



MISSOURI SENATE

JEFFERSON CITY

John Cauthorn
18th Senate District

CAPITOL BUILDING, ROOM 416
JEFFERSON CITY, MO 65101
PHONE (573) 751-6858
TDD (573) 751-3969
FAX (573) 751-6900
EMAIL john_cauthorn@senate.state.mo.us

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Contact: Steven Cowen
(573) 751-6858

THE CAUTHORN REPORT

Adding Value to Cooperative Trust

Value added cooperatives in our state, like the one in Laddonia, benefit our farmers, our economy, and our state. These organizations are built on a foundation of member investors, and operated by an elected board of directors.

Job descriptions for the board of directors have a lot of tangible requirements, such as official duties and roles. The intangibles, however, truly are requirements to serve. Directors must have a passion in their hearts and a desire to improve Missouri's agriculture community. The spirit of volunteerism builds a strong foundation for these ventures.

Members of these coops should thank their board members for their hard work, their hours of service, and their dedication to go above and beyond. Laddonia will be home to Missouri's fourth ethanol plant because of the efforts of the East Central Agriculture Products board of directors.

Each coop sets rules and guidelines early in the planning stages as to how their board members should be compensated. Ambiguity in state law can lead to the confusion, as we have recently witnessed.

Currently, state law says board members must negotiate compensation within 30 days of incorporation. But the same law also says board members can be reimbursed for expenses. In 2002, ECAP board members declined compensation packages when they incorporated. This noble act resulted in confusion about how board members should be reimbursed, and who should make that decision.

Legislation I am sponsoring tightens how a board receives compensation for their services. The most important element is that member investors will be making the decision, not the board. This ensures a system of checks and balances between members and directors.

When members vote, only a simple majority is necessary to pass an initiative. Let's assume a coop has 500 members. If members return 50 ballots, the remaining 450 ballots are counted as a 'yes' vote. Under my legislation, a majority of ALL members will have to approve reimbursements. This means if there are 500 members, 251 members must vote in favor of reimbursement.

Trust and accountability between member investors and board members must be maintained. Trust is a two-way street. Board members must be open in their desire to be reimbursed. The approval of member investors is equally important.

My legislation will prevent future conflicts. If a board like Laddonia doesn't set compensation requirements early in the process, but they later want to be reimbursed, it must be put to a member vote.

If the members choose to recognize the hard work and costs associated with the board's efforts, they can reimburse their board. However, if the operation isn't on firm financial footing, or if members feel the expenses were unnecessary, they can place the well being of the organization first.

My legislation will clearly define a process that recognizes the hard work and sacrifice of board members. Further, we will ensure the sanctity and trust of the industry by preventing massive windfalls of profit. Board members take on these roles because they care about the benefits ethanol brings to our state, and we should keep it that way.

The integrity of Missouri's ethanol industry has never been better. Folks know they can invest their money into these value added coops with a high certainty of trust. Ethanol is the energy of the future. Missouri recognizes we must depend on the Midwest, not the Middle East, for our energy needs.

For our coops to prosper, we must grow and evolve. My legislative proposal ensures trust, accountability and transparency in the process. The Laddonia plant will provide jobs that cannot and will not be sent overseas. Our corn growers will benefit from this plant, and so will our state's economy and energy supply. With value added coops, there are a lot of winners.

Sen. Cauthorn represents Missouri's 18th Senate District. He can be reached at his capitol office at (573) 751-6858. You can also visit his web page by going to www.senate.mo.gov/cauthorn.