

Northeast Missouri Grain Processors, Inc. Community Case Study

by

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Acknowledgments

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Disclaimers

Northeast Missouri Grain Processors, Inc. is currently holding informational meetings to seek equity financing. The Board of Directors, as discussed in the paper, have been advised by their attorney regarding constraints about what they can and cannot discuss regarding their project. It should be noted that all members of the Board who participated in the community visit have strictly adhered to that advice both in the focus group meetings and in individual conversations. Other sources have provided specific information regarding the details of the cooperative structure and proposal that has been included for educational purposes.

Northeast Missouri Grain Processors, Inc.

Introduction

Northeast Missouri Grain Processors, Inc. is an organizational pioneering endeavor as it seeks to successfully become the first defined membership, value-added or “new generation” cooperative in Missouri. The case study provides insights regarding start-up of a new generation cooperative and the challenges associated with adopting the new generation cooperative model in the state. To learn more about this cooperative’s experience, a team of university researchers from Minnesota, Missouri and Wisconsin visited Macon, Missouri on February 9, 1998. Macon has been selected as the site for processing plant construction if the cooperative’s equity drive is successful.

During the visit on February 9, three focus group discussions were held:

- Community Leaders

Participants in this group included agricultural bankers, chamber of commerce, city and county government leaders, extension, farm credit services, rural electric cooperatives and USDA Rural Development.

- Producers

This included some farmers who have decided to join the cooperative and others who are still considering membership.

- Board Members

Six members of the board of directors attended the discussion. All, except one, have been a part of the initial core and on the board of directors since the time of incorporation. Project champions John Eggleston, Board Chair, and Grover Gamm, Board Treasurer, were interviewed immediately prior to the board member focus group.

The Community

Macon is the county seat of Macon County, located approximately 60 miles north of Columbia, Missouri. In 1990, unemployment in Macon County was 7.9%. Since 1990, employment in the county has been unstable. The closing of Associated Electric Cooperative’s mine at Thomas Hill in Randolph County left approximately 500 persons unemployed in the region. Macon County was

especially hard hit. Employment at manufacturing firms has fluctuated throughout the decade. Although Missouri's population increased 4.7% from 1990-1996, Macon County's population decreased slightly, 1.2 %, during that same period. This continues a downward trend. Total county population was 15,159 in 1996, a 7% decline since 1980. Macon County's income per capita also lags the state average. In 1993, 17.3% of the population was below poverty levels. For more detailed demographic information see the appendix on Macon County.

The Cooperative Enterprise

Northeast Missouri Grain Processors, Inc. is a non-profit cooperative marketing organization incorporated under Chapter 274, rather than Chapter 357, of Missouri state statutes. The cooperative was formed to explore the economic feasibility of the construction of an ethanol plant. The goal is to create a new market for corn and to provide a value-added use to increase the profitability of corn.

First discussed among farmers in 1994 the cooperative is currently (December 1997 to April 1998) conducting informational meetings to seek financing for the construction of an ethanol plant. Based on market feasibility and the business plan, the group is seeking to raise between 7 and 13.75 million dollars of producer equity to construct a plant with annual production capacity between 7 million and 15 million gallons of ethanol. It is anticipated that 5,500,000 bushels of corn will be needed as feedstock to produce 15 million gallons of ethanol. A 15 million gallon plant is initially expected to employ 30 persons -- 5 in management and administration and 25 in plant operations. By-products from the dry milling plant will include Dried Distillers Grains plus Solubles (DDGS) -- a high protein animal feed. Total costs for the project are estimated to be between \$14 million and \$27.5 million.

The cooperative is a defined membership cooperative. Members must be bona fide agricultural producers of corn. Participating producers are required to make a minimum investment of \$12,500 to purchase the right and obligation to deliver 5000 bushels of corn annually to the cooperative. Additional investment may be made in increments of 1000 bushels for \$2500. Twenty percent of the investment is an initial down payment with the balance due over a prescribed

period of time. The down payment is held in an escrow account. If the cooperative does not generate the minimum capital requirements, funds received will be returned to those who have committed to join the cooperative. The cooperative retains the right to keep up to \$500 per member to cover legal and other organizational expenses. Members enter a uniform marketing agreement with the cooperative. Cooperative members have the right of first refusal to purchase the DDGS.

A limited liability company will be formed to own and operate the plant. Proceeds from the equity drive will be the cooperative's capital contribution to Northeast Missouri Grain Processors, LLC. In the event that the cooperative does not raise the maximum level of equity from producers, the LLC structure allows the possibility of additional financing through capital contributions by other members (both corporate and individual investors) in the LLC. These other investors will also be obligated to deliver corn to the LLC.

A trading company will be organized and set up to buy and sell over/under amounts of grain and other material in order to maximize efficiency of plant operations. The trading company will also sell DDGS.

The Idea

The idea for forming the cooperative grew from discussions beginning in the fall of 1994 among farmers who were also board members of the Missouri Corn Growers Association. While attending national meetings, they talked with farmers involved in ethanol projects in other states. Based on these contacts, some members of the Missouri Corn Growers Association toured new generation cooperatives in Minnesota and North Dakota. The success of farmer-owned ethanol cooperatives, particularly in Minnesota, encouraged Missouri farm leaders to further explore the feasibility of a ethanol project.

Getting Started

In December of 1994, a meeting was held to determine the breadth of interest in building the ethanol plant and to discuss how to move forward. The meeting involved farmers, agribusiness and economic development leaders, state representatives, and the Missouri Department of Agriculture. A member of Minnesota Corn Processors (MCP) attended and discussed the MCP

organization and ethanol plant. Shortly after this meeting, the group developed a mission statement and formed subcommittees in the areas of: administrative issues; finance; membership, engineering, construction and site selection; public relations; and legislative[recommendations regarding state policy].

Incorporation

In March, 1995, the group filed incorporation papers including bylaws. At the time of incorporation, the board consisted of 12 farmers. Presently, there are 13 board members.

Market Feasibility

Based on these endeavors the group received donations from individuals, agribusinesses, rural electric cooperatives, and the Missouri Corn Growers Association. These donations made it possible to hire a private firm to conduct a market feasibility study.

In September, 1995, a second meeting of farmers, agribusiness and economic development leaders, and state policy makers was held to review and discuss the market feasibility study. In addition, it was an opportunity to hear reports from the subcommittees.

Site Selection

From March to October 1996, a detailed, formal site selection process was conducted. A request for proposals from the northeastern quarter of Missouri generated applications from nine counties representing 15 towns. Each proposal contained extensive information, including: corn production within a 50 mile radius; statistics on the livestock industry in the area; local corn basis; power, water and natural gas rates; transportation costs; availability of tax increment financing and enterprise zones. Members of the board and their consultant visited each of the proposed sites. The board relatively quickly narrowed the potential locations to 3. The three finalists were given the opportunity to review and make changes, if they so desired, to improve their proposal. Initially unable to reach a consensus on the final site, the board developed an evaluation worksheet. Each board member ranked each proposal on the basis of twelve criteria on a scale of 1 to 5, with 5 being the highest rating and 1 the lowest. Once the board completed the worksheets, they reached a

unanimous decision to locate the plant in Macon. Although it was possible for the board to reach consensus about the site location, the other two finalist communities have not yet reconciled themselves to the decision. This lack of acceptance has hurt the cooperative as it seeks members to capitalize the plant.

Business Plan

Activities from spring 1996 to early September, 1997, culminated with the development of a business plan. This included identification and selection of professional advisors: an accountant for assistance with financial projections, an engineer for plant design, and a consultant to assist with the business plan. The business plan integrated information from the accountant, engineer and attorney. Those providing professional and technical assistance, except the attorney, are from outside Missouri. Both the accounting firm and engineering firm are working on a contingency fee basis. (Note: The agreement with the consulting firm that assisted with the site selection process was terminated in May, 1996, due to disagreements between the firm and legal counsel regarding the structure of the cooperative.)

The cooperative received approval of their offering circular and was granted an exemption from securities registration by the Secretary of State. The cooperative is awaiting a determination from the IRS on its application for 521 status.

Equity Drive

Informational meetings began in December, 1997, and will continue until April 1, 1998. By mid February, 1998, approximately 25 meetings had been held in a like number of counties. Producers who attend these meetings are provided the following types of information:

- summary and background of the cooperative,
- biographical information on the board of directors,
- structure of the cooperative,
- bylaws of the cooperative
- outline of the rights and responsibilities of the membership,
- membership payment schedule,
- statement of assumptions used in financial projections,
- income and balance sheet projections,

- description of the limited liability company formed to own and operate the plant, and
- a description of the trading company that will be formed to sell the by-products.

At these first meetings, growers who are seriously interested in the cooperative are allowed to check out a notebook detailing this information. Two weeks later a second meeting is held in the same area. At that time, those who intend to join are expected to make a commitment.

Potential Impacts of Northeast Missouri Grain Processors, Inc.

Since the cooperative is in the midst of the initial drive for equity, it is too soon to identify members and non-members. However, of the five producers participating in the focus group, four have decided to join the cooperative and the other is still considering membership. It is noteworthy that while the producers emphasized personal reasons for investing in Northeast Missouri Grain Processors, Inc., they also considered the community impacts of establishing this cooperative to be important. After identifying as many reasons as possible for participation in the cooperative, members of the focus group voted individually for the two most important reasons with the following results: (The number of votes for each reason is shown in parentheses.)

- To help ourselves (3)
- To add value to corn (2)
- To help develop the community (2)
- To establish a local market for corn (1)
- To allow environmental benefits of ethanol to enhance market growth (1)

Similarly, the focus group identified key reasons that could discourage producers from investing in the cooperative. Financial constraints and concerns about the long-term prospects for continued legislative support of ethanol were most frequently identified as being important. Concerns about the effect of the plant on feed costs for livestock producers were also a focus of discussion, although there was not unanimity in the assessment of the extent of these effects. Factors considered included the following:

- Uncertainty regarding federal/state legislation for continued support of ethanol (3)
- Challenge for the individual producer to make the initial membership payment cash flow (3)
- Possible increased costs for livestock producers (1)
- Proximity to the river, already a strong corn market (1)
- Annual commitment of 5000 bushels -- what happens if there is a drought? (1)

Producers were asked to identify the types and sources of information used to make the participation decision. The most important types of information were those that provide insights on the specifics of the project and on the prospects for ethanol -- the key product for the new cooperative. All participants identified the cooperative prospectus, feasibility study and business plan that were made available by the cooperative board in informational meetings as being very important. Direct responses by board members to questions was another key type of information. Also, participants cited one-on-one discussions with board members as important. Other useful sources of information included farm organizations, word of mouth, general news and farm magazines.

Potential Impact on Members¹

Community leaders and producers are in agreement that the most significant impact for both members and non-members will be economic. The cooperative has the potential to improve profits for members, but the members also risk losing their investment if the cooperative is unsuccessful. The producer group identified both positive and negative impacts the cooperative might have on farmers. When asked to select the two most important impacts, it is noteworthy that producers assign a higher relative importance for positive impacts over negative impacts 28 to 1. The results are listed below: (The number of votes for each impact is shown in parentheses.)

Positive Impacts:

- Stronger market, more income (15)
- Recurring dividends for members (9)
- Stronger local corn basis (4)

Negative Impacts:

Reduced availability of grain for livestock producers (1)

The expectations of the farmers in the session were realistic -- they were not assuming that the plant would immediately begin paying a significant dividend. Of more immediate concern was the question of whether the cooperative would meet the investment targets required to build the plant and begin operations.

Important secondary benefits of the cooperative were also identified. These include: diversification of markets and the demonstration value of this cooperative as a model. Both community leaders and farmers expect other value-added cooperative ventures to follow if this cooperative is successfully launched. On the other-hand, there is concern that if this cooperative is unsuccessful, it may have a negative effect on other value-added cooperative activity in the state. The keen interest of producers in expanded, future opportunities for farmer-owned, valued-added enterprises underlies their investment decisions and their hopes for Northeast Missouri Grain Processors, Inc. The producers view the current project as a threshold that can significantly advance future self-help possibilities.

Potential Impact on Non-Members¹

Both community leaders and farmers expressed mixed views about the cooperative's impact on non-members. On the one hand, the ethanol plant's increased demand for corn may lead to a higher local price for corn and create enhanced market opportunities for members and non-members alike. Although the producer participants recognized that there will be challenges for the new cooperative, their major concern about negative impacts centered around the potential for increased feed costs for livestock producers. However, the dry milling process creates Distillers Dried Grains plus Solubles (DDGS) as a by-product and the local availability of this important feedstuff can be beneficial to livestock producers. Some felt the loss of grain throughput could negatively impact established local grain cooperatives. Others felt there would be opportunities for these cooperatives to provide services such as storage and delivery to the new cooperative. Real concern was expressed that the cooperative might hurt new and limited income farmers, who might lose future

opportunities due to the closed structure of the cooperative and the possible increase in land values resulting from the cooperative's success. Other concerns included environmental impacts such as a decline in water quality if crop and livestock production increases.

Potential Impact on the Community¹

Jobs and an increased total tax base are viewed as the most important community impacts of the new cooperative. There was a strong consensus among the community leaders focus group that jobs were the number one benefit, with an increased total tax base as the second most important. All participants in the producer focus group felt the most important positive impact was the potential for increased tax revenue, with increased employment opportunities as second most important. Both groups also identified the prospects of additional business opportunities (both for cooperatives and investor-owned firms) as an important benefit. In the short-term these opportunities would include additional demand for services from existing businesses and perhaps new businesses directly related to the cooperative's activity, such as trucking. In the longer term, the presence of Northeast Missouri Grain Processors, Inc. might attract other new unrelated businesses and foster the development of more cooperatives. Potential negative impacts included increased demand for local government services, a shortage of employees which could put upward pressure on wages, and environmental concerns.

Priorities for Research, Education and Teaching from the Center for Cooperative Enterprise

Each focus group was asked to evaluate the need for assistance from the Center for Cooperative Enterprise. Individual participants in the focus groups prioritized needs in the areas of research, educational programming and technical assistance on a five point scale with 5 being very important and 1 being very unimportant. They were also asked to indicate if these were past, current, on-going or future needs. The results are presented on pages 19-21.

Technical Assistance

All areas of technical assistance were generally rated as very important or important.

Community leaders viewed assistance with strategic planning as most important, followed by market research and economic impact forecasting.

The producers felt market research was most important.

All of the board participants viewed strategic planning assistance, financial management of the cooperative and legal assistance as very important programming needs.

In general, most viewed all areas of technical assistance as on-going needs.

Research

The need for research-based assistance was also rated very highly by the participants.

The community group rated all research areas as either very important or important. Research related to critical success factors of cooperatives and assessing the return on cooperative's assets received the highest ratings.

Producers rated critical success factors for cooperatives and critical community economic issues as the most pressing research areas.

The only research priority that was not rated as either very important or important by the board group was research focused on identifying conditions that suggest a cooperative is the optimal organizational form.

In general, these research areas are viewed as on-going needs. Although the board viewed research on how to form a cooperative as a past need.

Educational Programming

Educational programs were also consistently rated as very important or important by participants, although the ratings were slightly lower in this area than in technical assistance/research areas.

Community leaders ranked assistance with community economic principles most highly, followed by public finance, leadership, and cooperative basics.

Producers viewed leadership and board of director training as the most important educational needs.

The board viewed education about the basic structure of cooperatives and about how to assess and manage risk as the greatest needs. Leadership and board training were both seen as important, but slightly less so.

In general, all of these priority areas were viewed as current and on-going needs.

Lessons Learned

Some of the lessons learned by the board include:

- Remain flexible and willing to adapt to changing technological and economic conditions. For example, Northeast Missouri Grain Processors, Inc. changed their initial opinions about the type of technology to be used in their plant and on the pre-requisites for good plant sites.
- Do not underestimate the need for and the time required to educate people about value-added cooperatives. The time required to develop the cooperative has been much greater than anticipated. In part, this is due to being the first defined membership cooperative in Missouri. Many people who need to be involved (farmers, lenders, state legislators, state agencies) were not familiar with new generation cooperatives. Even the University of Missouri was not, as a general rule, sufficiently familiar to provide needed assistance through the Extension Service.

- The legal setting of a particular state must be understood.² Many of the procedures used in the formation of new generation cooperatives in Minnesota, upon which Northeast Missouri Grain Processors, Inc. is patterned, were deemed by the cooperative's attorney not to be permissible under Missouri statutes and regulations.
- Economic development programs at the state and local level are often not well suited to cooperatives. In fact, state agencies tend to be much less user-friendly toward cooperatives compared to other forms of business. Further, there is not an easy means to identify programs and sources of assistance that might be appropriate for the project. With the programs that have been identified, there is often excessive red tape.
- Drawing on the knowledge and expertise of others interested in rural development is an important and valuable resource. The support of rural electric cooperatives has been especially helpful to Northeast Missouri Grain Processors, Inc.

Challenges and Opportunities

The task at hand, to complete a successful drive to raise equity capital, is the most immediate and pressing challenge. Raising equity capital is frequently cited as a challenge by new generation cooperative champions. In the case of Northeast Missouri Grain Processors, Inc., the challenge of raising equity capital is compounded by several factors including:

- the unfamiliarity of local farmers with this type of cooperative;
- the uncertainty regarding federal and state legislation for ethanol;
- the variability of weather in this part of Missouri often puts heavy demands on a farmer's cash flow reserves; and
- the restrictions, as found by the group's attorney in Missouri law, with respect to the sale of investment securities.³

Absence of an adequate base of knowledge about the structure of new generation cooperatives and Missouri laws/regulations has been a major constraint. This has greatly increased the time necessary for bringing the cooperative to this point. Current efforts to raise equity capital have also been greatly impeded. Acting on the advice of their attorney, the board has limited

public statements and advertising regarding informational meetings. As a result, much of the public is uninformed about the development of this cooperative. Some of the information being circulated is inaccurate -- which may have negative consequences for the equity drive. A number of key community leaders are eager to have more information in order to provide support for the cooperative.

Another key challenge has been the need for education about cooperatives in general and new generation cooperatives in particular. Critical audiences include financial institutions and farmers. With respect to financial institutions, project leaders felt the recent trend toward mergers and consolidations has reduced the understanding of cooperatives within these institutions. As lending institutions become larger, there is a tendency to be more removed from agriculture and cooperatives. Since this is a new organizational form for Missouri farmers it is necessary to explain the differences and similarities between new generation cooperatives and other cooperatives. The lack of physical examples of value-added cooperatives in Missouri has placed greater demands on the need for general educational efforts to provide a background in which the specific project can be presented.

Just as being the first value-added cooperative in Missouri has added to the challenges, it also presents the opportunity to be a significant model for future endeavors.

The board also sees tremendous opportunity for both the University and the state to develop programs to provide technical assistance to groups in the process of forming new generation cooperatives. Both people to assist with the process and financial resources to help defray some of the expenses associated with feasibility studies and business plans are greatly needed.⁴

Summary and Conclusions

The board, farmers and community leaders believe the first successfully established new generation cooperative will have a powerful demonstration effect. Numerous other farmer-led, value-added projects are expected to follow. Northeast Missouri Grain Processors, Inc. desires to be the first new generation

cooperative in Missouri, but as board chair, John Eggleston notes: “It will be much easier to be second than it is to be first”.

Regardless of the outcome of the equity drive, the leaders of Northeast Missouri Grain Processors, Inc. will have provided an invaluable service to Missouri’s farmers. The project leaders have invested countless hours in educational efforts to expand the knowledge base regarding value-added cooperatives among farmers; elected representatives, and agribusiness, community and government leaders. As a result of their struggles, it is apparent that a review of Missouri law and regulations is needed. A legal/policy advisory committee, with the needs of new generation cooperatives in mind, could make recommendations regarding: the extent to which there is flexibility in the interpretation of current laws/regulations; the need for clarification of legislative intent and/or corrective legislation; and the merits of enabling legislation.

Further, the board’s willingness to participate in the community case visit provided valuable insight for development of the proposed Center for Cooperative Enterprise. The experience of Northeast Missouri Grain Processors, Inc. has much in common with other new generation cooperatives. Discussions held during the start-up process enrich the perspective regarding important technical assistance needs; such as:

- a guidebook regarding new generation cooperatives;⁵
- a feasibility study guide;
- an information clearinghouse regarding national and state programs to assist formation of cooperatives;
- assistance with applications for grants and other development programs; and
- assistance identifying potential markets and business contacts for value-added products.

In addition, Northeast Missouri Grain Processors, Inc. is especially valuable as a case study for the insight provided regarding the unique research, teaching and outreach program needs that exist when the organizational model is first transplanted to other states. Education and information about the new generation cooperative model for the project leaders is important but may not be sufficient. As the first to explore the organizational feasibility within the state’s

legal and regulatory environment, there are special program needs. These include:

- General education programs about the structure of new generation cooperatives are needed for farmers, lenders, state and local economic development leaders, and state policy makers. Materials to assist champions involved with the first value-added project in a given state that outline the structure of new generation cooperatives as well as highlight it's similarities and differences with other cooperatives would be useful.
- Education programs specifically targeted toward attorneys and accountants to introduce the new generation cooperative structure and organizational process may be helpful in beginning to establish an in-state technical knowledge base.
- Information specifically developed for state legislators about new generation cooperatives and the laws and regulations of other states may be useful in fostering the development of a favorable legal/regulatory environment. This might include development of model enabling legislation and regulations.

As evident in the Northeast Missouri Grain Processors, Inc. case study, a successful launching of the first value-added cooperative has benefits that extend far beyond it's members and their community. The entire state is watching -- with hopes and visions of expanded self-help opportunities to increase profitability for farmers and sustainable economic development for communities.

TECHNICAL ASSISTANCE

IMPORTANCE

	Strategic Planning	Legal Assistance	Market Research	Impact Assessment	Econ Impact Forecast	Financial Management
Number of Responses	20	15	20	11	11	9
Very Important	17	10	14	6	10	6
Important	3	4	5	4	1	3
Neutral	0	1	1	1	0	0
Un-important	0	0	0	0	0	0
Very Un-important	0	0	0	0	0	0
Average	4.85	4.60	4.65	4.54	4.90	4.66

- 5 = very important
- 4 = important
- 3 = neutral
- 2 = un-important
- 1 = very un-important

TIMING

	Strategic Planning	Legal Assistance	Market Research	Impact Assessment	Econ Impact Forecast	Financial Management
Number of Responses	21	16	15	10	11	10
Past	6	0	0			
Current	5	3	2		3	1
Future	1	2	0	1	1	3
Ongoing	8	11	13	9	7	6

RESEARCH OUTPUTS

IMPORTANCE

	Case Studies	When To Use Coop	Success Factors	Community Economics	Econ Returns From Coops	Coop Guidelines
Number of Responses	19	19	19	19	19	19
Very Important	11	7	16	13	13	14
Important	8	11	3	5	6	3
Neutral	0	1	0	1	0	2
Un-important	0	0	0	0	0	0
Very Un-important	0	0	0	0	0	0
Average	4.57	4.31	4.84	4.63	4.68	4.68

- 5 = very important
- 4 = important
- 3 = neutral
- 2 = un-important
- 1 = very un-important

TIMING

	Case Histories	When To Use Coops	Success Factors	Community Economics	Econ Returns From Coops	Coop Guidelines
Number of Responses	16	16	16	16	16	15
Past	1	2	1	0	0	2
Current	7	6	5	3	0	8
Future	0	0	0	1	0	0
Ongoing	8	8	10	12	16	5

EDUCATIONAL PROGRAMS

IMPORTANCE

	Leadership Training	Coop Basics	Public Finance	Community Econ Princ	Brd of Dir Training	Risk Assessment
Number of Responses	19	19	11	11	8	8
Very Important	11	10	6	8	5	5
Important	6	7	5	3	3	3
Neutral	2	2	0	0	0	0
Un-important	0	0	0	0	0	0
Very Un-important	0	0	0	0	0	0
Average	4.47	4.42	4.54	4.90	4.62	4.62

- 5 = very important
- 4 = important
- 3 = neutral
- 2 = un-important
- 1 = very un-important

TIMING

	Leadership Training	Coop Basics	Public Finance	Community Econ Princ	Brd of Dir Training	Risk Assessment
Number of Responses	16	16	11	11	5	5
Past	0	1	0	0	0	0
Current	2	5	1	0	1	0
Future	1	0	1	0	1	0
Ongoing	13	10	9	11	3	5

NOTES

1. The board did not participate in discussions regarding impacts of the project on members, non-members or the community. The board felt to do so would be contrary to the advice of their attorney.
2. Like many states, Missouri has more than one state incorporation statute for cooperatives. In Missouri, there are two separate agricultural cooperative statutes: Chapter 274 provides for the incorporation and operation of a non-stock cooperative and Chapter 357 provides for the incorporation and operation of a stock cooperative. In the US, there are 85 separate incorporation statutes for cooperatives.
3. It is important to note that the cooperative is relying on the opinion of their legal counsel regarding his/her interpretation of Missouri law and regulations as it relates to equity offerings by cooperatives. The authors of this paper are not qualified either to corroborate or to refute these opinions. However, given the significant restrictions that have been imposed by these opinions, a review of Missouri law and regulations to determine the extent of flexibility in these interpretations is warranted.
4. The Missouri Department of Agriculture has hired a cooperative marketing specialist. The specialist's job responsibilities include assisting producers with cooperative development. In 1997, the Missouri state legislature authorized the creation of grant programs to assist with activities such as feasibility studies and business plans for projects that add value to agricultural commodities. A second new program was authorized to provide partial loan guarantees for lenders who make loans to assist with value-added projects. However, the legislature has yet to appropriate funds for either program.
5. "Organizational Innovation: The Emergence of New Generation Cooperatives--A Research-Based Guide to Process, Tools and Resources", a guidebook regarding new generation cooperatives, is forthcoming from the University of Missouri and USDA Rural Business-Cooperative Services.