



NCBA and CDF Annual Meeting, May 2007

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### ***Building Resources for Cooperatives***

The National Cooperative Business Association and its partner foundation, the Cooperative Development Foundation, held their annual meetings on May 2-3, 2007, in Arlington, VA and Washington, DC. NCBA, founded in 1916, is a national trade association that aims to unite cooperatives and credit unions across all industry sectors. The theme of the association's 2007 conference, *Building Resources for Cooperatives*, called attention to the effort of NCBA to create a national investment fund to support cooperative development across all sectors.

The opening sessions at the conference focused on nuts-and-bolts issues affecting member cooperatives. One of these issues was marketing. William Clayton, Vice President of Marketing and e-Business of the National Rural Utilities Cooperative Finance Corporation, stressed the importance of both internal and external business communication for business success and the importance for board members and co-op employees to be "ambassadors for the co-op". Mary Christ-Erwin of the public relations firm Porter Novelli argued that corporate scandals have provided an opening for co-op expansion. The world is a "perfect storm for co-ops rights now." Other speakers addressed legal and insurance issues. Lisa Jose Fales of Venable LLP spoke about how cooperatives can improve outcomes for members without running afoul of anti-trust legal restrictions, while Timothy Wilks, Managing Director of Commercial Professional Liability for Frank Crystal & Co. spoke about how to structure directors & officers insurance policies to best protect board members.

The highlight of the conference was the plenary session on developing a common co-op investment fund, patterned after socially responsible investment funds. As Paul Hazen, CEO of NCBA explained, the goals of the project are to: 1) Create an easy way to invest and 2) Promote co-op enterprise as a better model for doing business.

As Hazen explained, the process of creating a co-op investment fund has already proceeded through a number of steps. In 2004, members at the annual meeting named the co-op "capital gap" as their priority issue. A policy forum in 2005 helped develop the proposal and led to the formation of a task force that was headed by Margaret Lund of Northcountry Cooperative Development Fund, a Minneapolis-based community development financial institution that specializes in lending to cooperatives. Now, in 2007, Hazen said that NCBA had gathered sufficient data to launch a formal feasibility study to test the marketability of a socially responsible investment fund that would focus on raising capital for cooperatives.

According to Hazen, the need for capital in the cooperative sector is significant. Based on the Task Force study, food co-ops alone will need \$95 million in capital in the next 10 years. Other

co-op sectors also have major capital needs: housing co-ops for acquisition and rehabilitation, agriculture co-ops millions to retire member equity and convert to organic production, and purchasing co-ops to purchase and build new facilities.

The NCBA proposal is partially based on models used successfully by co-ops in other countries. According to Hazen, for instance, Italy had a floundering co-op sector in the 1970s. But Italian co-ops responded by agreeing to invest 3% of their net margins in co-op development funds, fueling rapid co-op growth. In Quebec, the co-operative Desjardins Group controls 50% of financial services. In 2001, Desjardins created an investment fund to provide businesses with capital. By 2005, it had \$300 million in assets, with \$30 million invested in co-ops.

The NCBA equity fund aims to meet co-op financing needs at all stages, including start-up, expansion, and facility construction and has set a goal of having member co-ops invest 1% of their net margins in the fund. By creating a simple and standardized investment fund for co-ops, NCBA hopes such a fund will help co-ops diversify their equity sources and discourage conversions that have sometimes occurred from co-ops to standard corporations. NCBA envisions that the fund will function as preferred shares do. Hazen noted that \$1 billion could be raised, even if just 3% of members contribute \$25 a month. Cooperatives funding the feasibility study include Consumer Co-op of Santa Monica, the National Rural Utilities Cooperative Finance Corporation (CFC), National Cooperative Bank, Organic Valley, and Equal Exchange.

In conjunction with the NCBA's annual meeting, the Cooperative Development Foundation held its annual Hall of Fame ceremony. (The CDF is the foundation arm of the NCBA, which provides grant and loan support to co-ops nationwide.) Inducted into the Cooperative Hall of Fame in 2007 were David Chatfield, co-founder and first executive director of the Filene Research Institute, the nation's first credit union "think tank"; John ("Jack") Gherty, who served 16 years as CEO of Land O'Lakes and helped establish the Land O'Lakes Foundation; Charles Gill, who helped found the National Rural Utilities Cooperative Finance Corporation and the National Rural Telecommunications Cooperative; and Jane Jantzen, who rose from an entry-level position to become one of Cenex Harvest States' first female vice presidents and who helped build the CHS Foundation, which today provides over \$1.3 million a year to support cooperative education and rural development.

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