter and early Spring.

I could write about the year of the "Great Transition" that Bob, Ed, Glenda, Deb and I have been through. However, you would not be surprised to know that Bob promised a smooth transition and more than delivered on that promise or that Ed, Glenda and Deb have been kind, considerate and invaluable to me in this process.

I considered focusing on the political stalemate in Washington that has ground the legislative process to all but an outright stop; that we continue to address ever expanding federal regulations that affect you and your patrons; or that the filibuster is alive and well in Lincoln, but again these are things you already know.

Ultimately, I decided to tell you some things about me that you may not know, but may inform you on how I

will approach my new position with the Council:

- I am a farm boy from northeast Nebraska. I have milked cows, cleaned livestock pens, moved irrigation pipe, put up alfalfa, plowed, disced, cultivated, sprayed and hauled grain. I've scooped corn, ran a sweep auger and walked beans. I love the smell of freshly turned soil in the spring and the smell of grain dust in the air at harvest.

- I did not start college intending to be a lawyer. I wanted to teach political science at the college level. I interned at the Nebraska Legislature for two state senators for a semester. I have always maintained a high level of interest in politics and policy at the local, state and federal levels.

- My law practice was not just a job. I cared, on a personal level, about the success and well being of my clients. It has been the personal and professional relationships I developed along the way that were the most satisfying part of my practice.

- While those of you who were clients may believe that my biggest concern when reviewing monthly billing statements was whether I was billing enough, it was not. My biggest concern was whether the client was getting the value for the amount I was billing.

The Nebraska Cooperative Council is your association. It exists to provide

leadership and service to its members. It is, in fact, an extension of the leadership and service that each of you provide to your agricultural producer members.

My commitment to you is that this farm boy will not forget from where he came and his experiences along the way. I believe that the cooperative business model has been the most successful farmer owned enterprise for adding value to an individual farmer's operation. I will continue to advocate, defend, promote, and educate and together with you and our staff advance the interests of Nebraska's farmer owned cooperatives. And.... I will never send out a dues statement without considering whether we have delivered the value to you and the farmers and ranchers you serve.

I look forward to working with each of you in this common endeavor.

Cooperatively Yours,

Rocky

NEW 2015/16 MEMBER

The Council welcomes the following new Supporting Member:

*Continental Western Group
- Luverne, MN*

NEBRASKA COOPERATIVE COUNCIL

Address 134 South 13th St., Ste 503 , Lincoln NE 68508
Office Hours..... 7:45 am to 4:30 pm CT
Phone / Fax(402) 475-6555 / (402) 475-4538
Cell (402) 430-6555 Rocky
E-mail ncoopc@nebr.coop
Web www.nebr.coop

STAFF

Rocky Weber, President & Gen Counsel... rocky@nebr.coop
Ed Woeppel, Education & Program Director edw@nebr.coop
Glenda Gaston, Office Mgr/AA glendag@nebr.coop
Deb Mazour, Program Coordinator/AA debm@nebr.coop

BOARD OFFICERS

David Briggs, Chair..... Alliance
Dean Thernes, Vice Chair Battle Creek
Bruce Favinger, Secretary Hastings

BOARD DIRECTORS

Dave Beckman York
Mike Hechtner, CoBank-Omaha..... Participating Member
John Oehlerking Elmwood
Doug Ohlson Imperial
Randy Robeson Brainard
Tim Rowe Gothenburg

ANOTHER YEAR OF SUCCESSFUL EDUCATION PROGRAMS COMPLETED

The Council has completed another successful year of educational programming with 371 individuals representing 77% of the Council's member supply/marketing cooperatives attending at least one educational program. The year was not without challenges, due to the early February snowstorm that caused us to postpone the Cooperatives For Tomorrow Seminar and Cooperative Issues Symposium. A summary of each program follows:

Director/Manager Workshop (DMW)

One hundred eight (108) individuals attended the DMW on "Managing Your Risk" which was held in Kearney on November 20th, the day after our Annual Meeting. Quality presentations were provided by Dr. Michael Swanson from Wells Fargo, Bill Davis and Doug Stark from Farm Credit Services of America, and Tom Houser from CoBank.

Director Certification Program (DCP)

DCP was held in Kearney on January 5 and 6. A total of 97 phases were completed during the two days. Facilitators for the phases were Dr. Roger

Ginder, retired from Iowa State University; Tom Houser, CoBank; Rocky Weber, Council staff; Don Wiseman, retired co-op manager, and Ed Woeppel, Council staff. In addition, Dr. Keri Jacobs from Iowa State joined as a facilitator for Phase 3 and Bill Kutilek from Crosby Guenzel LLP joined Rocky in Phase 1.

Board Officer Seminar (BOS)

The BOS was held on February 25th prior to the CoBank Customer Meeting in LaVista. This ever-popular program was led by Rocky Weber and discussed numerous issues that board leaders face.

Cooperative Issues Symposium (CIS) and Cooperatives For Tomorrow (CFT)

The early February snowstorm forced us to postpone CIS and CFT until March 8 and 9. Fortunately we were able to retain all but one of the scheduled speakers for both programs and, as luck would have it, most of the previously registered individuals were able to attend.

CIS focused on generational differ-



ABOVE: Dr. Keri Jacobs, Iowa State University, discusses the importance of understanding financial statements with DCP Phase 3 participants.

ences and was led by business consultant Tom McClung. The day also included a panel discussion with young producers and ended with a "Strategic Thinking" session led by Tom.

CFT the following day included presentations by nationally known economist Don Reynolds, commodity analyst Bill Lapp, investment broker Chris Erickson, Creighton economist Dr. Ernie Goss, and UNL economist Dr. Mitch Herian.



2016 COOPERATIVE SPEAKING CONTEST RESULTS

The Council, along with the CHS Foundation, sponsored the State FFA Cooperative Speaking Contest on April 7-8 in Lincoln. A total of 58 students participated at the district contests with 23 qualifying for the state contest.

This year's winner was Justin Evert of the Howells-Dodge FFA Chapter. His speech is reprinted on page 5. Sec-

ond place was awarded to Jada Jensen of the Hyannis FFA Chapter, and third place went to Lauren Jacobsen of the Wisner-Pilger FFA Chapter. Other results (in alphabetical order) and the FFA chapters they represented were:

Gold - Mekenzie Beattie, SEM; Michael Borgelt, Wisner-Pilger; Hailey Coufal, Howells-Dodge; Jaclyn Frey, Boone Central; Abby Kleager, Aurora

Silver - Jordyn Anderson, Plainview;

Caetlen Gyhra, Pawnee City; Courtney Kamler, Shickley; Ashley Kramer, Stuart; Taylor Nielsen, Waverly; Kayla Safarik, Elba; Elizabeth Selting, Elgin; Kenley Schneider, Cody-Kilgore

Bronze - Tiandrah Barnes, Cody-Kilgore; Heidi Borg, Allen; Parker Ehrke, Southern Valley; Brady Harrison, Gothenburg; Chase Jacobson, Holdrege; Naomi Snider, McCool Junction; Molly Suhr, Seward



2016 LEGISLATURE ADJOURNS

The 2016 legislative session adjourned on April 20th after what proved to be another unusual method for completing the state's business. Midway through the session, it appeared like little would be accomplished as the process was laden with filibusters and little compromise.

This was particularly concerning for cooperatives since the bill that was introduced to resolve the energy exemption for grain (LB 1047) was amended into LB 774 which made it to second reading with little opposition. Unfortunately, the bill remained on second reading while the filibusters were continuing on.

Near the very end of the session it appeared LB 774 would not be considered or advanced. Fortunately Speaker Hadley was able to work with key legislative leaders and secure an agreement to move many non-controversial items forward. LB 774 was considered non-controversial so the bill passed on Final Reading and was signed by the Governor on April 18th.

With the Governor's signature, we have been able to resolve the energy exemption issue that we have been discussing with the Department of Revenue for over five years.

Other issues of importance have been reported in the weekly updates so we will not repeat them here. A full recap will be provided in our Annual Report.

A GREAT 42 YEARS!

On February 24th, the Council's Board of Directors hosted a retirement reception for Bob Andersen. Bob officially retired on February 29th after 42 years of service to Nebraska cooperatives.

During the reception, numerous speakers provided tributes to Bob's years of service. A couple even provided some levity by sharing humorous stories regarding Bob's time at the Council.

In addition to the special gift that Bob's wife Jackie received at the Annual Meeting in November, Bob also received a plaque of recognition and a photo slide series depicting his cooperative career.

COOPERATIVES 101 FOR STUDENTS CONTINUES

The Council continues to provide Co-ops 101 presentations at community colleges across the state. This academic year we have provided presentations at SCC-Beatrice (Aug 11, Sep 2, and Dec 2); Omaha Bryan (Sep 1); NCTA (Sep 23); CCC-Hastings (Sep 28 and Mar 4); UNL Co-ops Class (Sep 29); CCC-Columbus (Nov 12); Southeast Nebraska Career Academy Partnership (Feb 5).

These presentations allow us to reach a critical audience with the cooperative message. These students will become future employees and members of cooperatives so it is important that they have a working understanding of cooperatives. This program has been partially funded by the CHS Foundation, and we want to thank them for their support. Additionally, we are happy to announce that we have received grant funding from the CHS Foundation for the next school year.

Pictured below: Carl Dickinson (far right), President/CEO of CVA headquartered in York, talks to students at CCC-Columbus about the importance of cooperatives and the many job opportunities that are available.



NEBRASKA COOPERATIVE COUNCIL MISSION STATEMENT

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



MERGING INTO A SUCCESSFUL FUTURE

by Justin Evert, Howells-Dodge FFA Chapter
1st Place Winner - 2016 Cooperative Speaking Contest

"It is difficult to imagine our lives without cooperatives

because we use them every day. Every time you turn on a light, peel an orange, drink a glass of milk, or eat a piece of bread, you can be sure cooperatives were involved in bringing that product or service to you. Right now you may not be aware of the many ways cooperatives affect your life, but as you will learn from this speech, they are vital to our economy and society.

Throughout this speech, we will take a look into the organization of cooperatives and how they benefit everyone. We will then discuss the role that cooperatives play on our farms and ranches. And finally we will determine how the merging of cooperatives is a necessity.

A cooperative is a legal business owned by its users, all whom have an equal say in the cooperative's actions, and all share in profit in proportion to the extent of their use of the cooperative's services. A cooperative is ran on three main principles; a users benefit principle, a users control principle, and a users owner principle. These three principles are what set a cooperative apart from any other type of business organization. A board of directors is elected by the members to oversee the cooperative and make major decisions regarding the future of the organization. The board of directors chooses a manager who they feel will be a reliable leader. He or she then manages the daily operations and is responsible for the hiring and firing of employees.

Today there are over 40,000 cooperatives serving over fifty million people, and nearly one out of every three Americans is a member of a cooperative. These businesses flourish in an extremely wide spectrum of business activities such as: banking, insurance, housing, healthcare, telephone and electrical power, and other consumer needs.

There are three basic types of cooperatives based on the services provided. The three types include marketing, purchasing, and service cooperatives.

A service cooperative provides updated services or technologies to operate farms, such as creditor record keeping. An example of a service cooperative is the Rural Electric Administration (REA). The

REA generates and sells electrical power to rural areas. These businesses can also provide services such as clean water or new technologies such as artificial insemination. Cooperatives help solve local problems by delivering these services to area farmers.

A purchasing or supply cooperative is a business in which large quantities of supplies can be bought. By purchasing in large quantities, they pay reduced prices, therefore passing their savings onto members. Giant regional grain cooperatives have become buyers as well as sellers of grain, large mills, and elevators.

Marketing cooperatives, which account for seventy percent of U.S. agricultural cooperatives, allow farmers to control the quantity, form, and distribution of products. These cooperatives collect, process, sell, and ship their products to their members. A nationwide cooperative, such as, "The California Fruit Growers Exchange," also known as Sunkist, markets more than one-half of the lemons, oranges, and grapefruit sold in the United States, including exports to foreign markets.

Today there are more cooperatives in cities than there are in rural areas, and they affect your every-day life in ways that you probably do not even realize. Look at the clothes you are wearing...the cotton is most likely distributed by a cooperative of cotton growers in the south or west. Your supplies or tools may come from hardware cooperatives, such as ACE Hardware. Some of the news you read comes from a cooperative called The Associated Press (AP).

One problem facing cooperatives today is their ability to compete in the marketplace. To overcome this issue, many smaller cooperatives have merged together and formed a larger, more sustainable cooperative. Central Valley Ag, a member owned farmer's cooperative located in central and eastern Nebraska, was started in 2003. CVA joined together with many of our small town cooperatives to form a competitive coop. If it weren't for the merger, many of them would not have survived. As of November 2015, CVA currently has fifty-six locations in Nebraska that consist of more than 600 employees. These locations stretch from as far west as Long Pine to as far east as Tekamah, Bow Valley in the north and Stockton in the south. CVA's

experienced and dedicated staff adapted to the changing of needs of today's producers helping them compete with private competitors.

There are various advantages and disadvantages that tag along with the merger of cooperatives. Mergers provide lower prices for the farmers, competition in the market place, and reduced costs because of the numerous locations. Unfortunately, mergers also result in the loss of the local cooperative's name. Some members feel like they aren't even a part of the cooperative because it now belongs to something much larger than their hometown. This may cause disagreement and frustration for those members who got along just fine with their small town cooperative.

Now I bet you are asking, why should we keep these small cooperatives or cooperative locations in each town? There are many positive reasons we should do this. The first reason is because we are supporting our communities with jobs and keeping our money close to home instead of supporting someone else's community. Next, our needs or items are right here. This is important to people in small towns because we don't have the convenience of driving down the street to the nearby Menards or Tractor Supply. Also, when we need our problems fixed we can get it done quickly because of the abilities of a hometown cooperative, which is important. Finally, the most important value to me and hopefully to you is the friendly hometown value of your product in which you are getting. When I go into our local cooperative to get medication for our cattle, I know who I need to talk to, which is a great feeling! This is a feeling that only a small town cooperative can offer.

Today we have covered how cooperatives are structured and the importance of merging smaller cooperatives just like Central Valley Ag has done for many smaller communities. We have discussed the different types of cooperatives and the products, markets, and services they provide. I am certain cooperatives will continue to play an important role in the future of our agricultural society because of every time you turn on your lights, drink a glass of milk, peel an orange or eat a piece of bread we know that the unique cooperative system has brought them to us."

OSHA PSM STANDARDS

(continued from page 1)

Council demonstrates that for many cooperatives in the state the costs will be in the millions of dollars, and for some could be as much as \$8-\$10 million. Anhydrous retailers will be forced to consider closing facilities, consolidating facilities or exiting the market completely. This will of course lead to higher nitrogen based fertilizer costs that have been calculated to be anywhere from \$18 to \$30 per acre depending on whether liquid or dry is the alternative product and the application rate.

The Council continues to be in regular contact with the Nebraska congressional delegation on this issue. Nebraska's three congressmen have all signed correspondence along with 38 other congressmen to the House Appropriations Sub-Committee with jurisdiction over OSHA asking for language in the 2017 Appropriations Bill that will require OSHA to conduct formal rule making and reconsider its decision in light of the significant material costs to retailer and producers. Senator Fischer has taken a lead role in the Senate seeking similar legislation in the Senate and Senator Sasse has joined her in that effort. The Council also continues to work with staff of the Agricultural Retailers Association and the National Council of Farmer Cooperatives.

AD-HOC COMMITTEE FORMED ON REGISTRATION AND TAXATION OF ROLLING STOCK

Several members of the Council have raised issues about how their rolling stock is registered and/or taxed. We have discovered that there is inconsistency among counties in Nebraska as to how certain trailers, fertilizer trailers, etc. are classified, whether as personal property or motor vehicles which affects how they are taxed.

The Council has formed an ad-hoc group of cooperative CFO's: Bob Brown, Aurora; Jeff Krejdl, Ag Valley; Chuck Brandenburgh, Frontier; and Mark Thieszen, CPI, that will meet with Council President Rocky Weber and Tom Jeffers of Crosby Guenzel LLP to identify the issues and formulate recommendations with regard to potential remedies.

Happy 65th Anniversary KRVN!



As a founding member of KRVN, we want to congratulate the station on 65 years of outstanding service to Nebraska's agriculture industry.

Best wishes for more success in the next 65 years.

CALENDAR OF UPCOMING EVENTS

May 2016

11 NCC Board Conference Call

June 2016

29 NCC Board Meeting - North Platte

July 2016

12 NCC-PAC Legislative Candidate Interviews - North Platte

19-20 NCC-PAC Legislative Candidate Interviews - LaVista

21 NCC-PAC Legislative Candidate Interviews - Lincoln

November 2016

17 Annual Meeting - Kearney, Holiday Inn

18 Director/Manager Workshop - Kearney, Holiday Inn

January 2017

4 Nebraska Legislature convenes

5-6 Director Certification Program - Kearney, Hampton Inn

23 NCC Legislative Advisory Committee meeting - Lincoln

February 2017

TBA Cooperatives For Tomorrow Seminar - Lincoln, Embassy Suites

TBA Cooperative Issues Symposium - Lincoln, Embassy Suites

23 Board Officers Seminar - LaVista, Embassy Suites

NCC RADIO SPOTS

The Nebraska Rural Radio Network provides the Council with complimentary network air time to present updates on current cooperative issues. These messages are aired every other Friday if there is information of significant importance to share.

The radio spots air at approximately 1:15pm MT on KNEB and at 2:17 pm CT on KRVN and KTIC.