

Leading the Charge or Waiting for the Troops?

AE16024, Dec 2017

Phil Kenkel

Bill Fitzwater Cooperative Chair

John has been the board chair at Farm Producers Cooperative for 4 years. Farm Producers is a diversified grain marketing and farm supply cooperatives with approximately \$50M in sales. Like many similar cooperatives, Farm Producers have made major investments to replaced and upgrade its grain handling infrastructure. As the strategic position of the grain department has stabilized the board of directors has identified many needs and opportunities in the agronomy division. Producers in the area have been diversifying both crops and tillage systems. Many of the better producers are experimenting with variable planting rates, multiple fertilizer applications, advanced seed treatment, foliar fungicides, micro-nutrients and a host of other intensive agronomy practices. None of the cooperatives surrounding Farm Producers are particularly strong in agronomy, so the board feels that there is a strategic opportunity for the cooperative to emerge as leader in that area.

Unfortunately, until the cooperative has time to digest its grain infrastructure investments, agronomy opportunities will remain on the strategic plan flip chart. All of the cooperative's fertilizer storage, blending and handling infrastructure are old and inefficient. When future regulatory compliance issues are considered the agronomy department discussion moves from "opportunity" to "threat". The cooperatives agronomy department manager is knowledgeable but does not have the time nor the expertise to be the "trusted advisor" to the cooperative's more progressive producers.

As John prepares the agenda for the upcoming board meeting he also considers an internal issue. The board as a whole has a difficult time keeping information confidential. While there have been no "smoking guns" of blatant confidentiality breaches it seems that much of what the board discusses in one board meeting is generally known by the members by the next meeting, John has given several stern talks on the importance of keeping information and board deliberations confidential. Unfortunately, addressing the problem has been like fixing a tank with a multitude of small drips. The board is not containing information but it is difficult to identify a single problem area.

As John mulls over strategic opportunities and internal issues he received an unexpected phone call from Hugh Head, the Board Chair of a regional cooperative. Mr. Head chair stresses that the topic of conversation is extremely confidential. John promises not to share any information and learns that the regional cooperative is interested in partnering with one cooperative in the state to construct a state of the art agronomy center. Mr. Head wanted to arrange a chair to chair confidential meeting to discuss the opportunity.

Question #1 It is appropriate for John to meet with Mr. Hugh Head to discuss this opportunity and to agree not to share information with his board or CEO unless the discussions reached the next step.

Part II

John did agree to meet with Mr. Head and the two board chairs had a cordial and frank discussion. John learned that the regional's cooperative strategy was to become "relevant" to the farmer owned system through whatever structures were appropriate. Mr. Head was reluctant to disclose many details until John agreed to the next step which was to sign a confidentiality agreement and agree to another meeting. The proposed next step in the discussion would bring in Mr. Frank Olson, the Farm Producers CEO and Mr. Bean Counter, a strategic business specialist from the regional cooperative. Reading between the lines, John inferred several key points. First, the regional cooperative was determined to pursue an agronomy center as a means of getting more points of contact with the farmer members. John is reasonably confident that if his cooperative is not interested, or is too cautious in pursuing discussions the regional cooperative will find another local cooperative partner or pursue the project on their own. Second, the sheer size of the project, the need to strategically acquire a green field location and the possible reaction of both independent and cooperative competitors make confidentiality essential. Finally, while potentially very beneficial, the project could be controversial both within Farm Producers membership and within the cooperative community.

Question #2: Is it appropriate for John and the CEO to engage in further discussion without informing the board? If so, what parameters should they place around the extent of the discussion.

Part III

John and Frank did agree to meet with Mr. Head and Mr. Counter. The concept of the regional agronomy project was intriguing. It would provide Farm Producers with access to a state of art facility with improved warehousing and blending capabilities. The regional cooperative would supply a full time agronomist and that expertise, along with other support programs could allow Farm Producers to pursue their strategy of becoming the premier information source in the region. There appeared to be some flexibility in terms of ownership percentage and governance structure. It appeared to both John and Frank that the time had come to bring the full board into the discussion.

Question #3: How can John address his board's issues in maintaining confidentiality?

Question#4: How should John frame the discussion with the board? Should John introduce the opportunity and give his initial assessment? Should Frank (the CEO) give a perspective or will that just emphasize the fact that the board has been left out of the initial investigation? Should John begin by having the regional cooperative representatives give a presentation to the board? Are there other logical options to proceed?